



Integrated Country Strategy

Cyprus

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1. Chief of Mission Priorities

The primary mission of Embassy Nicosia is to promote U.S. strategic foreign policy goals throughout the Eastern Mediterranean by supporting the continued development of Cyprus as a secure, prosperous, diverse, and democratic society. Despite its small territory and population of just over one million island-wide, Cyprus' strategic location, EU membership, and support for western democratic principles make it an important partner for the United States.

The Cyprus Problem and Regional Stability: Since 1974, Cyprus has been divided into a southern part, under the control of the recognized government of the Republic of Cyprus (ROC), and a northern part, administered by Turkish Cypriots, who proclaimed the "Turkish Republic of Northern Cyprus" ("TRNC") in 1983. The United States does not recognize the "TRNC," nor does any other country except for Turkey. A buffer zone, or "Green Line," patrolled by the UN Peacekeeping Force in Cyprus (UNFICYP), separates the two parts.

In keeping with longstanding U.S. policy, our top Integrated Country Strategy (ICS) goal is to advance efforts to reunify the island as a bizonal, bicomunal federation. In this regard, Embassy Nicosia supports UN-facilitated, Cypriot-led efforts to end the decades-old division. The U.S. role in the settlement process includes diplomatic, economic, and public engagement with political leaders and the people of both communities.

Recognizing U.S. interests extend beyond supporting a comprehensive settlement, Embassy Nicosia will explore opportunities to promote regional stability, strengthen security and defense ties, enhance commercial and energy cooperation, and encourage scientific and academic exchanges. The Mission will continue to deepen the U.S. security relationship with the ROC, through bilateral and multilateral efforts to increase collaboration and coordination in counter-terrorism and counter-proliferation. Despite certain U.S. restrictions on transfer of military technologies to the ROC, defense cooperation has the potential to expand in unrestricted areas, such as maritime security and cybersecurity. Embassy Nicosia also will explore possibilities to advance U.S. interests through pragmatic cooperation with the Turkish Cypriot community to combat terrorism, money laundering, and trafficking in persons.

Economic Opportunities and Diversification: The business and investment climate in the ROC has improved significantly since the financial crisis of 2013. To ensure long-term sustainability and growth, Embassy Nicosia encourages government efforts to diversify the economy, implement anti-money laundering safeguards to protect the financial system from malign actors, and increase U.S. business presence in all sectors of the economy. Embassy Nicosia remains focused on promoting economic opportunities for U.S. businesses and on encouraging U.S. companies to consider Cyprus as a regional headquarters, particularly through the American and local chambers of commerce. Furthermore, we will continue to support Cyprus' efforts to embrace innovation and entrepreneurship as part of its

economic growth strategy, and to continue to encourage women and youth to participate in Cyprus' economy.

The energy sector – from natural gas to renewables – has emerged as a leading driver of closer bilateral commercial and regional ties. Helping the ROC develop its hydrocarbons sector and supporting U.S. investment in it have been and will continue to be priorities. The United States recognizes the right of the ROC to develop resources in its exclusive economic zone (EEZ) and continues to believe the island's hydrocarbon resources, like all its resources, should be shared equitably between both communities in the context of an overall settlement.

In coordination with U.S. Department of the Treasury, Embassy Nicosia will continue to engage with private banks and regulating authorities to ensure anti-money laundering compliance remains a government priority. We will seek to broaden business exchanges and trade between our two countries, leading to increased U.S. exports of goods and services. U.S. businesses already have significant market shares in several service sectors, including accounting, high tech, and franchises. We will continue to work with U.S. companies wishing to expand in Cyprus.

Engaging the Cypriot Public: Public diplomacy activities that provide opportunities for members of both communities to work, study, and interact with one another are important means to build trust and collaboration. Embassy Nicosia's strategy is to provide these opportunities through subjects that reflect U.S. priorities and are also of interest to Cypriots. These include encouraging entrepreneurship, improving English language skills, promoting study at U.S. universities, combatting trafficking in persons, preserving cultural heritage, and increasing opportunities for women and youth, especially in science and technology. We also use these opportunities to support the development of Cypriot institutions and partnerships with U.S. counterparts. The Mission will also endeavor to enhance the understanding of the United States through strategic media engagement, a robust Embassy speakers program, and our alumni network.

