Interstate Relations between Russia and Cyprus amid Geopolitical Contradictions in a Multipolar World

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Abstract

Relations between Russia and Cyprus were first established on 18 August 1960, when Russia was a part of the USSR, two days after Cyprus had gained its independence from the UK on 16 August 1960 based on the Zurich-London Agreements of 1959. The Republic of Cyprus recognised Russia as a successor of the USSR on 7 April 1992. The relations between the two countries developed steadily in all spheres: political, economic, cultural, and military-technical. For this purpose, the countries have established a solid treaty and legal base, which numbers more than 50 agreements. Currently, the Russia-Cyprus relations are consolidated with emphasis on the Joint Action Plan for the period 2018-2020, as well as the Joint Declaration between the Russian Government and the Cyprus Government on cooperation in modernising their economies. The areas of practical cooperation are stated in the final protocol of the Tenth Session of the Russia-Cyprus Intergovernmental Committee for Economic Cooperation, which was signed in Moscow early in October 2007.

Keywords: Russia-Cyprus relations, legal base, geopolitical contradictions, multipolar world Russian foreign policy, Cypriot foreign policy.

Introduction

Russian-Cypriot relations are developing in a complex political situation due to the geopolitical contradictions in the Mediterranean region, relations between western states and Russia, and dramatic events in Cyprus. Russia’s stance on the Cyprus

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question considers several factors that have been influencing Cypriot foreign policy since Cyprus gained its independence. The first factor is the regional dimension of the Cyprus dispute, including Greece’s and Turkey’s views on the matter. There is also the increasing role of the European Union (EU) in the Cyprus settlement, Cyprus’ accession to the EU (1992-2004). Another factor is the UN’s mediation and initiatives in the Cyprus dispute (1992-2004) and the UN’s involvement since 2004.

Cyprus’ internal problems are the subject of great concern to Russia. These are ethnical conflicts between the two communities of the island, Greek and Turkish Cypriots. Assessing the causes of these problems, experts refer to a number of factors. In particular, specialists submit that the differences in constitutional and legal mechanism mirrored in the Zurich-London Agreements are the root of the problem. These agreements were concluded between the Greek and Turkish prime ministers in 1959 in Zurich, and the constitution of the Republic of Cyprus was drafted based on these agreements.

It is extremely difficult to change Cyprus’ Constitution. Academic literature notes that some provisions of the constitution do not reflect the realities of the island. This particularly applies to the representation of Greek and Turkish populations in the civil service, at a ratio of 70:30 % and the representatives in the army and the security service at a ratio of 60:40 %. In fact, the real proportion between the two communities was 82:18. Due to this disbalance in proportions of representation, there were armed conflicts between the communities in 1963.

Researchers of the Cyprus dispute emphasise three conflict levels: local, regional, and international. Let us now consider Russia’s stance on these conflicts.

During the intercommunal conflict between 1963 and 1964, Turkey wanted to intervene in Cyprus. Taking into account the possibility of protests in neighbouring

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4 The Greek researcher Michael M.S. supposes that the Cyprian problem can be described by five-ply structure – he adds national (all-Cyprian) and subregional (all-EU) levels to the above-mentioned aspects. See also; Michalis S. Michael, ‘The Cyprus Peace Talks: A Critical Appraisal’, (2007) Journal of Peace Research, Vol. 44, No 3.
countries, and the necessity of giving legitimacy to his actions, the Turkish Prime Minister, Ismet Inonu decided to find out what position the USSR had. In his letter to Chairman of the Council of Ministers of the Soviet Union, N. Khrushchev, Inonu indicated his intention to frustrate immediately the Greek armed resistance activities in Cyprus. Khrushchev reacted with no delay. On 7 February 1964, he replied that the USSR was against Turkey or any other international force intervening militarily into the conflict. Moreover, Khrushchev also sent a message to President of Cyprus, Archbishop Makarios, wishing him total victory in preserving the island’s territorial integrity and independence.  

Washington D.C. proposed a very dangerous plan for Cyprus in the summer of 1964. This plan was proposed by the US Secretary of State, Dean Acheson. Greek researcher V. Koufoudakis denounced the ‘Acheson plan’ as the US’s first attempt to get involved in the Cyprus dispute. By eliminating Cyprus’ independence, the US was going to make peace between two NATO members, Turkey and Greece, both of which would receive territorial compensation.

Trying to save its independence, the Cypriot Government turned to the USSR on 9 August 1964. The Soviet government supported Cyprus again in its struggle for territorial integrity and independence. Researchers have pointed out that at all stages of the relations, the USSR supported Cypriot policy of non-alignment, resisted any kind of occupation, intervention, violence, and threat of force against Cyprus. The USSR was also in favour of the withdrawal of all foreign troops, who had been on the island since 1964 in accordance with the UN resolution, from the territories of Cyprus. That position emerged in a final statement during the official visit of the Cypriot President Makarios to the USSR between 2–9 June 1971.

