

Decline of Oil Prices: Should Cyprus Energy Strategy be renewed?

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Abstract

This is an article which deals with the implications resulting from the coronavirus crisis in the fields of energy, economic and strategic analysis in the context of International Relations. What we attempt to do is to analyze why oil price declined and how the main producing countries behaved in the international arena with the aim of serving their national interests. Simultaneously, we analyze the causes triggering an oil war, the way that the crisis affected oil companies and States. We also answer to the question whether a small State, namely Cyprus, should review and renew its energy strategy. The answer resulting from the analysis of the Cyprus and Turkish policies and those of the Great and Regional Powers and how they act and affect the political and energy developments in the Eastern Mediterranean Sea where gas resources have been already discovered. Therefore, we propose variables and mechanism in terms of a preventive strategy in order to achieve stability and avert crises and conflicts.

Key Words: Coronavirus crisis, oil prices, regional stability, Cyprus, Turkey, preventive strategy, small States.

Introduction

1. Ethical and political dilemma

Who said that the phenomenon of the “butterfly – effect” belongs to the sphere of theory and cannot work in practice (Ghys, 2020)? The coronavirus crisis came to prove the opposite. A small event, which happened in a Chinese town, namely Hwan, threatened to change the course of global history (Kissinger, 2020; Biscop, 2020). The effect of such an incident in Hwan resulted into shock and awe. The coronavirus crisis caused a number of problems in the International System that Humanity has never faced before (Nytimes.com. 2020). It is true that Humanity is experiencing an invisible and devious quasi Biological War (Khurshid, 2020; Guillouet and Lamy, 2020). Even the Great Powers did not have adequate infrastructures and strategies to beat the virus promptly. As the vaccine has not been discovered yet, States face the following dilemma: Whether they should do their utmost to save human lives or whether they should save their economies. The relevant question is whether they could do both. The answer is positive if a strategic plan exists. However, what has been proved is that such an effort is not so easy to be achieved. Some States such as the UK, and others, firstly adopted the theory of “the immunity herd”, but they were forced to alter their plans due to the risk of losing a huge number of human lives (Lloyd, 2020). It is obvious that governments found themselves before ethical and political dilemmas. States will continue to exist after the end of the coronavirus crisis and those which will follow the best possible strategy, will gain economic and geopolitical advantages against others.

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Those Great and Regional Powers which will come out from the crisis with less possible losses, they will have the chance to open the gap existing among them and other Great and Regional Powers or among them and the less powerful countries (United Nations. 2020). The same applies to the medium and small range States. If they pass through the crisis with the fewer losses they can, they have better chances from others to recover fast and safe.

1.1 The aim of the article

Energy is a fundamental factor and instrument as both gas and oil fuel global economy in every single corner of the planet. They are basic elements of national strength and tools used by the States to shape the geopolitical structure of the International System. This is an issue which does not only concern the Great and Regional Powers but also the medium and small range States of which their energy interests are at stake. Therefore, the question is whether States should review their energy strategies by taking into consideration what is occurring in the International System and particularly what the consequences of the coronavirus crisis might be. Oil prices have already declined, and oil companies suffer while the global economy has been badly harmed by the virus and seeks an economic lifeline. The economy restarted as soon as human lives could not be in danger. The question was whether the economy could restart regardless of the risk that human lives faced. Could these two policies be aligned? This is the bet that each government still hopes to win. Each government should make its economy function successful by protecting the health of its citizens. Beyond this bet, there exist some others. One of these bets is that which focuses on whether the International System will be kept in stability either on a global or regional level where outstanding conflicts still threaten peace. The Eastern Mediterranean Sea is a turbulent and sensitive region where gas resources have been discovered and tension, threats and crises can erupt at any time due to the unresolved Cyprus issue, the Greco—Turkish dispute in the Aegean Sea and the risky situation existing in the wider region of the Middle East. The coronavirus crisis and the high cost that resulted in oil companies forced Exxon, a US based company, to postpone its drillings in the EEZ of Cyprus. After a few days, TOTAL and ENI followed (Kathimerini, 2020; Financial Mirror, 2020). On the other hand, Turkey, which questions the boundaries of the EEZ of Cyprus and those of the Greek continental shelf, announced new rounds of drillings. The relevant question is whether some geopolitical structural changes may result (Antonopoulos, 2020).

