



# Integrated Country Strategy

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**CYPRUS**

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## 1. Chief of Mission Priorities

Embassy Nicosia's primary mission is to promote U.S. strategic foreign policy goals throughout the Eastern Mediterranean by supporting a secure, prosperous, diverse, and democratic Cyprus. Despite its small territory and population of just over one million island-wide, Cyprus's 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:** Nicosia, the capital city of the Republic of Cyprus (ROC) remains the last divided capital in Europe. The island has been divided since 1974, with the U.S. Embassy located in the internationally recognized Republic of Cyprus. Turkish Cypriots administer the northern third of the island, where they proclaimed the "Turkish Republic of Northern Cyprus" ("TRNC") in 1983. Neither the United States, nor any other country except Turkey, recognizes the "TRNC." A buffer zone, or "Green Line," patrolled by the UN Peacekeeping Force in Cyprus (UNFICYP), runs east-west from coast to coast separating the "TRNC" in the north from the Republic of Cyprus in the south.

In keeping with longstanding U.S. policy, our top Integrated Country Strategy (ICS) goal is to advance regional stability and achieve progress in reunifying the island as a bizonal, bicomunal federation. Embassy Nicosia is fully committed to supporting UN-Facilitated, Cypriot-led efforts to end the island's decades-old division. The United States will continue to support the reunification process, working with our partners and allies. Diplomatic, economic, and public engagement with the people and political leaders of both communities, as appropriate, will remain a focus of our work.

Concurrently, Embassy Nicosia will focus efforts on promoting regional stability, deepening our security and defense ties, promoting commercial and energy cooperation, as well as scientific and academic exchanges. We will use our deepening relationships to protect and serve U.S. citizens in Cyprus. Furthermore, by working closely with the ROC and regional partners and allies, we will deepen our bi-lateral and multi-lateral efforts to deter and counter terrorism, weapons proliferation, illicit finance, and corruption. Our growing ties and continued

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investment in our relationship with the ROC will expand opportunities to prioritize cybersecurity, improve maritime security, and enhance military training and education. Wherever possible, Embassy Nicosia will also seek to advance U.S. cooperation with the Turkish Cypriot community in combatting global challenges such as terrorism, money-laundering, and trafficking in persons.

**Economic Opportunities and Diversification:** Embassy Nicosia will continue to support government efforts to diversify the economy, implement anti-money laundering safeguards, and improve the island's economic security. This work includes building upon ongoing efforts to protect the financial system from malign actors, ensure greater transparency and accountability, and increase opportunities for U.S. businesses in all sectors of the economy. In addition to continued engagement with the American and local Chambers of Commerce, we will support Cyprus's efforts to invest in innovation and entrepreneurship as an integral part of continued, inclusive growth focused on increasing participation by women and youth in the economy.

The ROC continues to make progress in combatting money laundering and terrorist financing. However, significant opportunities remain for Embassy Nicosia, in coordination with the U.S. Department of Treasury and the U.S. Department of Justice, to support the ROC's private banks and regulatory authorities to improve transparency and confront regulatory challenges as the country strives to become a global financial services center. Through broader business exchanges and trade promotion, Embassy Nicosia will support American jobs, exports, and values. Additionally, by continuing to push for a level playing field, we will help U.S. companies wishing to expand in Cyprus, particularly those in key sectors including accounting, high tech, shipping, and franchises.

Cyprus is poised to begin its transition from a dependence on fossil fuels to renewable energy. The energy sector offers significant opportunities for closer bilateral and regional commercial ties. By demonstrating leadership and encouraging investments in clean energy technologies, the United States can help the island meet or even exceed its international climate change commitments. Furthermore, increased U.S. investments in liquified natural gas as a transitional

energy source, and support for the ROC's right to develop resources within its exclusive economic zone (EEZ) could help both the Greek Cypriot and Turkish Cypriot communities meet their energy needs and move away from current carbon-dense energy generation.

