

SPECIAL ISSUE: Greek Shipping Summit 2019 "Geopolitics, Energy & Shipping"

# SOUTH EAST MED ENERGY & DEFENSE

THE ANALYSIS INSTRUMENT FOR THE STAKEHOLDERS

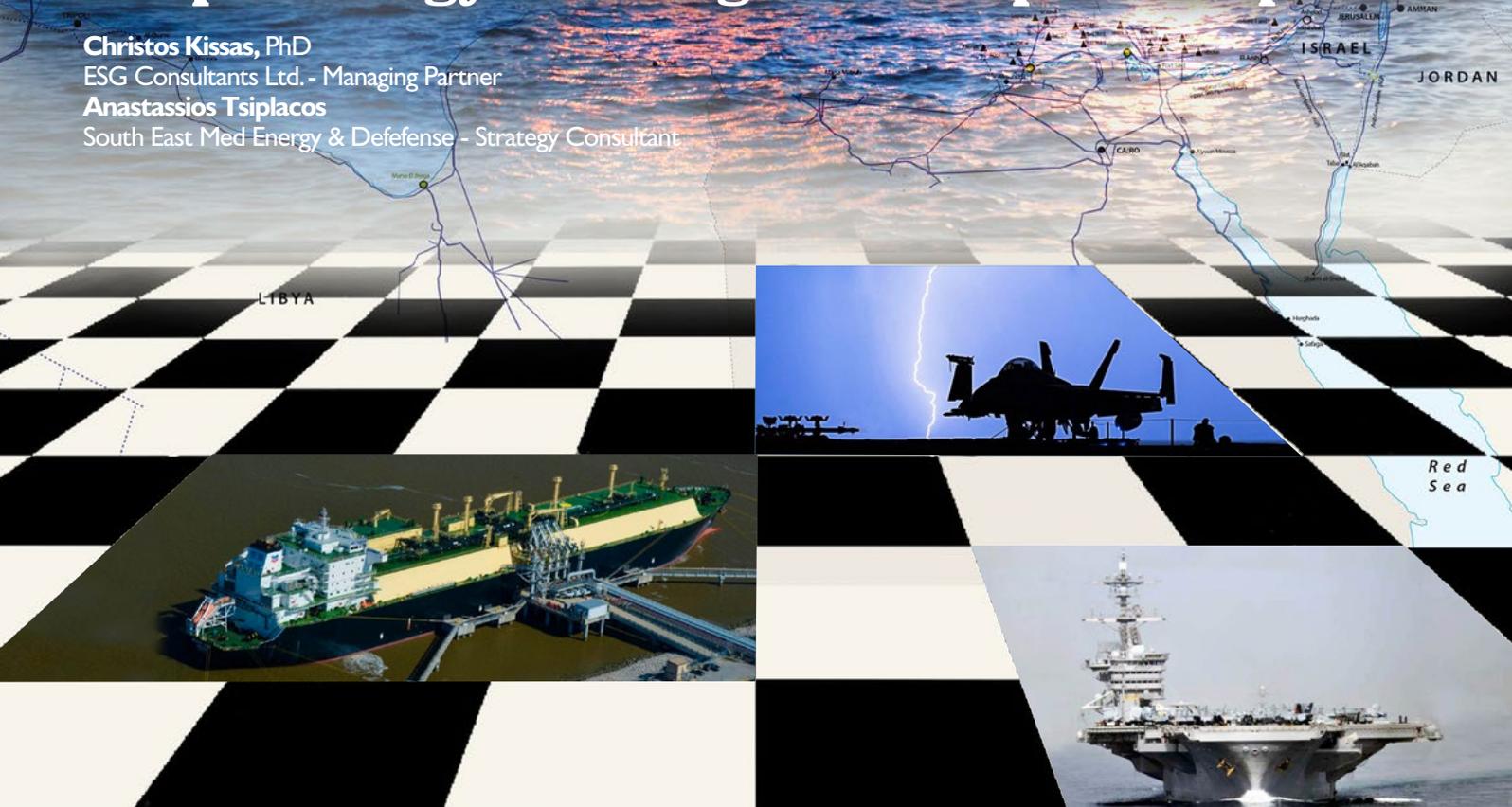
**GREEK SHIPPING SUMMIT**  2020: The Wind Of Change in Global Shipping  
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**REPORT**



