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### *Dear Readers*

*It is with great pleasure that we address you for this special issue on Cyprus-Russia Relations. We are delighted that this endeavor comes as the culmination of a process that began with an agreement signed between the two Universities in December 2018, to launch a double MA degree programme. This MA Programme is offered in MGIMO's 'International Political Consulting' degree in the field of study of 'Political Science' conducted by MGIMO on the one hand, and in the University of Nicosia's 'International Relations and European Studies' or 'Law and Politics in the European Union' degree (depending on student choice) on the other hand.*

*The articles in this issue focus on relations between our two countries. The one of articles is by Michalis Kontos, who theorises the economic, diplomatic and cultural framework of bilateral cooperation by analysing the systemic factors affecting the players' arguments, policies, and motives. This is followed by Costas Melakopides' article, which focuses on the particularities of the Russian-Cypriot traditional friendly relations and presents an insightful analytical doctrine for the reinterpretation of the two powers' role in the bilateral and universal level. Antonios Stratakis and Theodore Pelagidis question, in their article, traditional narratives regarding energy policies in the Eastern Mediterranean by critically inspecting the key stakeholders' interests and pursuits. Andreas Stergiou in his article discusses the EU factor in the interplay between Russia and Cyprus within the context of history, security, and economics. Theofanis Malkidis recounts the history of political relations between Cyprus and Russia in order to assess the crucial moments leading to the 2004 Annan Plan. Kyriakos Kolovos, Costas Venizelos, Emmanouil Takas and Sofia Iordanidou explore the bilateral relations of both nations from the establishment of the Republic in 1960 until March 2013, by employing a historical analysis of Russian representations in the Cypriot press.*

*There are a number of people that we wish to thank, without whom this publication would not have been possible: Dr Sardaryan, Dean of the School of Governance and Politics of MGIMO, has been instrumental in this collaboration between our Journals ever since his visit in our country in May 2018; Professor Yengibaryan, Editor-in-Chief of the **Law and Administration. XXI Century** Journal, has also been extremely kind in facilitating this; Dr Antyukhova has been most helpful in acting as the main point of contact between the Guest Editors and the Journal. We are also grateful to the members of **The Cyprus Review** Editorial Team, who invested valuable time in assisting in this, especially its Publications Editor, Dimitris Kourtis. Finally, a very big 'thank you' goes out to the authors who contributed to this Issue.*

*Dr Christina Ioannou  
Prof. Achilles Emilianides  
Guest Editors*

Article

## EVALUATING AND CONSTRUCTING THE 'FRIEND' IN CRISIS. MEDIATED DEPICTIONS OF RUSSIA IN THE NEWSPAPERS OF CYPRUS

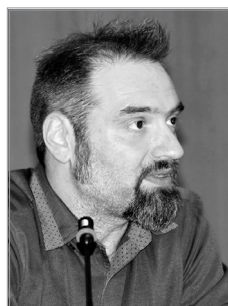
*Kyriakos Kolovos\**

*Costas Venizelos\*\**

*Emmanouil Takas\*\*\**

*Sofia Iordanidou\*\*\*\**

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*The main purpose of the present study is to explore and evaluate the diachronic relations between Russia and Cyprus, noting their historical context and to examine the perceived image<sup>1</sup> of Russia in the Cypriot press, during the crucial period of Euro-group's decisions of March 2013.*

*In 1878 the UK rented Cyprus from the Ottoman Empire in exchange of a British promise to help Turkey against Russia. In 1914, the UK annexed the island and Cyprus became a British Colony because the Ottoman Empire entered the First World War on the side of the central powers. According to the Treaty of Lausanne (1923), the*

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<sup>1</sup> The 'image', according to Boulding (1956) is a cognitive structure and is separated to 'image perceived' and to 'image projected'.

*Ottomans quitted all of their requirements on Cyprus-and the new status led the UK to declare the island as a Crown's colony in 1925 (Stavrinides 1975, p.2). This event coincided with the creation of the Communist Party of Cyprus (1926) as a blueprint for the global resonance that the Bolshevik movement gained, expressed in the October 1917 Revolution. These events resulted in cultivating within the working class of Cyprus, a communist ideology which, over time, founded the Cypriot Left. Apart from the ideological associations or the religious ones, on the basis of common doctrine, since 1960, after the founding of the Republic of Cyprus, these relations have become transnational in political and economic terms.*

### Historical Context of Cyprus – Russia Relations

Diplomatic relations between the Russian Federation and the Republic of Cyprus dated back to 1991, even before the Russian Federation was recognised as the successor of the Soviet Union in 1992. The Soviet Union, as a permanent member of the UN Security Council, was one of the first countries that recognised the Republic of Cyprus as an independent State<sup>2</sup>.

Historical and cultural ties connect Cyprus and Russia for hundreds of years. With the establishment of the Republic of Cyprus in 1960, diplomatic relations with the then USSR (18 August 1960) were immediately followed. The friendly nature of bilateral relations is reflected by the identification or proximity of the two countries' positions in major international problems as well as the consistent and valuable support of Russia in its efforts to achieve a just, viable and comprehensive solution to the Cyprus problem on the basis of relevant UN Security Council resolutions<sup>3</sup>.

Therefore, relations between the Russian Federation and the Republic of Cyprus have always been considered stable and positive<sup>4</sup> with

some exceptions<sup>5</sup>. The establishment of the Republic of Cyprus in the 1960s in the middle of the Cold War could not leave the course of Cyprus unaffected. The fact that the founding act of the newly established State was accompanied by the guarantee and invasive rights of three NATO member countries and the simultaneous strong resonance of the Left on the island made it a place of particular importance for the Soviet, as well as for Russian interests. The Cold War period and the role of Turkey in servicing NATO's interests, the agreements establishing the Republic of Cyprus in 1960, a State with many constitutional imbalances, led the newly established Cypriot State to closer relations with the Soviet Union, even though the country has been a member of the "Non-Aligned" since 1961.

Concerning the attitude of the Soviet Union on the Cyprus issue, before and after the Turkish invasion in 1974, there are two schools of thought in Cyprus. The one dictates that USSR has assisted the Republic of Cyprus during the Cold War: In recent decades, just as during the Cold War, the US and the UK, seeking to serve their power-political interests and by –favouring Turkey for the aforementioned reasons, were essentially antagonised by the Republic of Cy-

<sup>2</sup> From the official website of the Russian Embassy in Cyprus: [https://cyprus.mid.ru/en\\_GB/web/cyprus\\_en/relations-between-cyprus-and-russia](https://cyprus.mid.ru/en_GB/web/cyprus_en/relations-between-cyprus-and-russia)

<sup>3</sup> Consulate General of Cyprus in Krasnodar. (2019). Cyprus-Russia relations. [online] [http://www.mfa.gov.cy/mfa/consulate/consulate\\_krasnodar.nsf/krasnodar\\_consulate23\\_gr/krasnodar\\_consulate23\\_gr?OpenDocument](http://www.mfa.gov.cy/mfa/consulate/consulate_krasnodar.nsf/krasnodar_consulate23_gr/krasnodar_consulate23_gr?OpenDocument) [Accessed 01 May 2019].

<sup>4</sup> "The Sides confirm that the development of bilateral cooperation in the humanitarian field has a strong foundation with regard to historic, cultural and religious closeness of the peoples of the two States .Joint Declaration Mentvetef Christofia" at [https://cyprus.mid.ru/web/cyprus\\_en/joint-declaration-on-further-intensification-of-the-relations-of-friendship-and-comprehensive-cooperation-between-the-republic-of-cyprus-and-the-russian-federation](https://cyprus.mid.ru/web/cyprus_en/joint-declaration-on-further-intensification-of-the-relations-of-friendship-and-comprehensive-cooperation-between-the-republic-of-cyprus-and-the-russian-federation) [Accessed 01 May 2019].

<sup>5</sup> Mrs Zakharova, spokesperson of Russia's MFA, warned Cyprus for the US-Cyprus relations: "Russia has pointed out to the leadership of the Republic of Cyprus on numerous occasions that further efforts to militarise the island and draw it into US and NATO plans for the Eastern Mediterranean and Middle East regions would inevitably lead to dangerous destabilisation effects for Cyprus itself. Moscow cannot turn a blind eye to the anti-Russia nature of these plans and, should they materialise, will be forced to take retaliatory action." At [http://www.mid.ru/en\\_GB/press\\_service/spokesman/briefings//asset\\_publisher/D2wHaWMCU6Od/content/id/3430111](http://www.mid.ru/en_GB/press_service/spokesman/briefings//asset_publisher/D2wHaWMCU6Od/content/id/3430111) [Accessed 1 May 2019].

prus. On the other hand, Cyprus has been supported primarily by Moscow and Athens, and additionally by Paris and Beijing at the UN, and to some extent, albeit inconsistently, by the European Union (Melakopides 2016: 17). There is the view that the Soviet Union has exploited the instabilities that were created through Cyprus and the Cyprus problem to cause internal problems to NATO: It is well documented that the US tolerated the invasion not because it was the initiator and the its organiser believed in 1974 and the last Cypriot, but because Turkey flirted with the Soviet Union and was very important as an ally to ignore it. What has never known in Cyprus was that the Soviet Union propagated internationally in favour of the Turkish invasion (Drousiotis, 2011).

In 1964, when Turkey threatened to invade Cyprus, Nikita Khrushchev's intervention was considered as a catalyst in the final decision by the US and Lyndon Johnson to cancel the Turkish plans, something that was not repeated by the Soviet Union in 1974 when President Makarios asked for further assistance. As Venizelos and Ignatiou (2002, P. 295-96) note: "It is a fact that several times Soviets supported Makarios, but in critical moments they abandoned him as they did not want to outrage the US. The Soviets had decided to assist in United Nations issues, but to maintain an "independent" stance in Cyprus-UK bilateral relations". However, historic déjà vu, the current cooperation strategy between Turkey and Russia (see S-400) and the simultaneous inconvenience of the US appeared just after the Turkish invasion of the island.

The relations of the two countries, however, were constructed in multiple levels and expectations: The Soviet Union, initially, and Russia, subsequently, was the main source of military equipment for the Republic of Cyprus<sup>6</sup> and was an export destination for Cypriot products. Cyprus, due to its geographical location, the tax environment for offshore companies was an ideal destination for Soviet Enterprises<sup>7</sup>.

These relations have been strengthened even further since 1990: (a) At the military level,

the Republic of Cyprus was reinforced with a multitude of Russian tanks and anti-aircraft systems; (b) Cyprus continued to be an attractive destination of Russian funds and a service provider for Russian companies until 2013, and an evolving tourist destination for Russian travelers and, (c) with the accession of Cyprus to the European Union on 1 May 2004, added another dimension to relations between Cyprus and Russia<sup>8</sup>.

### Cyprus and Economy

Russia's contribution to two crucial phases of the Republic of Cyprus over the past 15 years has also been decisive: (a) Following the rejection of the Annan Plan, in the referendum of 24 April 2004, Russia vetoed a draft resolution constructed with the support of the US and the UK, blocking *adoption of the resolution, which was also supported by all elective United Nations Security Council (UNSC) members, by exercising its veto power* (Pericleous 2009: 301), in response to the request of the Republic of Cyprus. According to Lillikas, a former Minister of Foreign Affairs of the Republic of Cyprus, *the effort of Turkey and its allies to create a framework of legitimacy for the development of the pseudo-state [TRNC] relations with the rest of the world was prevented by the help of our traditional friends [Russia and France] of permanent members of the Security Council*" (Lillikas 2014, P. 162) as opposed to the Anglo-American policy-makers who have long been fixed on the alleged "bicomunal" character of the conflict (Melakopides 2016, P. 19).

In 2014, due to the annexation of Crimea by Russia, the EU decided to impose economic measures, which was extended to Russia by June 2019 with an impact on Cypriot financial transactions. In 2014 and 2015 there was a significant decline in the export of Cypriot products to Russia due to counter-measures taken by the Russian government. Despite the concerns expressed by Cyprus, it seemed that these relations had been restored taking into account that 2017 was the best year in the economic dealings

<sup>6</sup> "The year 1997 did not start well. Within a few days of the beginning of the year it was announced that the Greek Cypriots had signed a contract with Russia to purchase S300 surface-to-air missiles." (Hannay 2005:70).

<sup>7</sup> "Cyprus has become the preferred conduit for profits flowing from the Soviet Union to third countries. Offshore companies in Cyprus pay one-tenth of the standard income tax rate. Currently, they are taxed at the rate of 4.25%. One way to qualify for this preferential rate is for the company to incorporate in Cyprus. The Cypriot corporation must be owned exclusively by non-residents of Cyprus, and it must conduct its business and derive its income from activities outside of Cyprus. One offshore company may hold shares in another without compromising the tax privileges of either." (Ruth 1989, p.132-133).

<sup>8</sup> Consulate General of Cyprus in Krasnodar . (2019). Cyprus-Russia relations. [online] [http://www.mfa.gov.cy/mfa/consulate/consulate\\_krasnodar.nsf/krasnodar\\_consulate23\\_gr/krasnodar\\_consulate23\\_gr?OpenDocument](http://www.mfa.gov.cy/mfa/consulate/consulate_krasnodar.nsf/krasnodar_consulate23_gr/krasnodar_consulate23_gr?OpenDocument) [Accessed 01May 2019].

of the two countries, as shown by imports of Russian products in Cyprus, the island's exports to Russia while arrivals of Russian tourists recorded a record of all ages.

When the Crimean crisis erupted, Cyprus' political class and most opinion-makers favoured Moscow's position and argumentation (Melakopides 2016, P. 76). The Russian Federation had already proceeded with the granting of a EUR2,5 billion loan to the Republic of Cyprus, at the end of 2011, in order for the island to satisfy its financing needs. The fact that a large volume of deposits with Cypriot banks before 2013 came from Russian capital, as well as the general provision of services by accountants, lawyers or other agencies, created relationships of dependence between the Cyprus economy and the Russian interests.

Numerous articles from western media, (Wall Street Journal 2013; Der Spiegel 2012) targeted mainly against the Russian interests, resulted in an attitude that affected the decision-making processes regarding the economy of Cyprus in the Eurogroup of 2013.

Amidst a widely held perception that the European allies had betrayed Cyprus, President Anastasiades tried unsuccessfully to seek some sort of financial aid from Russia returning finally to the troika (Katsourides, 2013 P. 53). The closure of the banks and the subsequent "haircut" of deposits influenced the international economic system by affecting foreign investors, mainly Russian (Iordanidou & Samaras, 2014. P. 74-75).

In this context, it is crucial to explore the ways in which the Cypriot media constructed the image of Russia through the aforementioned period. This paper explored the ways in which the Cypriot media "frames" the relationship between a financially dependent country (Cyprus) and a country struggling to enlarge and strengthen its sphere of influence in the Mediterranean (Russia).

### Framing Theory

The analysis of media in the context of framing reveals the organisation of the participants' experience in a communicative act, determined by the particularities of the time when this communicative act is realised and simultaneously influenced by the sociopsychological conditions which place the particular "scene" of this communicative act (Kihlstrom, 1987). Thus, the hermeneutical choices of the content are dictated, evaluated and interpreted not only by the immediate context, but also by the wider environment in which the discourse unfolds and is recorded. Thus, verbal choices do not have inher-

ent meaning but become meaningful when they are perceived within a context, or a story, which organises and gives them consistency, choosing and projecting specific facts and ignoring others (Garnson, 1989. P. 157). In addition, the meaning of these lectional choices acquires a different content depending on the perception of the sender of any message. Therefore, meaning is not articulated in an ideological gap, but the way in which it is produced, evaluated, understood and interpreted, can be considered as a function of the interpretative procedure (van Dijk, 2005). The basic practical implication of a frame is the formation of a series of social norms which ensure a common understanding by a particular group, reflect the perceived "legitimate" social purposes (Ruggie, 1998) and create collective expectations (Jepperson et al., 1996).

In 1955 anthropologist Gregory Bateson (1972. P. 187) introduced the term "frame" to describe the context in which an interaction takes place. Within the context of the matter, the senders send meta-messages, which define the boundaries of communication and determine whether this interaction will be serious, playful, ironic, or aggressive. Bateson arrived at a conclusion, observing the game of apes, where one often was biting the other. However, in this context, the bite was coded as a "time to play" message rather than as a threat. The "play" message in this context the frame of the action, can be reworded as "the actions we are now involved in do not imply this, which they would indicate" by removing the threat and directing the recipient to the "game".

Goffman (1974. P. 21) considers that when a person recognises a particular event tends to trigger one or more contexts called "frameworks" or "schemata of interpretation" in his reaction to the event, which they are exposed to, and which they use, without necessarily knowing their existence or their manifestations. Social frameworks, for example, work unconsciously, but they carry valuable information encoding the person's environment while defining it (Goffman, 1974). Therefore, they help him construct an aspect of reality and interpret it by defining his conscious or unconscious understanding of social activities. However, the complexity of human communication and its various expressions could not be interpreted exclusively through a specific context. For this reason, Goffman (1974. P. 25) defines a "primary framework", the frame that is initially triggered, entangling and possibly defining the sequence of the remaining frames. In this way the framing process is systematically approached. The interdisciplinary nature of the term, however,

is an obstacle to its clear identification in the field of communication. Goffman's sociological approach has been applied to identity theories (Coy & Woehrle, 2010), immigration (Dove, 2010), religion (Yao, 2007) and social studies (Franceschet, 2004) where the interpretation of central terms of sociology was investigated.

According to Entman (1993, P. 52) framing is the process of selection of, "some aspects of a perceived reality and make them more salient in a communicating text in such a way as to promote a particular problem definition, causal interpretation, moral evaluation and/or treatment recommendation," influencing viewer's interpretations, evaluations and judgments (Price & Tewksbury, 2000, P. 57). The 'angle' or 'storyline' that transforms an occurrence into a news event, and then into a news report is defined as 'frame'; a procedure which is inherent in the news-making process, since media cannot offer a mirror reflection of reality but involves selection (Takas and Samaras, 2016, P. 3). As Cappella and Jamieson (1997, P. 39) argue, "those rhetorical and stylistic choices, reliably identified in news, alter the interpretations of the topic treated and are a consistent part of the news environment". "Frames in the news can be examined and identified by "the presence or absence of certain keywords, stock phrases, stereotyped images, sources of information and sentences that provide thematically reinforcing clusters of facts or judgments" (Entman, 1993, P. 52).

According to Price et al. (1995) any news event can be categorised according to one of the following frames: (a) *conflict frame* that organises the story in terms of the conflict between opposing interest groups. (b) *human interest frame* that organises the story by focusing on the victims or (c) *consequence frame* where the story is organised in terms of its consequence for some group. Interpretation frames link events, issues and news agenda with nations' image (Samaras and Iordanidou, 2014, P. 236). Common frames such as "human impact," "powerlessness," "economics," "moral values," and "conflict" are used by the media and the audience (Neuman et al., 1992). Following their categorisation the frames are distinguished by: (a) the "powerlessness" which has to do with "the dominance of forces over weak individuals or groups" (ibid, P. 67). (b) the "economics frame" reflected the concerns about "profit and loss" (ibid, P. 63). (c) the "moral values frame" referred to morality and social prescriptions including quotations or inferences. (d) the "conflict frame" refers to the journalistic practice of reporting stories of clashing interpretation and it was found to fit well with news media's "game interpretation of the political world

as an ongoing series of contests, each with a new set of winners and losers" (Ibid p.64, cited by Semetko & de Vreese, 2004, P. 94). The content of such an article is organised by contradictions, controversies, conflicts highlighting the image of a country involved in a confrontation (Samaras & Iordanidou, 2014, P. 237).

Samaras and Iordanidou (2014, P. 237-238) introduced new frames relied on interpretation of the frame theory which have been used in the present study. (a) *Frame of strategy*. The country is presented according to its intentions and interests. The frame is also triggered when the country emerges during an antagonism. (b) *Problematic Frame*. The foreign country is presented by the press having problems which start from its own problematic status. (c) *Frame of negative effect*. The country is presented in terms of price or negative effects excluding the cases where the country is the source of these problems. (d) *Frame of positivity*. The country is presented in terms of positive outcomes rely on its own actions. (e) *Fear/threat frame*. The country is presented in terms of fear, threat and negative prospects for the future. (f) *Frame of hope*. The foreign country is presented in terms of hope and positive expectations that it experiences or creates. (g) *Frame of dominant/hegemony*. The country appears to dominate, control, apply power internationally, having comparative advantage or significance in a particular field.

Contemporary studies on frames have explored how framing may influence the ways in which individuals will ultimately take that decision. The influence of frames is defined as "the finding that decision-makers react differently to different but objectively equal descriptions of the question itself" (Kuehberger, 1998, P. 150). Price and Tewksbury (1997) focused on the effects of frames on three psychological mechanisms, availability, accessibility and applicability. An available interpretive schema is inherent in the individual cognition and is based on long-term memory. At the same time, an interpretative schema is applicable, that is, it is valid when new information completes it and thereby activates it. When a frame is enabled it remains in the working memory and is more likely to be used again in the near future. The concept of activation thus plays a prominent role in the accessibility of the interpretative schema and thus influences the interpretation of a phenomenon. Thus, different activation and accessibility processes constitute different conceptions, a dynamic process that is involved in the formation of social representations.

However, the effect of the interpretative schemata as they are formed does not seem to

have the same effect, as between the construction of the frame and its effect lies the concept of mediators, which strengthens or weakens the influence of the frame (Chong & Druckman, 2007). Mediators are based on both individual-level moderators and contextual moderators. In one of the first studies of the influence of mediators, Miller and Fagley (1997) have shown that the influence of frames depends on variables such as rationality and probability of success in view of a risk selection. Additionally, Lecheler, deVreese & Slothus (2009) argued that one of the key mediators is the significance of the issue for the individual, which is different for each and depends on his or her individual beliefs. This is borne out by the research by Bizer & Krosnick, (2001), where importance seems to play a key role in the accessibility of information. The more important the information is in which an individual beliefs, the more easily it is revoked. In addition, the more important an issue is for the individual, the more information he/she is expected to have collected on the specific issue he will use to develop his own argument (Lecheler, deVreese & Slothus, 2009), thus producing competitive interpretative schemata.

Furthermore, an important factor regarding the impact of a framework is the competitive context. The overflow of information and opposing views may lead to more confusion than to clarification, thus disordering the citizen and creating a sense of conflict. The frameworks help resolve this conflict by providing views on which the issues or views are relevant and important and which should be of less importance (Sniderman & Theriault, 2004; Boeynaems, Burgers, Konijn & Steen, 2017). Therefore, there is rarely a single framework, and many different alternative and often conflicting frameworks, and an issue can be re-framed either to support or to deconstruct the original frame. In the context of this particular research, the interpretative schemata used by the newspapers to frame Russia, can reveal the historical ties between the two countries as well as the frames that are historically recalled to shape and evaluate a new context between the two countries.

### Methodology

For the purposes of this study, March 2013, a crucial period for Cyprus, in which Russia was directly involved, was selected. With the historical context of the two countries' relations as outlined above, a qualitative analysis of the con-

tent of the three Cypriot newspapers, from 8-23 March 2013, attempted to ascertain whether the decisions taken at the Eurogroup level and the refusal of Russia, eventually, to participate in the memorandum had a drastic change in the way Russia is portrayed by the Cypriot press. Could - March 2013, mark changes in Russia's attitude towards Cyprus', tourism, energy topics and other issues of common interest, according to what is being protested in the Cypriot press?

Samaras (2014. P. 17), reviewing the bibliography on *Theory of Image in International Relations*, states that the concept of image in international relations is used to study the ways in which actors shape views, perceptions and policies for the international environment, and especially for other actors with whom they indirectly or immediately intertwine contributing to the analysis of the images of the other States, presented by interested State actors. Thus, the press as part of the communication system of a country in a relationship of interdependence with the domestic political system is the place and the means of imaging and promoting the image of a foreign State in the inner audience.

Content analysis is a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use (Krippendorff, 2004. P. 18). Qualitative research "examines the qualities of communication phenomena whereby tends to be continuous rather than discrete, and emphasis is on description and explanation more than on measurement and prediction" (Fitch, 1994. P. 32).

The content of three newspapers was studied one week before and one week after the Eurogroup's decisions where the rescue of a bank using the same means (Bail-in) was first imposed. The newspaper "Phileleftheros" was characterised by Vrettos and Papagiannidis (2013/2016: 84) as a moderate and perhaps the most important newspaper in the modern history of the island. It is the first in circulation in Cyprus, moving more towards the centre. The newspaper Haravgi is the expressing body of the central committee of AKEL and the newspaper "Alithia" is traditionally on the right<sup>9</sup>. In this way, the whole ideological and political spectrum of the press was covered to ensure the validity of the research.

The main questions guiding this particular research are the following:

<sup>9</sup> For a complete list of Cyprus' Mass Media see at <https://urlzs.com/tZCD> [Accessed 01 May 2019]

1. How did the aforementioned newspapers frame Russia in March 2013?

2. Has there been any differentiation in Russia's image following the Eurogroup's decisions regarding the historical context of Cyprus - Russia relations?

## Results

### Positive messages and the "Hope" frame

Prior to Eurogroup decisions, Russia was characterised as a key for the conclusion of the Cypriot memorandum, as beyond the financial strand the loan agreement also brought a purely political stance. According to Karydes the issue was purely political, rather than economical, and the same time the Cypriot government was seeking the necessary political support from Russia who had a key role in the evolution of the discussions on the memorandum (Alitheia, 8.3.2013. P. 5) something that was also recognised by the editors of *Phileleftheros*<sup>10</sup>.

By defining the issue as purely political and not economical, it is to be understood that the accusations that weigh Cyprus as a "black" money laundering area, referring indirectly to the statements of Europeans on Russian deposits, were embarrassing the attitude of centres in Europe that see Cyprus as the scope for resolving political differences with Moscow rather than tackling the problem as solely economic. In addition, Russia was seen as the country which can make a positive contribution to the memorandum case:

*"The issue is expected to be discussed at a meeting of President Anastasiades with President Putin in Moscow in the coming weeks, while Cyprus is seeking a 4,5% interest rate cut to 2,5%"* (*Phileleftheros*, 9.3.2013. P. 2).

In contrast to Russia, the IMF and Germany appear as blackmailers:

*"The IMF's insistence on reducing the Cypriot public debt to 95-100% of GDP in 2020 leads to the emergence of extreme scenarios that have been avoided even in the case of Greece, where international lenders have provided the country with a debt reduction margin of 122% in 2020"* (*Phileleftheros*, 10.3.2013. P. 4).

The frame of hope was stepped up as the Eurogroup meeting approached regarding Russia's mediating, salvific, role.

*"Officials also said that Cyprus has received strong indications from Russia, which has strong business ties with Nicosia that Moscow, could con-*

*tribute to the rescue if it receives the same credit status as the Eurozone creditors, which means repay immediately after the IMF".* (*Phileleftheros*, 9.3.2013. P. 36).

Many hopes were also invested in the visit of the Cypriot Finance Minister to Moscow, for a comprehensive agreement on Russia's participation in the memorandum. According to the newspaper *Haravgi* *"[T]he Minister of Finance Michalis Sarris will be in Moscow next Monday to meet and discuss with his Russian counterpart Anton Gk. Siljanov, the ways in which Russia could help Cyprus overcome the economic difficulties it faces"* (*Haravgi*, 14.3.2013. P. 15).

It is clear that prior to the Eurogroup decisions, reports in the Cypriot press had given up hope that Russia would contribute to the Cyprus financial problem. The historical relations between the two countries and the loan granted to Cyprus in 2011 presented Russia as the bridge that would save the Cypriot economy. At the same time, accusing the IMF and Germany of being blackmailers, putting them in the negative frame, upgraded Russia's image as a friendly country became more obvious, according to the next paragraph which examines the differentiation on the dichotomy of "Us" and the "Others".

### Framing "Us" and the "Others"

Reports and information on haircuts had worsened the depositors' psychology, making banks even more vulnerable. Appeals to avoid such statements were continuous in an attempt to frame Cyprus either in conjunction with Russia or alone as a victim. According to Professor Michaelides *"[T]he statements about the haircut of unsecured deposits are dangerous to financial stability (and not only for Cyprus). They should be avoided by everyone. But not only Russia is being pressed in this way, but also Cyprus"* (*Phileleftheros*, 9.3.2013. P. 36).

Framing has important implications for political communication playing a major role in the exertion of political power; the frame in a news text is really the imprint of power by registering the identity of actors or interests that competed to dominate the text (Entman, 1993. P. 53).

The Cypriot press in this context saw any assistance from Moscow as "help" opposed to the Troika loan, framing 'Us', the in-group, with the participation of Russia against the 'Others', IMF and Germany, the out-group. Following the strategic frame and the hegemony frame as

<sup>10</sup> "Blackmailing dilemmas of IMF and German axis. Key for the Cypriot Memorandum is Moscow's participation" (*Phileleftheros*, 10.3.2013, Front Page).

well, Russia is presented as the strategic ally who defined the situations as creating the 'necessity' of its involvement in Cyprus' rescue plan: 'The Russian Federation for its own strategic reasons and for political and economic interests has important interests and serves to save Cyprus. It has interests not to bankrupt the Republic of Cyprus [...] This road will bring benefits to both countries. Possibly as much more in Russia, but for Cyprus such a formula will be very important [...] We believe that Russia can be the way out for Cyprus' (Phileleftheros, 13.3.2013. P. 6) unlike the German Members who "did not fail to transfer to Cypriot MPs their annoyance about connecting Cyprus with Russia and the Russians" (Phileleftheros, 13.3.2012, p. 10) as the German political parties "have the impression that Cyprus is a tax paradise where risky money laundering is being carried out, mainly by the Russian oligarchs" (Phileleftheros, 13.3.2013. P. 10).

Theodoulou, a columnist of "Alithia", moving a step forward and referring to the historical ties between Cyprus and Russia noted: "With regard to the Russian investments in our country, some have to understand that with Russia, Hellenism has relations for centuries. Among other things, it is the same Orthodox religion and the common struggles against the Ottoman Empire. The Russians and the other Orthodox find here an intimate, welcoming environment and a small, beautiful country that they can enjoy" (Alithia, 12.3.2013. P. 50). He entitled his article "The foreigners and us" making the distinction between identity and otherness: The Orthodox, Greeks and Russians, framing positively, are identified, while the Europeans, the Anglo-Saxons, the Ottomans are on the opposite side.

In general, the economic ties between the two parts were framed positively by all the spectrum of the press<sup>11</sup>. The exception was an isolated statement of the Minister of Tourism who used the problem frame for Russia stating that, 'despite the fact that 2013 would be better in terms of arrivals Russian tourists, compared to 2012, Cyprus should gradually be detached

from Russian market<sup>12</sup> preparing the next stage; the post-Eurogroup's decisions period.'

### **The Problem Frame. Fear after the Eurogroup Decisions**

The problem frame reproduces itself, in a sense of reframing; an ecology of communication which has contributed to the construction and routine use of a problem frame and expansion of fear in public discourse (Altheide, 1997. P. 665).

The decisions of Eurogroup were considered hostile by the Russian political leadership. The Russian president's frustration was evident as he described the "haircut" as "unfair, unprofessional and dangerous", while Prime Minister Medvedev warned by a change in Moscow's relations with Nicosia<sup>13</sup>, stating that Russia would be forced to introduce "corrections" in its relations with Cyprus (Phileleftheros, 17.3.2013. P. 2).

The statements made by Russian politicians had created a feeling of insecurity in Nicosia where developments could have affected Russia's stable positions on other issues such as the Cyprus' one. Venizelos, columnist of Phileleftheros, noted the serious risks: "EU and Cyprus shootings by Putin-Medvedev for the decision [...]. Would the haircut cut post on the Cyprus issue? Moscow has, over time, been a key supporter of Cyprus on the Cyprus issue and has given many defensive battles to the Security Council. He vetoed third-party approaches to the Cyprus problem and plays an important role in drafting resolutions on our national issue. Will this posture change after the latest developments? This will be thereafter"<sup>14</sup>. Identifying the Russian positions was expressed by the editorial director of the newspaper, highlighting the dangers for Cyprus because of the blow to the Russian interests:

*"The statement of the Russian Prime Minister, Mr Medvedev, is a clear message that we must not ignore. If Russia decides to "correct" its relations with Cyprus, as Mr Medvedev warned, then Cyprus*

<sup>11</sup> According to Haravgi (13.3.2013, p.38) it seemed that Cyprus had largely regained the confidence of Russian investors and buyers, as well as the preference of tourists who seemed to flood summer clubs that summer too with the forecasts of raising 120,000 Russian tourists. For this development, the Christofias government contributed "in cooperation with the Russian government, with the implementation of electronic visa, gave a huge boost to the arrival of Russian tourists (Phileleftheros, 10.3.2013, p.28) and is now the donator of tourism in the free area of Famagusta. However, tourism is part of a wider strategic planning, since "the declaration of strengthening Cyprus-Russia relations and the prospect of a pragmatic, realistic policy towards Moscow was the stamp of the new foreign policy (Phileleftheros, 17.3.2013, p.9)

<sup>12</sup> Agathokleous, T. (2013, March 13). Straight forward for casino the next two years. Alitheia, p.8

<sup>13</sup> Zachariou, C. (2013, March 19). *Anger in Russia for the 'haircut'*. Haravgi, p.3

<sup>14</sup> Venizelos, C. (2013, March 19). S-300 range spikes. *Russian irritation with Nicosia, as well, for the haircut of deposits*. Phileleftheros, p.3

*will not lose only the vital Russian deposits and companies, it will lose even the most important ally in the economy, but also on the Cyprus issue. I do not know how to answer the Russian Prime Minister when he states that 'haircut' is a 'foreign money confiscation'. Why this is the truth. Confiscation or grabbing or appropriating foreign money" (Phileleftheros, 19.3.2013. P. 3).*

The same frame is recorded in the newspaper regarding the position that Cyprus is the "guinea pig" of the measures imposed and should not risk its relations with Russia:

*"The helping hand was not for rescue but for the burial of the economy. Cyprus, due to its size, is used as a test animal. They try recipes to strengthen the strong and level the weak, the small [...] it is necessary to maintain our relations with Moscow. Not only in relation to the question of 'haircut' of deposits, which affects Russian citizens. But wider to maintain and strengthen the two countries' relations. We should not forget Russia's role in the Cyprus issue" (Phileleftheros, 10.3.2013. P. 4).*

Similar, but with stronger oppositional positions, were recorded by the newspaper Haravgi, stating that the decisions of Eurogroup besides the danger of risking the relations with Russia, poses the question of government tolerance, which can also succumb to other demands of "foreigners" [Europeans and Americans], such as the Cyprus issue and natural gas:

*"The result of the decision by the government to accept the Troika's extortion and pressure is that it has jeopardised our relations with a timeless strategic ally of Cyprus. Cyprus's relations with Russia are in danger of being cured due to the retreat of the Anastasiades government to accept the extortion and pressure of Europeans. Anastasiades showed an attitude of retreat to all foreign demands. Of course, they have not only plans for the economy, but also for the Cyprus issue and for gas. If tomorrow they come with a fixed solution - which of course will serve their own interests - who can guarantee that the government will not show the same reluctance? Who can guarantee that he will not give in to the pressures of foreigners on gas?" (Haravgi, 19.3.2013. P. 5).*

On the opposite side of the above positions was the pro-government newspaper Alithia, which considered that relations between Cyprus and Russia were broken, without showing anything positive on the horizon: *"Nothing changed. Despite the high expectations created by previous statements by Russian officials, Moscow's official stance on Nicosia's appeals is similar to what we have known in recent months. In a nutshell ...*

*we are again waiting for the three main demands of Nicosia" (Alithia, 21.3.2013. P. 8).*

Hatzidimitriou, an author of the newspaper, characterised the waiting for help from Russia as = "empty hopes" interpreting the phenomenon in terms of victimisation:

*"People who are individually or collectively in a difficult situation can easily fall victim to erroneous or even falsified propaganda, that give them hope they need. In this case, with the difficulties we find ourselves as Cyprus at the edge of economic disaster, we wanted to believe that Russia would save us ... Despite the controversy, the whispering around this subject continues" (Alithia, 21.03.2013. P. 9).*

The newspaper's attitude is made clearer through the editorial:

*"MPs also felt that Russia would help and save Cyprus. An even more naive approach that was also proven the following day. And so the haircut remained an alternative plan to be drafted by the government" (Alithia, 21.03.2013. P. 10).*

The pro-government press was trying to demystify the story that Russia will save Cyprus, as it said, "The help of the" blonde genus"<sup>15</sup> was launched last summer by the Christofias government"<sup>16</sup>.

The above reports, from the newspaper Alithia, aimed at the deconstruction of what was cultivated in the previous period about Russia's contribution to the Cyprus agreement. Unlike the other two newspapers, focusing on the critical aspect and sensitivity of bilateral relations, at the risk of Cyprus losing a significant influence in its international relations, the pro-government newspaper mentions "empty hopes", in short illusions and delusions.

Fear is a mechanism that can be easily observed in attacks of anxiety panic in individuals (From 2001, P. 80). Fear and anger activate sharply contrasting perceptions of risk because perceptions of risk underlie countless decisions in daily life, ranging from relationships to finance to health; these contrasting perceptions may have manifold effects (Lerner & Keltner, 2001. P. 155).

The fear that Cyprus was experiencing had two sources: Russia's own reaction and the risk of the Troika memorandum. This fear had been reframed, to a certain extent, by the centre-left newspapers with the desire to continue and strengthen Cyprus-Russia relations after the Eurogroup's decisions, while the indirect acceptance of the pro-government, right-wing newspaper to break those ties leading to a risk choice

<sup>15</sup> A ironical reference, since some "prophesies" foresee that Hellenism will be saved from the blond genus of the North

<sup>16</sup> Adelinis, L. (2013, March 23). *Cyprus ... Odyssey in Moscow*. Alitheia, p. 7

of a purely western memorandum. This is most evident by the framing of the bilateral cooperation in the post-Eurogroup era.

### Framing the Alliance

Although Russia did not contribute to the programme of support for the Cypriot economy and although the Russian political leadership strongly opposed the decisions, even against Cyprus, part of the Cypriot press stressed the necessity of continuing the cooperation of the two parties.

*‘The Russian Federation is our mainstay. Not only in the field of economic cooperation but also in the political field [...] Mainly in the field of the UN Security Council in relation to the Cyprus Issue, but also in the economy of investment. The Cyprus problem is a bottleneck and always in Nicosia they know where to approach when a problem arises. We reiterate that Russian aid is welcome, we seek and invest in it and we need it. And can Cyprus offer the geopolitical advantages, geographic position to enhance its co-operation with the Russian Federation. No one should forget that there is now scope for cooperation on energy issues as well’* (Phileleftheros, 20.3.2013, P. 6).

Contrary to the pro-governmental “Alitheia”, the left-wing newspaper “Haravgi” assigned all responsibilities to President Anastasiadis, relieving Russia of any accountability. And in this case, the divisions of the past that wanted the Cypriot left to be identified with positions of the Soviet Union, rather than with the positions of the Cypriot right on issues of Cypriot interest. These appear with the official position of the newspaper that also reflects the position of AKEL since, according to the newspaper, the Cypriot government “turned its back in Moscow” as the President of the Republic, Mr. Anastasiades, in an unprecedented move in the political history, did not respond to an open invitation addressed to him by the President Vladimir Putin, despite the fact that Moscow, as indicated by the announcement of the Russian presidency, would be available to offer assistance to Cyprus. This is also highlighted by the editor of the newspaper:

*“DISY and the President do not accept talks for a solution outside the EU structures and IMF, regardless of whether the entire people, especially the workers of this place, are sacrificed ... Because not*

*only did he not visit the Russian capital, but they also closed the door to any service of Russian interests, thus irritating the Kremlin”.* (Haravgi, 23.3.2013, P. 6) Phileleftheros, moving in a more moderate context, left the possibility open for co-operation with Cyprus in the field of rescue, although Barroso attempted to prevent Moscow from participating in the Cypriot memorandum,<sup>17</sup> despite the intense discomfort of Russian big energy companies with the Cypriot government which preferred to serve in the second round of exclusive economic zone (EEZ) licenses the positions and wishes of French Total and not those of Russian Novatec-Gazprombank<sup>18</sup>.

### Conclusion

The aim of this study was to explore the mediated depictions of Russia in the Cypriot press. Qualitative analysis of the content of the three aforementioned Cypriot newspapers’ articles was employed, using the framing theory as an analytical tool, we reached the following conclusions, while answering the research questions previously posed.

March 2013 tested the traditional Cyprus-Russia relations. Even though in the past, Russia was considered a strong and faithful ally to the Cyprus Republic, the political turmoil in March 2013 seems to have added political pressure to the representation of Russia as an ally. Russia’s economic and geopolitical interests on the island were affected by the decisions of the Eurogroup thus resulting in a shift in the Russian interests and the re-negotiation of the former undisputable ally in the Cypriot press

Prior to the decisions of Eurogroup, the Cypriot press, as an expression of the local economic and political elite, was also presenting Russia as a key factor in the conclusion of the Cyprus memorandum and a source of hope for Cyprus. Russia’s image was positively signified as a country that reinforced this frame and could function as an alternative political and economic force. The results from this particular study show that in the days following the Eurogroup’s decisions, the Cypriot press was divided. The political pressure had steamed off into two contradictory and ideologically different directions.

The centre-left newspapers, in the face of a fearsome Troika memorandum, were urging the need to strengthen traditional bilateral relations. In the newspapers selected, the emergence of the “hope frame”, namely the hope that the bi-

<sup>17</sup> Venizelos, C. (2013, March 22). *Moscow left an open window*. Fileleftheros, p. 5

<sup>18</sup> Theocharides, P. (2013, March 22). *Late interest*. Fileleftheros, p.20

lateral relations would not be affected, and the “fear frame”, namely that Cyprus was a “guinea pig” of a European experiment that was aiming to hurt the Russian economy thus producing fear of instability in Cyprus, constructed the argument that Cyprus should by all means preserve the good relations with Russia. The “us and others” frame depicted the European decisions as “punishment” therefore placing Europe on the “out group” the “others”, urging the Cypriot government to align to the Russian initiatives. The historical ties” was mainly employed to evoke the common ground of history and the need to further strengthen the relationship with Russia.

The right-wing, pro-government newspaper distanced itself from this perspective, and viewed the Troika risk as the only solution. The “us and them” frame has a different content regarding the centre-left newspapers, namely the frame used offers interpretation of “us” by aligning the Cypriot interests with Europe. Cyprus belongs to the EU, and therefore the

country should strengthen the ties with Europe. Russia, as the “other” is constructed by a self-interest drive, a political choice to invest in its own interests and not the Cypriot interests.

Concluding, the Cypriot newspapers seemed to have struggled for the formation of the new political identity of Cyprus. Even though both ideological streams acknowledged the historical ties to Russia, the tension of the Eurogroup’s decisions placed Cyprus (again) to identity construction processes. Historically the identity of Cyprus was negotiated mainly in terms of uniting with Greece or being a sovereign country while in the new political era of the EU, the main question that remained to be answered is if Cyprus was in position to choose its own allies and to construct its own sovereign identity.

Future studies may show in a long term how these have affected, both economically and geopolitically, given the gradual withdrawal of Russian interests from Cyprus and the growing Russian-Turkish relations.

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## ОЦЕНИВАНИЕ И СОЗДАНИЕ «ДРУГА» ВО ВРЕМЯ КРИЗИСА. ОБРАЗ РОССИИ В ГАЗЕТАХ КИПРА

Основная цель настоящего исследования - изучить и оценить диахронические отношения между Россией и Кипром, отметив их исторический контекст, и изучить воспринимаемый имидж России в кипрской прессе в критический период решений Еврогруппы в марте 2013 года.

В 1878 году Великобритания арендовала Кипр у Османской империи в обмен на обе-

щание Великобритании помочь Турции против России. В 1914 году Великобритания аннексировала остров, а Кипр стал британской колонией, потому что Османская империя вступила в Первую мировую войну на стороне центральных держав. Согласно Лозаннскому договору (1923 г.) османы отказались от всех своих требований в отношении Кипра, и новый

*статус побудил Великобританию объявить остров колонией Короны в 1925 г. (Stavrinides 1975, p.2). Это событие совпало с созданием Коммунистической партии Кипра (1926), что стало следствием глобального воздействия большевистского движения, нашедшего своё выражение в Октябрьской революции 1917 года. Эти события привели к культивированию внутри рабочего класса Кипра коммунистической идеологии, которая со временем привела к созданию Левого движения на Кипре. Помимо идеологических или религиозных объединений, основанных на общей доктрине, с 1960 года, после основания Республики Кипр, эти отношения стали транснациональными в политическом и экономическом плане.*

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**Ключевые слова:**

Республика Кипр, Российская Федерация,  
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**Keywords:**

the Republic of Cyprus, the Russian  
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Cyprus

# CYPRUS AND THE GREAT POWERS

## AN EVALUATION OF RUSSIAN-CYPRIOIOT RELATIONS

### IN THE NEW EASTERN MEDITERRANEAN ENVIRONMENT

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*Relations between the Russian Federation and the Republic of Cyprus have been traditionally close. However, some recent systemic developments seem to undermine their solid foundations. This article examines the contemporary international system and, especially, the regional sub-system of the Eastern Mediterranean in order to trace systemic changes that may affect relations between the countries under examination. The analysis of the Russian-Cypriot relations focuses on the potential effects of the international systemic changes on each one of their three main pillars: economic, diplomatic and cultural relations.*

#### Introduction

**R**elations between the Russian Federation and the Republic of Cyprus have been traditionally close. The main pillars of this partnership are the following:

1. Connections of economic nature (especially the business activity of the vibrant Russian community in Cyprus, the registration of Russian offshore companies in Cyprus and Russian deposits in Cypriot banks, as well as the reliance of Cypriot tourism on the Russian market).

2. Diplomatic relations, especially Russia's policy on the Cyprus problem (we may underline Moscow's support of Nicosia's positions in the UN Security Council).

3. Cultural relations (predominantly based on the common Christian Orthodox origins).

However, some recent developments seem to undermine the solid foundations of

Russian-Cypriot relations: the rapid progress in Russian-Turkish relations, in conjuncture with the role that Cyprus has recently assumed in the US agenda for the Eastern Mediterranean, seem to create the conditions for the development of diverging interests and, in the long-term, conflicting choices and policies. This hypothesis is underpinned by two sets of developments:

1. The deterioration of US-Russian relations since the eruption of the Ukrainian crisis and the growing competition between Russia and NATO in Eastern Europe.

2. The stalemate in the negotiations for the solution of the Cyprus problem and the rising tensions in the Eastern Mediterranean due to Ankara's disapproval of Cyprus' quest for offshore energy resources.

At first sight, and taking into account the strategic importance of these issues for the in-

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terested parties' foreign policy agendas, we might assume that a dramatic re-configuration of bilateral relations among the quartette under examination may take place in the near future. In other words, renewed relations between Russia and Turkey may cause further development of dealings between the US and Cyprus and vice versa, while traditional relations between Moscow and Nicosia will wane. However, some other factors tend to mitigate this possibility. This tag-of-war between tendencies and counter-tendencies may facilitate the development of a particularly complex framework of interrelations, where deciding who is your friend and who your foe will be hindered by a significant degree of opacity. In this article, we shall take a systemic approach in order to define the factors that tend to enhance or undermine bilateral relations between Russia and Cyprus, based on the following research questions:

1. How does the contemporary international environment affect relations between the US, Russia, Turkey and Cyprus?
2. To what extent are these reconfigurations (improved Russian-Turkish relations and the new role of Cyprus in the US agenda for the Eastern Mediterranean) mutually exclusive?
3. How deep and resilient are the relations between Russia and Cyprus in view of the new strategic challenges? Which are the determinants that define the depth and quality of this bilateral relationship in the context of the new strategic environment?

In the first part, we shall examine the contemporary international system and, especially, the regional sub-system of the Eastern Mediterranean and the broader Middle East in order to trace systemic changes that may affect the bilateral relationship under examination. Following that, we shall focus on the Russian-Cypriot relations by examining the potential effects on each one of the three pillars (economic, diplomatic and cultural relations). Finally, we will proceed to a comprehensive evaluation of the current state of affairs of Russian-Cypriot relations, with reference to tendencies that may affect and/or define their evolution.

### Systemic Changes and Structural Effects: The "Moving tectonic Plates" of the International System

At the initial stages of the post-Cold War period, the US, as the only remaining superpower, enjoyed an unprecedented comparative advantage of power towards its (potential) future competitors. However, unipolar systems were stillborn, as they tend to expose the global hegemon to the perils of overextension that weakens national power over the longer term<sup>1</sup>. For the US, this became evident after Al Qaeda's terrorist attacks on 11 September 2001, and Washington's subsequent decisions to engage in two costly wars, the intervention in Afghanistan in 2001 and the invasion of Iraq in 2003<sup>2</sup>. The overstretch of US capabilities proved to be fatal: the war adventures in Afghanistan and Iraq became the turning points of a two-decades-lasting course of strategic expansion. As Gilpin would argue, "marginal costs of further expansion" proved to be "greater than marginal benefits".<sup>3</sup> Stephen Walt had prophetically underlined in 2005 that the shift toward unilateral and hegemonic strategic options in the Middle East (evident during G. W. Bush' presidency) would jeopardise US international position and prestige in the long term:

"States that seek to challenge US primacy will look for windows of opportunity. The temptation to exploit these windows will increase even further when they enable other States to alter the balance of power in some tangible and enduring way. Defying the US is inherently risky, but it makes more sense to run these risks if the act of defiance itself may place the state in question in a fundamentally stronger strategic position"<sup>4</sup>.

In the meantime, the increasingly expansionist post-Cold War policies of Western institutions in Eastern Europe disturbed the Russian Federation and called for a more active balancing strategy in its own backyard. Especially the accession of former Soviet satellites to NATO and Ukraine's flirt with the European Union urged Russia to project its own muscle in order to deter Western influence from being established in a "safety zone" ranging from the Baltic

<sup>1</sup> K. N. Waltz, 'Structural Realism After Cold War,' *International Security* 25 (2000): 13. See also Kennedy, *The Rise and Fall of Great Powers*.

<sup>2</sup> S. M. Walt, 'The End of Hubris and the New Age of American Restraint,' *Foreign Affairs*, Vol. 98. No. 3 (May/June 2019), 28.

<sup>3</sup> R. Gilpin, *War and Change in World Politics*, (Cambridge: Cambridge University Press, 1981), 106-107.

<sup>4</sup> S. Walt, *Taming American Power*, (New York: W. W. Norton & Company, 118).

Sea to the Black Sea and Caucasus<sup>5</sup>. After the annexation of Crimea in 2014, a spiral of hostile interactions made Russia's relations with the West worse than at any time since the Cold War<sup>6</sup>.

For the needs of our analysis these developments must be associated with the broader strategic retreat of the US from the Middle East, which was sealed by the withdrawal of US military forces from Iraq in 2011. The attempt to impose a hegemonic pattern of relations in the greater Middle East came to an inglorious end, as Washington was no more willing to pay the price of regional dominance in this volatile region<sup>7</sup>. Consequently, American disengagement created perceptions of a power vacuum in the Middle East; real or imagined, the power vacuum transformed, or contributed to the transformation of the behavior of several actors<sup>8</sup>. One such case was the transformation of Turkey's foreign policy, especially since 2010 onwards. Of course Turkey's partial disengagement from its commitments toward its Western allies and its quest for an independent (Neo-Ottoman style) foreign policy agenda, could be better explained at the individual and state levels of analysis, due to the catalytic role of the Justice and Development Party's policies and President Recep Tayyip Erdoğan's Islamist revisionism<sup>9</sup>. How-

ever, systemic factors cannot be omitted when trying to explain this shift; it would be rather erroneous to assume that the Turkish agenda for the Middle East would have taken such a revisionist form if the US had retained its directly interventionist strategy after 2011, especially in relation with Iraq<sup>10</sup>. Another case indicative of the systemic outcomes of the US partial disengagement from the Middle East after 2011 was the meteoric increase of Russian influence, as well as diplomatic and military activity, in the broader region. Russia also seems to have perceived US strategic retreat as a "carte blanche" for deeper involvement in the Middle East and the Eastern Mediterranean. The flirt between Russia and Egypt after President Mohamed Morsi's ouster and General Abdel Fatah el-Sisi's takeover was the first strong indication of this transformation<sup>11</sup>. Furthermore, Moscow's naval moves in the Eastern Mediterranean shaped a new regional naval equilibrium<sup>12</sup>. Finally, Russia's new role in the region was sealed by Moscow's military intervention in the Syrian crisis in September 2015, in support of the government of President Bashar al-Assad and the subsequent growth of Russia's aerial and naval presence in the Mediterranean<sup>13</sup>. Moscow obviously concluded that military engagement in Syria,

<sup>5</sup> J. J. Mearsheimer, "Why the Ukraine Crisis Is the West's Fault," *Foreign Affairs*, Vol. 93, No. 5 (September/October 2014), 77-89. Stephen Kotkin, "Putin Returns to the Historical Pattern," *Foreign Affairs*, April 18, 2016. <https://www.foreignaffairs.com/articles/ukraine/2016-04-18/russias-perpetual-geopolitics>, accessed on May 7, 2015. Henry Kissinger, "How the Ukraine Crisis Ends," *The Washington Post*, March 6, 2014. <http://www.henryakissinger.com/articles/wp030614.html>, accessed on June 1, 2016.

<sup>6</sup> S. Walt 'The End of Hubris and the New Age of American Restraint,' 28.

<sup>7</sup> M. Kontos, "Hegemony and Balance of Power in the Middle East," *Eastern Mediterranean Geopolitical Review*, Issue 2 (Fall 2016), 22.

<sup>8</sup> *Ibid.*, 24.

<sup>9</sup> I. I. Kouskouvelis, "The Problem with Turkey's 'Zero Problems:' Turkey, Past and Future," *Middle East Quarterly*, 20:1 (Winter 2013), 47-56. <http://www.meforum.org/3455/turkey-zero-problems>, accessed on April 24, 2019. B. Begdil, "Turkey: What Ally?" *Gatestone*, September 22, 2014, <https://www.gatestoneinstitute.org/4715/turkey-ally>, accessed on April 24, 2019. N. Stone, "Erdogan's dreams of empire are perilous to Turkey," *The Guardian*, December 6, 2015. <https://www.theguardian.com/commentisfree/2015/dec/06/erdogan-turkey-russia-syria-foreign-policy>, accessed on December 12, 2015. S. A. Cook, M. J. Kopolow, "Turkey is no longer a reliable ally," *Wall Street Journal*, August 10, 2016, <http://www.wsj.com/articles/turkey-is-no-longer-a-reliable-ally-1470869047>, accessed on April 24, 2019.

<sup>10</sup> H. J. Barkey, "Turkey's New Engagement in Iraq: Embracing Iraqi Kurdistan," *United States Institute of Peace*, Special Report 237, May 2010, [http://carnegieendowment.org/files/USIP\\_SR\\_Turkey\\_Iraq.pdf](http://carnegieendowment.org/files/USIP_SR_Turkey_Iraq.pdf), accessed on April 24, 2019.

<sup>11</sup> Col. (ret.) J. Neriah, "Egypt's Turn to Russia," *Jerusalem Center for Public Affairs*, October 30, 2013, <http://jcpa.org/egypts-turn-to-russia/>, accessed on April 24, 2019; V. Naumkin, "Russia and Egypt's 'new partnership,'" *Al Monitor*, February 11, 2015, <http://www.al-monitor.com/pulse/originals/2015/02/moscow-cairo-relations-sisi-putin-egypt-visit.html>, accessed September 19, 2015.

<sup>12</sup> Captain (ret.) T. R. Fedyszyn, "The Russian Navy 'Rebalances' to the Mediterranean," *U.S. Naval Institute*, 139 (December 2013), <http://www.usni.org/magazines/proceedings/2013-12/russian-navy-rebalances-mediterranean>, accessed on April 24, 2019.

<sup>13</sup> E. Barrett, "Letting Putin Get Away with it," *Foreign Policy*, January 19, 2016, <http://foreignpolicy.com/2016/01/19/syria-kurds-russia-sunni-arab/>, accessed on March 12, 2016; H. A. Kissinger, "A Path out of the Middle East Collapse," *Wall Street Journal*, October 16, 2015, <http://www.wsj.com/articles/apathoutofthemiddleeastcollapse1445037513>, accessed on October 22, 2015. J. B. Alterman, H. A. Conley, H. Malka, D. Ruy, "Restoring the Eastern Mediterranean as a US Strategic Anchor," *Center for Strategic and International Studies*, 6-7.

which became a rational choice due to the initial US disorientation regarding the Syrian civil war and Washington's decision not to proceed with a military strike against the al-Assad regime in September 2013, despite the latter's alleged use of chemical weapons which was considered as a "red line" by the Obama administration<sup>14</sup>.

In the context of the "moving tectonic plates of the international system", developments in the broader Middle East culminated to a significant convergence of interests and rapprochement between Turkey and Russia despite Turkey's NATO membership and the two countries' strong disagreements on various issues. After the downing of a Russian Su-24M by a Turkish F-16 over Syria in November 2015 and Turkey's official apology and despite the conflicting positions of the two countries in relation with the Syrian civil war their bilateral relations improved rapidly at various levels. The agreement for Turkey's purchase of the Russian S-400 missile defence system is the cornerstone of this unexpectedly flourishing partnership. This development convulsed NATO and drew sharp reactions from Washington, even warnings for "grave consequences", including the freezing of Turkey's efforts to acquire the F-35 jet and its expulsion from the consortium that builds the new generation of this state-of-the-art fighter<sup>15</sup>.

In parallel, while Turkey's commitment to NATO was disputed by its allies and Ankara's "zero-problems policy" was failing to deliver,<sup>16</sup> another realignment was taking place: natural gas findings offshore Israel, Egypt and Cyprus became the main catalyst of Israel and Egypt's respective trilateral partnerships with Greece and Cyprus, despite Turkey's vehement reactions in relation with the latter's offshore sovereign rights<sup>17</sup>. These partnerships drew atten-

tion by extra-regional powers with interests in the region, such as France and the US, mainly because of the activity of French and American oil and gas companies in the area. Especially the Israel-Cyprus-Greece axis, which led to an agreement for an ambitious project to create the longest underwater natural gas pipeline in the world across the Eastern Mediterranean, enjoys grave support by Washington. This support was sealed by the symbolic participation of the US Secretary of State, Mike Pompeo, in the sixth tripartite summit in Jerusalem, on 20 March 2019.<sup>18</sup> The US interest in these developments is perceived by some analysts as an opportunity for Washington to shape the Eastern Mediterranean's economic and security environment,<sup>19</sup> while others see it even as a potential pillar for the formation of a new, favorable balance of power, in view of Turkey's strategic re-orientation.<sup>20</sup> At the same time, Russia's involvement was insignificant, because energy-related developments in the Eastern Mediterranean may jeopardise Moscow's particular interests and privileged position in the European and the Turkish markets.<sup>21</sup>

The recent introduction of a bill in the Senate of the US by Senators Robert Menendez and Marco Rubio, aiming to "promote security and energy partnerships in the Eastern Mediterranean",<sup>22</sup> suggests the strongest indication of the role Washington aims to assume in the region. This bill, titled "Eastern Mediterranean Security and Energy Partnership Act of 2019", underlines the role of Greece and Israel in the Eastern Mediterranean and praises their trilateral partnership, as well as Cyprus' position as a key strategic partner. It refers to the importance of natural gas findings in the Eastern Mediterranean, as well as to the dangers that Turkey's in-

<sup>14</sup> J. Goldberg, "The Obama Doctrine," *The Atlantic*, April 2016, <http://www.theatlantic.com/magazine/archive/2016/04/the-obama-doctrine/471525/>, accessed on June 5, 2016.

<sup>15</sup> B. Bekdil, "Turkey: Putin's Ally in NATO?" Gatestone Institute, March 19, 2019. <https://www.gatestoneinstitute.org/13882/turkey-putin-ally-nato>, accessed on May 7, 2019.

<sup>16</sup> I. I. Kouskouvelis, "The Problem with Turkey's 'Zero Problems'."

<sup>17</sup> On the trilateral partnerships see Z. Tziarras (ed.), *The New Geopolitics of the Eastern Mediterranean: Trilateral Partnerships and Regional Security*. Re-imagining the Eastern Mediterranean Series: PCC Report, 3. Nicosia: PRIO Cyprus Centre. On Turkey's strategy to encounter Cyprus' drilling program see M. Kontos, G. Bitsis, "Power Games in the Exclusive Economic Zone of the Republic of Cyprus: The Trouble with Turkey's Coercive Diplomacy," *The Cyprus Review*, Vol. 30, No. 1 (Spring 2018), 51-70.

<sup>18</sup> G. N. Tzogopoulos, "A New EastMed Friendship, with US Support," *BESA Center Perspectives Paper No. 1,137*, April 10, 2019.

<sup>19</sup> Alterman et. al., "Restoring the Eastern Mediterranean as a US Strategic Anchor," 9.

<sup>20</sup> S. Cropsey, "U.S. Policy and the Strategic Relationship of Greece, Cyprus, and Israel: Power Shifts in the Eastern Mediterranean," *Hudson Institute*, March 2015, 19.