**Engaging the Cypriot Public:** Public diplomacy presents the greatest way to bring together more members of both Greek Cypriot and Turkish Cypriot communities to work, study, and interact with one another. These engagements will continue to build trust, change perceptions, and increase future opportunities for collaboration. In addition to helping support the island's reunification, public diplomacy allows us to directly advance key U.S. values and priorities. These engagements will foster the growth of civil society organizations, and other Cypriot institutions that contribute to the ROC's democratic health and resilience. The Mission's strong alumni network, robust speaker program, and strategic media engagements will help advance our growing relationships across the island. Fostering strong people-to-people ties, supporting increased legitimate travel, and enhancing understanding of the United States will continue to draw our two nations together.

**Investments in Staffing and Security:** Our growing engagement on the island requires investments in our staff to help ensure the Mission's workforce is adaptable, efficient, well-trained, and that our team includes the full diversity of the island's demographics. We will also complete all the necessary safety and security upgrades required to ensure that our team has safe and suitable working spaces.

## 2. Mission Strategic Framework

### **Mission Goal 1:** Cyprus Advances Regional Stability

- **Mission Objective 1.1:** Achieve Progress Toward a Comprehensive and Durable Solution of the Cyprus Problem Through Increased Bi-Communal Engagement
- **Mission Objective 1.2:** The ROC Promotes U.S. Regional Priorities and Supports European Resilience Via Regional Fora and Alignment with EU Laws and Norms

### **Mission Goal 2:** The Republic of Cyprus and the United States Work Jointly to Confront Global Governance and Security Challenges

- **Mission Objective 2.1:** The ROC Adopts Additional Measures to Counter Terrorism and Malign Actors, and Demonstrates Leadership in Addressing Global Challenges
- **Mission Objective 2.2:** Enhance U.S.-ROC Security Cooperation to Improve Access and Interoperability in the Region

### **Mission Goal 3:** Cyprus Enhances Economic Security and Provides Economic Opportunities for the United States

- **Mission Objective 3.1:** Cyprus Develops a More Diversified Economy Offering Expanded Opportunities for Bilateral Trade and Investment
- **Mission Objective 3.2:** Cyprus Shrinks Space for Illicit Financial Actors by Closing Regulatory Loopholes and Increasing Enforcement

### **Mission Goal 4:** Deliver Increasingly Efficient and Effective Consular Services for U.S. Citizens in Cyprus and Facilitate International Exchange and Connectivity While Prioritizing the Security of the United States

- **Mission Objective 4.1:** Enhance American Citizen Services, Strengthen U.S. Border Security, and Facilitate Legitimate Travel to and from the United States

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- **Mission Objective 4.2:** Further Strengthen Relationships with Authorities to Expand Formal and Informal Consular-related Information Sharing

**Management Objective 1:** Enhance Mission Facilities' Security and Safety Via the Completion of Compound Security Upgrade Projects

**Management Objective 2:** Prioritize Staffing and Development Planning to Align Support Resources with the Mission's Growing Workforce

### 3. Mission Goals and Objectives

#### **Mission Goal 1 | Cyprus Advances Regional Stability**

**Description |** 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 decades-long division of this EU member state (Cyprus Problem) remains a point of tension between Europe and Turkey, hindering EU-NATO cooperation, threatening regional stability, and providing an EU entry point for malign actors who exploit the island's division to their benefit. The ROC's deepening relationships with Israel, Egypt, and other neighboring countries create additional opportunities for engaging and influencing actors in the region to reinforce our foreign policy priorities. The Mission will work to facilitate a constructive role by the ROC in contributing to regional stability, advancing U.S. goals for peace and prosperity, and potentially contributing to the diversification and greening of European energy resources.