## S.E. EUROPE - S.E. MEDITERRANEAN Multiple Energy Challenges & Complex Geopolitics

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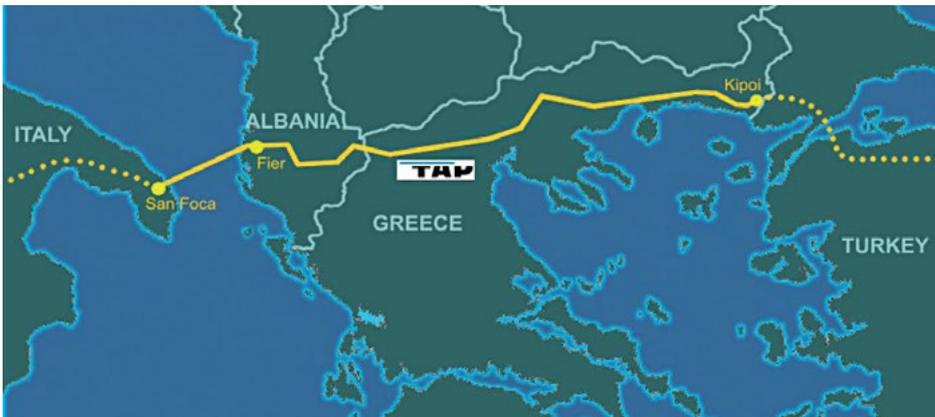
## Multiple Challenges for the Balkan and S.E. Europe's energy grid

The need to strengthen the energy sector in the Balkans must now be an immediate priority as demand for gas continues to increase, at a time when supply is still problematic. The Liquefied Natural Gas (LNG) market is developing. However, it is necessary to create multiple entrances for the further expansion of the Balkan market. The aim is for progress to be made in major projects of key importance that will facilitate the promotion of diversified sources of gas supply and alternative strategic international routes:

**The Trans Adriatic Pipeline (T.A.P.)** pipeline is part of the Southern Gas Corridor project, totaling 4,000 kilometers, from the Caspian Sea to Europe. It starts from the Greek-Turkish border as an extension of TANAP, transporting gas from Azerbaijan through Turkey. TAP crosses the Greek territory from East to West, also crossing Albania in the same direction, ending near the port

of Durres, making an underwater crossing of the Adriatic to beach in the San Foca area of Southern Italy (near Lecce) and from there will be connected to the Italian Gas Network.

TAP's shareholding base is made up of the multinational BP (20%), SOCAR the Azerbaijan state gas company (20%), Italian Snam S.p.A. (20%), Belgian Fluxys (19%), Spanish Enagas (16%) and Swiss Axpo (5%).



TAP has already signed several Memoranda of Understanding and Cooperation with the constructors of the proposed Ionian Adriatic Pipeline (I.A.P.). Plinacro, the company which manages the Croatian Gas System, BH-Gas Bosnia-Herzegovina's natural gas company, the Slovenian company Geoplin Plinovodi, and the Albanian and Montenegrin energy ministries, are all working with TAP with the aim to link the two pipelines. I.A.P. will channel gas from the Caspian to the markets of Albania, Montenegro, Southern Croatia and Bosnia and Herzegovina, which are not as yet supplied with natural gas. It is evident that all this gas for all these future users will be channelled through Greece.

TAP is at an advanced stage of construction with commercial operation planned to start in 2020. The pipes for its construction have now been bonded at 90% of its length. Works on the completion have entered the final stage after the completion of the difficult phase of the project through the mountainous parts of Albania. The difficulty of the project can be seen by the fact that the section through the Albanian mountains, at altitudes above 2,000 meters above sea level, cost 1/3 of the total cost of €4.5 billion for the pipeline's construction. Nevertheless, will Italy's objections -with the country opposing its construction- be overcome so that the project is delivered on time?

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A unique platform dedicated to Energy and Defense developments in the region which aims to:

1. Publish news, analyses and reports, as well as the official views of major stakeholders and key opinion leaders, in order to illustrate the geopolitical parameters that affect the region in general and particularly the European Union's Southern Gas Corridor strategy, which aspires to diversify the Union's natural gas import sources.