This article deals with a chain of questions that are raised such as the following: Will the existing security gap - resulting from the absence of the American Forces in the Cyprus EEZ - be increased? Will the Turkish threat be reduced or not? A relevant question is whether the Republic of Cyprus, a small State, should renew its energy strategy taking into consideration the new political environment resulting from the coronavirus crisis and the policies and strategies of the States involved in the exploitation of the gas resources existing in the EEZ of Cyprus and around. Since Exxon/Mobil informed the Republic of Cyprus about suspending its offshore drillings for one-year time, geopolitical and strategic consequences might come about. Thus, the new geopolitical situation should be examined and analyzed. There are various aspects of the crisis, which are depicted in the domino effect and raise the question under what circumstances a strategy of a State, such as Cyprus, should be renewed to manage the new developments. This is a matter that should be examined through: 1) the policies and the strategies of the parties involved in the exploitation of the Cyprus gas resources; 2) the analysis of the Turkish strategy, which does not recognize the Republic of Cyprus as a subject of International Law. 3. The conflicts occurring around Cyprus and whether they affect the Cyprus issue and to what extent.

2. Decline of oil prices

2.1 Demand and supply

The coronavirus crisis should be seen through the lens of the decline of oil prices. It is a complicated issue pointing to geopolitical games and changes. Since the global market was in trouble, the demand in gas and oil slowed down and finally declined. Therefore, the coronavirus crisis-induced losses in human lives hit the State's economy, and oil companies too. We refer to oil companies because their interests have been badly harmed by the decline of oil prices due to the downturn of demand as a result of the restrictive measures taken by the States and led to the freezing of the global market (Kutlu, 2020; BBC News. 2020).

As the demand was falling and supply continued to be the same or even higher, the price was going down to the bottom of the market, below zero (Ngain, Raimonde, and Longley, 2020). One could argue what a great event was it. However, neither ordinary people nor the factories and most of the companies had the chance to enjoy the benefits, resulting from the fall of oil prices due to the restraining orders taken and imposed by the governments.

People should stay at home to protect themselves and their fellow citizens from the coronavirus threat and factories forced to close. Between March and May of 2020, neither cars nor motorbikes and planes moved and flew with the intensity that they did some weeks ago (Torry and Torry, 2020; Siliconexpert.com. 2020).

2.2 The “coup de grace”

What is mentioned above reflects the main reasons that pushed oil prices to decline. But, the “coup de grace” was delivered by the failure of both Russia and Saudi Arabia to reach an agreement and reduce oil production. On March 6, 2020 Russia refused to adopt the proposal made by Saudi Arabia providing for a reduction of 1.5 million barrels per day until the end of the year. The reaction of Riyadh was very hard and announced the pumping of oil with abandon. The prices declined to 21\$ per barrel and the relevant question was whether both countries could ride out such an oil war and what the fallout would be on the global economy (Perper and Bostock, 2020; Jacobs, 2020; MarketWatch. 2020; MSN. 2020).

3. The oil prices game, the US role and the second strike

The Russians could make a profit from prices as high as \$ 45 per barrel. This price allows Russia to avoid facing any glitch with its budget while offering the opportunity to enter new markets with the expectation of staying there after the crisis. The problem for Saudi Arabia is this: If it wishes to avoid a hole in its budget, it should sell the barrel at \$ 83. Therefore, if it adopted a policy that would only benefit Russia, the cost would be paid by itself and the US. So, Saudi Arabia chose to blackmail Moscow by lowering oil prices below \$ 45 and thus causing cost to Russian interests on two levels: A) In monetary terms. As we have underlined the ruble fell by 7%. B) In national income, and particularly in the balance sheet of the budget. As Saudi Arabia has high foreign exchange reserves of \$ 437.775.3 billion, it could withstand the pressure with the expectation of gaining new markets, hitting, by definition, the American interests (Ceicdata.com, 2020). Due to the low oil price, the US companies, and especially those producing oil from shale will face additional economic problems (Iene.eu, 2020; Elliott, 2020). They have already got involved in a struggle for survival because the low prices offer the American market the opportunity to buy oil from abroad including Saudi Arabia. This was a disadvantage and threat for the American shale companies. The advantage of Saudi Arabia to produce oil at lower price did not only affect Russian but also the American and European oil and gas production and shale companies, as well as other OPEC members. Among the companies affected by the crisis and energy games, Exxon / Mobil, ENI and TOTAL are included. As already underlined, oil-producing countries that did not have enough money to cover their deficit, such as Iran, Venezuela, and Nigeria, have been directly threatened by the price decline. Simultaneously, this process could lead to political and governmental instability within these countries. Thus, these States were in favor of reducing the production with the expectation to spire prices rise.

The US took the lead to find a formula of a win-win situation based on a decision providing for a cutting off 10% of the global production. It is the State which has the power to push Saudi Arabia to come to a compromise. This is what occurred, while, at the same time, there were political and economic voices at the US which called upon the government to take measures and sanctions if Saudi Arabia refused to alter its policy and minimize its production.

