CICERO FOUNDATION GREAT DEBATE PAPER

No. 12/01

January 2012

TOWARD A RESOLUTION OF THE CYPRUS DISPUTE AND THE EURO CRISIS:

A GEO-ECONOMIC PERSPECTIVE

HALL GARDNER

American University of Paris

Professor and Chair of the Department of International and Comparative Politics

The Question of Greek-Turkish Reconciliation over Cyprus

The Greek debt debacle has opened a hemorrhage throughout the European Union. The bleeding has not yet been stopped. It appears dubious that merely restraining government expenditure and coordinating fiscal policy among other measures—even at an all-European level as advocated by Germany at the December 2011 EU summit—will be sufficient to rescue the Euro if new markets cannot soon be developed in order to foster strong economic growth.[1] But to develop new markets, bring in greater capital investment and foster strong economic growth will require new thinking towards Europe's neighbors—most importantly, Turkey and Russia.

Not generally depicted in the media is the fact that the Greek debt and larger Eurozone crisis (linked to the American-inspired mortgage and "toxic assets" crises as well as post-11 September 2001 US war debts[2]) have been accompanied by geo-economic tensions between Greek Cyprus and Turkey over the energy exploration of the American firm, Noble Energy, in offshore Mediterranean waters within the Greek Cypriot Exclusive Economic Zone (EEZ). This energy exploration has raised tensions between Turkey and Greece—with the EU, the United States, Russia and Israel backing Greek Cyprus. Lebanon, Egypt, and possibly a future Palestine, are also indirectly involved in the dispute over the control and ownership of resources that could be found in offshore waters.[3]

The ongoing Greek-Turkish dispute over Cyprus has accordingly been compounded by an even larger international dispute over offshore energy; the quarrel has been further compounded by the Greek debt crisis, among other disputes involving Ankara's relationship with the European Union (including the rise of Israeli-Turkish tensions at least since the December 2008- January 2009 war over Gaza). The UN has called for a "peace summit" on the Cyprus question to be held in late January 2012 at the Long Island Greentree Estate, to be followed by a conference between Turkey, Britain and Greece, the three countries that guarantee Cypriot sovereignty.[4] The conflict over Cyprus must soon be addressed, not only to resolve the overall dispute between Greece and Turkey—but in order to also address the even greater geopolitical and economic/ financial crisis afflicting the entire Euro-Atlantic community as a whole.

In terms of the conflict over offshore energy, the fact that Turkey is one of the few states that has not signed the UN Convention on the Law of the Seas, a law which has been in force since 1994, seriously complicates the issue. Turkey has argued that the very concept of the EEZ of up to 200 nautical miles is not at all appropriate for the east Mediterranean due to the number and proximity of the claimants in the region.[5] This stance indicates that the Law of the Seas might not be applicable in this region and needs to be revised—which could mean going though the long process of UN ratification of a new or else modified Law of the Sea regime—unless some form of compromise can be found given the specific circumstances.

The issue is additionally complicated by the fact that EU member Cyprus has stated that it will only support the opening of Turkey's 'Energy chapter' in the complex EU membership application procedure—if Ankara signs the UN Convention on the Law of the Sea and finally normalizes relations with Greece. Both France and Greece have thus far blocked the Turkish application to the EU so that only one EU membership chapter (Science and Technology) has been completed so far.[6] If no compromise is soon found, Turkey has threatened to "freeze" relations with the European Union once Cyprus presides over the European Union in mid-2012.[7] That's not much time, but ironically, a time limit could still impel compromise.

On the more positive side, Greek Cypriot authorities have ostensibly provided assurances that Turkish Cypriots will obtain some "share" of any income generated through energy discoveries in the area. In addition, both the Greek and Turkish sides appear to have agreed that the territorial waters should one day be placed under some form of joint authority. Yet, as it stands at present, Greek Cypriots hope to define maritime boundaries unilaterally in the effort to drill for oil and gas around Cyprus—as do Turkish Cypriots backed by Ankara. In terms of managing their political relations, both sides continue to dispute as to whether a bi-zonal federal solution is to be preferred, or else a confederation of two independent states. Questions as to how to elect a Cypriot president on a rotating basis, the nature of parliamentary representation of both sides, coupled with veto power, do not appear entirely resolved either. There is also the issue of the use of the Euro versus the use of the Turkish lira for the entire island. Thus far, the Euro has been preferred.[8]

The Cyprus dispute impacts on trade, transport, tourism, among other aspects of the Euro-Mediterranean and Black Sea political-economies indirectly—including the extent of military spending for both sides. Greek defense spending has averaged a much higher percentage per capita than either that of the UK or France.[9] By contrast, Ankara's high defense spending has had less impact on its economy, at least recently, due to Turkey's strong economic growth rate. The reduction of Greek military spending accordingly represents one means to deal with its sovereign debt crisis: In 2010, Athens was expected to reduce military spending following the 110 billion Euro bail out from the EU and IMF at that time.[10] But deep defense cuts still require the negotiation of confidence and security building measures between Greece and Turkey. And deep defense cuts cannot take place until the quarrels over Cyprus and over offshore energy resources are resolved.