2. Evaluate and present various options, strategies and measures from the European Union and/or its member-states, who are affected primarily, as well as the major stakeholders in the region, and their investments, stability and security cannot do but a serious energy security and defense policy. We are a team of experts in the energy and defense industries who, present you in-depth reports and analyses, focusing on the "who is who" and "whys" behind the major events.

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**The Interconnector Greece – Bulgaria pipeline (I.G.B.)** is expected to link the Greek National Natural Gas System (NNGS) to the corresponding Bulgarian one and to the TAP, connecting Greek and Bulgarian gas networks between Komotini (Northern Greece, Thrace) and Stara Zagora (Southern Bulgaria). The IGB has a length of 182 km, a diameter of 32 inches (813 mm) and an initial transport capacity of 3 b.c.m./ year, with the facility to upgrade to 5 b.c.m./ year, through the addition of a compressing station. Its construction was inaugurated last May and its commercial operation is expected to start in 2020.

I.G.B. is owned by ICGB AD, a 50-50 joint venture between the IGI Poseidon consortium (which includes Edison of Italy and Greek gas incumbent DEPA) and BEH. The total investment cost for the I.G.B. interconnector amounts to €240 million. Its co-financing has already been approved by the European Union within the framework of the European Economic Recovery Plan (EERP), as well as complimentary forms of financing through the Structural Funds. The IGB's ultimate goal is not only to act as an alternative gas supply for Bulgaria, against its current gas supply of solely Russian origin, but also its operation as part of the "Vertical Corridor", with the aim of transporting natural gas from the Greek gas system to the markets of Central and South-eastern Europe. Greece's construction company J&P Avax won the international bid for the design and build of I.G.B.

**The construction of Bulgaria's gas interconnector with Serbia** will be launched, which will strengthen the Greek-Bulgarian interconnection and will significantly contribute to the implementation of the "Vertical Corridor" system, which includes Bulgaria, Romania, Hungary and Greece. Serbia intends to connect with the so-called "Balkan pipeline" of gas, which will be the extension of Turkish Stream II and which will travel through Bulgaria and Serbia and will end on the borders with Hungary.



**The construction of the Alexandroupolis Floating Storage Regasification Unit (FSRU)** shall receive LNG and following its regasification, it will be forwarded through TAP both to the Greek network and, via the TAP - IGB interconnector, to the Bulgarian national network and from there northwards to Romania, Serbia Hungary and other Central European countries.

It is a private project by Gastrade SA (80% Copelouzos Group and 20% GasLog of the Peter Livanos Group). DEPA is reportedly in advanced talks with the leading US natural gas company Cheniere Energy Inc. over the signing of a multi-year contract.

The Alexandroupoli's Independent Natural Gas System (I.N.G.S.) will consist of an offshore floating unit for receiving, storing and regasifying Liquefied Natural Gas, as well as an underwater and onshore pipeline system via which natural gas shall be forwarded to the Greek National Natural Gas System (NNGS) and from there to the final consumers. The Alexandroupoli's I.N.G.S. aims to create a fourth natural gas entry port for Greece, with a capacity of up to 6.1 b.c.m. of natural gas per year and a storage capacity reaching 170,000 c.m. of liquefied natural gas. The project has completed the market test process. Its construction is

expected to start in the second quarter of 2019 and its commercial operations before the end of 2020.

At the same time Bulgaria expressed intention, through its Energy Minister Temenouzhka Petkova, to take stake in Alexandroupoli's LNG terminal. The current plans envision Bulgartransgaz gas grid operator becoming a minority shareholder in the Alexandroupoli's terminal.

**Croatia is moving in this direction too**, however, the reactions of the local community to the creation of an LNG processing and storage unit on the island of Krk must be taken into consideration.

**A new gas pipeline that will connect Thessaloniki with Skopje**, boosting the energy supply of North Macedonia and the wider region is also being planned. Greece's DESFA and North Macedonia's MER have signed a memorandum of understanding, towards uniting the two networks, and gradually including North Macedonia in the broader network with the gas interconnector Greece-Bulgaria, the prospect of its enlargement towards Serbia and Romania and their eventual networking with the TAP gas pipeline that is being completed. Currently, there are two parties vying to construct the natural gas pipeline that will run through Nea Mesimvria in Thessaloniki and Gevgelija, North Macedonia. On one side is DESFA (owned by the consortium Snam-Enagas-Fluxys also participating in the TAP pipeline) which included the project in its ten-year development plan, budgeted at 48.7 million euros. On the other side is Windows International, controlled by Russian tycoon Leonid Lebedev, which has expressed interest to the Greek Regulatory Authority for Energy (RAE) since March 2017. It is noted that the Greece – North Macedonia interconnection pipeline can be extended to Serbia.