#### **Objective 1.1 | Achieve Progress Toward a Comprehensive and Durable Solution of the Cyprus Problem Through Increased Bi-Communal Engagement**

- **Justification |** Attempts to revive settlement talks to resolve the decades-long division of the island (Cyprus Problem) since the collapse of the 2017 conference in Switzerland have led to provocations from, and deeper entrenchment of, both the GC and TC sides. With insufficient common ground to resume formal negotiations and greater politicization likely with 2023 ROC presidential elections, the United States should support UN efforts to facilitate a way forward, prevent deterioration into a crisis, and encourage bicomunal engagement that could help eventually lead the two sides back to the negotiating table. Resolving the Cyprus Problem would strengthen regional stability, shrink the space for malign actors to operate, and allow Cyprus to reach its full potential. In the absence of a solution, continued support to Cypriot efforts is required to ensure the island's tensions do not increase in the face of regional disputes, including over energy resources.



- **Linkages** | This objective directly supports the INSSG's directive of promoting a favorable distribution of power to deter and prevent adversaries from dominating key regions – in this case, the eastern Mediterranean. It also directly supports the EUR Joint Regional Strategy to revitalize European alliances and partnerships.
- **Risks** | It is possible that the longer the Cyprus Problem endures, the less likely a solution can be achieved, providing continued space for malign operators to act and gain influence on the island, in the region, and in the greater EU.

**Objective 1.2** | The ROC Promotes U.S. Regional Priorities and Supports European Resilience Via Regional Fora and Alignment with EU Laws and Norms

- **Justification** | Cyprus lies in the Eastern Mediterranean and is the southeastern-most member state of the EU. Although the region remains unstable, the ROC is building economic and defense ties to its eastern and southern neighbors, opening the possibility for greater regional cooperation and progress on joint goals such as economic development and regional security. In addition to increased engagement with ROC and Turkish Cypriot Officials, enhanced public outreach will help align thought leaders and the broader public to U.S. interests and goals. By maintaining access to critical infrastructure, the Mission can safeguard U.S. citizens and promote U.S. interests in the region.
- **Linkages** | As with objective 1.1 above, objective 1.2 also supports the INSSG's directive of promoting a favorable distribution of power to deter and prevent adversaries from dominating key regions by bolstering regional stability and eroding space for malign actors. It also directly supports the EUR Joint Regional Strategy to revitalize European alliances and partnerships. The U.S.-ROC 2018 Statement of Intent (SOI) calls for expanding our political and security relationship with the ROC to compete for positive influence in this vital region. Areas for increased cooperation include combating terrorism, enhancing maritime and border security, and promoting regional stability.

- **Risks** | Many factors, including the 2023 ROC presidential elections could redirect the political orientation of Cypriot leadership away from broader regional, EU, and U.S. interests.

## **Mission Goal 2** | The Republic of Cyprus and the United States Work Jointly to Confront Global Governance and Security Challenges

**Description** | Cooperation between the United States and the ROC in the Eastern Mediterranean is essential to addressing regional and global security challenges. As an entry point into Europe, the island is potentially vulnerable both as a transit point and/or a target for terrorists. The ROC's status as a small country with limited law enforcement capacity, and the large unoccupied buffer zone, also makes it attractive for transnational organized crime groups, including cybercriminals and human traffickers. Malign actors, primarily Russia and China, seek to undermine GC, TC, and EU institutions and subvert the political and economic system to create a rift between the ROC and its U.S. and EU partners. Cypriot, EU, and U.S. interests are jointly served by strengthening the island's capacity to confront asymmetric threats and counter malign actors.