Although all parties involved made their utmost to push the prices to rise, on April 20, 2020 a new round of low prices came to strike the oil industry, reflecting the wipeout of demand and the high recession rate which was about to dominate the global economy. As Bloomberg transmitted: *“The price on the futures contract for West Texas crude that is due to expire Tuesday fell into negative territory -- minus \$37.63 a barrel. The reason: with the pandemic bringing the economy to a standstill, there is so much unused oil sloshing around that American energy companies have run out of room to store it. And if there’s no place to put the oil, no one wants a crude contract that is about to come due”* (Bloomberg.com, 2020). This development showed how important the restarting of economy was, not only for the US but for the European States too. The dilemma about restarting the economy or saving lives was at the top of the political agenda. The “third road” seemed to be the best one for the strategies that States should decide about. Such a “third road” offers State the opportunity to escape from the crisis by measuring the less possible losses in human lives and by putting the economy on a good track of restarting.

4. Decline of oil prices and geopolitical games

Exxon/Mobil announced the suspension of its drilling within the EEZ of Cyprus for up to a year due to the economic problems that the company faces as a result of the coronavirus pandemic that the global system suffers from. After the announcement of Exxon/Mobil, TOTAL and ENI followed. As a result of the economic problems, oil companies were forced to cut off their budgets. They should put their priorities in order. The first thing they should do is to find a way to save money; not to spend. Certainly, they cannot ignore their investments. However, when a crisis erupts, the priority is to save the company from high losses. When companies will stand on their own feet, they could also put forward their plans concerning the exploitation of gas resources which lie within the EEZ of Cyprus.

The way that gas and oil resources are planned to be exploited is a procedure which points to a combination of various factors that all the parties involved should take into consideration. Such factors are: A. Cost of exploitation. B. Oil and gas prices. C. Technology. D. Geopolitical and geostrategic interests. E. Strategies and policies of Regional and Global powers.

4.1 Two main camps and cyclical phenomenon

The policies that States follow are influenced by the need to balance government budgets of which a key element is oil revenues. States that do not have enough cash to cover their deficit, such as Iran, Venezuela and Nigeria, are directly threatened by falling prices. Simultaneously, this is a procedure which might lead to political and governmental instability. Thus, States which bear these characteristics are natural to favor the shrinking of the production so that prices rise.

In contrast, those States which have the ability to cover their deficit in short term, such as Saudi Arabia, Kuwait, and the United Arab Emirates, do not wish to face the loss of market share that might be caused by high oil prices. Thus, they are in favor of low prices and claim that they will eventually dominate over low-cost producers, gaining, at the same time, new share market. However, this might work if the crisis was about to go for not a long time. If the crisis lasts for months, the cost for the oil companies will increase, becoming painful and unprofitable.

It is rational to put the political and economic situation in order:

- a) Russia expected to have the support of Saudi Arabia regarding the confrontation that it has with the US, which imposed sanctions against Moscow. The sanctions were enforced because Russia continued to spire the selling of Venezuela's oil (Jakes, 2020; Pamuk and Psaledakis, 2020).
- b) Saudi Arabia chose to follow its own policy by pushing oil prices down. This was a rally of low prices on purpose and was related to budgetary and economic issues. The question was the following: Which of the two countries was able to withstand such an economic pain caused by their own decisions. However, it was a question, which did not only concern Russia and Saudi Arabia, but also the US (Perper and Bostock, 2020; Barbuscia and Korsunskaya, 2020).
- c) The oil crisis is an issue related to the budgets of these two States and oil prices. If Saudi Arabia wished to keep its budget in balance, the price should be at \$ 80 per barrel. On the other hand, Russia was satisfied if the prices fluctuated of about \$ 45 per barrel (Barbuscia, 2020).
- d) The political and economic game seemed to be complicated as the US took a leap by producing oil from shale and thus affecting the global energy market. The very low prices struck the US interests and put the shale companies at risk.
- e) When the price fell at \$21 per barrel, Russia faced a significant problem due to the losses on its national income, which was about to be transferred on the balance sheet. The Russian ruble had been devaluated against the dollar, which is the currency of trading and transactions, and therefore it is a legal tender.
- f) The devaluation of the Russian ruble was about 7% as less demand resulted in the Russian currency in the global market. On the contrary, the dollar's demand was increased. This is the advantage of the US monetary policy, which affects its own economy and the global monetary and financial system (RadioFreeEurope/RadioLiberty. 2020; Tradingeconomics.com. 2020).
- g) By the fall of oil prices, Saudi Arabia pursued to enter new markets against both the US and particularly Russia. Saudi Arabia did not face those economic problems like the ones that most of the countries faced worldwide. It enjoyed high foreign exchange reserves (Domm, 2020; Yagova, 2020).

