

## **THE CHALLENGE OF THE CYPRUS EU PRESIDENCY AND THE CYPRUS PROBLEM**

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The assumption of the rotating Presidency of the European Council for the first time by the Republic of Cyprus is undoubtedly a great challenge as well as a unique opportunity. Cyprus took on the helm of the EU just eight years after its accession and at a time when the Union is facing its deepest debt crisis that has resulted in an overall economic and social malaise.

At the same time Cyprus has had to face unprecedented challenges of its own. In addition to the Cyprus question and the series of related problems created by Turkey, Cyprus has to address its own escalating economic crisis. It is unfortunate that as Cyprus was preparing to take on the EU Presidency it had to seek the support of the European Stabilization Mechanism.

Cyprus has a responsibility to facilitate solutions for the EU and for itself and to function in a way that will bring credibility to both itself and the institution of the EU Presidency. The government has made it clear that the Cyprus question and the broader problems with Turkey will not interfere with the EU Presidency. Consequently, on this delicate issue, any developments will depend to a great extent on Turkey itself.

Perhaps the greatest challenge that the Cyprus EU Presidency will address concerns the negotiations for the new Multiannual Financial Framework covering the period 2014-2020. Under difficult circumstances and despite the existing road map Cyprus will have to bring together diverging views so that an agreement is reached. In this context it would prove extremely useful for the Union if Cyprus raises the issue of reformulating economic policies aiming toward greater economic and political integration.

The assumption of the EU Presidency provides also an excellent opportunity for Cyprus to present its own alternative proposals in relation to the ongoing economic crisis. Given the overriding concern regarding fiscal policy at the Pan-European level, it is important to put forward new ideas for fiscal balance over a longer period of time instead of the customary annually balanced budgets. It may be recalled that in the early post World War II years Sweden adopted a similar approach to its formal fiscal policy, in what became known in the literature of the time as the Swedish Budget. Furthermore, Cyprus may submit new ideas in relation to a European fiscal policy and for provisions for direct targeted spending.

Cyprus must also make its own modest contribution on other key issues that preoccupy the Union. These include improving the effectiveness of the EU, promoting solidarity as well as policies for creating growth and more jobs. These are difficult times. It is essential that Cyprus rises to the occasion and works in ways that will make a difference for this island state and beyond.

As the time of the Cyprus EU Presidency approached, the UN and the international community harboured high expectations for a breakthrough in Cyprus itself. It is not a surprise, however, that the stalemate in the Cyprus problem persists given the great gap in the positions of the two sides. We should be reminded that despite the generous concessions of President Christofias since 2008 there has been no progress. None can be expected for the duration of the Presidency and with Turkey becoming increasingly embroiled in the fallout of the Syrian crisis.

It is clear that the UN and the international community will try to follow up after the Presidential elections in February 2013. Perhaps what may be necessary is the enrichment of the process and, potentially, a change of the basis of the negotiations themselves. On the one hand an integrationalist federal approach may theoretically be more promising; on the other hand though, it increasingly seems more difficult to achieve. We should not underestimate the political capital that would be created in the event of a successful implementation of confidence building measures. For example, positive developments on the question of the fenced-off section of Famagusta may generate substantial economic benefits for all Cypriots. Such a development would certainly pave the way for additional steps of cooperation. But it should be understood that for such a positive development the role of Turkey is instrumental, irrespective of whether Cyprus is at the helm of the EU Presidency or not. Indeed, if Turkey were to recognize the right of the Republic of Cyprus to exist it would merely be a matter of time for the resolution of all pending issues.