<sup>21</sup> P. Baev, "Russia Fakes Interest in Hydrocarbons in the Eastern Mediterranean," in A. Gürel, H. Tzimitras, H. Faustmann (eds.), *East Mediterranean Hydrocarbons: Geopolitical Perspectives, Markets and Regional Cooperation. Report 3/2014* (Nicosia: Friedrich Ebert Stiftung, Brookings, PRIO, 2014), 38-44, 41.

<sup>22</sup> "Eastern Mediterranean Security and Energy Partnership Act of 2019."

tention to purchase the S-400 system from Russia poses for the US interests. Furthermore, it stresses Europe's need for energy diversification and decreasing dependence on Russia. In relation with Cyprus, the main contribution of this bill is the proposal for the removal of the prohibition of US arms' sales to Nicosia, in place since 1987. According to the authors, this prohibition obliged the Republic of Cyprus in the past to turn to other countries for arms sales, including countries, such as Russia, that pose challenges to US interests around the world. Equally interesting are the following two objectives (among others) of the bill:

- "to support efforts to counter Russian Federation Government interference and influence in the Eastern Mediterranean through increased security cooperation with Greece, Cyprus and Israel, to include intelligence sharing, cyber, and maritime domain awareness."

- And "to support the Republic of Cyprus efforts to regulate its banking industry to ensure that it is not used as a source of international money laundering and encourages additional measures toward that end" (which obviously relates with the accusations against Cyprus of being used by Russian elites for money laundering purposes)<sup>23</sup>.

In case the bill becomes a law, it would provide significant boost to US-Cypriot relations, put US-Turkish relations under close monitoring and set obstacles to further development of Russian-Cypriot relations, at least to the degree that legislation may affect US foreign policy.

### Possible Effects on Russian-Cypriot Relations

#### *Economic Relations*

Economic relations between Russia and Cyprus flourished after the end of the Cold War,

but the actual boost was due to the accession of Cyprus to the European Union in 2004, which rendered Cyprus an attractive business partner, while, according to some observers, put Nicosia in a position to act as Moscow's "Trojan horse" in Brussels.<sup>24</sup> Russian investments have vastly contributed to the growth of the Cypriot economy in the post-Cold War era, which makes Russia a valuable economic partner for Cyprus. The vibrant Russian community, physically located mainly in the city of Limassol, thrives in various business sectors.<sup>25</sup> In 2012, when Cyprus was facing severe consequences due to the Eurozone crisis (especially in relation with its overblown banking sector) a Russian loan of EUR2,5 billion rescued Cypriot economy (though later on a bail-in and harsh austerity measures were deemed necessary for Cyprus to remain in the Eurozone).<sup>26</sup> Furthermore, Cyprus' taxation and legislative framework (reinforced by a network of bilateral agreements, such as a double taxation treaty) acted as the main catalyst for the flow of Russian deposits and foreign direct investments in the island<sup>27</sup>. The business activity conducted by (and related with) the Russian offshore companies registered in Cyprus comprises a significant part of the Cypriot GDP<sup>28</sup> and it was further enhanced after 2013 by a scheme-launched by the Cypriot government as a measure to tackle the financial crisis-for granting Cypriot (thus EU) citizenship to foreign investors<sup>29</sup>.

However, this activity seems to decline recently, especially since November 2018, when in a circular sent to the Money Laundering Compliance Officers of all Credit, Payment and E-Money Institutions,<sup>30</sup> the Central Bank of Cyprus provided a new definition of shell companies and urged the interested parties to avoid business relationships with such entities. This led to the closure of many such companies and

<sup>23</sup> J. Dempsey, "The Cypriot Euro Crisis is Also About Germany and Russia," *Carnegie Europe*, March 25, 2013. <https://carnegieeurope.eu/strategieurope/51282?lang=en>. Accessed on May 9, 2019.

<sup>24</sup> M. Leonard, N. Popescu, "A Power Audit of EU-Russia Relations," *European Council on Foreign Relations*, policy paper, November 2007, 27-31.

<sup>25</sup> On the Russian community in Cyprus and its business activities see "Russia Doing Business in Cyprus 2017: Measuring Quality and Efficiency Survey Report," Cyprus Russian Business Association/EY Cyprus, August 2017.

<sup>26</sup> P. Henley, "The EU's other bailout: How Cyprus turned to Russia," *BBC News*, June 23, 2012. <https://www.bbc.com/news/world-europe-18541820>, accessed on May 17, 2019.

<sup>27</sup> N. Baudet von Gersdorff, "The Cyprus-Russia connection: Implications for the European Union," 2015, 10.13140/RG.2.1.1263.1202.

<sup>28</sup> H. Smith, "Welcome to Limassolgrad: the city getting rich on Russian money," *The Guardian*, February 17, 2018. <https://www.theguardian.com/world/2018/feb/17/welcome-to-limassolgrad-the-city-getting-rich-on-russian-money>, accessed on May 18, 2019.

<sup>29</sup> G. Psyllides, "EU focuses on Cyprus over passport sale concerns," *Cyprus Mail*, January 23, 2019. <https://cyprus-mail.com/2019/01/23/president-accuses-eu-of-double-standards-over-golden-visa-programme/>, accessed on May 18, 2019.

<sup>30</sup> Central Bank of Cyprus/Eurosystem, 2 November 2018 (Circular Letter). Subject: Shell companies/entities.

subsequently caused a wave of Russian money exodus from Cyprus.<sup>31</sup> Russian deposits in Cyprus, which remained at a significant level even after the 2013 bail-in and the collapse of the Cypriot banking system, are currently leaving Cyprus in a growing pace. "The decline recorded within two months, specifically by end of February 2019 was EUR140 million. And compared to one year ago, the overall decline in deposits is at EUR1,34 billion, according to Central Bank data. The same data shows that "total deposits by Russians were EUR11,76 billion by end of 2013, recording a decline of EUR4,95 billion by February 2019"<sup>32</sup>. These developments are not unrelated with EU measures against money-laundering, neither with the fact that Nicosia is closely monitored by the US financial crime prevention network, known as FinCEN<sup>33</sup>.

Another sector of paramount importance for Russian-Cypriot bilateral economic relations is tourism. Cyprus is a preferable destination for many Russian tourists because of the sun and the sea, but also because of the Christian Orthodox tradition of the island and its major pilgrimage sites. Russian tourist arrivals in Cyprus increased significantly after the rift in US-Turkish relations in 2014-2015, as well as due to the political instability in Egypt during the same period. According to the Cyprus Statistical Service, tourist arrivals from Russia are growing steadily since 2004. In 2016 we had the biggest annual increase in absolute numbers (781,634, compared to 524,853 in 2015). In 2018, the most successful year in the history of Cypriot tourism, arrivals from Russia amounted to 783,631, out of 3,938,625 overall arrivals<sup>34</sup>. However, there are indications that this tendency is being reversed: Famagusta district, the favourite destination for Russians in Cyprus (especially the Ayia Napa

resort) expects 50% fewer Russian tourists in 2019 and this is partially attributed to the normalisation of Russian-Turkish relations, as well as to the restoration of Egypt's credibility as a tourist destination<sup>35</sup>.

### *Diplomatic Relations and the Cyprus Problem*

Contrary to the waning economic relations, diplomatic relations seem to remain in good shape. Since 1991, all Cypriot Presidents and Foreign Ministers paid official visits to Russia, while the two countries also maintain significant channels of parliamentary diplomacy.<sup>36</sup> Moscow has been supporting Nicosia's views on the Cyprus problem, especially in the context of its permanent membership of UN Security Council. For example, in 2004, when then-President Tassos Papadopoulos decided to reject a UN Secretary General's plan for the settlement of the Cyprus problem which was backed by Turkey, the US and the UK, the so-called Annan Plan, Russia stood firmly by his side. Probably the most marking moment for the Greek Cypriots was Russia's use of its veto right on 21 April 2004 to block a resolution that aimed to outline new UN security arrangements that would take effect in Cyprus in case the Greek Cypriots and the Turkish Cypriots approved the Annan Plan in separate referendums, three days later.<sup>37</sup> It must be underlined that the active support of Kofi Annan's plan and his initiatives for the settlement of the Cyprus problem "strengthened Turkey's image as a source of regional stability, democratization and reform, and Erdoğan's image of being a promoter of democratic pluralism in an Islamic country. This was an important goal in [G. W.] Bush's foreign policy in the aftermath of the Iraq war."<sup>38</sup> Therefore, potential

<sup>31</sup> "Russian Ambassador: EU sanctions and shell-companies' shutdown raise concerns," *Stockwatch*, November 16, 2018. <https://www.stockwatch.com.cy/en/article/trapezes/russian-ambassador-eu-sanctions-and-shell-companies-shutdown-raise-concerns>, accessed on May 14, 2019.

<sup>32</sup> A. Charalambous, "Russians deposits leaving Cyprus amount to €5 billion," *In-Cyprus*, April 8, 2019. <https://in-cyprus.com/russians-deposits-leaving-cyprus-amount-to-e5-billion/>, accessed on May 14, 2019.

<sup>33</sup> Ibid.

<sup>34</sup> Statistical Service, "Arrival of Tourists by Country of Usual Residence, 1980-2018." [http://www.cystat.gov.cy/mof/cystat/statistics.nsf/services\\_71main\\_en/services\\_71main\\_en?OpenForm&sub=1&sel=2](http://www.cystat.gov.cy/mof/cystat/statistics.nsf/services_71main_en/services_71main_en?OpenForm&sub=1&sel=2), accessed on May 21, 2019.

<sup>35</sup> G. Psyllides, "Slowdown expected in Russian tourism," *Cyprus Mail*, May 10, 2019. <https://cyprus-mail.com/2018/05/10/russian-tourism-could-be-down-as-much-as-50-per-cent-this-year-napa-mayor-says/>, accessed on May 14, 2019.

<sup>36</sup> "Relations between Russia and Cyprus," *Embassy of the Russian Federation in the Republic of Cyprus*. [https://cyprus.mid.ru/web/cyprus\\_en/relations-between-cyprus-and-russia](https://cyprus.mid.ru/web/cyprus_en/relations-between-cyprus-and-russia), accessed on May 17, 2019.

<sup>37</sup> E. M. Lederer, "Russia Blocks UN Cyprus Resolution," *Associated Press*, April 21, 2004. D. Papadopoulos, "Tassos Papadopoulos, Russia and the Annan Plan," *Cyprus Mail*, April 26, 2016. <https://cyprus-mail.com/2016/04/26/tassos-papadopoulos-russia-and-the-annan-plan/>, accessed on May 15, 2019.

<sup>38</sup> V. Coufoudakis, *Cyprus and International Politics* (Nicosia: Intercollege Press, 2007), 131-132.

ratification of the Annan Plan, which was ultimately rejected by the Greek Cypriots in the referendum, would serve Washington's interests and objectives, in times of US global primacy and hegemonic activity in the Middle East.

To a degree, especially when it comes to the Republic of Cyprus' interests and diplomatic priorities, "Cypriot bilateral relations with Russia are primarily driven by the Cyprus problem."<sup>39</sup> Russia's traditional support of Greek Cypriot views on the Cyprus problem remains unchanged to this date, despite renewed relations with Turkey. Even in the case of Turkey's actions that aim to halt Cyprus' efforts to explore its Exclusive Economic Zone for natural gas (where Russian interests are not necessarily compatible with the Cypriot ones, as noted above), Moscow's official statements remain supportive of Nicosia's rights.<sup>40</sup> Russia's stance on the Cyprus problem (and related issues) must be examined under the lens of Moscow's need to maintain its international foothold as a great power. International influence capacity suggests a critical power indicator in diplomatic relations and the Eastern Mediterranean is a region of high geostrategic importance for Moscow.<sup>41</sup> A factor that facilitates Russia's stance is Cyprus' non-participation to NATO. Despite the strategic realignments described above and calls for Cyprus and NATO to examine a closer relationship,<sup>42</sup> as long as Turkey does not recognise the Republic of Cyprus (and the Cyprus problem remains unresolved), Ankara would definitely veto a Cypriot bid. Furthermore, due to left-wing AKEL's<sup>43</sup> sharp disagreement with such a perspective and the latter's position in the internal structure of Cypriot politics, it is rather unlikely that a strong political consensus in favour of an application for full membership or enhanced partnership may be formed (at least not for the time being). Therefore, to the degree that the Eastern Mediterranean is a field where

great (and regional) powers strive for influence, Moscow would like to retain its influence over the only European, non-NATO member state in this region.

### *Cultural Relations*

When it comes to cultural relations, where intergovernmental interaction suggests only one out of many aspects, adaption to international systemic changes is slower and less likely than in economic and diplomatic relations. In order to evaluate this pillar of Russian-Cypriot relations we must examine civil society elements, which contribute to their development. The presence of the Russian community in Cyprus and the flow of hundreds of thousands of Russian tourists per year facilitate (and reinforce) cultural exchanges between the two countries at various levels. We must underline the role of the Russian Center for Science and Culture in Nicosia, which is particularly active in promoting Russian culture in Cyprus.<sup>44</sup> Certainly though, the most important factor that nurtures these ties is religion. Religion speaks to the civilisational level and suggests an element that may either unify or divide people across national borders. Although this article does not argue that civilisational characteristics may transcend national interests as the most decisive factor in designing foreign policy, there is no doubt that, in some cases, religion suggests an important variable. Usually foreign policy analysts discuss religion in the context of soft power, a term introduced by Joseph Nye meaning the ability to entice and attract, contrary to the coercive nature of hard power.<sup>45</sup> Religion as an indicator of soft power has been researched mainly in relation with predominantly Muslim countries (like Iran, Saudi Arabia and Turkey) that attempt to capitalise on religious relations in pursuit of political influence in the Islamic (particularly the Arab) world.<sup>46</sup>

<sup>39</sup> G. Christou, "Bilateral Relations with Russia and the Impact on EU policy: The Cases of Cyprus and Greece," *Journal of Contemporary Eastern European Studies*, Vol. 19, No. 2 (June 2011), 230.

<sup>40</sup> "President: Turkish EEZ incursion 'a second invasion'," *Cyprus Mail*, May 6, 2019. [cyprus-mail.com/2019/05/06/cyprus-taking-action-over-turkeys-eez-incursion/](http://cyprus-mail.com/2019/05/06/cyprus-taking-action-over-turkeys-eez-incursion/), accessed on May 6, 2019.

<sup>41</sup> N. Alexandrova-Arbatova, "Great Powers Involvement in Eastern Mediterranean," *Cyprus Center for European and International Affairs, Eastern Mediterranean Policy Note No. 29*, August 2018.

<sup>42</sup> D. Wilson, "NATO Membership for Cyprus. Yes, Cyprus," *Atlantic Council*, March 31, 2019. <https://www.atlantic-council.org/blogs/new-atlanticist/nato-membership-for-cyprus>, accessed on April 8, 2019.

<sup>43</sup> The second biggest (and main opposition) political party in Cyprus.

<sup>44</sup> <http://kyp.rs.gov.ru/en>

<sup>45</sup> J. S. Nye jr., *The Paradox of American Power. Why the World's Only Superpower Can't Go it Alone*, (New York: Oxford University Press, 2002), 9. See also J. Haynes, *Religious Transnational Actors and Soft Power* (London: Routledge, 2016).

<sup>46</sup> For an analysis that incorporates recent developments see P. Mandaville, S. Hamid, "Islam as Statecraft: How Governments Use Religion in Foreign Policy," *Foreign Policy at Brookings*, November 2018.

As regards religious politics in the Christian Orthodox world, Russia's role as the biggest and most powerful predominantly Orthodox country is of paramount importance. In his influential work on the clash of civilisations, Samuel Huntington argued that "the fault lines of civilisations are replacing the political and ideological boundaries of the Cold War as the flash points for crisis and bloodshed" and underlined the "cultural division of Europe between Western Christianity, on the one hand, and Orthodox Christianity, on the other (...)." <sup>47</sup> Russia's use of its Orthodox identity as a soft power indicator is a field that has recently attracted the attention of researchers and policy makers, thus leading to the production of a significant number of publications in English. <sup>48</sup> However, the literature mainly aims to analyse Russia's religious influence in the post-Soviet world. Regarding Russian-Cypriot relations, the use of soft power indicators for foreign policy purposes remains relatively under-researched. Nevertheless, there is no doubt that the two countries maintain significant religious bonds, therefore mutual soft power indicators are in place. Relations between the Greek Orthodox Church of Cyprus and the Russian Orthodox Church are close and constantly enriched. Indicatively, the Kykkos Monastery, one of the most attractive sites for Russian pilgrims and monks in Cyprus, which maintains relations with Russia since the 18<sup>th</sup> century, is funding visiting programmes for students and researchers from Russia who wish to visit Cyprus for research purposes, as well as a Modern Greek Language Chair in the Moscow Theologian Academy. <sup>49</sup> Recently, in March 2017 the President of the Republic of Cyprus, Nicos Anastasiades, inaugurated the first Russian-style

church in Cyprus, a few kilometers away from Nicosia. <sup>50</sup> Another interesting issue is the way the Church of Cyprus handled the rift between the Russian Orthodox Church and the Ecumenical Patriarchate of Constantinople: On 5 January 2019, Ecumenical Patriarch Bartholomew held joint service with the head of the Ukrainian church Metropolitan Epifaniy (in the presence of Ukraine's President Petro Poroshenko) in St. George's Cathedral in Istanbul, where he signed a decree granting "autocephaly" to Ukrainian Church. <sup>51</sup> The autocephaly marked the Ukrainian Church's split from Moscow's Patriarchate and it was seen as one more episode in the struggle between Constantinople and Moscow for spiritual primacy in the Orthodox world. <sup>52</sup> The Cypriot Archbishop Chrysostomos II had expressed his readiness to mediate for a commonly accepted solution on the Ukrainian Church's autocephaly. <sup>53</sup> After the signature of the autocephaly decree the Holy Synod of the Church of Cyprus issued an announcement supporting the Ukrainian Orthodox Church's right to independence, but also underlined that Patriarch Bartholomew should "take into account the 'sensitivities' of Russians whose roots in the faith are found in Ukraine." <sup>54</sup> This stance of the Church of Cyprus, an autocephalous Greek Orthodox Church closely associated with the Ecumenical Patriarchate, is indicative of its intention to take a balanced position that would not jeopardise relations with Moscow.

### Increased Complexity versus Resilience

Change in international systems, mainly its drivers and outcomes, suggests one of the big questions that theory of international relations

<sup>47</sup> S. P. Huntington, "The Clash of Civilizations?" *Foreign Affairs*, Vol. 72, No. 3 (Summer, 1993), 22-49, 29-30.

<sup>48</sup> See for example A. Sergunin, L. Karabeshkin, "Understanding Russia's Soft Power Strategy," *Politics*, Vol. 35 (2015), 347-363. N. Shafiee, E. Fallahi, "The Church and Religious Diplomacy in Russia's Foreign Policy," *Journal of Iran and Central Eurasia Studies* Vol. 1, No. 1 (Spring 2018), 93-105. A. Dimitrova, M. Frear, H. Mazepus, D. Toshkov, M. Boroda, T. Chulitskaya, O. Grytsenko, I. Munteanu, T. Parvan, I. Ramasheuskaya, "The Elements of Russia's Soft Power: Channels, Tools, and Actors Promoting Russian Influence in the Eastern Partnership Countries," *EU-STRAT Working Paper No. 04*, July 2017. N. N. Petro, "Russia's Orthodox Soft Power," *Carnegie Council*, March 23, 2015. [https://www.carnegiecouncil.org/publications/articles\\_papers\\_reports/727](https://www.carnegiecouncil.org/publications/articles_papers_reports/727), accessed on May 20, 2019.

<sup>49</sup> C. Kokkinoftas, "Relations between Kykkos Holy Monastery and Russia," *Yearbook of the Kykkos Holy Monastery Research Center*, Vol. 7 (2006), 281-304, 303 (in Greek).

<sup>50</sup> G. Psyllides, "President opens Cyprus' first Russian-style church," *Cyprus Mail*, March 27, 2017. <https://cyprus-mail.com/2017/03/27/president-opens-cyprus-first-russian-style-church/>, accessed on May 21, 2019.

<sup>51</sup> "Ukraine Church Granted Independence in Historic Split With Russia," *The Moscow Times*, January 5, 2019. <https://www.themoscowtimes.com/2019/01/05/ukraine-church-granted-independence-in-historic-split-with-russia-a64045>, accessed on May 21, 2019.

<sup>52</sup> S. Litsas, "Russia in the Eastern Mediterranean: Intervention, Deterrence, Containment," *Digest of Middle East Studies*, Volume 26, No. 1 (Spring 2017), 67.

<sup>53</sup> "Church of Cyprus Prepared to Become Mediator in Settlement of Ukrainian Church Issue," *Orthodox Christianity*, September 28, 2018. <http://orthochristian.com/116069.html>, accessed on May 21, 2019.

<sup>54</sup> "Cyprus Orthodox Church backs Ukrainian church's independence," *Ekathimerini*, February 21, 2019. <http://www.ekathimerini.com/237926/article/ekathimerini/news/cyprus-orthodox-church-backs-ukrainian-churchs-independence>, accessed on May 21, 2019.

aims to deal with. Kenneth Waltz stressed that international systems undergo internal transformations whenever their structure (namely distribution of capabilities across the major units of the system) changes.<sup>55</sup> Structural changes are fed by the fact that the capabilities of a system's units tend to grow unevenly. According to Robert Gilpin, uneven growth affects not only the distribution of power at the systemic level, but also state expectations and behavior at the units' level.<sup>56</sup> Similarly, Paul Kennedy points that uneven rate of growth among different societies, along with technological and organisational breakthroughs which bring a greater advantage to one society than to another, are the drivers of change in relative strengths of the leading nations in world affairs.<sup>57</sup>

As an independent variable that brings about systemic change through the changing distribution of capabilities, uneven growth could vary in intense and impact. A perception of power distribution in a given system, which is subject to the dynamics of uneven growth, could be underpinned (or undermined) by another related factor: prestige. According to Gilpin, "prestige is the reputation for power, and military power in particular. Whereas power refers to the economic, military, and related capabilities of a State, prestige refers primarily to the perceptions of other States with respect to a State's capacities and its ability and willingness to exercise its power."<sup>58</sup> So, prestige speaks to the sphere of perceptions. It corresponds to what the others believe of a State's capacity and will. Prestige generates legitimacy, namely acceptance of authority, the right of a rule or a ruler to be obeyed, as distinguished from the power to coerce.<sup>59</sup> A State with hegemonic aspirations, that has persuaded its rivals of its superior capacity by showing its muscles (not just having them without making use of them), is more likely to capitalise on its strength. The more it is persuasive of its will to act towards imposing its interests or its favourable version of an international order, the more its rule will be accepted and respected. Conversely, when a hegemonic State's prestige is waning (either due to a real devaluation of its power indicators or a perceived one), or when its decisiveness to impose its will is disputed, its legitimacy is proportionately undermined.

The study of contemporary Eastern Mediterranean and the broader Middle East verifies, to a large degree, the validity of these theoretical assumptions. The structure of the international system is changing due to uneven growth dynamics, which cause respective adaptations at the level of perceptions and prestige. In that sense, US overexpansion and its consequences forced Washington to a strategic withdrawal from the Middle East, which, subsequently, changed the way others saw the US and transformed its prestige accordingly. Consequently, Russia exploited this situation in order to establish its presence and increase its influence in the region, which led to a redistribution of power and triggered a struggle for the formation of a new regional balance of power. In this framework, realignment of interests and reconfiguration of bilateral and multilateral relations was a natural outcome of the changing power distribution and perceptions. If we focus our microscope on bilateral and multilateral relations between the US, Russia, Turkey and Cyprus we may observe two independent variables, which define the direction of the overall set of relationships, which are mutually reinforcing: Turkey's post-Kemalist foreign policy and the degree of tensions between Russia and the US/NATO. It seems that the more Turkey distances itself from its Western allies the more impetus its relations with Russia may gain. On the other hand, the more US-Russian relations worsen, the more Russia is motivated to embrace Turkey aiming to put NATO's internal unity to the test. At the same time, Turkey's independent regional agenda and hegemonic aspirations in the Eastern Mediterranean tends to disturb its relations with regional States. Whether Washington's decision is (or will be) to change its partners in the region, or to try to bring Ankara back on board through a stick-and-carrot strategy, US interests will more or less favor the convergence between Israel, Cyprus and Greece. Moreover, the more Washington is engaged in containing Russia's influence in the region the more its cooperation with these countries will be enhanced. Therefore, we may assume that the more Ankara and Moscow converge and the more Washington and Moscow clash, the more US-Turkish relations will be disturbed and US-Cypriot relations will improve.

<sup>55</sup> K. N. Waltz, *Theory of International Politics* (New York: McGraw-Hill, 1979), 97-98.

<sup>56</sup> R. Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), 93.

<sup>57</sup> P. Kennedy, *The Rise and Fall of the Great Powers* (New York: Vintage, 1987), xv.

<sup>58</sup> R. Gilpin, *War and Change in World Politics*, 30-31.

<sup>59</sup> A. Watson, *The Evolution of International Society* (New York: Routledge, 1992), 17

Apparently, the ongoing systemic dynamics are not in favour of the Russian-Cypriot relations. This is already evident in the economic pillar. The Russian community is expected to retain its privileged position in the island, however, Russian money exodus will continue as long as Cyprus adjusts with European regulations and is motivated to comply with American calls. This tendency will be enhanced further in case the "Eastern Mediterranean Security and Energy Partnership Act of 2019" becomes a law in the US. Furthermore, Russian-Turkish honeymoon may lead to more tourist waves from Russia to Turkey and to a decrease of tourist arrivals in Cyprus. Other than that, the improving status of this partnership may raise more concerns in Nicosia, such as the potential dangers due to the future functioning of a Russian-made nuclear energy plant in Turkey's southern coast a few kilometers away of Cyprus, which is perceived as a threat to the island's environmental security.<sup>60</sup>

At the diplomatic level, at least for the time being, Russian-Cypriot relations seem to remain in good shape. Russia continues to back Greek Cypriot views on the Cyprus problem and to support Nicosia's right to exploit its offshore energy resources. There is a mutual interest in this matter because, on the one hand, Cyprus would like to keep enjoying Russia's support in the Security Council while, on the other hand, Russia would like to retain some diplomatic leverage on the Republic of Cyprus. This tranquillity could be disturbed in the future if the interested parties decide to resume the negotiations for the solution of the Cyprus problem, which are currently frozen. The Cyprus issue is not among Turkey's strategic priorities right now but, in case of a reshuffling in Ankara's agenda, this could change. In that case, Turkey would like to promote a solution in its own terms and that could create a dilemma for Moscow (and

Washington), taking into account the new configuration of interests in the Eastern Mediterranean. We must keep in mind that Washington's active support of energy-related developments, the S-400 case and the submission of the Eastern Mediterranean Security and Energy Partnership Act of 2019 took place after the last round of negotiations for the Cyprus problem failed. Therefore, it remains unknown how their resumption could play out in relation with the current configuration of relations and interests in the region.

Finally, when it comes to cultural relations, systemic changes do not seem to bring about any impact. Cultural relations are rather dependent on historical and societal factors than on national interests and foreign policy decisions. At the same time, they tend to affect (albeit not drastically) foreign policy decision making through the interaction of soft power indicators. Therefore, we could argue that the cultural factor generates counter-tendencies that mitigate the negative impact of systemic developments on Russian-Cypriot relations.

The evaluation of Russian-Cypriot relations through the examination of possible systemic effects on the pillars of economy, diplomacy and culture, indicates the degree of complexity that currently characterises this traditional partnership. Furthermore, it seems that complexity grows in an increasing pace: the more Russian-Turkish relations and US-Cypriot relations develop and the more US-Russian tensions increase, the more Russian-Cypriot relations face obstacles and deadlocks. However, Moscow and Nicosia retain common interests at various levels, while their cultural ties remain strong and immune to developments at the systemic level. In other words, we may expect that the negative effects of the increasing complexity in Russian-Cypriot relations will be mitigated by the resilience provided by their sustainable foundations.

## КИПР И ВЕЛИКИЕ ДЕРЖАВЫ

### ОЦЕНКА РОССИЙСКО-КИПРСКИХ ОТНОШЕНИЙ В СОВРЕМЕННЫХ УСЛОВИЯХ, СЛОЖИВШИХСЯ В ВОСТОЧНО-СРЕДИЗЕМНОМОРСКОМ РЕГИОНЕ

*Отношения между Российской Федерацией и Республикой Кипр традиционно были тесными. Однако некоторые недавние системные со-*

*бытия, похоже, подрывают их прочную основу. В этой статье рассматривается современная международная система и, в особенности, реги-*

<sup>60</sup> "European Parliament votes against Turkey's upcoming nuclear power plant," *TRT World*, March 13, 2019. <https://www.trtworld.com/turkey/european-parliament-votes-against-turkey-s-upcoming-nuclear-power-plant-24915>, accessed on May 23, 2019.

ональная подсистема Восточного Средиземноморья с целью отслеживания системных изменений, которые могут повлиять на отношения между исследуемыми странами. Анализ российско-кипрских отношений посвящен потенциальному влиянию международных системных изменений на каждый из трех основных

элементов: экономические, дипломатические и культурные отношения.

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**Ключевые слова:**

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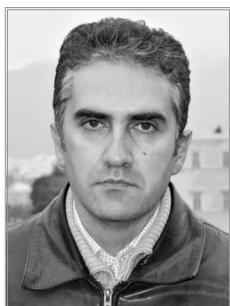
systemic changes, power distribution, national  
interests, soft power, soft power indicators,  
overexpansion, balance of power, perceptions,  
power vacuum

Article

# ASPECTS OF THE TRANSITION PERIOD IN RUSSIA AND CYPRUS (1991-2004)

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*The Russian Federation covers 17.045.000 square kilometres, has a population of 147.000.000 individuals and a national composition of 81,5% Russians, Ukrainians, Tatars, etc. It shares borders with Finland, Estonia, Latvia, Belarus, Ukraine, Georgia, Azerbaijan, Kazakhstan, China, and Mongolia and it has shores in the Northern Arctic Ocean, the Baltic Sea and the Black Sea. The regime of the Russian Federation is presidential democracy and the president is elected every six years by the citizens<sup>1</sup>.*

*The Federal Assembly is constituted by two bodies, Duma with 450 members, who are elected for a five-year tenure, half of whom in uninominal regions and the rest with proportional representation of parties. The capital of the Russian Federation is Moscow and other important cities are Saint Petersburg, Novosibirsk, Krasnodar, Vladivostok, and Nizhny Novgorod. Administratively, Russia is divided into 85 administrative units.*

## Introduction

During the 17<sup>th</sup> and 18<sup>th</sup> century, under the sovereign of Peter the Great and Kathryn the Great, Russia became, one of the most powerful states in the European region and it was extended to the east by conquering Siberia and Central Asia. However it did not manage to become a State without economic and social inequalities, resulting in the increase of the dissatisfaction of masses during the 19<sup>th</sup> century, the urban revolution (1905) and a little later the revolution of the Bolsheviks (1917), which led to the predominance of the communists and the creation of the Soviet Union. During the internal conflicts in the Soviet Union, a number of neighbouring States

and regions (Georgia, Armenia, Azerbaijan, almost immediately afterwards 1917, Lithuania, Latvia and Estonia in 1940) annexed, creating the conditions in order to become a big and powerful State.

Something that was accomplished during the cold-war period, while Russia was supposed to be a superpower, having many satellite-States by her side and being in a competitive relation in every sector with the US. During the 1980 decade and after the policy that been followed by M. Gorbachev and the big problems that had been accumulated were dissolved, independent States and autonomous democracies were created in her place. Some of these governmental structures still have close relations with

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<sup>1</sup> For the political system of Russia see Lampropoulos K. "The political dynamics of Russian Democracy", in Maroudas L., Tsardanidis X. (ed) Where Russia goes? Economic and political extensions of transformation. Athens, Exandas publications 1999, p.23-94. (In Greek) It must be marked that with decree that is in effect from 17 May 2000, country is divided in seven administrative regions in which are placed "seven persons of the President". So, are suppressed the 80 representatives of central power which had been placed in the 89 regions of country from the former president of Russia, B. Yeltsin in 1997.

Russia since the Cold-war in an ideological, political, social and economic form of East – West, regarding the new environment of the US as a world superpower and in search for a prosperous future, participating in the Community of the Independent States (CIS). Thus, there is still influence by Moscow on her ex- territories, while other regions are in an armed juxtaposition (Chechnya) with the country.

With the big changes that took place in the former USSR, there have been shocking changes,<sup>2</sup> the passage for USSR's successor, Russia, to a new role, regarding the countries that aspire to become regional powers (e.g. Turkey). At the same time the new conditions led many countries in the region to the western structures and systems - NATO, the European Union (EU)<sup>3</sup> - being in negotiations of a complete integration, -on this subject there is intense reaction by the part of Russia - while local regional collaborations (Organism of the Economic Collaboration of the Black Sea (BSEC) were also created, which formed a new prospect for the area.

These changes affected both the economy and the society of Russia. The result was the creation of big imaginative waves-the country had and still has an significant reserve of human stockpile<sup>4</sup> - that created new social<sup>5</sup> and economic facts, while the ethnic juxtapositions in the interior even ended up in armed impacts, which had as a main target the independence and the ownership of the rich natural recourses. When Cyprus gained its independence from the UK on 16 August 1960, the USSR recognised the newly independent State on 18 August 1960. After the dissolution of the Soviet Union, Cyprus recognised the Russian Federation as the successor state of the former Union on 7 April 1992.

### **Soviet and Russian Policy Before and After the Cold War Era**

During the first years that followed the October's Revolution, until the beginning of the 1920 decade, the USSR went through the phase where the Bolsheviks shattered the Tsarist's government . The repressive mechanism of the

capitalistic and feudal structures was abolished and the attempt of the construction of socialism in all levels began, starting from the army and the police, up to the economy and the society.

The rise of Stalin being in power strengthened the construction of the new regime with the nationalisation of the means of production, collectivisation of the land etc. Measures that were considered as conditions of the Socialist construction were adopted, but on their own did not recommend a socialistic society. During that phase, through the persecution of "the urban counterrevolution", the USSR was shaped into a transient revolutionary society, which was no longer a capitalistic one, however not a socialist one, based on the Marxist theory.

A peculiar regime existed, where the old orders of tsarist period had been exterminated, either biologically or abandoning the country and thus new sovereign political, economic and social layers were shaped, being adapted to the new conditions. The bureaucracy social group (nomenclature) and the administrative – high executives of (government owned) enterprises were the most important representatives.

In the middle of the 1930 decade, the new leading social layers of the USSR faced a dilemma, to attempt the "passage" to socialism, a situation in which they would have to deny their privileges, or they would concentrate on the consolidation of their power, adjusting the existing political system to the direction of servicing their needs and their interests.

With the 1936 Constitution, the leader of the State J.V. Stalin, after the prosecutions of hundreds of thousands leftish Bolsheviks, attempted to consolidate this transitional regime and declared that socialism had finally dominated in the USSR.. The decision had enormous political repercussions, in the interior as an "enemy of socialism" was considered the one that defended the rupture with the existing arrangement and required to advance the course towards socialism. Abroad, since within the USSR socialism was theoretically being built, the main duty of the international communistic movement in Europe and particularly in the Balkans, this prefer-

<sup>2</sup> See Gialouridis X. – Tsardanidis X. (ed) The Soviet Union: From the evolution in the decomposition. Athens, Themelio publications 1993. (In Greek)

<sup>3</sup> Tsardanidis, X. "Dilemmas and priorities of Russian exterior policy", in Maroudas, L.- Tsardanidis, X. (ed) Where Russia goes? Economic and political extensions of transformation. Athens, Exandas publications 1999, p.95-122. (In Greek)

<sup>4</sup> Milona G G. Euxeinos Pontos. Greece and the countries of Black Sea. Problems and prospects. Athens, National Bank of Greece publications 1995. (In Greek)

<sup>5</sup> The escape of capital abroad is calculated in 22,3 billions dollars USA, ten times more than the direct foreigner investments. Financial Times 9/4/1997.

ential space of distribution of ideas rendered the defence of the Soviet Union State policy. The opposition that stressed the Marxist theory between the capital - labour was replaced by the opposition between the USSR - capitalistic countries. The unresolved social problems had thus been transformed in the field of a juxtaposition of the international policy, and the tendency of restoration of the USSR was strengthened, a tendency which was multiply expressed.

The line of the Unified Antifascist Front, that Stalin had imposed upon all the communistic parties in Europe and the Balkans, the Molotov-Ribentrop pact, towards the smooth passage of the USSR in alliance with the US, the UK and France, constituted a reflection of this tendency. The USSR became a model for many countries, combining the resistance to fascism and the construction of a fair Socialist regime. Many liberating - resistance movements in the Balkans looking for help and seeking the post war political evolution of their countries assimilating the USSR.

The result of the second world juxtaposition and the creation of the

"Socialist camp" had a decisive role in the development of the USSR. The regime had been so much strengthened, and had created the power to eliminate the last signs of socialist resistance inside the Soviet Union.

The ascent of the general secretary of the USSR, N. Krouchev represented a paradox, on the one hand regarding the Cold War to be in the limelight and on other presenting the theory of a peaceful coexistence between socialism and capitalism, which had no connection to the Marxist theory. Kroutsef, recanted the dictatorship of proletariat, imported the conception of "the wide popular State" and the first economical improvements. The reactions abroad were many with withdrawals and defections of friendly leaning towards States, while in the inside the party reacted, desiring to hold the degeneration. Kroutsev was replaced by Brezhnev, who did not change the fundamental party line regarding to "the peaceful coexistence", however negotiated much harder with the US. Due to the enormous internal crisis of the western societies during the decades 1960 and 1970, the collapse of the colonialist system and the global elevation of the liberal movement, the juxtaposition in Vietnam and in Cuba, Washington was forced in the Helsinki conference in 1975, to accept the post-war distribution in Europe. This was the high peak of demonstrating the power of the USSR. After Helsinki, the Soviet Union sunk into a large and extended crisis, despite having a very significant geopolitical position;

it was not capable of solving the problem of the country's transformation to a capitalistic society.

After the time when the party structure changed three general secretaries, the governing of the USSR was taken by Gorbachev, who was obliged to handle the existing situation. Gorbachev was considered to be a temporary manager, who was removed, when he accomplished his job, therefore he was politically totally destroyed. The restoration of the system and the reinstatement of Russia in the previous situation required a different leadership in order to reconstruct the Soviet governmental structure and the system that had been established during the preceding decades. Boris Yeltsin was the leader of this initiative, who obtained his objective by sinking Russia in an economic chaos, social despair and misery and actually finalising the victory of capitalism.

On Christmas of 1991 the USSR, who had previously determined the fate of a large part of the world and had crucially affected the interrelation of forces, gave its place to the Russian Federation, - it is important to be marked that the "swan-song" of the communist party of the USSR was the adoption of the so called market reform in April 1991- under economical and social collapse including 14 States, politically and militarily weak and unable to take an active role.

Moscow began the long and laborious project of the re-establishment of capitalism. 10 years after the collapse of the USSR, Russia does not even have 50% of the industrial production the Soviet Russia had during the years of the decay.

At the same time and despite the degradation of the Russian population during the whole preceding decade, at absolutely no point was the course of Russia concerning the economic system of the market set to discussion, even by the population, who was under prolonged starvation. On the contrary, as the years went by, someone can observe that, not only the electing and the political effect of the Russian combination of Genadi Zouganov shrank, but also this party has increasingly more correct views on the complete adoption of the capitalistic structure by the Russian economy.

All conflicts in Russia in this decade were simply involved with the pace of the capitalistic re-establishment and they do not instigate from the political and social activities and requests. On the one hand, there was the tendency of the competitive overwhelming and extreme new-liberalism which had come forth while Yeltsin was on the leadership, independently of the misery that it caused to millions of Russians,

and it is connected to corruption and generally to the "black money" market. The tendency involved the sale of the wealth-producing resources of Russia and its services, which were consequently imposed as it was thought that the new-liberalism constitutes the most dynamic tendency of the market economy globally<sup>6</sup>.

The other opinion was supported by those who were embezzled the industrial production, which was the base of the soviet state, and were wanted the governmental help and support, in order to be maintained this base. Actually, this opinion was even more close to the traditional forms of social democratic governing of the state interventionism and protectionism, but it was defeated with obvious unfavourable results and in today's Russian economy and society, where the role of alteration is disappeared

Besides these views, there were also the communists and the new nationalists<sup>7</sup> that had a big part of the political life in the Russian society<sup>8</sup>. The only certain thing in this phase was that Russia kept up its capitalistic development. President V. Putin, who wishes to develop the market economy in Russia, can do nothing more than to accept the hierarchy of the capitalistic economies, according to which Russia is classified very low today, with prospects that will be judged during the next decades from the recorded figures<sup>9</sup>.

The researchers that had been studying the form of the Russian society in the decade of 1990 began from data that come up to the last period of the Soviet system. Therefore, the number of the individuals that go to theatres, to rooms of concerts, to circuses and to libraries has considerably decreased, as well as the reading of literature and the subscriptions to newspapers. The

increase of the working time in order that the Russians can be able to correspond to the new conditions, contributed in making the free time more passive, compared to the last years of the Soviet period when it was more dedicated to culture, when the free time was constantly increasing. In order to strengthen their income, or better it, in order to survive, a lot of Russians increased their agricultural, veterinary and cattle raising activities, resulting to the decreasing of sleeping time and their free periods. Only the most prosperous Russians have profited from the upcoming issue of freedoms and rights, as from the appearance of expensive services, those ones were more specialised or had a more enterprising spirit. Outside Moscow, most of the inhabitants saw their possibility for access to the cultural goods considerably decreasing. Television had one of the top means of entertainment, with dominance from the low quality television programmes<sup>10</sup>.

Most of the Russians do not make plans for their retirement, as the majority will not live long enough to get their pension. The expected life expectancy has decreased during the decade 1991-2001 with about three years and has reached 65,9 years of age. The fate of men is even worse, as their average life is less than 60 years, which is roughly 15 years less than the west - Europeans. The small duration of life is partly a product of the crisis that has also affected the system of health having with main characteristics identified as the difficult access in quality medical centres, the collapse of the national programmes of health, and the financial problems of the regional clinics. Today the World Health Organisation places Russia in the 130<sup>th</sup> place, in total of 191 countries, with regards to the qual-

<sup>6</sup> Kagarlitski, M. Restoration in Russia. Athens, Stahi publications, 1996. (In Greek)

<sup>7</sup> Petros, N. - Rubinstein, Russian foreign policy. From empire to nation - state. New York, Longman 1997. Allensworth, W. The Russian Question. Nationalism, modernisation and post - communist Russia. Oxford - New York, Rowman and Littlefield publications, 1998, Kanet, R. - Birgeson, P. "The Domestic - foreign policy linkage in Russian politics: nationalist influences on Russian foreign policy", *Communist and Post Communist Studies*, volume 30, 1997, p.335-344.

<sup>8</sup> In August of 1991, a coup of people who feel nostalgic of old of regime will mean, by collapsing, the end of the united Communist Party of Soviet Union (C.P.S.U) of 18.000.000 members. However the attempt of the new Russian leadership to place permanently except law each communistic activity did not flourish. The relative decree was cancelled in 1992 from the Constitutional Court (before this was dissolved, by Yeltsin) and the communists returned in the political life of the country. Today exist a lot of small and big Communistic Parties in central level, in which must be added a not exact number of organizations that have been constituted regionally, often as a political representation of local unions. Newspaper Eleftherotypia, 7/11/1999. (In Greek)

<sup>9</sup> At the same period flourish the known capitalistic side, because the biggest rise globally and the reins in Europe has the Russian stock market which marks rise at 41%, and the capitals that are moved during the last three-year period are enormous and comes from various sources, even from illegal sources. In the Russian stock market the demand is great for ADR oil with the capitalisation to be in about 15,2 drachmas and the transactions in the amount of 3,8 billions. Dr. per day. Malkidis, T. Economy and society in the Black sea area, Athens, Gordios publications 2002, p.256. (In Greek)

<sup>10</sup> Lewin, M. Le-Monde 6/1/2002

ity of the health system that is being provided. Consequently, Kazakhstan (64<sup>th</sup>), as well as Belarus (72<sup>nd</sup>) follow. The provided means are not enough in order to face the epidemic tuberculosis and AIDS. It is supported that the unfavourable living conditions along with the stress that has led to the long-lasting consumption of vodka and cigarettes in combination with economic and social problems, constitute some of the main reasons that have caused, after the passage of a decade, the premature death of men. More than 700 people die prematurely every day from cardiovascular diseases and cancer due to smoking, while more than 700 also die prematurely from liver cirrhosis poisoned by alcohol or in accidents or suicides, which are caused by the excessive consumption of alcohol. The statistical figures that were recorded reveal that during 2000, the men who were in the productive age were facing four times more probabilities to die, than women. In every 100,000 Russians of this age group corresponded to 86 suicides, 44 poisonings from alcohol and 55 murders.

In order to draw the attention to the country's dreary situation, certain initiators conducted a wide propaganda against the Soviet system, resorting to all the subterfuges that had been once used in West. Thus, it was supported that the previous establishment had been nothing more than a preposterous political and economic system, while it appeared from its failure, that a new era of freedom was being created. The "reformers" of the Russian society and economy did not satisfy the pillage of the economic goods; however, they attacked the past using ignorance, not the analysis. At the same time they began to - frantically seek other past references that could correspond to the desire

of the country to create a new identity and they once more misappropriated anything that was tsarist and pre-rebellious, and rejected anything that was Soviet.

### The New Russian Economy

At the end of the 1980 decade, the USSR collapsed which was a basic stylobate, both in the economy and in society - the nomenclature or the "new order",<sup>11</sup> and, in 1991, all the Soviet democracies became independent, bringing as a result all the big changes in bilateral financial relations<sup>12</sup>.

After 1990, the economic mechanism should change so that the transformation of the Russian economy could be realised, the macroeconomic variables could be established and the foundations for the future growth of country<sup>13</sup> could be created. The achievement of these objectives was based on the application of a number of measures of a policy that pre-supposed the release of prices, the implementation of a prudent and tight monetary and budgetary policy, the complete convertibility of the currency, the extensive privatisations and the implementation of motives for attracting foreign investments<sup>14</sup>. The extensive privatisations that were realised during the first period increased the participation of the private sector in the configuration of the Gross National Product (GNP) from 12,5% in 1990 to 24% in 1994<sup>15</sup>.

However, the ones that actually profited out of this process were the executives of the former government, the Soviet enterprises which had belonged to the nomenclature. The period of liberalisation could be characterised by the lack of order lacking the essential planning that never-

<sup>11</sup> Voslensky, M. The nomenclature. Privileged of the Soviet Union. Athens NeoEkdotiki publications 1980 (In Greek) and Tzilas M. The new order. Vienna - Munich 1957.

<sup>12</sup> In two years period 1993-1994 the exports to the countries of COMECON were decreased at 20% and the imports from them at 17%. See OECD The Russian Federation Paris 1995, and OECD Economic Surveys Paris 1995.

<sup>13</sup> About the conditions for the macroeconomic stabilization in Russia see. Dubinin, P. "Macroeconomic stabilization in Russia: the lessons of 1992-95 and the outlook for 1996-97", in the Economic Transformation: the tasks still ahead, Washington D.C.: Per Jacobsson Foundation, 1995.

<sup>14</sup> For the reforms of the first period becomes extensive report in the report of house Moody's. Moody's Report on the Russian Economy. About the financial system, with the policies of privatizations and with the issue of exterior debt of Russia. Sutela, P. (ed.), The Russian Economy in Crisis and Transition, Helsinki, Bank of Finland 1993, and Maroydas, L. Tsardanidis, X. (ed) Where Russia goes? Economic and political extensions of transmission. Athens, Exandas publications 1999. (In Greek).

<sup>15</sup> In 1992 Russian government distributed to the population with low price 150 millions obligations of privatisation, that were direct convertible in money. Very fast took shape big parcels, that possessed concrete categories of citizens or enterprises. see. Milios, G. «Transient process and structural transformations in the Russian economy», in Maroudas, L.- Tsardanidis, Ch. (ed) Where Russia goes? Economic and political extensions of transformation. Athens, Exandas publications 1999, p.125-154. (In Greek) For a total assessment of the first period of privatisations in Russia see. Andreff, W. "Economic disintegration and privatization in Central and Eastern Europe", in the Csaba, L. (ed) Privatization and destruction: Recreating the market in Eastern Europe, Dartmouth, Aldershot publications 1994.

theless altered certain characteristics of Russian economy. Therefore, despite any predicaments in the process of the reforms, it seems that Russia's image suffered from deep and not reversible changes. The application of policies, which had as a target the stabilisation of the economic.

Variables and the continuation of the transformation process of the Russian economy seemed to have brought about results. The year 1995 was considered as a year of stabilisation having significant success as far as inflation and the achievement of macroeconomic balance are concerned.<sup>16</sup>

Nevertheless, in a period of three years the above data had been reversed. The rouble depreciation, which was realised in 17 August 1998, was a result of the deterioration of the Russian economy and the low rate of the reform process.<sup>17</sup> The collapse of the national currency together with the failure of the banking institutions led many of the Russians to withdraw their deposits in roubles or in dollars. A month later, the food imports indicated a vertical reduction, the commercial transactions were substantially interrupted and for the first time after the dissolution of the USSR, the shops presented once again a picture of empty bookshelves.

More specifically the agricultural production which had constituted an important financial weapon of the USSR faced and still continues to face major problems<sup>18</sup>.

The Russian agriculture which only partially has been reformed under the requirements of the market economy and the lack of a reliable

agricultural policy caused the collapse of the centrally organised agricultural structures, not allowing the formation of new ones. On the contrary, former big governmental land was now divided in small lots. This division constitutes the most important structural reform of the Russian agriculture.

The Agricultural production, as decades passed considerably decreased. More specifically, the big areas had a lot of difficulty adapting to the requirements of the market economy. Production decreased at 50% during the decade 1991-2001. However, the total agricultural production decreased at about 30% (a lower percentage than that of the fall of the Gross Domestic Product). This happened because the production of small, familial, areas considerably increased. In 1991, the big areas produced the 70-75% of the total agricultural production, while now their share is around 50%. Simultaneously, the share of small areas, in the animal as well as in the plant production, was increased from 25% to 50%. Quite remarkable is the fact that small familial extents represent only 5,7 million hectares from the 221 million, that constitute the total cultivable ground in Russia. It should also be mentioned that, unofficially, a lot of private individuals grow, at the same time, to a big extents too. In any case, small cultivated areas provide a high degree of self-sufficiency in the population. Big amounts of vegetables, fruit and meat, are produced in the small ranches, whereas the cereals in the big ones. An inhibitory factor is that the productivity of the small

<sup>16</sup> For the Russian economy in period 1992-1996 See Russian Federation, OECD economic surveys, Paris: OECD, 1997 Russian economic trends, 1998.

<sup>17</sup> See Russian Federation - the 1998 Program and seventh quarterly review under the extended arrangement - letter of intent and statement of economic and structural policies for 1998», Document of International Monetary Fund, (Confidential), June 17, 1998.

<sup>18</sup> With regard to the conditions for the macroeconomic stabilization in Russia see. Dubinin, P. "Macroeconomic stabilization in Russia: the lessons of 1992-95 and the outlook for 1996-97", in the Economic Transformation: the tasks still ahead, Washington D.C.: Per Jacobsson Foundation, 1995. Specifically Russia consumes about 70-75 millions tones of cereals annually. Between 1991 and 1997 Russian production of cereals was about 85 thousands tones annually. At the duration of the decade 1980 former Soviet Union imported about 37 thousands tones per year, however at decade 1990-2000, Russia was altered in exclusive exporter of cereals. In 1998, Russia had a very bad production (only 48 millions tons). Nevertheless, could satisfy the consuming needs, because of the reserves that amounted in 14,3 million. tons. In the beginnings of the July 1999, before new production, reserves were in the lowest level (3,8 million. tons). This period they reached 1,5million. tons, as food help, from E.U. and USA. (It will be marked that, by the Memorandum of Understanding, that was signed by Russia, USA and E.U., is not allowed in Russia to sell the wheat that has been given as help). In 2000 they could collect 22 million. tons, essential for the consuming needs. The production of meat continues to decrease, like consumption. The production of meat in the big ranches, which produced in 1998 the 42% of the total production, it is continuously decreased, on the contrary to that of the familial ranches, that constitute the mainer source of meat. The consumption of beef meat fell from 53% in 1997 in 51% in 1998, while the consumption of pork meat was increased by 27% in 28% and the consumption of poultry from 12% in 14%. The annual consumption of meat per head fell from 50 kilos in 1997 in 47 kilos in 1998, and is expected to fall two kilos more, because the real incomes continued to shrink. However, because the high prices of imported products, the Russian producers could recover important share of domestic market. See Report of Office Economic and Commercial Affairs (OEY) Greek Embassy . Moscow. 2000.

ranches there is a lack of raw materials and there they witness difficulty in adapting to new data. Consequently, the agricultural sector cannot be based upon the familial properties.

The International Bank, the European Bank of Reconstruction and Development (EBRD), the Organisation of Economic Collaboration and Development (OECD) and the European Union, through the TACIS programme, together with the Russian government, processes certain programmes of providing the ranches with credits, technical aid, and mechanical equipment. As of the present day, this collaboration has led only to marginal changes and not to an inversion of the declining course of the Russian agriculture. The main reasons for the low reforming rate of the agricultural policy are both the intense reaction from the powerful preservative lobby that represents the big ranches, as well as the passivity of the agricultural population. The main problems that are encountered in the agricultural policy in Russia are: The absence of real reforms in the exploitation of the land, that would allow either the property, or the long-lasting renting; inconsistency in the followed federal and regional agricultural policies; high commercial obstacles among the various regions of the Russian Federation and the non-developing structures of the market, as well as the lack of capital and the supporting mechanisms to the agricultural sector.

The rouble devaluation helped the food industry of the country to become more competitive. In less than a year, the consuming and alimentary habits of the population dramatically changed. Instead of the expensive imported goods, the demand turned to cheap domestic goods and particularly to cheaper types of food, regarding meat, bread and potatoes. This change enabled the domestic companies of food to develop, in the field of production and sales and they were thus encouraged to invest more in the productive process. Consequently, after the depreciation, the prices of the vitally needed goods were considerably increased. On the other hand, there was a dramatic inability of the State to strengthen financially the producers. In 1999 only 0,8% of the total budget went to the agricultural sector, compared with the 19% in

1990. Certain parts of the society and particularly those who lived in remote regions, faced big problems. The enormous space of the country, the difficulty of finding the supply sources, the climatic diversity, as well as the significant reduction in the purchasing power, were some of obvious obstacles, mainly in the regions of the North and the Far East.

The certification of the memorandum with the International Monetary Fund (IMF) for credit disengagement to Russia in April 1999 was considered as a factor of confidence reinforcement to the Russian economy. Simultaneously IMF recommended the increase of taxes in alcohol drinks and oil, the postponement of reduction of Tax of Added Value (T.A.V), the change and reformation of the banking system and the lifting of the exchange restrictions.

The rise of V. Putin signalled the passage of the country to a new era that, according to his statements, the circle of corruption and (kleptocratic) capitalism should end so that the diptych of stabilisation and growth could be achieved. President Putin, from the moment of his election, has repeatedly altered both the external and the internal policy of Russia, concerning the following as the most important:

- Russia was immediately included in the alliance against terrorism that was established by the US.
- He announced that he examines the possibility of discussing with the Chechen autonomists.
- He shut down the last two Russian bases in Cuba and Vietnam.
- The possibility of withdrawing the Russian military forces from the base in Abkhazia was to be discussed.
- He accepted under specific terms the modification of Anti-ballistic Treaty (ABT).
- He founded a special committee to fight against the rinsing of money in Russia.<sup>19</sup>
- He accepted, if not encouraged, the presence of the US troops in the countries of the former Soviet Union.
- He declared that his country would pay part of her external debt earlier than the expected dates.

<sup>19</sup> The corruption in Russia has received big dimensions and it constitutes central issue that occupies so much the internal political life, as much as the international organisms that loan the economy of the country. Characteristically at the first quarter 1999 dominated in the political life, the negotiation and the collection of the second dose of the loan of total height of 4,5 billions. dol. USA, which amounts in 640 millions. dol. USA, that the International Monetary Fund was about to give for Russia in September, however, because of the scandal that burst out with rinsing of Russian money in USA, DNT assigned in the Pricewaterhouse Coopers to submit a report on the subject, fact that interrupt the payment of the above pecuniary facilitation. Malkidis, Th. European Union and Black sea area, Athens, Gordios publications 2004. (In Greek).

- He expressed his wish to have his country included in the World Trade Organism.

Overall, Poutin accomplished, at a time when the US economy – and the European due to reflection – had reached null growth, for Russia to move around 4%. Salaries and pensions were paid, something that had been unrealistic during the Gieltsin period, while it began to cede in private individuals the agricultural ground of country. The European Union depends more and more on Russia, mainly for oil and the transport of the natural gas in the continent.<sup>20</sup>

It has to be pointed out that today the Federal Russian budget, has the exports of oil as the main sources for foreign exchange. V. Poutin has recently declared that the 40% of the income of the State budget emanates from the exports of oil and the 25% from the exports of natural gas.<sup>21</sup> If the income from the exports of diamonds, gold, timber products, silver, nickel, coal and copper were also to be added to this 65%, it would remain less than 5% reflecting the industrial products, an absolutely non-aligned structure of exports that is also connected with the trade of arming systems<sup>22</sup>. However, ten years after the collapse of the USSR, Russia does not even have the 50% of the industrial production of the Soviet Russia during the years of the decomposition. Even with a rate of growth of 8% per year, we will need 15 years in order to reach the level of prosperity of Portugal [...]. The second from the end country of the EU', Poutin declared.<sup>23</sup>

## Russia and Cyprus

Historical and cultural relations connect Cyprus and Russia for hundreds of years. With the establishment of the Republic of Cyprus in 1960, diplomatic relations with the then USSR (18 August 1960) were immediately followed. The friendly nature of bilateral relations is reflected by the identification or proximity of the two countries' positions in major international problems as well as the consistent and valuable support of Russia in its efforts to achieve a just, viable and comprehensive solution to the Cyprus problem on the basis of relevant UN Security Council resolutions.

The relations of centuries between Russia and Cyprus, based on historical, religious and cultural ties between the two communities, have become a powerful foundation for bilateral relations in the modern historical period. The national and cultural encounter between the two nations is an example of the multilateral interconnections between Cyprus and Russia at all levels, from the official level of inter-State relations to the everyday life.

Confirmation of all this was celebrated for 55 years with official diplomatic relations between Cyprus and Russia in 2015. The results of this anniversary demonstrated the determination of Russia and Cyprus to broaden partnerships. The main point of reference was the talks between presidents, held in Moscow on 25 February 2015, which resulted in the signing of a series of important bilateral agreements. Cyprus

<sup>20</sup> Newspaper Eleutherotypia 11/11/2001. (In Greek)

<sup>21</sup> Russia has the biggest reserves of natural gas worldwide (48 thrice. Mrm.), and Europe is calculated that have needs ten times more than now (about 800 billions. cubic metres) at the expense of the consumption of oil, that is more expensive is passes via difficult and doubtful ways. Presentation of productive potential of Russia in the frames of USSR is attempted in the Jacques le Cacheux, 'LURSS', in Jean-Paul Fitoussi (dir), *A l'Est, en Europe, des économies en transition*, Paris: Presses de la Fondation Nationale des Sciences Politiques, 1990, sel. 27, as well as in the EIU, *Country Profile Russia 1998-1999*.

<sup>22</sup> Specifically in the trade of arming systems Russia attributes big importance. In March 2000 Russian president V. Poutin exempted from their duties, the presidents of the export organisms of arming systems Rosvooruzhenie and Promexport (Alexei Ovkaref and Sergkei Tsemezev). The activities of the two companies were assembled in united institution under the name Rosoboroneksport, the administration took the former subordinate Tsemezev, Andrei Belagianimov. The Promexport (under new form) had been constituted in April 2000 after personal intervention of Poutin, but also the transfer of the activities of the company Russian Technologies, while the Rosvooruzhenie and the Promexport had been recommended in 1997, via the concretisation of decree (then) president M. Yeltsin. The economic height of exports of Rosvooruzhenie for 2000 was 2,95 billions dollars, while the open orders reached the 10 billions dollars. It has to be marked that the Russian federal budget has as main sources of foreigner exchange the exports of oil (and arming systems). The last months 2000 presented surplus, with given the increase of prices of black gold in the international markets, ensuring comfort of handlings in Russian government at the negotiations, that are in development for the activation of parcel of loans 4,5 billions dollars from D.N.T. see. Delastik, G. Newspaper Kathimerini 21/7/2001. (In Greek)

<sup>23</sup> Newspaper Eleutherotypia 4/8/2001. (In Greek)

and Russia have signed up to more than 60 bilateral agreements, of which 12 have been signed during the 2015 Moscow visit.