This Russian stance has been very important to Cyprus, as since the 1960s, the development of the situation on the island has been connected with the internationalisation of the dispute and the increasing involvement of the UN in

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6 Ibidem.
trying to resolve it. Researchers of the Cyprus problem document that the UN peace-making efforts on Cyprus have been carried out mainly in two directions. The first direction is the UN’s attempts to prevent new incidents of intercommunal violence. The second one is the organisation’s continued efforts to resolve the conflict, stabilise the situation, and ensure peace by providing good offices and mediation. An example of such internationalisation is the deployment of Blue Helmet troops, the UN peacekeepers, in Cyprus since March 1964.

With the strengthening of Russia’s position on the world stage, there has been a growing understanding in the region that it will be impossible to solve global and regional problems, as well as the Cypriot question, without Russian participation. Determining its policy in the region, Russia takes into account a number of factors. These include domestic, ethno-political, communal, and interstate contradictions, including the role of external forces. Assessing the Cyprus issue, Russia has always defended the values of the island’s unity and opposed foreign interference in its internal affairs. This position was significantly different from the attitude of western countries. This is clearly demonstrated during UN debates on the Cyprus issue. When Cyprus’ partners in the UN did not want to take into account Cyprus’ opinion and interests, Russia, as a permanent member of the UN Security Council, vetoed a draft resolution in 2004 to protect Cyprus’ independence.

The Russian position was gratefully welcomed by the national government. ‘The Government of the Republic of Cyprus welcomes the Russian veto against the Anglo-American draft resolution on Cyprus,’ stated the Government Spokesperson, Kypros Chrysostomides. ‘The Russian Federation did the right thing by vetoing this draft. This draft could not have been approved,’ he said. The leader of the Turkish Cypriot community, Rauf Denktash, took the same position. ‘God bless Russia. This country has saved us from a catastrophe. Russia has showed that unprecedented pressure on both parties to the conflict is unacceptable’, he said.

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10 Ibidem.


12 ‘The Leader of the Turkish Cypriot Community welcomed Russia’s Veto against the UN Draft Resolution on Cyprus’, *RIA Novosti* (22 April 2004), available at https://ria.ru/20040422/575143.html [in Russian].
2009, the Minister of Foreign Affairs, Markos Kyprianou, also underlined that Cyprus particularly valued Russia’s support in the reunification of island as well as its role in resolving Cyprus dispute within the framework of the UN Security Council.\(^{13}\)

Russian leaders also have repeatedly emphasised the importance of friendly relations between Russia and Cyprus. In particular, Russian President, Vladimir Putin pointed out that Russia and Cyprus are prospective partners and that the Russian Government appreciates Cyprus’ efforts to strengthen cooperation between the two countries. Putin clearly indicated his preference for a fair solution to the Cyprus dispute without foreign interference in its domestic affairs.\(^{14}\)

**Materials and Methods**

While studying Russian-Cypriot relations, researchers have had several sources of information. Above all, documents from international organisations, such as the UN Security Council, regarding the settlement of the Cyprus problem are of great interest. Russia as a permanent member of the Security Council supports the interests of the Cypriot people and the independence of the Republic. These documents show which stance the Russian Federation took on the Cyprus issue when Cyprus became an independent State and during different conflicts in the region around Cyprus. Several parts can be highlighted in these documents. The UN Security Council’s resolutions,\(^ {15}\) the UN Secretary-Generals’ reports,\(^ {16}\) and EU documents shed light to the Russian arguments, statements, and policies implemented vis-à-vis the issue in question.\(^ {17}\)

\(^{13}\) ‘Cyprus Dispute: The Role of Leading Countries and International Organizations in the Settlement of the Conflict’, (10 January 2014), available at https://knowledge.allbest.ru/international/3c0b65635b2ac79a5d53a89421316d27_0.html [in Russian].

\(^{14}\) ‘Putin will Discuss the Settlement of the Cyprus Conflict with the Cypriot Leader’, TASS News Agency (24 October 2017), available at http://tass.ru/politika/4670864 [in Russian].


\(^{17}\) Commission Opinion on Cyprus’s Request for Accession – Council Conclusions, available at https://europa.eu/rapid/press-release_PRES-93-156_en.htm; COM (93) 313 final (30 June 1993), ‘The Chal-
Different theoretical and strategic documents of the Russian Federation are also important for studying the conceptual basis of Cyprus-Russia relations. Such documents are: foreign policy concepts; national security strategies; and Russian military doctrines.\(^{18}\)

One of the main sources are interstate and intergovernmental agreements. They provide a legal platform and firm foundation for specific relations between the two countries. At present, more than 40 interstate and intergovernmental agreements have been signed between the Russian Federation and the Republic of Cyprus since the island became an independent State in 1960.\(^{19}\)

In the mid-2000s, the improvement of the legal and treaty framework of Russian-Cypriot cooperation progressed at a slow pace, which was due, among other things, to Cyprus concentrating its efforts on harmonising its national legislation with EU law (the Republic became a member of the EU in 2004). However, there have been positive developments in this sphere lately.