### **Objective 2.1** | The ROC Adopts Additional Measures to Counter Terrorism and Malign Actors, and Demonstrates Leadership in Addressing Global Challenges

- **Justification** | The Republic of Cyprus has been supportive of U.S. counterterrorism (CT) efforts, is a member of the Counter-ISIL Coalition, and increasingly takes actions to counter malign actors operating in Cyprus, including through joining UN statements and actions. ROC officials continue to express interest in greater cooperation on countering asymmetric threats. By expanding our counterterrorism partnership and diplomacy with Cyprus on malign actors, the United States can help the Republic of Cyprus address areas of vulnerability, deter potential terrorist activity on the island, and enhance regional and global security. With this in mind, we are focused on strengthening our bilateral relationship with the ROC and working together to positively provide stability and a strategic U.S. presence in the Eastern Mediterranean. Among our key priorities is

investing in the ROC to support a vulnerable partner seeking closer Western security relationships. In furtherance of those efforts, the ROC and U.S. have made considerable progress, including but not limited to the signing of the SOI, and investments in the construction of the \$5 million joint regional border security training facility CYCLOPS, and commencement of DOD's International Military Education and Training (IMET) program.

- **Linkages** | This objective directly links to the INSSG, which calls upon us to deter and prevent adversaries from directly threatening the United States or our allies or dominating key regions, and to lead and sustain a stable and open international system underwritten by democratic alliances, partnerships, multilateral institutions, and rules. It also directly supports the EUR Joint Regional Strategy to leverage alliances and partnerships to address global and regional challenges.
- **Risks** | While the current ROC government has demonstrated a willingness to take increased actions against malign actors, including through international fora, the ROC's position may change depending on the outcome of the 2023 presidential election. In addition, bureaucratic delays and evolving requirements for securing bilateral agreements could pose a risk to further progress in the U.S.-ROC partnership. Without tangible progress on higher-profile areas of cooperation, such as entry into the Visa Waiver Program, there could be a domestic political cost to ROC leadership for aligning too closely with the United States. The United States is working closely with Cypriot authorities to deliver on these projects in a timely manner.

**Objective 2.2** | Enhance U.S.-ROC Security Cooperation to Improve Access and Interoperability in the Region

- **Justification** | A tenet of the current ROC government's foreign policy is to anchor Cyprus in the western security architecture. In the past eight years, 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. This facilitates improved U.S. access in the region to counter competing military presence and improves interoperability between U.S. and ROC forces to confront destabilizing challenges in the East Mediterranean. Some defense trade restrictions remain in place and limit some avenues for military-to-military cooperation.

- **Linkages** | Based on the INSSG, increasing the access and interoperability of U.S. forces promotes a favorable distribution of power to deter and prevent adversaries from directly threatening the United States and our allies, inhibiting access to the global commons, and dominating a key region. This objective supports the 2018 Statement of Intent and the Eastern Mediterranean Security and Energy Partnership Act of 2019, both calling for stronger bilateral cooperation with the ROC on regional security. It also directly supports the EUR Joint Regional Strategy to leverage alliances and partnerships to address regional threats and challenges.
- **Risks** | The ROC's political decision to increase security cooperation with the United States could be reversed by subsequent governments. We can mitigate this risk by clearly and publicly demonstrating how the bilateral security partnership benefits the ROC by providing political, economic, and diplomatic advantages. We can also institutionalize aspects of our cooperation, turning a matter of policy into a sustainable partnership that transcends a single administration.

### **Mission Goal 3 | Cyprus Enhances Economic Security and Provides Economic Opportunities for the United States**

**Description** | Expanding bilateral economic ties is key to reinforcing security cooperation and countering the influence of malign states. Embassy Nicosia seeks to advance U.S. commercial interests in Cyprus, facilitate U.S. exports to the island (such as information and communications technology), and 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

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to grow. The development and liberalization of the energy sector continue 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, and the third largest in Europe, 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 currently present. 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 in the north. The EU *acquis communautaire* is currently suspended in areas administered by the unrecognized "TRNC."

**Objective 3.1 | Cyprus Develops a More Diversified Economy Offering Expanded Opportunities for Bilateral Trade and Investment**

- **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's attractive investment climate. The ROC's economy and banking sector has largely recovered from the 2013 financial crisis but remains plagued by high levels of non-performing loans (NPLs). 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 share in several service sectors, including accounting, high tech, and franchises. 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. 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.
- **Linkages** | This objective directly links to the INSSG's imperative to "defend and nurture" the U.S. economy with trade and international economic policies that support American jobs. It also directly supports the EUR Joint Regional Strategy to promote deeper trade, investment, and energy cooperation.