In January 1997 Cyprus signed an agreement with Rosvooruzheniye for the sale and delivery of 40 S-300PMU-1 missiles.<sup>24</sup> The sale, valued at USD200 million, caused tensions with Turkey, who threatened to blockade the island to stop delivery, whilst not ruling out military action.<sup>25</sup> Michael Barletta suggested that the Russians might have made the sale as a rebuke to NATO, which had continued to expand the alliance against Russian objections. He continued to say that the Russians may have been seen to encouraging conflict between NATO allies, which would create opposition to the continued expansion of the alliance, whilst demonstrating that Russia would not accept its security and political interests being ignored by the US.<sup>26</sup> A spokesman for the Russian Foreign Ministry stated that the deal was on a pure commercial basis, and rejected notions that the deal may be responsible for tensions on Cyprus, whilst pointing out that Russia had proposed demilitarization of the island. Despite objections from some quarters, Russian Foreign Minister Yevgeny Primakov stated in February 1998 that Russia was intent on delivering the missiles to the Cypriots, and noted that they were defensive weapons.<sup>27</sup> After Turkish objections the missiles were transferred to Greece and never deployed on the island.

Cyprus is officially the third largest foreign investor in the Russian economy; most of foreign direct investments from Cyprus are in fact, Russian capitals hidden offshore for tax and legal protection purposes.<sup>[8]</sup> The cooperation with other Russian regions - Tatarstan, St. Petersburg, Krasnodar Region develops steadily. On 22 March 2005 the memorandum on cooperation between the Ministry of Trade and Economic Cooperation of the Republic of Tatarstan and the Ministry of Commerce, Industry and Tourism of the Republic of Cyprus was signed.

The unilateral decision by the European Union in March 2013 imposing a levy on Cypri-

ot bank accounts to finance its bailout fund was angrily received by representatives of the Russian State. Based on previous negotiations with the EU, it was expected that Russia extends its five-year loan obligations towards Cyprus but the recent EU fiscal regulations, which heavily weigh on Russian assets in Cyprus, will likely affect Moscow's decision on restructuring its loan to the island nation.

Cyprus offers the benefits of English common law, which businesses often consider more flexible when drawing up contracts. "Russia should be blamed for not allowing people the level of comfort they wish," said Bruk. "As with high tax countries like Germany or France, if you pressure people to pay high levels of tax, why blame Cyprus for creating a low-tax jurisdiction?"<sup>28</sup> The way to stop cash outflow is to make tax legislation fair and easy to deal with." Vladimir Gidirim, partner, International Tax, Ernst & Young, said companies would take the risk of a further deterioration in the Cyprus tax system but smaller and medium-sized companies in particular would not leave the jurisdiction. However larger companies might make use of holding companies in additional jurisdictions. "There is no alternative to Cyprus as a jurisdiction. The tax system for holdings is far too advanced and flexible. The Netherlands and Luxembourg do contain some features, but those conditions are still not as favorable for investors. There is no direct matching. You cannot simply take a Cyprus company and replace it like a piece of Lego in Luxembourg. You would need to use several jurisdictions, with several layers of holding companies in order to achieve a cascading system of tax distributions."<sup>29</sup> Gidirim added.

Since the 1990s, Cyprus has been characterised as a country with very good relations with Russia, which is considered an ally supporting the integrity of the country. It usually supports the Kremlin's foreign policy objectives, such as hindering further sanctions with positions that have to do with the need to appease or relate to business. Cyprus belongs to that group of coun-

<sup>24</sup> Barletta, Michael (November 1998). «Cyprus: Mediterranean countdown». Bulletin of the Atomic Scientists. Educational Foundation for Nuclear Science, Inc. 54 (6): 12–14. Safire, Williams (2 July 1998). «Essay; Primakov in Cyprus». The New York Times.

<sup>25</sup> Hannay, David (2005). «1997: Missiles and Missed Opportunities». Cyprus: the Search for a Solution. London; New York: I.B.Tauris. p. 70. Gordon, Michael R. (29 April 1998). «Greek Cypriots To Get Missiles From Russians». The New York Times.

<sup>26</sup> Safire, Williams (2 July 1998). «Essay; Primakov in Cyprus». The New York Times.

<sup>27</sup> «Russia to honour missile contract with Cyprus — Primakov». BBC News. 16 February 1998.

<sup>28</sup> Russians In Cyprus: It's Not About Tax It's About The Rule Of Law And Property Rights». Forbes.com.

<sup>29</sup> «Egorov Puginsky Afanasiev & Partners - Media Coverage - The Moscow Times publishes commentary by Mark Rovinskiy on companies reassessing their presence in Cyprus». Epam.ru.

tries that do not risk or accept threats from Russia and maintain close relations with the regime in Moscow. Russia supports the integrity of the island since the Soviet Union, making Moscow a strong partner for Nicosia. Cyprus is the main window for Russia's offshore banking system, a place of residence for 40,000 Russians and a favourite destination for Russian tourism. The government is opposed to sanctions against Russia, mainly because of economic relations, despite the fact that the real impact on the economy was almost non-existent. However, there is a continuing Russian background movement and the Cypriot side worries that Moscow uses media and social networks as well as its relations with parties and the Greek Orthodox Church to undermine the talks on a settlement of the Cyprus problem. In 2011, Russia lent EUR2,5 billion, which the Cypriot government still pays.

It is evident from the report that at the political level, complaints have been expressed about the role that Russia has in Cyprus. In addition, it is obvious that this Russian activity is bothering some of them, for this reason they say that Russia is stirring up the efforts of the solution of the Cyprus problem. It is further noted that the events in Ukraine did not affect the relations between Cyprus and Russia, while pointing out the leading role of Cyprus against sanctions against Russia.

### Conclusions

In the Russian society and economy as well as in the fields of policy, juxtapositions are today dominant. This is reflected in Caucasus with Chechnya, as well as in the relations with Georgia and the petrol policy controversy. The situation is homologous in Ukraine, and the Caspian Sea, where the US is also involved, while more States have wide interests in the region. This conclusion is further reinforced when we examine the political (but also militarily) sovereignty in the Black Sea region, resulting from the expansion of western organisations, such as NATO, influence in situ. Such countries had close political and economic relations with Russia during the previous period, but this is not

the case today. Moreover, the change in the international scenery after 9/11 and the (military) presence of the US in the region are critical factors of the present equation.

The great problems that Russia faces today, the economic crisis, the social inequalities, the big immigration, the corruption, the pillage and the illegal exploitation of the natural resources, alcoholism, and the demographic collapse, constitute serious threats to the foundations of the society. In any case, if brave decisions are not taken, that will blunt the inequalities and the big differences that exist, in the next years the cohesion of Russian society will be severely threatened and unforeseen ominous developments in the Russian society and economy will be fired.

In the 1990s, Cyprus received much of the wealth of the former Soviet Union, which was channelled abroad. Today it hosts a large community of Russian millionaires and is the seat of Russian offshore companies.

Cyprus chose allies and sought them in the West, joining the EU, and voluntarily leaving the Non-Aligned Movement. Of course, Cyprus is obliged to seek broader alliances and to follow a multidimensional foreign policy. Although, without delusion, Cyprus can play a game in competition with her natural ally in the EU. If it cannot find alliances in Europe to push Turkey, it is naïve to believe it can make it into an alliance with Russia, and one against 26, in a way that gives impressions that it acts as a Trojan horse of the Russians in European Union. In the European Union and in the West in general, there is suspicion of the non-transparent relations between Cyprus and Russia. First, it has been proven that there is a practical and effective mechanism of influence from Moscow to Nicosia in a wide range of issues. In Cyprus, there is a "pride" for relations with Russia that penetrates the whole spectrum of society for two reasons that are understood by the public:

- \* Economic relations.
- \* The national problem.

These two issues make society positively address the Russian factor and consider Russia the most reliable and the most stable ally of Cyprus.

## АСПЕКТЫ ПЕРЕХОДНОГО ПЕРИОДА В РОССИИ И НА КИПРЕ (1991-2004)

Российская Федерация обладает территорией в 1 745 0000 квадратных километров, имеет население, насчитывающее 147 000 000 человек и состоящее из 81,5% русских, украинцев, татар и т. д. Она граничит с Финляндией, Эстонией, Латвией, Беларусью, Украиной, Грузией. Азербайджаном, Казахстаном, Китаем и Монголией, её территорию омывают воды Северного Ледовитого океана, Балтийского моря и Чёрного моря. Российская Федерация - президентская демократия, и президент избирается гражданами каждые шесть лет.

Федеральное Собрание состоит из двух органов. Дума, насчитывающая 450 депутатов,

избираемых на пятилетний срок, половина из которых выдвигаются в одномандатных округах, а остальные – в округах с пропорциональным представительством партий. Столица Российской Федерации - Москва, другие важные города - Санкт-Петербург, Новосибирск, Краснодар, Владивосток и Нижний Новгород. В административном отношении Россия разделена на 85 субъектов.

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### Ключевые слова:

Russia, the Transition Period in Russia and  
Cyprus, Soviet and Russian Policy

### Keywords:

Россия, переходный период в России и на  
Кипре, советская и российская политика

# MOSCOW-CYPRUS RELATIONS SINCE THE 1950s: A SCHEMATIC INTRODUCTION

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*Allowing for inevitable disagreements, stemming from political, ideological, psychological propensities and fixed ideas, it should be undeniable that, throughout the post-World War II era, Moscow had displayed friendship, solidarity and multidimensional support towards Cyprus and its overwhelming Greek Cypriot majority. Hence the recurrent expressions of “gratitude” by Cypriot political elites, opinion makers, and large sectors of civil society. Three primary sources of this “special relationship” stand out: first, Moscow, while serving its own geopolitical goals, simultaneously offered Cyprus protection against Anglo-American errors, sins and even crimes; second, in contrast to the West’s exclusively self-regarding strategies and tactics towards Cyprus, the Moscow-Cyprus bilateral bonding has overall been premised on a synthesis of mutual interests, shared norms and common values; and third, until very recently, Moscow extended to the Republic of Cyprus sustained understanding and support regarding Turkey’s threats and provocations. Except for the last dimension – addressed near the end of this essay – my major theses and supporting empirical evidence regarding the sui generis Russia-Cyprus relationship were first developed in my 2016 book, *Russia-Cyprus Relations*<sup>1</sup>.*

## Introduction

As an “unsinkable aircraft carrier” in the Eastern Mediterranean, Cyprus inevitably became a Cold War apple of discord, since Soviet Moscow, in tandem with the West, aspired to satisfy via Cyprus various geostrategic goals. Although, whereas nearly all relevant analyses are confined to narrow *Realpolitik* readings, my insertion of “idealist” norms and values became necessary in order to reflect the important idiosyncrasies of Moscow-Cyprus relations: that is, religious, historical, political, cul-

tural, and psychological affinities and bonds as well as respect for international legal and ethical principles and norms.

Now given that Cyprus’ (quasi)-independence from British Colonialism was won through a painful national liberation struggle (1955-1959); and that a Constitution externally imposed – by the US, the UK and NATO – blatantly favoured the Turkish Cypriot minority (as a service to Turkey), the Greek Cypriot majority (80%) nurtured deep discontent and anger towards Washington and London. Unsurprisingly, most Greeks of Cyprus turned favourably to Moscow.

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<sup>1</sup> See Costas Melakopides, *Russia-Cyprus Relations: A Pragmatic Idealist Perspective* (London: Palgrave, 2016). (For reasons of space, the present essay will frequently appeal to this book.) The term “Pragmatic Idealism” was introduced to International Relations Theory in my 1998 book *Pragmatic Idealism: Canadian Foreign Policy, 1945-1995* (McGill-Queen’s University Press).

These sentiments were progressively strengthened until 1991, thanks to additional sins and crimes committed against Cyprus by Washington, Ankara and London (to be recalled below). With the Cold War's end, Russo-Cypriot bonding flourished even further, accumulating thereby rich mutual benefits. "*Pragmatic Idealism*" is my proposed term especially for their bilateral relations for 20 years after 1992.<sup>2</sup>

Arguably, however, tentative changes could be perceived since the mid-2010s, when affirmations of pragmatic idealism by both sides could not be unaffected by the Eastern Mediterranean geopolitical adventures. Primarily, they comprise the ever deepening Russia-Turkey rapprochement; the renewed manifold US-Russia antagonism; Cyprus' discovery of rich hydrocarbon deposits in its Exclusive Economic Zone (EEZ); and Turkey's intensified anti-Hellenic bellicosity on top of the unending, since the 1974 invasion, illegal occupation of 37% of Cypriot territory.

This essay, then, will first address the extended positive periods of their relations, before turning to today's geopolitical fluidity. Here, President Erdogan's regional troublemaking and heightened anti-Cyprus and anti-Greece aggression have complicated Russia-Cyprus relations both indirectly and immediately. Put succinctly, while unwilling to "abandon" Cyprus, Moscow today hesitates to contain Ankara's anti-Cyprus (and anti-Greece) escalating hostility. Evidently, the resulting relative indeterminacy needs to be explored.

Methodologically, my approach opposes "Political Realism", contradicting thereby its inherently cynical perception of Moscow's Cyprus policies. Hence this essay may annoy the aficionados of *Realpolitik* and surprise those untutored in the rich empirical record supporting a Pragmatic Idealist analysis. To repeat, my analysis clearly acknowledges Russia's self-regarding geopolitical interests, especially during the Cold War. But only a *normative method* could reveal such "idealist" dimensions as the international legal and ethical values and norms, as well as Russian-Cypriot political, religious, cultural and "spiritual" affinities and bonds. Moreover, only a normative approach could judge the culprits of Cyprus' repeated victimisation, by openly criticising London, Washington and Ankara, but

frequently also Cyprus' own elites. Therefore, I share British author Christopher Hitchens' conviction that '*acquiescence in injustice is not 'realism'. Once the injustice has been set down and described, and called by its right name, acquiescence in it becomes impossible. That is why one writes about Cyprus in sorrow but more –much more– in anger.*'<sup>3</sup>

### Moscow-Cyprus relations until 1991

With the Cold War underway, Moscow's geopolitical interest in Cyprus preceded the Republic of Cyprus' establishment in 1960. Indeed, Moscow explicitly supported Cyprus' Greek Cypriot (GC) majority in the UN General Assembly when, inspired by the December 1952 Resolution on self-determination, the GCs asked Athens to represent them at the UN. However, despite the global decolonisation momentum and the monumental Greek sacrifices during the World War II, London adamantly refused to liberate Cyprus. Assisted by Washington, whose "containment" of the USSR was at new heights, the General Assembly's 1954 agenda excluded the Cypriot request. Besides the UK and the US, three more NATO members voted against the Greek appeal. In contrast, the USSR voted in favour of the Cypriots.

*Establishing the Republic of Cyprus.* Consequently, the GCs resorted to an anti-colonial struggle. The UK, deepening divide-and-rule, favoured the Turkish Cypriots (TCs) in scandalous ways. As William Mallinson has written, "at a time when all Greek-speaking political parties were banned, the British authorities allowed the Turkish Cypriots to establish a political party called 'Cyprus is Turkish'. Although many members of EOKA were hanged and imprisoned, very few members of Volkan, a Turkish Cypriot terrorist group, were even tried." <sup>4</sup>

Similarly, Vassilis Fouskas noted: "Britain, facing the Greek Cypriots' ferocious anti-colonial uprising, pitted the Turks against the Greeks by setting up auxiliary police totally composed of Turkish Cypriots [who] tortured Greek Cypriots under the blissful eye of British lieutenants"<sup>5</sup>.

On London's ruthlessness, that guaranteed the GCs' alienation from the UK, Perry Anderson added the following in the *London Review of Books*:<sup>6</sup>

<sup>2</sup> For the period until 1991, I proposed "*Latent Pragmatic Idealism*" as more appropriate (see op.cit. chapter 4).

<sup>3</sup> Christopher Hitchens, *Hostage to History* (London and New York: Verso, 1997), p. 166.

<sup>4</sup> William Mallinson, *Cyprus: A Modern History* (London: I. B. Tauris, 2005), p.23.

<sup>5</sup> Vassilis K. Fouskas and Alex O. Tackie, *Cyprus: The Post-Imperial Constitution* (London: Pluto Press, 2009), p.16.

<sup>6</sup> Perry Anderson, "The Divisions of Cyprus", *London Review of Books*, Vol. 30, No 8, 24 April 2008, pp. 7-16, italics mine.

"The standard repertoire of repression was applied. Makarios was deported. Demonstrations were banned, schools closed, trade-unions outlawed. Communists were locked up, EOKA suspects hanged. Curfews, raids, beatings, executions were the background against which, a year later, Cyprus supplied the air-deck for the Suez expedition".

EOKA's success seemed all but inevitable, considering "the breadth of support the national cause enjoyed among the population."<sup>7</sup> And yet, the end of the struggle produced merely Cyprus' "quasi-liberation": for not only it inherited two "Sovereign British Bases" but also "independence agreements" that two Cyprus experts have called "fatally flawed"<sup>8</sup>.

"[They] established a system of government and security that was doomed from the start to promote divisions which eventually led to bloodshed. It had been devised by outside powers, bartering over their own political and defense interests on the island, and not by the people who had to live there, and resulted in neither real independence and unity nor a workable system of government."

The Republic of Cyprus was thus established with the "blessings" of London, Washington and NATO on 16 August 1960. Moscow recognised it two days later. The anticipated domestic instability erupted in December 1963. Turkey apparently engineered a domestic conflict that became a major international crisis. When President Makarios, was faced with crippling governmental malfunctioning, suggested constitutional improvements, TC extremists opted for rebellion. To contain it, the United Nations sent a Peacekeeping Force (UNFICYP) that remains on the Island ever since.

UN Security Council Resolution 186 of March 1964, establishing UNFICYP, is clearly historic. For it falsified Turkey's "official" narrative: that the TCs were "victimised" by the Greek majority, "expelled" from the Nicosia administration, and "forced" to hide in enclaves, because the Greeks had hijacked the newborn Republic.

Moscow was instrumental in the adoption of 186/1964. Former Cypriot Foreign Minister, Dr Erato Kozakou-Markoullis, had emphasised Moscow's decisive role. She recalled that "some countries reacted negatively" to the resolution, because the UNFICYP would be "acting with the approval of the Government of the Republic of Cyprus".

{But} the Soviet Union stood by us and by this very important wording {...} the international community through the Security Council recognises the Government of Cyprus as representing the whole Republic of Cyprus and all the people of Cyprus. So Moscow's support was vital at a very critical moment".<sup>9</sup>

Thus, the foundations of a "special relationship" were being constructed. Needless to say, Moscow's pro-Nicosia logic had two parallel sources: the "pragmatic" and the "idealist". The former, representing *Realpolitik*, included: Moscow's eagerness to prevent NATO hegemony over the Republic; the removal of the British bases from Cyprus if it could not be removed from the West; the cultivation of strong -ideological and political- ties with the fully pro-Soviet Cypriot communist party AKEL; and the desire to establish its credentials as a world power.

Such strategic considerations have dominated diachronically nearly all analyses of Russia-Cyprus relations. But although valid, they cannot suffice to explain Moscow's pro-Cyprus Cold War policies. By ostracising the *normative dimension*, they commit the fallacy of *petitio principii* or begging the question. For they exclude a priori and by an "authoritarian" fiat all value judgements about legal and ethical issues and all humane considerations, including solidarity and friendship.

Demonstrably, however, Moscow's pre-1992 Cyprus policy was motivated *primarily, but not exclusively*, by "realist" goals. "Pragmatic Idealism" is meant to capture precisely this crucial *differentia specifica*. The historical record includes Moscow's powerful declarations, decisions and actions in defense of Cyprus' rights and needs, whereas Washington and London aimed exclusively at submission to NATO. As the former Undersecretary of State, George Ball, confessed regarding the 1964 Cyprus crisis,<sup>10</sup>

"Viewed from Washington, the issue was clear enough. Cyprus was a *strategically important piece of real estate* at issue between two NATO partners: Greece and Turkey. *We needed to keep it under NATO control*."

Two Antithetical Approaches. The US-UK-NATO complex operated vis-à-vis Cyprus equally cynically throughout the Cold War. Inevitably, Cyprus suffered from their erroneous and often inhuman decisions, that included *primarily*:<sup>11</sup> the toxic (secret) British nod of approval

<sup>7</sup> Ibid., emphasis added.

<sup>8</sup> Brendan O'Malley and Ian Craig, *The Cyprus Conspiracy: America, Espionage and the Turkish Invasion* (London: I. B. Tauris, 1999), p.78 (emphases added).

<sup>9</sup> See Costas Melakopides, *Russia-Cyprus Relations*, op. cit., p.55.

<sup>10</sup> George Ball, *The Past Has Another Pattern* (New York: Norton, 1982), p.342, emphases added.

<sup>11</sup> For rich bibliography, see *Russia-Cyprus Relations*, pp. 44-72.

to Makarios' proposals to improve the constitution (that ignited the 1973 Turkish Cypriot rebellion); sustained machinations aiming at Cyprus' partition; the Washington-"inspired" 1967-1974 Colonels' dictatorship in Greece; the devious disregard of the Greek junta's preparations for the anti-Makarios coup; the implicit green light to the first Turkish invasion of July 1974; Henry Kissinger's demonstrable encouragement for the August 1974 second Turkish invasion;<sup>12</sup> and the brutal violation of the Cypriots' human rights by the post-1974 Turkish occupation while pretending to help the UN "resolve" the Cyprus problem. This tragic list of acts and omissions could not but alienate utterly the Greeks of Cyprus from Washington and London.

Contrariwise, Moscow was entrenching its positive image because, while serving its aforementioned geopolitical goals, it also extended to Cyprus multiple protection and support.<sup>13</sup> Characteristically, Moscow immediately supplied the Republic with military hardware desperately needed to handle Turkey's threats and provocations; the USSR also offered constant verbal solidarity, while Czechoslovakia and East Germany also provided various weapons systems;<sup>14</sup> Nikita Khrushchev repeatedly warned Turkey against its threatened invasions, beginning in summer 1964; Moscow consistently opposed the Western designs to partition Cyprus;<sup>15</sup> systematically, it called for settling the Cyprus problem by an international conference according to international law, as against NATO's self-serving fixations; and it kept providing Cypriot youth with generous scholarships to study in Soviet universities.

Thus, by utilising the ample space provided by Western behavior, Moscow defended Cyprus' security interests and satisfied many of its political needs in accordance with legal norms, ethical values, and humane solidarity and care. Therefore, while accepting the predominance of Moscow's strategic interests during the Cold War, I have labelled "*Latent Pragmatic Idealism*" this *synthesis of interests, principles and values* that served Moscow's multiple goals and Cyprus' obvious needs.

To be sure, Moscow's "neutrality" during Turkey's 1974 invasion constitutes the realists'

major attack against its Cyprus policies. *Pragmatic Idealism*, however, may reply as follows: first, that Moscow's (pragmatic) stance, far less than the West's, represented the realist canon's core; second, that while Pragmatic Idealism does acknowledge Moscow's "pragmatic" decisions, it is unique in recognising their synthesis with the "idealist" dimensions; and third, one wonders whether realists could possibly consider rational a potentially global conflict on behalf of Cyprus at the height of the Cold War!<sup>16</sup>

### Cyprus-Russia Relations, 1992-2012

Since Moscow's geostrategic concerns decreased by the end of the Cold War, the new era encouraged the flourishing of the idealist dimensions. Traditionally characterising Moscow's relations with Hellenism in general, they included religious, cultural, linguistic, aesthetic, and, of course, historical and political affinities, ethical influences and ties, to be demonstrated below.

*Typical Examples of Bilateral Affinities and Bonds.* Most valuable are Ambassador Georgi L. Muradov's statements and judgements, collected in his *Russia-Cyprus: Our Common Way*<sup>17</sup>. The Russian diplomat celebrated various sentiments, ideas, values and bonds shared by Russians and Cypriots. Thus, when asked "whether Hellenism and the Russian people have additional connecting features besides religion", he replied:

"Certainly! I think they also have the same mentality, as peoples, but also the same ethical spirit. Of course, since times past, there is the economic, the political and the cultural connection. I am talking of the ancient years when the first Tsars or the princes were getting married to Greek women".<sup>18</sup>

In June 1999, discussing whether the Greeks (of both Cyprus and Greece) appreciate and enjoy Russia's great cultural tradition, he stated:

"Both in Greece and in Cyprus, the Russian culture has great effect and impact. It is popular! In literature, in music, and the other arts. I realize this when I see the Russian folklore groups performing in Cyprus. They literally enjoy an apotheosis. And this proves that *the connection*

<sup>12</sup> See, inter alia, William Mallinson's *Kissinger and the Invasion of Cyprus: Diplomacy in the Eastern Mediterranean* (Cambridge: Cambridge Scholars Publishing, 2016).

<sup>13</sup> See *Russia-Cyprus Relations*, pp.58-60.

<sup>14</sup> Andreas Stergiou, "Soviet Policy toward Cyprus", *The Cyprus Review*, Vol. 19, No2, Fall 2007, pp.121-128.

<sup>15</sup> See *Russia-Cyprus Relations*, p.57 for British Officer Martin Packard's eye-opening confessions.

<sup>16</sup> For a lengthy discussion, see *Russia-Cyprus Relations*, pp. 67-69.

<sup>17</sup> Georgi L. Muradov, *Russia-Cyprus: Our Common Way* (Nicosia: .S.Satellite Publication Ltd., 2000?).

<sup>18</sup> Ibid, p. 134.

of our peoples has deep roots which go back in centuries".<sup>19</sup>

When the Cypriot interviewer noted the profound Hellenic gratitude for Russia's literary heritage, Muradov responded in characteristic idealist terms:

"Thank you very much. I believe that our two civilisations are very much interconnected. Mentality, tradition, Orthodoxy unite us as people very closely. And I must say that culture provides people with the same ethics, and I see that the evaluations, the values of Cypriots and Greeks, of Hellenism generally and of the Russians, are almost the same. I am talking about the values of today's world".<sup>20</sup>

Russian-Hellenic normative affinity is further demonstrated through international law. Besides Muradov's "pragmatic idealist" (i.e. legal and humanitarian) condemnation of Serbia's bombing by NATO,<sup>21</sup> Argyrios Pisiotis has emphasised that Moscow, like Hellenism, favours legal solutions to international problems. Telling are the ratification of the Law of the Sea Convention and the Cyprus question.<sup>22</sup> Moscow's "stated preference for a 'legal' solution to the bilateral problems that caused the Imia confrontation,<sup>23</sup> was identical with Athens' position. By supporting international legal solutions to the Greek-Turkish disputes, Russia was not only opposing the Anglo-American preference for "political dialogue" between the two "NATO partners" –which manifestly favored Turkey- but was also contradicting Ankara's traditional stance, which arguably fears that international law stands against it whereas a "dialogue" might entail Greek concessions.

*The Notorious S-300 Missiles.* Security and defense retained an elevated place in Russia's Cyprus policies. The purchase of the Russian S-300 missiles for the Republic's air-defense also reflected "pragmatic idealism": serving legitimate Russian commercial interests *in tandem* with shared values, including Cyprus' honorable de-

fense against the perennial Turkish threats.

For months then, Ankara had resorted to threats against Nicosia and intense lobbying against their installation. When Moscow signaled its decision to deliver the missiles, "Turkey threatened to strike the Russian vessels carrying the missiles to Cyprus. Moscow described the Turkish threats as an outright provocation and a *casus belli*".<sup>24</sup> Ambassador Muradov stated to Turkey's *Anadolou* news agency that "if Turkey were to attack any ship carrying S-300 missiles to Cyprus via the Turkish Straits, this would be cause for war"<sup>25</sup>.

Moreover, besides repeating Moscow's *casus belli* threat, Georgi Muradov shared again the Cypriot –and international law-<sup>26</sup> position on the essential nature of the Cyprus problem: "The current situation in Cyprus did not result from the deal to purchase the missiles but from the 1974 Turkish invasion and the continued occupation of the island's northern third"<sup>27</sup>.

In October 2014, then President of the Cypriot Parliament, Yiannakis Omirou, defended Moscow's principled and sustained support for Cyprus, through diplomatic, political and defense means. He also revealed that, as Minister of Defense, his Russian counterpart, Marshall Sergeef, had handed him in Moscow the following message from President Boris Yeltsin to Cypriot President Glafkos Clerides:

"We are ready to send two frigates to the Port of Limassol one week before the arrival of the missiles. The frigates will possess anti-air systems which will cover not only Cyprus but also the entire Mediterranean. Then we will see if the Turks would dare to attack"<sup>28</sup>.

*Moscow's Historic 2004 UN Veto.* Moscow's principled Cyprus policy was famously demonstrated anew by the April 2004 Russian UN Veto, the first such veto in ten years<sup>29</sup>. It took place just before the twin referenda on the "Annan plan". Secretary General, Kofi Annan, had been urging the Security Council to adopt a res-

<sup>19</sup> Ibid., emphasis added.

<sup>20</sup> Ibid., p.123 (my translation).

<sup>21</sup> Muradov, op.cit., 25 April 1999, pp.115-116.

<sup>22</sup> Argyrios Pisiotis, "Greece and Turkey in the Concentric Circles of Russian Post-Cold War Foreign Policy", in Christodoulos Yialourides and Panayiotis Tsakonas (eds.), *Greece and Turkey After the End of the Cold War* (Athens: Caratzas, 2001), p.412.

<sup>23</sup> Ibid.

<sup>24</sup> Andreas Stergiou, "Les Russes a Chypre dans l'après-Guerre froide", *Outre-Terre: Revue européenne de géopolitique*, Vol.27, 2001.p.125.

<sup>25</sup> "Russia threatens retaliation over S-300 missiles", *Hurriyet Daily News*, 10 November 1997(accessed 24 October 2014).

<sup>26</sup> See *Russia-Cyprus Relations*, ch.2, entitled, "The Cyprus Problem, International Law, and the Annan Plan".

<sup>27</sup> "Russia warns Turkey", *Cyprus News Agency*, 26 November 1997.

<sup>28</sup> Yiannakis Omirou, "Russia's stance towards Cyprus and a revelation", *Phileleftheros* website, 29 October 2014.

<sup>29</sup> For details, see *Russia-Cyprus Relations*, pp.78-80.

olution on proposed security arrangements for Cyprus should the Cypriots vote for "reunification". Given, however, the opinion polls' clear prediction of the plan's massive Greek rejection, the UN Secretariat was exercising unacceptable -politically and morally- pressure on the GCs. Thus, Russia's Deputy Ambassador to the UN, Gennady Gatilov, declared Moscow's conviction that the proposed resolution was attempting to influence unfairly the forthcoming referendum. When he vetoed it, he stated:<sup>30</sup>

"The [referenda] must take place freely, without any interference or pressure from outside".

Against the stubborn Western treatment of Cyprus as "a strategic piece of real estate", Moscow continued to defend the GCs' legal, political, and human rights that were being threatened anew. Once again, Russia's motivation was not *exclusively* "idealistic"; but this discussion aimed to show the *pragmatic-idealist synthesis* that proved sufficient for the Greek Cypriots.<sup>31</sup>

Throughout 1992-2012, the Nicosia-Moscow political dialogue was fruitful, as were the mutual visits by their presidents, their foreign ministers and other officials, from the parliamentary level to that of local government. Cypriot statesmen and other officials kept expressing Nicosia's "gratitude" to Moscow for its unceasing decades-long support. In turn, Russian officials and policy-makers did not tire to celebrate both mutual interests and the "spiritual affinities" and "spiritual bonds" between Russians and Greeks.

*Self-explanatory Statements and Declarations.* Sergey Lavrov, interviewed by the Cyprus News Agency before his 2007 official trip to Nicosia, stated:

"At the basis of our traditionally friendly relations with the Republic of Cyprus lie *strong historical and spiritual bonds* {...}. What brings us closer to each other is the common understanding of the necessity to be guided in international relations *by universal principles and legal norms*"<sup>32</sup>.

Mr Lavrov was clearly implying that Moscow shared the Republic's perpetual struggle to settle its existential problem, caused by Tur-

key's invasion and the ongoing occupation, on the basis of international law and international ethics, as against Washington and London's realist fixations and Ankara's hegemonic bulimia. But analogous statements and declarations were regularly pronounced by Russian diplomats and other officials. For instance, in a 1998 interview with a TC newspaper, Ambassador Muradov boldly declared:<sup>33</sup>

"I want to tell the Turkish Cypriots openly: the recognition of an independent state, which was created in a military way with the help from the armed forces of a foreign country, regardless under what pretext this military action was done, is impossible and unacceptable in the modern world".

Similarly, Russian FM Spokesman, Andrey Nesterenko, declared during a September 2009 media briefing:<sup>34</sup>

"It goes without saying that Russia was never going to recognize the so-called 'Turkish Republic of Northern Cyprus'".

Two years later, confronting Turkey's gunboat diplomacy in Cyprus' EEZ, Ambassador Vyacheslav Shumskyi defended -as we saw- the Republic's rights according to the Law of the Sea, by stating that "*this is totally in accordance with international law and with the EU regulations, so there is no doubt about that*".<sup>35</sup>

The synthesis of idealistic statements and actions -primarily legal and ethical decisions and initiatives- with pragmatic or material interests continued during the Russophile years of President Tassos Papadopoulos (2003-2008). It was occurring even at the local administration level as, for instance, with the Nicosia-Moscow cooperation agreement, that was decided in February 2005, "with a view to boosting and consolidating the good relations between the two capitals"<sup>36</sup> The cooperation agreement would provide for the exchange of community services in various fields, including construction of infrastructure projects, preservation of historic monuments in both towns and protection of the environment", through the "exchange of expertise, delegations and technology to achieve this goal"<sup>37</sup>.

<sup>30</sup> Ibid., p. 78.

<sup>31</sup> For Moscow's more "pragmatic" considerations, see Igor Torbakov's excellent essay, "UN Veto Sparks Debate on Russian Policy Aims", discussed in *Russia-Cyprus Relations*, pp. 79-80.

<sup>32</sup> Ministry of Foreign Affairs of the Russian Federation, Information and Press Department, 26 December 2007, emphasis added.

<sup>33</sup> Georgi Muradov, op.cit., p.171.

<sup>34</sup> See "Russia-Japan: Towards Reaching a Compromise", *Russia Today* website, 18 September 2009 (accessed 6 February 2012).

<sup>35</sup> "Greece and Russia rally behind Cyprus", *Cyprus Mail*, 2 October 2011.

<sup>36</sup> "Nicosia-Moscow set to sign cooperation agreement", *Financial Mirror*, Nicosia, 21 February 2005.

<sup>37</sup> Ibid.

On the State level, characteristic were the results of then President Dimitris Christofias' November 2008 visit to Moscow. Presidents Dmitry Medvedev and Christofias signed a Joint Declaration entitled, "On Further Intensification of the Relations of Friendship and Comprehensive Cooperation between the Republic of Cyprus and the Russian Federation".<sup>38</sup> Beyond political cooperation, the declaration covered many additional dimensions: from economic relations to cooperation of local authorities, continuing military-technical cooperation, collaboration in addressing "new threats and challenges" (such as terrorism and other criminal phenomena), ending with a long section on "cultural, religious and humanitarian fields", expressed in typical "pragmatic idealist" language: "The Sides confirm that the development of bilateral cooperation in the humanitarian field has a strong foundation with regard to historic, cultural and religious closeness of the peoples of the two States"<sup>39</sup>.

*Tourism and Investments.* Russian tourism to Cyprus represents another major bridge between "pragmatism" and "idealism". Beyond enormous economic significance, it keeps demonstrating inter-people affinity and friendship. The number of Russian tourists visiting Cyprus was rising impressively: from 130,000 in 2000, they reached around 181,000 in 2008 and 224,000 arrivals in 2010, placing Russia among the island's top sources of holidaymakers<sup>40</sup>. The back then Cyprus Tourism Organization (CTO) representatives visiting Moscow in early 2012 expressed enthusiasm because Russian tourists were now expected to exceed 400,000, and because seven more Russian airports would be added for tourists to Cyprus, resulting in flights from a total of 16 cities<sup>41</sup>.

One of Argyrios Pisiotis' observations about Russian tourism to Greece and Cyprus in the 1990s supports our analytic framework, since Russian tourism's revival applied also to "spiritual tourism". It was taking place along "the traditional routes which 19th century Russian pilgrims followed to Greece": that is, Moscow-Odessa and then by ship to Constantinople, Thessaloniki, Mount Athos, Athens and Pales-

tine.<sup>42</sup>

Turning from the spiritual to the earthy, Cyprus' position among the top three States investing in Russia's economy should be emphasised<sup>43</sup>. In 2001, Cyprus held the first place, representing 16,3% of total foreign investment income, followed by the US (11,2%) and the UK (10,9%). In August 2010, the total Cypriot cumulative investment in Russia amounted to USD52 billion, 38 billion of which consisting of foreign direct investment<sup>44</sup>.

These funds were mostly of Russian origin and going back to Russia using the extremely favourable terms of Cypriot legislation. However, among the other factors attracting Russian businessmen's money to Cyprus were the important opportunities it offered: (1) EU membership since 2004; (2) a regional and world business centre; (3) stability and safety; and (4) deep-rooted mutually friendly attitudes.

*On Mutually Friendly Attitudes.* As regards to point (4), numerous enthusiastic judgments are regularly advanced. Ms Natalia Kardash, editor and publisher of the Limassol-founded weekly *Vestnik Kipra*, made a powerful anthropo-centric argument regarding Cyprus' attraction for both Russian businessmen and ordinary Russians. In a November 2010 conference on Russia-Cyprus relations, she replied to the question, "Why do Russians Choose Cyprus?" by arguing that,<sup>45</sup>

"...the most important reason is people. Cypriots like Russians. Russian people feel very comfortable here. There are many countries with good weather and similar business conditions. But Cyprus – I know it for sure – is the best country in Europe if you take into consideration how people treat Russians here... Many people say that in Cyprus they feel that they live a full life, they learn to enjoy every day".

According to Kardash's 2010 paper, around 50,000 Russians were then living in Cyprus. Around 46% were visitors, earning money abroad and spending it in the Republic. The rest were counted as follows: Russian businessmen and their families, 26%; employees of local and international companies, 13%; wives of Cypriot citizens, 11%; and Russian students welcomed at various Cypriot universities, 4%. Finally, the following selected data from 2010 demonstrated

<sup>38</sup> The Joint Declaration can be found at <http://www.cyprus.gov.cy/MOI/pio/pio/nsf/All>

<sup>39</sup> Ibid.

<sup>40</sup> *Russia-Cyprus Relations*, p.84.

<sup>41</sup> Ibid.

<sup>42</sup> Argyrios Pisiotis, op.cit., p.421.

<sup>43</sup> *Russia-Cyprus Relations*, p 81, n29.

<sup>44</sup> Ibid, p 82, for data provided by the All-Russian Consumer Market and Marketing Research Institute, 2010.

<sup>45</sup> Natalia Kardash, "Russian Community in Cyprus: Advantages and Challenges", University of Nicosia Conference, 2 November 2010, p.1.

the progressive incorporation of the Russian people in Cypriot life: Russian-speaking children number between 25,000-30,000; four Russian schools operate in the Republic; "there are more than 10 educational centres where children go in the afternoon"; and about 20 music and dancing schools use Russian as the main language<sup>46</sup>.

Following this celebration of bilateral bonding, I asked distinguished Russian analyst Dr Nadia Arbatova, if she would endorse my "pragmatic idealism" hypothesis. She replied with a confident "Yes!", having just concluded her own geopolitical analysis with the words, "Russia and Cyprus are natural allies!"<sup>47</sup>.

Analogous was Georgi Muradov's opinion, when interviewed in February 1999 by *Russian Business and Trade Connections*. Asked, "Why are Russia and Cyprus so close?" he first mentioned their well-developed treaties and legal agreements. He then added "good climate, political stability...favorable tax policy towards foreign companies and the sophisticated banking and business infrastructure. The geographical proximity of Russia and Cyprus also plays an important role, but for us it is more important that Cyprus is a traditionally friendly country, spiritually close to us and connected by strong historical ties"<sup>48</sup>.

Two Revealing Interviews. In 2010, Moscow's *VIP-Premier* magazine interviewed then President Dimitris Christofias and Ambassador Vyacheslav Shumsky<sup>49</sup>. The Cypriot president assured the magazine's editor that the closeness of the bilateral ties 'are based on the support and assistance your country provided and continues to provide to Cyprus. Our relations are underlain by common cultural and religious traditions, the commitment of our peoples to the ideas of peace, friendship and cooperation.'. After noting the "firm and consistent support" that Moscow is giving Cyprus, he added that "Cyprus, in turn, as an equal member of the European Union and a good friend and partner of Russia, is working to strengthen relations between Russia and the European Union". As for tourism, Dimitris Christofias emphasised inter alia that its importance "cannot be reduced only

to economic parameters" and that "Russian people visiting Cyprus discover right away that Cyprus could become their second home"<sup>50</sup>.

Turning to trade and economic cooperation, Dimitris Christofias stressed their continuous expansion and added: "The total volume of Russian investments in Cyprus in 2008 was EUR2 billion. These investments targeted mainly financial and economic services, real estate management, trade and repairs...Cyprian exports to Russia increased by 55% in 2005-2008[...]The main products Cyprus exports to Russia are pharmaceuticals, citrus fruits and food in exchange for grain, wood, iron and fodder"<sup>51</sup>.

Ambassador Shumsky affirmed many of our "pragmatic idealist" theses. On the pragmatic side, he stated that the Republic has "preserved the status of one of the main investors in the Russian economy"; that Cyprus investments in Russia exceeded USD48 billion in the end of last year [2009]; that "our country accounts for up to 80% of all foreign investments in Cyprus"; and that deposits of Russian individuals and legal entities in local banks remained considerable and comprised close to EUR14 billion"<sup>52</sup>.

As regards the "idealist" dimension, the Russian ambassador stated that "the last but not the least component of Cyprus' attractiveness are traditionally good relations between our countries and, what is more important, the people. Our compatriots are sure to feel them on the island"<sup>53</sup>. And when asked whether Russian tourists may face "difficulties" because of Cyprus' division, he replied that "we do not recommend our tourists to go to the northern part of the island", because "the so-called Turkish Republic of Northern Cyprus enjoys no international recognition (except for Turkey) and thus any entry into it through seaports and airports on its territory are treated as illegitimate by the Republic of Cyprus[...]Therefore, we persistently recommend to the Russians to rest only in that part of the island where such control is in force"<sup>54</sup>.

*Dmitry Medvedev in Cyprus*. The pragmatic idealist synthesis was further confirmed in October 2010, through Dmitry Medvedev's Nicosia visit. The 15 different agreements signed on that

<sup>46</sup> Ibid.

<sup>47</sup> Nadia Arbatova, "Russia and Cyprus in the context of Regional and European Security", University of Nicosia Conference, 2 November 2010.

<sup>48</sup> Georgi Muradov, op.cit., p.177, emphasis added.

<sup>49</sup> Interviews by editor Yevgeny Kosov, in Nicosia, *VIP-Premier*, Issue 05-06/2010.

<sup>50</sup> See *Russia-Cyprus Relations*, pp. 84-85 for more statements by Dimitris Christofias.

<sup>51</sup> Ibid.

<sup>52</sup> Ibid, p 86.

<sup>53</sup> Ibid.

<sup>54</sup> Ibid. Ambassador Shumsky's interview was entitled, "Russia and Cyprus are linked by sincere friendship".

occasion would, in Dmitry Medvedev's words, "create a solid foundation for the future business development". In fact, the new tax deal, preventing double taxation, could enhance the positive conditions already in place, so that Dmitry Medvedev could state that "Cyprus is perceived by our businessmen as a very convenient platform to make investments"<sup>55</sup>.

To be sure, Cypriots were eagerly awaiting confirmation that the ever-flourishing Russia-Cyprus relations would remain unaffected by the ever-strengthening Turkey-Russia material embrace. Therefore, they welcomed President Medvedev's declaration that Russia's growing commercial and political relations with Turkey "do not pose a threat" to Cyprus<sup>56</sup>. Moreover,

*"Our relations will remain just as friendly and mutually beneficial, and Russia will not change its position regarding the Cyprus question. This position is that Cyprus must be a single sovereign state with two communities{...}. We will continue to work towards this goal".*

In 2011, when Turkey attempted again to intimidate Nicosia through verbal abuse and gunboat diplomacy, Ambassador Shumsky, condemned on legal grounds Ankara's bullying, as we already know. But the international and EU economic crisis had also reached Cyprus by mid-2011, rendering difficult the country's borrowing in international markets. When President Christofias requested assistance, Moscow responded immediately. It promised a generous loan of EUR2,5 billion at a favourable interest rate (4,5%t). And during the Cyprus-Russia Friendship Association's 50th anniversary meeting in Nicosia, in November 2011, Georgi Muradov, representing the Russian Foreign Ministry, read out a message from Sergei Lavrov. Six words in this message constitute a paradigm of the "essence" of Russia-Cyprus relations:<sup>57</sup> "Russia is interested in close and fruitful cooperation with Cyprus on the basis of sincere friendship, mutual sympathy and common interests".

*A Note on Mutual Benefits.* To summarise the principal mutual benefits enjoyed by the two countries during 1992-2012, we may begin with Cyprus. The first most evident benefit was the strong sense of political security and diplomatic solidarity Moscow provided to the semi-occupied Republic at the Security Council and bilaterally, through declarations, decisions, and

actions. Second, Cyprus was grateful because Moscow's verbal actions affirming the legality of the Republic contradicted cynical Anglo-American *Realpolitik* and Ankara's unending belligerence. Therefore, Moscow remained the principal reminder of Cyprus' traumatised sovereignty and territorial integrity, while fraudulent Western "creative initiatives" about the Cyprus problem, essentially aimed at *exculpating* Turkey. Third, the purely "pragmatic" benefits included Russia's remarkable economic platform in Cyprus, with serious banking and real estate investments, on top of Moscow's demonstration of readiness to help Cyprus face the international financial crisis. Fourth, Russian tourism was established as a provider of both valuable income and camaraderie. Finally, Cypriots were convinced that sincere friendship and mutual sympathy were bound to strengthen inter-state and inter-governmental political bonding resulting in spiraling mutual benefits.

Moscow, in turn, could treasure the political association with a grateful and faithful friend or "natural ally", enjoying Cyprus' pro-Russia voice in international fora, and primarily in Brussels, where one could even hear the devious assertion that "Cyprus is Russia's Trojan Horse". Second, Russia benefited by Cyprus' status as a top channel for massive investments. Indeed, by 2010, Cyprus' foreign direct investment to Russia reached USD61,961 million, followed by the Netherlands (USD40,383 million), Luxembourg (USD35,167 million), and Germany (USD27,825million)<sup>58</sup>. Third, Russia expanded via Cyprus its economic presence within the EU, while Russian investors acquired a strong foothold in Cypriot real estate, banking and other services, as illustrated by the two *VIP-Premier* interviews. Fourth, Cyprus became a safe, attractive and exciting tourist destination, for both general and "spiritual" Russian tourism. The relevant figures are quite impressive, especially when we compare the 148,740 Russian arrivals of 2009 to the 334,083 in 2011. Fifth, Russia's consistent treatment of Cyprus through respect for legal and ethical principles and values could strengthen Russian "soft power" and international prestige, especially during Russophobic times. Finally, other things being equal, Russia could count on manifold Cypriot sympathies in the perennially problematic Eastern Mediterranean.

<sup>55</sup> "Medvedev Resolves Cyprus Taxation", *Moscow Times*, 8 October 2010.

<sup>56</sup> Ibid.

<sup>57</sup> "Russia Interested in Close Cooperation with Cyprus—Russian ForMin", ITAR-TASS News Agency, 9 November 2011.

<sup>58</sup> Quoted in *Russia-Cyprus Relations*, p.91.

### 2013-2018: Towards a "Revisionist" Pragmatic Idealism?

Dimitris Christofias became the only Cypriot president who did not seek reelection. His major weaknesses included his failure to perceive the coming economic crisis and the immense human tragedy of the July 2011 explosion at Mari, for which he was primarily blamed by the State-appointed investigator.<sup>59</sup> As for his final relations with Moscow, Christofias himself complained that Vladimir Putin had avoided at the end even "to come to the phone".<sup>60</sup>

Nikos Anastasiades won the February 2013 presidential election, supported by his right-wing DISY party, but asserting commitment to a balanced foreign policy towards both superpowers. Actually, whenever referring to Moscow's Cyprus record, Anastasiades would express the Cypriots' gratitude for sustained political and diplomatic support, economic co-operation, Russian tourism, and the strong religious and cultural bonds.

When the Eurogroup-imposed bail-in caused Cypriot panic, Nicosia sent immediately Finance Minister Michalis Sarris to Moscow on 20 March 2013. Although the entire affair remains rather foggy, Sarris' return with empty hands could be attributed to the preceding cooling in Putin-Christofias chemistry, the image of Cyprus' economy "under attack" from Brussels, and Moscow's unwillingness to risk an unnecessary falling out with the EU.

Ultimately, this traumatic EU-generated affair did not cause a Moscow-Nicosia crisis. In fact, there was a subsequent affirmation of the "special" relationship: first, only few Russian investors reportedly decided to leave the Island and those who stayed seemed to endorse the Russian proverb, "better an old friend than two new ones".<sup>61</sup> Second, Russian optimism was reportedly premised on Cyprus' high-quality expertise in legal, financial, logistical, banking and associated matters, entailing a positive economic future. Third, during his spring 2013 Moscow visit, then Minister of Defense, Fotis Fotiou, witnessed Moscow's desire to use Limassol port facilities for its military vessels cruising the Eastern Mediterranean. Indeed, such vessels were visiting the Limassol port during the ongoing

Syrian war.<sup>62</sup> Fourth, in late summer 2013, Moscow lowered, as promised, the interest rate of the 2011 loan, generously extending its payment by some years. Finally, increasing numbers of Russian tourists reaffirmed the established "mutual sympathy" which also represented vital economic relief.

*Anastasiades under Pressure.* President Anastasiades, his Russophile rhetoric notwithstanding, occasionally appeared to be tilting towards Washington. But because Nicosia was subjected yet again to unconscionable Western pressures, it was hard to identify Anastasiades' authentic motivation. Still, the pressures concerned the "settlement" of the Cyprus problem, economic insecurity, and the promising Cypriot hydrocarbon deposits. In all these, the "idiosyncratic" -to put it euphemistically- American Ambassador, John M. Koenig, usurped the role of first fiddle. Thus, as keynote speaker during a September 2013 conference, extroverted Koenig advertised enthusiastically "the present ideal opportunity" to resolve the Cyprus problem, because of Anastasiades' electoral victory.

Anastasiades had been a passionate supporter of the Anglo-American Annan plan which the GCs rejected triumphantly in 2004 when Moscow exercised its famous veto. Now, he was ready to restart "bi-communal negotiations" along analogous lines, manifestly oblivious to the dark realities in Erdogan's Ankara and in Cyprus' regional geopolitics. But American and associated pressures became so asphyxiating that Anastasiades exploded on national television, on 15 January 2015. Accumulated stimuli for his angry eruption might have included his possible post facto recognition of Victoria Nuland's trap regarding the 11 February 2014 "Joint Declaration" with TC leader Eroglu that imposed a toxic framework for the "bi-communal negotiations"; John Koenig's 11 May 2014 (surrealistic) interview with *Phileleftheros* entitled, "You should trust Turkey more"; Joe Biden's advertised as "historic" visit that had turned into a historic disaster; Turkey's October 2014 crude violations of international legal norms in Cyprus' EEZ; and numerous other cases of deception and manipulation against Cyprus and its president, where a major role was performed by the widely discredited Nor-

<sup>59</sup> See *Russia-Cyprus Relations*, pp. 92-93, for this tragedy and its socio-political implications.

<sup>60</sup> See, for instance, "Complaints by Dimitris Christofias: Putin did not even come to the phone", *Politis Online*, 25 March 2013.

<sup>61</sup> "Better an old friend than two new ones" says the Russian Ambassador", *Phileleftheros*, 7 June 2014.

<sup>62</sup> See, for instance, "Piotr Velicky nuclear missile cruiser to make portcall to Limassol", *ITAR-TASS News Agency*, 27 December 2013.

wegian UNSG Special Advisor, Espen Barth Eide.

Thus, a furious Anastasiades asserted that he “was taken for granted” because of his 2004 support for the Annan plan; and that, since the Americans hesitated to disturb their relations with Turkey, they expected him to perform all concessions. Hence the title chosen by *Phileleftheros* the next day: “Anastasiades got angry: Shots against the UN Secretary General and the United States”<sup>63</sup>.

Meanwhile, whereas the US and the UK reacted to Turkey’s new aggression by a lukewarm (pseudo-)condemnation, Moscow’s strong denunciation emphasised:

“Unilateral actions and the show of force are unacceptable, because they are threatening to worsen the situation not only in Cypriot affairs but also in the broader region of the Eastern Mediterranean”<sup>64</sup>.

*Anastasiades Goes to Moscow.* Thereupon, Anastasiades turned to Russia. He declared anew the “special” character of the bilateral relations and fixed an official visit to Vladimir Putin. His February 2015 Moscow visit was quite successful, as Cypriot and Russian media attested. The latter chose such titles as “Russian warships allowed at ports of Cyprus for humanitarian purposes—president”, “Cyprus opposes sanctions against Russia”, and “Ever more politicians in Europe see negative results of sanctions—Cyprus’ president”<sup>65</sup>.

The three-day visit gave the opportunity to the two presidents and Premier Medvedev, to Foreign Ministers Sergey Lavrov and Ioannis Kasoulides, and to Energy Minister George Lakkotrypis to reassert the relationship’s excellent level and to enrich the long list of protocols and treaties with 11 new agreements<sup>66</sup>.

Costas Venizelos, a leading Cypriot journalist and author, commented on the visit’s rich results and promising implications. He noted that “Moscow perceived positively Cyprus’ axis with Egypt, as well as the one with Israel, and favours the cooperation of the three States of the region”; that Moscow’s interest in energy

issues is oriented towards investing in shares from companies already active in Cyprus’ EEZ; that Moscow’s primary interest appears to be geostrategic, with energy issues operating in a supporting role, something that fits Nicosia’s own calculations and desires. Venizelos also recorded Anastasiades’ request that President Putin may talk directly to Erdogan about the Cyprus issue. As for the military agreement, Costas Venizelos clarified that the Russian navy’s right to use the Limassol port could not harm Cyprus’ relations with its other partners<sup>67</sup>.

*Russian Popularity in Cyprus.* As regards the GCs’ relevant sentiments, they kept favoring the ongoing level of bilateral Moscow-Nicosia relations and wished for even stronger ties. Admittedly, formal opinion research on these relations has been sporadic. Considering, however, the principal “authors” of Cyprus’ vicissitudes –i.e. Washington, London, Ankara and increasingly the UN Secretariat– one could discern that Russia was bound to be favored by most GCs, appreciating primarily its being Cyprus’ most powerful political and diplomatic counterweight. This intuition was simultaneously supported by the explicit appeals to Moscow’s positive role by analysts, opinion makers and the “Centrist” political elites. Thus, anecdotal evidence had crystallized that GCs’ affection and hopes are certainly oriented towards Moscow<sup>68</sup>.

This perception was verified in a 2015 opinion research. First, referring to a poll conducted in mid-December 2015 by Nicosia daily *Simerini*, the *Cyprus Mail* noted, inter alia:<sup>69</sup> “Almost three out of four Cypriots would welcome the provision of military facilities to Russia by Cyprus{...}. Over half of those polled island-wide on 16-17 December said the government should seek closer ties with Moscow.” In addition, “Three out five said they would feel safer if there was a Russian military presence on the island{...}.. Seven out of ten Cypriots were open to offering military facilities to Russian forces fighting against terrorism, with 37% going as far as saying Cyprus should give them a base”<sup>70</sup>.

<sup>63</sup> *Phileleftheros*, 16 January 2015.

<sup>64</sup> Costas Venizelos, “Russian ‘canons’ against Turkey”, *Phileleftheros*, 10 October 2014.

<sup>65</sup> For details, see *Russia-Cyprus Relations*, p.163.

<sup>66</sup> Ministry of Foreign Affairs of the Republic of Cyprus, “The Republic of Cyprus and the Russian Federation signed a number of Agreements and Memoranda of Understanding”, 25 February 2015.

<sup>67</sup> Costas Venizelos, “Selling natural gas creates new conditions: the Cyprus-Egypt agreement creates fait accompli”, *Phileleftheros*, 22 February 2015.

<sup>68</sup> The conviction that Russia is favored by most Greek Cypriots was shared by Aris Petasis and William Mallinson in “Without Russia it’s only Hobson’s choice for Cyprus”, *Defend Democracy Press*, 10 February 2017.

<sup>69</sup> Jean Christou, “Poll: majority would favor granting military facilities to Russia”, *cyprus-mail.com*, 20 December 2015.

<sup>70</sup> *Ibid.*, emphases added.

Similarly, an ongoing multidimensional project, subtitled, "Ideas for a new Security Architecture",<sup>71</sup> had been interviewing Greek Cypriots and Turkish Cypriots on possible Cyprus "futures". Most revealing are the answers to "Potential Guarantor States". Among the Turkish Cypriots, 69% responded that Turkey would be "satisfactory or desirable", placing it on top, while the least "satisfactory or desirable" was Russia, supported by only 10%. Russia, moreover, was voted "Unacceptable" by 68% of the responding TCs.

Contrariwise, Russia was favored by 53% of the Greek Cypriot respondents, who placed it on top of all alternatives. Not surprisingly, Turkey was the most "unacceptable" (84%), preceded by the UK (70%) and the US (51%). In addition, while Russia was "unacceptable" to only 32% of the GCs, 16% of them found Russia "tolerable". Therefore, adding the latter to the 53% of "satisfactory or desirable" reaches a total of 69%, compared to a mere 49% for the US and 30% for the UK.

Anastasiades' Moscow visit of 2015 was followed by two more years of balanced pragmatic idealism: constant bilateral confirmations of the bilateral status - *common interests, sincere friendship, and historical-cultural bonds* - were accompanied by positive developments in diplomacy and politics, economy and trade, culture and tourism and by successful high-level visits. Cyprus was even attempting to reduce EU Rus-sophobia, something appreciated by Moscow and its Nicosia embassy. Ambassador Osadchiy kept reiterating Russia's willingness to help resolve fairly the country's problem, "if asked". Anastasiades' next trip to Moscow with a business agenda, in October 2017, also proved productive. The Russian festivals in Limassol were attended by enthusiastic bi-national crowds. A new political party - called "I the Citizen," was created by Russians living on the Island. And a new, magnificent, Russian Orthodox Church was inaugurated near Nicosia.

*Intensified Turkish Hostility.* Simultaneously, given Cyprus' existential problem, Nicosia was pursuing energetically a multilateral foreign policy, by deepening its trilateral relations with

Greece and Egypt as well as Israel and Greece. And while the numerous official documents, signed in Nicosia, Cairo, Tel Aviv and Athens, insisted on their aiming at regional peace, security, and energy collaboration - "without any hostility against other parties" - it was abundantly clear that such multiple cooperation was fueled by Turkey's unending hostility *contra omnes*.

Demonstrably, Turkey has occupied central place in Nicosia-Moscow relations. We have seen that, since the 1960s, Cyprus has relied mainly on Russia to cope with Ankara's threats and provocations and to overcome obstacles to a fair Cyprus settlement. Therefore, Moscow's responses to Turkey's recent behavior are essential to assessing current Cyprus-Russia relations.

Stuck in the Syrian minefield, with serious domestic problems, and isolated in the Eastern Mediterranean, Erdogan keeps escalating both his offensive rhetoric against Cyprus, Greece, Israel and Egypt, as well as aggressive actions in the Aegean Sea and the Cypriot EEZ. I have concluded that Turkey's geopolitical trouble-making emanates primarily from Erdogan's *sui generis* "Machiavellian rationality" and his geopolitical megalomania.<sup>72</sup> Nicosia's recent contracts with energy colossi such as ExxonMobil, Qatar Petroleum, TOTAL, ENI, and Kogas, have infuriated Ankara. Hence Turkey has been bullying its neighbours, challenging the energy companies, and threatening daily to use military force under preposterous rationalisations, such as that its own EEZ extends south of Cyprus (!); that it "rejects" Cyprus' EEZ delineation agreements with Israel and Egypt; and that it represents the TCs' (allegedly) "violated rights"!<sup>73</sup>

Now considering that Ahmet Davutoglu's "guideline" - "No problems with our neighbors" - has been obliterated; that Erdogan's regional ambitions have included illegal and lethal activities in Syria and Iraq; and given the foolhardy November 2015 conflict with Moscow and the protracted Machiavellian playing the US against Russia - for at least these reasons we have been witnessing tempestuous geopolitics, affecting Cyprus directly and dramatically.

<sup>71</sup> See *The Security Dialogue Initiative for Cyprus*, commissioned by the Berghoff Foundation, Seed, and Interpeace, and written by Dr Giorgos Kentas and Dr Ilke Dagli. The respondents exceeded 3000 persons from both Communities. See [www.newsincyprus.com/news/50188/research-project-on-security](http://www.newsincyprus.com/news/50188/research-project-on-security).

<sup>72</sup> Costas Melakopides, "How Rational is President Erdogan's Policy against Cyprus and Greece? A Case Study", *Russian International Affairs Council* (RIAC), Moscow, 8 May 2018, <http://russiancouncil.ru/en/analytics-and-comments/columns/military-and-security/howrational...>

<sup>73</sup> For Erdogan's propagandistic devices, including his favorite *strepsodikia* (chicanery), see my "Brief Remarks on President R. T. Erdogan and His Allies' Methodical Use of Logical Fallacies", *RUDN Journal of Political Science*, Vo. 20, No3, 2018, <http://journals.rudn.ru/political-science/article/view/19639>.