The official visit of Russian President, D. A. Medvedev to the Republic of Cyprus on 7 October 2010 gave momentum to the expansion of the legal and treaty framework. It was the first such visit of a Russian president in the history of Russian-Cypriot relations. During the visit, the presidents of the two countries signed the Joint Action Plan for 2010-2013 and the Joint Statement on the 65\(^{th}\) anniversary of the Victory in the Second World War. An important step in building


economic relations was also signalled by the adoption of two intergovernmental documents regulating issues of major importance in the bilateral agenda. First, the implementation protocol regarding the EU-Russia agreement on readmission was signed on 25 May 2006. Second, the protocol amending the avoidance of double taxation regarding income and capital agreement (1998) was executed in October 2010.

On the sidelines of the Nicosia summit, a total of 11 documents were signed in the spheres of economy, finance, investment, tourism, energy efficiency, transport, education, and cultural heritage protection. The specificity of these documents concludes in their legal nature not only in political character. The most important among them was the Joint Action Plan for 2011-2012 to implement the agreement of 27 March 1994 to cooperate in the sphere of tourism, the Declaration on Russian-Cypriot cooperation aimed at modernising the economy, and other documents on cooperation between various departments.

The most important political document that was drafted during the visit was the Joint Action Plan for 2010-2013, which took into account all the suggestions and comments from 43 Russian ministers and departments. This document should add a practical dimension to the Joint Political Declaration on further enhancement of friendship and all-round cooperation between Russia and Cyprus, which was signed by the two presidents on 19 November 2008. It includes plans to increase and develop comprehensive political dialogue, to cooperate on relevant issues in international organisations, to strengthen the high-level consultation mechanism, to encourage networking between government bodies, to enhance the legal and treaty framework for bilateral relations, to cooperate on economic, trade, and finance issues, to develop military and military-technical relations, to cooperate on issues of internal affairs and local governments, as well as on issues related to medicine, science, education, culture, and tourism.

Although the Joint Action Plan is not an intergovernmental document in the strictest sense, as the Joint Declaration is, it is also critical in developing bilateral

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20 On the original EU-Russia Readmission Agreement, see OJ L 129/40 | 17 May 2007.
21 The Implementing Protocol was incorporated into the Cypriot legal order, sanctioned, and promulgated per Ratification Law 15(III)/2011, Official Gazette, Annex I(I), No. 4148, 29/04/2011.
ties. This document is of particular importance because it specifies again Cyprus’ support for the Russian president’s proposal to conclude a new legally binding treaty on European security. The plan also highlights the intention of Cyprus to support further dialogue between the Russian Federation and the EU, in particular to encourage the EU to allow Russia onto the visa waiver programme.

Finally, the plan confirms Russia’s support for Cyprus’ efforts to achieve a comprehensive, fair, and viable settlement of the Cyprus dispute. The Russian Government also maintained that the two communities should play the leading role in the process, based on the relevant UN Security Council resolutions and the High-Level Agreements of 1977 and 1979. Both these institutional documents and the official Russian position endorse the solution of the Cypriot question through the consolidation of a bi-communal, bi-zonal federation with a single and indivisible sovereignty, citizenship, and international legal personality, carrying out political equality, as it is defined in the relevant UN Security Council resolution.

Another important political document, the Joint Statement of the Russian and Cypriot presidents on the 65th anniversary of the Victory in the Second World War,\(^23\) highlights the decisive contribution of Russia and other nations of the USSR to the victory over fascism. It also expresses the countries’ readiness to share their experiences in preserving the memory of the people killed and missing from both countries, particularly, during the Second World War in Russia and during the Turkish invasion in Cyprus in 1974.

It is necessary to mention the Programme of Cooperation between the Russian Federation and the Republic of Cyprus in the spheres of science, education, and culture for the years 2009 until 2012.\(^24\) Moreover, several areas of practical cooperation are stated in the final protocol of the 10th Session of the Russia-Cyprus Intergovernmental Committee for Economic Cooperation, which was signed early in October 2017, in Nicosia.

The Joint Action Plan for the period of 2018-2020 and the Joint Declaration on cooperating on modernising the countries’ economies play significant roles in promoting bilateral relations. The Joint Action Plan for the period of 2018-2020 is a complex synergistic scheme covering various fields of cooperation, such as politics,


economy, and culture. Suffice it to say that the document includes almost 50 blocks of Russian-Cypriot cooperation from general and/or political to specific, technical, and/or particular issues. Consequently, it comes as no surprise that currently more than ten new intergovernmental and interstate treaties and agreements are under negotiation.

The documents issued by Russia’s Ministry of Foreign Affairs also provide a great deal of interesting and extensive material on cooperation between Russia and Cyprus. In particular, the interview in Cyprus’ *Simerini* newspaper with Russian Foreign Minister S.V. Lavrov, published on 24 December 2017, and Lavrov’s statement after the meeting with his Cypriot counterpart, Nicos Christodoulides, in Moscow on 27 April 2018 contain useful information, too.

In order to choose the most appropriate factual information from these sources on cooperation between Russia and Cyprus, it is necessary to use methodological tools and research techniques, such as analysis and comparative analysis.