- **Risks** | The economy in Cyprus still faces many challenges, including the second highest rate of non-performing bank loans in the EU and high unemployment. A prolonged COVID pandemic could constrain efforts to expand bilateral trade and investment by delaying U.S.-Cyprus business travel (i.e., for trade fairs and other business facilitation initiatives). It is also possible that, pending results of the February 2023 ROC presidential elections, a future ROC leader would be less friendly to transatlantic economic values and would reduce support for government-to-government cooperation to expand commercial and trade ties. Russia and China continue to invest in high tech ventures in Cyprus, without a corresponding level of U.S. private sector investment. This exposes the island to the risks associated with untrusted vendors, and if public and private clients build their networks and IT infrastructure using non-compatible Russian or Chinese technology, could limit the opportunity for future U.S. investment.

**Objective 3.2** | Cyprus Shrinks Space for Illicit Financial Actors by Closing Regulatory Loopholes and Increasing Enforcement

- **Justification** | As a small but aspiring financial services center, the ROC has an important role to play in preserving the integrity of the global financial system. The ROC has made progress in recent years in combatting money laundering and terrorist financing (AML/CT) but is not fully compliant with all Financial Action Task Force (FATF) requirements. In a January 2022 update of a 2019 mutual evaluation report, the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) found the ROC compliant or largely compliant with 36 of the 40 FATF recommendations and partially compliant with four: non-profit organizations, correspondent banking, new technologies, and powers of law enforcement and investigative authorities. U.S. authorities remain committed to foster and assist ROC efforts to step up their AML/CT vigilance to provide a sound bedrock that will allow the bilateral commercial and investment relationship to grow further.

- **Linkages** | Mission activity in this area directly contributes to the INSSG guidance to deter and prevent adversaries from threatening the United States or our allies and dominating key regions through shrinking space for adversaries. It also relates directly to INSSG guidance to build a stable, open, rules-based governance system in line with democratic norms and values. It also directly supports the EUR Joint Regional Strategy to collaborate with EU and European partners to counter non-market and coercive economic practices.
- **Risks** | The current ROC government welcomes U.S. engagement, information sharing, and training in the AML/CT space. It is possible that a future government, pending the 2023 presidential election outcome, may be less inclined to cooperation in this area, which has outsized importance in Cyprus. AML/CT in the “TRNC” poses a different set of challenges. Initial efforts to explore AML/CT in the “TRNC” indicate positive prospects for cooperation, but this could be affected by regional dynamics and changes to political realities on the ground.

**Mission Goal 4 | Deliver Increasingly Efficient and Effective Consular Services for U.S. Citizens in Cyprus and Facilitate International Exchange and Connectivity While Prioritizing the Security of the United States**

**Description** | Missions must identify the needs of citizens and adapt to best protect and serve U.S. citizens abroad. National security and the protection of U.S. borders requires rigorous screening and vetting of visa applicants and close coordination with foreign governments.

**Objective 4.1** | Enhance American Citizen Services, Strengthen U.S. Border Security, and Facilitate Legitimate Travel to and from the United States

- **Justification** | The Department of State’s highest priority is the protection of American citizens around the world. Embassy Nicosia strives to serve U.S. citizens by providing efficient, courteous, and timely services, while preparing to support them in case of emergency. An estimated 4,000 U.S. citizens reside in Cyprus, and thousands more visit each year. Due to its stability and solid infrastructure, Cyprus is identified as the most

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viable temporary safe haven for U.S. citizens and their dependents in the event regional conflicts trigger an evacuation operation. Additionally, travel to the United States reinforces positive attitudes toward the United States. It is also important for the U.S. tourism industry and promotes bilateral trade and continued economic growth. Embassy Nicosia will work to promote travel and deepen people-to-people ties while assessing evolving global threats and immigration trends to protect Americans at home and abroad.