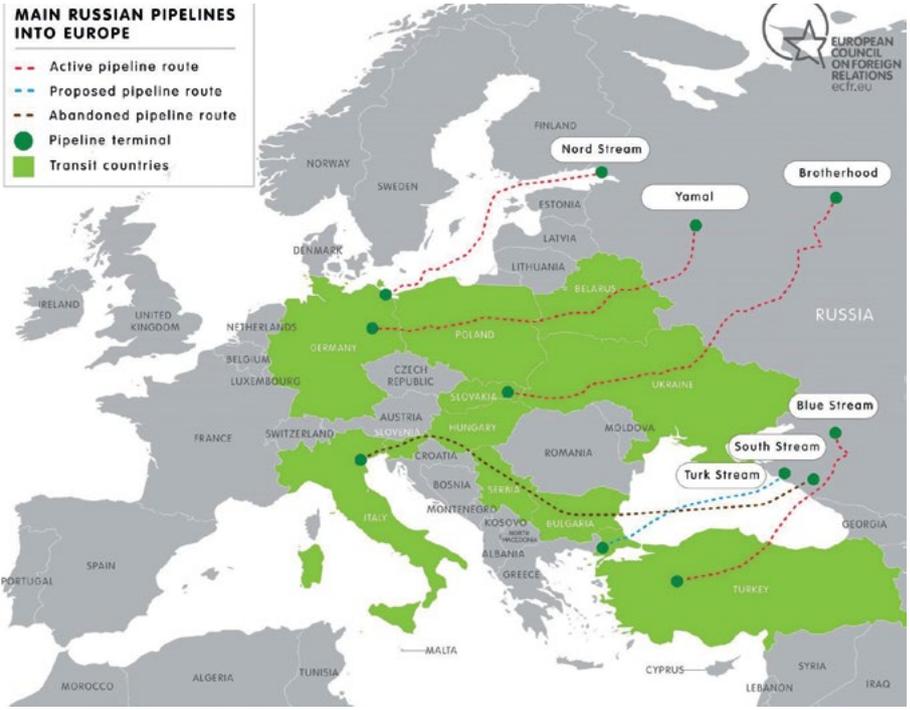
**⚙️ The reactivation of Thessaloniki-Skopje oil pipeline:** HELPE Group appears to be in an advanced stage of discussions with the authorities in North Macedonia to reopen it for the transport of diesel. The oil pipeline is owned by VARDAX, in which HELPE holds 80% and North Macedonia 20%.

**⚙️ Ionian Adriatic Pipeline (I.A.P.)** that will stretch from Albania through Montenegro, and Bosnia and Herzegovina, to Split in Croatia. It will be connected with the Southern Gas Corridor pipelines TAP-TANAP that shall transport of 10 billion cubic meters of Azerbaijani gas from the Caspian region through Georgia and Turkey to Europe. The capacity of the pipeline will amount to 5 b.c.m./year. The total length of the pipeline is 511 kilometers.

**Russian and non-Russian pipelines to supply gas to Southern Europe**

The energy situation in Europe is more dynamic today than it has been in many years, with a number of projects competing for investment and market share. But the outcome for medium-to-long-term European energy security will be contingent on which projects manage to come online first.

Awaiting the operation of **Gazprom's two "landmark" gas pipeline projects, TurkStream and Nord Stream II**, the company looks forward to consolidating its co-operation with EU member-states and South Eastern European countries. The Russian energy giant has strengthened its presence in the EU and Turkey, exporting 171.6 billion cubic meters of gas from 1 January to 16 November 2018. This is an increase of 3.5%, year-on-year. The company's next goal is to expand its presence in the global gas market, achieving the optimal balance between supply via gas pipeline and liquefied natural gas (LNG). Gazprom has already completed the underwater portion of the TurkStream pipeline, which will be able to carry 15.75 billion cubic meters (bcm) of natural gas a year under the



Black Sea, through Turkey, and on to Europe. At a ceremony marking the occasion, Presidents Recep Tayyip Erdogan of Turkey and Vladimir Putin of Russia said the milestone underscored the strengthening partnership between their countries. Gazprom, however, must overcome formidable geopolitical and regulatory challenges before it can sell TurkStream gas in the European Union. In 2014, Russia scrapped a previous Black Sea project, South Stream, because of these challenges. That pipeline would have made landfall in Bulgaria. Gazprom now needs to build the onshore component of TurkStream, which will run from Turkey to the Balkans, in a way that satisfies the EU.