**Literature Review**

A few studies focus on the current state of intergovernmental relations between Russia and Cyprus in Russian scientific literature. The most significant works among other studies is I.A. Antonova’s *Politological Analysis of Russia’s Stance on Conflicts in Kosovo and Cyprus*, and reviews by TASS and RIA Novosti news agencies that provide chronological analysis of Russo-Cypriot bilateral relations in all spheres. Moreover, C. Arisoy, B. Daragahi, and L. Harding have devoted their research to different aspects of Russia’s role in the life of modern Cyprus and in Cypriot issues. However, the analysis of scientific literature shows that many

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aspects of Russian-Cypriot interstate relations have not been a subject of scientific research yet, especially regarding Russia’s stance and role in resolving the Cyprus problem, and in economic, political, and cultural ties.

**Research**

The main goals and principles of Russian foreign policy at the present stage are set in the Foreign Policy Concept of the Russian Federation, approved by President Putin on 30 November 2016. It notes that the modern world is going through fundamental changes related to the development of a multipolar international system. The structure of international relations is becoming more complicated. As a result of globalisation, new centres of economic and political power are emerging. Global power and development potential is becoming more decentralised, shifting towards the Asia-Pacific region. The dominance of traditional western countries is decreasing. The variety and multiplicity of culture and civilisation development models is gradually becoming more visible than ever. The Russian Federation’s long-term policy in the Euro-Atlantic region focuses on the formation of overall peace, security, and stability, based on the principles of integral security, equal cooperation, and mutual trust. Russia consistently advocates for political declarations on the importance of security to be legally binding regardless of States’ membership in military-political alliances.

Contacts between Russian and Cypriot Leaders and Russia-Cyprus Relations

Russian policy towards Cyprus is based on legal principles, which are enhanced by contacts between the countries’ leaders.\(^{29}\) Therefore, one of the most important research topics is studying the timeline and the context of these contacts. The analysis shows that there have been quite a few high-level meetings since the collapse of the Soviet Union, followed by the acknowledgment of the Russian Federation as the full, legal, and doubtlessly recognised successor of the USSR. Before addressing the contacts, visits, official and unofficial meeting attended by high-ranking officials of both nations, it must be highlighted that Russia and Cyprus stand really close in a wide range of political issues. For instance, they have both emphasised the pivotal role of the UN as a universal institution for maintaining peace and security, while

they have advocated for collective actions against international terrorism, cross-border organised crime, and drug trafficking.\textsuperscript{30}

Turning now to the history of diplomatic exchanges between the two countries it comes as no surprise that, as early as 1991/1992, Cypriot president George Vasiliou, paid working visits to Moscow from 27 - 30 October 1991 and on 15 October 1992. During these visits, frameworks for cooperation between the two countries were discussed.\textsuperscript{31} On 7 September 2000, Russian President Vladimir Putin met with his Cypriot counterpart, Glafcos Clerides, at the Millennium Summit in New York. On 30 - 31 May 2003, President Tassos Papadopolous took part in the celebrations commemorating the tercentenary of Saint Petersburg and in the Russia-EU summit. From 21 -23 January 2006, the Cypriot Head of State paid another official visit to Russia. During these meetings, Russia consistently supported the independent development of Cyprus, opposing foreign interference in its internal affairs. Moreover, between 18–21 November 2008, President Demetris Christofias made an official visit to Russia. Christofias studied in Moscow from 1969 to 1974, where defended his doctorate dissertation on history. Following negotiations, the leaders of Cyprus and Russia signed several joint documents, including the joint declaration on further intensification of the relations of friendship and comprehensive cooperation and the health care and medical science cooperation agreement. It should be pointed out, that the late President Christofias was awarded a honourary doctorate degree by MGIMO University, during his official stay in Russia.

On 7 October 2000, the Russian President met with his Cypriot counterpart, D. Christofias, for the second time. It was the first official visit of a Russian President to Cyprus. The two heads discussed and signed 15 documents, after intensive negotiations held in both a narrow and expanded format. On 28 February 2013, Nicos Anastasiades was elected president, and he made his first official visit to Russia from 24 - 27 February 2015. During his visit to Russia, President Anastasiades and his Russian counterpart signed the Joint Action Plan for 2015-2017. Several bilateral understanding were adopted, following the meeting. During his stay, Nicos Anastasiades also negotiated with the Russian Prime Minister Dmitry Medvedev. Thereafter, Nicos Anastasiades visited Moscow again (9 May 2015), this time to attend the celebrations marking the 70\textsuperscript{th} anniversary since the end of the Second

\textsuperscript{30} Interstate Relations between Russia and Cyprus, RIA Novosti (24 October 2017), available at https://ria.ru/20171024/1506250481.html.

\textsuperscript{31} Russia-Cyprus relations. File.//available at https://tass.ru/info/1787551 (in Russian).
World War. Subsequently, on 16 July 2016, the Russian prime minister attended an in-camera meeting with the Cypriot president in the margins of the Asia-Europe Summit (ASEM) in Mongolia.