2. Mission Strategic Framework

Mission Goal 1: Cyprus Advances Regional Stability and Improves Regional Relationships

Mission Objective 1.1: Substantial Progress Toward a Comprehensive and Durable Solution of the Cyprus Problem

Mission Objective 1.2: The ROC Promotes Regional Priorities and Supports European Resilience

Mission Goal 2: Cyprus and the United States Work Jointly to Confront Global Security Challenges

Mission Objective 2.1: Cyprus Counters Terrorism and Transnational Threats

Mission Objective 2.2: The U.S.-Republic of Cyprus Bilateral Security Relationship Is Enhanced

Mission Goal 3: Cyprus Provides Economic Opportunities for the United States

Mission Objective 3.1: Increased Opportunities for U.S. Businesses in the Cypriot Market

Mission Objective 3.2: Cyprus Successfully Develops a More Diversified Economy

Mission Goal 4: Influence of the United States in Cyprus Increased

Mission Objective 4.1: Cyprus Protects U.S. Interests and Citizens in Cyprus and the Region

Mission Objective 4.2: Image of the United States in Cyprus Improved

Mission Objective 4.3: Opportunities for Academic and Professional Interaction Increased

Management Objective 1: Enhancing Mission Facility Security and Safety

3. Mission Goals and Objectives

Mission Goal 1: Cyprus Advances Regional Stability and Improves Regional Relationships

Description and Linkages: Cyprus lies in a critical geo-strategic area at the crossroads between Europe and Eurasia, as well as northern Africa and the Middle East. The unresolved division of this EU member state not only inhibits domestic political and economic development but also remains a point of tension between Europe and Turkey, hindering EU-NATO cooperation and threatening regional stability. The ROC's budding relationships with Israel and neighboring countries present an opportunity for engaging and influencing actors in the region to support our foreign policy priorities. As we navigate a period of heightened insecurity in the region, the Mission will facilitate a constructive role by the ROC in contributing to stability, advancing U.S. goals for peace and prosperity, and potentially contributing to the diversification of European energy resources.

Mission Objective 1.1: Substantial Progress toward a Comprehensive and Durable Solution of the Cyprus Problem

Justification: The decades-old division of Cyprus remains a source of tension that affects all aspects of our bilateral relationship and complicates efforts to advance U.S. interests in many areas. After the re-commencement of talks in May 2015, there were high hopes among Greek Cypriots and Turkish Cypriots alike that a solution could actually be within their grasp. Negotiations culminated in an international conference in Switzerland but, unfortunately, collapsed in July 2017 with both sides returning to the island for a "period of reflection." Despite the setback, a roadmap remains to restart settlement efforts, provided there is sufficient political will. Leaders will need international and domestic encouragement and support both to get back to the negotiating table and to shepherd an agreement through a referendum and implementation. Resolving the Cyprus Problem would strengthen regional stability and allow Cyprus to reach its full potential. In the absence of a solution, continued support to Cypriot efforts are required to ensure the island instability does not increase in the face of regional disputes, including over energy resources.

Mission Objective 1.2: The ROC Promotes Regional Priorities and Supports European Resilience

Justification: Cyprus lies in the Eastern Mediterranean and is the southeastern-most member of the EU. Although the region remains unstable, the ROC has been building economic and defense ties to its southern neighbors, opening the possibility for greater regional cooperation and progress on joint goals such as economic development and regional security. By maintaining access to critical infrastructure, the Mission can safeguard U.S. citizens and promote U.S. interests in the region.

Mission Goal 2: Cyprus and the United States Work Jointly to Confront Global Security Challenges

Description and Linkages: As the Eastern Mediterranean region becomes more volatile, stronger cooperation between the United States and Cyprus is essential to addressing regional and global security challenges. As an entry point into Europe, Cyprus is potentially vulnerable both as a transit point and as a destination for terrorists. Cyprus' status as a small country with limited law enforcement capacity also makes it attractive for transnational organized crime groups, including cybercriminals and human traffickers. Malign actors, primarily Russia, seek to undermine Cypriot and EU institutions and subvert the political and economic system in order to create a rift between Cyprus and its U.S. and EU partners. Cypriot, EU, and U.S. interests are jointly served by strengthening the capacity of Cyprus to confront asymmetric threats and counter malign actors.

Mission Objective 2.1: Cyprus Counters Terrorism and Transnational Threats

Justification: The Republic of Cyprus has been supportive of U.S. counterterrorism (CT) efforts and is a member of the Counter-ISIL Coalition. Cypriot officials have continued to express interest in greater cooperation on countering asymmetric threats. By expanding our counterterrorism partnership, The United States can help Cyprus address areas of vulnerability, deter potential terrorist activity on Cyprus' territory, and enhance regional and global security.

Mission Objective 2.2: The U.S.-Republic of Cyprus Bilateral Security Relationship is Enhanced

Justification: A tenet of President Anastasiades' foreign policy has been to anchor Cyprus in the western security architecture, and, during his tenure, the ROC has participated in EU defense arrangements, including the EU Permanent Structured Cooperation Mechanism (PESCO), and signed bilateral military cooperation agreements with EU states. The ROC seeks closer partnership with the United States in countering asymmetric threats, developing its search and rescue capability, and promoting maritime security. Defense trade restrictions remain in place and limit some avenues for military-to-military cooperation.