This pipeline would allow Gazprom to deliver gas to southern Europe without going through Ukraine. Gazprom wants to extend TurkStream to the Balkans before its transit contract with Ukraine expires at the end of 2019. At the moment, it sends nearly 16 bcm of gas a year through the Trans-Balkan Pipeline between Ukraine and Bulgaria. Finishing

TurkStream before the expiration of Gazprom's contract with Ukraine, would prevent a repeat of the gas-delivery public relations disaster that Russia suffered in Europe in 2009. A Moscow-Kyiv dispute over pipeline transit fees that year led to a two-week interruption in gas deliveries to Europe. The Balkans were affected worst. The episode tarnished Russia's 40-year reputation as a reliable gas supplier to Europe. The planned Russian alternatives to Ukraine's pipeline network—TurkStream in the south and Nord Steam Two in the north—would give Gazprom more bargaining power in its gas transit negotiations with Ukraine and the European Union.

Meanwhile, however, work on the rival **TANAP and TAP pipelines** to supply Azerbaijani gas to Southern Europe is racing ahead as well. The Southern Gas Corridor -a chain of linked pipelines across the South Caucasus, Turkey and the southern Balkans, culminating in Italy- which will supply 10 b.c.m./year of Azerbaijani gas to Southern Europe and beyond, is on track to open in 2020. Although **Gazprom and the Southern Gas Corridor** consortium have said that they do not consider their projects rivals, both aim to deliver gas to Southeastern Europe. The EU and the United States want other countries to send supplies through the Southern Gas Corridor, so that it becomes a full-fledged competitor to Gazprom and helps the region reduce its dependence on Russian energy exports. Options for additional exporters to join the Southern Gas Corridor include Turkmenistan, northern Iraq and producers operating in the Eastern Mediterranean Sea.





## The Balkan Geopolitical Frontline: U.S. containment of Russia

The U.S. and Russia, respectively the world's largest and second-largest producers of natural gas, are both poised to play a vital role in brokering, and benefiting, from the coming "Energy Big Game". The fact that Russia, through Gazprom, steadily increases gas exports to E.U. countries and the Balkans appears to have alarmed the U.S., which is attempting to reverse the status quo and enhance its presence in the European LNG market, putting an end to Moscow's tactic of using its natural gas exports to exercise economic and political influence in Europe.

So far, there has been a remarkably successful U.S. effort to contain Russia in Southeast Europe. The most recent success of American diplomacy, overt and covert, has been the inclusion of the **Republic of North Macedonia** in NATO, which will make the country "Russian-proof," so to say. **Albania** -and that includes all the areas with Albanian speakers in the wider region (Kosovo, Tetovo, etc.)- is under total American control: the two main Albanian parties continuously fight each other trying to prove who is more pro-American and more obedient to Washington than the other. This might explain the high degree of Western tolerance to the ever-growing drug business in that remote Balkan spot, also known as the "Medellin of Europe".

In **Serbia**, the "Cuba of the Balkans" according to some, despite the heavy Russian presence in the country where Vladimir Putin has deployed his own personal observer, the coalition government, while it maintains good relations with Moscow, is scrupulously keeping Russia out of the political making. At the same time, is preparing to sign a free trade agreement with the Russian-led Eurasian Economic Union

(EEU) in October, hoping to gain access to a market of 180 million people. The country's accession negotiations with the world's largest trading bloc, the European Union, have been stalled by Belgrade's refusal to recognize Kosovo as an independent state. Russian backing of Serbian nationalists' stand against Kosovo's independence has played a critical role in Belgrade's strong relations with Moscow.