Besides negotiating at the highest level, the foreign ministries of the two countries cooperate actively. For instance, on 31 October 2016, the Cypriot Foreign Minister Ioannis Kasoulidis arrived in Moscow for an official visit to meet with his Russian counterpart. The two ministers discussed bilateral issues and EU-Russia relations. From 18-20 May 2017, the Russian Foreign Minister Sergey Lavrov, paid a working visit to the Republic of Cyprus. He was received by President Anastasiades and conducted talks with his Cypriot counterpart. On 19 September 2017, Minister Lavrov met President Anastasiades again, in the margin of the 72nd session of the UN General Assembly in New York. The two statesmen discussed the prospects of further cooperation between Russia and Cyprus in various areas, and they underlined the mutual interest in continuing the political dialogue and constructive cooperation at international platforms, including the UN.

Furthermore, the foreign services of the Russian Federation and the Republic of Cyprus carry out consultations on a regular basis. Parliamentary contacts are expanding too. For instance, in December 2016, the Chairman of the Federation Council Committee on International Affairs, Konstantin Kosachev, met with the head of the Cypriot House of Representatives, Demetris Syllouris. The Russian official also met with the chairperson of the House Standing Committee on Foreign and European Affairs, Giorgos Lilikas. 32

The Russian Federation and the Republic of Cyprus have an identity of positions in a number of issues. Russia and Cyprus stress the core role of the United Nations Organization as a universal institute for peace and safety support. Both countries stand for collective actions of the world community against global terrorism, transborder organised criminality and drug traffic.

The Legal Framework of Russia-Cyprus Relations

Frequent and close contacts of government leaders of Russia and Cyprus have enabled the solidification of a multilevel legal framework supporting the conduct of bilateral intercourse. Today, dozens of bilateral treaties exist between the Russian

Federation and the Republic of Cyprus, starting as early as the 1960s when Cyprus became an independent State. These documents represent a solid basis for the intensification of the synergistic relations between the two countries and regulate various areas of bilateral cooperation. Though in the mid-2000s the improvement of treaty and legal framework of Russian-Cypriot cooperation progressed at a slow pace, which was due, among other reasons, to Cyprus concentrating its efforts on harmonising national legislation with EU law (the Republic of Cyprus became a member of the EU in 2014). However, there have been positive developments in this sphere lately. The regular meetings of the countries’ leaders have played a crucial role in these developments.

In the course of the cooperation, several types of documents have been prepared, signed and actively implemented.

Primarily, these documents are joint action programmes adopted on a triennial basis, such as:

- the Joint Action Plan for 2010-2013 between the Russian Federation and the Republic of Cyprus;
- the Joint Action Program for 2011-2012 to implement the Agreement of 24 March 1994 between the governments of the Russian Federation and the Republic of Cyprus on cooperating in tourism;
- the agreement between the Russian and Cypriot governments for the Avoidance of Double Taxation with respect to Taxes on Income and on Capital, signed on 5 December 1998.

There is a solid package of intergovernmental documents in the sphere of economy,33 finance, investment, tourism, energy efficiency, transport, education, and cultural heritage. Even so, the most important political documents are joint action plans. For example, the Joint Action Plan for 2010-2013 was drafted, as mentioned before, taking into account all the suggestions and comments from 43 Russian ministries and departments.

This plan provides for further intensification and development of the political dialogue, creates a stable basis supporting cooperation on relevant issues in

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international organisations, while strengthening the high-level consultation mechanism. The action plan promotes not only networking between governmental bodies, but also the enhancement of the normative framework on economics, trade, and finance, military and military-technical relations, internal affairs, local governments, health medicine, science, education, culture, and tourism. The plan also highlights the intention of Cyprus to support a further deepening of the dialogue between the Russian Federation and the EU, in particular, to encourage the abolishment of visas.

**Trade and Economic Relations**

Economic cooperation is a thriving section of bilateral intercourse, a domain of mutually beneficial activity, fostering a booming array of synergies. The Russia-Cyprus Intergovernmental Committee for Economic Cooperation, operating since 1998, provides institutional support to develop economic relations between the two countries. The last regular meeting of the committee was in Moscow in April 2016. In order to promote direct contacts between entrepreneurs of the two countries, the Business Council for Cooperation with Cyprus was established in Russia in 2011. Summarising some results of economic cooperation between the two countries, the following characteristics should be mentioned.

Firstly, Russia exports mainly raw materials to Cyprus. Crude oil is the main commodity that Cyprus’ economy needs. Other high-demand commodities are barley, sawn wood, fertilisers, beverages, and feed concentrates. Russian machinery is also in great demand. In turn, Cyprus exports to Russia citrus fruit, fruit juices, wines, canned fruit and vegetables, pharmaceuticals, and perfumery.