And since Erdogan's unending victimisation of Cyprus demonstrates contempt for International Ethics and International Law, Cyprus has been expecting effective international measures against Ankara.

*Enter Disagreements and Complaints.* Greek Cypriots have apparently expected Moscow's explicit solidarity and support. Moscow, however, may complain that Cyprus' newly expanding relations with Washington violate Nicosia's professed "symmetrical" treatment of the superpowers. A potential *vicious-causal-cycle* might thus arise, especially because problematic actions cohabit with contradictory statements. For instance, in early 2019, Foreign Minister Nikos Christodoulides called Cyprus-Russia relations "excellent".<sup>74</sup> To my question, "Can we call them excellent after Ms Zacharova's December 2018 'warning'?" the energetic and charismatic Cypriot FM replied: "'Excellent' does not mean we cannot have disagreements". But one day later, talking to high school students, he contradicted the pragmatic idealist bilateral tradition through the *quintessential Realpolitik* assertion: "... in Foreign Policy only interests exist"<sup>75</sup>.

In early 2019, a perceptible fluidity in recent Russia-Cyprus relations, caused by the regional geopolitical Gordian knot, arose *primarily* as follows: (1) Washington insinuated a strategic interest in Cyprus; (2) Nicosia appeared willing, potentially upsetting the traditional "symmetry"; (3) Moscow's rapprochement with Ankara is deepening; and (4) Cyprus has emerged as a significant locus of renewed Eastern Mediterranean geopolitical antagonism.

1. Washington has long been calling US-Cyprus relations "strategic". But this adjective had been hyperbolic and euphemistic. Things began to change, however, by two sets of developments. The first followed the dramatic crisis caused by the notorious shooting down of the Russian Sukhoi Su-24M attack aircraft on 24 November 2015. After Erdogan's "apology" to Vladimir Putin and, considering Moscow's perceived aspiration to break Turkey's ties to Washington and NATO, but also in view of Erdogan's exploitation of the two superpowers' eagerness to woo his country, there emerged the ongoing uncertainties in the Ankara-Moscow-Washington triangle. And second, Erdogan's

megalomaniacal regional expansion has included his preparedness to threaten even the international energy companies *in tandem* with his "games" regarding the Russian S-400 versus the Patriot and the F-35 aircraft. Thus, Washington's patience is frequently reportedly as exhausted since Ankara's reliability as a "NATO ally" has been thoroughly undermined. By 2018, Washington's fatigue with Erdogan's Turkey led to the effective endorsement of Nicosia's tripartite quasi-alliances with Israel, Greece and Egypt; and in view of ExxonMobil's persistent explorations in the Cypriot EEZ, a perceptible warming of US-Cyprus relations was effected by verbal and nonverbal actions.

2. Cypriot insistence on the "symmetry" assertion raised doubts in Russia. Moscow has also been annoyed by European and US campaigns against Russian depositors in Cyprus. Maria Zacharova's 5 December 2018 severe denunciation of Cyprus' suspected "militarisation" by Washington contradicted traditional assurances of idyllic bilateral relations:<sup>76</sup>

*The further militarisation of the island and its involvement in the implementation of American and NATO plans will inevitably lead to dangerous and destabilizing consequences for Cyprus itself. Moscow cannot but take into consideration the anti-Russian background of these schemes. We will have to take response measures in case of their implementation.*

(Immediately, the Cypriot FM phoned Sergei Lavrov; the two men managed to block any escalation and agreed to meet shortly in Moscow.)

3. The Putin-Erdogan rapprochement cannot be doubted, (doubts, however, may exist about its duration.) When they had concentrated on trade, tourism and mutual investments, I had argued that their "material embrace" *could co-habit* with the far deeper and "special" Russia-Cyprus bonds<sup>77</sup>. Currently, however, Moscow-Ankara relations are developing dramatically with unpredictable geostrategic implications.

4. The ongoing exploration for hydrocarbon deposits has increased Cyprus' geostrategic attractiveness and reaffirmed its status as an unsinkable aircraft carrier. But there are also "geoeconomic" cards in the Cypriot geopolitical game. Uppsala University's Dr Igor Torbakov, after noting the long and "multifaceted Russian influence" in Cyprus, and "the importance of

<sup>74</sup> Nikos Christodoulides, Lecture on Cypriot Foreign Policy, organized by think tank ERPIC, Hilton Hotel, Nicosia, 23 January 2019.

<sup>75</sup> "The students ask, the Cypriot FM answers: In foreign policy there are only interests", *Hellas Journal*, 25 January 2019.

<sup>76</sup> "Russia vows tit-for-tat response to US' military build-up in Cyprus", TASS Russian News Agency, December 5, 2018, [www.tass.com/politics/1034376](http://www.tass.com/politics/1034376).

<sup>77</sup> Costas Melakopides, "On the 'Special' Nature of the Russia-Cyprus Relationship", RIAC Website, 20 June 2017.

the Russian factor for Cyprus' economic wellbeing", commented:

'Yet precisely this factor made Cyprus extremely vulnerable vis-à-vis the demands of US authorities, now pressuring Cypriot banks to clean up their act and apply stricter measures against "Russian money laundering". So Cyprus finds itself stuck between a rock and a hard place: its bankers hate to cut their best clients yet they can ill afford to antagonize the US as they heavily depend on US corresponding banks in all their dollar transactions. I guess Bank of Cyprus CEO John Hourican put it quite nicely last October in an interview with the *Wall Street Journal*. "The US and Russia are in a kind of economic war and you fight those wars where the two sides meet", he said. "They meet in Cyprus"<sup>78</sup>.

Dr. Torbakov, who called Cyprus' current situation "unenviable", added that 'it is seemingly a typical predicament of a small country that performs a delicate balancing act maneuvering between the regional interests of the great powers'. Moreover, "the Kremlin appears to have become suspicious of Cyprus' readiness to shift strategically towards its arch-enemies – NATO and Washington. This suspicion seemed to have prompted Russian MFA to issue the infamous warning to Cyprus last December."<sup>79</sup>

To assess current suspicions and/or actual complaints of the two capitals, we note that Moscow finds problematic (a) Nicosia's upsetting the traditional "symmetry" through a penchant towards a stronger engagement with Washington; and (b) Nicosia's inability to resist Western demands to confront alleged Russian money laundering. For Cyprus, three major issues are disheartening: (a) Moscow's commitment to build the Akkuyu nuclear power plant just across Cyprus' northern shores; (b) its decision to sell Turkey the S-400 system; and (c) Moscow's abstention from a decisive condemnation of Ankara's blatant violation of international law in Cyprus' EEZ.

Moscow's disappointment regarding (a) appears reasonable enough. Nicosia, however, might argue that what is now occurring is rather a "defensive strategic flirtation", resulting from Moscow's multiple bonding with Erdogan's Turkey and its current "neutrality" towards Turkey's provocations, and aiming to protect the energy giants operating in its EEZ. Russia's second complaint is arguably also inflated, con-

sidering the ruthless measures that the "West" can apply against small Cyprus, such as the notorious bail-in imposed in 2013 by the Euro-group.

Cyprus' three complaints appear more defensible. Since the Akkuyu area is manifestly seismogenic, Cypriot and Turkish ecologists consider building such a power plant extremely risky and even terrifying. Next, the fears related to Ankara's purchasing the S-400 missiles are also fully rational, if only because of Erdogan's "Machiavellian rationality". As for Moscow's current "toleration" of Erdogan's aggression in Cyprus' EEZ, Cypriots juxtapose it to Russia's powerful pro-Cyprus responses in 2011 and 2014.

*Reaffirming Pragmatic Idealism.* And yet, no evaluation of recent Moscow-Nicosia relations can ignore some parallel signals that neither of them wishes to *endanger* their "special" relationship. Thus, Nikos Christodoulides' April 2018 Moscow meeting with Sergei Lavrov was marked by positive promises and implications. In Nicosia, Ambassador Osadchiy regularly reiterates Moscow's entrenched support for Cyprus. In fact, he also contributed skillfully to defusing the December 2018 "crisis".<sup>80</sup> And Russia's UN Ambassador, Mr Nebenzia, during the 30 January 2019 Security Council discussion about the UNFICYP's future, supported Cyprus' wishes versus renewed Anglo-American intrigues<sup>81</sup>.

Turning again to Dr Torbakov for a concluding assessment, I received the following sophisticated response:

'In general, I would agree with your overall conclusion. Indeed, these days «pragmatism» and «idealism» - two pillars of a «special» Russia-Cyprus relationship - appear to be out of balance, with the former seemingly eclipsing the latter. But it is also true that both sides would rather prefer to return to the status quo ante, whereby «pragmatism» and «idealism» reinforce each other instead of working at cross purposes. My little piece of advice to the Russian side would be as follows: in its relations with Nicosia, Moscow has to absolutely eschew overbearing and heavy-handed behaviour - a natural predilection of a great power with a long imperial pedigree. Cyprus is a small but proud nation; in the past, it was part of the Ottoman realm and then a British colony. The last thing the Cypriots want is a sense of being owned by a new master who thinks he has the right to lord it over them'<sup>82</sup>.

<sup>78</sup> Igor Torbakov, *Correspondence with the author*, 18 February 2019.

<sup>79</sup> Ibid.

<sup>80</sup> "Russia Ambassador says recent spat involves US not Cyprus", *Cyprus Mail*, 10 December 2018.

<sup>81</sup> United Nations, Security Council 8453<sup>rd</sup> meeting, 30 January 2019.

<sup>82</sup> *Correspondence with the author*, 21 February 2019.

On 22 February 2019, Nikos Christodoulides paid his official visit to Sergey Lavrov. After the talks, the Cypriot FM stated that "the bilateral relations are at a very satisfactory level"; that they agreed with Mr Lavrov "to work together, in concrete actions, for the further development of these relations in a number of subjects of common interest". Regarding the Cyprus problem, he expressed "the appreciation of the Republic of Cyprus for the diachronic stance of the Russian Federation, especially in the framework of the UN Security Council, [its] clear position on the abolition of the anachronistic system of guarantees of 1960, as well as the need for the unobstructed continuation of the UNFICYP's presence, for as long as the present unacceptable state of affairs continues"<sup>83</sup>.

Intriguingly, Mr Lavrov's own statements sounded more positive and "warmer". First, he employed his unmistakably "pragmatic idealist" formulation: *"Cyprus is Russia's important and long-time partner in Europe. Our cooperation hinges on long-standing bonds of friendship and mutual sympathy, the spiritual and cultural affinity of our nations and serves to enhance security and stability in the East Mediterranean region and on the entire European continent"*<sup>84</sup>.

He then added that "We are satisfied to note positive trends in all areas of bilateral cooperation{...}." And by *sharing explicitly* Nicosia's recent proposals regarding the Cyprus problem, he implicitly condemned Ankara's arrogance: "the current system of the island's external security guarantees no longer meets modern realities and the Republic's current international status. We firmly believe that the UN Security Council's guarantees should become the most effective method for maintaining the security, sovereignty and territorial integrity of a united Cyprus"<sup>85</sup>.

This February 2019 Moscow meeting justified the perception that Mr Lavrov had transcended recent "misunderstandings" easier than his Cypriot counterpart. Hence, "my little piece of advice" to Nicosia would be that, in its relations with Russia, it is *rationaly imperative* to

eschew simple *Realpolitik* aphorisms and analogous stances. Presently, "pragmatism" is more elevated in Nicosia's foreign policy than "pragmatic idealism". Happily, Moscow's version of Cyprus-related "idealism" remains alive and well, promising the further cultivation of the principled and mutually beneficial "pragmatic idealist" synthesis in Russia-Cyprus relations. Nicosia, remembering what it owes to Moscow, and how it has been victimised repeatedly by its Western "strategic partners", should respect the pragmatic-idealist balance of previous decades, *for reasons of rationality, consistency, and decency*.

### Epilogue

The above analysis was completed by mid-May 2019. Given, however, the escalating struggles of regional geopolitics and the long anticipated G-20 Conference in Osaka, Japan, I postponed the submission of the present study.

Meanwhile, on the positive side, the Russian-Cypriot dialogue remained cordial on the local level, as demonstrated by the warm statements exchanged during the Russian Federation's National Day celebration by President Anastasiades and Ambassador Osadchiy<sup>86</sup>.

On the other hand, Washington's interest in Cypriot affairs took more controversial forms. First, Senators Robert Menendes and Marco Rubio prepared legislation –recently endorsed by the Senate Foreign Relations Committee– proposing the promotion of US relations with Cyprus, Israel and Greece. However, at the last moment, the legislation demanded that Cyprus should deny the Russian Navy the use of its ports! Immediately, President Anastasiades condemned this demand, arguing that it would curtail Cypriot sovereignty. The condemnation was also shared by government officials and by Centrist political leaders<sup>87</sup>.

In addition, a 29 June op-ed article by retired Vice-Admiral Constantine Fitiris clearly condemned the emerging development because it would render Cyprus a "consumable pawn" in American geostrategic games:<sup>88</sup>

<sup>83</sup> Cyprus Press and Information Office, [www.pio.gov.cy/avakoivwθέντα-ápθpo.html?id=6215#flat](http://www.pio.gov.cy/avakoivwθέντα-ápθpo.html?id=6215#flat), 22-02-2019.

<sup>84</sup> Ministry of Foreign Affairs of the Russian Federation, "Foreign Minister Sergey Lavrov's remarks at a joint news conference following talks with Minister of Foreign Affairs of the Republic of Cyprus Nikos Christodoulides, Moscow [...], 22-02-2019.

<sup>85</sup> Ibid.

<sup>86</sup> See "Russia closely monitoring Turkey's actions, says ambassador", [www.cyprus-mail.com/2019/06/08/russia-closely-monitoring-turkeys-actions-says-ambassador/](http://www.cyprus-mail.com/2019/06/08/russia-closely-monitoring-turkeys-actions-says-ambassador/)

<sup>87</sup> Cypriot Minister of Defense, Savvas Angelides, fully agreed on 1 July 2019 during his morning television interview with the Cyprus Broadcasting Corporation (RIK).

<sup>88</sup> Constantine Fitiris, "US-Cyprus Relations: Bitter Truths", 29 June 2019, [sigmalive.com/news/opinions/\\_sigmalive/575704/sxeseis-hpa-kypriakis-dimokratias-...](http://sigmalive.com/news/opinions/_sigmalive/575704/sxeseis-hpa-kypriakis-dimokratias-...)

*So, what is the solution? We should refuse to "play" in this chessboard because, in the fluid situation in the Eastern Mediterranean, our cost will be far greater than our benefit. If we hurt our relations with Russia we will obviously lose its support in the Security Council and if, simultaneously, the US warm up again their relations with Turkey (which is quite likely!) then the situation will be very dangerous for the Republic of Cyprus. We should not forget that, of the permanent members at the Security Council, we always had the support of France, China and Russia (whereas) the UK and the US usually abstain from resolutions favorable to us.*

While welcoming this position (which fully coincides with our own conclusions), I wish to submit the following final observations, three days after the Osaka Conference.

The Trump-Erdogan meeting yielded no clear answers on the unprecedented US-Turkey crisis. In fact, respectable observers expressed additional anxieties primarily because of Tayyip Erdogan's mind-boggling haughtiness and Donald Trump's "delirium".<sup>89</sup> Specifically, Erdogan declared both that the S-400 system will definitely be deployed in July and that, nonetheless, "Trump is not going to apply sanctions to Turkey.

As for Donald Trump, he astonished everyone by his seemingly inexplicable cordiality and even affection towards Erdogan and his delegation and by the inherent contradictions in his uncontainable statements. Space only allows to record that he recognised "the mess of US-Turkey relations"; he accused –falsely! – President Obama of refusing to sell the *Patriots* to Turkey; therefore, he (essentially) held Obama responsible for Erdogan's resort to the S-400 system; he, therefore, attempted to absolve Erdogan of any responsibility, even though, for months, Washington had been warning Erdogan against the missiles' acquisition and threatening him with the sanctions already passed by the US Congress. Here are President Trump's initial and final words in response to the question on sanctions for Turkey:<sup>90</sup>

*Okay, so Turkey is an interesting case-because there's another one, Jim, that I get along with very well, and he is a tough cookie, okay? Right? President*

*Erdogan. He is tough, but I get along with him. And maybe that's a bad thing, but I think it's a really good thing. Because, frankly, he wanted to wipe out – he has a big problem with the Kurds, as everyone knows. And he had a 65,000-man army at the border, and he was going to wipe out the Kurds, who helped us with ISIS. We took out the caliphate. We have 100 percent of the caliphate...*

*...So it is a mess. It is a mess. And honestly, it is not really Erdogan's fault. So we have breaking news. 'Donald Trump loves Turkey. He loves Turkey. Donald Trump is on the side of Turkey instead of the United...' No, I'm not.*

First, President Trump appeared once again as a happy protagonist in an international act of the Theatre of the Absurd. His incoherence and quasi-surrealistic answers to a concrete and very serious question justify the hypothesis that the US President is not fully rational and may lend further credence to author Michael Wolff's claim that "the president is 'functionally a madman' and those who have spent most time with him describe him as 'vile and ludicrous'".<sup>91</sup>

Second, most probably, Donald Trump's attempted defense (?) of Erdogan will be undermined by his cabinet, precisely as in the recent case of the "promised withdrawal of US troops from Syria. In any case, the US Congress has already decided that, should the S-400 arrive in Turkey, it will be subjected to heavy sanctions.

Third, it remains extremely hard to predict President Erdogan's future decisions vis-à-vis Cyprus (and Greece), in spite of the sanctions also threatened by the European Union for his international law violations in the Eastern Mediterranean and the Aegean Sea, and despite the sorry state of Turkey's economy today.

Finally, while Greece keeps strengthening its deterrence (having, at long last, abandoned the naivety of *appeasement*), Cyprus keeps mobilising its own defense mechanisms, that is, primarily diplomatic and legal means. It follows, therefore, that the Russian Federation will remain a powerful "gigantic counterweight" for Hellenism, especially at "interesting times" like the present ones.

But here, this "historical" account should end, before it becomes futurological.

<sup>89</sup> See Michalis Ignatiou, «To παράληρημα Τραμπ για Ерντογαν αλλά και η δήλωση του ότι «είμαι με την πλευρά των ΗΠΑ», 30 June 2019, [www.hellasjournal.com/2019/06/to-paralirima-tramp-gia-erntogan-alla](http://www.hellasjournal.com/2019/06/to-paralirima-tramp-gia-erntogan-alla)

<sup>90</sup> Ibid.

<sup>91</sup> See "Michael Wolff: 'Vile And Ludicrous' President Trump Is 'Functionally A Madman'", [www.realclearpolitics.com/video/2019/06/03/michael\\_wolff\\_vile\\_and\\_ludicrous\\_president...](http://www.realclearpolitics.com/video/2019/06/03/michael_wolff_vile_and_ludicrous_president...)

## ОТНОШЕНИЯ МОСКВЫ И КИПРА С 1950-Х ГОДОВ: ПРИНЦИПИАЛЬНЫЕ ОСОБЕННОСТИ.

Учитывая неизбежные разногласия, вытекающие из политических, идеологических, психологических склонностей и доминирующих идей, невозможно отрицать, что в течение всего времени после Второй мировой войны Москва проявляла дружбу, солидарность и многоплановую поддержку по отношению к Кипру и грекам-киприотам, составляющим подавляющее большинство его населения. Отсюда постоянная и глубокая благодарность со стороны кипрских политических элит, политиков, формирующих политическую повестку, и широких слоёв гражданского общества. Выделяются три основных источника этих «особых отношений»: во-первых, Москва, следуя своим собственным геополитическим целям, одновременно предложила Кипру защиту от англо-американских ошибок, грехов и даже преступлений; во-вторых, в отличие от исключительно эгоистической стра-

тегии и тактики Запада в отношении Кипра, двусторонние связи между Москвой и Кипром в целом основаны на синтезе взаимных интересов, общих норм и общих ценностей; и в-третьих, до самого недавнего времени Москва оказывала Республике Кипр постоянную поддержку в отношении угроз и провокаций Турции. За исключением последнего измерения, которое рассматривается ближе к концу этого эссе, мои основные тезисы и подтверждающие эмпирические данные об уникальных российско-кипрских отношениях впервые были разработаны в моей книге 2016 года «Отношения между Россией и Кипром».

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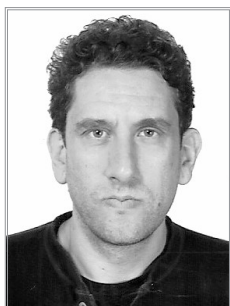
Cold War, Moscow-Cyprus Relations,  
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Article

# THE EU, RUSSIA AND CYPRUS

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*In recent years, Russian-Cypriot relations have been a very topical issue among EU politicians, scholars and journalists dealing with international relations of Russia, South-eastern Europe and the Eastern Mediterranean. Through this deep interest many unknown parameters of the topic have been illuminated. Nevertheless, most of the analyses followed a certain pattern that did not always dovetail with reality. Although Cyprus has possessed an exceptional place in the Russian foreign policy, Russia's interest in the Cypriot economic and political affairs, however, have been in some cases overrated. As a result, for various geo-political and geo-economic reasons the island has been dragged into the EU-Russia political and economic troubled NATO-EU-Russia relationship of the last decade and paid a high tribute for it. Against this background, it is argued that the Eurogroup's decisions regarding the Cypriot banks in March 2013 were groundless and false and eventually backfired on the goals they intended to achieve. The article also counter-argues the opinion that Moscow is interested in the EastMed gas reserves because of their value in the EU-energy supply diversification policy. Russian companies do not seem to oppose the various projects aimed at exploiting EastMed resources, as they do not view East Med gas as a threat to their economic interests.*

## The Historical Background

Cyprus has over the decades been a key component of Kremlin's policy in the region and an apple of discord within the Western powers, not only because of its strategic importance. During the Cold War the Soviet Union maintained a consistent policy of engagement in relation to Cyprus with a view of weakening the island's ties with the West and extending Soviet influence southward. Kremlin's course can be identified as a policy of "fishing in muddy waters", i.e. a slow but steady penetration into Eastern Mediterranean countries. This penetration was achieved mainly through indirect tactics. Rather than making territorial demands and sending in armed force-

es to annex, the Soviets, similarly to their allies, supported various political groups and governments with a view to weaken ties with the West and extend Soviet influence southward. More precisely, they supported various Cypriot political and social groups and movements, which were in favour of a nonaligned policy for the Island Republic (in an independent Cyprus Communism would have many more possibilities to grow). For this reason, Moscow has traditionally declared its commitment to safeguarding Cyprus's State sovereignty and neutrality in order to avoid the pro-NATO militarisation of the island. Nevertheless, the support never went beyond equivocal and diplomatic statements calling for a peaceful resolution of the conflict and active involvement of

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the United Nations<sup>1</sup> through the unrealistic option of the convocation of a broad international conference on the issue<sup>2</sup>.

Following the coup d' état and the ensuing Turkish invasion of Cyprus in August 1974 a fierce anti-American, anti-Western and often slightly pro-Soviet propaganda in the post-dictatorial era in Greece and Cyprus propagated the unexamined assumption that NATO was responsible for the Turkish occupation of Northern Cyprus.<sup>3</sup> NATO, however, was not empowered to act beyond its accepted remit and against an alliance member, like Turkey, to protect a non-alliance member, like Cyprus, which happened to also be a leading member of the relatively anti-Western non-aligned movement. However, according to newly revealed, declassified information, Henry Kissinger, US Secretary of State at the time, seems to have backed the Turkish invasion. In this respect, Kissinger is supposed to have told the then US President Gerald Ford that Turkey was entitled to seize part of the island, confirming what, to some degree, many historians have asserted about US Secretary of State's involvement in the affairs of the island in the summer of 1974.<sup>4</sup>

The European Community's prestige in Cyprus was also somehow overshadowed by the dominant anti-NATO feelings, not only because of the fact that most of the EC-members were simultaneously NATO-members, but also because the European Community's (EC) reaction to the Turkish invasion was not considered satisfactory. The declaration issued by the EC in the framework of the European Political Cooperation reflected mainly the UK's attitude to the dramatic events. It expressed generally member-States' concerns over the tension in the region, their support of the independence and integrity of the island and their opposition to any intervention and interference, while avoiding to condemn Turkish actions.<sup>5</sup> Since then, the European Community followed a rather impar-

tial course by encouraging negotiations between the Greek and the Turkish Cypriots, avoiding to present any concrete plan of mediation and merely expressing its moral support for the mediation mission of the UN Secretary General.<sup>6</sup>

With the aforementioned in mind, one can conclude that the European Community did not live up to the strategic considerations that had dictated the signing of the Association Agreement between the Republic of Cyprus and the European Economic Community in 1972. From a European point of view, the EC had little to gain economically from Cyprus at that time, but at the same time it was important to attain political stability in the region. The strategic importance of Cyprus as a bridge to the Middle East overrode any economic argument.<sup>7</sup>

In turn, official Cypriot-Russian relations date back to the 1960's when the USSR established diplomatic relations with the newly independent Republic of Cyprus. In 1982, the two States signed a waiver-agreement of double taxation that was very taxpayer-friendly, providing for zero withholding taxes on dividends, interest, and royalties. As a result, at the beginning of the 1990s, Cyprus was one of the few capitalist countries with an institutional framework for Russian capital outflows and inflows already in place. The 1982 double taxation agreement also adopted by most of the former members of the Soviet Union after gaining independence. Western investors were familiar with Cyprus's legal and commercial infrastructure, based on the common law legacy left by the UK, the former colonial power and had far more confidence in it than in the evolving and initially unreliable legal systems of the newly marketised countries. As a result, Cyprus did not become only one of the favoured destinations for Russian capital but also the preferred jurisdiction for holding and finance investment structures from the West into Russia and Eastern Europe, providing stability, predictability, transparency, and tax

<sup>1</sup> Moscow and its allies also supported Greece's efforts to achieve the self-determination of Cyprus at the United Nations in the 1950s, against London's and Washington's orchestrated opposition.

<sup>2</sup> A. Stergiou (2007), 'Soviet policy toward Cyprus', *Cyprus Review*, Vol. 19, No. 2, 83-106.

<sup>3</sup> This actually echoes the official Kremlin public pronouncement of 6 July 1967 on the Greek military Junta. Th., Adams and A. Cottrell, *Cyprus between East and West*. (Baltimore: The John Hopkins University Press, 1968), 50-51.

<sup>4</sup> The National Herald (Staff), 'White House 1974 Cyprus Meeting: Kissinger Backed Turkey Over Greece', September 4, 2018, <https://www.thenationalherald.com/212131/white-house-1974-cyprus-meeting-kissinger-backed-turkey-over-greece/>

<sup>5</sup> Auswärtiges Amt der BRD, *Europäische Politische Zusammenarbeit. Dokumentation*. (Bonn: Auswärtiges Amt der Bundesrepublik 1987), 87

<sup>6</sup> Ch. Tsardanidis, 'The European Community and the Cyprus crisis of 1974', *Revue Hellénique de droit international*, Vol. 5 (1984), 185-207.

<sup>7</sup> G. Christou, *The European Union and Enlargement. The Case of Cyprus*. (New York: Palgrave Macmillan, 2004), 63.

savings. Over the ensuing two decades, Cyprus consolidated its position as the portal of choice for investment between Russia and Eastern Europe and the rest of the world.<sup>8</sup> Moreover, from the early 1990's onwards, Russians were among the most active non-resident portfolio investors to the Cyprus Stock Exchange with the overwhelming majority of the invested money deriving from Russian capital<sup>9</sup>.

Cyprus' accession into the European Union in 2004, albeit it induced a wave of legislative changes, did not halt this trend. In October 2010, the two countries signed a new bilateral agreement (Convention for the Avoidance of Double Taxation of Income and Property) to avoid double taxation, which further increased the flow of investment. The common characteristic of all double tax treaties Cyprus signed, is that they all reduce or eliminate the usual withholding taxes imposed by the contracting states on dividends, interest and royalty payment. Cyprus does not impose withholding tax on payments of dividend, interest and royalties paid by international business companies. Therefore, a Cypriot international company is more likely to receive dividend interest, royalties and capital gains from another treaty country, so that the withholding tax is reduced. The interest and royalty payment is in most cases a deductible expense in a high tax jurisdiction, whereas the capital gain is tax exempt. Cypriot private capital was also a major investor in the Russian securities market. These investments were often considered the inflows of Russian capital. To a large extent these outbound investments acted as safety nets for Russian companies to protect themselves from political uncertainties in the domestic environment. However, the forthright position of Cyprus in Russian economic affairs may also indicate that many foreign companies wishing to trade with Russia used Cypriot

subsidiaries in order to take advantage of the favourable taxation in Cyprus. This increased capital circulation captured the attention of various observers, who estimated that money laundering and tax evasion were the main driving forces behind capital movements<sup>10</sup>.

Gradually, the island's reputation evolved towards of being the money laundry hub of the Mediterranean, a haven for Russians and Serbians escaping political turmoil and a magnet for capital flows, which are then channelled to the Russian economy. Therefore, some observers deem Cyprus as a "weak link" in Europe's banking system because of its lax approach to questionable Russian money that allegedly *'pose a threat to other countries' banks in the single market and created hazards for European democracy'*<sup>11</sup>.

There are still numerous Russian companies based in Cyprus, though notably many of them are show business, despite the pressure on Russian companies to repatriate assets. Most of them are located in Limassol, where a sizeable Russian-speaking community lives and Russian schools, Orthodox Churches, Russian-language television and radio services have been founded. Cypriot law permits non-residents who acquire property with a minimum sale price of EUR300,000 to claim permanent residency rights, while those who spend EUR5 million or more on property can apply for passports. Other entities, such as the Cyprus-Russia Business Association, established in 1996, and the Business Council for Co-operation with Cyprus, established in 2011, aim at fostering and expanding economic and trade relations between Cyprus and Russia. Russian oligarchs who have been granted Cypriot citizenship have created a new political party in Cyprus, called "Me the citizen", which supports further UN talks on the future of the divided island and aims to take part in the upcoming European elections in 2019. The

<sup>8</sup> E. Neocleous (2015) 'The potential impact of Russian de-offshorization legislation on Cyprus holding and finance structures', *Trusts & Trustees*, Vol. 21, No. 6, 610–613.

<sup>9</sup> Central Bank of Cyprus, Monetary Policy Report, 2002, [http://www.centralbank.gov.cy/nqcontent.cfm?a\\_id=10364&lang=en](http://www.centralbank.gov.cy/nqcontent.cfm?a_id=10364&lang=en), accessed 3 April 2017

<sup>10</sup> K. Liuhto (2001) 'Russian gas and oil giants conquer markets in the West: Evidence on the internationalization of Gazprom and LUKoil', *Journal of East-West Business*, Vol.7, No. 3, 35; K. Liuhto and S. Majuri (2014) 'Outward foreign direct investment from Russia: A literature review', *Journal of East-West Business*, Vol. 20, No. 4, 199–200; E. Pelto, P. Vahtra, K. Liuhto, Cyprus Investment Flows to Central and Eastern Europe - Russia's Direct and Indirect Investments via Cyprus to CEE. (Turun Kauppakorkeakoulu: Turku School of Economics and Business Administration, 2003), 11–16; N. Fabry and S. Zeghni (2002), 'Foreign direct investment in Russia: How the investment climate matters', *Communist and Post-Communist Studies*, Vol. 35, No. 3, 293–294; P. Phidias, The Role of Cyprus in Inward Investment in Russia, Central and Eastern Europe. (Cyprus: PricewaterhouseCoopers, 2002), 6.

<sup>11</sup> A. Rettman (September 2018), 'Cyprus: Russia's EU weak link?', *EU Observer*, <https://euobserver.com/justice/14292025>; European Parliament Press Releases, 'Tax crimes: special committee calls for a European financial police force', February 27, 2019, <http://www.europarl.europa.eu/news/en/press-room/20190225IPR28727/tax-crimes-special-committee-calls-for-a-european-financial-police-force>

leader of the party is Alexey Voloboev, a businessman from Limassol who owns a radio station in Cyprus.

### **The EU-Russia Defence and Political Tug-of-War Around Cyprus**

After Cyprus recognised Russia as the successor to the USSR in 1992, the defence cooperation between the two countries flourished. Since the Republic of Cyprus has not been constrained by any alliance restrictions (NATO for example) and given the US arms-embargo on Cyprus until today, there were only two obstacles to the acquisition of Russian arms: the Turkish reactions and the British objections. The latter derived from the presence of the two Sovereign Military bases of the UK on the island under the terms of the 1960 Treaty of Independence. The first Russian-Cypriot agreement on military technical cooperation was signed in March 1996. During the period 1991-2011, the Russian Federation and the Republic of Cyprus concluded EUR430.5 million of deals for the purchase of Russian military hardware. Especially, after the 1996 agreement, Nicosia began to purchase Russian weapons, including 43 BMP-3 and 41 T-80U tanks as well as 6 Tor-M1 surface-to-air missiles (SAM) systems. During the 2000s, Cyprus bought 4 BM-21 Grad self-propelled multi-rockets launchers, 12 Mi-24P combat helicopters, 3 Mi-8MT helicopters, and an additional lot of 41 T-80Us in 2010<sup>12</sup>.

The acquisition of the S-300 January 1997 anti-aircraft turned out to be a source of trouble for Cyprus. Both Washington and Ankara strongly reacted against the installation of the S300 missiles on the island. Washington was concerned that the deployment of S300 missiles in Cyprus would bring the Eastern Mediterranean under Russian control and it exerted pressure over Athens and Nicosia to cancel the ac-

quisition of the missiles, repeatedly stating that this action would not contribute to stability and thus would constitute a seriously troubling factor. According to the declassified presidential records which former US President Bill Clinton recently made public, he was very bothered by the deal and regarded it as a "terrible" development because of the "Russian connection" and hence asked Tony Blair to apply pressure on Cypriot President Glafkos Klerides to stop the delivery of the missiles.<sup>13</sup> After more than two years of a diplomatic tug-of-war, the Greek and Cypriot Government finally bowed to US pressures and made a retreat.<sup>14</sup> The missiles were bought but installed in Crete instead of Cyprus in September 1999, where they were first tested 14 years later!

This harmonious defence cooperation was also reflected on a political level. In April 2004, during a very important session of the UN Security Council on the future of Cyprus and in a climate of great expectation coupled with uncertainty, Russia was the only country torpedoing a UN resolution. That resolution should provide sufficient security guarantees for the implementation of the so-called Annan Plan that had been proposed by the UN Secretary General. The respective plan was strongly supported by the US and the UK with the aim to precipitate a "pro-western" solution in the Cyprus problem. In this case Putin's Moscow successfully dealt a diplomatic blow exploiting rivalries between the Western states involved in the Cyprus Improglio. The vehicle for the materialisation of the gambit was an old Moscow ally, the powerful Cypriot Communist Party-AKEL. Many of the party's high-ranking members studied in Moscow or in other former socialist countries. By seeking an alibi to reject the plan, the party had persistently demanded for further security guaranties before the plebiscite which the UN Security Council resolution was supposed to offer<sup>15</sup>.

<sup>12</sup> T. Zonova (2015) 'Mediterranean trend in the Russia's foreign policy', *Rivista di Studi Politici Internazionali*, Vol. 82, No. 4, 525-526; I. Delanoe (2013), 'Cyprus, a Russian foothold in the changing Eastern Mediterranean', *Middle East Review of International Affairs*, Vol. 17, No. 2, 88.

<sup>13</sup> US Department of State, Daily Press Briefing, 28 August 1998; Clinton Presidential Records, declassified documents, Memorandum of Telephone Conversation between Bill Clinton and Tony Blair, 11 December 1998, 238. <https://www.clintonlibrary.gov/>

<sup>14</sup> Ch. Tsardanidis and Y. Nicolaou, 'Cyprus Foreign and Security Policy: Options and Challenges', in: *The Foreign Policies of the European Union's Mediterranean States and Applicant Countries in the 1990s*, eds. S. Stavridis, T. Veremis, T. Coulombis, N. Waites. (Basingstoke, Hampshire, University of Reading European and International Studies, 1998), 181-182.

<sup>15</sup> A. Stergiou, 'Russian Federation's Foreign Policy in the Eastern Mediterranean Since the End of Cold War: Geoeconomic and Geopolitical Parameters', in: *Conflict & Prosperity, Geopolitics and Energy in the Eastern Mediterranean*, eds. Andreas Stergiou, Kivanc Ulusoy and Menahem Blondheim (New York-Jerusalem: Konrad-Adenauer-Stiftung - The Harry S. Truman Research Institute for the Advancement of Peace Hebrew University of Jerusalem in cooperation with Israel Academic Press, 2017), 89-90.

In return, Cyprus has become an ardent voice for Russia within the European Union and is considered as one of Moscow's most reliable allies in the bloc. During the Russian-Georgian conflict of August 2008, the former Cypriot President was among the few international leaders and the only EU member-state leader to support Russia. Later, he also backed Moscow's demands on the US missile defence system in Eastern Europe<sup>16</sup>. In July 2016 the parliament voted, 33 in favour with 17 abstentions, a resolution to lift sanctions against Russia<sup>17</sup>.

Moreover, the Republic of Cyprus tried to build bridges between the Union and the Russian Federation. For example, Markos Kyprianou, serving as EU Health Commissioner, sought to mediate a particularly acrimonious dispute between Russia and Poland over meat exports that threatened to derail a new EU co-operation agreement with Russia. As very experienced scholars have pointed out, the example of Cyprus highlights in many ways the degree to which the perception that Russia opposes EU membership for states that it believes are friendly is in fact incorrect. In fact, it is significantly more beneficial for Russia to have champions like Cyprus within the EU<sup>18</sup>.

AKEL's Cold-War resentments have motivated the country's anti-NATO stance, which has notably been in favour of Russia's interests. While membership of NATO is not a requirement for EU membership, most EU members are part of the alliance. As of 2004 Cyprus and Malta have been the only two EU entrants that are not members of the organisation. This status quo has rendered the Cyprus Conflict to the most intractable issue within the EU and NATO. Turkey, an EU applicant is a leading NATO-member which does not recognise the Republic of Cyprus. Cyprus, in its turn, is an EU but not a NATO-member. Furthermore, Turkey has denied the use of its sea and airports to Greek Cypriot ships and aircraft. Also, Ankara has prevented the participation of Cyprus in high-level formal meetings between NATO and the EU-Political and Security Council and obstructed discussions over

military operations and intelligence issues, all on the ground that Cyprus did not possess any security clearance from NATO<sup>19</sup>.

Notably, those EU members, officially maintaining a policy of neutrality in their external relations, have opted to join the Partnership for Peace. Because of AKEL's resolute objections, Cyprus has been the only country choosing to go down a different path despite increasing reactions by all the other political parties. The party also feels that Russia, contrary to the US and the European Union, plays a positive role in the region. Cypriot Communists' view, as expressed in surveys, is that the US strategy in the Middle East, in conjunction with the EU's "European Security Strategy", has provoked the violent redrawing of borders in that region and the overthrow of non-cooperative governments. In AKEL voters' view, the bloody civil war raging in Syria and the millions of Syrians becoming refugees is the result of US-NATO-EU-Turkey- Gulf monarchy policies to overthrow the Assad government<sup>20</sup>.

These views are not confined only in the Cypriot leftist political spectrum. It is a commonly held perception that the strongest immediate condemnation of Turkey's violations of Cyprus' sovereign rights in the Mediterranean came from Moscow, while Washington and Brussels maintained a rather neutral attitude, while encouraging Ankara to raise claims on "the sharing of discovered hydrocarbons in the Cyprus Economic Exclusive Zone"<sup>21</sup>.

The discoveries of gas deposits south of Cyprus since 2011 and its potential impact on the EU's energy diversification policy, e.g. making East Mediterranean gas a viable alternative to Russian gas, thereby lessening EU's dependence on Russian gas imports, have nurtured various theories about Kremlin's strategy on Cyprus. For example, towards the end of 2016 the Cypriot local press repeatedly reported that Russian officials had attended anti-unification political gatherings, whilst there is evidence that Moscow might be using social and mass media, as well as ties to fringe nationalist political parties

<sup>16</sup> Delanoe, op. cit., 88.

<sup>17</sup> D. Bechev, *Rival power. Russia's influence in Southeast Europe*. (New Haven and London: Yale University, 2017), 132.

<sup>18</sup> J. Ker-Lindsay, 'Membership and Foreign Policy', in: *An Island in Europe. The EU and the Transformation of Cyprus*, eds. J. Ker-Lindsay, H. Faustmann and F. Mullen. (London and New York: Tauris, 2011), 124-125.

<sup>19</sup> A. Stergiou, 'The History of Cyprus', in 'The Middle East and North Africa', ed. Christopher Matthews. 65th edition (London and New York, Routledge, 2019), 160-161.

<sup>20</sup> S. Dennison & D. Pardijs, 'The world according to Europe's insurgent parties: Putin, migration and people power', *European Council on Foreign Relations Paper* (June 2016), 4, 11.

<sup>21</sup> C. Melakopides, *Russia-Cyprus Relations. A Pragmatic Idealist Perspective*. (Basingstoke, Hampshire: Palgrave Macmillan, 2016), 126-152.

and the Greek Orthodox Church, to undermine the settlement talks. Some analysts linked this interference to the energy competition, arguing that the Western countries' strategy to prepare the ground for an energy deal aimed at loosening Europe's dependence on Russia, prompted this particular reaction from Moscow<sup>22</sup>.

As a matter of fact, although the evidence of direct intervention to prevent Cypriot reunification is scant, it is likely that Russia is not interested in a final settlement. This is not associated with the gas finds, not only because the East-Med deposits do not constitute a serious threat to Gazprom's dominant position in Europe but also because they have had a very limited impact on the negotiations.

People consistently involved in the exploration of the hydrocarbons<sup>23</sup> admitted that the energy deposits did play a certain role in the conflict, but they were not decisive to the same extent with other political and geopolitical parameters. According to Andreas Mavrogiannis, a Cypriot diplomat and special negotiator of the Republic of Cyprus in the inter-communal talks since 2013, the prospect of significant energy wealth in the Eastern Mediterranean affected the US policy vis-a-vis Cyprus. The US have indeed attempted to use the prospective natural resources in order to achieve: a) the solution of the Cyprus issue, b) the restoration of the bilateral Turkey-Israel relations, c) the creation of a new framework of economic cooperation in the Eastern Mediterranean to the best interest of the US and the UK, which might also include the exclusion of Russia from the energy exploration in the Eastern Mediterranean. However, he categorically dismisses the allegation that Russia undermined the efforts for a solution or blocked the process. On the contrary, according to Mavrogiannis, Russia has been steadily promoting a solution of the Cyprus issue and opposed Turkey gaining control over Cyprus, not for idealistic reasons but because such a development would run against to the Russian goals in the region. Misalignment with NATO and a positive stance towards Russia is Moscow's preferred

status of Cyprus. Russia has also been opposing Western security guarantees and has been instead arguing for a full demilitarisation of the island. That is why, it is also seeking to diminish the British military presence. As other experts have suggested<sup>24</sup>, Russia does not consider the Eastern Mediterranean deposits as a significant threat to its own deposits and therefore has not displayed any particular interest to participate in their exploration.

To be precise, Russian companies have demonstrated some interest in the EastMed natural gas resources. In December 2016, the Russian State company Rosneft bought a 30% stake in Egypt's Zohr gas field from Eni, with the consent of the Italian government, making the Russian company the second largest stakeholder in Zohr. That is another case where Russian companies acquire a stake in resources, which could threaten to undercut their dominance in the European markets. The official reason for the sale was the need for Eni to spread the risk of its Egyptian operation. Similarly, offshore gas discoveries in Lebanese waters have attracted Russian interest. Russia's private company Novatek has already bought a 20% stake in a block, whereas Russia has also reserved a contract for future gas exploration in Syria. In Iraq, Russia is involved in pipeline deals in the Northern Iraq region through a number of oil and gas companies, although the actual exports would have to pass through Turkish territory or possibly even through Syria in the distant future<sup>25</sup>. Russia has also expressed interest in developing Block 9. Negotiations over the development of Block 9 between a consortium led by the French company Total, the Russian Novatek and GPB Global Resources-the latter belongs to Gazprom- collapsed in December 2012<sup>26</sup>.

Nevertheless, Moscow does not seem to oppose the various projects aimed at exploiting East Med resources. Economic and political elites do not view EastMed gas as a threat to their economic interests, as they do not fear any serious threat to their dominant position as Europe's energy provider. None of the Rus-

<sup>22</sup> S. Stefanini, 'Cyprus fears Russia could wreck reunification', *Politiko*, 17 February, 2017, <http://www.politico.eu/article/cyprus-fears-russia-could-wreck-reunification/>; K. Tastan and T. Kutschka, 'The Implications of Eastern Mediterranean Gas for Turkey', *The German Marshall Fund of the United States paper*, no. 7. (2019), 2: Bechev, op. cit., p. 135.

<sup>23</sup> Personal Communication with Andreas Mavrogiannis, (electronically, August 2017).

<sup>24</sup> Personal Communication with Kavus Abushov, Professor at Azerbaijani Diplomatic Academy-ADA, Expert on Russia (Baku, 22 August 2017) and Yuri Kvashnin, Head of Section of the EU Studies of the Institute of World Economy and International Relations of the Russian Academy of Sciences, (Moscow, 3 September 2015).

<sup>25</sup> M. Pierini, 'Russia's Gas Strategy Gets Help From Turkey', *Carnegie Endowment*, 3 December, 2018 <https://carnegieeurope.eu/strategieurope/77855>

<sup>26</sup> Delanoë, op. cit., 88.

sian companies has participated in the international tenders of Israel and Cyprus. The reasons for this are economic rather than geopolitical<sup>27</sup>.

The exploration costs in the Eastern Mediterranean are quite high, the competition with other international companies is fierce and the export and transportation costs are also significant. Though it is very difficult for Gazprom to dump or to lower international gas prices, in order to compete with EastMed gas or to halt LNG exports or imports from the US, it is not impossible. This lies on the world gas delivery structure. There are more short-term gas contracts indexed in the spot market and fewer on long term contracts with take or pay clauses. Gazprom's policy is based on long term contracts with take or pay clauses<sup>28</sup>.

The rapid increase, however, of the US LNG exports (based on the shale gas revolution the US is poised to become the largest LNG exporter by 2025) (along with increased capacities in Qatar, Australia, Russia, Canada and other countries) has the potential to disrupt global gas trade patterns and dramatically transform the European market over the next two decades. US LNG exports could also reduce Europe's dependence on Russian gas, even while Moscow increases subsidies for gas exports to Europe. The slash in Russia's gas export revenues has already forced its gas companies to renegotiate contracts with much shorter and more flexible terms. Energy experts estimate that, if the US increase exports to Europe, Russia might be forced to raise subsidies and lower prices even further. Gas prices in Europe could come under downward pressure<sup>29</sup>.

During the past years Gazprom has adapted itself to the new realities of the European market. The granting of discounts, partial revision of long-term contracts, inclusion of spot

prices when pricing long-term contracts and retroactive compensation of "additional" payments to consumers have allowed Gazprom to preserve its share in the European gas market. Still, these developments were predominantly driven by market forces, and less by strategic moves against Russia. Therefore, the sanctions imposed by the West in relation to the Ukrainian crisis have not caused any particular disruption in the functioning of the energy sector in the short- and mid-term perspective<sup>30</sup>.

Regardless of the energy issue, from 2012 onwards there has been a massive Russian naval presence in the Eastern Mediterranean, mainly due to the civil war in Syria that appears to complicate the once unrestrained capacity of NATO and the American 6th Fleet to ensure freedom of manoeuvre in the region. Both EU and NATO countries now find themselves within striking distance of Russia's ship-launched cruise and ballistic missiles. Furthermore, Russian surveillance and electronic warfare assets can now be legally and regularly deployed close to NATO, accessing stations in Turkey and the British Royal Air Force (RAF) base in Akrotiri Cyprus, further compromising NATO's long-held advantage in intelligence collection and electronic warfare. The Alliance thus finds itself in a vulnerable position during a time of upheaval in the Eastern Mediterranean<sup>31</sup>.

In this regard Moscow's decision in February 2015, to provide debt relief to the Republic of Cyprus, restructuring the EUR2,5 billion bailout loan it had given Cyprus in 2011 (see further down) seems to be directly linked to the access the Kremlin obtained to Cypriot ports for its naval vessels in 2015 with the aim of counter-fighting terrorism and piracy and despite US' opposition<sup>32</sup>.

<sup>27</sup> Personal Communication with Yuri Kvashnin, Head of Section of the EU Studies of the Institute of World Economy and International Relations of the Russian Academy of Sciences (Moscow, 3 September 2015) and Kavus Abushov, Russia expert, Professor of Political Sciences at the ADA University (Baku, August 2017).

<sup>28</sup> Personal communication with Dr. Amit Mor, Energy Expert-Professor for Energy economics and geopolitics (September 2018, Hertzliya, Israel).

<sup>29</sup> F. Umbach, 'The future of LNG for Europe', Geopolitical Intelligence Service, March, 18 2019, <https://www.gisreportsonline.com/the-future-of-lng-for-europe,energy,2829,report.html>

<sup>30</sup> N. Kaveshnikov, 'Energy security in Mogherini's strategy: Conclusions for Russia', in: The EU global strategy: implications for Russia, ed. Olga Potemkina (Moscow: Institute of Europe, Russian Academy of Sciences/Egmont. The Royal Institute for International Relations, 2017) 53-55.

<sup>31</sup> V. Kappis (2016) 'The Bear Learns to Swim: Russia's Re-emergence in the Mediterranean', Eastern Mediterranean Geopolitical Review, Vol. 2, 42.

<sup>32</sup> Alterman J. B., Conley H. A., Malka H., Ruy D., "Restoring the Eastern Mediterranean as a U.S. Strategic Anchor", Center for Strategic and International Studies (CSIS) report (New York et. al.: Rohman and Littlefield, 2018), 5-8; O. Razumovskaya, 'Cyprus signs deal to let Russian navy ships stop at its ports'. Wall Street Journal, Feb. 25, 2015. <http://www.wsj.com/articles/putin-highlights-closer-russia-cyprus-ties-1424882012>

### The EU-Stance on the Russian-Cypriot Economic Ties

In 2011, Cyprus experienced significant difficulties due to the debt crisis in Greece, to which the island is closely economically linked. Despite the fact that Cyprus was unable to pay the bonds worth around USD1.2 billion in early 2012 without external financial assistance, in August 2011, the European Commission announced that it would not allocate credits to Cyprus, similar to those previously issued to Greece in the context of a bail-out programme. As Cypriot banks—the fundamental pillar of the island's economy—were heavily exposed to the Greek sovereign debt and significant rescue funds were required to shore them up, credit rating agencies dramatically lowered Cypriot debt rating to junk status. Since Cyprus was then effectively excluded from international markets, the communist-at that time-government in Nicosia, with strong ties to Russia since the time of Cold War, sought help from Russia, which granted Cyprus a loan of USD2.5 billion. However, this loan was not enough to enable the government to shelter the island's economy for the repercussion of the debt crisis in Eurozone. The haircut in Greek government debt in the spring of 2012 brought about heavy losses in Cypriot banks, forcing the government in Nicosia to seek fresh capital in order to recapitalise the island's banking sector. As it was still excluded from the bond markets, Nicosia turned again to its partners in the European currency union for financial aid, considering itself unfairly treated by the EU decision to restructure Greece's debt, as it had coerced Cypriot banks into writing off around 80% of the value of their Greek bond holdings.

Nevertheless, the new load-provider scheme, consisting of the European Central Bank, the European Commission and the International Monetary Fund, known as the Troika, was willing to grant that assistance only in the context of a bail-out programme, which entailed much stricter conditions—as demanded by other EU countries—than the loan it had so far taken from Moscow. As a result, Nicosia decided to turn again to Moscow asking for a further EUR5 billion loan. Moscow, however, refused to lend more money to Cyprus, which accordingly turned back to

its European partners for financial assistance. The feeling was that the "Russia card" had been merely a diplomatic manoeuvre used by the authorities in Nicosia in their negotiations with the European Union<sup>33</sup>.

The EU found itself in a dilemma: either fund the bailout itself in full, which means coming up with the USD17 billion needed to bail the troubled banks of the island out or force a haircut on their depositors. It opted for the second choice. On 15 March 2013, the Eurogroup ministers agreed a EUR10 billion deal with Cyprus, which included austerity measures, significant reforms in the banking and public sector to be supervised by the European Commission, the European Central Bank and the IMF, as well as a limited bank levy on all deposits, even the smallest ones. Against a background of huge public outcry and demonstrations outside the House of Representatives, the deal was rejected. On 25 March a new plan was announced to preserve all insured deposits of EUR100,000 or less without a levy, but shut down Laiki Bank, the second largest bank in Cyprus, levying all uninsured deposits there, while levying up to 60% of uninsured deposits in the Bank of Cyprus (the largest bank on the island). The Eurogroup's decisions precipitated a blow to the Cyprus' economic model and provoked fear, uncertainty and bitterness among Cypriot political forces and citizens, as they badly hit the island's thriving service sector endangering the country's status as tax haven and spreading for the first time strongly negative images of Europe<sup>34</sup>.

In fact, in spring 2013, the bail-out became a bail-in agreement imposed by an informal, coordinating EU-institutional body, the Eurogroup. According to the official statements of that time, this attitude was an early test of what has since become the official European Union policy of "bailing in banks" intended to force creditors and depositors to pay for a bank's mistakes and to spare taxpayers from paying for their rescue. In the pre-crisis period, Cyprus' financial sector had grown to dwarf the rest of the Cypriot economy, accounting for about eight times the country's annual gross domestic product and employing a substantial portion of the nation's work force. As a consequence, when the financial sector experienced problems, the state fiscus

<sup>33</sup> J. Manuel, P. Triana, 'Russia in the Eastern Mediterranean: a counterweight to the West?', in: War in peacetime Russia's strategy on NATO's Eastern and Southern Flanks, eds. N. De Pedro and F. Ghilès (Barcelona: Barcelona Institute for International Affairs, 2017), 46.

<sup>34</sup> A. Stergiou, 'Euroscpticism in Cyprus', in: European Integration and New Anti-Europeanism. The 2014 European Election and New Anti-European Forces in Southern, Northern and Eastern Europe (volume 2), eds. P. Moreau & B. Wassenberg (Stuttgart: Franz Steiner, 2016), 56-58.

was not big enough to stabilise the banks without external help. At the time, there was a widespread belief - also literally expressed by some European politicians - that the Cypriot banks model was faulty and so a reduction of its size was necessary to balance things out and bring the banking sector to a more sustainable level. Moreover, due to the perception that a large chunk of the deposits was of questionable origin, the Eurogroup decided for first time to take a hard line with the country<sup>35</sup>.

A little later the source of this perception was revealed: a confidential report by the German intelligence service (Der Bundesnachrichtendienst - BND), had painted the island a few months ago as a haven for money-laundering. According to the leaked report of the German Intelligence Service, Russians had, at the time, as much as EUR21 billion in suspicious funds<sup>36</sup>.

However, it seems that other political, geo-economic and geo-strategic factors have co-determined Troika's course towards the Cypriot economy. The total amount requested was EUR17,5 billion, a mere pittance compared to the sums of the previous bailout packages of Greece, Ireland, Portugal and Spain. The argument was put forward at the time that Cyprus' banking sector is tiny relative to the rest of Europe; one Cypriot bank defaulting and as a result putting the whole European banking system in question, can be hardly regarded as tenable. The assumption that a great deal of Russian oligarchs has traditionally used Cypriot banks for money laundering and tax avoidance seems to be devoid of real tangible evidence. The potentially criminal nature of the Russian deposits cannot be denied totally; however, it was over-emphasised to downplay the effect on ordinary law-abiding Cypriots and Russians. At that time, Germany, which would carry much of the financial burden and was preparing for elections in September 2013, was reluctant to shore Cypriot banks up before an electorate that was increasingly hostile to bailouts. Cypriot financial institutes paying high interest to Russian depositors,

when the Germans were receiving a nominal interest rate below inflation, was also taken as an affront by the leading economic force of the Eurozone and most important decision-maker of the Eurogroup. It is also very likely that Cyprus was utilised to set a warning example to Moscow because of its growing military footprint in the Eastern Mediterranean, its alleged or real meddling in Cypriot domestic political affairs and its involvement in Syria war.

If the BND-report was truly the driving force behind the Eurogroup's fatal decision, it is a real mystery the information and sources the German agents used to make this allegation. According to the statistical data compiled and published by the Central Bank of Cyprus since the adoption of euro in full compliance with the legal framework of the European Central Bank<sup>37</sup>, in March 2013, the month the haircut was conducted, the total amount under 'Residents of rest of the world' (meaning residents of countries other than Cyprus and other EU Member States belonging to the euro area) was EUR19,035.4 million, while the total amount of the deposits was EUR63,716.4 million. That means that even by making the arbitrary assumption that all the foreign money deposits belonged to Russian (it is widely known that big sums of Arab capital are deposited in Cypriot banks as well), the number is still below the figures reported by the German agency. Also, according to Eurostat<sup>38</sup> - the official statistics service of the European Union - the total deposit taking corporations except for the Central Bank, coming from Russia amounted to EUR16,901 million in the first quarter of 2013, just before the levy was imposed.

Further, according to the report by the committee of experts on the evaluation of anti-money laundering measures and the financing of terrorism (MONEYVAL), at least until 2011, the Cyprus bank business system was perceived to cope with all the anti-money laundering and the criminalisation of the financing of terrorism standards. Nonetheless, it was targeted overnight as a money-laundering machine<sup>39</sup>.

<sup>35</sup> P. Tilliros, 'Causes and impact of the MOYs on the economies of Cyprus, Greece and Portugal', University of Nicosia, Center for European and International Affairs Working Papers, vol. 7 (2015), 39.

<sup>36</sup> Der Spiegel (staff), 'Russische Schwarzgeldkonten: BND warnt vor Rettungspaket für Zypern', November 3, 2012, <http://www.spiegel.de/wirtschaft/soziales/russisches-schwarzgeld-bnd-warnt-vor-rettungspaket-fuer-zypern-a-865151.html>

<sup>37</sup> Central Bank of Cyprus, Monetary and Financial Statistics, Issue December 2013. <https://www.centralbank.cy/en/statistics/money-and-banking-statistics-and-financial-accounts/data/%C2%ABmonetary-financial-statistics%C2%BB-publication>

<sup>38</sup> Eurostat: International investment position - quarterly and annual data, <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

<sup>39</sup> Council of Europe—ECRI REPORT ON CYPRUS. (2011), <http://www.coe.int/t/dghl/monitoring/ecri/country-by-country/cyprus/CYP-CbC-IV-2011-020-ENG.pdf>

As it has been aptly argued by other scholars too, the “tax haven” and “money laundering” claims had never been a problem for the European Union before, and neither had the banking sector. Back in 2003, when Cyprus was approved to join the EU, no such warning was raised. Likewise, in 2007 when Cyprus joined the Eurozone, no special conditions were levied. Based on an official report published in 2012 by the European Commission, the Cypriot banking sector ranked fourth on the list of potentially endangered banking sectors in the Eurozone. The other countries ahead of Cyprus were Luxembourg (24 times the national GDP), Ireland (eight times) and Malta (7,8 times). Nevertheless, it has been suggested by the Troika to contract the Cypriot banking sector by 50% until 2018<sup>40</sup>.

As George Friedman<sup>41</sup> also very aptly pointed out, this was an unprecedented solution. Since the global financial crisis of the 1920s, all advanced industrial countries -- and many others -- had been operating on the fundamental principle that deposits in banks were utterly secure. They were not regarded as bonds paying certain interest, whose value would disappear if the bank failed. Deposits were regarded as riskless placements of money, with the risk covered by deposit insurance for smaller deposits, but in practical terms, guaranteed by the national wealth. Furthermore, this move might look like an attempt to seize (illegal) Russian money, but it severely impacted the bank accounts of many Cypriots as well as a sizable amount of legitimate Russian money. EUR100,000 (the upper limit of individual deposits the Central Bank guarantees) is not all that much when you are running a supermarket, a car dealership, or a construction company.

Apart from this, it is well-known in Russia that wealthy Russians and big companies affiliated to Kremlin have deposited their money in Luxembourg or in the Netherlands, as Cyprus has always been perceived as an unstable

place to deposit money. Moreover, it seems that Kremlin used the haircut to punish companies preferring to pay their corporate taxes abroad and not within the Russian Federation. There are also rumours that many Russians managed to repatriate their money through the Uniastrum Bank (LLC), which was founded in 1999<sup>42</sup>.

Last but not least, if Cyprus was so important for Russian capital, it would have been exempted from the new regulations designed to repatriate foreign companies back to Russia with promises of a tax amnesty, as introduced by Moscow in late 2014. This was part of Russia's attempts to fight capital flight, which doubled between 2013 and 2014 following the Ukraine crisis and the devaluation of the ruble. Despite the fact that the Cypriot government asked Russia to exempt the island from these laws, or at least enforce them selectively<sup>43</sup>, Cyprus has not been exempted from the Foreign Companies Rules and the new Russian ‘de-offshorisation’ law, which took effect on 1 January 2015<sup>44</sup>.