- h) The income of oil companies has been shrunk and if the crisis lasts for the long-term, the oil companies are about to face economic damages and thus additional expenses and plans should be suspended (Dunn, 2020).
- i) The restrictive measures taken by the States to face the coronavirus problem did not allow ordinary people to make a profit from the decline of oil prices. The same applied to most of the factories and air companies all over the world. Besides, this was one of the causes that oil prices declined. It was a cyclical phenomenon caused by distortions of the economy (Turak, 2020; Kultu, 2020).

As already said, the decline of oil prices is a complicated issue for the US and the global system due to the production of oil from shale. The U.S. Energy Information Administration (EIA) “*estimates that in 2019, about 2.81 billion barrels (or 7.7 million barrels per day) of crude oil were produced directly from tight oil resources in the United States. This was equal to about 63% of total U.S. crude oil production in 2019. Tight oil is oil embedded in low-permeable shale, sandstone, and carbonate rock formations*” (Eia.gov. 2020). The US could better meet its internal needs through oil produced by shale and therefore could increase its exportation in gas and oil. In this regard, the US should find ways to support its own companies and avert the losses in jobs as many shale companies run the risk of bankruptcy. This is not a problem that should be only addressed by the US oil companies, but by the Russian, Arabs, French, British, and Italian too. What we should underline is the legal and economic advantage that the US shale companies enjoy. Article 11 of the US Bankruptcy Code enshrines the right to companies to defer the payments owed to their creditors for a restructuring period of up to two years. This is the advantage that the US shale companies have, compared with those of Russia, Saudi Arabia, and others in a competitive political and economic global environment. The American legal system offers a second chance and extra time for the companies to settle their debts.

5. Cyprus issue and Oil crisis

5.1 Legal Status

The Eastern Mediterranean Sea constitutes a very sensitive region due to the discovery of gas resources and the Turkish revisionist policy. Turkey does not recognize the Republic of Cyprus and has never accepted the agreements signed by the Republic of Cyprus and its neighboring countries, such as Israel and Egypt, regarding the delineation of their Exclusive Economic Zones. The northern part of the Republic of Cyprus, a percentage of almost 37%, is under the Turkish troops’ occupation. On November 15, 1983, the Turkish Cypriots declared a “State” that was never recognized by the International Community. Two relevant resolutions, 541 and 550, have been issued by the UNSC and flatly stated that the so-called “Turkish Republic of Northern Cyprus” is not recognized (UN Security Council, 1984; UN Security Council, 1983). The only State that the International Community, the UN, and the EU recognize on the island is that of the Republic of Cyprus. Beyond the resolutions issued by the Security Council, it is of utmost importance the declaration circulated by the EU on September 21, 2005 (European Commission, 2020). This legal and political document is an integral part of the “*acquis communautaire*” and constitutes an answer to a Turkish declaration, which underlines that Ankara does not recognize the Republic of Cyprus. According to the European declaration, the only State that the EU recognizes on the Island is that of the Republic of Cyprus. This declaration is in line with Protocol 10 ([Eur-lex.europa.eu](http://eur-lex.europa.eu), 2020) which provides that the entire Republic of Cyprus joined the EU. Due to the agreements signed by the Republic of Cyprus with Exxon, Noble (Chevron) TOTAL and ENI, a safety net had been established as a result of the joint energy and economic interests existing among the Republic of Cyprus and the States where these companies have their legal basis. These States are the US, France and Italy. This is a procedure which created a fruitful ground so that the countries involved can build and consolidate an economic, diplomatic and even military preventive strategy against any threat. If the US was not a superpower, Turkey would have never allowed the American research vessels to drill in the EEZ of Cyprus. The same applies to TOTAL and ENI, which are French and Italian based companies. Thus, military power is one of the main factors that States should have either on their own or in the context of alliances if they wish to exploit gas and oil resources.

6. Turkish political, economic and military situation

6.1 Energy program

While the coronavirus crisis was at its pick, Turkey announced its own energy program and started drilling within the EEZ of the Republic of Cyprus and the wider region (Ioannidis, 2020).

Since 2011, Turkey signed relevant agreements with the so-called “Turkish Republic of Northern Cyprus” (Gurel and Le Cornu, 2020; Mfa.gov.tr. 2020; Hri.org. 2020). In accordance with International Law, these agreements are not legal and cannot be recognized by the International Community. The Authority of Ankara uses military means, such as their war fleet, on the pretext of defending its own national interests and those of the Turkish Cypriots. Since the US and European based companies froze their activities within the EEZ of Cyprus, Turkey had the opportunity to act on its own with the aim of creating a “fait accompli”. Ankara plans to use such a “fait accompli” as a new basis for the solution of the Cyprus issue. If the States involved in the exploitation of the gas resources laying in the EEZ of Cyprus review their interests and stop having military presence, the existing security gap might be increased, offering an advantage to Turkey to dominate the sea. This is a crucial development that France perceived and showed its political intention by not allowing Turkey to dominate the Eastern Mediterranean Sea. Therefore, it decided to enhance its military relations with Greece and Cyprus, sending, at the same time, the carrier aircraft, namely Charles de Gaulle, in the eastern Mediterranean Sea.