Given the fact the Greek-Turkish dispute involves, at least in part, the quest for offshore energy resources, it seems absolutely crucial for the UN to set the ground rules for the *sharing* of the financial benefits of global resources in general—resources which, in reality, belong to the international community. The Greek-Turkish dispute could furthermore help set a precedent for other disputes over energy and natural resources—as there are a number of other significant energy and resource disputes/conflicts throughout the world which need adjudication.[11]

If resolved through the UN (along with possible G-8 or G-20 financial assistance), conflicts over energy and resources *could eventually provide a tax base for global development and assistance for conflict mediation/ resolution*. Here, it could also be a UN responsibility to help to protect the natural environment in the process of exploiting those resources. In terms of the Cyprus dispute in particular, the UN could additionally find ways to help fund a Cypriot peace settlement—in part through the generation and taxation of energy revenues. Here, a major, and not yet resolved, issue has been how to raise and provide monetary compensation for property destroyed or lands taken from internally displaced Cypriots.[12] New thinking over ways to resolve the Cyprus dispute through UN, G-8 or G-20 mediation is essential and such new thinking—*which could result in an international trust fund for conflict mediation and resolution*—could also be applied to other disputes and conflicts.

All these issues need further discussion at the UN Peace Summit proposed for late January 2012 to be held at the Long Island Greentree estate—unless the dispute over property and land matters continues to postpone the talks.[13] Assuming the talks do continue, the overall Greek debt and Euro crisis should give a significant bargaining advantage to the Turkish position. At the same time, however, tensions between Turkey and France over the Armenian question are not assisting a resolution of the matter. The fact that Turkey recalled its ambassador to France in December 2011, and threatened to not participate in joint military maneuvers with France, after the French Assemblée Nationale approved a bill that would make it a criminal offense to deny Armenian genocide, could indirectly jam the process. The French Sénat is to vote on the question sometime in 2012; previous efforts to pass such legislation through the Sénat failed. French Foreign Minister Alain Juppé responded to the Assemblée Nationale measure by criticizing the proposed legislation as well, but also urged Ankara to remain calm and restrict "excessive" criticism of France, as France and Turkey still possessed common interests: "Il y a beaucoup de raisons de maintenir entre la France et la Turquie des relations de confiance et même d'amitié, j'ose le mot (...) donc j'appelle au sang-froid et à la retenue. »[14]

In the background of the Greek-Turkish dispute (and French-Turkish dispute) is the fact that Turkey has been promised EU membership sometime in the future, but Europe has not yet moved forward on its promises. As long as Turkey continues to seek entry into the EU as a "full" member, then the EU may have some political and economic leverage over Turkey. Yet in addition to the Cyprus conflict, complications involving Turkish culture (non-European), religion (predominantly Sunni Islam), geography (only a tiny slither of Turkey lies in Europe), human rights, the Kurdish question, the Armenian question, potential Turkish emigration (to

EU countries), fears that the EU would need to provide significant aid to Turkey's poorer regions, in addition to fears that conflicts surrounding Turkey could eventually draw in the Europeans, have so far checked the possibility for Turkey to enter the EU as a "full" member.[15] Perhaps most importantly in terms of potential EU membership, Turkey's large population size of over 74 million would impact significantly upon EU qualified majority voting procedures, as established by the Lisbon Treaty, in that only Germany has a slightly larger population of almost 82 million within the European Union.