Secondly, an important characteristic of bilateral economic cooperation is the fact that Cyprus is one of the leading channels for foreign investment in the Russian economy and one of the main investors. Cypriots mainly invest in the manufacturing sector. They also invest in mining operations, real estate business, and construction. They provide wholesale and retail operations, transport, and telecommunication services. Financial analytics claim that most of the capital invested mainly had been exported earlier from Russia and is returned back home. This is nothing less than reinvested capital, which is connected with the regulatory and tax framework in Cyprus. On the other hand, one of the main investors in Cyprus is the Russian Federation. Russian capital finances several activities in the Republic, including the agricultural and manufacturing sectors. According to the Central Bank of the
Russian Federation, on 1 January 2016 accumulated Cypriot direct investment in Russia amounted to USD94.5 billion, and the amount of Russian investment in Cyprus’ economy was USD92.2 billion.\textsuperscript{34}

Cooperation with Russia in banking, fuel, and energy sectors merits further attention. Large Russian banks are starting to occupy these niches. For instance, VTB Bank has its subsidiary in Cyprus, and Russian Commercial Bank (Cyprus) Ltd. Promsvyazbank has had a branch in Cyprus since 2002. One of the largest investors in the Cypriot economy is Lukoil Cyprus Ltd, which was established in 2002. It controls 10\% of the oil product market in Cyprus and manages 30 gas stations.

According to the Russia Ministry of Economic Development, by the end of 2015, the total volume of Cypriot accumulated investment in Russia amounted to USD99 billion, and Russian investment in Cyprus was USD103 billion. By comparison, at present, German investment in the Russian economy exceeds USD16 billion, and Russian investment in the German economy is around USD8.5 billion.

Here are several concrete examples of economic cooperation between Russia and Cyprus. In December 2011 Russia issued a EUR2.5 billion loan to Cyprus to finance its debt obligations. This step was taken because of the economic crisis in Greece that had affected Cyprus. Three leading banks, including the Bank of Cyprus, held Greek government bonds. The banking sector lost around 80\% of total investment due to write-offs of Greek government bonds. It was assumed that a Russian loan would allow Cyprus to recover without help from the EU and the IMF. However, in June 2012, Cyprus had to do that, although at present, the crisis has passed, and Cypriot GDP has increased by 3.5\%. The 4.5\% loan was calculated over 4.5 years. Cyprus applied to other countries, which offered credit lines at a minimum of 15\%. In August 2013, a protocol was signed that provided for a 2.5\% interest rate decrease per annum and a postponement of the principal debt from 2016 to the period of 2018-2021.\textsuperscript{35}

At the beginning of the 21st century, the volume of bilateral trade slumped due to the Cyprus crisis, EU sanctions against Russia, following the situation in Ukraine, and Russian countermeasures in 2014. According to the Federal Customs Service of Russia, in 2010, goods turnover between the two countries amounted

\textsuperscript{34} TASS News Agency, ‘Russia-Cyprus relations’ (24 October 2017), available at https://tass.ru/info/1787551 [in Russian].

\textsuperscript{35} Russia-Cyprus relations, available at https://tass.ru/info/1787551 (in Russian).
to USD 1,6 billion. Yet in 2014, it dropped to USD 653,3 million, and in 2015, to USD 303 million. However, in 2016, the trade volume increased by nearly 10% to USD 334,5 million. In 2016, Russian exports to Cyprus amounted to USD 282,8 million D, which was an increase of almost 15%, compared to its rate in 2015 when Russian imports dropped by 12,7% to USD 51,6 million.  

At present, mineral commodities account for more than 54% in the Russian export structure. They are followed by machinery, manufacturing equipment and transport vehicles (22%), food commodities and agricultural raw materials (11%), metals and objects made from them (5,6%), and chemical industry production (4,6%). Machinery, manufacturing equipment and transport vehicles also constitute the bulk of supplies to Russia (about 80%). Moreover, Russia imports chemical industry products (14%), food commodities, and agricultural raw materials (2,4%).

One of the most important areas of bilateral economic cooperation is tourism. According to Cyprus’ official data, the flow of Russian tourists visiting Cyprus increased from some 130,000 in 2000 to 781,600 in 2016, while the total amount of tourists was 3,2 million. Between January and September 2017, the number of Russian tourists increased by 5%, compared to the same period in 2016.

Without doubt, EU sanctions against Russia have led to a decline in trade and economic cooperation between the two countries. According to the Federal Customs Service of Russia, in 2016, external turnover between Russia and Cyprus amounted to USD 334,5 million, in particular Russian exports totalled USD 282,8 million and imports amounted to USD 51,6 million. From January until July 2017, external turnover between Russia and Cyprus totalled USD 216,4 million, Russian exports were USD 211,7 million, while imports were USD 4,7 million.

There is also a hope that the economic ties between the countries will develop further, promoting Cyprus’ economic growth. In 2018, Cyprus’ economy increased by 3,9%, while for 2019 the growth was estimated at 3,3%, according to the forecasts of the Economic Research Centre (ERC) of the University of Cyprus. In 2017, thanks to tourism, the growth of GDP reached 3,9%, which was the best figure for the last ten years. In 2018 and 2019, the growth of Cyprus’ economy has been the result of strengthened domestic market, favourable environment, low interest rates, inflation, as well as optimistic thinking on local and European markets.