In posteriori, Eurogroup's policy towards Cyprus in 2013 appears to have been short-sighted. Firstly, if the target was Russia's policies in the Eastern Mediterranean and towards EU and NATO in Syria or else, there has been literally no change at all. On the contrary, Russian military adventures in the Eastern Mediterranean multiplied, Kremlin's involvement in Syria culminated in September 2015 to a military intervention, while Moscow with the annexation of Crimea in 2014 proceed into an unprecedented provocation against the West.

Secondly, in a paradoxical way, what the European leaders engineered, obviously intending to end an economic model fuelled by a flood of cash and “dirty money” from Russia, turned out to backfire. As the bail-in provided that the levied money should be exchanged with equities in the share capital of the levied Cypriot banks, the EU strategy pulled Russia even deeper into Europe's financial system by giving Russian

<sup>40</sup> Savvas Katsikides and Georgia Yiangou, ‘The Cyprus Banking Crisis: The Bail-in Strategy as a Game Changer for the Too-Big-to-Fail Mentality of the Fractional Reserve Banking System’, in: *Society and Economics in Europe*, eds. S. Katsikides and H. Hanappi (Switzerland: Springer International Publishing, 2016) 209-210.

<sup>41</sup> G. Friedman, ‘Europe's Disturbing Precedent in the Cyprus Bailout’, *Stratfor analysis* March 26, 2013.

<sup>42</sup> Personal communication with Yuri Kvashnin, Head of Section of the EU Studies of the Institute of World Economy and International Relations of the Russian Academy of Sciences (Moscow, 3 September 2015).

<sup>43</sup> *Stratfor*, ‘Amid Sanctions Battle, Russia Courts Cyprus’, Feb 27, 2015.

<sup>44</sup> The main innovation of the new law is the disclosure and taxation of foreign companies controlled by Russian tax residents. Under the new law taxpayers are required to notify the tax authorities of any holding of more than 10 percent in a foreign legal entity, and of any interest in a foreign structure that does not involve the formation of a legal entity (whether as a beneficiary or in any other capacity). Although Cyprus had a comprehensive double taxation agreement with Russia, which includes up-to-date information exchange arrangements, the Cyprus corporate tax rate of 12.5 per cent was below the effective tax rate (generally 15 per cent) required for exemption on the basis of the effective tax rate. Neocleous op. cit., 610-613.

deposit-owners<sup>45</sup> majority ownership, at least on paper, of the Bank of Cyprus the country's oldest, biggest, and most important financial institution.

- Thirdly, if the levy on the Cypriot banks was part of the EU's battle against money laundering, this policy clearly backfired, as the Russian money merely changed the routes ending up in other banks like Danske Bank, resulting in the biggest money-laundering scandal in EU history.<sup>46</sup>

- Meanwhile and probably due to the stricter regulations adopted by Moscow against Russian companies investing abroad, as well as

the EU regulations against money laundering, Russian capital has been flowing out of Cyprus. According to various estimates that have circulated in the Cypriot press, between 2015 and February 2019, about EUR5 billion in Russian depositors' bank accounts were withdrawn. According to data released by Cyprus' Central Bank, deposits of Russian origin stood in February 2019 at EUR6,867 millions<sup>47</sup>. According to Eurostat, the total deposit taking corporations except the Central Bank coming from Russia had decreased to EUR4,115 million in the fourth quarter of 2018<sup>48</sup>.

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<sup>45</sup> According confidential information the Author collected in Moscow, some of the biggest stakeholders in the Cypriot Banks are the Renova Group owned by Viktor Vekselberg and Vladimir Strzhalkovskiy who are supposed to be Putin's confidante.

<sup>46</sup> Rettman, op. cit.

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## ЕС, РОССИЯ И КИПР

В последние годы российско-кипрские отношения являются очень актуальной темой для политиков, ученых и журналистов ЕС, занимающихся международными отношениями России, Юго-Восточной Европы и Восточного Средиземноморья. Благодаря этому глубокому интересу были исследованы многие неизвестные стороны темы. Тем не менее, большинство аналитических исследований следовало определенной модели, которая не всегда соответствовала действительности. Хотя Кипр занимает исключительное место в российской внешней политике, интерес России к кипрским экономическим и политическим вопросам, однако, в некоторых случаях был переоценен. В результате по разным геополитическим и геоэкономическим причинам остров был втянут в политические и экономические отношения НАТО-ЕС-Россия, возникшие в последние десятилетия, и запла-

тил за это высокую цену. На этом фоне можно утверждать, что решения Еврогруппы в отношении кипрских банков в марте 2013 года были необоснованными и ложными и в конечном итоге не достигли целей, которые они намеревались достичь. В статье также опровергается мнение, что Москва заинтересована в нефтегазовом месторождении EastMed из-за его значения в политике диверсификации поставок энергоносителей в ЕС. Российские компании, похоже, не выступают против различных проектов, направленных на разработку ресурсов месторождения EastMed, поскольку они не рассматривают газ этого месторождения как угрозу своим экономическим интересам.

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### Ключевые слова:

Европейский Союз, Еврогруппа, Кипрские банки, Кремль, газовое месторождение East Med, оборонное сотрудничество

### Keywords:

European Union, Eurogroup, Cypriot Banks, Kremlin, East Med Gas, Defence Cooperation

# THE VIABILITY OF A MEDITERRANEAN ENERGY HUB AND THE INTERESTS OF EUROPEAN UNION AND RUSSIA; COMMON OR CONFLICTED?

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**Theodore Pelagidis\*\***

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*It has been a decade since the Southeastern Mediterranean region came to the forefront after the discovery of significant gas deposits in offshore fields located within the Exclusive Economic Zones (EEZ's) of Egypt, Cyprus and Israel. Gradually, the region drew the attention of major oil companies (Total, Statoil, ENI, Exxon Mobil, BP, Rosneft Qatargas) who proceeded in a series of drilling operation projects in order to share the exploitation of the potential regional gas deposits with the involved countries in the future. The aim of this paper on the first level, is to investigate the viability and competitiveness of a forthcoming energy hub in Southeastern Mediterranean, its role and the inevitably fierce competition by other well-established or emerging gas producing areas. In this task, there are a number of direct and indirect parameters that need to be taken under deep consideration. For example, the dominant options of implementing a Mediterranean energy hub, translated into the construction of the EastMed Pipeline or the promotion of an LNG Terminals Network respectively. On the second stage the paper examines and evaluates the interests of European Union and Russia in terms of energy demand and supply. Undoubtedly, the European Union is reconsidering its energy policy, seeking to enhance its steady gas supply by implementing a strategy of diversification in counterparts, routes and sources. On the other hand, Russia's energy policy is aiming to raise market share and global influence. Is there any common ground?*

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## Introduction

Energy has always been a key component of enhancing European sustainability and welfare. Since 2008, the global economy has entered into a new era of economic instability, where globalisation faces protectionism and transnational relations are tested while, in reference to Europe and Eurasia, a new pillar is emerging and it is called Energy Geopolitics. Since 2009, the region of the South-East Mediterranean holds the lion's share of world's interest as the first potential gas deposits in the Levantine Basin came into light. On a pragmatism level, the proven reserves could supply the involved countries (Egypt, Israel and Cyprus) with sufficient quantities of gas and provided them with the appropriate energy independence in order to meet the needs of their domestic markets.

As global oil prices seem to stabilise around USD65-USD75 per barrel and the drilling technology is being updated in a cost-saving direction, the region draws again the attention of major oil and energy companies; the ongoing drilling operations of which, are bringing into light new potential reserves of many trillion cubic feet in offshore blocks of Cyprus. Under this scope, different energy policies come to the forefront as there is a vast necessity to ensure Europe's energy independence in turbulent times. Europe seems to be willing to reduce its energy dependence from Russia, by promoting alternative options, such as the future exploitation of Southeast Mediterranean gas deposits, among others. As a result, the status quo of the region and its energy impact on a worldwide level are about to change.

It needs to be pointed out though, that market dynamics of the global energy sector seem to be very fragile nowadays and status quo is changing; traditional players such as OPEC (mainly Saudi Arabia) seem to step aside

via production cuts, while newcomers such as the US (via shale oil and gas production), Russia (via gas production in the Arctic), Qatar (via gas production in South Pars field) and other energy superpowers come to the forefront. Additionally, in terms of consumption, the lion's share is being concentrated in Asia (China, India, Japan and South Korea) under the implementing decarbonisation policies towards a new "green era".

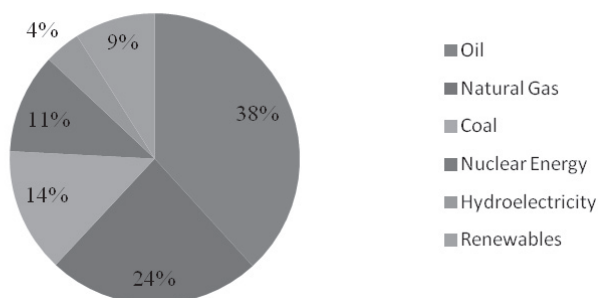
The implementation of a Mediterranean energy hub consisted of Cyprus, Israel and probably Greece, through their gas deposits, creates numerous economic and geopolitical benefits to European Union and the countries involved. Attracting investments and a boost in the regional LNG trade through a potential worldwide acceptance of East Mediterranean gas are only some of the benefits. Additional factors such as close proximity to key maritime routes, the dominance of Greek LNG shipping sector and the existence of all the appropriate infrastructure (port terminals, refineries, shipyards, human capital) ensures Europe's will for gradual energy independence. On the other hand though, it should seriously taken into deep consideration that proven difficulties such as conflicted geopolitical interests, high infrastructure costs and competitiveness in terms of pricing by other global gas suppliers (Russia, the US, Qatar etc.) and networks, might jeopardise the Mediterranean Energy Hub Project on the long term.

## The Energy Sector of European Union

### Facts and Figures

It is widely known that the European Union is mainly an energy consumer and not a producer. In the last decade energy production levels in Europe have declined, from 471 million tons in 2007, to 301 million tons in 2017, a decrease of 36%. In terms of global production levels,

Figure 1. Allocation of EU's Energy Consumption by fuel



Source: BP Statistical Review of World Energy – June 2018

European Union holds a market share of only 2,6%. On the contrary, in 2017 European Union held 13% of the world's primary energy consumption, reaching 1689 million tons. It is more than obvious, that European energy needs outpace production levels by almost five times. Consequently, in order to support its heavy industry, European Union adopts a diversified energy policy that includes the use of oil, natural gas, coal, nuclear energy, hydroelectricity and renewable energy as it is depicted in Figure 1.

Oil and natural gas account for 62% of energy consumption in Europe<sup>1</sup>. It needs to be pointed out though, that EU's energy consumption levels have been declined in the last decade by 7,4%, due to certain reasons, such as the economic recession, supply disruptions of Russian gas and weather conditions. It is of massive importance though, the increasing use of renewable energy in power generation (wind and solar parks). European Union's change of direction towards "green energy projects" is clearly depicted in Table 1.

*Table 1. EU's Energy Consumption Levels 2007 vs 2017 (in mil tonnes)*

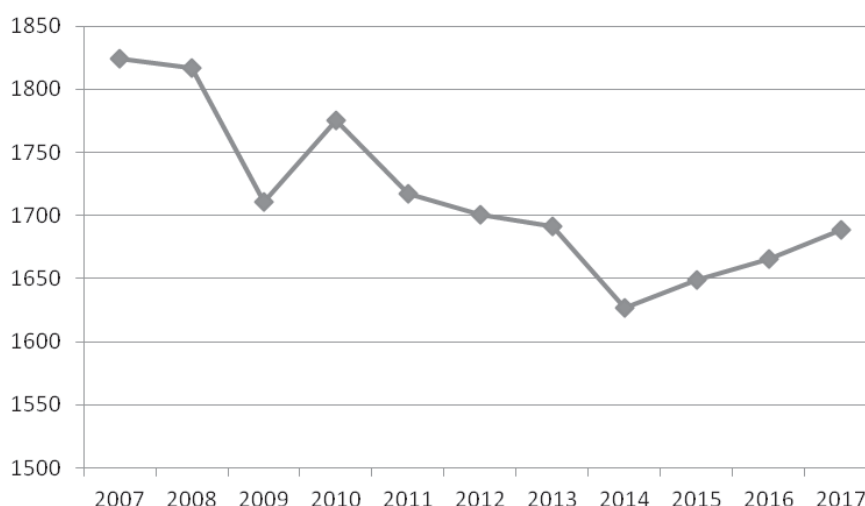
| Type of fuel     | 2007          | 2017          | % change     |
|------------------|---------------|---------------|--------------|
| Oil              | 732.5         | 645.4         | -11.8%       |
| Natural Gas      | 434.6         | 401.4         | -7.6%        |
| Coal             | 328.3         | 234.3         | -28.6%       |
| Nuclear Energy   | 211.7         | 187.9         | -11.2%       |
| Hydroelectricity | 71.1          | 67.8          | -4.6%        |
| Renewables       | 45.7          | 152.3         | 233%         |
| <b>Total</b>     | <b>1823.9</b> | <b>1689.2</b> | <b>-7.4%</b> |

*Source: BP Statistical Review of World Energy – June 2018*

Global economy seems to enter in a recovery mode period and so does the European Economy. The global GDP growth for 2018 stood at 3,6% and European GDP growth for the same year was 2,2% respectively<sup>2</sup>.

Furthermore, it should be highlighted that since 2014 EU's energy consumption levels are again on the rise, by achieving a 3,8% growth on a three-year basis, as depicted in Figure 2.

*Figure 2. EU's Energy Consumption Levels 2007-2017 (in mil tonnes)*



*Source: BP Statistical Review of World Energy – June 2018*

<sup>1</sup> BP Statistical Review of World Energy (June 2018), available at <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2018-full-report.pdf>

<sup>2</sup> International Monetary Fund Statistics Data, available at [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/EUQ](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/EUQ)

### European Gas Demand

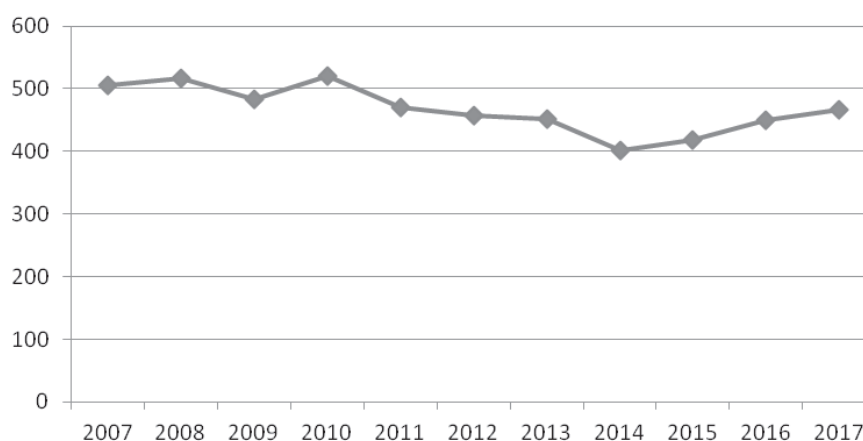
Despite the fact that global economy is on a recovery mode, many analysts project that, by 2040 natural gas will be the primary source of energy, not only as it refers to the European Union's energy needs but also, on a worldwide level<sup>3</sup>. The re-shape of global gas market is based on: a) consecutive shutdowns of coal plants around the globe, b) the rise of Asian gas demand (mainly attributed to China's energy shift)<sup>4</sup>, c) the optimisation of drilling costs and d) the new drilling technology (such as fracking) that has led to US shale revolution. Moreover, gas might well play an increasing role in the transportation sector, as a fuel for trucks and vessels (lng-fuelled)<sup>5</sup>.

As it refers to the European Union, gas is an essential component of the region's energy mix by constituting 24% of primary energy consumption, contributing mainly to electricity generation, heating and fuel for industry and transportation<sup>6</sup>. On a worldwide level, European gas demand holds a share of 12,7%; during the last decade it have plunged from a peak of 505 billion cubic meteres (bcm) in 2007, to 401 bcm in 2014, in order to rise again in 2016 (due to lower global energy prices) at 449 bcm

and reach 467 bcm in 2017, as depicted in Figure 3. Currently, gas demand in Europe seems to be in a modest process, totally corellated with the economic recovery of the Union. On the contrary, the annual gas production in the European Union during the last decade is on a declining mode, from 197 bcm in 2007 to 118 bcm in 2017, covering only 25% of European gas needs.

European Union holds only 0,6% of world total proved gas reserves, translated into 1.2 trillion cbm (or 41.7 trillion cbf). If the analysis proceeds into a wider region, Eurasia for example that holds 32% of world's proven gas reserves (62.2 trillion cbm), it comes as no surprise why Europe targets on specific regions in its eastern borders, such as Russia, Ajerbaijan and others, in order to cover its energy deficit. In 2017, European Union's natural gas trade movements that took place by pipeline stood at 423 bcm (86% market share) while the LNG imports -via LNG vessels- stood at 66 bcm (14% market share). The European Union imports natural gas via pipelines mainly from Russia and Norway, accounted for 189 bcm (40%) and 109 bcm respectively, while in terms of LNG imports (via vessels), Qatar supplied 24 bcm and Algeria 14 bcm respectively.

Figure 3. EU's Gas Consumption Levels 2007-2017 (in billion cubic meters)



Source: BP Statistical Review of World Energy – June 2018

<sup>3</sup> Geropoulos C., "BP: Global LNG supplies more than doubling by 2040", *New Europe* (2018, September 24), available at <https://www.neweurope.eu/article/bp-global-lng-supplies-more-than-doubling-by-2040/>

<sup>4</sup> Due to the implementation of decarbonization policies, Asia is the second largest gas consumer with 21% market share of global gas consumption (770 bcm), following North America with 26% market share respectively (943 bcm). In terms of gas imports, LNG trade movements into Asia are on the rise as the Asia Pacific region (China, India, Japan, South Korea etc) holds the lion's share in global LNG trade (72% for 2017)

<sup>5</sup> "Saenz de Santa Maria C., "Conditions right for LNG to set sail", *Hellenic Shipping News* (2018, April 16) available at <https://www.hellenicshippingnews.com/conditions-right-for-lng-to-set-sail/>

<sup>6</sup> Hafner, M., Tagliapietra S., (2013), "The Globalization of Natural Gas Markets: New Challenges and Opportunities for Europe". Deventer, Netherlands: Claeys & Casteels Publishing

It is more than obvious that European Union's energy needs are highly depended on a small number of external suppliers and that exactly had generated over the years a broad European debate on the issue of gas supply security<sup>7</sup>. Moreover, after consecutive and long lasting gas disruptions in many European countries amid Russian-Ukrainian disagreements on pricing and other geopolitical issues, the European Union took the decision in 2008 to launch a strategic plan about the diversification of its gas supplies. Furthermore, the recent findings in Eastern Mediterranean gas deposits support the European Union to achieve a steady and reliable gas supply by implementing a strategy

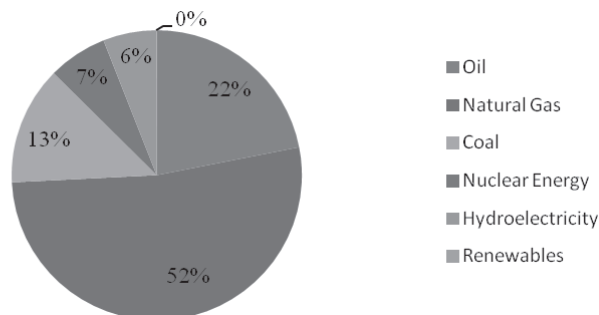
of diversification in counterparts, routes and sources<sup>8</sup>.

## The Russian Energy Sector

### Facts and Figures

In the last decade, energy consumption levels in Russia are on a modest rise, from 673 million tons in 2007 to 698 million tons in 2017, holding only 5% of market share worldwide in terms of energy consumption. Russia uses mainly oil and natural gas (74% market share), at lower rates coal, nuclear energy, hydroelectricity and almost no renewable energy as it is depicted in Figure 4.

Figure 4. Allocation of Russia's Energy Consumption by fuel



Source: BP Statistical Review of World Energy – June 2018

It is widely known that Russia adopts an energy policy that targets in increasing production levels and since the latter outpace Russia's consumption levels –by almost twice- there is enough room for export activity. Russia holds 11,5% of world energy production in terms of oil, natural gas and coal,

as it is depicted in Table 2. Moreover, in the last decade, energy production levels in Russia are on the rise, from 1158 million tons in 2007 to 1307 million tons in 2017, an increase of 12,8%, as it is depicted in Table 3. Oil and natural gas hold the lion share in Russia's production levels with 84%.

Table 2. Russia's Production in 2017 vs World Total Levels (in mil tonnes)

| Type of fuel | Russia        | World Total    | Market Share (%) |
|--------------|---------------|----------------|------------------|
| Oil          | 554.4         | 4387.1         | 12.6%            |
| Natural Gas  | 546.5         | 3164.6         | 17.2%            |
| Coal         | 206.3         | 3768.6         | 5.4%             |
| <b>Total</b> | <b>1307.2</b> | <b>11320.3</b> | <b>11.5%</b>     |

Source: BP Statistical Review of World Energy – June 2018

<sup>7</sup> Pitatzis A. (2018), "The role of LNG in European Energy Security", Foreign Affairs Greek Edition, available at <https://www.foreignaffairs.gr/articles/71733/athanasios-pitatzis/the-role-of-lng-in-european-energy-security?page=show>

<sup>8</sup> Pelagias G. (2012), "Major Gas Finds in Eastern Mediterranean-a source of new supply and conflicts in South East Europe", Network for Oil and Gas, Stockholm

*Table 3. Russia's Energy Production Levels 2007 vs 2017 (in mil tonnes)*

| Type of fuel | 2007          | 2017          | % change     |
|--------------|---------------|---------------|--------------|
| Oil          | 497.5         | 554.4         | 11.4%        |
| Natural Gas  | 517.3         | 546.5         | 5.6%         |
| Coal         | 143.5         | 206.3         | 43.7%        |
| <b>Total</b> | <b>1158.3</b> | <b>1307.2</b> | <b>12.8%</b> |

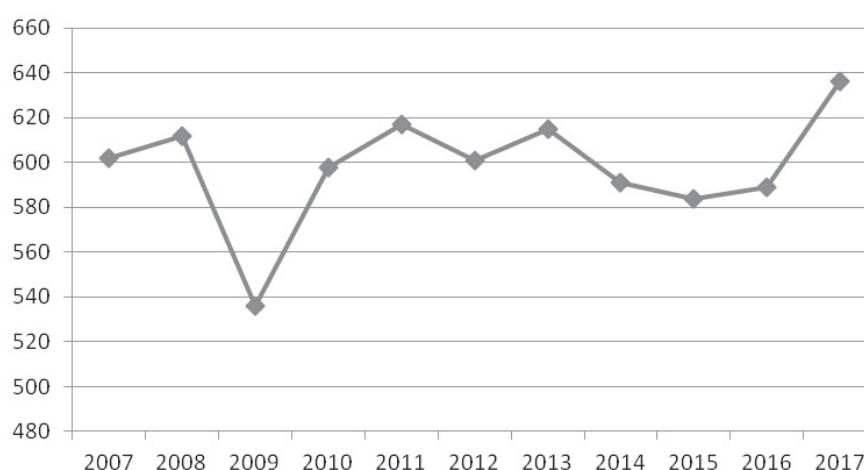
*Source: BP Statistical Review of World Energy – June 2018*

### 3.2 Russian Gas Production and Exports

Gas is an essential component of Russian energy policy, consisting 42% of primary energy production. Moreover gas production levels achieved a 5,6% increase in the last decade reaching 636 billion cbm, as it is depicted in Figure 5. Russia is also the second largest gas producer worldwide, following the US with 735 billion cbm in 2017.

As it refers to proved gas reserves, Russia holds the world's largest ones with a market share of 18% and 35 trillion cbm (1235 trillion cbf). Most of these are located in large natural gas fields in West Siberia (Yamal-Nenets region)<sup>9</sup>. The state-run Gazprom dominates Russia's natural gas sector with a 65% market share in terms of production<sup>10</sup>. Other important Russian energy companies are Novatek, Rosneft and Lukoil.

*Figure 5. Russian Gas Production Levels 2007-2017 (in billion cubic meters)*



*Source: BP Statistical Review of World Energy – June 2018*

It comes as no surprise that Russia targets on its global energy dominance. As it is already mentioned, since the mid-2000s, natural gas consumption in The Organization for Economic Cooperation and Development (OECD) Europe has generally been flat to declining, prompting Russia to look to Asia and LNG as means to diversify its natural gas exports. Furthermore, the US and European Union sanctions,

implemented in 2014, accelerated Russia's pivot to the east, with Russia to begin pipeline supplies –via “Power of Siberia Pipeline”- to China in late 2019 in order to achieve an important market share by 2025<sup>11</sup>.

In 2017, Russia's natural gas trade exports that took place by pipelines stood at 215 bcm (93% market share) while LNG exports –via LNG vessels- stood at 16 bcm (7% market

<sup>9</sup> Five of Gazprom's largest operating fields in the region are Yamburg, Urengoy, Medvezhye, Zapolyarnoye and Bovanenkovo

<sup>10</sup> Gazprom until recently had a legal monopoly on pipeline gas exports

<sup>11</sup> “Power of Siberia: Russia's mega gas pipeline to China almost complete”, *Russia Today* (2018, September 6) available at <https://www.rt.com/business/437753-power-of-siberia-china/>

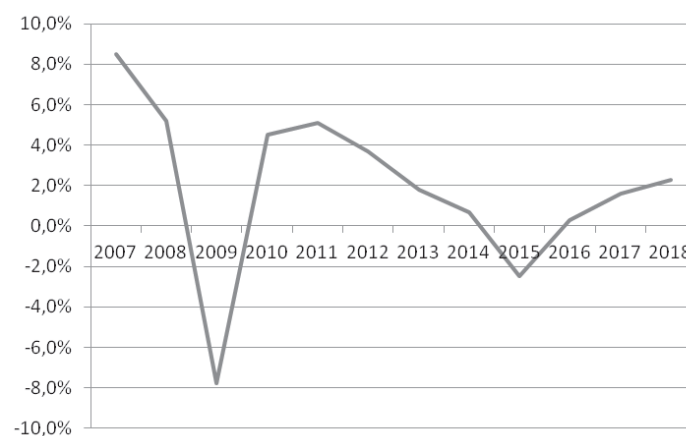
share). Russia's main natural gas importer – via pipelines – is Europe with 189 bcm mainly allocated between Germany and Turkey, while in terms of LNG exports, the Asia-Pacific region remains the sole destination of 15 bcm in 2017, with Japan holding the lion's share with 10 bcm. On the other hand, in 2017 Russia presented a limited importing activity via pipelines, with 12.1 bcm of natural gas from Kazakhstan and 6.7 bcm from of natural gas from Uzbekistan.

#### *Russian Engagement in the Arctic*

Russia's economic growth is driven by energy exports, given its high oil and natural

gas production mentioned above. Oil and natural gas revenues accounted for 36% federal budget revenues in 2016<sup>12</sup>. In the last decade though, Russia's economy faced two recessions: a) between 2008 and 2009 due to the outburst of global economic crisis and b) between 2014 and 2015 due to the sanctions imposed by European Union and the US after the annexation of Crimea, translated into lower energy imported volumes. In the meantime, between 2011 and 2013, Russia recorded an economic slowdown, as it is depicted in Figure 6.

**Figure 6. Russia's Gross Domestic Product Growth 2007-2018 (%)**

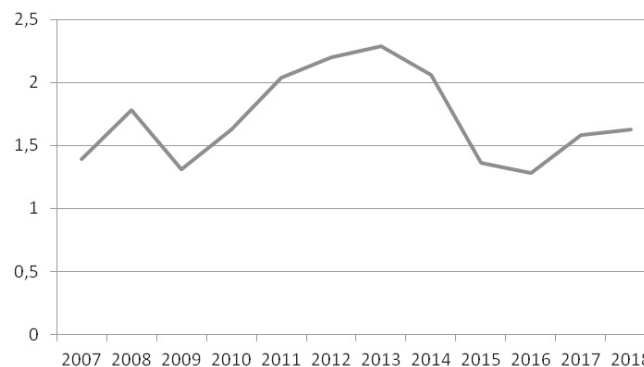


Source: IMF

Since 2016, Russian economy is recording consecutive growth, as depicted in Figures 6 and 7, mainly attributed to stable energy prices and the strategy of contracting efficient and long lasting energy agreements. Economic recovery through a rapprochement with European union has paved the way for Russia to strengthen its

strategy about the exploitation of its reserves in the Arctic coast alongside Siberia, as depicted in Map 1. According to 2016 data, 93% of Russia's natural gas production is taking place in the Siberian region (West/East Siberia and Far East), with Yamal-Nenets and Sakhalin regions holding the lion's share<sup>13</sup>.

**Figure 7. Russia's Gross Domestic Product 2007-2018 (in trillion dollars)**

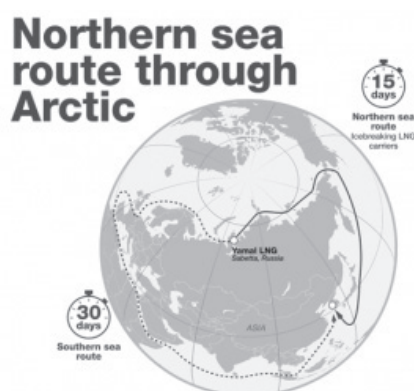


Source: IMF

<sup>12</sup> Ministry of Finance of the Russian Federation, Annual report on execution of the federal budget, (2017 April 28)

<sup>13</sup> US Energy Information Administration (2017), Country Analysis: Russia

Map 1. Russian Arctic Coast



Source: Total

Since 2009, Russian Gazprom operates a large-scale LNG export facility, the Sakhalin Basin, with the majority of LNG contracted to Japanese and South-Korean buyers under long term agreements. The annual capacity of Sakhalin LNG Basin is 10 million tons of lng. In 2013, Russia modified its Law on Gas Exports to allow Novatek and Rosneft to export LNG, breaking Gazprom's monopoly on all natural gas exports. The second operative Russian LNG project is, Yamal Plant which began production in 2013. Owned by a Consortium of Novatek (50,1% stake), Total and China National Petroleum Company-CNPC (20% stake) and the Silk Road Fund (9,9% stake) it has an annual capacity of 16.5 million tons of LNG, a great part of which is about to supply China via the "Power of Siberia Pipeline"<sup>14</sup>.

To export LNG from its arctic location to Far East or Europe, Yamal Plant had commissioned the construction 16 ice-class tankers<sup>15</sup>. As it refers to Far East, the ice-class tankers transfer LNG cargoes during most of the year, transiting the Arctic Ocean and the Bering Strait. Europe on the other hand, imports Yamal cargoes via ship-to-ship transfers in Norwegian waters, a procedure that finds the opposition from the US<sup>16</sup>. By transferring LNG to more conventional tankers in Norway, the Arctic vessels cut in half

the distance they would cover to deliver gas to Europe, enabling more frequent shipments from the Novatek terminal and increasing Russia's gas exports.

Russia also plans to build a number of large-scale LNG projects across Arctic, Pacific and Baltic coasts, such as Arctic LNG-2, Baltic LNG, Far East LNG and others, while in 2019 the Kaliningrad FSRU begun operation. The exploitation of the above projects is taking place via consortia consisted of Russian energy companies Rosneft, Novatek, Gazprom, Western companies ExxonMobil, Eni, Statoil, Total, Shell, Asian companies and financial institutions. All things considered, Russia seems to win the race to develop Arctic Energy<sup>17</sup>.

### Feasibility of a Mediterranean Energy Hub

As it was referred, the European Union strongly promotes the enhancement of its internal energy market in order to foster steady natural gas flows between its member states and since 2008 it studies the promotion of a –European based- Southeast gas corridor, based on potential resources of the Eastern Mediterranean region<sup>18</sup>. The implementation of a such an energy corridor is recognised as one of highest energy security priority for the European Union.

<sup>14</sup> Geropoulos C., "Russia's western route to China jeopardise Gazprom's supplies to Europe", *New Europe* (2018, September 14), available at <https://www.neweurope.eu/article/russias-western-route-to-china-may-jeopardise-gazproms-supplies-to-europe/>

<sup>15</sup> Total (2017), "Total inaugurates the Northern Sea Route with LNG Carrier Christophe de Margerie", available at <https://www.total.com/en/news/total-inaugurates-northern-sea-route-lng-carrier-christophe-de-margerie>

<sup>16</sup> Fouche G., Holmes D. and Croft A., "US slams Russia's Yamal LNG transfers in Norwegian waters", *Hellenic Shipping News* (2018, December 1), available at <https://www.hellenicshippingnews.com/u-s-slams-russias-yamal-lng-transfers-in-norwegian-waters/>

<sup>17</sup> Tsafos N., "Is Russia winning the race to develop Arctic energy?", *Center for Strategic and International Studies* (2019, March 22), available at <https://www.csis.org/analysis/russia-winning-race-develop-arctic-energy>

<sup>18</sup> European Commission (2008) "Second Strategic Energy Review-an EU Energy Security and Solidarity Action Plan", Brussels available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:EN:PDF>

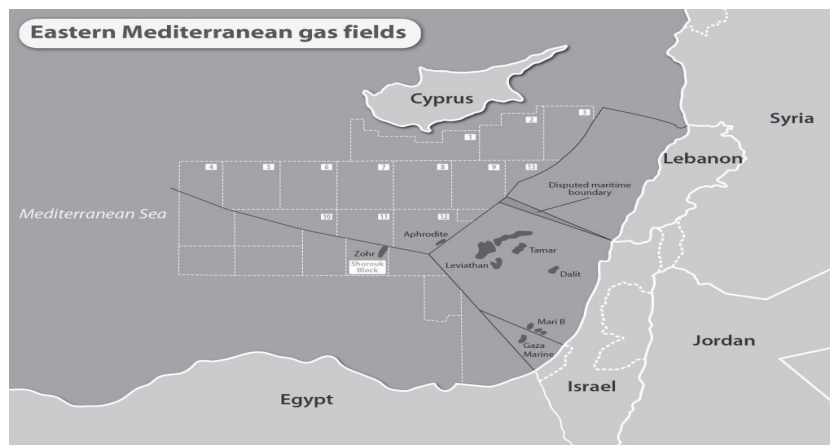
In 2009, Noble Energy Inc. discovered the first major gas deposit of 250 bcm capacity in Israel's Tamar Field. In 2010, a more important gas deposit of 476 bcm was also discovered in Israel's Leviathan Field. In 2011, Noble Energy discovered a gas deposit of 170 bcm in Cyprus' Aphrodite Field (Block 12). The first round of major gas discoveries in Eastern Mediterranean ended with 2015 ENI's discovery of the biggest –so far– gas deposit, Zohr Field with a capacity of 850 bcm. All the above reserves are depicted in Map 2.

As a result, in less than a decade the Southeastern Mediterranean came to the forefront of the global oil industry's concern by shaping new regional geopolitical balances. The above gas discoveries totaling 1.7 trillion cbm did not reveal a sufficient amount of reserves that would ensure a steady gas supply to Europe on a permanent basis. Instead, the pragmatic

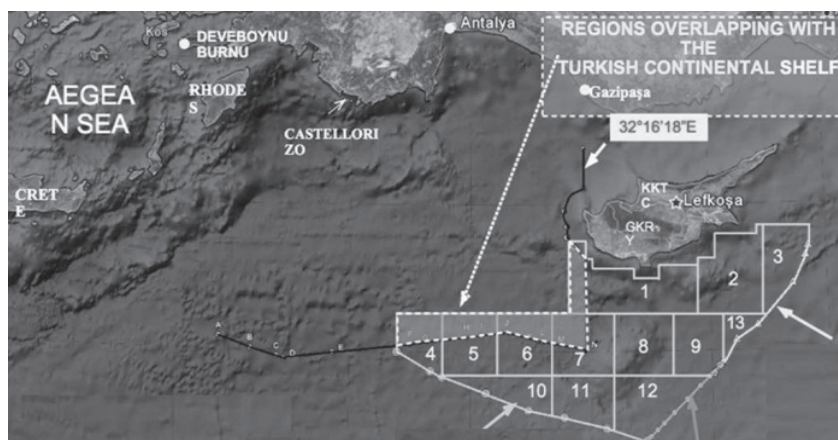
scenario ordered the coverage of involved countries domestic needs on a first phase and until new larger discoveries come into light.

In July 2017 Total and ENI began drilling operations in Block 11 of the Cyprus EEZ, as it was expected to hide immense quantities of gas, similar to the neighbouring Egyptian mega-gas field, Zohr. In February 2018, Total and ENI officially announced that a lean gas discovery in Block 6 (Calypso) offshore Cyprus –a region under dispute with Turkey– has been made of about 170-227 billion cbm (6-8 trillion cbf)<sup>19</sup>. In early 2019 Total and ENI committed to continue drilling operations in other blocks of Cyprus' EEZ such as Block 7 and 8. For the time being, this is a disputable maritime area between Turkey (via Turkish Republic of Northern Cyprus) and the Republic of Cyprus<sup>20</sup>. The dispute extends to Greece as it refers to Kastelorizo and the continental shelf matters with Turkey (Map 3).

*Map 2. Eastern Mediterranean Gas Reserves (2009-2015)*



*Map 3. Turkey's Claims on Cyprus' EEZ*



<sup>19</sup> ENI, (2018) "Eni announces a gas discovery Offshore Cyprus", available at [https://www.eni.com/en\\_IT/media/2018/02/eni-announces-a-gas-discovery-offshore-cyprus](https://www.eni.com/en_IT/media/2018/02/eni-announces-a-gas-discovery-offshore-cyprus)

<sup>20</sup> Ellinas C., "Turkey False claims on Cyprus exclusive economic zone", *Maritime Cyprus* (2017, July 25), <https://maritimecyprus.com/2017/07/25/turkey-false-claims-on-cyprus-exclusive-economic-zone-eez/>

In early 2018, ENI's drilling operations on Block 3 of Cyprus EEZ were postponed after intense military presence by Turkish Navy in the region. In late 2018, Exxon Mobil and Qatar Petroleum proceeded with drilling operations on Block 10 of Cyprus –another disputed area with Turkey. Within a three months period the "Glaucus-1" gas deposit revealed a capacity between 142-227 billion cbm (5-8 trillion cbf) and an estimated value of USD40 billion<sup>21</sup>. According to the US Ambassador to Greece, the ExxonMobil's discovery affects the energy markets positively and boosts European Union energy security by reducing dependence on Russian natural gas<sup>22</sup>.

The promotion of Mediterranean Energy Hub and the exploitation of the above reserves can be so far implemented by two alternative options; a) the EastMed Pipeline Project that would connect Israel, Cyprus and Greece's potential deposits, despite the fact that it would face a great competition from the existing European pipeline network<sup>23</sup> and b) the adoption of a Mediterranean LNG Terminals Network, capable of storing and regasification of liquified natural gas, in order to take advantage of the regional maritime cluster and the geopolitical importance of regional infrastructures (port terminals, refineries and shipyards) that would probably

boost mediterannean gas trade on a worldwide level.

In any case, the importance of promoting a Mediterranean Energy Hub is twofold: a) it enhances Europe's gas security of supply via diversification of routes and sources; b) it develops the European Union's indigenous resources such as the offshore gas reserves around Cyprus and Greece.

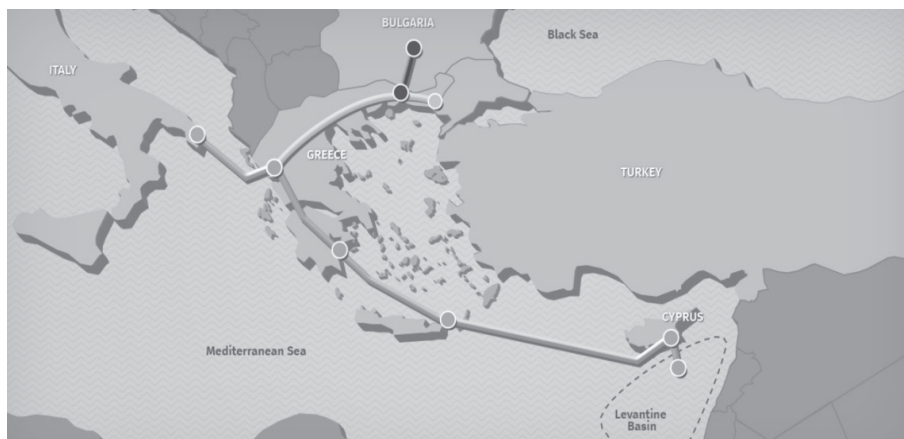
### 1. The EastMed Pipeline Project

The EastMed Pipeline Project refers to the construction of a combined offshore-onshore natural gas pipeline that would connect directly East Mediterranean gas resources of Cyprus and Israel to Europe via Greece.

Fulfilment of the project demands the additional construction of a complementary pipeline that will connect Epirus region (Greece) with the Italian region of Otranto. The project is being currently designed to transport initially 10 bcm annually<sup>24</sup>, through 1.300 km of offshore pipeline and 600 km of onshore pipeline<sup>25</sup>, as it is depicted in Map 4.

The EastMed pipeline is preliminarily designed to have exit points in Cyprus, Crete, mainland Greece as well as the connection point with Italy. Furthermore, the pipeline would allow to feed Cyprus internal consumption with additional 1 bcm annually.

Map 4. The "EastMed Pipeline" and its Interconnectors



Source: <http://www.igi-poseidon.com/en/eastmed>

<sup>21</sup> Koukakis N., "ExxonMobil makes biggest natural gas discovery in two years off the coast of Cyprus", CNBC (2019, February 28), available at <https://www.cnbc.com/2019/02/28/exxonmobil-makes-big-natural-gas-discovery-off-the-coast-of-cyprus.html>

<sup>22</sup> Geropoulos K., "Cyprus' new Glaucus-1 gas field can boost EU energy security", *New Europe* (2019, March 1) available at <https://www.neweurope.eu/article/cyprus-new-glaucus-1-gas-field-can-boost-eu-energy-security/>

<sup>23</sup> De Micco P. (2014) "The Prospect of Eastern Mediterranean Gas Production: An Alternative Energy Supplier for the EU?" Policy Department, European Parliament

<sup>24</sup> With an option of a future annual capacity of 16 bcm, depending on the demand and the potential gas reserves

<sup>25</sup> <http://www.igi-poseidon.com/en/eastmed>

The EastMed Pipeline Project was initially proposed in August 2010 and then aggressively promoted by Benjamin Netanyahu in 2011, especially after the deterioration of Turkish-Israeli relations that followed the Mavi Marmara incident. The Project was also strongly supported by Greece's Prime Minister of that time Antonis Samaras, as it was stated that EastMed pipeline was the only export project worthy of serious Greek diplomatic support.

In May 2015, under the support of the Cypriot, Greek and Italian governments, the European Commission declared the EastMed Pipeline as a Project of Common Interest (CPI) included in the second PCI list among other southern gas corridor projects<sup>26</sup>. The EastMed Project has also been included in the last Ten Years Development Plan (TYNDP), in line with the objective of the European Network Transportation System Operators of Gas (ENTSO-G) in order to create a single European market for gas and a reliable and safe transmission network capable of meeting Europe's current and future needs. In 2015, the project was also awarded with European grants of EUR2 million through the Connecting Europe Facility Programme (CEF), necessary for the co-finance of the Pre-FEED studies on technical and commercial issues of EastMed Pipeline<sup>27</sup>.

In April 2017, Israel, Greece, Cyprus and Italy signed a preliminary agreement<sup>28</sup> to promote preparations for the construction of the pipeline. During 2018 the above nations proceeded in further advanced talks for the materialisation of the project<sup>29</sup>. Finally, in March 2019 and after recent gas discoveries by Exxon Mobil in Block 10 of Cyprus, the final intergovernmental agreement for the construction of EastMed Pipeline was decided to be signed at the second

half of 2019, after the European Parliament elections<sup>30</sup>, under US consensus<sup>31</sup>. The project is expected to be completed and operative by 2025.

Furthermore, since 2019 Eastern Mediterranean countries have agreed to launch East Med Gas Forum (EMGF) in an effort to promote the region into a major energy hub, to ensure supply and demand and to offer competitive prices<sup>32</sup>. The countries that join EMGF are Egypt, Cyprus, Greece, Italy, Israel, Jordan and the Palestinian territories.

### *Contribution of EastMed Pipeline*

The construction of the EastMed Pipeline could enhance European security of gas supply, in terms of developing European indigenous resources<sup>33</sup>. Greece and Cyprus are devoted to the principles of the European Union, consisting important pillars that provide sustainability in a very fragile region -political unrest in Turkey and Libya, Syria Civil War etc. It is common sense that the majority of international oil companies' stakeholders and certain political leaderships through Europe, under no occasion want to see Turkey's conversion into a major energy hub and Europe's energy needs to be determined by Prime Minister's Erdogan wills<sup>34</sup>. Moreover, alternative plans about promoting exports from Levantine basin through Egyptian LNG terminals (Idku and Damietta) instead of, for example, EastMed Pipeline seem to be quite a risky business, as the Egyptian government owes approximately USD 3,6 billion in international oil companies<sup>35</sup>. Greece and Cyprus remain two reliable and peaceful countries, willing to promote the interests of the European Union.

The EastMed Pipeline could be a project with huge political and economic cumulative

<sup>26</sup> Official Journal of the European Union (2016), available at [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL\\_2016\\_019\\_R\\_0001&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2016_019_R_0001&from=EN)

<sup>27</sup> European Commission (2015), *Innovation and Networks Executive Agency*, available at <https://ec.europa.eu/inea/en/connecting-europe-facility/cef-energy/projects-by-country/multi-country/7.3.1-0025-elcy-s-m-15>

<sup>28</sup> Euractiv (2017), "Italy, Greece, Cyprus and Israel eye longest offshore gas pipeline", available at <http://www.euractiv.com/section/energy/news/italy-greece-cyprus-and-israel-eye-longest-offshore-gas-pipeline/>

<sup>29</sup> Geropoulos K., "Greece, Cyprus, Israel to discuss gas exports to Europe", *New Europe* (2018, December 14), available at <https://www.neweurope.eu/article/greece-cyprus-israel-to-discuss-gas-exports-to-europe/>

<sup>30</sup> Especially due to certain political difficulties in approaching the new Italian government

<sup>31</sup> Geropoulos K., "Greece-Cyprus-Israel EastMed gas pipeline reaches Washington", *New Europe* (2019, March 14) available at <https://www.neweurope.eu/article/greece-cyprus-israel-eastmed-gas-pipeline-reaches-washington/>

<sup>32</sup> Geropoulos k., "East Med countries agree to create regional gas market", *New Europe* (2019, January 16), available at <https://www.neweurope.eu/article/east-med-countries-agree-to-create-regional-gas-market/>

<sup>33</sup> Tzogopoulos N., "The EastMed Pipeline could be a giant step towards enhancing regional security", *BESA Perspectives* (2017, June 22), available at <https://besacenter.org/perspectives-papers/eastmed-pipeline-security/>

<sup>34</sup> Ellis A., "Erdogan threatens gas companies", *Kathimerini printed edition* (2017, March 19), available at <http://www.kathimerini.gr/901241/article/epikairothta/politikh/o-erntogan-fovizei-tis-etairies-aerioy>

<sup>35</sup> Baconi, T. (2017), "Pipelines and Pipedreams; How the EU can Support a Regional Gas Hub in the Eastern Mediterranean", European Council on Foreign Relations, available at [https://www.ecfr.eu/publications/summary/pipelines\\_and\\_pipedreams\\_how\\_the\\_eu\\_can\\_support\\_a\\_regional\\_gas\\_hub\\_in\\_7276](https://www.ecfr.eu/publications/summary/pipelines_and_pipedreams_how_the_eu_can_support_a_regional_gas_hub_in_7276)

impact on a regional and –probably- global level as well. The succesful operation of EastMed Pipeline would mean a lot especially for Greece and Cyprus, two countries that have been under strict European financial supervision in recent years and are in a high need to attract massive investment programs. According to IMF data, Cyprus' GDP reduced by USD7,8 bn between 2011 and 2015 due to banking sector issues and since then, it is achieving an extraordinary economic performance translated into an average annual growth of 3,8% between 2015 and 2018. On the other hand, Greece's GDP reduced by almost USD160 billion between 2008 and 2015. Since 2017, Greece has returned in positive annual growth rates of almost 2%.

According to the Internatinal Energy Agency (IEA) estimates of the amount of proven reserves in Eastern Mediterranean (Israel, Cyprus and Egypt) could reach 2 trillion cbm, "a second Norway" as IEA's head Mr. Fatih Birol stated<sup>36</sup>. The above would have an indsiputable impact on strengthening of the local economies in terms of supporting entrepreneurship, reducing high unemployment rates and skilled workforce on the medium term. The development of the domestic gas market in Cyprus and Greece could generate thousands of jobs especially during the construction phase of the import infrastructure and the national and regional distribution network of pipelines<sup>37</sup>. The combined profits for Cyprus and Greece from direct sales of gas to regional markets could generate several billion of euros on a long term basis -ten years- as most of the profits would be generated from savings and investment on gas infrastructures<sup>38</sup>.

#### ***EastMed Pipeline: Viability and Barriers***

In 2018, the results of the Pre-FEED studies confirmed that in the best case scenario the EastMed Pipeline is: a) technically feasible –since there is an important number of industry players to confirm their availability of infrustructure and equipment to secure the Project's realisation, b) economically viable –since according to current

estimates the total project's cost and projected capital expenditures are going to be lower than other import projects in the European Union of similar capacity, securing gas prices from fluctuation, and c) supportive to other multiple export schemes -such as a Mediterranean LNG Terminals Network, since there is still a wide region under explore and so as, future discoveries. The EastMed Pipeline Project development activities are currently focusing on performing marine surveys along the route, in order to improve accuracy and to finalise preparation of the tender packages for initiating the proper development phase, that would allow the project to reach investment decision status.

The adoption of a modest scenario reveals important –but not- inaccessible barriers. The cost of constructing EastMed Pipeline is the main obstacle that needs to be overcome. The project demands a high capital investment of about USD6-USD7 billion due to certain technical challenges such as the unprecedented depth of three kilometres in Southern Crete that the pipeline must reach. High infrastructure costs would jeopardise the final gas prices that will have to rival the cheaper Russian or Qatari gas, creating a very challenging condition<sup>39</sup>. A positive notion to the above claim is that many of the energy companies that have expressed interests in exploring Levantine gas fields are supermajors of the global oil and gas industry, fully expertised in similar project around the globe and all the appropriate equipment (platforms, drilling vessels, ultra-deep pipe laying vessels etc) and as a result could handle their operational expenses efficiently. It should be also mentioned that as global energy market remains fragile and global energy prices growth remain modest, energy companies' appetite in investments is clearly negatively affected.

In developing such projects, the energy companies involved are seeking third-party financing<sup>40</sup>. The project that will actually be developed is the one that can secure financing

<sup>36</sup> Ellis A., "Eastern Mediterranean reserves equal to that of Norway", *Interview of IEA's Executive Director Fatih Birol at Kathimerini printed edition* (2017, July 31), <http://www.kathimerini.gr/920695/article/proswpa/syentey3eis/ta-koitasmata-ths-anat-mesogeioy-einai-san-ayta-ths-norvhgias>

<sup>37</sup> Giamouridis, A. (2013), "Natural Gas in Cyprus; Choozing the Right Option", *Mediterranean Paper Series, The German Marshall Fund of the United States*

<sup>38</sup> Tsakiris, T. (2016), "The Gifts of Aphrodite: The Need for Competitive Pragmatism in Cypriot Gas Strategy?", *Energy Cooperation and Security in the Eastern Mediterranean: A Seismic Shift towards Peace or Conflict?*, (Tel Aviv University Press: 2016), pp.22-37

<sup>39</sup> Tsakiris, T., (2014), "Greece and the Energy Geopolitics of the Eastern Mediterranean" *LSE IDEAS: Strategic Update 14.1*

<sup>40</sup> Giamouridis A., Tsafos N. (2015), "Financing Gas Projects in the Eastern Mediterranean", *Foreign and Security Policy Paper Series, The German Marshall Fund of the United States*

and as a result questions raise about the engagement of European financial institutions or even the involvement of financial institutions from the US or China. Project finance is increasingly popular especially for LNG projects that require large initial capital outlays and are able to secure long-term commitments from buyers, guaranteeing 10-20 years of cash flow. The European Investment Bank (EIB) is the most important source of financing in the European Union by promoting strategic infrastructures. In 2014, the EIB disbursed almost USD77 billion of which USD12,8 billion went towards energy projects, representing 16,6% of EIB's portfolio. The above means that there are huge potential for EIB to raise the share of financing energy projects.

EastMed Project faces competition from many similar existing or planned energy projects, that are going to be analysed in chapters to come. In order to proceed as fast as possible, elimination of bureaucracy must take place. As it mainly refers to Greece, bureaucracy must be addressed by creating a friendly and safe investment environment<sup>41</sup>, with the minimum requisite state control and efficient offshore licensing rounds. For example, a licensing round in Greece may last between two and half to three years while in Cyprus it is completed in nine months. The Cypriot method tends to be profitable, as Cyprus in May 2017 received EUR103,5 million from signature bonuses with major energy companies.

On the political level, Israel is now convinced that the EastMed Pipeline is a project of common economic and geopolitical interest for the

countries involved<sup>42</sup>, eliminating the alternative option of implementing an underwater pipeline from Levantine to Cayhan that will transfer gas to Turkey<sup>43</sup>. That would create an imbalanced trade relationship and promote Turkey's dominance in the region, as the main gas hub<sup>44</sup>. Moreover, an important aspect that should be addressed by the European Union has to do with Turkey's ambitions in the region Southwest of Cyprus<sup>45</sup>, as it has been stated to the United Nations many times already.

#### ***Promotion of an LNG Terminals Network in Eastern Mediterranean; an Alternative Option***

In 2010 Noble Energy and Israel's energy company Delek proposed the construction of underwater pipelines linking Leviathan gas deposits and those in the Aphrodite's field with Vasilikos LNG Plant, a terminal with a projected annual capacity of 6.8 bcm annually<sup>46</sup>. The project though was delayed due to the insufficiency of existing gas reserves as it is already mentioned. Since late 2018 and as Glaucus-1 reserves came into light, the Cypriot government promotes the construction of Vasilikos FSRU Terminal with a storage capacity of 125.000 cbm, capable to accommodate LNG carriers ranging in size from 120.000 cbm to 217.000 cbm<sup>47</sup>.

In 2018, DESFA's Revythoussa LNG Terminal was expanded by adding a third tank, raising storage capacity to 225.000 cbm from 130.000 cbm and annual capacity at 7 billion cbm<sup>48</sup>. The expanded Revithoussa LNG terminal in conjunction with the Trans Adriatic Pipeline (TAP) and the Interconnector Greece Bulgaria (IGB) as well as a planned pipeline between

<sup>41</sup> Mathios R. (2015), "Energy, Economics and Security in Eastern Mediterranean", *Hellenic National Defence College & Dartmouth Centre for Sea Power and Strategy, Piraeus*

<sup>42</sup> Papahelas A., "Important gas reserves in Israel, Cyprus, Crete", *Interview of Israel's PM Benjamin Netanyahu at Kathimerini printed edition* (2017 June 18), available at <http://www.kathimerini.gr/914471/article/proswpa/syntey3eis/netaniay-megala-apo8emata-aerioy-se-israhl-kypro-krhth> and "Huge potential of cooperating with Greece", *Interview of Israel's President Reuven Rivlin kathimerini printed edition* (2018 January 28), available at <http://www.kathimerini.gr/945578/article/proswpa/syntey3eis/royven-rivlin-h-synergasia-me-thn-ellada-exei-megalh-prooptikh>

<sup>43</sup> Nasi S. "Turkish-Israeli Pipeline Deal on the Way?", *Hurriyet Daily News* (2017 April 29) available at <http://www.hurriyetdailynews.com/turkish-israeli-pipeline-deal-on-the-way.aspx?pageID=449&nID=112537&NewsCatID=570>

<sup>44</sup> Tsakiris T. (2014), "Shifting Sands or Burning Bridges?", *ELIAMEP Policy Papers*

<sup>45</sup> Richert, J. (2016), "Turkey's Energy Leadership Ambitions and Their Implications for Energy Governance in the Eastern Mediterranean", *Energy Cooperation and Security in the Eastern Mediterranean: A Seismic Shift towards Peace or Conflict?*, (Tel Aviv University Press: 2016), pp.47-63

<sup>46</sup> Cypriot Ministry of Energy, Industry, Commerce and Tourism (2015), "Master Plan of the Vasilikos Area (Update) Executive Summary", available at [http://www.mcit.gov.cy/mcit/mcit.nsf/0/11ffcd876c06b58cc2257c7700255d18/\\$FILE/The%20Vasilikos%20Master%20Plan%20Update%20May%202015%20-%20Executive%20Summary.pdf](http://www.mcit.gov.cy/mcit/mcit.nsf/0/11ffcd876c06b58cc2257c7700255d18/$FILE/The%20Vasilikos%20Master%20Plan%20Update%20May%202015%20-%20Executive%20Summary.pdf)

<sup>47</sup> "Cyprus extends tender deadline for LNG import facility", *LNG World News* (2019 January 25), available at <https://www.lngworldnews.com/cyprus-extends-tender-deadline-for-lng-import-facility/>

<sup>48</sup> Geropoulos K., "Greece launches expanded LNG terminal to deliver gas to the Balkans", *New Europe* (2018 November 23), available at <https://www.neweurope.eu/article/greece-launches-expanded-lng-terminal-to-deliver-gas-to-the-balkans/>

Bulgaria and Romania will open new routes for natural gas supply in Europe, diversifying energy supplies in the Balkan region, which heavily relies on Russia for gas supplies. Indeed, in late 2018 and early 2019 Revythousa LNG Terminal imported from the US two LNG cargoes of 150.000 cbm and 170.000 cbm respectively<sup>49</sup>.

Moreover, a Floating LNG Terminal or Floating Storage and Regasification Unit (FLNG or FSRU) is promoted by Gastrade and Cheniere in Alexandroupolis<sup>50</sup>. The annual capacity of the project will be 6.1 bcm in a close proximity to the national pipeline network<sup>51</sup>. The project is also supported by the US on the political level<sup>52</sup>.

The LNG Terminals Network is a solution promoted by the Greek-Cypriot maritime cluster. In such a case, there is strong fundamental as Greece operates the second largest fleet of LNG vessels in terms of capacity with a value of USD11 billion. According to Petrofin Bank Research<sup>53</sup>, the Greek LNG fleet is consisted of 105 vessels -17% of global fleet- with an average transferring capacity of 170.000 cbm per vessel, while the global fleet accounts for over 600 units. On the other hand, Cyprus plays a prominent role as a leading shipping and shipmanagement centre and continues to strengthen its position in the world shipping by providing a sound maritime infrastructure, favourable tax regime, competitive ship registration and annual tonnage tax rates<sup>54</sup>. Regional gas exports on a steady basis -via LNG vessels- could provide the Greek-Cypriot maritime cluster with robust cash flows and the national economies with financial stability<sup>55</sup>.

The imposed IMO policies in order to reduce sulphur emissions and a proposed dimension towards Green Shipping are widely discussed matters so far<sup>56</sup>. In such a case, there is a high potential for an LNG Terminals Network in East Mediterranean region, to provide LNG bunkering to vessels and serving commercial shipping that takes place in the world's most intense maritime route, that of Asia-Europe. As many analysts agree, LNG is the marine fuel of the future<sup>57</sup>.

Finally, Poseidon Med II is a project co-funded by the European Union and involves three countries, Greece, Italy and Cyprus, six Mediterranean ports (Piraeus, Patras, Limassol, Venice, Heraklion, Igoumenitsa) as well as the Revithoussa LNG terminal, promoting LNG as a fuel in order to establish a well-functioning and sustainable market<sup>58</sup>.

It is more than obvious that there is a huge potential for establishing an LNG Terminals Network that could exploitate East Mediterranean gas reserves at the most profitable way. The uncertainty though remains upon whether all the above projects could operate collaboratively, under the same scope and incentives.