Concurrently, and by contrast with previous Turkish enthusiasm for wanting to join the EU as a full member, the Euro monetary and sovereign debt crisis has raised significant questions as to why Ankara would still want to become a "full" EU member given Turkey's stunning economic growth in the past few years (the "fastest" in the world in the first quarter of 2011)—a growth rate fuelled by significant foreign investment, but which is nevertheless predicted to slow down in the near future in response to the European and global economic contraction.[16] According to a number of opinion polls, popular Turkish enthusiasm for joining the EU as a step toward "modernization" is still positive, but has waned since 2005.[17]

Nevertheless, from a geo-economic standpoint, stronger European links to Turkey represent a means to open the entire Black Sea area to European commerce with its tremendous market potential. (The Black Sea area possesses roughly 350 million people, a foreign trade capacity of over US $300 billion annually, and the second-largest source of oil and natural gas along with proven reserves of minerals and metals after the Gulf region.) One immediate problem in accessing the burgeoning energy market is that without Greek/EU normalization of relations with Turkey, followed by European access to Turkey's burgeoning market, the export of any gas discovered by Greek Cyprus would require the development of much more expensive pipelines and liquefaction plants.[18] A deal that links Europe and Turkey and Greece is accordingly in the interest of all sides.

Closer European investment in Turkish industry and links to its youthful man- and woman-power could additionally help European industry compete with that of China. For its part, China has already planned to enter the growing Black Sea market through the Greek port of

Piraeus—which represents China's most important strategic economic investment in Europe. For Beijing, the pier of Piraeus represents a strategic-economic gateway to bring Chinese goods into the booming eastern European and Black Sea markets.[19] Yet Greek labor unions are already complaining about Chinese business practices—while European recovery risks being further undercut by cheap Chinese products.

The Question of China

Despite Chinese recognition of the need for a functioning European economy, Beijing, among other developing countries, has appeared to resent European requests for financial assistance. While Beijing might appear to represent the biggest potential source of financial supports for those European countries in debt given its foreign exchange surplus of at least 3.2 trillion dollars, it remains reluctant. Beijing does not want to see the Euro collapse, but the leadership also appears to be waiting out the crisis. The Chinese appear to be waiting for the Euro to fall in value; they appear more interested in buying up weak or failing European industries due to their market access, technology and experience, than in supporting ostensibly spendthrift governments.

Despite its tremendous foreign exchange surplus, all is not necessarily rosy in China either. Beijing has also been confronted with credit and housing bubbles in some regions, heavily indebted local governments, as well as significant inter-firm borrowing, plus rising wages that increasingly make it more difficult for China to compete with Vietnam and Indonesia, among other countries. This situation is complicated by the fact that the US and European economies have begun to retract, in large part due to the accumulation of debt, thus reducing potential demand for Chinese products at a time when China and most developing countries have based their economies on export-led growth.

Given its large trade surplus and demands for higher wages, China itself has begun to argue that it must begin to enlarge its domestic consumption. But even augmenting Chinese domestic consumption will not be sufficient to reinvigorate the European or world economy.[20] While the possible collapse of the Eurozone would mean that China could lose as much as 20% of its overseas market, it would be difficult for the Chinese leadership to explain to its population as to why Beijing would want to assist Greece and the Europeans—and not invest a significant portion of foreign exchange reserves in China's own infrastructure.[21]

Beijing consequently appears more interested in buying weak and failing industries in Europe than in supporting the Euro by buying European state bonds. Concurrently, while it appears willing to expand IMF Special Drawing Rights, Beijing concurrently seeks the reform the IMF quota system in order to obtain greater IMF voting rights in exchange. Beijing's attitude is, at least in part, due to continuing uncertainty and lack of confidence in the actual state of European sovereign finances.[22]

For their part, Europeans have been worried about the strategic and national security implications (if not cultural implications, including the Chinese "labor model") of permitting Chinese sovereign funds to purchase key industries.[23] The more Europe demands, the more China might seek official EU recognition of the country as a "market economy' largely for the sake of prestige—in addition to a greater voice within the IMF as previously mentioned. While the Chinese shipping company China Ocean Shipping Co. (Cosco) bought the Greek pier of Piraeus, a Chinese entrepreneur for example, was blocked from purchasing a large farm in Iceland on national security grounds.[24] The issue of national security (and its "labor model") still causes European (and American) concern as it relates to China's rise as a regional, if not global, power.