Many have warned that Belgrade's flirting with Moscow could backfire, considering Serbia's strategic commitment to ultimately joining the EU. Serbia has maintained a dual foreign and trade policy for most of the past two decades. So far, Russia has invested selectively in Serbia's energy and defense sectors, but its share in trade has been modest. The pending free trade agreement with the EEU, which Moscow has been pursuing for the last three years, appears to be mostly symbolic. One area where the agreement might achieve Moscow's goals, is in deterring Serbia from joining the EU sanctions against Russia for the annexation of Crimea and the war in eastern Ukraine. However, whether the country joins the EU, all of Serbia's bilateral free trade agreements will become invalid.

Well-informed sources in the American capital claim that the country Washington mostly perceives as a potential danger for the Russians to create a strong foothold in Europe is **Bulgaria**. When Boyko Borisov, leader of the GERB party, was first elected Prime Minister of Bulgaria in 2014, it happened with the blessings of Washington and Brussels. Borisov was expecting great help and support from his European and American friends, yet in vain. He was hoping that after his election to power, money would flow abundantly from the Union's

budget, but he soon realized that to get that money he needed to implement highly-sophisticated and very complicated procedures that he did not have the necessary structure in his administration to fulfil, an administration that could be described as meta-communist, whatever that implies. So, all these years Bulgaria was watching EU money over-flying Sofia but never landing there. On the contrary, quite often OLAF investigators would land in the Bulgarian capital looking into various mishandlings of the Union's contributions.

The disappointment with Washington was even more bitter. Borisov thought that, once elected, American investments would flood Bulgaria, that would translate into countless new jobs, development, prosperity and margins for all kinds of business. However, nobody explained to Mr Borisov that while the American President has the power to order the launch of his nukes at any time against any target, he has no power to order any American business -except for his own- to invest not even a single dollar in any country, including the USA, for any reason. Time was passing with Bulgaria struggling to obtain EU funds and American investment, which, to present, have failed to come; as a result, and in the absence of progress, the climate in Bulgaria has recently radically changed, with the people explicitly expressing their discontent. Mr. Borisov, heavily disappointed at his European and American friends, is now trying to find the solution to his problems in Moscow, offering Russia to build its missing European foothold, in Bulgaria.

An example of the recent rekindling of Bulgarian-Russian relations seems to be the TurkStream II pipeline, which will bring Russian energy to Turkey through the Black Sea. To obtain Bulgaria's accord, it seems that Russia has given considerable loans (about \$600 million) to Bulgarian business concerns, that cannot be repaid. A win-win solution that is being considered at the moment is for the Russians to construct the pipeline to compensate for such loans.

Apparently, everything seems to be going smoothly, except for one minor detail. The **United States**. Two matters should be taken for granted. Americans will not tolerate any pro-Russian initiative in Southeast Europe and that it is specifically this kind of matters that Americans address effectively. Washington is reportedly furious with mr. Borisov and has begun a silent destabilization process to bring new people in power in Bulgaria, eliminating all pro-Russian elements in the major political parties.



## TURKSTREAM II: Energy as geopolitic's tool

TurkStream's two 930km pipelines each, have a capacity of 15.75 b.c.m. of gas, with one due to serve the domestic Turkish market and the other heading west into Europe with the expected route through Bulgaria to Serbia, Hungary and Slovakia. Moscow is working on all possible scenarios regarding the second leg of the Turkish Stream, in order to bring Russian gas to Europe without Ukraine's "participation". Bulgaria seems to be the most preferred choice over Greece. Currently, Bulgaria transfers 17 b.c.m. of natural gas annually. Therefore, offers more advantages, because the only thing that is needed is the construction of a 100 km pipeline linking Bulgaria with Serbia and then with Hungary, to bring the Russian gas to the heart of Europe, Austria. This pipeline will additionally be capable of dual flow operation. As Turkish Stream follows the route of the South Stream pipeline, the total volume of available annual capacity is 395.2 GWh/day in the interconnection with Bulgaria, 124.2 GWh/day at the exit points in Serbia and 271.02 GWh/day in the interconnection with Hungary. Its cost is estimated to hover around the \$1.63 billion mark; Bulgartransgas will have to invest 2.7 billion leva approx. in new infrastructures, paid via equity and lending.