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36 Ibid.
However, the ERC’s report indicated significant risk factors, among which are high levels of debt and defaulting loans, coupled with an increasing correlation between banking and sovereign risks. As the report noted, taking into account the high level of sovereign debt, delays in implementing structural reforms in such areas as the judicial system or the public administration apparatus, and the emergence of fixed government expenditures based on short-term incomes can adversely affect economic sentiment, sustainability of public finances and growth prospects.38 Among other potential risks, there is a slowdown in the Eurozone and in the UK due to ongoing negotiations on BREXIT and a weakening of Cypriot tourism industry, caused by competition from third countries. Strengthening demand by encouraging domestic consumption and financing private and public investment projects may be a possible growth factor.

The growth forecast in Cyprus for 2019 has been diminished from 3.5% stated in May report to present 3.3% due to weakening of economic expectations in Cyprus and unstable growth in Europe.39

It is worth mentioning that, according to the similar forecast of the Central Bank of Cyprus40, Cyprus’ economy is expected to grow by 4.1% this year and by 3.9% in 2020. The European Commission41, on the other hand, forecasts that these figures will be 3.6% and 33% respectively.

**Military-Technical Cooperation between Russia and Cyprus**

An important sphere of interstate relations of Russia and Cyprus is military and technical cooperation, seeking to protect Cyprus’ independence.

On 25 February 2015, Russia and Cyprus signed a military cooperation agreement in Moscow. This agreement aims at developing bilateral military cooperation between the parties for strengthening mutual trust and international security. The conclusion of this agreement was a result of growing cooperation between Russia and Cyprus in this area, which began in the 1960s.

The first contract for the supply of military equipment between Cyprus and the USSR was concluded in 1964. According to this agreement, in 1965 the USSR

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39 Ibid.
40 Ibid.
supplied 32 T-34-85 tanks along with ammunition supplies and spare parts. Those fighting vehicles were used during the hostilities with Turkish army in 1974, and ten of them were irrecoverably lost. Between 1995 and 1996, Cyprus received 43 Russian BMP-3 fighting vehicles. The contract value was USD68 million.

In April 1996, Cyprus and Russia signed a contract to supply 41 Russian tanks produced at Omsktransmash. The contract value was USD172 million. In early 1997, a contract for the supply of surface-to-air missile systems S-300 PMU1 caused widespread political reaction. According to some reports, the contract value was USD230 million. However, due to political differences between Cyprus and Turkey and pressure from the US and the UK, the Cyprus Government was forced not to install these systems on its territory. As a result, Greece bought these systems, and in early 1999, they were installed in Crete. Russian surface-to-air missile systems Tor M1 (two items) and Buk-M1-2 (two items) were sent from Greece to Cyprus to compensate for the S-300 PMU1 systems.

In 2001, Russia supplied four ‘Grad’ multiple rocket launchers and military cargo helicopters Mi-35P to Cyprus. One of the helicopters crashed in Cyprus in July 2016. Another 11 vehicles were overhauled in Russia in 2007 and 2008.

In early 2005, Cyprus’ Ministry of Defence signed a contract worth USD12.1 million with Russia. The syndicate, which was a party to the contract, included Peleng, a Belarussian company that produces fire-control systems, and Thales Optronics, a French company that supplies thermal vision cameras. The share of JSC Rosoboronexport in this contract was USD2 million.

In 2006, Russia and Cyprus started negotiations for the supply of new tanks, and in June 2009, they signed a contract for the delivery of 41 Russian T-80U/UK tanks. Cyprus also purchased four armoured recovery and repair vehicles, service ammunition, and support materials. The contract provided training for Cypriot specialists in Russia. The total cost of the contract amounted to USD156 million D. The Russian Armed Forces supplied those T-80U/UK tanks to Cyprus in 2010 and 2011, as well as overhauled and reworked them. The recovery and repair vehicles, supplied in 2011, were newly built.

On 2 December 2013, Cyprus’ Ministry of Defence and JSC Rosoboronexport signed a contract valued at EUR28 million to serviced Mi-35P helicopters for the second time. The first four vehicles were rebuilt in 2014.
On 9 February 2015, Cypriot President Anastasiades stated that they were discussing with Moscow further possibilities for Russia to use Cyprus’ seaports and airports for its military aviation and navy ships for humanitarian operations or emergencies. That was not about providing bases to Russia, but about facilitating port passage for Russian ships in Cyprus’ waters. At present, requests are submitted through diplomatic channels and approved individually. According to plans, a new notification procedure will be set promptly.42

Article 2 of the Agreement on military cooperation between the Russian Federation and the Republic of Cyprus states that the two countries cooperate in further areas:

- Exchange of views and information on military and political affairs, enhancement of mutual trust and international security, strengthening the fight against terrorism and arms control;
- Development of relations in the field of military education, medicine, history, topography, hydrography and culture;
- Exchange of experiences on peacekeeping and cooperation in the UN-led peacekeeping operations;
- Exchange of experiences in military education and training;
- Other areas of cooperation, as determined by mutual consent.