6.2 Did coronavirus crisis reduce the Turkish threat?

The question is whether the coronavirus crisis will reduce the Turkish threat and the capabilities of the country's armed forces. Therefore, the following should be noted:

- a) Turkey, like all States, is negatively affected by the crisis and recession. Ankara has a serious problem in its banking sector and a permanent problem in the trade balance, which is an issue related to the steady fall of the pound (Nuri Aras, 2010; Steinherr, Tukul and Ucer, 2020; Ahval, 2020; Ft.com, 2020). Therefore, the fall of the Turkish pound increases the debts incurred in dollars and euros. This situation pays off the country's credibility internationally and makes both the citizens and the State poorer. According to some economists, Turkey is one step before calling the International Monetary Fund for support (Kaan Salihoğlu, 2020; Ft.com. 2020a; Erdmir et al., 2020). President Erdogan does not want to resort to the IMF for assistance. If Erdogan takes such a decision, the IMF will come to control the Turkish financial system and banking sector. This situation might induce the beginning of the end of his rule, as the Presidential Elections in 2023 are not too far. How will Erdogan become the new Ataturk with the IMF noose around his neck? However, if the oil price does not exceed \$ 45 per barrel in the next period, Turkey estimates to be profitable of \$ 12 billion (Wires, D., 2020). This development might help the Turkish economy and Erdogan himself, who should follow a disciplined fiscal policy. If he wants to save the day.
- b) The economy is going through a crisis but the Turkish system still differs from other countries. The Turkish Armed Forces enjoy a significant portion of the budget, which is difficult for anyone to worry about while having a strong Pension Fund and their own companies. Despite the current crisis, they are doing well. Last year, the Turkish growth rate was only 0.9%, although the estimates were at 3.2%. Due to the crisis, the Turkish growth rate is estimated to fall to -5% of the GDP (Data.worldbank.org, 2020). In 2018, the defense expenses were increased by 24% of the budget. In real numbers, the amount reached \$18.97 billion (Macrotrends.net, 2020). Therefore, even if the military budget is to be reduced in the next period, the reliability of the Turkish army will not be dramatically affected. So, no one can claim that the Turkish threat will be commuted or that Turkey's expansionist policy will be curbed. It seems to be too difficult for the Turkish government to suspend its energy program within the Cypriot EEZ where it has the advantage to dominate the sea, as Cyprus does not have war ships and reliable preventive strategy to protect its legal rights. Even if French and Israeli military forces are there, the chances for these States to intervene and stop the illegal Turkish drilling are few. They do not wish to get involved in a crisis unless Turkey attempts to cause them irreparable damage.
- c) Turkey put in practice the policy of “Blue Motherland” with the aim of controlling the energy resources of the Eastern Mediterranean Sea and the sea routes in the context of the “New Ottoman Strategy” (Charalambides, 2018a; Davutoğlu, 2016). If Turkey carries out this strategic plan, Cyprus, Greece and the rest of Europe will be set under the Turkish geopolitical dependence. This is what France perceived and increased its military cooperation with Greece and Cyprus. France intends to play its own leading role in the Eastern Mediterranean Sea and therefore its national energy and geopolitical interests are against those of Turkey.

- d) The absence of adequate deterrence by the Cypriot Armed Forces (National Guard), is an advantage of utmost importance for Turkey and the main strategic “Achilles’ Heel” of the Greek Defense System. If a crisis erupts in the Aegean Sea, the conflict is likely that it will spread in Cyprus, where the Turkish troops enjoy military advantages. Cyprus is the theatre of the military operations through which Turkey can blackmail Greece.
- e) In July and August 2020, a crisis erupted between Greece and Turkey in a maritime region extending from the 28th meridian to Cyprus EEZ. First, it was the memorandum signed by Turkey and Libya with the aim of delineating their Exclusive Economic Zones. This diplomatic action raised protests by the Greek government which alleged that such an agreement breached basic principles of the International Law of the Sea. The basic Greek argument is that both Turkey and Libya ignored the legal rights of the Greek islands such as Crete, Rodos, and Kastelorizo (Antonopoulos, 2020a). Afterwards, Greece and Egypt signed an agreement that they partially delineated their Exclusive Economic Zones. This agreement came to void the Turkish-Libyan memorandum and forced Turkey to react strongly. The Turkish government issued a Navtex that partially overlapped the Greek continental shelf. In this context, Ankara sent the research vessel Oruç Reis and five war ships to conduct surveys within the Greek continental shelf. and the Cyprus EEZ. Greek War fleet also sailed to the disputed maritime region and followed the Turkish ships step by step (BBC News. 2020a). The “electrified atmosphere” alarmed the EU. Therefore, the German Presidency took an initiative to defuse the tension as Berlin did not want the Greco-Turkish time bomb to be exploded in its hand. Time will show whether the German diplomatic efforts will be successful or not.