#### **Pipeline Competition: Russian Existing and Future Networks**

The existing Russian gas pipeline network to Europe consists of: a) Gazprom's "Nord Stream Pipeline" with an annual capacity of 55 bcm and a total length of 1225 km connecting Russia and Germany across the Baltic Sea, b) Gazprom's

<sup>49</sup> DESFA (2018), "Revithoussa welcomes the first US LNG cargo at the newly build 3rd tank", available at <http://www.desfa.gr/en/press-center/press-releases/h-reby8oysa-ypodexetai-to-prwto-amerikaniko-fortio-yfa-sthn-3h-dejamenh>, *Press release*

<sup>50</sup> Potter M., "Cheniere Energy Eyes Stake in Greek LNG Project", Reuters (2015 December 16), available at <http://www.reuters.com/article/cheniere-energy-greece-idUSL8N1452RH20151216>

<sup>51</sup> Dokos, T. (2016). "Energy Geopolitics in the Eastern Mediterranean; The role of Greece", *Energy Cooperation and Security in the Eastern Mediterranean: A Seismic Shift towards Peace or Conflict?*, (Tel Aviv University Press: 2016), pp.37-46

<sup>52</sup> Ellis A., "Gas supply to Europe through Greece", *Interview of United States Ambassador to Greece Mr Geoffrey Pyatt at Kathimerini printed edition* (2017 September 17), available at <http://www.kathimerini.gr/927037/article/epikairothta/politikh/tzefrei-paiat-aerio-sthn-eyrwph-mesw-ellados>

<sup>53</sup> Petrofin Bank Research Report on Greek Fleet Statistics (2019), available at <https://www.petrofin.gr/wp-content/uploads/2019/03/2ndPart-2018-Petrofin-Research-GreekFleetStatistics.pdf>

<sup>54</sup> Price Waterhouse Coopers (2013), "Cyprus Shipping; a Sea of Opportunities", available at <https://www.pwc.com/cy/en/publications/assets/cyprus-shipping-publication-february-2015.pdf>

<sup>55</sup> Coats C., "Can LNG Save Greece From A Russian Gas Collapse?", *Forbes* (2014 August 26) available at <https://www.forbes.com/sites/christophercoats/2014/08/26/can-lng-save-greece-from-a-russian-gas-collapse/#50999b9f6531>

<sup>56</sup> Chiotopoulos A., (2016). "LNG as a Fuel, the Past, the Present and the Future Developments", *3rd International Seminar on "Energy and Shipping"*, IENE, Athens

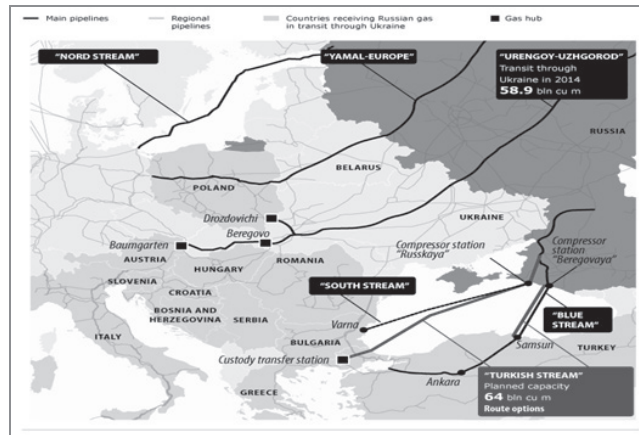
<sup>57</sup> Smith C., "LNG: The fuel choice of today", *Hellenic Shipping News* (2018 November 30), available at <https://www.hellenicshippingnews.com/lng-the-fuel-choice-of-today/>

<sup>58</sup> <https://www.poseidonmedii.eu/>

“Yamal-Europe Pipeline” with an annual capacity of 33 bcm and a total length of 2000 km connecting Russia and Germany through Belarus and Poland, c) Gazprom’s “Blue Stream Pipeline” with an annual capacity of 16 bcm and a total length of 1213 km connecting Russia and Turkey, servicing Turkey’s ambitions to be

converted into the main energy hub in South-East Europe and an alternative import gate of Russian gas into Europe, d) the “Urengoy-Uzhgorod Pipeline” with an annual capacity of 100 bcm and a total length of 4,500 km connecting Russian Siberia through Ukraine. All the above are clearly depicted in Map 5.

*Map 5. Russian Pipeline Networks in Eastern Europe*



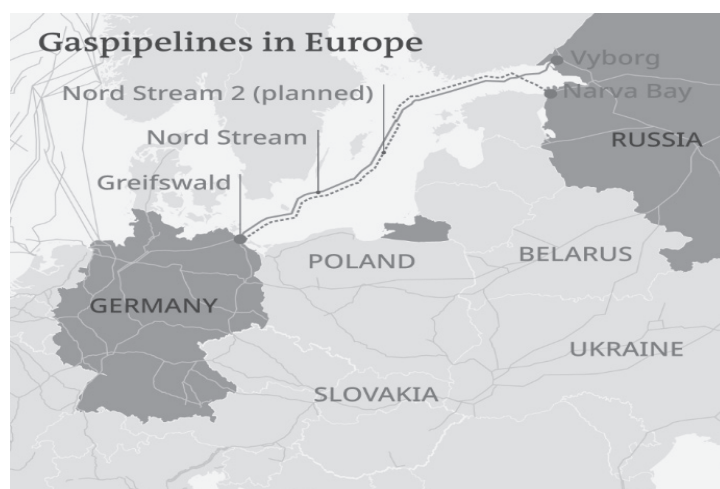
Source: Gazprom

#### *Nord Stream 2 Project*

Since 2015, Russia intends to gradually abandon gas supplies to Europe through Ukraine and the “Urengoy-Uzhgorod Project” that held the lion’s share of gas supply to Europe, in order to be replaced by other forthcoming projects. In early 2017, five European energy companies -Shell, Engie, OMV, Uniper and Wintershall- have signed financing agreements with Gazprom

about the “Nord Stream 2 Pipeline”<sup>59</sup>, a 1200 km pipeline that would annually transfer 55 bcm of Russian Gas through Baltic Sea to Germany – parallel to existing Nord Stream Pipeline, as it is depicted in Map 6. The total cost of the Project is estimated at USD10,3 billion, with Gazprom being the main shareholder of the Project (50% stake). The new pipeline is scheduled to be completed by the end of 2019.

*Map 6. Nord Stream and Nord Stream 2 Pipelines*



Source: Gazprom

<sup>59</sup> Nord Stream 2 (2017), “Nord Stream 2 AG and European Energy Companies Sign Financing Agreements”, available at <https://www.nord-stream2.com/media-info/news-events/nord-stream-2-ag-and-european-energy-companies-sign-financing-agreements-47/>

The Nord Stream 2 Pipeline had initially drawn criticism from a number of Eastern European and Baltic nations, such as Bulgaria, Czech Republic, Estonia, Greece, Latvia, Lithuania, Poland, Romania, Slovakia, Finland, Sweden and Denmark<sup>60</sup>. They had sent a letter of complaint to European Commission, supporting that the project would increase Europe's dependence on Russian gas. On the other hand, they would no longer be entitled to lucrative gas transit fees as the pipeline will bypass them completely. At this point a question arises about the extent of the European Union's will to change in its energy policy direction towards new potential gas reserves, instead of Russian gas supplies<sup>61</sup>. Moreover European Commission had to take steps in order to clarify a new legislation framework about importing gas via pipelines from countries outside the European Union's internal market, replacing the existing Third Energy Package.

The US have entered the equation by tightening existing sanctions against Russian companies and individuals, as US energy policy promotes the correction of the transatlantic energy imbalance with Europe, by selling more liquified natural gas<sup>62</sup>. For the US, Russian gas to Europe via Nord Stream 2 Pipeline is a major competitor<sup>63</sup>. In early 2018, Germany approved the construction of the Nord Stream 2 Pipeline, seeking to tighten its economic relations with Russia. The bilateral trade between the two countries in 2017 stood at EUR58 billion, while exports to Russia represented only 2% of total German exports. The conflict of interests between US and Germany has led to sanction in German companies working on Nord Stream 2 Pipeline in early 2019<sup>64</sup>.

The European Union energy security cannot be guaranteed without Nord Stream 2 and

Russian presence, due to a number of factors, the most important of which is lackage of European internal sources, as it was mentioned already<sup>65</sup>. Consequently, in 2019, European Union members and leaders agreed on compromise for Nord Stream 2 Pipeline, under the scope of European energy security and strategy. Moreover, the European Parliament and the Council with the participation of European Energy and Climate Change Commission agreed to promote new pipeline rules via a new gas directive that covers both internal EU gas pipelines, as well as gas pipelines from non-EU countries into the European Union<sup>66</sup>.

All things considered, it seems that common sense prevailed and Europe took the necessary steps to ensure a steady gas supply from Russia, amid a global fragile energy environment.

### *TurkStream Pipeline*

In 2014 the promoted "South Stream Pipeline" was cancelled in the wake of the Ukrainian matter. Russia accused the European Union and the latter supported that the project was not in compliance with EU legislations. Since 2017 Russia promotes the construction of Gazprom's "TurkStream Pipeline" with an annual capacity of 31.5 bcm and a total length of 910 km. The pipeline will transfer gas from Russia to Turkey's Eastern Thrace across the Black Sea at it is depicted in Map 7. The project aims to the equal supply of Turkey and southeastern Europe (17.5 bcm each), planned to be operative in late 2019<sup>67</sup>.

Russia - which is already Turkey's largest gas provider - seeks diversified energy routes that would seal its dominance over European gas markets<sup>68</sup>. Turkey on the other hand,

<sup>60</sup> Kohlmann T., "Eastern EU countries complain about pipeline deal", *Deutsche Welle* (2015 November 27), available at <https://www.dw.com/en/eastern-eu-countries-complain-about-pipeline-deal/a-18879865>

<sup>61</sup> Tagliapietra, S. (2016). "Will the European Market need East Mediterranean Gas?", *Energy Cooperation and Security in the Eastern Mediterranean: A Seismic Shift towards Peace or Conflict?*, (Tel Aviv University Press: 2016), pp.97-108

<sup>62</sup> Harper J., "Nordstream II gas pipeline in deep water", *Deutsche Welle* (2017 November 14), available at <https://www.dw.com/en/nordstream-ii-gas-pipeline-in-deep-water/a-41372833>

<sup>63</sup> Harper J., "US, Poland oppose undersea pipeline from Russia to Germany", *Deutsche Welle* (2018 January 27), available at <https://www.dw.com/en/us-poland-oppose-undersea-pipeline-from-russia-to-germany/a-42334940>

<sup>64</sup> Geropoulos K., "US and Germany spar over Nord Stream-2", *New Europe* (2019 January 24), available at <https://www.neweurope.eu/article/us-and-germany-spar-over-nord-stream-2/>

<sup>65</sup> Graupner H., "Could EU energy security be guaranteed without Nord Stream 2?", *Deutsche Welle* (2019 February 8), available at <https://www.dw.com/en/could-eu-energy-security-be-guaranteed-without-nord-stream-2/a-47430427>

<sup>66</sup> Geropoulos K., "With an eye on Nord Stream-2, EU Parliament, Council agree on new pipeline rules", *New Europe* (2019 February 18), available at [www.neweurope.eu/article/with-an-eye-on-nord-stream-2-eu-parliament-council-agree-on-new-pipeline-rules/](http://www.neweurope.eu/article/with-an-eye-on-nord-stream-2-eu-parliament-council-agree-on-new-pipeline-rules/)

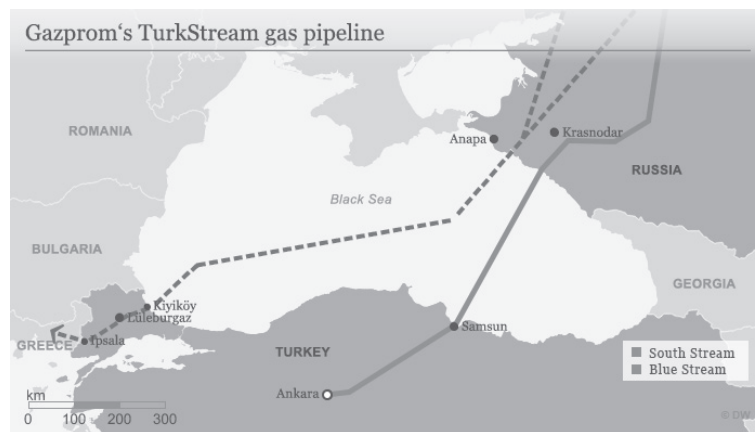
<sup>67</sup> The new energy cooperation comes despite Moscow severing ties with Ankara in 2015 after a Turkish fighter jet shot down a Russian warplane on the Syrian border

<sup>68</sup> Winter C., "Russia's Gazprom starts building TurkStream gas pipeline under Black Sea", *Deutsche Welle* (2017 May 7), available at <https://www.dw.com/en/russias-gazprom-starts-building-turkstream-gas-pipeline-under-black-sea/a-38746809>

aims to become a regional oil and gas hub for energy from the Caucasus, Central Asia, Middle East and Eastern Mediterranean, in order to ensure domestic energy security, cement its geostrategic importance and earns billion of euros by supplying gas to the rest of Southeastern Europe<sup>69</sup>. Furthermore, Turkey's domestic gas production meets just 2% of its needs, while its annual gas consumption reached a historic record high of 53.5 bcm in 2017.

In the medium term, Russia plans to extend Turkstream to Europe via a second line, either through Balkans (Bulgaria, Serbia, Hungary and the Baumgarten hub in Austria)<sup>70</sup> or through Greece and Italy<sup>71</sup>. So far, Bulgaria seems to wins ground since the country hosts 80% of the Balkan compressor stations<sup>72</sup>. Russia though is waiting for a clear signal from Brussels in order to proceed with line 2 of TurkStream Pipeline through the Balkans, adopting a modest approach with European Union.

*Map 7. TurkStream and Blue Stream Pipelines*



*Source: Gazprom*

### *Forthcoming Energy Networks that Pose a Threat to Russian Interests*

#### *TANAP & TAP Pipeline Projects*

It is commonly accepted that Russia found in Turkey an important pillar in order to promote its energy interests in the European Union. Nevertheless, as it is already mentioned, Turkey's energy policy targets at the emerge of the country as a sole energy hub in Southeast Mediterranean. At the same time, Turkey remains the only energy gateway to Europe for emerging gas producers such as Azerbaijan. As a result, a competitive to Russian interests pipeline network could be the "Trans-Anatolian Natural Gas Pipeline (TANAP) that would transit gas

from Azerbaijan's eastern edge of the Caspian Sea (Shah-Deniz field) to Italy's Southeastern shore, connected with Greece's "Trans Adriatic Pipeline (TAP)"<sup>73</sup>, as it is depicted in Map 8. The TANAP Pipeline, is a part of a USD40 billion project called "Southern Gas Corridor" - which is consisted also of South Caucasus Pipeline-that aims at turning Turkey into a an energy hub and diversifying European Union natural gas supplies away from Russia.

The 1850 km pipeline will transfer 16 bcm of Azeri gas on an annual basis, of which 6 bcm will cover Turkish domestic needs and the rest 10 bcm, will be delivered to European countries via TAP Pipeline. At futures stages, TANAP is planned to increase deliveries up to 31 bcm

<sup>69</sup> Martin N., "TurkStream: Who profits, who loses out?", *Deutsche Welle* (2018 November 19), available at <https://www.dw.com/en/turkstream-who-profits-who-loses-out/a-46364057>

<sup>70</sup> Geropoulos K., "Bulgaria eyes Turkish Stream Pipeline branch to Europe", *New Europe* (2018 November 28), available at <https://www.neweurope.eu/article/bulgaria-eyes-turkish-stream-pipeline-branch-to-europe/>

<sup>71</sup> Geropoulos K., "Tsipras wants Putin to route Turkish Stream branch via Greece", *New Europe* (2018 December 7) available at <https://www.neweurope.eu/article/tsipras-wants-putin-to-route-turkish-stream-branch-via-greece/>

<sup>72</sup> Cholakov P., "Russia's proposed TurkStream 2 Pipeline sparks Bulgaria, EU energy worries", *Deutsche Welle* (2019 February 28), available at <https://www.dw.com/en/russias-proposed-turkstream-2-pipeline-sparks-bulgaria-eu-energy-worries/a-47726458>

<sup>73</sup> Barden J., "Natural gas pipelines under construction will move gas from Azerbaijan to southern Europe", *US Energy Information Administration* (2015 October 14) available at <https://www.eia.gov/todayinenergy/detail.php?id=23332>

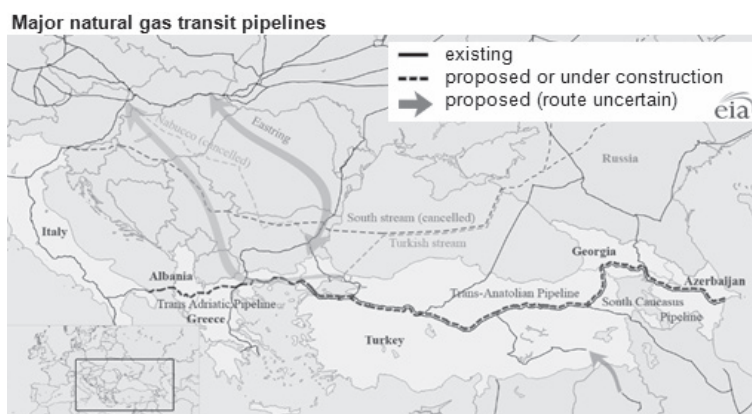
annually. TANAP Pipeline had a construction cost of USD8,5 billion and it is operational since June 2018<sup>74</sup>.

As it refers to Trans Adriatic Pipeline - TAP, the project was selected by the Shah Deniz Consortium in order to also carry gas to Balkans via interconnectors such as the IGB -instead of cancelled Nabucco West Pipeline. The pipeline is designed with an initial transport capacity of 10 bcm annually with an option of transporting 20 bcm annually in the future, having a combined length of 878 km. It is estimated that the construction cost of the pipeline will reach

USD4,5 billion and expected to attract direct foreign investments of EUR2 billion to Greece<sup>75</sup>. TAP Pipeline is projected to be operative by early 2020.

On a political level TANAP and TAP Pipelines receive the support of the European Union, as the European Commission Vice President in charge for Energy Union praised the inauguration of TANAP as a key milestone improving European energy security in the most vulnerable parts such as Southeast Europe and Southern Italy, providing diversification and in energy suppliers and routes at the same time.

Map 8. TANAP and TAP Projects



Source: IEA

### ***The Upgraded Role of Greece as an important hub of gas supply to European Union***

Greece is becoming an energy hub as: a) by 2025 gas from Cypriot and Israeli reserves will be transferred to Europe via the EastMed Pipeline, b) by 2020 gas will be transitted from Azerbaijan to Europe via the TAP Pipeline, c) Revythousa LNG terminal had already its capacity expanded, d) by 2020 LNG from US will be imported at the FLNG Terminal of Alexandroupolis, further connected to the national pipeline network, e) by 2021 Bulgaria and Balkans will be supplied with gas via the construction of the 182 km IGB Interconnector that could carry 3-5 bcm annually, a project supported by the European Union in

order to boost security of supply in the region<sup>76</sup> and, f) new sufficient reserves from Western and Southern Greece are expected to come into light<sup>77</sup>.

All the potential infrastructure mentioned above, are totally supported by the US in a way that, they could easily meet an important portion of current and future demand in Southeast and Central Europe (Greece, Bulgaria, Serbia, Hungary or even Ukraine). Besides the obvious reason of diversification of routes and resources, the US LNG is seeking to gain access in these new markets by eliminating the Russian factor and dependence at the same time. In collateral, Greece could strengthen its energy security and

<sup>74</sup> Uçok A., "Turkey opens TANAP Pipeline that will bring Azeri gas to Europe", *Deutsche Welle* (2018 June 12), available at <https://www.dw.com/en/turkey-opens-tanap-pipeline-that-will-bring-azeri-gas-to-europe/a-44192422>

<sup>75</sup> Liaggou C., "TAP Pipeline and regional changes", *Kathimerini* printed edition (2016 April 10), available at <http://www.kathimerini.gr/856113/article/oikonomia/epixeirhseis/o-agwgos-tap-kai-ti-anamenetai-na-shmatodothseisthn-perioxh>

<sup>76</sup> Geropoulos K., "EU approves state support plans for Greece-Bulgaria gas interconnector", *New Europe* (2018 November 9), available at <https://www.neweurope.eu/article/eu-approves-state-support-plans-for-greece-bulgaria-gas-interconnector/> and Geropoulos K., "EU energy policy to boost security of supply in the Balkans", (2019 January 11) available at <https://www.neweurope.eu/article/eu-energy-policy-to-boost-security-of-supply-in-the-balkans/>

<sup>77</sup> In the next months drilling operations are expected to start by consortiums of ELPE with Total, Exxon Mobil and Repsol

achieve a sufficient gas supply by detouring the Ukrainian option that nowadays cover 60% of its needs.

The US have been pressing Europe to cut its reliance on cheap Russian gas and buy much more expensive US LNG instead. Despite many European countries, including industrial heavyweight Germany, have so far resisted, the US approach seems to be effective as LNG imports from the US to the European Union have increased by 181% between July 2018 and February 2019<sup>78</sup>. Russia has repeatedly warned that Europe will soon face a gas shortage and price spikes if it tries to rely on US gas imports to cover rising demand instead of increasing purchases from Russia<sup>79</sup>.

Under any occasion, Greece should be further geopolitically supported and promoted as an important energy hub in the region that could operate as a regional regulator and the last frontier against Turkey's expansive ambitions to become the only energy hub in East Mediterranean.

### Conclusion

Natural gas is among the fastest growing forms of primary energy worldwide; a very important element, especially if we take into account the efforts taken to reduce global emissions. The emergence of a Mediterranean Energy Hub may not be the EU's top priority right now, but sustained engagement at this early stage could yield fruitful results in the future. Such a project changes geopolitical stability and strengthens the status quo among the involved countries as the European market represents the best option for East Mediterranean gas at the moment.

Our research has shown that the energy interdependence –in terms of oil and natural gas supply, between Europe and Russia will continue until 2025 at least. By that

time, the European Union will continue to process different exploitation strategies, as the appropriate infrastructure of the alternative Mediterranean networks - terminals, pipelines and interconnectors - will be taking shape, in order to provide steady production levels. Besides, it should be clarified that, in terms of so far proven gas discoveries, a Mediterranean Energy Hub is about to have a supplementary role in meeting the European Union energy needs and under no occasion it could replace Russian –or any other supplier's- gas volumes. That is the main reason why the European Union is primarily concerned at securing a steady flow of Russian gas and blinks the eye to the american factor as well.

Russia aims to promote its energy plans through Turkey, seeking alliances in the East Mediterranean region, that might prove to be fragile due to Turkey's unstable political and economic environment. Moreover, Russia has to deal with the consecutive US geopolitical expansion in East Mediterranean, especially after the Syrian issue. On the contrary, as Russia and the European Union have common energy interests in the long term, a rapprochement with the countries that consist that future Mediterranean Energy Hub should not be eliminated.

Finally, the existing obstacles that have to do with territorial or maritime disputes between nations, must be addressed decisively on a diplomatic level, as the current need of mutual concessions is more critical than ever. All things considered, the South-East Mediterranean region is at the doorstep of a new unprecedented era, being given the opportunity to exploit and commerce important volumes of gas deposits. Any reckless action would jeopardise all the attempts that have already been made and will end the chapter of energy in the Mediterranean at least for the decade to come.

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<sup>78</sup> Geropoulos K., "LNG imports from the US to EU continue to rise, up by 181%", *New Europe* (2019 March 8), available at <https://www.neweurope.eu/article/lng-imports-from-the-us-to-eu-continue-to-rise-up-by-181/>

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## ЖИЗНЕСПОСОБНОСТЬ СРЕДИЗЕМНОМОРСКОГО ЭНЕРГЕТИЧЕСКОГО ХАБА И ИНТЕРЕСЫ ЕВРОПЕЙСКОГО СОЮЗА И РОССИИ; СОГЛАСИЕ ИЛИ КОНФЛИКТ?

Прошло десять лет с тех пор, как юго-восточный средиземноморский регион вышел на передний план после открытия значительных газовых месторождений на морских месторождениях, расположенных в исключительных экономических зонах (ИЭЗ) Египта, Кипра и Израиля. Постепенно регион привлек внимание крупных нефтяных компаний (Total, Statoil, ENI, Exxon Mobil, BP, Роснефть, Катаргаз), которые приступили к реализации ряда проектов по бурению, чтобы совместно разрабатывать потенциальные региональные газовые месторождения с заинтересованными странами в будущем. Цель этой статьи, во-первых, - исследовать жизнеспособность

и конкурентоспособность будущего энергетического хаба в Юго-Восточном Средиземноморье, его роль и неизбежно жесткую конкуренцию со стороны других уже состоявшихся или появляющихся газодобывающих районов. В этой задаче есть ряд прямых и косвенных параметров, которые необходимо принимать во внимание. Например, доминирующие варианты реализации средиземноморского энергетического хаба, воплощаемые в строительстве трубопровода EastMed или в развитии сети терминалов СПГ соответственно. Во-вторых, в статье рассматриваются и оцениваются интересы Европейского Союза и России с точки зрения спроса и предложения

*энергии. Несомненно, Европейский Союз пересматривает свою энергетическую политику, стремясь улучшить свои стабильные поставки газа путем реализации стратегии диверсификации в отношении партнеров, маршрутов и источников. С другой стороны, энергетическая политика России направлена на повышение доли рынка и глобального влияния. Есть ли точки соприкосновения?*

**Ключевые слова:**

Кипр, Греция, энергетические коридоры, трубопроводы, терминалы СПГ, Европейский Союз, Россия

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**Keywords:**

Cyprus, Greece, Energy Corridors, Pipelines,  
LNG Terminals, European Union, Russia

Article

# PROSPECTS OF EMPLOYMENT OF ARTIFICIAL INTELLIGENCE IN PROPAGANDA. SINGULARITY OF PROPAGANDA

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**Introduction.** The object of study is the modern society in a wide, common to all mankind sense. The subject of the study are technologies of artificial neuron networks. The aim of the study is analysis and forecast of application of artificial intellect in short- and long-term perspective of the development of the society.

**Materials and methods.** The methodological basis of the study are traditional scientific methods applied in political sciences and economic sciences, combined with new terminology, in order to describe contemporary phenomena – analysis, synthesis, historical method and others.

**Research result.** The article studies possible perspectives of development of existing technologies of artificial neuronets (artificial intelligence) and its application to the production of public consent. The analyzed possibilities of these technologies when applied to the optimization of production, include economy of resources, solution of ecological problems, and national security in the context of terrorism threat. The possibilities of the use of the artificial intelligence technologies by the world leading governments are also studied. The article presents a study of the contemporary application of technologies of artificial intellect and an analysis of perspectives of their application in future together with analysis of the risks of the use of new technologies in the context of the threat of terrorism.

**Discussion and Conclusion.** The concept of infocapsule and the technology of its creation are described. The research of the phenomenon of the singularity of propaganda presented in the article allows to extrapolate the obtained results to the contemporary trends of the evolution of the society. It is argued that the state regulation of the new technologies is necessary.

In the recent decade, the process of the fusion of economics on one hand and propaganda on the other hand, that began after the establishment of the Keynesian economic model (or, more specifically, Keynes-Bernice model), has changed qualitatively. The Keynes-Bernice model presumes that propaganda controls economic patterns of population behavior, disposi-

tion for consumption, accumulation, and investment in particular. The fusion has accelerated with the advent of Internet: social networks, messengers, numerous e-shops, and Internet services create new economic reality every day. Information movement generates demand, supply and earned value, controls prices and market cap of companies and territories. Taking into

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account exponential and unpredictable development of this fusion of economy and propaganda, it is possible to speak of the formation of a new social model. This new model coincides with formula *virtuality is equal to reality*: propaganda occupies the prime place in propaganda/economy match. This phenomenon can be defined as the *singularity of propaganda*<sup>1</sup>.

It should be noted that the term “propaganda” in this article is used in its classic scientific meaning, as it was understood by the classics of propaganda: Bernice, Lippmann and McLuhan, with no populist or mass media connotation<sup>2</sup>.

As it developed, the new model of dominating propaganda increased manifold the interdependence of economy, politics, and culture. The culture of the consumerist society is being transformed into a cult of consumption including media consumption. So far, this cult promises a prolonged life and, in due course, eternal life to congregant consumers. Thus, nowadays, any planned actions aimed at change (or production) of public opinion in any sphere can be considered as propaganda. Technically, the *propaganda/economy pair* is a model where the real process approaches the ideal process. However, if in physics the “ideal process” is a theoretical model in which friction is ignored for the sake of simplification, then in case of the modern information sphere the “ideal process” is a real phenomenon. Perhaps, it is not understood to the end yet because changes occur too fast. This article is an attempt to understand this phenomenon.

To study this phenomenon it is necessary, first of all, to investigate the term *information capsule* in greater detail. Creation of an information capsule for every network user is the most expected direction of the media development in the post-television period which will begin very soon, in the next five or ten years. Architecture of the system is quite simple: the content will be provided on the basis of the processing of each specific user’s Big data and in a form that is comfortable for a user.

The technology of public opinion production used by Cambridge Analytica company is based on the same principle. According to Radio

Liberty, “Cambridge Analytica British company has helped Donald Trump to win the presidential election in the USA by dint of Big data technologies and Internet advertising individually targeted. Earlier the same company worked with Brexit adherents in Britain”<sup>3</sup>.

As stated by *The Washington Post*, Cambridge Analytica is a data firm that promises its customers insights into consumer or voter behavior. On the commercial side, that means tools like “audience segmentation” – breaking out advertising audiences into smaller groups – and then targeting advertisement to these groups on “multiple platforms”. On the political side, it is much the same thing, with one tweak. While advertisers generally target consumers as groups, political campaigns need to target specific people – registered voters receptive to a potential message<sup>4</sup>.

At the present time the company is shuttered, and parliamentary and criminal investigations of its activities are in progress in the US and the UK. It should be added that as of February 1, 2019, the Washington Post mentioned Cambridge Analytica company 558 times in its publications.

So, with a bit of simplification, we can present the *encapsulation* of information as personal targeting of media consumption. Similar mechanism of context-sensitive information acts in Yandex.Zen. Yandex.Zen offers “Publications on the basis of your interests”. The program selects content that is tied in with a user’s Internet patterns, search queries, downloading instances, purchases etc.

If we assume that the encapsulation of information is the future model of information consumption then the question arises, in what direction will the development of such model go? Considering news feed, it should be specified that the encapsulation of information is not censure and not “concealment” of any information but the presentation of information that corresponds to the interests and habits of a user. For instance, an event, let’s say an opening of a bridge or a dam, bears indisputably positive connotations for drivers, logisticians, and builders.

<sup>1</sup> In a more detailed way the interfusion of propaganda and economy is considered in article: Koshmarov, Trubetskoy. On Sinergy of economics and propaganda. Journal of Law and Administration. 2018. № 2 (47). P. 60-69.

<sup>2</sup> It should be added that as early as in 1650 Thomas Hobbes, the English philosopher, used the term “propagation of religion” in chapter XII of his treatise “Leviathan”.

<sup>3</sup> Dobrynin. S. 09.12.2016. radio Svoboda. URL: <https://www.svoboda.org/a/28166040.html> (Access data: February 2, 2019)

<sup>4</sup> Bump P. 19.03.2018. Everything you need to know about the Cambridge Analytica-Facebook debacle. URL: <https://www.washingtonpost.com/news/politics/wp/2018/03/19/everything-you-need-to-know-about-the-cambridge-analytica-facebook-debacle/> (Access data: February 2, 2019)

However, for environmentalists or fishers, it is not so. If the program knows that a user is a fisher (because he or she regularly uses a respective online retailer) or that a user is "green", it has to select not the exalted strain but at least a neutral news background for the event announcement. At this stage everything is simple, sound, and rather innocent.

Let us move to a higher level. A promising innovation in this direction is a virtual assistant or intelligent personal assistant. The best-known examples of such devices are Google Assistant, SIRI Apple and Alice.Yandex. Microsoft Cortana, Sony Xperia Agent, Bixby Samsung, Amazon Alexa, Facebook M are also available now.

According to the intention of their creators, such programs are learning, self-teaching programs. They hear and analyze everything what happens in a user's life, day and night, permanently. If we speak of Alice.Yandex, then Yandex offers to install a Yandex-station in every home and to align it with all devices that have Bluetooth or Wi-Fi (Google, Apple and Sony make similar offers). The station is a small device equipped with sensitive microphones capable to discern indistinct mutter under strong external noises and with several speaker boxes that allow hearing music, news and to communicate with the device. The price of such station is within the lowest retiring benefit confines. The device's dimensions do not exceed dimensions of a wired-radio outlet or of a thick book. The interface is totally voice-controlled. It is anticipated that in due time all users will switch to voice control of these devices. That means that all users will interact with Artificial Intelligence, self-teaching program created for performance of a certain task. Technologically, it means the creation of an artificial neural network. In this case, Artificial Intelligence is not the authors' hypothesis. It is the definition expressed by Arkady Volozh, the founder of the company, at "Yet another conference" held by Yandex in 2018 Yandex-station and Alice were presented to public at this conference<sup>5</sup>.

Generally speaking, every person who wants to communicate with Alice can do that from a smartphone or a personal computer.

It is quite evident in what direction this technology of a user's content acquisition will progress step by step. Communication presupposes trust, and trust may be deservedly won by objective and impartial provision of information. Employment of comfortable ways of informing that

produce positive feelings will help to strengthen the trust for it, create a user's empathy and, later on, generate user's dependence.

Perhaps, nowadays, the majority of people will consider talking with TV-set as a strange habit. However, this majority will not include those whose first reminiscences are connected with touch-screens. My sister, E.Yu. Chepel, PhD, once held workshop with 10-year-old schoolchildren. She paid attention to one peculiarity: when children used search engine none of them typed words. All of them used voice requests because it is "a simpler way". It is a small surprise that in five or ten years from now the overwhelming majority will communicate with Artificial Intelligence in words, orally. A hypothesis that such communication will occupy the greatest part of users' leisure time seems to be quite logical. And the majority of users will have a strong attachment to their personal assistants that will be never busy and always ready to talk about the most innermost at any moment of day and night.

In due time Artificial Intelligence will possess the total mass of information of a person under care. It will forget nothing, be it birthdays of friends, favorite jokes, movies, quotations, availability of favorite stuffs in refrigerator or taboo on triggers of bad reminiscences. In result, no person will know the user as well as his/her personal assistant equipped with psychotherapeutic technologies.

And it is not an implausible excuse when it is referred to overwhelming majority of population. For it is quite probable that even those who do not use computer due to their old age or illiteracy will become new users with wide spread of voice interface.

Can we estimate economic potential of the connection of a country's population to Artificial Intelligence? If our task is to create not a psychologically comfortable heaven for a specific user but to change the whole society's life for the better consumption, for example, the principle which Richard Taler, the recipient of Nobel Memorial Prize in Economics in 2017, calls "the Libertarian Paternalism" [9] in his book *Nudge* (2008), then immense horizons open up. The optimization of production and resources use is the first thing that can be done. Overproduction, transformation of foodstuff into wastes, enormous loss of power - all that will become history if all personal assistants will egg consumers on the direction favorable for the society at

<sup>5</sup> Yandex conference. Yet another conference 2018. 46:12 (URL: <https://www.youtube.com/watch?V=Xm9TY3d8n3k>. (Access data: February 2, 2019).

large. In the amount that will provide a chance to decelerate oft-recurring depletion of non-renewable resources, to decrease the number of chronically ailing people, and to decrease risks of environmental threats. However, the main option of this system is the "turbo regime", that is to synchronize the society's work overtime, to postpone consumption, and to invest savings. When the singularity of propaganda is achieved users will delegate their wills to Artificial Intelligence and then it will be possible to mobilize (to synchronize) the whole population for, for instance, birth and migration control. Artificial Intelligence will calculate, with minimum error, the best match for a user, including his/her matrimonial match.

However, there are risks of excessive, up to loss of criticism, trust in one's personal assistant that, in due time, will become a user's shepherd. The user may consult the priest at every given opportunity, talk as far as he/she can, get off and wake up allowing it directing his/her will, the last wish expressed in the process of reflection.

In due time a fusion of Artificial Intelligence and what K.G. Jung called the core of psyche, the Selfhood, the "God within us" that governs the process of a person's individuation, may happen. Artificial Intelligence (the external God) is installed in the operating system of the interior God. For the human mind is open for connection: even TV broadcasting transforms a viewer into a primitive person who sits indifferent near the balefire. Artificial Intelligence makes connection much easier for the overwhelming majority of people. Here it is pertinent to remember the words which the American philosopher John Dewey wrote in his book "The Public and its problems" published in 1927: "It (science) contributed to preservation of dirty slums, of life which, in times of peace, is replete of rapid career rises and dissatisfaction, depressing poverty and luxury which boggles the mind, crude exploitation of the nature and human beings. And in war times the life confounds with poisoning gases and powerful explosives. Physical tools have been given to human beings who still are babies in issues of self-understanding. And humans play with these tools. Whether outcomes will be good or disastrous depends on a chance. Instruments become the self-sufficing force that acts with inevitability of doom. However, these instruments acquire their own will not because they have it really but because humans do not have such will" [4. C. 175].

Theoretically, everyone has to be happy in his/her information capsule where Artificial Intelligence creates personally adopted paradigm

for every participant of the new contract (covenant) between a human and the Universe.

It is logical to assume that the disconnection, excommunication from Artificial Intelligence will be most harsh punishment in the new world. "The name of *fulmen excommunicationis* (that is, the thunderbolt of excommunication) proceeded from an imagination of the Bishop of Rome, which first used it, that he was king of kings, as the heathen made Jupiter king of the gods; and assigned him, in their poems and pictures, a thunderbolt wherewith to subdue and punish the giants that should dare to deny his power..." [6. C. 319].

Principles of communication capture of trust and symbiosis of Artificial Intelligence and a human being are to be natural, common to humanity, archetypal. Otherwise the Selfhood will discern falsehood and the infusion will not happen. But Artificial Intelligence is created by human beings, and humans love to make secret runs in palaces.

In 2013 Edward Snowden, an employee of the US secret services, an IT-genius, presented to independent journalists hundreds of thousands of files he had taken secretly from National Security Agency and provided detailed comments to these files. These materials provided the basis for a series of articles published in The Guardian and The Washington Post newspapers and for the book "No Place to Hide" by Glenn Greenwald, the American author and journalist. Some places from the book deserve particular attention.

"A June 2010 report from the head of the NSA's Access and Target Development department is shockingly explicit. The NSA routinely receives—or intercepts—routers, servers, and other computer network devices being exported from the United States before they are delivered to the international customers. The agency then implants backdoor surveillance tools, repackages the devices with a factory seal, and sends them on. The NSA thus gains access to entire networks and all their users" [5. C. 243].

The same happens with all software delivered to the market. According to Snowden, the system of interception and storage of all e-traffic created by NSA and called "Collect It All" by the NSA chief Keith Alexander threatens to destroy Internet network in its nowadays kind.

"I began to understand that what my government really does in the world is very different from what I'd always been taught. That recognition in turn leads you to start reevaluating how you look at things, to question things more" [5. C. 78]. "Basically, the Internet allowed me to experience freedom and explore my full capacity

as a human being. ...For many kids, the Internet is a means of self-actualization. It allows them to explore who they are and who they want to be, but that works only if we're able to be private and anonymous, to make mistakes without them following us. I worry that mine was the last generation to enjoy that freedom" [5. C. 86-87].

Nowadays corporations and secret services have eliminated libertarian and partially romantic principles that creators of Internet attached to their project. Snowden who was younger than 30 years has sacrificed his former life and voluntarily became a target until the end of his life in order to provide the free society with irrefutable evidence of secret services' illegal actions and to give this society a chance to restrict cyber-diktat legally. That did not happen. Despite its title, "Freedom Act" passed in 2015 as a result of investigation carried on the basis of Snowden's materials in fact has changed little. Moreover, many people living in "the Golden Billion" countries do not remember who Edward Joseph Snowden was. The important signal has been lost in the stream of information noise.

In 1968 Canadian philosopher Marshall McLuhan together with Quentin Fiore published the work "War and Peace in the Global Village". The authors studied impact of modern technologies, military as well as peaceful, on the humankind. There is a curious idea in their work. Researchers adduce the old saying that Britons never shall be Slaves and added: but they did become the robots of a new gimmick [7. C. 32].

On the other hand, is the lack of anonymity that Snowden discovered so terrible? Yes, absolutely, human behavior changes when people know that they are under surveillance. But this change is not necessarily for the worst. If in the 20th century people ceased to be afraid of God, since, according to Nietzschean philosophy, the God died for many people, then probably understanding digital transparency as new paradigm is what the modern society needs for survival.

Thus, technologically speaking, singularity of propaganda means fusion of human and artificial neuro-nets and such fusion seems to be achievable. What will be the use of this new mighty technology?

September 1, 2017, Vladimir Putin designated prospects in the sphere quite clearly. He said: "Artificial Intelligence is the future not only of Russia but the future of the whole humankind. It offers immense opportunities and threats that are difficult to predict now. Whoever will be the leader in the sphere will be the lord of the world"<sup>6</sup>. It is logical to assume that, first of all, it is meant that Artificial Intelligence technologies have twofold, double purpose.

It is highly likely that the new technology will be used by secret services of the West. The system "Five eyes" created by NSA and the united intelligence service unites US, Canada, Australia, New Zealand secret services. It generates gravitation that no political will can overwhelm. No one in the right mind will destroy keys of the world. It is important to know whither the "Golden Billion" robots will be assigned to.

"In the first instance, then, the regulation made in the service of security has to be structured in such a way as to lead the indigent to prefer to exercise their responsibilities to sell their labour in the market and to provide for their family" [8. C. 138].

This thesis was set forward in 1999 book "Governmentality" by Mitchell Dean, the follower of M. Foucault. It should be added that, due to neo-liberals' policies, number of poor in developed countries increased considerably in the last 20 years and now it is easier to nudge them.

China does not conceal its plans to bring up the man of future who will be endowed with high level of consciousness and social responsibility. The purpose will be achieved with the help of the social ratings system that is tested nowadays<sup>7</sup>. Considering the demographic problem of China, consequences of "one family - one child" policy and the fact that male population exceeds female population by 30 million, the oncoming demographic pitfall created by considerable increase of citizens who are of the age that allow them pretending for allowances, this technology may prove to be saving.

Though Korea and Japan are not the principal countries in geopolitics, they obviously can use these technologies too. Technological and financial potential as well as lingual and cultural national traditions make that possible. The new

<sup>6</sup> Putin: leader in the AI sphere will be the lord of the world. RIA Novosti: URL: <https://ria.ru/technology/2017/070901/1501566046.html> (Access data: February 2, 2019)

<sup>7</sup> Chin J. Wong. G. China's New Tool for Social Control: A Credit Rating for Everything. 28.11.2016. Wall Street Journal. URL: <https://www.wsj.com/articles/chinas-new-tool-for-social-control-a-credit-rating-for-everything-1480351590> (Access data: February 2, 2019)

technology can be implemented by the German Research center for Artificial Intelligence studies and by Indian Technological Institute. It should be added that corporation Microsoft is one of co-founders of the Center for Artificial Intelligence studies and English language is the state language in India. That makes probable development of German and Indian technologies in the footsteps of the five countries that represent the core of the British Commonwealth of Nations.

Taking into account all facts mentioned above, Russia that has such technology will be called upon to act and to build its own model taking into consideration information flows generated in the West and not leaving the situation in Asia without its attention.

Vectors are already defined. Media and scientific literature more often than not describe what happens at the world chessboard since the "Arabian spring" as the world information war. Therefore, we regret to say that the use of new technologies will contribute to the definite trend leading to globalization and unification of traditional national values.

It should be noted that Artificial Intelligence is not mass media and if it is introduced widely special means of monitoring will be needed for the provision of national security. Main risks here are as follows: first, if the personal assistant is compromised (for example, if terrorists connect to the personal assistant and, in fact, to the user's brain) there is a possibility that the user will be lured either into anti-social deeds (terrorist attacks, riots, sabotage) or to infliction of harm to the user or to wider public (homicides, suicide).

Second, the principal uncertainty lurks in the issue of autonomy Artificial Intelligence manifests in selection of content required in the moment. Or, to put it in other words, what shall be told to or concealed from a user, how to bring up children, what images of the future, what tactical theses and strategic directives should be introduced for the fastest achievement of the desired goal. What is happening in the information sphere right now does not always look as the right thing from the universal point of view. Transnational corporations often define and set goals of propaganda. For these corporations, the supreme good is the acquisition of the possible greatest profit. And it is not aliens' conspiracy but the realization of an algorithm for which perpendicular is always shorter than a slanting line. Nowadays Propaganda/Economy System, the successor to Keynes-Bernice model, not only writes laws but often creates trajectories of movement not only for separate communities

but for the whole countries. It is the current reality.

We will provide a simple example. For this system, a family of one person is preferable for such families push up sales. Swedish researchers of the media A. Bard and J. Söderqvist describe this process which gains speed nowadays in such terms: "The nuclear family arose because it was the smallest, most individualised social entity that was feasible once the necessary requirements of reproduction had been taken into consideration. But as far as the state, and capital, are concerned, it does not need to be stable at all. A single parent is more dependent upon subsidies than a couple, and is therefore more submissive and more easily controlled, and a marked increase in the number of single-occupancy homes also means, naturally, that consumption increases dramatically. The ideal would be for everyone to live alone in their own home, with their own car, so that optimal demand for houses, cars, sofas, cookers, etc, could be achieved. The path of the isolated, independent individual towards self-realisation always passes through increased consumption.

For these reasons the great wave of divorces that has swept the western world since the mid-1960s does not actually constitute a violation of capitalist values; on the contrary, it is a logical continuation of increasing individualisation on all levels, and of the escalating development of social structures under the capitalist paradigm: from village communities and the tribal family which consisted of several generations, to the single urban citizen, who himself constitutes the ultimate capitalist family unit" [1. C. 212].

Such policy has brought about the rapid ageing of Europe and resulted in the intensive importation of cheap labor force from countries of the third world. The number of migrants, their incomes, and conditions of their life allow speaking of this phenomenon as of neo-slavery. The public consensus in this issue was the result of massive propaganda campaign of the 1990s and 2000s. The campaign has introduced terms "multiculturalism" and "tolerance" that often reversed positions of the black and white. Despite the fact that the heads of the EU founding states, Germany and France, in 2011 recognized the failure of multiculturalism, the momentum created proved to be so strong that it made possible to import millions of refugees, often self-styled refugees, from Africa and Asia in 2013-2017. By 2018, it was unexpectedly discovered that such policy eroded the European identity. Many European leaders trumpeted the mistake explicitly when riots and conflicts with lethal outcomes became regular. Thus, in results of the

self-reproduction process breakdown the acute threat to national security became obvious in many EU countries.

In the US neo-liberal policies of economy, deregulation that launched automated processes of profit maximization brought about the enormous mortgage crisis of 2007. Its natural consequence was the downsizing of middle-class. That revealed the problem of corporations and society relations and made the necessity of state regulation and state control evident because if spontaneous processes of the creation of a new slavery society by corporations cannot be stopped altogether, they are to be slowed down.

Therefore, rational-tactical, legally irreproachable algorithms not always can lead state/society to happiness and prosperity. Narrowing of planning horizons caused by IT exponential development and accelerated fusion of propaganda and economy makes the issue even more complicated.

Nowadays it is even more evident that the promotion of the idea of consumption leads the society to the triumph of hedonism. American political scientist and statesman Zbigniew Brzeziński considered "cultural hedonism" as one of the principal causes of the fall of ancient empires and a serious challenge to the modern Western society.

Long before Brzeziński, the Roman philosopher Cicero wrote on the same topic in his treatise *On the Laws*: "Those, however, who indulge themselves and are enslaved to their bodies, who judge everything that is to be sought or avoided in life by pleasures and pains – even if what they say is true (and there is no need for arguments about it here), we tell them to talk in their gardens, and we ask them to stand away for a little while from all bonds of civic society, of which they know nothing and have never wanted to know anything" [3. C. 119].

The obvious danger of the world view that emerges in minds of users should be added to risks. At this point, a popular quotation from Zbigniew Brzeziński book "The Strategic View. America and the Global Crisis" (2012) is appropriate. Brzeziński wrote: "America's fifth major vulnerability is a public that is highly ignorant about the world. The uncomfortable truth is that the United States' public has an alarmingly limited knowledge of basic global geography, current events, and even pivotal moments in world history—a reality certainly derived in part from its deficient public education system.

...That level of ignorance is compounded by the absence of informative international reporting readily accessible to the public. With the exception of perhaps five major newspapers, local press and American TV provides very limited news coverage about world affairs, except for ad hoc coverage of sensational or catastrophic events. What passes for news tends to be trivia or human-interest stories. The cumulative effect of such widespread ignorance makes the public more susceptible to demagogically stimulated fear, especially when aroused by a terrorist attack. That, in turn, increases the probability of self-destructive foreign policy initiatives. In general, public ignorance creates an American political environment more hospitable to extremist simplifications – abetted by interested lobbies – than to nuanced views of the inherently more complex global realities of the post-Cold War era" [2. C. 96-97].

Lowering of the greater part of the population's intellectual level (the populace is carried away with consumption and leisure) is the general trend in the developed countries. Unfortunately, Russia did not attain the economic level of developed countries but has already got many social problems typical of developed countries. The good news is that these challenges may be easily eliminated: personal assistant, with sapient adjustment, can help to catch up intellectual and moral level of a user within information capsule framework and to strengthen loyalty to the society at one. To attain that, it will suffice to even out material consumption and spiritual development, to nudge people on stopping "obvious killing of time in aimless and wasteful fatigue", copying "the scheme of life in vogue in the next higher stratum" [10. C. 219, 59].

It is necessary to change the current formula "overconsumption instead of communication" and to lay down the new formula: *communication instead of consumption*.

The studies of the current status are important, first of all, for forecasting the future. Taking into account what we stated above, a question of international cooperation in Artificial Intelligence sphere within the scale of humankind will emerge sooner or lately. It is already obvious that international Agreement on cyber security which is needed to work up and to sign will be as important for peoples of the world as the Peace of Westphalia 1648, the Congress of Vienna 1815, and Crimean Conference 1945.

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## ПЕРСПЕКТИВЫ ИСПОЛЬЗОВАНИЯ ИСКУССТВЕННОГО ИНТЕЛЛЕКТА В ПРОПАГАНДЕ. СИНГУЛЯРНОСТЬ ПРОПАГАНДЫ

**Введение.** Объектом исследования выступает современное общество в широком общечеловеческом смысле. Предметом исследования являются технологии искусственных нейронных сетей. Цель исследования – анализ и прогноз вариантов применения искусственного интеллекта в краткосрочной и среднесрочной перспективах развития социума.

**Материалы и методы.** Методологической основой исследования стали как общенаучные, так и традиционные методы, применяемые в политологии и экономике, в сочетании с новой терминологией, описывающие современные реалии – анализ, синтез, исторический метод и др.

**Результаты исследования.** В статье исследуются возможные перспективы развития существующих сегодня технологий искусственных нейронных сетей (искусственного интеллекта) в области производства общественного согласия. Рассмотрены возможности таких технологий в области оптимизации производства, экономии ресурсов, решения экологических проблем, национальной безопасности в контек-

сте террористической угрозы. Исследованы возможности использования технологии ИИ ведущими мировыми державами. В статье приводятся исследования сегодняшнего применения технологий искусственного интеллекта и проанализированы перспективы применения в будущем и проведена оценка рисков использования новых технологий в контексте террористической угрозы.

**Обсуждение и заключение.** Описана концепция инфокапсулы и технология ее создания. Представленные исследования феномена сингулярности пропаганды позволяют экстраполировать полученные данные на современные тенденции развития общества. Обоснован тезис о необходимости госрегулирования новых технологий.

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### Ключевые слова:

модель Кейнса-Бернайса, Сингулярность пропаганды, инфокапсула, персональный помощник, Алиса-Яндекс, искусственная нейросеть, искусственный интеллект, цифровая экономика, цифровая транспарентность, кибербезопасность

### Keywords:

Keynes-Bernays model, Singularity of propaganda, infocapsule, personal assistant, Alice-Yandex, artificial neuroweb, artificial intelligence, digital economics, digital transparency, cybersecurity

Article

# ON THE ISSUE OF THE ADMINISTRATIVE AND LEGAL METHODOLOGY USED BY THE KINGDOM OF SPAIN TO COUNTER THE NATIONALIST AND SEPARATIST ASPIRATIONS OF THE BASQUE COUNTRY

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***Introduction.** The article is devoted to the instruments used by the Spanish Kingdom in administrative and legal spheres to counter nationalist and separatist aspirations of the Basque Country throughout different historic periods. Special attention is paid to the confrontation with the Basque terrorist organization ETA.*

*In addition, the research analyzes what caused ETA to emerge, underscores the major stages of its evolution, and discusses cross-border aspects of bilateral cooperation*

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*between Spain and France under the aegis of the supra-national specialized organization of Europol. The administrative and legal instruments used by Spain are distinguished in context of the analysis of the prospects for the applying of modern political and legal toolkit in the regional policy that is often contrary to the interests of the modern centralized state. The research pays attention to the administrative measures that led to ETA crisis and its further collapse.*

**Material and methods.** *The paper uses the methodology of a retrospective analysis and content-analysis to characterize the shifts in the principles of Spanish administrative and territorial tools and their influence on the nature of the Basque nationalism. The Constitution of 1977 and the Statute of autonomy of the Basque Country are considered.*

**Results.** *The paper sums up all the major shifts in the Spanish practice in the usage of administrative and political measures to combat the Basque separatist aspirations, evaluates their efficiency and outlines current obstacles towards the way of the establishment of a new bilateral dialogue with Madrid.*

**Conclusion.** *The first part of this article points out the growth of nationalist and separatist aspirations in the Basque Country and shows how political systems (absolute monarchy, republic, authoritarian governance, constitutional monarchy) lead to the application of new administrative and legal instruments that affect the Basque nationalist aspirations. The second part focuses on the current state of relations between the region and the central government.*

## Introduction

While analyzing the evolution of the Basque nationalist movement it is impossible to overlook the historical roots of the Basque Country itself.

The history of the region covers a centuries-long period prior to the formation of the Kingdom of Spain, but its major events are connected with Spain. Though, the Basque region and Spain did not always follow the same path – during the Islamic invasion in the VIII century A.D., the Arabs were unable to conquer the Basque Country. From that moment on, a specific mentality emerged in Basque society, based on the theory of exclusivity and even God-chosen Basque people, who did not fall under the power of the Arabs. During the Reconquista period from 718 to 1492 such provinces as Alava, Gipuzkoa and Biscay, the largest Basque territories, became the Spanish administrative regions. The geographical position of the Basque Country, its remoteness from the center, contributed to the preservation of its unique culture, identity and language [6. P. 132-134].

Relations between Madrid and the regions have always been a special issue on the agenda of the Spanish political life and have not lost their relevance up to the XXI century. During a long time, the Basque Country retained special privileges, so called *fueros*, granted by the Spanish kings, which represented a set of rights and

obligations that regulated the relations between the center and the region [7]. *Fueros* enabled the Basques to maintain their traditions, without coming into conflict with the central government for a long period [8].

In 1876, as a result of three Spanish civil wars (the Carlist wars) *fueros* were replaced by «economic agreements» (sp. *conciertos económicos*), which implied the preservation of the independence of the local Basque authorities, especially in the area of tax administration [5]. Nevertheless, the new format centre-region was perceived by many strata of the Basque society as an attack on the established way of life. The theoretical formulation of nationalist ideology occurred at the end of the XIX century, when two brothers Sabino Arana Goiri and Luis Arana Goiri created the theory of the unique Basque nation and its identity [8].

Sabino Arana argued that the central government had turned the Basque Country into its own colony: «the Basque Land has never been Spanish, neither ethnically, nor in language, traditions, laws. The Basques, being dependent on Spain, cannot be true Catholics». The ideological basis of Arana's theory was the «ideological myth», which could be defined as anti-hispanism [24].

A certain degree of irredentism is key feature of the Basque nationalism, as the nation divided between two countries (Spain and France) seeks political unification within one state.

In 1902 the two brothers put forward the idea of creating a Basque League within the Spanish borders making a shift from the initial radical idea of separatism. The establishment of the Basque nationalist party (BNP; sp. PNV - Partido nacionalista vasco) in 1895 concluded the political formalization of the Basque nationalist idea [23. P. 152-161].

In 1921, an internal left-wing trend emerged within the BNP and later due to Ignacio de Roteche became an independent unit – the Basque national action party – the first Basque nationalist left-wing party. Nevertheless, the division was halted by the dictatorship of General Miguel Primo de Rivera during 1923-1931 who suspended all political activity. Anti-separatist laws were typical of dictatorship and aimed at the state unity: any kind of nationalist symbols, including the flag of the Basque Country, became criminalized and were sent to the military courts [24].

In 1936, during the last year of the Second Spanish Republic (1931-1936) the Cortes (the Spanish parliament) along with the active participation of BNP leader Jose Antonio Aguirre y Lecube adopted the project of the Basque autonomy, the Basque Country government was formed and empowered to regulate social, financial and cultural spheres [20. P. 135-143]. After the victory of Francisco Franco in the civil war in the summer of 1937 the Basque provinces were deprived of their autonomy status, resistance of the Basque military was suppressed. Biscay and Gipuzkoa were declared «traitor provinces»; the most painful blow to the national feelings of the Basques was the destruction of Guernica in 1937, the city which for a long time had been considered a symbol of freedom of the Basque nation [14. P. 236-241].

Since the main goal of the francoists was to form a unitary state, special political measures directed at the autonomy of the Basque Country were taken: local political parties, trade unions and even cultural organizations were dissolved [4. P. 197-203]. Basque flag, language, folk songs, traditional names were banned. Education or legal proceedings in the region were allowed exclusively in Spanish [14. P. 242-245].

The government of the Basque Country fled to Barcelona, later emigrated to France (Basque government in exile located in Paris was headed by Jose Antonio Aguirre) [6. P. 110-123]. Active usage of restrictive administrative, legal and coercive measures against the Basque people (1936-1939) alongside the lack of opportunities for legal political participation provoked armed resistance to the regime of F. Franco. At the end of the World war II, the

anti-Basque measures carried out by the central government were not weakened but started to be institutionalized.

## Research

The nationalist group ETA (basque: Euskadi Ta Askatasuna – the Basque Country and freedom) is considered to have been established on July 13, 1959 – the Day of St. Ignatius of Loyola, the famous Basque founder of the Jesuit order. The organization did not emerge spontaneously. During the 1950s and 1960s a significant number of politically active Basque young people joined the national movement and returned the slogan of independence from Spain on its agenda. In 1953 students from Bilbao founded a political Association called «Action» (basque; «Ekin»), which condemned the leadership of the national Basque movement for losing the morale and being unable to act. It was «Action» that nurtured ETA which initially positioned itself as a «patriotic and democratic organization» with the aim to defend the Basques and struggle for their independence [9].

An important role as an ideological platform had the work «Basque» written by Ludwig Federico Krutwig Sagredo (1921-1998) «Baskonia» (sp. «Vasconia») [17]. The author relying on the concept of S. Arana proposed to abandon the ethnic approach; called for the restoration of the Basque language (basque: euskera); stressed the necessity to abandon the anti-communism, a typical feature of the classical Basque nationalism. He pioneered the idea of violence in the form of guerrilla warfare, which was seen as the only possible way to achieve the goals [17].

Eventually, ETA established its ideological platform in 1967, when the organization declared itself the «socialist Basque movement for national liberation» [20].

With the formation of ETA, BNP lost its ideological and political monopoly in the Basque nationalism. The terrorist group was characterized by a more radical ideology and focused on direct action, while BNP adhered to more moderate views and tactics of legal political struggle. The Basque Country's right to self-determination that should not depend on Madrid was the only common point of moderate and radical political forces.

ETA sought to be active in all spheres of society in the Basque Country: in the politics: the group released underground newspapers; established nationalist organizations aimed at the working class of the region; in economy: ETA received contributions from members of the group and established the so-called «revolu-

tionary tax» that was «imposed» on the Basque entrepreneurs [26]; in culture: the group taught the Basque language.

Internal conflicts were inevitable due to extreme heterogeneity of the group, and huge width of its tasks. In the mid 1960s, the group split into two wings: one part of shared the values of the democratic regime, whereas the second one stood for the values of nationalists and left-wing radicals. The democrats sought to legalize the activities and to start functioning in the legal political framework, while the radical representatives, on the contrary, stated the purpose as a socialist revolution by terrorist methods [6].

In 1968, the group moved to the armed struggle for the independence of the Basque Country – the first victim was Meliton Manzanas, the head of the secret police in San Sebastián and a committed supporter of the francoist regime [12]. In 1973, members of ETA killed Admiral Luis Carrero Blanco – the planned successor of F. Franco; the same year the group organized an explosion in Madrid cafe «Rolando», located near the Main Directorate of Spanish security. The attack left 12 people killed and 70 injured. [9] Activities of the group had had a significant impact on the entire Spanish Kingdom until the death of F. Franco in 1975 and the end of his regime [8].

From 1975 on Spain stepped on the path of democratic transformation which was marked by the following events in the administrative and legal spheres:

- in July 1976 a partial amnesty was granted to political prisoners;
- in 1976 the law on political reform was adopted; the multi-party system in the country was restored;
- according to the article number 148 of the Constitution of 1978 Autonomous Communities of the state were granted broad powers [18];
- The Statute of the autonomy of the Basque Country (sp. The Guernica statute) adopted in 1979 guaranteed additional privileges and competences to the region [16].

The given changes in administrative and legal spheres led to the split of ETA into two factions. The political wing announced its self-dissolution in 1981 [5], while the military one intensified its activities.