The Black Sea Option

As the China option appears limited as a means to obtain finance and encourage European economic growth, the Black Sea option appears more hopeful as it could open major markets as well as the energy routes to Europe from the Caspian Sea and from Russia. But here, the EU (and the US/NATO) need to forge closer and political-economic and security relations with Russia.[25] Moscow has thus far attempted to monopolize energy transport by Gazprom to Europe as much as possible, and play European Union members against each other for energy deals. Yet the realization that Russia needs European markets for its energy production, that Russian technological capabilities are lagging behind those of Europe and the United States, that new energy producers (in North Africa, Iraqi Kurdistan, North America as well as the Arab Gulf states) will be competing with Russian energy supplies, and that Russia must further diversify its economy in the face of the post-2007 global recession/depression, has helped, at least to a certain extent, to press Moscow towards a closer relationship with Europe as well as with the United States.[26]

Moreover, the fact that Beijing's accession to the World Trade Organization (WTO) helped boost Chinese trade and foreign investment in China, has, in turn, led Moscow to seek entry into the WTO as well. Here, after negotiations in Geneva, which took place in the aftermath of the August 2008 Russia-Georgia war, Georgia dropped demands that Russia withdraw its forces from South Ossetia and Abkhazia in order for Moscow to enter the WTO. Tbilisi has consequently settled for a deal in which a neutral intermediary would handle trade between Georgia and Russia, thus opening the door for Russian WTO membership.[27] Whether this deal will eventually open the door to the settlement of the questions of South Ossetia and Abkhazia after the 2008 Georgia-Russia war, among the other "frozen conflicts" in the Black Sea/ Caucasus region, remains to be seen.[28]

Russia, like China before it, will consequently join the WTO in 2012, after eighteen years of negotiations. Once it becomes a WTO member, Russian efforts to gradually diversify its economy over a ten year period can open new doors to trade primarily with Europe.[29] WTO membership can also help to reduce Russian export dependence on energy, primary products and weaponry. Moscow will still need to work on intellectual property rights, among other issues—in addition to permitting more competition in energy transport. It will take time for the Europeans and Russians to build confidence and to develop markets, but it appears to be a step in the right direction.

In January 2012, in response to significant social protest demanding that Putin step down from power, Putin promised reforms involving "administrative courts" that would ostensibly provide means for citizens to appeal if they feel mistreated by authorities.[30] Whether the new reforms proposed by Putin and Medvedev will ultimately be enacted without a change in leadership remains to be seen. Nevertheless, much as was the case for drawing the Soviet

Union into the Conference for Security and Cooperation in Europe (CSCE) in the mid-1970s and 1980s, it can be argued that drawing Russia into the WTO—and into closer cooperation with both NATO and the EU—will help generate demands for greater social and political reforms *throughout* Russian society.

Closer political-economic ties with Russia will consequently help open the Russian market to European products and investment and thus help get Europe back on the path of growth (while helping Russia reform). At the same time, closer political economic ties with Turkey could open up the Black Sea region to European trade and investment (while helping Turkey to reform). One possibility to help strengthen and reinforce the political economic relationship with both Russia and Turkey would be to implement a new category of EU "associate membership." Such a proposed membership category could be applied to highly populous states such as Turkey, Russia, as well as countries such as Ukraine, among others.

"Associate membership" status could provide states that want closer ties with the European Union with limited voting rights that would not be based on the size of population. The proposed establishment of an "associate membership" category would make the issues of immigration, population size, human rights and religion less crucial as factors in permitting these states to develop stronger links with the EU—but this approach would not necessarily stop the Europeans from continuing to insist upon legal and human rights reforms within all European neighbors through the Council of Europe which, of course, already includes both Turkey and Russia. The latter countries have begun to take some steps forward in legal reforms, and to a certain extent, they have addressed the questions of human and political rights, but these steps have evidently been very slow and hesitant.

In effect, associate membership with limited voting rights would entail that states engage with the other European Union members and accept many common duties and activities, but not to the extent that full membership presently requires. An associate membership would focus primarily on the development of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union; it would give less emphasis to the aims of political, economic and monetary union while seeking to strengthen the administrative capacity to effectively apply and implement a more limited number of EU membership *acquis*. An associated EU membership would likewise attempt to strengthen the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, but not to the extent of full membership.[31]

One reason for an associate member status is to provide an alternative to full membership, but it could nevertheless represent a step toward full membership once both sides are ready. Should Turkey, for example, work to resolve the Cyprus question over the next few months in 2012—but then is still rejected from "full" EU membership on other grounds—could result in an ever greater fiasco. Hence, an "associate membership" represents a fall back option; but this proposal goes beyond the "privileged partnership" offered by France and Germany in that it provides some voting rights to Turkey. France and Germany, among other European states, have so far opposed "full" Turkish membership, while the UK has thus far supported Turkish membership, in seeking a wider, but not deeper, European Union.[32] From this perspective, an associate membership category could represent a stepping stone if all sides eventually agree; Turkey (or other states) could then be accepted as full members at some point in the future. But at the present moment, it appears very dubious that states such as Turkey, Ukraine or Russia could become "full" members in accord with Copenhagen criteria. States such as Iceland, Macedonia, and Montenegro stand a better chance, but the Euro crisis will most likely put any future EU enlargement on hold. Morocco has already been ruled out as a potential European state; yet North African states of Euro-Mediterranean could still become "associate members"—if such a category were created.