7. Reviewing a strategy

Under these new circumstances, the question is whether the Republic of Cyprus should review and adapt its energy strategy. Certainly, it would be not so wise if a State, such as the Republic of Cyprus, gave up its legal rights and the resources existing within its EEZ. Besides, the oil companies did not announce the end of their researches in the EEZ of Cyprus, but they only suspended them for a short period. It is rational that Cyprus will attempt to renew and even review its strategy with other countries such as Greece, Israel, Egypt, France, Italy and the US with the aim to defend its national interests and preventing Turkey from creating a new “fait accompli” within its EEZ.

A new strategic plan should be based on:

- a) The strategic interests of the States involved in the exploitation of gas and oil resources. What is important to be clarified is whether the long-term plans remain the same or not. If new ones exist, then, the States involved should examine whether their interests are still aligned or not. This is the way that they can find out whether they have joint interests to serve or whether there is a fruitful ground to align their interests anew. France and Israel showed their intention to continue in the same political and strategic line. France has signed a military agreement with Cyprus (Vavasseur, X. 2020) and Israel insists on the construction of the East/Med pipeline (Giland, 2020). Simultaneously, a Quadripartite Military Cooperation has been agreed among France, Greece, Italy, and Cyprus in July 2020 and an aeronautical military exercise has taken place between 26 and 28 of August 2020 (Charalambides, 2020; Charalambides, 2020a).
- b) The common threats that all the countries involved face. Such threats are those launched by terrorist actions and that of Turkey, whose army is illegally stationed in the northern part of Cyprus. In this regard, one should examine whether the Turkish strategic goals remain adamant or not. So far, no sign exists that Turkish policy has altered. On the contrary, Turkey announced a new round of researches in the EEZ of Cyprus and around within the Greek Continental Shelf. Furthermore, we have already analyzed whether the Turkish threat might be reduced as a result of the economic crisis. The answer is “no” unless other incidents occur forcing Turkey to adapt and alter its energy policy. President Erdogan wishes to become a new Ataturk and therefore he would not take any risk which could cost him the “throne”.
- c) The political will of the States involved in the exploitation of the Cyprus gas resources to continue their cooperation or to deepen and alter it. The establishment of an alliance depends on whether the national interests of the parties involved are in line with their strategic goals.

- d) Strategies and interests of Regional and Great powers. These strategies and interests should be taken into consideration as well as the problems that the global economy suffers from (EU and its leading member States, US, Russia etc.). What one should consider is the strategies and interests of Regional and Great powers, as well as the problems that the global economy faces (EU and its leading member states, the US, Russia, etc.). The US strategic concept is likely to be the same or similar to the one which existed before the crisis. The US strategic choices in the energy sector focus on the risk that Germany and the rest of Europe face. This risk demonstrates their dependence on cheap Russian gas. From this point of view, the East/Med pipeline continues to be an alternative option for the US to confine, curb and contain the political influence that Russia can exercise on Europe resulting from energy dependence. One of the main US goals is to stop and void the construction of the “Nord Stream 2” gas pipeline (Mackinnon, 2020). Therefore, for geopolitical and mainly energy and economic purposes, the US will seek to increase the price of oil at \$ 70 per barrel and beyond, so that the American market relies on shale productions. Thus, shale companies can avoid bankruptcy while jobs and relevant investments that run the risk of being lost can be saved. Such a development also helps Saudi Arabia, which would like to see prices climbing at \$83 per barrel. The boost of oil price depends on the expecting boom of growth rates in 2021, which will follow the recession of 2020. The boom of the growth rate on a global level will increase the demand for gas and oil accordingly.

Therefore, the critical period for Cyprus is until the return of oil companies to its EEZ. The strategic moves concerning the years 2021 and 2022 should be made from now on. The strategic decisions should take into consideration what already mentioned above. Furthermore, the government of the Republic of Cyprus should activate the procedures for bilateral, tripartite and multilateral meetings on the gas issue with other countries such as Israel, Egypt, France and Italy. It will be substantial for all the parties involved to reevaluate the situation after the end of the coronavirus crisis or after the first circle of the crisis. The art of diplomacy is to see beyond the crisis.