- **Linkages** | The goal of providing for the safety and security of U.S. citizens links directly to the March 2021 Interim National Security Strategic Guidance’s “solemn obligation to protect the security of the American people.”
- **Risks** | COVID-19 and unpredictable funding may limit physical outreach to U.S. citizens. Insufficient or unpredictable funding or human resources could result in cuts to programs, decreasing the effectiveness and security of the visa process.

**Objective 4.2** | Further Strengthen Relationships with Authorities to Expand Formal and Informal Consular-related Information Sharing

- **Justification** | Expanding relationships with authorities, and other partners, improves the Mission’s ability to protect the security of U.S. citizens in both Cyprus and the United States. This is especially true in the Turkish Cypriot community where the lack of formal agreements requires ongoing engagement. To better protect the welfare of U.S. citizens in Cyprus and the region, Mission Nicosia must enhance information-sharing and build the networks required to improve American Citizen Services’ capacity to respond to emergency situations.
- **Linkages** | The goal of strengthening relationships with Cypriot authorities links directly to the March 2021 Interim National Security Strategic Guidance’s “solemn obligation to protect the security of the American people” and to the national security requirement of sustaining partnerships.



- **Risks** | COVID-19 and unpredictable funding may limit physical meetings with Cypriot authorities. This is especially true if health or political concerns close U.N. Green Line crossings.

## 4. Management Objectives

### Management Objective 1 | Enhance Mission Facilities' Security and Safety Via the Completion of Compound Security Upgrade Projects

- **Justification** | The physical security and safety of employees in all Mission facilities is paramount to ensuring efficient and effective achievement of Mission Goals and Objectives. The Chancery, Warehouse, and North Office require upgrades to meet current Overseas Security Policy Board and Overseas Building Operations Fire standards. In addition, a better use of current workspaces is needed to maximize productivity and allow for growth.
- **Linkages** | This objective supports the Department of State's overall mission to provide safe, secure, functional, and resilient facilities that represent the U.S. government to the host nation and supports the Mission's foreign policy objectives. Ensuring the safety of our staff will also directly support the EUR Joint Regional Strategy of developing and retaining EUR talent.
- **Risks** | Ongoing issues with the vendor and contracts will likely cause continued delays and cost increases. The ongoing construction while facilities are brought up to standard presents an ongoing risk to the safety of Mission staff and the Embassy's security.

### Management Objective 2 | Prioritize Staffing and Development Planning to Align Support Resources with the Mission's Growing Workforce

- **Justification** | The United States' robust and growing relationships on the island have created demand for increased U.S. capacity across agencies and functions. Current infrastructure limitations will challenge all efforts to increase staffing. Any decision to increase staffing needs to be strategic, prioritized, and data-driven through the MRR process. The Mission's long-serving, talented locally employee staff are an incredible asset but as a cohort of staff reach retirement age, there will be a significant loss of

institutional and practical memory. Long-serving staff also highlight the need for diversity and inclusion efforts particularly between different generations of workers.

- **Linkages** | This objective directly aligns with Executive Order 14043 on Advancing Diversity, Equity, Inclusion, and Accessibility (DEIA) in the Federal Government, as well as the Guidance on Integrating Diversity, Equity, Inclusion, and Accessibility into Integrated Country Strategy Management Objectives and Sub-Objectives (21 STATE 109880). It also directly links to the EUR Joint Regional Strategy to recruit, develop, and retain EUR talent that represents the diversity of the United States and has the set of skills necessary to advance the Bureau's goals.
- **Risks** | The Mission has limited space for growth and a large construction project continues to temporarily take up Chancery space. Any decision bringing additional positions will also need to factor in the timing of space availability at the West Office Compound, and CSU completion timing. CAA space is extremely limited, with few or no options for expansion largely limiting growth to non-CAA spaces only.