This proposed approach would mean revising the European Treaty; yet this is evidently not an easy proposition given efforts to revise the EU Treaty at the December 2011 European Union summit on the Euro crisis. The December 2011 EU summit sought to establish an all-European « fiscal union » that would place binding limits on country deficits, and establish penalties for those countries that break those limits. All budgets would be handed over to Brussels for approval. The proposed revisions to the EU Treaty also called for a new permanent European Stability Mechanism that will replace the temporary European

Financial Stability Facility (EFSF) which does not appear sufficient to handle the present crisis.[33] In fact, the EFSF may obtain an additional jolt given Austrian and French loss of AAA status on "Black Friday" January 13, 2012. This shock has been coupled with the apparent inability of Greece to reach a compromise with the banks on a 50% reduction of what they are to be repaid, thus raising the chances for Greek sovereign default. The loss of AAA status may make it much more costly for France and Germany (which so far retains its AAA status) among other EU members to raise additional EFSF funds (through the sale of 6-month bonds worth 1.5 billion euros). In addition to Greece, new funding may be needed to support Italy, Spain, or Portugal, should these countries eventually lose the confidence of investors.[34]

So far only the UK has openly opposed revising the EU Treaty—a stance which could possibly further isolate the UK from the continent. Other countries, such as Sweden and the Czech Republic, might not ratify the Treaty revisions; still other countries need parliamentary approval or need to hold national referendums to change their constitutions. Britain's refusal to accept revisions to the Treaty (as it could not obtain EU concessions for the British financial services sector) means that there will be no official treaty for the EU as a whole—and thus probably no mechanism for effective enforcement by the EU Commission either. This situation was already the case for the 1997 Stability and Growth Pact which the EU failed to enforce despite repeated violations by Greece, as well as by France and Germany themselves as these countries also refused to adhere to the agreed limits.[35] From this perspective, it appears that the new rules would apply only to the 17 euro-zone countries and those who still intend to join the Euro group.[36] This step could eventually split the European Union between those states who do not use the Euro (including those that might drop out in the near future) and those states who do use it, eventually resulting in a two-tiered system—a possibility that opens the door to further differentiation within the EU.

The potential ramifications of going too rapidly off the Euro are indicated in the fact that the 17 states that use the Euro represent more than 300 million Europeans, not to overlook the roughly 150 million people in African countries that peg their currencies to the Euro. In addition, the fact that the Euro has become the second largest reserve currency in the world after the dollar means that the possible, but not inevitable, collapse of the Euro has global, and not just European, financial implications—and indirectly destabilizing social and political consequences. On the pessimistic side, it is not at all certain that the EU policy recommendations involving fiscal restraint and greater political-economic integration can be implemented soon enough to save the Euro. Yet it is also not certain that these policies represent the appropriate path in the first place—if economic growth cannot soon be achieved. One option to consider would be to plan for a staged withdrawal from the Euro in the long term.[37]

In conclusion, assuming that the Europeans can more or less gradually reform their financial system, this could result in a more variegated and *confederal* European Union (particularly if a number of countries begin to opt out of the Euro) with differing and more flexible political-economic approaches for each of the EU member states. Concurrently, a debate on European neighborhood policy could likewise create new forms of "associate" membership in establishing a "wider" EU. Given the global financial and Euro crisis, European neighbors might find such an approach in their interests—as they would, in effect, have 'one foot in' and 'one foot out' of the European Union. Like the United Kingdom, European neighbors as "associate members" need not accept the Euro nor Schengen controls, but they would not control quite as many EU votes as the UK does either— regardless of their population size.

Overall, a new EU "associate membership" status with limited voting rights (the number of votes, and the areas of the EU in which each state could vote, would be determined by current EU "full" member states) would thus seek to achieve a multilayered and more variegated European Union with differing societies and religions and more flexible political economies. As opposed to a "one size fits all" approach which has characterized the Brussels bureaucracy so far, this option would envision a larger confederation for the benefit of the entire Euro-Atlantic region that could include states such as Turkey, Russia and Ukraine, if not North African states in the Euro-Mediterranean. Such an approach would set the stage for European recovery in the aftermath of the present global financial crisis—which may prove much longer and deeper than many expect.