Article 3 of the Agreement sets out guidelines of military cooperation and its implementation. They include:

- Official visits of various military delegations and civil representatives;
- Invitations to participate in military exercises or as observers;
- Working meetings of military experts and specialists;
- Participation in theoretical and practical training programs, tutorials, conferences, negotiations and symposiums;
- Military education and training;
- Entries into the countries’ ports by military aviation and navy ships;
- Cultural and sport activities;
- Leisure programmes for the military and their families;

- Other forms of cooperation that are defined by mutual consent of the parties\textsuperscript{43}.

**Discussion and Conclusion**

A comprehensive overview of results and further perspectives of cooperation between the two countries in all spheres of society is contained in the official documents that regulate Russia-Cyprus relations.

The following characteristics of results are mentioned in the Joint Declaration on Further Intensification of the Relations of Friendship and Comprehensive Cooperation between the Russian Federation and the Republic of Cyprus. The declaration highlights three important factors in the political sphere. Firstly, the Russian Federation and the Republic of Cyprus have had amicable relations for a long time. Secondly, both countries note with appreciation the progressive development and increase of political, economic, legal, and social framework in bilateral relations as well as the enhancement of full cooperation. Thirdly, there is an aim to use all opportunities to deepen mutual relations.

In this regard the Russian Federation and the Republic of Cyprus plan to intensify political contacts and cooperation at all levels, both bilaterally and within the UN as well as with other international organisations of which they are members. The declaration states the great importance of developing economic relations. It is important that, in this sphere, a significant progress in improving legal and treaty ties between the two countries is also highlighted. This progress provides the most favourable conditions for enhancing economic operators’ activities in both countries. At the same time, the countries declare that the potential of trade and economic relations is far from being fully realised, and that there are broad prospects for its implementation. For that reason, certain steps should be taken to increase mutually beneficial bilateral trade. An increase in the supply of Cypriot goods and services to the Russian market and structural improvement of Russian exports to the Republic of Cyprus can ensure such benefits.

In summarising, significant results have been achieved in cultural, spiritual, and humanitarian areas. Moreover, it is worth pointing out that the development

of bilateral cooperation in the humanitarian sphere has a solid foundation. It is based on historical, cultural, and spiritual bonds between the peoples of the two countries.

The Joint Declaration in this area underlines that both parties are interested in enhancing and developing legal and treaty foundations for cultural and humanitarian partnerships, cooperation in science and mutual scientific studies, health care and other areas. One of the main conditions for that is the support of government bodies and business circles of both countries and the promotion of practical steps in this direction.

Research studies on the Cyprus issue pay attention to considerable involvement of the Russian Federation in the settlement of problem. Experts note that Russia’s role in a Cyprus settlement exists in the following practical forms: promoting intercommunal dialogue, building relations between Greece and Turkey, participating in bilateral and multilateral consultations on the Cyprus issue, and engaging with authorities of the Republic of Cyprus. Among other things, both the Cyprus society and independent experts constantly underline that Russia is in favour of achieving a comprehensive, just, and viable settlement of Cyprus dispute. Russia supports a solution which would be fair to all Cypriots and both constitutive communities.

Cyprus is an important and prospective partner for Russia. Russia values Cyprus’ intention to strengthen close and extensive cooperation. This cooperation is actually characterised by high intensity at all levels. Russia and Cyprus have signed more than 40 interstate and intergovernmental agreements. Recently a number of new important documents have been signed. Among them is the Joint Action Plan for 2018-2020, which involves various steps to increase further bilateral ties. The Joint Declaration aims to improve the existing relations of friendship and cooperation between the two peoples for their benefit. These relations have always been established on the principles of mutual trust and respect. The parties to the Declaration are sure that full cooperation and continued efforts in this direction will contribute to the strengthening of peace, stability, and the well-being of the European continent.

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45 Ibid.
46 The Joint Political Declaration on Further Enhancement of Friendship and All-Round Cooper-
Epilogue

As the analysis of the development of relations between Russia and Cyprus shows, the two countries are prospective partners. President of Russia V.V. Putin noted that Moscow appreciates Nicosia’s desire to strengthen their mutual cooperation. During the visit of the Cypriot President Nikos Anastasiades to Russia in October 2017, V. Putin stated once again, ‘It is important for Russia that Cyprus should make the final decision by itself without outside interference and imposition of ready-made solutions’. It is according to the results of this visit that the two countries agreed to promote cooperation in the fields of innovation, energy efficiency, medicine, pharmaceuticals, and military cooperation; actually, the two heads discussed the possible delivery of Russian aircraft and shipbuilding products. The Russian president mentioned that both nations attach great importance to direct business intercourse. The Russian leader recalled that the largest Russian banks operate their branches in Cyprus. Moreover, traditionally, cultural and humanitarian contacts are at the forefront of relations between Russia and Cyprus. Russia and Cyprus are planning further expansion of cultural and humanitarian ties between the countries. Therefore, interstate relations between Russia and Cyprus have created necessary conditions for the further comprehensive development of cooperation in all areas for the benefit of two countries.

References


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