

**Remarks made at speech to the Hellenic Institute Foundation:**

**"Cyprus as a Member State of the European Union"**

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Thank you for the invitation, thanks to the organizers and congratulations to the Republic of Cyprus for their fifty year anniversary. I am really glad to be in this panel.

I will talk briefly about the state of the EU itself about the EU and Cyprus and then about the specific policy instruments the EU applies in Cyprus.

**1. The state of the EU itself**

In the last months there have been **two fundamental debates** going on in the EU.

- **The financial crisis/ crisis of the Euro/Greece and;**
- **The Lisbon Treaty**

**The financial crisis/ the Euro/Greece**

In the context of the financial crisis, the EU has demonstrated an impressive capability to react, adapt and adopt the necessary measures to respond to a crisis that was going clearly beyond the limits of what was planned and foreseen in our system. The EU provided new responses in at least two important cases. First in the case of Greece and then in the case of the mechanism for the overall stability of the euro involving hundreds of billions € in decisions that were taken very rapidly taking into account **the impact, the size and the depth** of the changes that happened and are happening.

There are **three conclusions** we should draw.

**i)** From the Economic point of view the EU and **the eurozone proved to be much more solid and resilient than people in general thought**. This is in fact something that should be expected from the biggest economy, the biggest trader and the biggest destination and origin of Foreign Direct Investment in the world.

**ii)** There is the **political will** and the **common sphere of interest** to create the political capabilities to respond to possible crises as needed.

**iii)** The solidarity within the EU system is much bigger than what the texts indicate. This solidarity reached new frontiers in the case of Greece.

**The outcome of this whole crisis was positive for the EU.** Better European economic governance is emerging as a result. Looking at the markets today, the euro is again very strong despite an alert on the banking situation in Ireland and that is an answer that the markets themselves are giving on the real strengths of the euro.

### **Implementation of the Lisbon Treaty**

For those who are informed about the changes that are taking place, in Washington and in Brussels there is a strong overall conclusion that reinforces the previous conclusion on the monetary and financial crisis. That the EU through the implementation of the Lisbon Treaty is in fact building a higher resilience and capability to deal with the challenges of our times and particularly in the area of foreign and security policy.

## **2. The EU and Cyprus**

The European integration is a process that has changed over the last 6 decades the old continent and has created a space of **peace, stability** and a **space of freedom**. Peace has always been the objective, the main purpose of the founding fathers of the EU. However, we know through experience that economic integration alone is not enough to guarantee peace (we have often seen wars among trade partners and often trade conflicts proceeded wars).

Something else happened in this old continent during these last decades that remains very valuable today.

*There are three concepts that can help us understand how the EU created and advanced this space of Peace and stability.*

### **i) The process of the EU implies real nation transformation**

This transformation happens around the key values of the EU and the combination/expression of those values through the 100.000 pages of the aquis which is the accumulated legislative output of the EU which every new member has to adopt before it becomes a member itself and then it continuous to evolve and expand.

### **ii) Prevention and resolution of conflicts among sovereigns**

If two States adopt the same values and principles complemented by common laws and rules and the same way of defining what they do on issues like safety rules, GMO's, environmental protection standards etc, they obviously reduce the space of possible disputes. Thus the best prevention of conflicts is the nation transformation process which happens at the first stage as part of the EU integration process.

In addition the EU itself is in many respects a system of rule of law among sovereign states. This allows settling disputes along the basis of rule of law.

**iii) The deep interdependence and the wider view that this process of integration creates among states provides a wider basis to solve differences**

Issues that are difficult to solve on their own by the fact that they become part of the relationship which is much deeper and much wider and includes much more aspects, one could argue makes them more complicated to solve. But it's not the way it works. In practice it means that by expanding, by having a wider view of the common interest through the management of a deeper interdependence you have a wider bargaining, a wider trade off that allows to solve differences among states.

Another important foundation and the basic concept of the EU, less known and understood, is the fact that **the EU continually enhanced within all states the space of individual freedom**. Being a citizen of the EU means simply that the individual concern is offered additional space of choice. We can for instance choose to live, study or work in another country. The essence of the whole EU system is to create a more coherent space which in effect increases the space of freedom of the citizen and in addition offers additional rights thus increasing overall space of freedom for the individual citizen.

*All this formidable process that has shaped the continent appears to have stopped for decades to this green line. What does this mean for the foreseeable future? What is happening for the solution of the Cyprus division?*

There are **two concepts** that are very important for the whole debate on Cyprus and the way forward.

**i) This formidable machinery that was described briefly has not stopped working.** It works on both sides of the green line, on the wider regional area and on Turkey itself as it tries to adapt and negotiate its accession to the EU. This concept is the real motivation that is very often misunderstood, of the willingness of Brussels in particular the European Commission to develop and deepen the relations with the northern part of Cyprus. You know that we had two practical issues: the cooperation program and the debate about direct trade. People of good faith who understand the EU process argue that a good way forward is to help people on both sides to live by the EU values and principles. More people get used to live by

the same values and principles more the process of nation transformation that has proven its efficiency has a better chance to deliver in the future to the benefit of all.

**ii)** In this difficult situation in a world that often appears too complex, where everything seems related to each other sometimes it seems impossible to move forward. **A very important indicator** that we are doing well in a situation as the one that we are having in Cyprus, is when we manage to **move forward in the direction of a wider implementation of these principles and values** that have already shaped the old continent in the right direction. **The future solution of the problem in Cyprus will have to be built around these key EU values and principles.** This is the direction which we should work on when we deal with the whole picture or part of the picture.

There is also a fascinating new reality in the region **with the new regional role of Turkey.** The fact that the regional role of Turkey is increasing can be seen by some as a negative thing "as it becomes too powerful it has less motivation to move on a specific problem". But it can also be perceived in the logic that was mentioned before, that has proven the old traditional way of seeing relations among sovereigns only on the basis of zero sum power games to be wrong, which is that if we manage properly an increased interdependence and an increased set of interests this can create a new space and better margins of compromises which were impossible in the steps before.

### **3. Directly dealing with Cyprus the EU has 4 main instruments**

**i) The aid regulation** through which we are supporting the economic development of the northern part of Cyprus to make them move closer to EU standards and to help them connect to the other part of the island and the EU.

**ii) Direct trade regulation:** A proposal which is now again in the newspapers as it is discussed and debated in the EP but politically it does not seem destined to get through in the foreseeable future.

**iii) Green line regulation** which is managing from the EU legislation point of view the movement of goods and persons over the green line that means between the territory

controlled by the Republic of Cyprus and the territory of the Republic of Cyprus not controlled by the government of the Republic of Cyprus.

iv) And of course **the support to the UN led process of negotiation** that we are very committed in supporting in any possible way