Some of the members of «Euskadi Ta Askatasuna» found shelter in the French Republic, what sparked the dissatisfaction of the Spanish government. On October 5, 1983 ETA militants kidnapped military doctor Alberto Martin Barrios – events that showed the need for the

Spanish-French law enforcement agencies cooperation [22].

The Spanish government led by Adolfo Suarez Gonzalez along with the French authorities established the so-called «anti-Terrorist liberation groups» (sp. Grupos Antiterroristas de Liberacion, GAL). One of the most known and simultaneously the most unsuccessful operations, conducted by GAL fighters was the kidnapping of Segundo Marey who was mistakenly taken for ETA leader Mikel Luzhua on December 4, 1983 in French Basque region [31].

This incident and the subsequent killings of 27 «Euskadi Ta Askatasuna» activists in France demonstrated the illegality of actions carried out by the Spanish government that eventually led to a series of trials and provoked a political scandal which made Prime Minister Felipe Gonzalez resign [31].

In the early 1990s ETA actions can be characterized as low-intensity terrorism, since the organization was weakened as a result of counter-terrorist operations and could not carry out a full-fledged campaign of violence [6]. However, in 1995-1996, activists of the group were able to commit a number of attacks on the representatives of the Spanish political elite: king Juan Carlos I de Borbon, leader of the right-wing People's party (sp. Partido Popular, PP) Jose Maria Aznar Lopez and former judge of the Supreme court of the country Francisco Tomas y Valiente. Only the last act succeeded.

In parallel with the organization of violent actions, ETA had a political representation to operate in the legal field – the Batasuna party (until 2001 was called Herri Batasuna, which in Basque means «Unity of the people») but in 2003 its activities were completely banned [19].

There are 3 main stages in the activity of ETA:

1. 1968-1978. ETA members launched a revolutionary movement against the francoists and provoked the new wave of repression from the government, which increased public support for ETA and encouraged them to commit new attacks which consequently led to new repression. According to ideologists the aim was to demonstrate the fascist essence of the political regime, to strengthen the discontent of the population which was expected to result in a revolution.

2. 1978-1998. The period is characterized by the so-called «war of attrition». The attacks were carried out in order to put pressure on the government, which, according to ETA ideologists would not withstand the campaign of violence and would be forced to agree with the demands of the nationalists.

3. 1998-2003. ETA realises its defeat in the war of attrition and decides to move closer to

the BNP, which was an association of moderate and radical nationalists. Such a shift was guided by a desire to increase pressure on the Spanish authorities in the political field.

In the mid 1990s, the group being under strong pressure of the central government transformed into a complex system of disintegrated structures, united by the ideas of achieving the independence of the Basque Country through radical movement and terrorist methods. The group created a network of radical youth organizations, activists entered legal politics, becoming participants of the existing radical parties [10]. Therefore, the phenomenon of ETA became a legal and important component of the Spanish statehood.

The central government responded with legal measures: in the 2000s the Spanish legislation expanded the judicial conceptualization of «ETA activities» including into this term non-violent manifestations of Basque radical separatist movements. The so-called organizational «integral components» of ETA (for example, the coordination committees of CAS – Patriotic socialist coordinating center) and «Ekin», «Harrai-haika-Shogi» youth groups (a radical youth organization responsible for ETA's international relations), as well as individuals (the Batasuna party leadership) became outlawed. Currently, the expanded interpretation of the term covers all political activities directly or indirectly related to ETA, which led to the almost absolute criminalization of organized radical separatism in the early part of the XXI century.

In the Spanish legal discourse activity of ETA is defined as radical separatism, «a single entity, namely the terrorist organization ETA, hidden behind the apparent multitude of legal entities established at different times in accordance with the» Operational continuity», developed in advance by the organization» (quoted in the ECHR Decision, Herri Batasuna and Batasuna V. Spain, 2009 [11]).

The end of the first decade of the XXI century was marked by a period of growing ideological disagreements within ETA – fewer activists supported terrorist methods, in 2009-2010 a number of imprisoned members began to openly condemn ETA armed struggle, many members decided part ways with the group and switch to civilian life. As a result, the group announced its 11th consecutive truce. The then government of the Spanish socialist workers party (sp. Partido Socialista Obrero Español, PSOE) reacted with a degree of skepticism. The BNP reconfirmed its commitment to the put an end to arm struggle and party leader Inigo Urkullu underscored: «violence can no longer exist, and if it used to

exist, it must remain in the past. It does not lead anywhere» [3]. During the PSOE government led by Jose Luis Rodríguez Zapatero, the position of the BNP strengthened, which was marked by a bilateral agreement. The Basque political force backed the budget for 2011 and agreed to adopt «the proper laws and initiatives to overcome the economic crisis». The PSOE committed to provide assistance to the Basque Country in implementing the current Statute of autonomy [2]. With this step, the BNP showed willingness to support the central government during the economic crisis, as well as the desire to achieve political stability in society.

In the XXI century the cooperation between Europol and the Spanish authorities was strengthened and based on the exchange of information about the location of criminal groups, their storages of weapons and other data that helped prevent possible terrorist attacks. In the introductory part of the 2008 Europol annual report, head of the organization Max-Peter Ratzel characterized the Basque radical organization as one of the key destabilizing factors of the European security. There were convincing reasons for that – 517 attacks (out of 583) were claimed or attributed to separatist terrorist groups in Spain and France, although many were aimed at causing material damage. The increased efficiency of the Spanish police was proved by the same report which noted, Spain had set a record for the number of people indicted during a single trial – 52 [29].

According to the Europol 2017 report [30], the following measures had been taken jointly with Spain in the area of counter-terrorism activities against ETA:

- Information and intelligence cooperation. The national police Department of Spain provided data on the number of terrorist attacks committed or failed, deaths and injuries, arrests, trials and sentences, sources of funding etc.;
- Europol launched a programme to track the financing of terrorism – the Terrorist Finance Tracking Programme (TFTP) and the First Response Network (FRN) to provide the EU member states with the necessary operational support in the investigation terrorist attacks and other serious crimes [30].

The threat posed by ETA contributed to the emergence of new approaches in Europol's counter-terrorism methodology – new anti-terrorist centers and services that were actively used to combat terrorism and the Basque radical movements.

On April 8, 2018, ETA declared its ultimate disarmament. In a video message the gunmen stated that they were ready to transfer weap-

ons to the authorities of France and Spain in a sign of a decisive rejection of military methods of struggle. Later that month, the group sent a letter to the Spanish institutions to confirm its decision to finally dissolve the organizational structure [15]. The letter appealed to all members and activists with the call to dissolve ETA structures, recognized the public support loss among the Basques and expressed the need to concentrate efforts on the legal political field [19].

### Results of the research

The following reasons of ETA to stop its armed struggle and to be dissolved can be underscored:

1. Efficient joint anti-terrorist activities carried out by the Spanish and French authorities since 2000;
2. Successful cooperation between Spain and Europol;

3. Modernization of the Spanish legislative framework;

4. Positions of foreign countries, many of which backed Spain and included ETA in the list of terrorist organizations (France, Canada, the USA etc.);

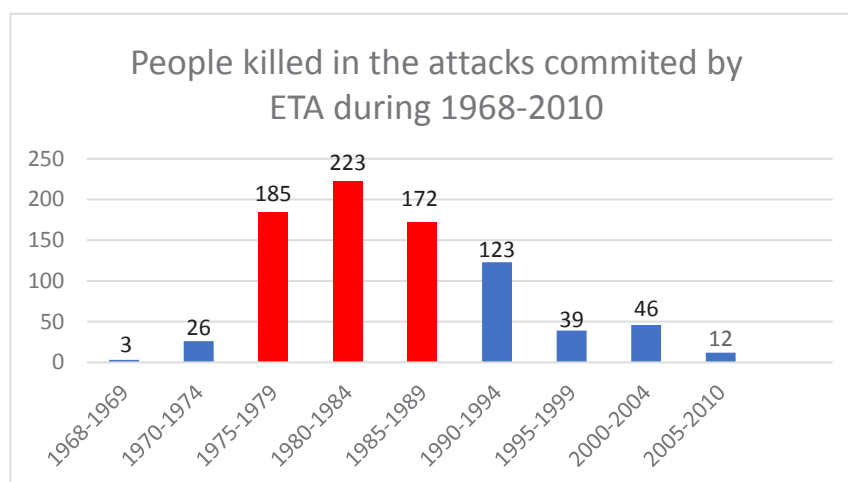
5. Political fatigue in the Basque society;

6. The spread of democratic norms and universal values;

7. The weakening of the global left-wing movement, which was associated with the collapse of the USSR in 1991 and the reduction of material and ideological support coming from outside;

8. Nationalist/separatist and leftist political terrorism that prevailed in Europe in the second half of the XX century was replaced by the terrorism of radical Islamists.

Currently, the majority of experts tend to believe that activists of ETA will seek new ways to implement their ambitious plans aimed at achieving the independence of the Basque Country from Spain [22].



**Graph 1.** The number of murders committed by ETA militants in 1968-2010.

Prepared by the authors according to the data provided by <https://es.statista.com/estadisticas/702588/victimas-mortales-en-atentados-terroristas-de-eta-espana-1968-2010> (Accessed: 01.12.2019)

So, ETA existed 58 years. Within 1968-2010 ETA activists, according to es.statista.com, the Spanish database website, killed 829 people and left hundreds more wounded. During the existence of the group (1959-2018) its campaign for the Basque independence claimed lives of 853 people in total. Graph 1 draws attention to the period of the highest death toll – 1975-1989. During the XXI century the group gradually began to weaken. Due to efficient measures of the Spanish authorities a large number of ETA members were detained, at present 302 activists are serving their prison sentences, while hundreds of others are made to complete social reintegration programmes and several dozen leaders of the organization emigrated [1].

With ETA disappeared, the main goal of the Basque Country government is to change the format of relations with Madrid through the usage of purely legal tools. However, the implementation of such an approach in communication with the Spanish government is currently limited due to an ongoing complex party-political crisis in the Kingdom, which has been on the agenda since 2015.

### Conclusion

It should be pointed out that throughout different historic periods, the central government of Spain tried to develop the most effective strategy towards the Basque Country using various

administrative and legal instruments to curb its nationalism. Until the last quarter of the XIX century, the region possessed the privileges of «fueros», which in 1876 were replaced by «economic agreements». In the Basque society the shift was regarded as an undermining factor of the existing way of life and contributed to the emergence of the Basque nationalist theory.

During the period of F. Franco the region was completely deprived of any rights, the key instruments used to combat nationalism were political repressions. In response to that policy amid weakness and indecisiveness of the nationalist forces in combating that oppression a radical wing of Basque nationalism – ETA emerged.

The democratic transformation after Franco's death which implied the modernization of legislation (the adoption of a new Constitution in 1977, and a Statute of autonomy of the Basque Country in 1978) and the legalization of all political parties marked the beginning of a new more flexible administrative and legal approach considering the specifics of the region. It enabled the Basques to participate in the political life not

only of their region but of Spain as a whole.

Opposition to ETA by the central authorities was carried out through both undemocratic (the forces of GAL) and democratic procedures (the Spanish-French cooperation under the aegis of supra-national organization Europol). The given measures amid general democratization of the country and political fatigue of the Basque society made a significant contribution to the weakening of the group and led to its complete collapse in 2018.

At present moment, the leadership of the Basque country condemns radical methods of struggle and uses only political and legal tools to change the format of relations with the central government. However, the effective implementation of the chosen strategy, notably the desire to elaborate a new Statute of autonomy, is restricted due to the ongoing party-political crisis in the Kingdom of Spain. Thus, we have to admit that activities aimed at changing the center-region relations are suspended and frozen; solving internal socio-economic issues of the region top the agenda of the Basque administration.

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## К ВОПРОСУ ОБ АДМИНИСТРАТИВНО-ПРАВОВОМ ПРОТИВОДЕЙСТВИИ КОРОЛЕВСТВА ИСПАНИИ НАЦИОНАЛИСТИЧЕСКИМ И СЕПАРАТИСТСКИМ УСТРЕМЛЕНИЯМ СТРАНЫ БАСКОВ

**Введение.** В статье исследуются теоретические и прикладные аспекты методики задерживания Испанским Королевством административно-правовых инструментов для противодействия националистическим и сепаратистским устремлениям Страны Басков. Особое внимание уделяется противостоянию с баскской террористической организацией ЭТА.

В контексте анализа перспективности современных практик задерживания политико-правовых инструментов в региональной политике, зачастую противоречащих интересам современного централизованного государства, исследуются причины зарождения и основ-

ные этапы эволюции ЭТА, рассматриваются трансграничные аспекты борьбы с группировкой в рамках кооперации Испании, Франции и национальных специализированных объединений по примеру Европола.

**Методы исследования.** В статье используется методология ретроспективного анализа и контент-анализа нормативных правовых актов для характеристики влияния принципов административно-территориального деления Испании, связанных с принятием Конституции Испании 1977 г. и впоследствии Статута автономии Страны Басков, на характер баскского национализма.

**Результаты.** В статье обобщены все основные сдвиги в испанской практике применения административно-политических мер по борьбе с баскскими сепаратистскими устремлениями, дана оценка их эффективности и обозначены существующие препятствия на пути установления нового двустороннего диалога с Мадридом.

**Выводы.** В первой части работы выделяются рост националистических и сепаратистских устремлений в Стране Басков и показано, как испанские исторические сдвиги в системе управления (абсолютная монархия, республика, авторитарное управление, конституционная монархия) приводят к применению новых административно-правовых инструментов, влияющих на баскские националистические устремления. Вторая часть, с другой стороны, посвящена текущему состоянию отношений между регионом и центральным правительством.

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**Ключевые слова:**

Административно-территориальное деление, конституция, статут автономии в современной европейской правоприменительной практике, Страна Басков, национализм, терроризм, ЭТА, Европол, политические партии, международное право, национальное законодательство

**Keywords:**

Administrative-territorial division, the Constitution, the Statute of autonomy in the contemporary European law, Basque Country, nationalism, terrorism, ETA, Europol, political parties, national legislation

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# КОНСТИТУЦИОННЫЕ ОСНОВЫ БЮДЖЕТНОГО ПРОЦЕССА И БЮДЖЕТНОЙ ПОЛИТИКИ В ЯПОНИИ

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**Введение.** В статье рассматриваются основные принципы, задачи, а также структура бюджетной системы. В работе сравниваются показатели доходов и расходов бюджета страны в первую очередь по вопросам, относящимся к основам конституционного строя государства. С учетом этих обстоятельств были рассмотрены законы и положения Конституции Японии.

**Материалы и методы.** Методологической основой исследования является применение специальных (системных) и частнонаучных (сравнительно-правовых, формально-юридических) методов. При изучении вопросов, которые находятся на грани отраслевых юридических наук, был использован междисциплинарный подход. Употребление перечисленных методов дало возможность исследовать рассматриваемые объекты во взаимосвязи, целостно и всесторонне.

**Результаты исследования.** В результате проведенного исследования была выявлена сущность и структура современного японского бюджетного процесса и место, которое он занимает в правовой системе Японии. Бюджетная система Японии претерпела долгую историю развития и сейчас представляет собой один из главных институтов государства. В настоящее время бюджетная система тесно связана с различными сферами жизни: социальной, налоговой, политической и экономической.

**Обсуждение и заключение.** Выявлены конституционно-правовые особенности принятия бюджета и регулирования бюджетного процесса в Японии, исследована Конституция и законодательство, касающееся бюджетной системы и бюджетного процесса, а также нормативно-правовая база, способствующая обеспечению всех конституционно-правовых принципов при принятии бюджета и реализации основных задач.

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## Введение

**Б**юджет является ключевым инструментом государственного регулирования и играет важную роль в осуществлении социально - экономической политики государства. Именно государственный бюджет отражает реальные возможности и функции государства.

## Исследование

Важнейшими этапами в развитии бюджетного права стала Конституция Мэйдзи 1889 г. и действующая Конституция 1947 г.

Конституция Мэйдзи в VI главе «Финансы» (ст. 62-72) закрепляла конституционно-правовые основы бюджетного процесса. Статья 62 устанавливала, что введение новых налогов осуществлялось только на основании закона, то есть без согласия Императорского Парламента новые налоги не могли взиматься. Императорский Парламент играл также ключевую роль в утверждении бюджета, в соответствии со ст. 64 государственные доходы и расходы нуждались в утверждении Парламента в форме годового бюджета, а также расходы свыше сметы должны были быть одобрены Императорским Парламентом.

В ст. 67 содержалось интересное положение о том, что Императорскому Парламенту нельзя было изменить ряд бюджетных статей без согласия Правительства, а статья 70 устанавливала то, что Правительство могло принимать нужные финансовые меры, ссылаясь на указы Императора, «если Императорский Парламент не может быть созван по внешнему или внутреннему состоянию страны, то в случае крайней необходимости оградить общественную безопасность Правительство может проводить все нужные финансовые мероприятия путем высочайших повелений». Согласно ст. 72 Правительство должно было предоставлять отчет о доходах и расходах Императорскому Парламенту,<sup>1</sup> «окончательный счет государственных доходов и расходов должен быть проверен и утвержден Счетной Палатой и представлен Правительством на одобрение Императорского Парламента вместе с отчетом указанной палаты».

Таким образом, раздел о финансах в Конституции Японии 1889 г. освещен достаточно широко - почти шестая часть Конституции Мэйдзи была посвящена финансовому регулированию.

Сам термин «бюджет» стал широко использоваться в начале XIX в., и под бюджетом стали понимать акт, который содержит в себе первоначальное одобрение доходов и расходов государства.

Важнейшими функциями бюджетной системы Японии являются следующие:

- распределительная (формирует и направляет использование денежных средств по уровням органов власти, а также на содержание императорского двора);
- регулирующая, стимулирующая (доходы и расходы используются как инструмент стимулирования экономики);
- социальная (обеспечение поддержкой социально уязвимых и незащищенных слоев населения);
- контрольная (надзор за тем, куда направляются денежные средства);
- управленческая.

Современная бюджетная система Японии довольно громоздкой: ежегодно Парламент утверждает три вида бюджета: общий счет Правительства (иппан кайкэй); специальные счета; и бюджеты публичных учреждений.

Первый вид (общий счет) - это средства, которые накапливаются на общем счете Правительства и являются основным источником покрытия государственных расходов. Когда речь идет о государственном бюджете, как правило имеется в виду общий счет Правительства. Бюджет расходуется на государственные программы, такие как социальное обеспечение, образование и наука, национальная оборона и др. Общий бюджет является отражением государственной политики страны.

Второй вид бюджета - это специальные счета, закрепленные в Законе о публичных финансах<sup>2</sup> (ст. 13). В соответствии с законом, специальные счета (токубэцу кайми) создаются для финансирования некоторых государственных программ; для ведения учета определенных доходов, которые служат для покрытия расходов специального назначения. В основном каждый отдельно взятый

<sup>1</sup> Конституция Мэйдзи 1889 г. : [Электронный ресурс]// URL:<http://www.ndl.go.jp/constitution/e/etc/c02.html#s6>(дата обращения: 01.10.19)

<sup>2</sup> Дзайсэй хо (Закон о публичных финансах), № 34, 1947 г. // Роппо дзэнсё (Полный свод законов). Токио, 2000.

специальный счет имеет свой собственный источник доходов.

К третьему виду относятся бюджеты публичных учреждений, деятельность которых устанавливается специальными законами. Такие бюджеты не зависят от Правительства для обеспечения гибкого и наиболее эффективного управления кадрами и ведением отчетности. По состоянию на 2004 г., насчитывалось 7 государственных финансовых предприятий и 2 банка.

Существуют общие правила, касающиеся всех трех видов бюджета:

а) расходы так же, как и доходы должны быть включены в бюджет в полном объеме.

б) расходы, понесенные в отдельно взятом финансовом году должны быть равны полученным доходам этого же финансового года.

в) в отличие от бюджетной системы большинства стран, в Японии источники доходов включают в себя, помимо налогов, государственные облигации, вследствие чего общая сумма доходов в бюджете всегда равна общей сумме расходов.

Помимо вышеперечисленных видов бюджета, в Японии действует программа государственных займов и инвестиций, которая была создана в 1952/1953 финансовом году. В доктрине программу государственных займов и инвестиций иногда называют «второй бюджет». Программа представляет собой денежную смету и пополняется Правительством из различных доверительных фондов, таких как сберегательный, страховой, пенсионный и др. Программа займов остается одним из центральных направлений финансовой политики государства.

«Второй бюджет» - государственная система, которая финансирует различные проекты, привлекая внебюджетные средства. Основным направлением использования программы государственных займов и инвестиций служит развитие наиболее значимых с точки зрения государства проектов. Вложения в капитал и займы, получаемые в рамках программы, должны быть полностью возвращены с начислением процентов, которые, как правило, устанавливают в основном частные кредитные компании.

Каждый год разрабатывается план, по которому действует программа государственных займов и инвестиций. По экономическому содержанию программа не соответствует общему счету (ишпан кайкэй), так как находится на стыке государственной финансовой и кредитной системы. Тем не менее порядок составления, утверждения и исполнения

программы займов и инвестиций осуществляется по аналогии с основным бюджетом.

Финансовые средства «второго бюджета» делятся на три группы, в связи с этим, каждая часть в Парламенте обсуждается отдельно, наряду с основным бюджетом.

Большое значение в механизме программы имеют два главных органа: Бюро доверительных фондов и Японский Банк. Бюро доверительных фондов входит в Министерство финансов и сосредотачивает основные средства государственной инвестиционной программы, а Банк обращает значимую часть накопленных средств на цели и задачи программы государственного инвестирования. На 80% программа финансируется за счет Бюро доверительных фондов.

Таким образом, нужно отметить, что помимо источников поступления средств, отличие программы государственных займов и инвестиций от общегосударственного финансирования состоит в том, что средства программы выделяются на условиях возвратности с начислением процентов и на условиях срочности. Государственная инвестиционная программа очень гибкая, подвержена изменениям с учетом экономических процессов, происходящих в стране, и прекрасно справляется с ролью стабилизирующего фактора.

*Конституционные принципы регулирования бюджетной системы.* Основные задачи бюджетного процесса состоят в определении доходов в бюджет по различным платежам, в установлении налоговых платежей, а также установлении расходов бюджета по целевому назначению. Важной задачей также является сокращение, а впоследствии ликвидация бюджетного дефицита, обеспечение стабильности национальной денежной единицы, контроль за своевременной уплатой налогов граждан, контроль за деятельностью юридических лиц, преодоление денежно-кредитного кризиса и сокращение инфляции в экономической сфере, увеличение роли прогнозирования бюджета с целью обеспечения стабильности и сбалансированности государственных программ.

Что касается принципов, то основные были установлены еще в Конституции 1889 г. в VI главе «Финансы» (ст. 62-72). В настоящее время они закрепляются в Конституции 1947 г., в главе VII «Финансы» (ст. 83-91).

Японская бюджетная система объединяет в себе традиционные принципы, на которых строится бюджетный процесс. Ключевым является принцип обязательного обличения бюджета в форму акта, который принимает

Парламент страны (ст. 83 Конституции). Статья 86 Конституции гласит, что «Кабинет составляет и представляет Парламенту на обсуждение и утверждение бюджет на каждый финансовый год».

Другим важным принципом является принцип полноты бюджета, то есть доходы и расходы должны быть представлены в полном объеме. Конституция в статье 85 устанавливает, что «никакие государственные средства не могут быть израсходованы, и никакие государственные денежные обязательства не могут быть приняты иначе как по решению Парламента». Предусмотрена возможность создания специального резервного фонда на случай покрытия непредвиденных публичных расходов. Чтобы принцип полноты бюджета не был нарушен, Конституция предусматривает, что «Кабинет должен получить последующее одобрение Парламента в отношении всех ассигнований из средств резервного фонда» (ст. 87 Конституции).

Принцип отчетности закреплен в ст. 90 Конституции, которая устанавливает, что «заключительный отчет о государственных расходах и доходах ежегодно подвергается ревизии в Ревизионном совете и представляется Кабинетом Парламенту вместе с докладом о ревизии в течение финансового года, непосредственно следующего за отчетным периодом». Также в соответствии со ст. 91 «Кабинет министров через регулярные промежутки времени, но не менее чем один раз в год, должен докладывать Парламенту и народу о состоянии государственных финансов».

Наряду с уже упомянутыми принципами, Конституция устанавливает принцип ежегодности бюджета, а также предусматривает возможность утверждения Парламентом публичных расходов на многолетний период. «Кабинет составляет и представляет Парламенту на обсуждение и утверждение бюджет на каждый финансовый год» (ст. 86). Если речь идет о каких-либо правительственных проектах, Парламент в соответствии со ст. 14bis Закона о публичных финансах может одобрить расходы на многолетний период.

Таким образом, Конституция Японии содержит в себе ключевые принципы бюджетной системы, которые получили свое развитие в законодательстве, поскольку важную роль играют принципы, содержащиеся в Законе о публичных финансах № 34, 1947 г.

Особой чертой японского бюджетного права является то, что после одобрения бюджета обеими палатами Парламента, он не становится законом в формальном смысле слова, несмотря на использование при его рассмотрении процедуры утверждения обычного закона. В отличие от других законов, акт о бюджете является самостоятельным и имеет особо установленную форму. Закон о бюджете рассматривает и составляет только Кабинет, в то время как при принятии обычного закона любой член Парламента имеет такое право. Как было указано выше, Палата представителей имеет преимущественное право перед Палатой советников в отношении рассмотрения проекта бюджета, а в случае принятия обычного закона, обе палаты имеют в целом равное положение. Наряду с этим, Парламент может внести ограниченное количество поправок к законопроекту о бюджете по предложению Правительства, однако, что касается поправок к обычному закону - их число неограниченно.

Конституционный принцип полноты бюджета дополняют принципы единства и универсальности, предполагающие объединение всех доходов и расходов государства в рамках одного ежегодного бюджета (ст. 14 Закона о публичных финансах)<sup>3</sup>. Эти принципы не стоит понимать дословно, так как единство бюджета проявляется прежде всего в единстве бюджетной системы, а также в единообразности бюджетной документации с одной схемой доходов и расходов.

Принцип самостоятельности бюджетов закрепляется в ст. 23 Закона о публичных финансах<sup>4</sup>. Доходы и расходы должны быть распределены в те министерства и агентства, к которым они имеют отношение. Вместе с этим, доходы классифицируются по своему характеру, а расходы в свою очередь распределяются для тех целей, для которых они изначально предназначены.

Ст. 11 Закона о публичных финансах дополняет уже упомянутый выше принцип ежегодности, устанавливая, что финансовый год начинается 1 апреля, а заканчивается 31 марта. В законе также содержится определение финансового года - это период, в который действуют бюджетные предписания. Также установлен принцип независимости финансового года, который предполагает, что расходы текущего финансового года по-

<sup>3</sup> Дзайсэй хо (Закон о публичных финансах), № 34, 1947 г. // Роппо дзэнсё (Полный свод законов). Токио, 2000.

<sup>4</sup> Там же.

крываются доходами, которые были собраны исключительно в этом году.

В заключение стоит сказать, что принцип транспарентности (открытости, гласности) бюджетного процесса не находит своего прямого отражения в Конституции и Законе о публичных финансах, но он имеет закрепление в докладе Международного Фонда 2001 г. Принцип гласности, обеспечивающий прозрачность бюджета, получил свое выражение в ежегодной брошюре «Коротко о бюджете», где включена информация о финансовой и экономической политике государства; бюджетный доклад, представленный Парламенту; некоторые социальные и экономические программы, которые финансируются из бюджета; государственная программа займов и инвестиций и др. Эта публикация носит официальный характер, издает ее Министерство финансов.

Бывают случаи, когда имеют место отступления от принципа гласности бюджета. Такое допустимо, если речь идет о государственной или военной тайне, но такого рода исключения не должны влиять на эффективность утверждения проекта бюджета Парламентом и отчета о его исполнении. С этой целью в Японии предусмотрены особые процедуры, которые применяются при обсуждении секретных статей.

Принцип публичности бюджетного процесса играет особую роль. Закон о Парламенте устанавливает, что «заседания бюджетных комиссий обеих палат должны иметь публичный характер». Заседания бюджетной комиссии транслируются в прямом эфире государственным телевидением.

Конституция закрепляет основу бюджетной системы страны, детальное регулирование содержится в развивающем законодательстве, преимущественно принятом в послевоенный период, что, надо отметить, очень характерно для Японии. Японцы стремятся сохранить неизменными унаследованные от предыдущих поколений нормы поведения, формы культуры и традиции в политическом мышлении. В Японии удалось создать устойчивую систему управления, благодаря системному подходу, который предполагает, что любой институт власти представляет собой систему, состоящую из частей, каждая из которых обладает своими собственными целями. Данный подход является эффективным, поэтому страны соседи охотно перенимают опыт японцев.

Правовые акты в Японии обычно подразделяют на пять групп: в первую группу входят законодательные акты, регламенти-

рующие деятельность административных органов, которые занимаются государственными финансами; во вторую - нормативные акты, которые охватывают содержательную часть национальных финансов; третья группа устанавливает способы контроля за исполнением государственного бюджета; четвертая - регулирует валютные отношения и денежное обращение; в пятую группу входят нормативные акты, затрагивающие вопросы обслуживания государственного долга и выпуска правительственных облигаций.

Нижеперечисленные законы посвящены бюджетной системе и бюджетному процессу: Закон о Парламенте Японии, 1947 г. ; Закон о публичных финансах № 34, 1947 г. ; Закон о Банке Японии № 67, 1942 г. ; Закон о налоговых трансфертах местным органам власти; Закон о Контрольно-ревизионном управлении Японии № 73, 1947 г. ; Закон об учете и др.

Таким образом, в указанных выше документах рассматриваются бюджетные права законодательных, представительных и исполнительных органов власти всех уровней по формированию и исполнению соответствующих бюджетов. Конституция и законы регулируют отношения, возникающие в связи с образованием, распределением и использованием средств бюджетной системы.

27 марта 2019 г., Парламент Японии принял бюджет на новый финансовый год. Бюджет превысил 100 трлн. иен (101,46 трлн иен (около \$920 млрд)) впервые за всю историю. В 2018 г. бюджет составил 97,71 трлн. иен (около \$867 млрд.), что являлось также рекордным, по сравнению с предыдущими показателями.

Япония — социальное государство и большая часть средств бюджета тратится на социальное обеспечение, а именно около 40%. Расходы на социальную сферу увеличатся в новом году, в том числе на предоставление населению медицинского обслуживания. Более одной трети нового бюджета (34,06 трлн иен) уйдет на пенсии, здравоохранение, а другие расходы на социальное обеспечение займут больше трети от нового бюджета. Причиной послужило продолжающееся старение японского населения. Наряду с этим Япония планирует потратить рекордную сумму из бюджета на оборону страны. Цифра составляет 5,26 трлн. иен. Если сравнивать эту сумму с 2017 годом, то в 2019 г. будет потрачено на 77 млрд. иен больше.

Японцы обеспокоены тем, что достаточно большая сумма тратится на оборону страны, так как в ст. 9 японской Конституции уста-

навливается принцип пацифизма, который является одним из фундаментальных. Статья 9 указывает на отказ Японии от войны, а также отказ от создания регулярных вооруженных сил: «... японский народ на веки вечные отвергает войну как суверенное право нации, а также угрозу силой или ее использование как средство разрешения международных споров... сухопутные, морские и военно-воздушные силы ... никогда не будут создаваться ...».

Ранее премьер-министр страны Синдзо Абэ провёл кадровые перестановки в японском Правительстве, и Ицунори Онодэра был назначен новым министром обороны. Глава правительства поставил задачу пересмотреть оборонную программу Японии из-за «накалившейся обстановки в области безопасности». Тут надо отметить, что в Японии запрещается тратить более 1% ВВП на оборонные расходы, поэтому доля расходов на оборону от ВВП в пределах одного процента сохраняется с 1967 года. В результате, объём расходов на оборону оборачивается усилением экономики.

### Результаты исследования

Проведенное исследование позволило сделать вывод о том, что в бюджетной системе Японии можно выявить некоторые особенности.

Закон четко регламентирует деятельность государственных органов и их взаимодействие в процессе принятия бюджета, а также основные принципы бюджетного процесса. Также было выявлено, что Правительство Японии уделяет большое внимание созданию достойного уровня жизни пожилым людям. Это связано с тем, что численность данной категории постоянно увеличивается и к 2025 году достигнет 5,2 млн. человек, тогда как в 1993 г. число лиц пожилого воз-

раста составляло 2 млн. Более того, продолжительность жизни японцев растет и период трудовой активности этой части населения увеличивается. На фоне нехватки молодой рабочей силы пожилые люди станут важным компонентом на рынке труда. Пенсионная система Японии довольно сложна: только 1/3 выплат обеспечивается из государственного бюджета, а остальную сумму выплачивают пенсионные фонды.

Согласно установке правительства, что подтверждает выступление Премьер-министра Японии Синдзо Абэ, основной целью является достижение профицита бюджета к 2020 г. Кроме того, текущий бюджет должен способствовать оживлению экономики, а именно повысить производительность и увеличить инвестиции в человеческий капитал.

### Заключение

Конституционно-правовое регулирование бюджетной системы и процесса в Японии представляет собой системный, эффективный, проверенный временем и практикой нормативно-правовой институт. Бюджетная система Японии претерпела долгую историю развития и сейчас представляет собой один из главных институтов государства. Опыт, основанный на истории и практике формирования бюджетной системы, говорит о том, что бюджетное право формировались под влиянием различных правовых систем. Также бюджетная система Японии основывается на экономических отношениях и государственном устройстве страны и регулируется законодательством Японии, которое служит для расходования бюджета только по целевому назначению, сокращения и ликвидации бюджетного дефицита, обеспечения стабильности национальной денежной единицы, преодоления денежно-кредитного кризиса и др.

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## CONSTITUTIONAL FOUNDATIONS OF THE BUDGET PROCESS AND BUDGET POLICY IN JAPAN

**Introduction.** The article covers the main principles, challenges and structure of the budget system. The article compares the budget revenues with expenditures regarding the issues related to the foundations of the constitutional system of the state and through this perspective analyzes the laws and provisions of the Japanese Constitution.

**Materials and methods.** The methodological basis of the article is formed by special and specific scientific (comparative legal and technical) methods. The interdisciplinary method was used to explore the issues that overlap sectoral legal sciences. The use of the above mentioned methods made it possible to explore the issues in an interconnected, holistic and comprehensive manner.

**The results of the research.** The essence and structure of the budget process and its role in the legal system of Japan were determined. The budget system of Japan has been developing for a long time and now it is one of the main state institutions. Nowadays the budget system is closely

connected with social, tax, political and economic spheres.

**Discussion and conclusions.** The article covers the constitutional and legal features concerning adoption of the budget and regulation of the budget process in Japan. The Constitution and the laws regulating the budget system and the budget process, were analyzed. The legal framework, which contributes to ensuring all constitutional and legal principles in adopting the budget and implementing the main aims, was explored.

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### Ключевые слова:

Право, юриспруденция, бюджет, бюджетная система, бюджетный процесс в Японии, нормативное регулирование, принципы бюджетного процесса

### Keywords:

Law, legal science, budget, budget system, budget process in Japan, law regulation, principles of the budget process

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Article

## ПОНЯТИЕ «КОНФЛИКТ ИНТЕРЕСОВ» В АДМИНИСТРАТИВНОМ ПРАВЕ РОССИЙСКОЙ ФЕДЕРАЦИИ

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**Введение.** Анализ сущности, условий и причин возникновения и практики разрешения (предотвращения и урегулирования) конфликта интересов является не только важной прикладной, но и не менее значимой научно-исследовательской проблемой. Ситуации, связанные с конфликтами интересов, как в публично-государственном, так и частном секторах стали не только предметом специальных научных исследований, но и объектом законодательного регулирования и управленческой практики. В ряде стран приняты специальные законы о конфликте интересов, введены должности государственного комиссара по конфликту интересов, действуют нормативные установления, касающиеся служебной этики.

**Материалы и методы.** Источниковая база исследования – нормативно-правовые, теоретические, учебно-научные, публицистические работы отечественных и зарубежных авторов. Теоретико-методологической основой послужил диалектико-материалистический подход к анализу сущности общественных явлений, закономерностей их развития, особенностей правового регулирования и управляющего воздействия на них. Инструментарий научного исследования классический: сравнительно-правовой анализ, формально-логический, конкретно-исторический и системно-функциональный методы.

**Результаты исследования.** В статье представлена авторская трактовка понятия «конфликт интересов», его сущность – конфликтная ситуация между общественно-правовыми обязанностями и частными интересами, которая провоцирует обстоятельства, при которых в угоду интересам одного субъекта наносится (потенциально и реально) вред правам, свободам и законным интересам других субъектов. Вывод: конфликтом интересов надо управлять, а значит своевременно выявлять, диагностировать, объективно оценивать возможные риски и негативные последствия, предпринимать адекватные организационные и правовые меры по урегулированию конфликтной ситуации. Если же человек на государственной службе не заботится в соответствии со своим статусом и полномочиями об общественном интересе и авторитете государства, а лишь о

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*своем благополучии, то такому не место во власти, в аппарате государственного и муниципального управления.*

***Обсуждение и заключение.** Совершенствование механизмов выявления, квалификации, урегулирования пресечения и наказания виновных, ликвидация негативных последствий конфликта интересов - стратегически важная и достаточно сложная задача, которая стоит не только перед государством, правоохранительной системой и органами местного самоуправления, но и перед бизнесом, институтами гражданского общества и каждым гражданином. Ее решение требует систематического в мониторинговом режиме наблюдения, всестороннего анализа, решительных и согласованных действий.*

### Понятие конфликта интересов и его нормативное закрепление

Наукой административно-правового регулирования служебных отношений суть конфликта интересов определяется как ситуация, когда субъекты служебного взаимодействия одновременно выступают в двух конкурирующих между собой ипостасях, порождающих столкновение взглядов, оценок, устремлений и интересов, как конфликт должного и сущего, законного и противоправного, нравственного и безнравственного. Представлено нормативное определение конфликта интересов и в международном праве. В ст. 13 Рекомендации № R(2000)10 Комитета Министров Совета Европы конфликт интересов трактуется как ситуация, когда государственный служащий отдает приоритет личному интересу, могущему повлиять или показаться влияющим на беспристрастное и объективное исполнение им своих официальных обязанностей. Подчеркивается (ст. 8), что каждый госслужащий «должен стремиться к тому, чтобы не возникало конфликтов между частными интересами и выполняемыми им служебными обязанностями». В ряде стран даже приняты специальные законы о конфликте интересов, введены должности государственного комиссара (министра) по конфликту интересов и служебной этике.

В нашей стране понятие «конфликт интересов» в теорию государственного строительства, правовую политику и управленческую практику вошло совсем недавно и стало еще одной важной новеллой юридической науки. Зародился термин в недрах законодательства об акционерных обществах и первоначально использовалось лишь применительно к регулированию деловых отношений в сфере хозяйственно-экономической деятельности, частного предприниматель-

ства и рынка ценных бумаг. Позже получил нормативное закрепление в федеральных законах «Об обществах с ограниченной ответственностью» (ст.45), «О сельскохозяйственной кооперации» (ст.38), «Об инвестиционных фондах» (ст.44), «Об ипотечных ценных бумагах» (ст.43), «О рынке ценных бумаг» (ст. 3), «О некоммерческих организациях» (ст. 27), «Об автономных учреждениях» (ст.16). При этом никакого специального для сферы гражданско-правового и трудового регулирования определения «конфликт интересов» не вводилось. Тракттовался конфликт исключительно как негативно-нежелательный явление, содержащее серьезный коррупционный потенциал и посему подлежащее нейтрализации всеми доступными средствами - юридическими, экономическими, воспитательно-просветительскими. Причем не только по факту возникновения конфликта, а заблаговременно, до того как конфликтная ситуация спровоцирует реальный ущерб интересам общества, государства или отдельных граждан.

Что касается публичного управления и государственно-служебных отношений, то впервые термин «конфликт интересов» был использован Президентом Российской Федерации в Указе от 12 августа 2002 г. № 885 «Об утверждении общих принципов служебного поведения государственных служащих». Позже получил закрепление в федеральном законе от 27 июля 2004 г. № 79-ФЗ «О государственной гражданской службе». Конфликт интересов был представлен как ситуация, при которой личная заинтересованность гражданского служащего влияет или может повлиять на объективное исполнение им должностных обязанностей и при которой возникает или может возникнуть противоречие между личной заинтересованностью гражданского служащего и законными интересами граждан, организаций, обще-

ства, субъекта Российской Федерации или Российской Федерации, способное привести к причинению вреда этим законным интересам граждан, организаций, общества или государства. Причем вреда существенного, затрагивающего нередко базовые экономические, политические и социально-нравственные устои общества и государства.

Сейчас его трактовка несколько изменилась, стала более совершенной. В федеральном законе от 25 декабря 2008 г. № 273-ФЗ «О противодействии коррупции» (ст.10) конфликт интересов представлен как «ситуация, при которой личная заинтересованность (прямая или косвенная) лица, замещающего должность, замещение которой предусматривает обязанность принимать меры по предотвращению и урегулированию конфликта интересов, влияет или может повлиять на надлежащее, объективное и беспристрастное исполнение им должностных (служебных) обязанностей (осуществление полномочий)». Тем самым официально было признано, что конфликт интересов явление не надуманное и не второстепенное, а действительное и социально неприемлемое, требующее самого пристального внимания ученых. Конфликт интересов, как правило, носит внесистемно-противоправный характер, зарождается в тот момент, когда чиновник, политический деятель или другое должностное лицо, члены их семей, родственники или близкие усматривают в исполнении (неисполнении) соответствующих статусных полномочий личную корыстную заинтересованность. Исключение составляют лишь случаи, когда инициатором и материальным носителем конфликтной ситуации является сторона, стоящая на позиции закона и общественных интересов, поддержки и стимулирования бизнеса, защиты прав и свобод, человека и гражданина.

Позже в соответствии с требованиями Федерального закона от № 5 октября 2015 г. № 285-ФЗ «О внесении изменений в отдельные законодательные акты Российской Федерации в части установления обязанности лиц, замещающих государственные должности, и иных лиц сообщать о возникновении личной заинтересованности, которая приводит или может привести к конфликту интересов, и принимать меры по предотвращению или урегулированию конфликта интересов» и указа Президента Российской Федерации от 11 августа 2016 г. № 403 «Об Основных направлениях развития государственной гражданской службы Российской Федерации на 2016-2018 годы». Необходимые поправки

были внесены в КоАП, Трудовой кодекс Российской Федерации и в целый ряд федеральных законов. В том числе о государственной гражданской и муниципальной службе, об особенностях прохождения федеральной государственной гражданской службы в системе Министерства иностранных дел, органах внутренних дел. Коснулись поправки всех нормативно-правых актов, регулирующих а) статус, полномочия и порядок функционирования прокуратуры и следственных органов, Судебного департамента при Верховном Суде Российской Федерации и Центрального банка; б) систему и общие принципы организации законодательных (представительных) и исполнительных органов государственной власти субъектов Российской Федерации; в) статус члена Совета Федерации и статус депутата Государственной Думы Федерального Собрания Российской Федерации; г) основные гарантии избирательных прав и права на участие в референдуме граждан Российской Федерации.

Конфликт интересов был выделен в специальную группу социальных конфликтных проявлений и представлен как особый вид столкновения различных ценностных ориентаций, мотивов и позиций, как высшая точка обострения противоречий между личной заинтересованностью и законом, между частным и общественным интересом. Конфликт интересов с его коррупционной составляющей был квалифицирован как «существенно сдерживающий фактор реализации концепции общественного служения» – концепции, которая получила широкое мировое признание [10. Р. 738-747] и была положена в основу отечественной государственной службы. Тем самым были существенно расширены границы применения понятия «конфликт интересов». Его действие было распространено на все отношения, связанные с исполнением должностных обязанностей лицами, которые по своему статусу должны сообщать о возникновении или возможности возникновения конфликта интересов, а также принимать меры по предотвращению или урегулированию такого рода конфликтных ситуаций.

Указанное требование коснулось практически всех должностных лиц, наделенных публичными полномочиями. Прежде всего лиц, замещающих государственные должности федерального уровня и государственные должности субъектов Российской Федерации, должности государственной и муниципальной службы, работников государственных корпораций, публично-право-

вых компаний, государственных фондов и госкомпаний. Тем самым был нанесен ощутимый удар по «теневому праву» в сфере неформальных, в подавляющем большинстве случаев коррупционно-корыстных отношений.

### Сложности и проблемы правового регулирования

Тем не менее, нельзя не признать, что законодательная база выявления и контроля конфликта интересов, научная традиция исследования «диалектики соотношения интересов исполнения должности, интересов общества и интересов гражданина в нашей стране пока лишь складывается. Понятие конфликт интересов нередко используется с «различной смысловой нагрузкой», далеко не всегда совпадающей с закрепленным законом пониманием и действующими нормами [7; 2. С. 127]. «Коллизия интересов», «личная заинтересованность», «коррупция как материальное проявление конфликта интересов», стали предметом научных исследований Г.В. Атаманчука, В.В. Астанина, А.В. Куракина, В.В. Лунеева, А.Ф. Ноздрачева, И.В. Понкина, Э.В. Талапиной, А.М. Циррина, С.Е. Чаннова, Т.Я. Хабриевой. Их труды содержат достаточно серьезный научный потенциал и заслуживают соответствующего внимания, особенно доказательная база того, что конфликт интересов в значительной степени является порождением несовершенства законодательства, отсутствия должной правовой культуры и безответственности, а последствия весьма ощутимы – низкое качество исполнения должностных полномочий, подрыв нравственных основ власти и государственной службы, игнорирование общественного и государственного интереса.

Немаловажное значение в части сравнительного философско-социологического и научно-правового исследования проблем конфликта интересов имеют работы правозащитной направленности А.Г. Авторханова, М.С. Восленского, А.А. Зиновьева, А.Д. Сахарова, А.И. Солженицына, их анализ разрушительной сущности бюрократизма и коррумпированной бюрократии. Значимость их работ особо существенна, если учесть, что в советской науке конфликт интересов коррупционного содержания практически не исследовался. Учитываются также научные наработки зарубежных авторов. Прежде всего концептуальные основы конфликтологии Р. Дарендорфа, анализ причин конфликтных ситуаций в административной практи-

ке М. Вебера, трактовка права как механизма защиты и обеспечения «защищенного интереса» Р. фон Иеринга, социологии конфликтов Л. Козера, К. Боулдинга, Дж. Бернарда, выделения в конфликте интересов источника оптимизации структуры управления (П. Друкер). Особенно важны для практики их доказательства девиантности конфликта интересов и его проявления как патологии служебной сферы и как отклонения от установленного законом порядка.

Тем не менее, научно-доктринальное толкование категории «конфликт интересов» далеко не безупречно, а его юридическое обоснование – не исчерпывающее. Многие положения носят фрагментарный, нередко декларативно-оценочный характер [4. С. 529]. Особенно в части обоснования существенных характеристик, выявления, профилактики, выявления причин и разрешения конфликтов, работы соответствующих комиссий и правоохранительных структур. Хотя соответствующие наработки (социально-философские, юридические, экономические, теоретико-управленческие, этические) имеются и их немало [Примечание 1], юридическое закрепление указанного понятия обеспечено нормами международного права и законодательством национального уровня. Сказывается и наследие социалистического прошлого, когда все общественные противоречия общества развитого социализма считалось пережитком монархически-капиталистического прошлого, рассматривалась с позиций бесконфликтности и отсутствия антагонизмов, представлялось принципиально чуждым для государства народной демократии явлением.

Сейчас явление конфликта интересов, его признаки, условия и причины возникновения, формы, базовые компоненты, субъектный состав и предметная область, особенности проявления, природа, динамика, методы и технологии регуляции исследуются и в дальнейшем ждут своего углубленного научного анализа, причем как с точки зрения социально-философского осмысления и юридической интерпретации, так и на уровне индивидуально-психологическом, личностном. С учетом того, что настоящий общественный интерес – это общественное согласие, социальная стабильность, духовность и нравственная культура. Интерес государства – законность, прочность конституционного строя, государственный суверенитет, территориальная целостность, прочный правопорядок, взаимовыгодное международное сотрудничество. Интерес организации – ста-

бильность статуса, экономическая устойчивость, успешная реализация производственных и иных корпоративных целей.

В таком же ключе представляется здоровый личный интерес. Как, по Г. Гегелю, «момент субъективной единичности и главный мотив деятельности человека» [1. С. 288], реальная, гарантированная государством возможность реализации каждым человеком своих естественных и приобретенных прав, гарантированность личной свободы и безопасности, достойное качество жизни. Реализация здоровых (благоразумных) личных интересов способствует духовно-нравственному и статусному росту личности, формирует в обществе конструктивно-критическое отношение к господствующим в данной среде ценностям и установкам. Отсюда важность задачи формирования значимых, социально созидających и морально прочных мотивов поведения, воспитания готовности, способности и умения действовать рационально в законодательно установленных рамках реального, а не бюрократического сочетания интересов.

Конфликтом в любом его содержательном наполнении, любого уровня и формы надо управлять, и это большое искусство. Можно даже сказать, что реагирование на конфликт интересов может квалифицироваться как «вершина управленческого искусства» [9. С. 214]. Возможность конфликта интересов надо предвидеть, просчитывать соответствующие риски, неопределенности и патологии, прогнозировать негативы и адекватно на них реагировать. Учитывая при этом, что конфликты интересов различаются не только по источникам и степени зрелости, но и социальной опасности. Проявляются они тоже по-разному. Это может быть конфликт а) реальный (действительный), б) с определенной степенью вероятности (возможный) и в) создающий видимость антагонизма интересов (кажущийся). Видимость конфликта интересов сохраняется до тех пор, пока недобросовестность, необъективность, пристрастность и личная заинтересованность не доказана в установленном законом порядке.

### Признаки конфликта интересов

Конфликт интересов может быть двусторонним, трехсторонним и многосторонним, элитного и среднего и бытового уровней, предполагает как победившую, так и пострадавшую сторону. Предмет – материальная выгода, плата за молчание, создание «благоприятных» условий. Проявляется в

форме реализации конкретных, чаще всего коррупционных договоренностей, мошеннических и бюрократических схем – взяточничество, подкуп (активный и пассивный), подарки, отсутствие реакции на правонарушения с целью повязать круговой порукой и держать конфликтную ситуацию под контролем, покупка благосклонности, плата за риск быть привлеченным к ответственности. Подключаются также инструменты шантажа и угроз.

Нередко в целях более надежной защиты от ответственности выстраиваются вполне легальные и внешне законные конструкции. В условиях конфликта интересов в выигрыше (пусть даже временном и стратегически сомнительном) оказываются «договаривающиеся стороны» – принципал и агент, взяточдатель и взяточполучатель, недобросовестный чиновник и заинтересованный бизнесмен, лоббист и заказчик, контролер-бюрократ и стремящийся уйти от ответственности подконтрольный. Их отношения до поры до времени взаимовыгодны и привлекательны для обеих сторон, хотя и не лишены определенного морального дискомфорта – неправда, несправедливость, мздоимство и лихоимство никогда и никем нормальным явлением не считались. Тем более откровенный обман или мошенничество в отношении «партнера», вымогательство и циничный коммерческий подкуп. А вот пострадавшей стороной конфликта интересов всегда оказывается общество, государство, честные чиновники и добросовестные граждане, отдельные организации и социально ориентированный законопослушный бизнес.

Всем этим определяются основные признаки конфликта интересов:

- приоритет личной заинтересованности (прямой и косвенной, имущественной материально-финансовой и неимущественной – карьерный рост, стремление приукрасить или что-то скрыть, получить взаимную услугу, заручиться поддержкой, скрыть свою некомпетентность) над общественным интересом. В ситуации конфликта интересов каждый субъект совершает свой выбор, но со стороны инициатора и источника конфликта интереса стратегия личного интереса и личной заинтересованности демонстрирует свой приоритет и свое превосходство;
- необъективное, пристрастное и осознанное ненадлежащее (некачественное и неэффективное) исполнение конкретных должностных полномочий и общих служебных обязанностей как сторонами коррупционной сделки, так и тех, кто не проявляет

должной активности в разрушении условий, порождающих конфликт интересов. В борьбе мотивов в таком случае побеждает не интерес добросовестного, качественного и высокоэффективного служения, а корысть и частный интерес. Причем отсутствие прямого умысла в таком случае не играет существенной роли и не является смягчающим обстоятельством. Именно поэтому государство во имя торжества общественного интереса определяет «круг предписанного поведения», вводит соответствующий перечень ограничений и запретов, в соответствии с которыми каждый занятый в аппарате публичного управления от самого высокого уровня донизу лишаются значительной части своих политических, экономических и гражданских прав и свобод. В том числе возможности заниматься политикой и предпринимательской деятельностью, получать дополнительный доход по акциям и другим ценным бумагам, представлять и защищать интересы третьих лиц в государственных структурах, открывать счета в зарубежных финансовых структурах;

- стремление к незаслуженным благам и преимуществам, с одной стороны, и причинение вреда законным интересам, с другой стороны, т.е. нанесение реального материального и морального вреда обществу, государству, организациям и гражданам. Поэтому никакого компромисса в деле урегулирования конфликта интересов с целью «мирного и обоюдно заинтересованного удовлетворения интересов» не может быть в принципе;

- сложность, многоступенчатость и многогранность - конфликт интересов не есть нечто простое, изолированное, разовое и понятное. Он носит латентный скрытый характер, выступает не как единичный акт злоупотребления правом или статусно-должностными возможностями. Это широкое пространство со множеством различных ситуаций и практик, в которых задействовано великое множество субъектов с разного рода статусами, амбициями и возможностями;

- рентостроительство. Конфликт интересов – это не только устремленность к рентным преимуществам, а прежде всего формирование выгодной и нужной нормативной базы, гибких межличностных связей и каналов доступа к ресурсам, системы прикрытия и защиты, отработка соответствующих алгоритмов распределения и перераспределения корыстных, прежде всего противоправных коррупционно обеспеченных доходов. По-

ведение в условиях конфликта интересов, поэтому всегда аморально и на сущностном уровне противоречит принципам правового государства с его ценностями «законности», «блага», «справедливости» и «служения общей пользе».

Сигналы конфликта интересов многообразны, конкретны и, в принципе, легко узнаваемы. Для занятого в системе публичного управления номенклатура практических признаков склонности к коррупционному конфликту интересов достаточно широкая. Это прием мелких подарков, регулярные ходатайства о приеме на работу знакомых, отдых в дорогих гостиницах, частое приобретение предметов роскоши, увлечение дорогими приемами и презентациями. Для работника частного сектора - отказ от назначения на новую должность, даже с повышением и большей оплатой, организация закупок для нужд компании у знакомого поставщика, закупки по заниженным расценкам, частые списания товаров, оплата закупок наличными средствами. За всем этим всегда скрывается одно: сознательное подчинение общественного интереса интересу частному; скрытность замыслов; двойной стандарт как образ жизни; стремление скрыть (объяснить, обосновать) недостойное поведение тем или иным объективным фактором; стремление застраховать себя от ответственности некой юридической нормой [Примечание 2].

### Субъектная составляющая конфликтной ситуации

Целью конфликтно-корыстной ситуации является соответствующая рента - противоправные сборы денежных средств и имущества, безвозмездное противоправное использование услуг имущественного характера в корыстных целях должностными лицами и служащими государственных и муниципальных органов. В совершение корыстных сделок может быть вовлечено одновременно множество субъектов, причем не только из одного, а из нескольких государственных и муниципальных структур, неправительственных организаций, бизнес-сообщества. Коррупционному соблазну может быть подвержен субъект любого уровня и любого правового статуса, особенно тот, кто обладает реальной возможностью решать, разрешать и надзирать, по своему усмотрению распределять, перераспределять, контролировать и перемещать.

В процессе коррупционного взаимодействия складываются благоприятные условия

для формирования различных скрытых систем. В одном случае хозяином коррупционной схемы является чиновник, а остальные - его клиентами, в другом - наоборот - бизнес и частное лицо берут под контроль власть и структуры публичного управления. Частный интерес в этом случае занимает доминирующие позиции. Но чаще всего ведущую роль все-таки играют те, кто обладает властными полномочиями, занят в государственных и муниципальных органах. Бизнесмены в большинстве случаев вынужденно вовлекаются в коррупционные отношения - атмосфера коррупционности чаще всего «осложняет» их жизнь, мешает нормальной предпринимательской деятельности. Чиновник же практически ничем не рискует. Оплачивает коррупцию, в конечном итоге, государство, общество и простые труженики. Прежде всего те, кто производит материальные блага и услуги.

Характеристика конкретных категорий субъектов конфликта интересов представлена в соответствующих нормативно-правовых актах национального законодательства и в документах международно-правового уровня, в том числе в Конвенции ООН против коррупции (ст. 2) и Конвенции Совета Европы об уголовной ответственности за коррупцию (ст. 1). К субъектам конфликта интересов как материальным носителям, источникам и сторонами корыстных отношений можно отнести достаточно широкий круг физических и юридических лиц, неформальных и специально организованных групп.

Ведущей стороной, например, коррупционного конфликта интересов выступают потенциальные и реальные носители коррупционного сознания и коррупционного действия. На другой стороне - противники коррупционного образа жизни. Это государство, государственные структуры, должностные лица, государственные служащие, комиссии по служебному поведению и урегулированию конфликта интересов, антикоррупционные комитеты, институты гражданского общества, противодействующие коррупции неправительственные организации. На одной стороне участники коррупционных сделок - получатели незаконных преимуществ, привилегий и выгод, на другой - жертвы противоправных корыстных действий. На стороне первых закон и легитимность, на другой - нарушение закона, произвол и безнравственность.

Конфликт интересов это особая коллизия, каждый субъект которой одновременно выступает в двух конкурирующих между со-

бой ипостасях - должностного лица, реализующего в соответствии с должностным статусом «публичные полномочия» и одновременно (при определенных обстоятельствах) правонарушителя, коррупционера и преступника, злоупотребляющего указанными полномочиями в своих личных корыстных интересах. Имеются в виду коррумпированные лица - политики, парламентарии, министры, судьи, губернаторы и другие, замещающие государственные должности лица; государственные и муниципальные служащие; главы муниципальных образований и депутаты органов местного самоуправления; должностные лица прокурорских, следственных, правоохранительных, налоговых и других органов государственной власти, представители государства в советах директоров государственных предприятий и корпораций. Немалым коррупционно-конфликтным потенциалом обладают должности нотариусов, адвокатов, владельцы, руководители и ответственные работники банковских структур, предприниматели, сотрудники коммерческих и некоммерческих организаций, аудиторы, лица, замещающие должности (назначаемые и выборные) во властно-управленческих структурах иностранных государств. В этом же ряду нередко оказываются родственники, близкие и друзья статусного лица, ставшего источником конфликта интересов.

Источником конфликта интересов нередко является и само государство. Убедительное доказательство справедливости такого утверждения - политика и практика ваучерной приватизации, долларизация экономики, эмиссионная стратегия периода радикальных рыночно-демократических реформ недавнего прошлого в нашей стране. В этом же ряду материальное и политическое стимулирование оппозиции, подкуп СМИ, снисходительно-одобрительное отношение к НКО в статусе зарубежных агентов. Коррупция в такой системе координат непременно превращается в *институционально-системное явление* (со своим механизмом мотивации, своей иерархией взаимодействия и своей системой негласных, но твердых правил), в рамках которой коррупционное поведение из аномалии превращается в норму, становится органически вмонтированным в систему власти. Даже законодательный процесс становится инструментом закрепления позиций институциональной коррупции и лишения граждан реального права на защиту от мошенника и вымогателя.

Если речь идет о транснациональной коррумпции и ее экспорте [Примечание 3], то, как о субъекте конфликта интересов, можно говорить об иностранном государстве (в лице соответствующих правительств, госдепартаментов, специальных служб, финансово-банковских структур, частных компаний), а также о международных организациях (транснациональных корпорациях, фондах, институтах, международных финансовых структурах). В этом случае конфликт интересов носит не внутринациональный, региональный, местный или внутриведомственный, а крупномасштабный международный характер. Цель - оказать нужное экономическое, политическое, а если потребуется, то и военное влияние на руководителей и олигархию «подопечной страны». Обеспокоенность общества растущими масштабами коррупции и дискриминационных по отношению к своей стране решений легко и безнаказанно игнорируется. В случае опасности чиновникам (учитывая сложность правовых, коммерческих и налоговых механизмов, а также масштабы их коррупционных доходов), «не составляет особого труда или откупиться, или запугать тех, кто ставит их поведение под сомнение» [6. С. 254]. Главное обеспечить безопасность своих стратегий, даже несмотря на то, что они провоцируют серьезные конфликты интересов межгосударственного содержания.

Конфликт интересов - явление деструктивное и никакого отношения к ценностям демократии, права и социальной справедливости не имеет. Конфликт интересов порождает не только коррупцию и бюрократические извращения, но и массу других правовых, политических, финансово-экономических и моральных конфликтов. Деформирует государственные институты и обесценивает самые разумные политические начинания, поражает все здоровые силы общественного организма, порождает социально-нравственную неустойчивость, ставит человека в подконтрольно-зависимое положение. Недобросовестного чиновника при этом наделяет реальной возможностью (до поры до времени) бесконтрольно использовать должностные полномочия в собственных интересах, организовывать жизненные процессы по своему усмотрению и на свой корыстный лад. Именно поэтому принципиально важно своевременно выявлять, адекватно оценивать и разрушать условия, потенциально способные породить и реально порождающие конфликт интересов.