NOTES

1) "The European Union desperately needs a growth strategy. Its current bailout schemes only help countries like Greece and Italy to borrow money cheaply in the face of prohibitively high market interest rates, while the schemes' insistence on more budget-deficit reduction in these countries will reduce European purchasing power further. The recipient governments will have to cut their spending; the banks will have to take large losses. In the long run, the eurozone must be recognized as a failed experiment. It should be reconstituted with far fewer members, including only countries that do not run persistent current-account deficits. Everything else that has been proposed to save the eurozone in its current form – a central treasury, a monetary authority that does more than target inflation, fiscal harmonization, a new treaty – is a political pipe dream. Robert Skidelski, "The Wages of Economic Ignorance."http://www.project-syndicate.org/commentary/skidelsky47/English

2) Joseph Stiglitz, "The Price of 9/11".
http://www.projectsyndicate.org/commentary/stiglitz142/English

3) http://www.defencegreece.com/index.php/2011/10/cyprus-signals-block-on-turkey-eu-energy-chapter/
http://online.wsj.com/article/SB10001424053111903374004576580663037431204.html For a Greek perspective, see http://www.defencegreece.com/index.php/2011/10/eu-to-highlight-turkeys-aggressive-stance/

4) http://af.reuters.com/article/energyOilNews/idAFLDE79T00N20111031?sp=truehttp://www.cyprus-mail.com/cyprus/turkish-threats-taken-eu-council/20111025

5) Hugh Pope, "Stepping on the gas towards a Cyprus partition » *Sunday's Zaman* (Turkey) *September 25, 2011;* http://acturca.wordpress.com/2011/09/25/gas-cyprus/ (25 September 2011).

6) http://ec.europa.eu/enlargement/candidate-countries/turkey/eu_turkey_relations_en.htm

7) http://www.defencegreece.com/index.php/2011/10/cyprus-signals-block-on-turkey-eu-energy-chapter/;
http://online.wsj.com/article/SB10001424053111903374004576580663037431204.html

8) http://www.euractiv.com/enlargement/un-calls-cyprus-peace-summit-news-508696. See also "A Mediterranean Maelstrom", *The Economist* (10 December 2009). http://www.economist.com/node/15065921 For a criticism of Greek Cypriot policy for its failure to accept a timeline for power sharing as proposed by Turkey, see http://www.cyprusblog.org/2011/12/05/too-late-to-solve-cyprus-problem-says-former-minister/

9) According to SIPRI, Greek military expenditure in 2000 amounted to 5.921 billion euros. In 2008, this figure had risen to 8.620 billion euros. Whereas military expenditure had accounted for 4.3 percent of Gross Domestic Product (GDP) in 2000, the figure for 2008 according to SIPRI was 3.6 percent of GDP. NATO's figures differ in some areas from those of SIPRI. According to NATO, Greek military expenditure rose from 5.921 billion euros in 2000 to 7.263 billion euros in 2009. Jan Grebe and Jerry Sommer, Greece: "High military expenditures despite the financial crisis" *BICC Focus,* http://www.bicc.de/uploads/pdf/publications/focus/9-griechenland/BICC%20Focus_Griechenland_engl_fin.pdf

10) http://www.defpro.com/news/details/15624/ (May 31, 2010).

11) These energy and resource disputes include: the Spratly Islands (claimed by China, Brunei, Malaysia, Philippines, Taiwan and Vietnam); the Kuril Islands/ northern territories (claimed by Japan and Russia); Falklands/Malvinas (claimed by the UK and Argentina); Diaoyu/ Senkaku Islands (claimed by Japan and China); Dokdo Islands (claimed by South Korea and Japan); Mosul and Kirkuk between Iraqi Kurds, the Iraqi central government, if not Turkey and ongoing disputes over oil fields between Kuwait and Iraq; Abu Musa claimed by Iran and the United Arab Emirates, among others. See my argument in Hall Gardner and Oleg Kobtzeff, co-editors, *Ashgate Companion to War: Origins and Prevention* (Ashgate: forthcoming January 2012), Chapter 29.

12) On Cyprus and property issues, see "A Mediterranean maelstrom", *The Economist* (10 December 2009). http://www.economist.com/node/15065921

13) http://www.todayszaman.com/news-267754-greek-cyprus-press-claims-christofias-will-not-attend-talks-in-new-york.html

14) http://tempsreel.nouvelobs.com/politique/20111224.AFP2702/genocide-armenien-alain-juppe-appelle-la-turquie-a-la-retenue.html The Armenian question continues to plague relations between Turkey and France (among other countries) despite France's own reluctance to admit crimes against humanity in Algeria and its complicity with Jewish deportations under the Vichy government.