8. Small State and big role

Since the Cyprus problem remains unsolved, the security issue will be the main concern not only for the Republic of Cyprus but also, for the US which intends to play a dominant role in the regional and global system. The political rhetoric itself proves inadequate and ineffective to solve the Cyprus issue, which is a very complicated problem based on geopolitical games and balance or imbalance of power. The problem is not only the conflicting situation existing between Cyprus and Turkey but the wider Greco-Turkish relations stretching from Thrace up to Cyprus, through the Aegean Sea. If a crisis in Cyprus erupts, it is always possible that it will spread out across the entire Greco-Turkish borders and thus the southeastern flank of NATO will be at risk. The security issue becomes more complicated due to the discovery of resources in the Eastern Mediterranean Sea and particularly in the EEZ of Cyprus. The Cypriots are wondering whether the discovery of gas in the EEZ of Cyprus is a blessing or a curse. A crisis between Cyprus and Turkey will affect the security and economic issues of neighboring countries with which Cyprus expects to serve joint energy interests. There are oil companies which have invested in the Cypriot gas resources such as Exxon/Mobil, TOTAL, ENI, DELEK, and Chevron (Chevron Policy, 2020).

Consequently, the interests which are met on the island of Cyprus and around are much bigger than the small size of the Republic of Cyprus. The geopolitical location of the island and the role, that the government of Cyprus is called upon to play, is disproportionate to its size. It depends on its diplomatic skills on how to manage geopolitical developments and survive. Cyprus energy issue outstrips the State’s borders affecting, by definition, the regional system. The geopolitical situation and the service of national interests do not allow neighboring countries and Great Powers to stay aloof. Besides, Cyprus cannot be isolated by the strategic plans developed by the Great Powers not only in the region of the Middle East but beyond and particularly in the EU, where the Republic of Cyprus is a member – state. The US interlinks the exploitation of Cyprus gas resources with the strategic plans that it attempts to serve in the Ancient Continent. This strategic plan results from and it is an answer to the very close energy cooperation between Russia and Germany. This cooperation is depicted in the “Nord Stream 2” pipeline and in that of “Turkish Stream” between Russia and Turkey. The US concerns focus on its political efforts to avert the increment of Russian political influence in Europe and the deepening of the German-Russian relations, which might turn into a geopolitical one.

A geopolitical alliance between Russia and Germany points to Mackinder's Theory about the control of the wider region of Eurasia (Charalambides, 2018 pp 40-45; İşeri, 2009). If this happens, structural geopolitical changes might result in putting the US global dominance at risk. The relevant question is how can the small State of Cyprus get involved in such a big chess game? The gas resources put Cyprus in the energy map and make the US include it in the alternative options which can prevent Russia from increasing its political influence over Europe.

The East/Med is one of the instruments that the US can use to partially carry out its strategic plan. Whether this instrument is about to be used or not, it is a matter depends on various variables such as:

- 1) The relations among Russia, Turkey and Iran. In the context of such an ad-hoc alliance, Turkey seems to be the spearhead of this geopolitical arc (Al-Makahiel, 2020; Cengiz, 2020). Such a spearhead can be used by: A) The States involved to penetrate the Rimland. B) Turkey and Russia as a negotiating tool in the context of a wider power game that they play with the US. C) The Turkish "Pendulum Policy", which means that Ankara swings between the US and Russia with the aim of better serving its national interests. This is a very risky game that Turkey is doing well so far. On the other hand, a geopolitical axis consisting of Greece, Cyprus, and Israel can offer the US and its allies an alternative geostrategic arc stretching from the Aegean Sea up to the Israeli coasts covering a significant region below the Rimland where a preventive strategy can be built.
- 2) The relation between Turkey and Israel. As long as Turkey is in political conflict with Israel and attempts to replace the dominant role that Israel plays as a regional power, the construction of East/Med will continue to be the first option for Israel. The truth is that Israel is the closest US ally, which means that their interests are in line for the following reason: Israel is the main US security pillar in the region. If Israel falls, a chaotic situation is likely to follow. The other pillar of the US security system is Turkey, which flirts with Russia in terms of a "Pendulum Policy". Therefore, the political rift resulted from the conflicting interest existing between Ankara and Washington, came to enhance the views about the construction of the East/Med.
- 3) The cost of exploitation is one of the significant factors regarding the construction of the East/Med.
- 4) In the current era, the US policy tolerates the construction of the East/Med. However, the question is whether this pipeline is beneficial and viable. From the economic point of view, the Cyprus energy interests should be aligned with those of the US and Saudi Arabia, which both expect the oil prices to climb beyond the \$70 per barrel. This is a good price for the US to make its shale companies restart and meet its internal energy needs. As to Saudi Arabia, it is a rational option to keep its budget in the balance sheet with the expectation to see the price going up to \$85 per barrel. As lower as the price is, the fewer chances Cyprus has in order to compete the Russian gas in the European energy market. It seems to be that the Cyprus energy interests are in line with those of the US and Saudi Arabia. Otherwise, how can Cyprus compete with Russia in the European market since Russia is expected to have a lower cost of exploitation?
- 5) If we put the factors regarding the construction of the East/Med in a hierarchical order, we would argue that the cost is indeed a decisive one, but it cannot beat the geopolitical benefits. A decision is not only taken on the basis of a cumulative concept of low cost and high economic profit, but on a geopolitical benefit resulting from a power game too. Therefore, even if the benefit of option A is less than the one resulting from option B, option A might be chosen as it offers better geopolitical advantages which come to cover the economic beneficial margin resulting from option B.