Mission Goal 3: Cyprus Provides Economic Opportunities for the United States

Description and Linkages: The embassy seeks to advance U.S. commercial interests in Cyprus, to facilitate U.S. exports to the island, and to build local trade and investment promotion capacity. With an estimated population of 1.2 million island-wide, Cyprus is a small market for U.S. exports and services. Its strategic location and European Union (EU) membership, however, make it a gateway to neighboring and less stable markets in the region. The Cypriot economy continues to grow, although it still faces many challenges, including the second highest rate of non-performing bank loans in the EU and high unemployment. The development and liberalization of the energy sector continues to provide potential opportunities for U.S. companies. The ROC is also an important international shipping center, as the eleventh-largest sovereign flag country in the world with one of the largest third-party ship management centers globally. As such, it holds significant potential for international companies in the broad shipping sector, although few U.S. companies are present in this sector. Banking and financial services continue to be pillars of the Cypriot economy and U.S. interests are growing in these areas. The island's long-standing political division constrains the potential for U.S. exports and investments. The EU *acquis communautaire* is currently suspended in areas administered by the unrecognized "TRNC".

Mission Objective 3.1: Increase Opportunities for U.S. Businesses in the Cypriot Market

Justification: Cyprus is a dynamic and evolving market that holds significant potential for U.S. investors. A low corporate tax rate and a highly skilled English-speaking labor force contribute to Cyprus' attractive investment climate. The ROC's economy and banking sector are beginning to emerge after years of recovery and growth. While the economic outlook remains positive, Cyprus has not yet secured investment grade status, limiting further foreign direct investment. The banking sector is plagued by high levels of non-performing loans (NPLs). The broader financial sector remains overleveraged

with a heavy foreign influence. During this period, we will work with the ROC to advocate policies that promote trade, and ensure a level playing field for Americans who do business or invest in Cyprus. U.S. businesses already hold significant market shares in several service sectors, including accounting, high tech, and franchises. Cyprus' development of its off-shore hydrocarbons reserves also provides opportunities for U.S. companies. As part of our ongoing engagement, we will also reach out to the private sector to promote increased market share and export volume of U.S. goods and services. If settlement were to occur, the economic opportunities for U.S. companies, especially in the north, would rise dramatically. We will continue to maintain vigilance to uphold and implement anti-money laundering (AML) legislation and enforcement.

Mission Objective 3.2: Cyprus Successfully Develops a More Diversified Economy

Justification: While the Cypriot economy has shown resilience since the 2013 economic crisis, it is imperative government and business stakeholders recognize the importance of shifting dependency away from banking and financial services, which have been the traditional pillars of growth. A more diversified economy, especially one with an entrepreneurial and innovative focus, could lead to a better business environment with increased opportunities for U.S. businesses.

Mission Goal 4: Influence of the United States in Cyprus Increased

Description and Linkages: As a stable, democratic European country in a volatile region, Cyprus is an important strategic partner of the United States. Increased people-to-people ties between Americans and Cypriots and a deeper understanding of U.S. policy will help strengthen Cypriot academic, cultural, and media institutions.

Mission Objective 4.1: Cyprus Protects U.S. Interests and Citizens in Cyprus and the Region

Justification: An estimated 4,000 U.S. citizens reside in Cyprus, and thousands more visit the island every year. As recent events in other EU countries have shown, acts of terrorism can happen anywhere. Within its borders, we rely on Cyprus to protect the lives and interests of the United States and its citizens. In addition, because of its stability and solid infrastructure, in the event a regional conflict triggers an evacuation operation, we would look to Cyprus as the most viable temporary safe haven for U.S. citizens and their dependents.

Mission Objective 4.2: Image of the United States in Cyprus Improved

Justification: Polls have generally shown a low approval rating for the United States among Cypriots, a reflection of public opinion towards U.S. policy on the Cyprus Problem. The reframing of that policy within a broader strategy for Europe and the Eastern Mediterranean provides an opportunity to increase the understanding of U.S. interests and boost the image of the United States.

Mission Objective 4.3: Opportunities for Academic and Professional Interaction Increased

Justification: For nearly 35 years, a very large Fulbright and Cyprus-American Scholarship Program (CASP) funded through special Congressional appropriations sent thousands of Cypriots to the United States for both undergraduate and graduate study as well as short-term training. Although the appeal of a U.S. university education remains high on the island, its cost and the availability of local and European alternatives has reduced the number of Cypriots studying in the United States. To counter this trend, Post must actively promote the particular qualities of U.S. education, provide expert guidance to Cypriots on admissions and financing, and involve the alumni of previous programs to ensure that young Cypriots continue to have opportunities to study in the United States.

4. Management Objectives

Management Objective 1: Enhancing Mission Facility Security and Safety

Justification: The physical security and safety of employees in all Mission facilities is paramount to ensuring efficient and effective efforts to achieve all other Mission Goals and Objectives. The Chancery, Warehouse, and North Office require upgrades to meet current Overseas Security Policy Board standards. In addition, the North Office requires upgraded fire alarm and egress systems to ensure the safety of employees.