15) Only one (Science and Technology) of the 35 "chapters" for Turkish membership in the EU on research has been completed. On December 8th 2009, the EU agreed to open a new chapter on the environment. At least five chapters have been blocked by a French veto. Eight chapters have been frozen since December 2006 as a means to sanction Turkish Cypriots for not opening their ports and airports to the Greek-Cypriot republic. Here, however, the Cypriot government vetoed an EU promise to reward Turkish-Cypriots for voting "yes" on the UN Annan plan for unification in April 2004 by ending their trade and travel isolation. In response to the Greek Cypriot veto, Turkey refused to open

its ports and airports to the Greek-Cypriots. A settlement should have preceded Greek Cypriot membership in the EU. See "A Mediterranean Maelstrom", *The Economist* (December 10, 2009) http://www.economist.com/node/15065921

16) http://www.reporternet.com/Turkey-categories/Economy/485-Turkey-will-maintain-the-fastest-economic-growth-in-Europe In 2010, Turkey's growth was close to 9 percent. For 2011; expectations are a rate of around 7 percent year-on-year growth.

17) "There is no consensus as to whether in the future Turkey should look to Europe (17%) or to the Middle East (25%). Nearly four-in-ten (37%) volunteer that both are equally important, while 6% say that neither are important and 15% do not offer an opinion…. 52% (of Turks) endorse EU membership, while 42% oppose it: While support for EU ascension has not changed substantially in Turkey since last year, it has dropped sixteen percentage points since 2005, when 68% favored joining the EU. "On Eve of Elections, a More Upbeat Mood in Turkey" PEW Research Center (June 7, 2011). http://www.pewglobal.org/2011/06/07/on-eve-of-elections-a-more-upbeat-mood-in-turkey/

18) Hugh Pope, "Stepping on the gas towards a Cyprus partition » *Sunday's Zaman* (Turkey) *September 25, 2011;* http://acturca.wordpress.com/2011/09/25/gas-cyprus/ (25 September 2011).

19) In June 2010, the Chinese shipping company China Ocean Shipping Co. (Cosco) took full control of its container terminals, leasing it for 35 years for almost $5 billion. The deal is already raising tensions with Greek labor unions. Between 2005 and 2010, China has made more than $224 billion in overseas investments and also entered into engineering and construction contracts of more than $94 billion. http://www.npr.org/2011/06/20/137061379/indians-uneasy-as-china-builds-ports-nearby

20) China could purchase more European products (as Europe is China's largest source of export demand), but even this would not solve the problem: "The current account surplus in China is about 10 percent of its GDP. Halving it would add 5 percent of China's GDP to world demand. This would add 0.3 percent to world demand, obviously not enough to revive the world economy" Manmohan Agarwal, "Developing Countries – even China – Cannot Rescue the World Economy" http://www.cigionline.org/sites/default/files/Policy_Brief_18.pdf

21) China's government-run companies or private firms could begin to buy up poorly performing European companies. China could also take the risk to buy up European bonds, and diversify away from American holdings, but what would it ask in return? "Official market" status that would permit cheap Chinese goods to enter the EU more easily? A

demand to put an end to the European arms embargo that had been imposed after the Tiananmen Square crackdown in June 1989 which the French under Jacques Chirac had previously sought to lift against American opposition?

22)See Yao Ying, "Europe on a Chinese Shoestring", http://www.project-syndicate.org/commentary/yao5/English. China holds euro-denominated assets and are net investors in EU countries, but the priority for Beijing is to finalize the quotas distribution. See "China's senior banker wants IMF reform before EU aid » (November 9, 2011). http://www.euractiv.com/euro-finance/china-senior-banker-wants-imf-reform-eu-aid-news-508845

23) http://www.npr.org/2011/06/08/137035251/in-greek-port-storm-brews-over-chinese-run-labor

24) http://euobserver.com/19/114416

25) See my argument, Hall Gardner, "Toward a new Euro-Atlantic security framework", Opinion EU ISS, 9 January 2012, http://www.iss.europa.eu/publications/detail/article/toward-a-new-euro-atlantic-security-framework/

26) Hall Gardner, "Toward a Euro-Atlantic Confederation", *Russia in Global Affairs.* http://eng.globalaffairs.ru/person/p_2420

27) *International Herald Tribune,* (November 11, 2011), p. 18.