9. Epilogue – Conclusions

States should never give up claiming their national interests. What we are experiencing, is an unprecedented period in which States should struggle for survival and expansionism. The fight is against an invisible threat in the context of a quasi-biological war. The question is what consequences such a crisis can result in. The International system suffers already from the recession and the States expect that an adequate recovery will turn out. In this regard, States should design strategic plans for their future. The case that we examine focuses on the EEZ of Cyprus and the implications resulting from the coronavirus crisis. It sheds light on a new regional geopolitical landscape that is being shaped. Coronavirus is not the main cause of the current geopolitical changes, but such a phenomenon affects the States and Global economy. And the global economy, in turn, comes to affect along with energy issues and national interests the geopolitical developments.

Based on the analysis of this article we underline the following: 1. Turkey did not reduce the tension of its expansionist policy. All the legal and political claims, that Ankara's Administration raises, are accompanied by the use of the Turkish war fleet. Regarding Turkey, it is a matter of defending its legal rights within its continental shelf. As to Greece and Cyprus, which both enjoy the support of the EU, the Turkish claims contradict the International Law of the Sea. The presence of the Turkish war fleet within the EEZ of Cyprus and the Greek continental shelf is considered by Greece and Cyprus as a proof of the Turkish permanent threat. 2. The strategies of the parties involved in the exploitation of the gas resources lying within the EEZ of Cyprus did not change. They have been adapted to respond to the new geopolitical environment. France, for example, intends to play a leading role in the Eastern Mediterranean Sea. It follows a policy to serve its energy and strategic interests by participating in the exploitation of gas resources lying in Crete and Cyprus seas while, at the same time, it pursues to maintain its influential role in Libya and Lebanon. Such a policy can enhance the French status in the EU and its strategic position in the regional and global system. However, this is a policy that is against the Turkish strategy to dominate the Eastern Mediterranean Sea. 3. The existing situation, which is characterized by tension and an "electrified political atmosphere", does not help to the solution of the Cyprus issue.

States should design their future through strategies and thus to carry out their national goals in the context of various scenarios. As to small States, their political and strategic scope is difficult to be realized because of the inadequate power they have. The Turkish expansionist policy continues to be in effect after the coronavirus crisis. This view can be founded on the crisis which erupted last July and August very close to Kastelorizo, a small Greek island, up to the EEZ of Cyprus. These political actions show that Turkey perseveres to realize its national strategy of "Blue Motherland". The crisis erupted, between 21 and 24 of July 2020 and a month later sounded the alarm to call for the establishment of a reliable preventive strategy through alliances and the employment of the EU legal and political mechanisms. The escalation of the crisis was not casually prevented. It was the result of preventive military steps that helped the diplomatic efforts of Germany to defuse tension. Although the regional and global system seems to be like quicksand, the principles of Realism are invariant.

A small State, such as Cyprus, should evaluate the situation anew and even review its strategy to protect its legal and political interests existing in its EEZ. The political concept of appeasement failed. This is what the Ministers of Foreign Affairs of Cyprus and Greece publicly stated on August 18, 2020. International Law is the resort of the weak and small States. However, law can be effective and stop any illegal actions if it is accompanied by power. States need the power to protect and defend their rights and interests. Thus, a constructive policy should be based on a preventive policy and the respect of the democratic values and principles as those are enshrined in the clauses of the International Law. This is the less than a small State should do; to defend its external borders regardless if they lie on land, in the air or at sea. No State will achieve safety unless it is ready to save itself. A small State such as Cyprus should:

- 1) Establish cooperation and alliances in line with common national interests.
- 2) Use the EU mechanism and the legal system. However, one should bear in mind that decisions are not made only in line with EU values and principles. They are also based on the conflicting and convergent national interests of the member – states. The service of the EU leading countries is of utmost importance.
- 3) Align its national interests with Regional and Global Powers.

The worst – case scenario should be taken into consideration. This is the scenario of a crisis or the creation of a "fait accompli" either with or without a crisis. If a State works on the worst - case scenario, then it can find out all difficulties and possible solutions and thus can reach the best - case scenario. This is the quintessence of the strategic concept of those States which do not want to find themselves before surprising events.

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