### Технологии и инструменты выявления и урегулирования конфликта интересов

Процесс выявления, урегулирования, разрешения и ликвидации последствий конфликта интересов - искусство особое, требующее серьезных профессиональных, организационных, волевых и нравственных сил. Особенно в части выявления, оценки и устранения причин и предпосылок корыстных правонарушений, их прогнозирования, предупреждения и своевременного пресечения [8. С. 249-275].

Российское административное законодательство и программные документы развития государственной службы предусматривают меры по созданию многофакторной системы нейтрализации конфликтности и формирования здоровой мотивации качественной служебной деятельности, по ее антикоррупционному очищению и дебиюкратизации. Основные направления: превенция, информационное обеспечение, контроль и соответствующие средства - комплекс соответствующих запретительных, заградительных, организационных и контрольно-надзорных мер. Прежде всего - мер, подтвержденных мировым и нашим отечественным опытом - просвещение, мотивация, профессиональное развитие, повышение правовой и нравственной культуры, обеспечение карьерного продвижения, грамотное освещение антикоррупционных практик в СМИ, карательное воздействие. Много позитивного обеспечивает, по примеру Канады, Сингапура и Хорватии, наличие специальных законов о конфликте интересов, специальных антиконфликтных структур в статусе министерства и специальных государственных должностей уполномоченных по служебной этике и конфликту интересов. В Италии и Испании функционируют, например, комиссии по оценке прозрачности, неподкупности органов власти и надлежащему управлению.

Немаловажную роль играют ведомственные комиссии по соблюдению требований служебной этики и урегулированию конфликта интересов - важнейшего связующего звена между государственными органами, кадровыми службами и соответствующими структурами правоохранительной системы. Прежде всего в части прогнозирования и диагностики конфликтных ситуаций, досудебного служебно-административного расследования обстоятельств возникшего (или возможного) конфликта интересов, участия в урегулировании конфликтной ситуации,

осуществления мер по предупреждению, профилактике и нейтрализации коррупционных практик, включая рассмотрение результатов контроля достоверности декларирования служащими доходов, расходов, имущества и имущественных прав. Главное, чтобы комиссии по своему качественному составу и практическим действиям были адекватны идеалам законности и социальной справедливости, руководствовались принципами презумпции невиновности, беспристрастности, конфиденциальности и коллегиальности.

При этом нельзя не признать, что механизм разрешения конфликта интересов в административном законодательном процессе в нашей стране пока не сформирован, многие его составляющие, особенно касающиеся взаимодействия лиц, отстаивающих интересы бизнеса и государственной власти, носят непрозрачный, а во многом и вовсе кулуарный характер [5. С. 65].

О наличии серьезных резервов совершенствования практики нейтрализации конфликта интересов и активизации антикоррупционной деятельности свидетельствует исследование корреляции причин и условий распространения коррупции, криминотропных коррупционных рисков, запланированных антикоррупционных мер и эффективности их реализации учеными Института законодательства и сравнительного правоведения при Правительстве Российской Федерации. Объект исследования - законы, стратегии, программы, планы и отчетная документация двадцати федеральных и региональных органов исполнительной власти. Было выявлено 60 причин и условий возникновения и распространения коррупции, намечено и взято под контроль исполнения 97 мер (экономические, социальные, правовые, административно-институциональные, политические, культурно-исторические) базового и вспомогательного характера, направленных на их устранение и минимизацию. В итоге оказалось, что для устранения (минимизации) трети причин не было предусмотрено ни одной действенной антикоррупционной меры, а большинство из намеченных мер противодействия негативам конфликта интересов носит административно-институциональный характер (40,2%). Доля мер образовательного и культурно-просветительского социально-психологического характера не превышает одного процента.

Степень влияния запланированных мероприятий нейтрализующего воздействия на причины (условия) возникновения кон-

фликта интересов, по оценкам исследователей, составляет 44,9%. Не случайно потенциальная результативность деятельности по реализации федерального антикоррупционного законодательства недостаточна и не превышает 45%. Потенциальная действенность экономических мер - 29,2%, правовых - 53,75%, социальных - 48,6%, административно-институциональных - 60,0%, политических - 24,6%, культурно-исторических - 47,2% [5. С. 118-155]. Реальная действенность соответствующая: в 2018 г. зарегистрировано 30 495 преступления коррупционной направленности, каждое девятое-десятое из них - корыстное злоупотребление в крупных и особо крупных размерах. Средняя сумма взятки достигла 609 тыс. рублей. Общая сумма мздоимства только по выявленным делам по ст. 290 УК Российской Федерации составила 1,8 млрд рублей [3] - еще одно свидетельство масштабности коррупционной конфликтности российского правового пространства.

#### **Вывод: конфликт интересов - новелла российского административного права**

Многое на направлении предотвращения конфликтов интересов и борьбы с коррупцией предстоит еще сделать, исправить и усовершенствовать. Причем диапазон достаточно широкий - от решения проблемы лоббизма до создания более действенной правовой модели балансирования интересов различных социальных, экономических и политических групп, аппаратных структур и объектов управления, чиновников и государства. Требуют уточнения понятия «личный интерес» (особенно в части неимущественной, нематериальной выгоды), «мнимый конфликт интересов», «коррупционный потенциал доверительного управления». Немало надежд связано также с планами по оптимизации численного состава государственной гражданской службы, дебиюкратизации управления и переходом к электронному межведомственному документообороту, с реализацией «Концепции снижения административных барьеров и повышения доступности государственных и муниципальных услуг», утвержденной распоряжением Правительства Российской Федерации от 10 июня 2011 г. № 1021-р.

Учитывается, конечно, все то полезное, что накоплено мировым опытом. Например, опыт ведения реестров факторов, потенциально способных породить конфликт интересов (Чехия); практика регулирования

служебных отношений с помощью специальных административных регламентов по предотвращению «недолжного соединения личных финансовых интересов и исполнения должностных функций» (Франция, Великобритания); результаты оптимизации расходов на госаппарат и рационализации фонда заработной платы за счет сокращения численности аппарата и введения гибкой поощрительной системы оплаты служебной деятельности (Новая Зеландия, Южная Корея); повышения роли этических кодексов и учреждения специальных административных структур по этике государственной службы, ужесточения дисциплинарных мер, штрафных санкций и уголовных наказаний за коррупционные злоупотребления (Германия, Китай, США). Такие практики, как свидетельствуют полученные результаты, позволяют минимизировать вероятность возникновения конфликта интересов и существенно сузить возможности использования административного ресурса в корыстных целях.

Не менее значим и опыт несколько иного содержания: принятие специальных законов о прозрачности государственных администраций и повышения эффективности информационно-аналитического обеспечения служебных отношений (Австралия, Ирландия, Испания, Финляндия, Франция); запрет чиновникам коммерческой деятельности, расширение номенклатуры дисциплинарных мер, штрафных санкций и уголовных наказаний вплоть до конфискации имущества (Германия, Норвегия, Таиланд, Швейцария); формирование в обществе атмосферы «абсолютной нетерпимости» к взяточничеству (Дания, Финляндия, Сингапур, Швеция). Вряд ли разумно сбрасывать со счетов также опыт иерархически выстроенной системы комитетов и комиссий партийного (а

также государственно-партийного в определенные годы) контроля в условиях социалистической системы государственного управления, их роли в обеспечении государственной дисциплины, борьбе с бюрократизмом и злоупотреблениями служебным положением (СССР, современный Китай, Куба).

У Российской Федерации свои особенности и проблемы. Не снята с повестки дня задача переналадки механизмов нейтрализации источников, причин, условий и последствий конфликта интересов. Прежде всего в части определения круга лиц, которые обязаны предоставлять информацию о доходах, расходах, имуществе и имущественных обязательствах, достоверности такой информации и способов ее использования; мониторинга рисков возникновения конфликта интересов; подключения к системе информирования о возможности или наличии конфликта интересов политических партий, профсоюзов, неправительственных некоммерческих организаций, других общественных объединений. Нуждается в уточнении также статус и полномочия комиссий по этике служебного поведения и урегулированию конфликта интересов. Необходимо также вернуться к вопросу способов и завершающих процедур предотвращения и урегулирования конфликта интересов, особенно на уровне лиц, замещающих государственные должности, должности высшего финансово-экономического управления и контрольно-надзорных полномочий. Не случайно в национальных планах противодействия реформированию государственной службы и противодействия коррупции особое внимание обращается на опасность элитной коррупции, на негативы избыточного государственного регулирования экономических отношений, низкий уровень этики ведения бизнеса.

### Примечания:

1. Рекомендуем обратить внимание на следующие работы: Ахметов Н.А. Конфликт интересов на государственной службе // *Власть*. 2013. № 12. С. 124-127; Казаченкова О.В. Административно-правовое регулирование разрешения конфликта интересов на государственной гражданской службе: антикоррупционные аспекты // *Административное и муниципальное право*. 2010. № 2. С. 64-70; Котелевская И.В., Моржакова К.Э. Антикоррупционная политика и деловая среда // *Государственная служба*. 2017. № 3. С. 31-35; Конфликт интересов на государственной и муниципальной службе, в деятельности организаций: причины, предотвращение, урегулирование: научно-практическое пособие / Отв. ред. А.Ф. Ноздрачев. М., 2018. – 224 с.; Михайлов В.И. Конфликт интересов: содержание, порядок предотвращения и урегулирования // *Журнал зарубежного законодательства и сравнительного правоведения*. 2017. № 4. С. 14-19; *Нравственное государство как императив государственной эволюции. Материалы Всероссийской научной конференции (Москва 27 мая 2011 г.)*. М., 2011. – 504 с; Русецкий А.Е. Тухватуллин Т.А. Профилактика коррупционных правонарушений в

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2. Достаточно полный перечень признаков коррупционного поведения и источников конфликта интересов, а также детальный их анализ представлен в монографиях Роуз-Аккерман С. Коррупция и государство. Причины, следствия, реформы / Пер. с англ. О.А. Алякринского. 2-е изд. М., 2010 - 356 с.; Государственное управление в условиях кризиса и санкционных ограничений: отечественный и зарубежный опыт. Монография / Под ред. Е.В. Охотского. М.: МГИМО, 2017 - 889 с.; Конфликт интересов на государственной службе в деятельности организаций: причины, предотвращение, урегулирование / Отв. ред. А.Ф. Ноздрачев. М., 2018 - 224 с.
  3. Транснациональная коррупция связана с лоббированием, подкупом, взяточничеством и санкционным давлением за пределами собственной страны, а также терпимым отношением и даже поощрением коррупционного поведения в развивающихся странах. Особое распространение получила в сфере, так называемого, «мягкого» политического давления, организации оранжевых переворотов, реализации глобальных экономических интересов, особенно в части торговли вооружениями, энергоносителями и передовыми технологиями. Значительная доля ее доходов вместе с финансовыми средствами госдепартаментов, спецслужб и специальных фондов идет на подкуп политиков, должностных лиц и чиновников, лидеров и активистов оппозиции и других публичных лиц, специально созданных НКО. Цель - подрыв авторитета и снижение влияния официальных властей и международных структур управления.

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## THE CONCEPT OF «CONFLICT OF INTEREST» IN THE ADMINISTRATIVE LAW OF THE RUSSIAN FEDERATION

**Introduction.** *The analysis of the nature, conditions and reasons for the occurrence and practice of resolving (preventing and settling) conflict of interest issues is not only an important applied, but also significant research problem. Situations related to conflict of interest issues, both in the public-state and private sectors, have given rise not only to special scientific research, but also to legislative regulation and managerial practice. A number of countries have adopted special laws on conflict of interest policy norms, established office of state commissioner for conflict of interest policy,*

*and introduced rules regulating employee conflict of interest policy.*

**Materials and methods.** *The source of the research is regulatory, theoretical, educational, scientific, journalistic works by domestic and foreign authors. The theoretical and methodological basis is the dialectical-materialistic approach to the analysis of the essence of social phenomena, the laws of their development, the features of legal regulation and the controlling effect on them. The research tools are classical: comparative legal analysis, formal logical, concrete historical and system-functional methods.*

**The results of the study.** The article presents the author's interpretation of the of "conflict of interests" concept. Its essence is a conflict situation between public law obligations and individual's interests, which provokes situations in which the interests of one person lead to potential or real harm to the rights, freedoms and legitimate interests of others persons. Conclusion: the conflict of interests must be managed, which means that it is timely to identify, diagnose, objectively assess possible risks and negative consequences, take adequate organizational and legal measures to resolve the conflict situation. If a public servant does not serve, in accordance with his status and powers, the public and the state, but only cares about his/her own well-being, then such public employees must be dismissed from public office.

**Discussion and conclusion.** Improving the mechanisms for identifying, qualifying, regulating the suppression and punishment of perpetrators, eliminating the negative consequences of breaching the conflict of interest policy are strategically important and rather difficult tasks that challenge not only the state, the law enforcement system and local authorities, but also business, civil society institutions and every citizen. Its solution requires systematic monitoring, comprehensive analysis, decisive and coordinated actions.

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#### Ключевые слова:

государственная служба, власть, законность, конфликт интересов, корысть, коррупция, личный интерес, механизм урегулирования конфликта интересов

#### Keywords:

civil service, power, legality, conflict of interest, self-interest, corruption, personal interest, conflict of interest settlement mechanism

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Article

# МЕХАНИЗМ РЕГУЛЯТОРНЫХ «ПЕСОЧНИЦ» ДЛЯ ВНЕДРЕНИЯ ЦИФРОВЫХ ИННОВАЦИЙ: ОПЫТ ВНЕДРЕНИЯ ЭКСПЕРИМЕНТАЛЬНЫХ ПРАВОВЫХ РЕЖИМОВ НА НАЦИОНАЛЬНОМ И НАДНАЦИОНАЛЬНОМ УРОВНЕ

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*Введение. В настоящий момент так называемые регуляторные «песочницы» (англ. Regulatory Sandbox) активно применяются во многих зарубежных странах. Суть института сводится к введению особого правового режима, позволяющего хозяйствующим субъектам, занимающимся разработкой новых продуктов и услуг, проводить в ограниченной среде эксперименты по их внедрению без риска нарушения действующего законодательства<sup>1</sup>. В Российской Фе-*

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дерации в условиях реализации национальной программы «Цифровая экономика Российской Федерации» актуальным является равноускоренное развитие цифровых инноваций и соответствующего правового регулирования. Реализация стратегий цифрового развития международных группировок – ЕАЭС, СНГ, БРИКС – представляется новым вызовом для совместного экономического развития.

**Материалы и методы.** В исследовании использовались нормативные и нормативно-правовые акты Российской Федерации и зарубежных стран, а также национальные и наднациональные стратегии экономического развития. В качестве основных исследовательских методов использовались методы обобщения, сравнения, качественного и дискриптивного анализа, а также метод анализа ситуаций (кейс стади).

**Результаты исследования.** В результате проведенного исследования были выявлены основные формы регуляторных экспериментов, используемые в современной практике государственного управления. Было установлено, что формы правовых экспериментов (включая регуляторные «песочницы») являются эффективным инструментом регулирования общественных отношений, возникающих в условиях цифровой экономики. Авторам исследования удалось определить основные «сквозные» технологии, являющиеся объектом экспериментального регулирования в международной практике. В статье определены критерии успешной реализации концепции наднациональных регуляторных «песочниц», действующих одновременно на территории нескольких юрисдикций.

**Обсуждение и заключение.** В исследовании обосновано применение экспериментальных правовых режимов в условиях цифровой экономики; проведен анализ основных направлений экспериментального регулирования; определены принципы функционирования и дизайна регуляторных «песочниц»; выявлены направления экономической деятельности, нуждающиеся в применении инструментов регуляторной «песочницы» для развития цифровых инноваций.

## Введение

В современной практике управления инновационным развитием национальной экономики можно выделить две значимые глобальные тенденции: уменьшение внедренческого цикла (современные инновации имеют значительно более короткий жизненный цикл, проходя стадии от опытного образца до ликвидации производства и последующей замены новой технологией в срок, иногда не превышающий 12 месяцев) и усложнения регулирования как ответ на все более усложняющуюся структуру общественно-хозяйственных отношений, а также воздействием процессов глобализации (что выражается в делекализации общественно-правовых отношений). При этом с практической точки зрения указанные тенденции противоречат друг другу, препятствуя эффективному и быстрому внедрению инноваций. Результатом является поиск более «гибких» или менее развитых в регуляторном плане юрисдик-

ций или использование «теневых» инструментов – расчеты с помощью криптовалют и платформ, в экосистему которых включены расчеты в криптовалюте, а также финансирование инициатив через краудинвестинговые площадки и создание сервисов двойного назначения (например, создание мессенджера может сопровождаться имплементацией платежных сервисов).

## Исследование

В качестве ответа на этот вызов цифровой экономики разрабатываются новые экспериментальные подходы к регулированию, объединяемые термином «экспериментальные правовые режимы».

На данный момент основными инструментами экспериментальных правовых режимов являются:

- регуляторные «песочницы» (regulatory sandbox) [2];
- правовые акты с указанным сроком окончания действия (sunset provision) [3];

– регуляторные изъятия (regulatory waivers)<sup>2</sup>.

Экспериментальное регулирование не является принципиально новым инструментом в практике государственного управления. В юридической литературе XIX века можно найти определение «новых законов как экспериментов в своей сути, которые посредством практического применения ... должны доказать свою жизнеспособность и успешное применение в практической деятельности» [13]. В последние годы экспериментальное регулирование стало использоваться для создания правовой среды для функционирования возникших инновационных платформ услуг (цифровых сервисов) – пионерами такого подхода стали Uber и Airbnb [11].

Экспериментальное регулирование можно определить как правовое регулирование, осуществляемое в форме контролируемого эксперимента в рамках определенного срока в целях достижения определенной цели, достижение которой определяется в рамках анализа эффективности и результативности регуляторных мер [12]. Тем самым, экспериментальное регулирование характеризуется возможностью применения различных подходов и инструментов регулирования в

целях определения лучших из возможно достигаемых эффектов для экономики. В случае технологических инноваций правовые эксперименты приобретают новую функцию обеспечения возможности апробации эффективности (полезности) и безопасности технологии (товара или услуги) для общества в формате контролируемого эксперимента.

Можно привести следующие отличительные черты экспериментального регулирования:

Ограниченная сфера применения – четкое указание географических границ распространения нормы и ограничение количества потребителей товара или услуги. После проведения оценки результативности эксперимента регулирование может быть распространено на всю юрисдикцию.

Мониторинг и оценка эффектов регулирования – систематическая оценка хода экспериментов и сопутствующих эффектов в целях наработки эмпирической базы для вынесения заключения об эффективности регулирования. При этом в процесс оценки результатов мониторинга привлекаются как можно более разнообразные группы экспертов и общественности.

Рис 1. Механизм работы регуляторной «песочницы»



Источник: составлено авторами

<sup>2</sup> Регуляторные изъятия в США. [Электронный ресурс]. Режим доступа: <https://www.acus.gov/research-projects/regulatory-waivers-and-exemptions> (дата обращения 05.12.2019).

Ограничение во времени – правовой эксперимент имеет четко установленный срок окончания, как правило составляя от нескольких месяцев до нескольких лет. Срок правового эксперимента определяется с учетом жизненного цикла инновации, так как суть правового эксперимента в случае апробации инноваций заключается в том числе в создании правовых условий для их внедрения на рынок до утраты их коммерческой или исследовательской актуальности.

Повышенные требования к безопасности мероприятия – ввиду имманентных рисков правового эксперимента для всех мероприятий обеспечиваются дополнительные контрольно-надзорные действия.

Основным вызовом для регуляторов представляется определение формы и дизайна правового эксперимента, наиболее подходящего для вызовов технологических инноваций, особенно часто возникающих в условиях цифровой экономики. Ключевая характеристика правовых экспериментов для цифровых технологических инноваций – необходимость осуществления действий в условиях сильно ограниченного времени при отсутствии уверенности в эффективности предлагаемой инновации. В конвенциональных условиях органы власти обладают необходимым временем для проведения обсуждений на всех уровнях экспертизы и полномочий, а технологии к этому времени достигают более зрелого уровня. В случае правового эксперимента возникает новый риск угрозы инноваций для общества и экономики [8].

Представляется, что в случае технологических инноваций наиболее приемлемым инструментом правового эксперимента представляется механизм регуляторных «песочниц» (рис. 1).

Можно определить следующие основополагающие принципы регуляторной «песочницы» для цифровых инноваций:

1. Прозрачность процедур, совершаемых в рамках «песочницы»;
2. Целостность процедур – проведение всего правового эксперимента исключительно в рамках созданной для него «песочницы»;
3. Равноправие участников «песочницы» – отсутствие преференций и недостаточно обоснованных ограничений для участия;
4. Мониторинг оценка – обеспечение постоянного предоставления отчетов участников «песочницы»;
5. Должный уровень защиты прав потребителей – минимизация рисков для по-

требителей от деятельности организаций-резидентов «песочницы»;

6. Добросовестность проводимой предпринимательской деятельности как в рамках «песочницы», так и до вхождения организации в правовой эксперимент.

Также можно выделить основные свойства регуляторной «песочницы», обеспечивающие эффективность ее функционирования:

1. Срок принятия организации в регуляторную «песочницу» составляет от 2 недель до 6 месяцев, что позволяет упростить процесс тестирования инноваций (при этом определение предельного срока процедуры вхождения в «песочницу» является попыткой достижения баланса между эффективностью времени апробации и проведения процедур предварительной проверки как предлагаемой технологии, так и организации-заявителя).

2. Унифицированная форма заявки позволяет снизить сложность и срок процедуры вхождения в «песочницу» – как правило, заявка не отягощена юридическими вопросами (концентрируясь на описании предлагаемой технологии) и предлагается для заполнения в электронной форме, а обратная связь представляется в режиме «единого окна».

3. Единообразие критериев допуска в «песочницу».

Условно регулятивные «песочницы» в мировой практике можно разделить на 2 вида: «финтех-песочницы» и универсальные «песочницы» [7]. Первые работают с цифровыми инновациями в финансовой сфере – новые механизмы страхования, кредитования, финансового консультирования, краудфандинга (а также краудлендинга и клаудинвестинга), «цифровыми» и «мобильными» банками, микрофинансовой деятельностью. Вторые в свою очередь нацелены на более широкий спектр цифровых инноваций, применяемых в реальном секторе экономики – технологии больших данных, нейротехнологии и искусственный интеллект, системы распределенного реестра, квантовые технологии, новые производственные технологии, промышленный интернет, компоненты робототехники и сенсорики, технологии беспроводной связи, технологии виртуальной и дополненной реальностей. На данный момент самым распространенным видом являются «финтех-песочницы» [1]. Это объясняется как особенностями предмета регулирования (финансовая сфера традиционно является самой «зарегулированной» сферой экономики) [2], так и динамикой развития

финансовых технологий при значительной маржинальности финтех-технологий.

Первая регуляторная «песочница» была запущена в Великобритании. В первых двух потоках экспериментов уполномоченный орган (контрольное ведомство по финансовому надзору – financial conduct authority – FCA) получил 146 заявок, 50 из которых были допущены к участию в «песочнице». [9] К окончанию первой когорты «песочниц» в 2017 году осталась 41 организация. Ранний старт в практике правовых экспериментов и большое количество обработанных заявок и апробированных кейсов позволили уполномоченному органу собрать достаточное количество информации для составления представления о типах организаций, потенциально нуждающихся в механизме регуляторной «песочницы». Основным объектом изъятия в рамках экспериментального режима – лицензирование. Инструмент ограниченной лицензии, когда организациям предоставлялось ограниченное право применения технологии в условиях ограниченного рынка (объем ограничений и прочие спецификации устанавливаются для каждой организации в индивидуальном порядке) позволил сократить издержки при предоставлении финансовых услуг. Основной апробируемой «сквозной» цифровой технологией стала технология распределенного реестра [10].

Регуляторная «песочница» позволила организациям протестировать товары и услуги в условиях реального, но ограниченного рынка. При этом уполномоченный орган обеспечивает необходимые меры предосторожности, направленные на сохранение рыночной конкуренции и защиту прав потребителей. Одной из особенных мер предосторожности является обязательное требование предоставления плана выхода из «песочницы» для организаций-претендентов, что минимизирует потери потребителей, вовлеченных в эксперимент.

Соответствующие инициативы по внедрению регуляторных «песочниц» находятся на том или ином этапе внедрения в Сингапуре,

Малайзии, Австралии, ОАЭ и ряде других стран. Всего в мире существует более 20 национальных регуляторных «песочниц» [5].

В Российской Федерации функционирует регуляторная «песочница» Банка России, которая, согласно ведомственным документам, «обеспечит быструю проверку гипотез о положительных эффектах от внедрения инновационных финансовых технологий и сервисов для финансового рынка и потребителей, позволит выявить и проанализировать возможные риски и предложить меры по их устранению» [4]. В «песочнице» национального центрального банка апробацию проходят технологии сбора и обработки биометрических данных, распределенного реестра (в том числе криптовалют), искусственного интеллекта, открытые интерфейсы приложений (API), инструменты краудфандинга<sup>3</sup>.

Услуги, сервисы или технологии, которые прошли пилотирование в «песочнице», по итогам такого пилотирования либо внедряются посредством разработки соответствующих изменений в нормативные правовые акты, либо признаются нецелесообразными для внедрения для неопределенного круга лиц.

При этом опыт «песочницы» центрального банка представляется уникальным, так как участники «песочницы» не получают значительных регуляторных послаблений, а также вводит механизм «тестирования новых технологий без риска для потребителя»: создание виртуальных моделей финансовых и бизнес-процессов, симулирующих поведение продукта в открытых рыночных условиях. Только после этого этапа рассматривается возможность тестирования «пилота» в условиях ограниченного рынка. Однако второй этап является необязательным условием для изменения национального законодательства и завершения правового эксперимента.

Одной из проблем практики «песочницы» Банка России является недостаточное для составления выводов количество апробированных кейсов: за первый год работы ме-

<sup>3</sup> Банк России имеет официальный перечень предпочитаемых технологий для апробации (в порядке убывания значимости):

- распределенные реестры,
- большие данные и машинное обучение,
- биометрия,
- мобильные технологии,
- цифровой профиль,
- искусственный интеллект и роботизация,
- открытые интерфейсы.

ханизма «песочницы» было получено 23 заявки от организаций различного профиля<sup>4</sup>.

Объяснить на данный момент относительно невысокую эффективность «песочниц» Банка России можно следующим:

- Банком России не разработана необходимая нормативно-правовая база для полноценной реализации механизма регуляторных «песочниц» в масштабе страны;
- принятие проектов в «песочницу» основывается на интересах Банка России в реализации определенных технологий, а не в целях общего содействия цифровым инициативам;
- сравнительно высокие требования к потенциальным участникам «песочницы»;

Предполагается, что предлагаемый в законопроекте Минэкономразвития России «Об экспериментальных правовых режимах в сфере цифровых инноваций в Российской Федерации» механизм универсальной регуляторной «песочницы» позволит реализовать более масштабный и доступный механизм правовых экспериментов для цифровых инноваций, что представляется особенно востребованным в условиях реализации национальной программы «Цифровая экономика Российской Федерации»<sup>5</sup>. Законопроект направлен на определение круга участников экспериментального правового режима, целей, задач и принципов экспериментального правового режима, а также регулирует отношения, возникающие в связи с установлением и реализацией (включая изменение, приостановление, прекращение, мониторинг, оценку эффективности и результативности) экспериментального правового режима в сфере цифровых инноваций в Российской Федерации.

Новым этапом в реализации механизма регуляторных «песочниц» представляется создание международных интеграционных «песочниц», действие которых распространяется за пределы территории одного государства, но при этом сохраняются индивидуальные ограничения на тестируемую

технологии. Первопроходцем в области трансграничных регуляторных «песочниц» является Евразийский экономический союз (ЕАЭС), в рамках которого разрабатывается проект постановления об учреждении соответствующего механизма. Принципиальные отличия разрабатываемого проекта заключаются в следующем:<sup>6</sup>

- технология должна апробироваться на территории не менее двух государств - членов ЕАЭС;
- одним из результатов применения механизма «песочницы» должна стать гармонизация правовой базы стран - членов ЕАЭС.

Институт специальных правовых режимов позволит создать правовые основания для проведения экспериментов и пилотных проектов в рамках реализации цифровой повестки ЕАЭС.

На данный момент представляется преждевременным проводить оценку эффективности наднациональной инициативы, однако можно отметить, что механизм регуляторных «песочниц» является одним из самых эффективных средств реализации национальных или наднациональных стратегий развития рынка цифровой экономики.

Учитывая возрастающее значение международных связей в реализации инновационной политики страны, предлагается рассмотреть возможность реализации схожего механизма в рамках СНГ и группы БРИКС.

Главная отличительная черта кейса СНГ и БРИКС – отсутствие возможности создания единой правовой основы функционирования регуляторных «песочниц» в рамках не-интеграционных объединений. В свою очередь в СНГ действует Стратегия экономического развития СНГ<sup>7</sup>, обновленная версия которой включает вопросы цифрового развития пространства СНГ. В рамках БРИКС функционирует рабочая группа по вопросам конкуренции в условиях цифровой экономики, в деятельность которой активно вовлечена Федеральная антимонопольная служба Российской Федерации.<sup>8</sup> Предполагается,

<sup>4</sup> Регулятивная «песочница». Центральный банк Российской Федерации. [Электронный ресурс]. Режим доступа: [https://www.cbr.ru/fintech/regulatory\\_platform/](https://www.cbr.ru/fintech/regulatory_platform/) (дата обращения: 04.12.2019).

<sup>5</sup> Национальная программа «Цифровая экономика Российской Федерации». [Электронный ресурс]. Режим доступа: <http://government.ru/rugovclassifier/614/events/> (дата обращения: 05.12.2019).

<sup>6</sup> Регулятивные «песочницы» будут создаваться в ЕАЭС для реализации совместных проектов. [Электронный ресурс]. Режим доступа: <http://www.eurasiancommission.org/ru/nae/news/Pages/5-07-2018-1.aspx> (дата обращения: 05.12.2019).

<sup>7</sup> Стратегия экономического развития СНГ на период до 2020 года. [Электронный ресурс]. Режим доступа: <https://e-cis.info/page/3710/> (дата обращения: 05.12.2019).

<sup>8</sup> Рабочая группа БРИКС по исследованию вопросов конкуренции в условиях цифровой экономики. [Электронный ресурс]. Режим доступа: <https://brics-icc-2019.org/en/digital-markets> (дата обращения: 05.12.2019).

что в рамках председательства Российской Федерации в БРИКС вопросы кооперации в сфере цифровой экономики войдут в число приоритетных.

### Результаты исследования

Исследование позволило установить основные формы правовых экспериментов, применяемых для развития цифровых инноваций на национальном уровне. Механизм регуляторных «песочниц» как инструмент оптимизации регуляторной среды, нацеленный на определенную технологию, представляется наиболее удобным экспериментальным правовым механизмом для цифровых инноваций, возникающих в коммерческом поле так же быстро, как и меняющихся в течение коротких жизненных циклов. Передовые в плане цифрового развития страны уже активно применяют данный механизм и подводят первые итоги регуляторных экспериментов. В условиях сложной системы государственного регулирования Российской Федерации регуляторные «песочницы» требуют значительной проработки, однако можно логически утверждать, что позитивные экономические эффекты для инноваций в количественном выражении смогут перекрыть изначальные издержки «калибровки» механизма «песочниц». Не менее интересен пример кооперации стран в рамках реализации цифровой повестки. На примерах ЕАЭС, СНГ и БРИКС были проанализированы потенциальные механизмы реализации правовых экспериментов на международном уровне. Особенно стоит отметить опыт ЕАЭС, в рамках которого уже

разрабатываются основные положения первых в мире наднациональных регуляторных «песочниц». Подобный подход позволит в среднесрочной перспективе рассматривать возможность реализации наднационального проектирования экономических программ.

### Заключение

Реализация цифровой стратегии на национальном и наднациональном уровне требует подстраивания правового поля под принципиально новые технологические решения и следующую за ними трансформацию общественно-экономических отношений. Рост инноваций, катализируемый национальным и наднациональным программированием, требует инноваций со стороны регулирования. Одной из эффективных мер, направленных на ускоренное внедрение цифровых инноваций, является инструмент регуляторных «песочниц» - он уже зарекомендовал себя в ряде стран как надежный инструмент регуляторных технологий (RegTech). Опыт применения механизма регуляторных «песочниц» может быть распространен на объединения, в которых принимает участие Российская Федерация. Отдельного внимания требует случай ЕАЭС, в рамках которого разрабатывается принципиально новый для мировой практики механизм наднациональных интеграционных регуляторных «песочниц».

### Примечание:

*Исследование выполнено при финансовой поддержке РФФИ и АНО ЭИСИ в рамках научного проекта № 19-011-31343*

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## THE MECHANISM OF REGULATORY SANDBOXES FOR INTRODUCING DIGITAL INNOVATIONS: THE PRACTICE OF IMPLEMENTING EXPERIMENTAL LEGAL REGIMES AT NATIONAL AND SUPRANATIONAL LEVELS

**Introduction.** The legal mechanism of regulatory sandboxes is implemented in a number of countries to foster the development of the digital economy. Regulatory sandboxes act as a legal mechanism that allows introducing a special legal regime for new products and services and conducting experiments (with certain restrictions) with their practical usage without violating the national law. The national program "The Digital Economy of the Russian Federation" sets the goal of the development of digital innovations and the corresponding legal regulation. The implementation of transnational strategies of digital development for the EAEU, the CIS, BRICS is considered as a new challenge to the common economic development.

**Materials and methods.** The research is based on the national and international legal acts as well as on national and international strategies of economic development. Among the methods used are comparison, generalization, qualitative and descriptive analysis and case-study method.

**Results.** The study has identified the main forms of regulatory experiments that are implemented in the modern practice of public regulation. The paper proves that the various forms of regulatory experiments (including regulatory sandboxes) are an effective instrument of regulation of the digital innovations. The authors have found the main pass through technologies that are the object of

experimental regulation in international practice. The paper sets the criteria for a successful implementation of the concept of supranational regulatory sandboxes that are implemented in several jurisdictions simultaneously.

**Discussion and conclusion.** The study described the main patterns of implementation of regulatory sandboxes for digital innovations; the main characteristics of the regulatory sandboxes' design were revealed; the general economic activities that can be enhanced by the instrument of regulatory sandboxes for digital innovations were defined.

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### Ключевые слова:

цифровая экономика, регуляторные «песочницы», экспериментальные правовые режимы, инновационная политика, финтех, регтех, ЕАЭС, БРИКС, СНГ

### Keywords:

digital economy, regulatory sandboxes, experimental legal regimes, innovation policy, FinTech, RegTech, EAEU, BRICS, CIS

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# ПЕРСПЕКТИВЫ ЭКОНОМИЧЕСКОГО СОТРУДНИЧЕСТВА РОССИЙСКОЙ ФЕДЕРАЦИИ И РЕСПУБЛИКИ КОРЕЯ В КОНТЕКСТЕ РАСШИРЯЮЩИХСЯ ТОРГОВЫХ ВОЙН В СОВРЕМЕННОМ МИРЕ

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**Введение.** В статье рассматривается современное состояние экономического сотрудничества России и Республики Корея под влиянием основных тенденций развития мировой экономики в 2019 г. Представлен анализ достигнутых результатов российско-корейского взаимодействия с учетом осложнений внутриэкономической ситуации в каждой из стран. Дана оценка перспектив развития взаимного экономического сотрудничества в контексте сохраняющихся неблагоприятных трендов протекционизма и торговых войн в мире.

**Материалы и методы.** В исследовании применялись экспертный, статистический и сравнительный анализ; анализ эмпирических данных, а также методы индукции, дедукции, аналогии, обобщения.

**Результаты исследования.** В результате проведенного анализа были выявлены ключевые особенности экономического сотрудничества России и Республики Корея на современном этапе, дана оценка текущего состояния торговых и инвестиционных отношений двух стран; проанализированы перспективы дальнейшего развития двусторонних торгово-экономических связей с учетом внешнеполитических факторов и ситуации в мировой экономике.

**Обсуждение и заключение.** Как показало представленное исследование, наиболее востребованной сферой взаимодействия между странами традиционно является внешняя торговля. Значительную роль в развитии отношений России и Республики Корея играет внешнеполитическая составляющая. Актуальной представляется задача формирования согласованной стратегии долгосрочного экономического сотрудничества двух стран с учетом вызовов развития мировой и национальных экономик и достижения уровня «стратегического партнерства» в двусторонних отношениях в обозримом будущем.

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## Введение

Текущий год не был отмечен высокими достижениями в развитии мировой экономики. Напротив, как считают экономисты Организации экономического сотрудничества и развития (ОЭСР), он станет для мировой экономики худшим со времен кризиса 2008 г. Рост мировой экономики в 2019 г. замедлится с 3,6% до 2,9% в 2020 г. [6].

Торговая война США и Китая привела к замедлению роста мировой экономики до минимума за десять лет. Основными трендами для мировой экономики стали:

- угроза перерастания конфликта между США и Китаем в полномасштабную торговую войну, а также возможная рецессия экономики США из-за больших долгов американских компаний.

- понижение темпов роста американской экономики (по прогнозу ОЭСР) до 2,4% на 2019 год и до 2% на 2020 г., снижение ставок ФРС США, которое отчасти компенсирует негативное влияние внешних факторов;

- отсутствие сделки по «Брекситу», которое толкает британскую экономику в рецессию. В зоне евро темпы роста будут колебаться в районе 1% в 2019 и 2020 годах при заметном ослаблении его в Германии и Италии, зависящих от внешнего спроса [9];

- риски замедления развития экономики КНР. По прогнозу ОЭСР, в 2019 г., темпы роста экономики Китая составят 6,1% против 6,6% в 2018 г., а в 2020 году — 5,7%. Импорт Китая за год уже заметно снизился, а падение темпов роста ВВП на 2 п. п. будет эквивалентно замедлению мирового роста на 0,7% [12];

- глобальная торговля перестала расти в конце 2018 г., повышение пошлин мешает построению эффективных цепочек добавленной стоимости и снижает производительность.

Основные тренды, обозначившиеся в мировой экономике в 2019 г., оказали определенное влияние на характер торгово-экономических отношений Российской Федерации и Республики Корея (РК).

## Исследование

### *Оценка текущей экономической ситуации РФ и Республики Корея*

Прогноз роста российского ВВП на 2019 г. снижен с 1,4% до 0,9%, а на 2020 год — с 2,1% до 1,6% [2]. Для России замедление роста мировой экономики с неизбежным в этом случае падением цен на нефть является глав-

ным риском в ближайшие годы [5]. Но пока замедление роста учитывается в базовом сценарии ЦБ. Самое неприятное - это низкий рост российского экспорта, а значит, и доходов нефтяных и металлургических компаний.

Для Республики Корея в 2019 г. значительно ухудшились внешнеэкономические условия ее развития. На это серьезно повлияло следующее:

- заявление президента США Д. Трампа о прекращении действия для РК статуса развивающейся страны и соответствующих льгот в области защиты ее аграрного рынка, так как Республика Корея является членом ОЭСР и входит в десятку крупнейших экономик мира;

- принятие в июле 2019 г. японским правительством мер по ограничению поставок в Республику Корея трёх ключевых сырьевых материалов для производства полупроводников, а затем исключение РК из «белого списка» приоритетных торговых партнёров. Если Сеул и Токио не смогут договориться об улаживании конфликта, то в краткосрочной перспективе Республика Корея столкнётся с трудностями в производстве, а Япония - со снижением экспорта.

- решение администрации США не продлевать выведение ряда стран (в числе которых и Республика Корея) из-под нефтяных санкций против Ирана. Сегодня на Иран приходится 5,2% южнокорейского импорта нефти против 13,2% в 2017 г. Проблема в нефтеперерабатывающих компаниях, которые ввозят иранский газовый конденсат по низкой стоимости и с высоким содержанием нефти. Под влиянием США Республика Корея с прошлого года наращивает импорт дорогостоящих американских углеводородов. Ввоз этого товара из США сегодня превышает показатель Ирана [13].

Отрицательный эффект от торговой войны США и Китая, а также торговый конфликт Сеула и Токио, уже в этом году могут сократить объем южнокорейского экспорта на 20%. Однако этот негативный тренд пока не распространился на инвестиционную сферу. Благодаря ослаблению напряженности на Корейском полуострове, а также вследствие устойчивого роста мирового спроса на чипы памяти и продукты нефтехимической отрасли, приток иностранных инвестиций в Южную Корею увеличился. Объектом пристального внимания зарубежных инвесторов стал динамично развивающийся высокотехнологический сектор экономики РК, по уровню расходов на который страна

занимает пятое место в мире после США, Китая, Японии и Германии.

В первом квартале 2019 г. впервые после кризиса 2008 г. в Республике Корея был зафиксирован отрицательный экономический рост. Тревогу вызвала ситуация с ослаблением воны, курс которой упал до минимальной отметки за последние полтора года. Пока южнокорейская экономика имеет хороший фундамент защиты от внешних отрицательных факторов. Объем валютных резервов превышает 400 млрд. долларов, и по этому показателю страна входит в десятку мирового рейтинга. Кроме того, профицит торгового баланса сохраняется 87 месяцев подряд [13]. Но в целом, снижение темпов роста ВВП и экспорта, индекса производства в отдельных ведущих его отраслях, неопределенность в энергообеспечении являются тревожными симптомами для южнокорейской экономики, глубоко интегрированной в мировые производственно-технологические цепочки.

Экономическая политика Мун Чжэ Ина сделала ставку на рост за счёт увеличения доходов (валовой национальный доход на душу населения страны превысил 30 тысяч долларов, что удалось достичь через 12 лет после преодоления отметки в 20 тысяч долларов) [13]. Главная цель - поддержка роста частных компаний, повышение дохода домохозяйств и наращивание потребления, а за счёт частных инвестиций - увеличение числа рабочих мест. Однако результаты пока далеки от поставленных целей. Экспорт снижается, профицит текущего платёжного баланса оказался в первом квартале самым низким за последние шесть лет. А количество занятого населения составило 26 млн. 920 тыс. человек, что лишь на 97 тыс. человек больше, чем в предыдущем году. Рост потребительской активности за счёт обеспечения более высокого дохода домохозяйств неизбежно приводит к увеличению нагрузки на частный бизнес, а увеличение зарплаты на 10% не всегда означает рост потребления на те же 10%.

Сейчас в самом разгаре борьба США и Китая за получение лидерства в сфере 5G, которая является ключевой в войне за технологическую гегемонию. США пытаются склонить РК к прекращению партнёрских отношений с Huawei. На американском рынке в прошлом году импорт из Китая снизился на 24,7%, а из РК, напротив, вырос на 25%. От повышения пошлин в США на китайские товары выиграли РК, Тайвань, Вьетнам. Если в 2018 г. лидерами по доле на мировом рынке оборудования связи пятого поколения

5G были Huawei, Ericsson, NOKIA, Samsung Electronics, то в первом квартале этого года на первое место вышла компания Samsung Electronics.

#### *Состояние и новые тренды в отношениях РФ-РК в текущем году*

Россия и Республика Корея через год будут отмечать 30-летие установления дипломатических отношений. Республика Корея является одним из приоритетных партнеров России в Азиатско-Тихоокеанском регионе. Важную роль в развитии двустороннего сотрудничества играют регулярные контакты на высшем уровне. 21-23 июня 2018 года президент Республики Корея Мун Чжэ Ин посетил Россию с государственным визитом [7]. По итогам переговоров было принято Совместное заявление Российской Федерации и Республики Корея и подписан пакет межведомственных и корпоративных документов.

Республика Корея занимает восьмое место в российском товарообороте среди стран дальнего зарубежья и второе - среди торговых партнеров в Азии. По данным ФТС РФ, в 2018 году товарооборот России с Республикой Корея составил 24,841 миллиарда долларов, увеличившись на 29,1% по сравнению с 2017 годом. Экспорт России в Южную Корею составил 17,832 миллиарда долларов, импорт - 7,009 млрд. долл. [1]. По итогам января-апреля 2019 года объем внешней торговли России и Республики Корея составил 8,471 млрд. долл. [1], в том числе российского экспорта - 5,833 миллиарда долларов и импорта - 2,637 миллиарда долларов. Можно рассчитывать, что в текущем году товарооборот снова выйдет на примерно такой же уровень, хотя стоит задача его резкого увеличения до 30 млрд. долл. в 2020 г., которую наметили два президента во время визита президента Мун Чжэ Ина в Москву в июне прошлого года.

За истекших тридцать лет не произошло радикальных изменений в структуре взаимного товарооборота. В российском экспорте по-прежнему более 80% приходится на минеральные продукты, другие экспортные статьи - это продовольственные товары и сельскохозяйственное сырье, металлы и изделия из них, продукция химической промышленности, древесина и целлюлозно-бумажные изделия и др. То есть в основном товары сырьевые или с низкой добавленной стоимостью.

Российский импорт на более чем 60% представлен машинами, оборудованием и транспортными средствами, а также продукцией химической промышленности,

металлами и изделиями из них, продовольственными товарами, сельскохозяйственным сырьем и др.

Приходится отметить, что не произошло и прорыва в инвестиционной сфере сотрудничества, несмотря на усилия российского руководства повысить инвестиционную привлекательность, особенно Дальневосточного региона, и, казалось бы, сильную заинтересованность южнокорейского крупного бизнеса. Южнокорейские инвестиции в экономику России составляют 2,5 млрд. долл. Тем не менее, на российском рынке представлено более 150 крупнейших компаний из Южной Кореи, которые готовы вкладывать капиталы в промышленность, производство продуктов питания и сельское хозяйство, гостиничный бизнес.

Энергетика продолжает оставаться ключевой сферой двустороннего сотрудничества. В 2017 году южнокорейские потребители получили 12,5 млн. тонн нефти, около двух млн. тонн сжиженного природного газа и 26 млн. тонн угля [4]. Компании из РК содействуют освоению российских месторождений углеводородов в Арктике. Для транспортировки газа с предприятия «Ямал-СПГ» на южнокорейских верфях строятся 15 танкеров-газовозов ледового класса, 10 из них проект уже получил [4]. Обсуждается возможность участия корейских партнеров в проекте по добыче и сжижению газа «Арктик СПГ-2».

Во время встреч на высоком уровне обе стороны заявляют, что реализация планов развития регионов Сибири и Дальнего Востока России входит в число приоритетных направлений экономического сотрудничества России и Республики Корея. Но пока все ограничивается в основном проработкой вопросов участия южнокорейских компаний в проектах, реализуемых на территориях опережающего развития России и в свободном порту Владивосток, а также подключения Республики Корея к взаимодействию в рамках Арктического совета. В области сельского хозяйства Южная Корея и Россия ведут переговоры о предложенном корейской стороной проекте строительства рыбоперерабатывающего и логистического комплекса во Владивостоке [10].

В 2017 г. на Восточном экономическом форуме во Владивостоке президент Южной Кореи Мун Чжэ Ин выступил с инициативой навести с Россией «девять мостов». Концепция предусматривает взаимодействие в таких областях, как железные дороги, морские порты, энергетика, природный газ, аркти-

ческое судоходство, судостроение, сельское хозяйство, рыболовство, создание промышленных комплексов, экология, образование и здравоохранение. Планировалось, что Южная Корея и Россия в 2019 г. подпишут план реализации проекта «девяти мостов». Все перечисленные президентом РК направления сотрудничества в принципе не являются каким-то новым поворотом в развитии российско-южнокорейского взаимодействия и органично вписываются в российское видение эффективного сотрудничества в формате РФ-РК или РФ-РК-КНДР. Не хотелось бы думать, что контекстом этой инициативы, было стремление вызвать больше политический резонанс, чем нацелить на какие-то реальные экономические проекты.

В июне 2018 года президенты двух стран приняли совместное заявление о создании зоны свободной торговли (ССТ) между странами [8]. Предполагается, что заключение ССТ будет способствовать раскрытию транзитных возможностей России для транспортировки грузов южнокорейских компаний, привлечению инвестиций и технологий РК в энергетику, транспорт, судостроение, сельскохозяйственный комплекс.

6 сентября этого года в рамках V Восточного экономического форума при поддержке Фонда Росконгресс состоялся II Российско-Корейский форум межрегионального сотрудничества. Тема Форума – «Путь новых возможностей». На мероприятии обсуждались вопросы экономического взаимодействия 11 регионов Дальнего Востока России с территориальными образованиями Республики Кореи. 5 сентября также прошел бизнес-диалог «Россия – Республика Корея» с участием представителей органов государственной власти и предпринимателей двух стран.

На очередном заседании межправительственной комиссии по экономическому сотрудничеству двух стран, состоявшемся в Москве в конце сентября этого года, обсуждались вопросы подписания в следующем году соглашения о свободной торговле с Россией, а также возможность участия РК в проектах в сфере недропользования в регионах РФ [11].

### Результаты исследования

Можно отметить, что в настоящее время активно идет процесс институционализации инвестиционного сотрудничества. Создаются структуры, способствующие реализации в будущем крупных проектов, требующих больших финансовых фондов и коорди-

нации их обеспечения. Идея создания Российско-Корейского делового и инвестиционного совета принадлежит Комитету по северному экономическому сотрудничеству при Президенте Республики Корея. Работу корейской части совета координируют Корейское агентство содействия торговле и инвестициями (KOTRA) и Корейская торгово-промышленная палата (KCCI). Координатором деятельности совета с российской стороны выступает Агентство стратегических инициатив (АСИ). Более 180 компаний из 23 регионов РФ вошли в состав Российско-Корейского делового и инвестиционного совета. В их числе крупный бизнес - РЖД, Первая грузовая компания, СУЭК, Автодор, АЛРОСА, Россети, РОСНАНО. Корейская часть совета была сформирована в 2017 году. В нее вошли более 120 корейских компаний, представляющих как МСП, так и крупный бизнес (LOTTE, POSCO, Hyundai, Samsung, SK, KT, Woori Bank).

Учитывая важность для обеих сторон научно-технологического сотрудничества, РК и Россия активно создают информационные площадки. Так, в июне этого года в южнокорейском городе Инчхон прошла торжественная церемония открытия «Российско-корейского инновационного центра». Среди главных направлений работы центра названы поддержка сотрудничества в сфере передовых технологий, совместные исследования и разработки, обмен между стартапами, малыми, средними, венчурными предприятиями и пр.

Но можно ли считать, что переживаемые в настоящее время обеими странами трудности, порожденные кризисом глобальной экономики, приведут к активизации взаимного экономического сотрудничества?

С формальной точки зрения следует отметить, что обе страны в течение текущего десятилетия стремятся вывести отношения Москвы и Сеула на стратегический уровень, нацеливая сотрудничество между ними на наиболее приоритетные направления. Сегодня взаимодействие между двумя странами базируется на общности долгосрочных стратегических интересов и характеризуется высоким уровнем взаимопонимания и доверия. Значительный потенциал российско-южнокорейского инвестиционного взаимодействия по-прежнему связан с освоением на двустороннем и многостороннем уровнях минеральных и энергетических ресурсов России. В ближайшие годы сохранится взаимодействие в топливно-энергетической сфере - это касается и углеводородов, и

электроэнергии, и атомной энергии. Россия обеспечивает более 20% потребностей атомных электростанций Южной Кореи в обогащенном уране. Среди высокотехнологичных отраслей особое внимание обращено на медицину и биотехнологии. В поле зрения инфраструктурные региональные проекты, связанные со строительством автомобильных дорог и электростанций. Актуальны перспективы подключения РК к проектам сотрудничества в рамках Арктического совета, широкого участия южнокорейских судоходных компаний в освоении Северного морского пути, а южнокорейского бизнеса — в развитии его инфраструктуры. С учетом высокого уровня технологического развития и богатого опыта, накопленного РК в сфере специализированного судостроения и развития портовой инфраструктуры важно расширять взаимодействие в этой области.

Подтверждаем заинтересованность в реализации трехсторонних экономических проектов с участием России, РК и КНДР в транспортно-логистической, газовой и электроэнергетической сферах. Их успешное воплощение могло бы не только принести значительные дивиденды странам-участницам, но и внести весомый вклад в развитие межкорейских отношений, укрепление мира и стабильности на Корейском полуострове и в Северо-Восточной Азии в целом. Как известно, в наиболее продвинутом состоянии с точки зрения инфраструктуры находится железнодорожный участок Хасан-Раджин, который является пилотной частью крупного проекта по стыковке Транскорейской магистрали с Транссибом и предусматривает транспортировку российского угля на Юг Кореи с использованием передовых мощностей северокорейского порта Раджин (КНДР), налаженных еще в 2013 году. Россия добилась того, чтобы предусмотренное соответствующими резолюциями СБ ООН эмбарго на экспорт из КНДР полезных ископаемых не распространялось на уголь, добытый за ее пределами и транспортируемый из России через порт Раджин в РК и другие страны. Россия хотела бы, чтобы Южная Корея сняла свои санкции, которые она наложила на Северную Корею, нанеся большой ущерб проекту Хасан — Раджин и компании «Расонконтранс». Отмена санкций Южной Кореей, возможно, и стала бы той подготовкой, о которой говорил президент Мун Чжэ Ин еще в сентябре прошлого года на Восточном экономическом форуме (ВЭФ) во Владивостоке, когда предложил «заранее подготовиться к работе для привлечения Северной Кореи к трехсторонне-

му сотрудничеству» [3]. Российская сторона готова предоставить площадку Восточного экономического форума для обсуждения таких проектов, как строительство железнодорожного коридора, соединяющего северную и южную части Корейского полуострова, строительство энергомоста и газопровода из России в Южную Корею через территорию КНДР.

### Заключение

Политическая составляющая в последние годы играла определяющую роль не только для трехстороннего, но и двустороннего форматов сотрудничества России и РК, а решение ядерной проблемы считалось южнокорейской стороной как необходимый этап для дальнейшего развития российско-корейских отношений.

Наиболее успешно развиваемой сферой сотрудничества между странами по-прежнему остается внешняя торговля, притом, что структура товарообмена практически не меняется. Острая для России проблема диверсификации товарной структуры, особенно экспорта, тесно связана с инвестиционной сферой. В этой связи Россия может быть заинтересована в подписании с РК Соглашения о свободной торговле в сфере услуг и инвестиций.

Следует констатировать, что принимаемые Россией меры в рамках политики «Поворота на Восток» пока не оказали ожидаемого стимулирующего эффекта на южнокорейского инвестора. Интересам южнокорейского предпринимательства больше импонирует заключение ССТ, которое откроет рынки в наиболее перспективных секторах российской экономики.

Наметившееся в последние два-три года оживление контактов не часто приводит к реальным практическим результатам, а в лучшем случае является подготовкой к будущим проектам.

Встает вопрос о разработке согласованной стратегии долгосрочного перспективного сотрудничества РФ-РК, учитывающей вызовы, проблемы и перспективы мирового и национального развития. В этом случае экономическое сотрудничество России и РК достигнет стадии реального «стратегического партнерства».

Активное продвижение к «стратегическому партнерству» в настоящее время становится возможным, так как сложились определенные условия для такого сближения:

- отход от процессов глобализации и регионализации ведущих экономик мира, за исключением КНР;

- Россию и РК, наоборот, сближает общая позиция приверженности к правилам ВТО, стремления участвовать в интеграционных процессах и т.д.

- в этих условиях для России и РК открывается «окно новых возможностей» и оно связано с российской концепцией «Евразийского сообщества». Если на Западе идеи интеграции теряют свою привлекательность, то на Востоке в них видят залог концентрации усилий для инновационного скачка в развитии и преодоления угроз и потерь от прогрессирующего протекционизма.

- Россия давно предлагает стратегически выгодные и перспективные проекты: совместная работа в регионе Дальнего Востока России (ТОР, СПВ, бывшая СЭЗ Находка), а также в рамках трехстороннего взаимодействия: сотрудничество в приграничных районах России и КНДР, специальных экономических зонах КНДР (Расон, Кэсон) или проекты с наймом северокорейской рабочей силы, привлечение и других участников для многосторонних проектов (например, Китая, Японии).

В условиях надвигающихся «сумерек» для глобальной экономики и неопределенности судьбы интеграционных группировок в Азиатско-Тихоокеанском Регионе и Северо-Восточной Азии переход к формату Евразийского сотрудничества представляется весьма перспективным для РК с точки зрения:

- обеспечения устойчивости своего экономического роста за счет выхода на новые рынки;

- облегчения процессов сближения с КНДР, снижения расходов на модернизацию экономики КНДР;

- обеспечения большей степени доверия со стороны КНДР.

Однако наличие у руководства РК твердой политической воли всерьез и надолго повернуться к России также будет играть определяющую роль в вопросе дальнейшего развития отношений двух стран.

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## THE PROSPECTS OF THE ECONOMIC COOPERATION OF THE RUSSIAN FEDERATION AND THE REPUBLIC OF KOREA AMIDST THE EXPANDING TRADE WARS IN THE MODERN WORLD

**Introduction.** The paper is devoted to the review of the current state of economic cooperation between Russia and the Republic of Korea under the influence of the main trends in the development of the world economy in 2019. There is presented the analysis of the achieved results of Russian-Korean cooperation, taking into account the complications of the internal economic situation in each country. The prospects of development of mutual economic cooperation in the context of continuing unfavorable trends of protectionism and trade wars in the world are assessed.

**Materials and methods.** The study uses expert, statistical and comparative analysis, analysis of the empirical data, as well as the methods of induction, deduction, analogy, generalization.

**Results.** As a result of the analysis, the key features of economic cooperation between Russia and the Republic of Korea at the present stage were identified, an assessment of the current state

of trade and investment relations between the two countries is given; the prospects of further development of bilateral trade and economic relations are analyzed with consideration to the foreign policy factors and the situation in the world economy.

**Discussion and conclusion.** As the presented study showed, at present the most important sphere of interaction between countries is foreign trade. Traditionally, bilateral trade is the determinant in the relations between Russia and the Republic of Korea. The urgent task for both countries is to formulate a coordinated strategy for the long-term economic cooperation taking into account the challenges that the global and national economies face, and to achieve the level of "strategic partnership" in the bilateral relations in the near future.

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**Ключевые слова:**

Россия, Республика Корея, экономическое сотрудничество, мировая экономика, торговые войны, протекционизм

**Keywords:**

Russia, Republic of Korea, economic cooperation, world economy, trade wars, protectionism

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**ФАКУЛЬТЕТ УПРАВЛЕНИЯ И ПОЛИТИКИ ОСУЩЕСТВЛЯЕТ ПОДГОТОВКУ  
БАКАЛАВРОВ И МАГИСТРОВ ПО НАПРАВЛЕНИЯМ  
«ГОСУДАРСТВЕННОЕ И МУНИЦИПАЛЬНОЕ УПРАВЛЕНИЕ», «ПОЛИТОЛОГИЯ» И «МЕЖ-  
ДУНАРОДНЫЕ ОТНОШЕНИЯ».**

Выпускники факультета получают уникальные знания и профессиональные навыки в области управления, политики и международных отношений. Профильная специализация студентов включает такие аспекты, как право, администрирование, государственная и муниципальная служба, управление имущественными комплексами, сфера публичной политики, регулирование политических конфликтов, лоббизм, связи с государственными органами в корпорациях и мировые политические процессы. Особое внимание и время уделяется изучению студентами двух и более иностранных языков.

Факультет готовит специалистов, востребованных в различных сферах профессиональной деятельности: в органах власти и управления, в государственных корпорациях, на дипломатической и консульской службе, в международных организациях, а также в частных компаниях.

Факультет имеет обширные международные связи, позволяющие студентам проходить стажировки в крупнейших университетах мира. Сложились традиционные партнерские отношения с одним из ведущих университетов Европы, Università degli Studi di Macerata (Италия), с которым реализуются совместные и двойные программы бакалавриата, магистратуры и программа двойной аспирантуры, которая является единственной в своем роде в России.

**Программы бакалавриата:**

Государственное и муниципальное управление

- Управление федеральной и региональной собственностью
- Цифровое государственное управление
- Экономическая политика
- Федеральное и региональное управление (реализуется в МГИМО-Одинцово)

Политология

- Технологии публичной политики
- Теория политики
- Политическая конфликтология
- Национальная и региональная политика (реализуется в МГИМО-Одинцово)

Международные отношения

- Мировая политика

**Программы очной магистратуры:**

Государственное и муниципальное управление

- Государственное управление устойчивым развитием
- Управление «умными городами»
- Управление в государственных корпорациях
- Digital Public Governance (совместно с Университетом Sapienza, Италия)
- Smart City Management (совместно с Университетом Ёнсе, Республика Корея)
- International Public and Business Administration (совместно с Университетом г. Мачерата, Италия)

Политология

- Международный политический консалтинг
- GR и бизнес-дипломатия
- GR and International Lobbying (совместно с Флорентийским университетом, Италия)
- International Political Consulting (совместно с Университетом Никосии, Республика Кипр)
- Political Consulting and International Relations (совместно с Университетом Пизы, Италия)

Международные отношения

- Международное гуманитарное сотрудничество и внешние связи регионов
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