28) See my argument, "Toward a New Strategic Vision for the Euro-Atlantic", *NATOwatch.* http://www.natowatch.org/sites/default/files/NATO_Watch_Briefing_Paper_No.15.pdf http://www.natowatch.org/node/436

29) "Outside Russia, the biggest beneficiaries of the WTO deal are global companies based in the European Union, by far Russia's biggest trading partner, the U.S. and other countries. Only 27.3% of U.S. businesses currently in Russia say that WTO membership wouldn't bring new opportunities for expansion there, according to a survey by the American Chamber of Commerce." http://online.wsj.com/article/SB10001424052970204224604577027810930153038.html

30) http://www.csmonitor.com/World/Europe/2012/0112/Putin-election-manifesto-vows-reform-but-too-late-for-some-Russians-video

31) For the Negotiating Framework for applying to the EU, see http://ec.europa.eu/enlargement/enlargement_process/accession_process/how_does_a_country_join_the_eu/negotiations_croatia_turkey/index_en.htm

32) For a general background to the European positions on Turkish membership in the European Union, see "Turkey's Quest for EU membership" *European Union Center of North Carolina,* EU Briefings, March 2008. http://www.unc.edu/depts/europe/business_media/mediabriefs/Brief4-0803-turkey's-quest.pdf "Opposition to Turkey's membership was strongest in France, with 64 percent saying they would oppose it in a referendum, in Germany with 62 percent and in Britain with 46 percent." See "Europeans split over Turkey EU membership: Poll" (January 24, 2010). http://www.eubusiness.com/news-eu/enlarge-turkey.2ed.

33) See http://euobserver.com/1016/114566 EU countries are to contribute an extra €200bn to the IMF to be channelled back into troubled eurozone states. Non-euro countries will participate in the contribution with €50bn. Germany is blocking any increase to a €500-bn-cap on the EU's own bail-out funds, the ESM and EFSF, but this does not appear to be enough to bail out Italy with a total debt over 2 trillion, not to overlook «counting Spain, or Portugal, or Ireland, or whatever money Greece might yet still need." See critique, Felix Salmon « Europe's disastrous summit ». http://blogs.reuters.com/felix-salmon/2011/12/09/europes-disastrous-summit/

34) France Loses AAA Status as S&P Wields Ax on Debt Ratings (Bloomberg: January 14, 2010) http://www.businessweek.com/news/2012-01-14/france-loses-aaa-status-as-s-p-wields-ax-on-debt-ratings.html Robert Preston, "Eurozone's Friday the 13th". http://www.bbc.co.uk/news/business-16556860

35) Larry Eaker, *The Debt Crisis and the Legality of Leaving the Eurozone*, JURIST - Forum, Sept. 22, 2011, http://jurist.org/forum/2011/09/larry-eaker-eurozone-exit.php.

36) Martin Feldstein, "The Euro Zone's Double Failure", *Wall Street Journal* (December 15, 2011).

http://online.wsj.com/article/SB10001424052970203893404577098252697593684.html?mod=djemEditorialPage_h

37) See footnote 1, Robert Skidelski, "The Wages of Economic Ignorance" http://www.project-syndicate.org/commentary/skidelsky47/English. See also, *Gideon Rachman, "*Saving the euro is the wrong goal", *The Financial Times* (November 7, 2011). http://www.ft.com/intl/cms/s/0/9542474a-0937-11e1-a20c-00144feabdc0.html#axzz1dngEoiKe. For differing scenarios, see Raymond J. Ahearn, Coordinator, "The Future of the Eurozone and U.S. Interests" *Congressional Research*

Service (September 16, 2011) http://www.fas.org/sgp/crs/row/R41411.pdf. For a more pessimistic view, see Willem Buiter, **"**The terrible consequences of a eurozone collapse**"** (*Financial Times*, December 7, 2011)**.**

On the Author

Hall Gardner is Professor and Chair of the Department of International and Comparative Politics, American University of Paris; a Member of the Group of Experts of the EastWest Institute that produced the report: Euro-Atlantic Security: One Vision, Three Paths after the August 2008 Georgia-Russia War. He is co-editor of *The Ashgate Companion to War: Origins and Prevention* (Ashgate: forthcoming January 2012) and author of *American Global Strategy and the 'War on Terrorism'* (Ashgate, 2007); *Averting Global War* (Palgrave, 2010); and member of the Advisory Board of the Cicero Foundation

The Cicero Foundation is an independent pro-Atlantic and pro-EU think tank.

www.cicerofoundation.org