Bulgaria imports 95% of its LNG from the Russian Gazprom. The Bulgarian state-owned gas company and the Azeri state gas supply company have already signed contract for 1bcm from Azerbaijan's Shah Deniz-2 field starting from 2020, which is about 1/3 of its energy consumption. At the same time, the European Commission's Innovation and Networks Executive Agency (INEA) is financing through the Connecting

Europe Facility (CEF), two projects in the energy sector in Bulgaria, having released €55 million after signing a deal with the country's government. The first project concerns the construction of the 400 kV and 123 km long overhead interconnection line between the Maritsa East substation in Bulgaria and the substation Nea Santa, in the county of Kilkis, Greece, which will receive funding of €27 million.

The CEF has already supported, with similar funding, the preliminary studies and works, as well as the business plan for the project of Bulgaria's electrical interconnection with Greece.

The second project concerns the upgrading and modernization of the gas transmission networks within the Bulgarian territory, which will receive funding of €27 million. It is recalled that the CEF has co-financed in the recent past the modernization of three gas compressor plants, as well as preparatory studies in relation to the project of the restoration and modernization of the gas transmission network in Bulgaria.

### Turkish Stream II to pass through Serbia with the blessings of the EU?

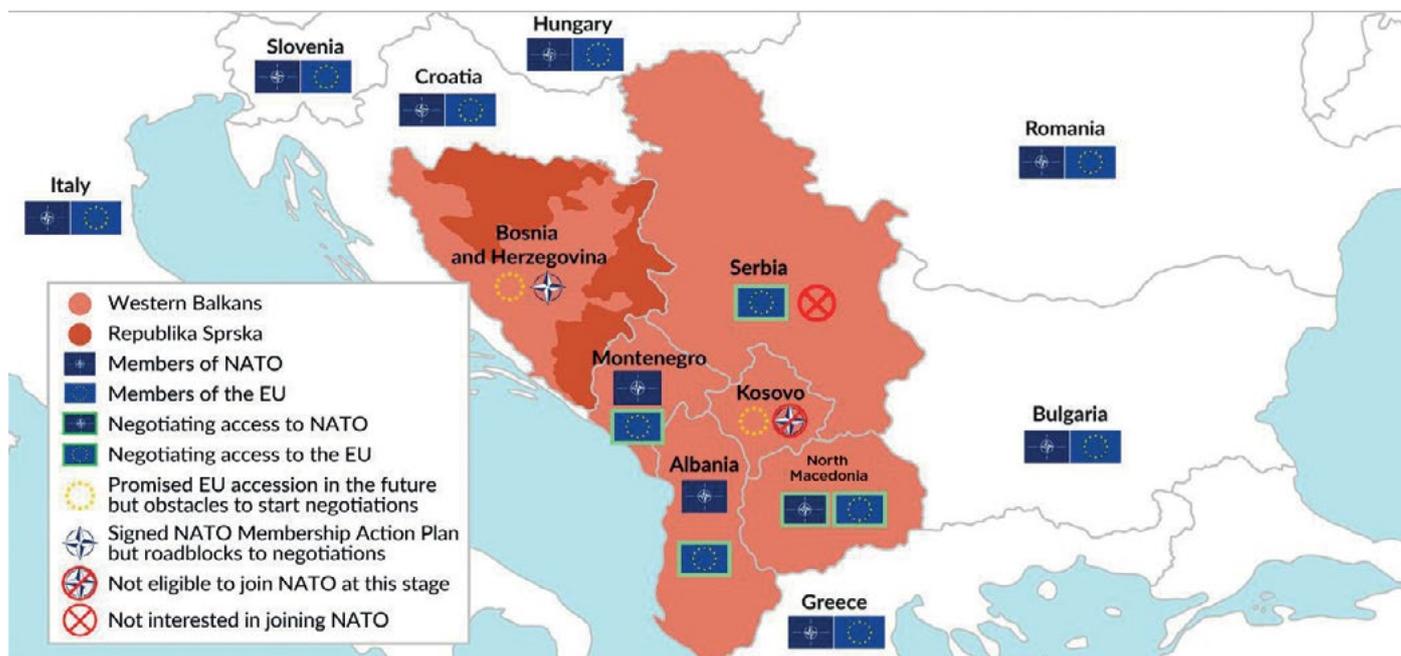
Belgrade recently has the "green light" by the European Energy Community Secretariat to finally host the Turkish Stream II pipeline connected to the Bulgarian section. The planned 400-kilometer section

through Serbia is expected to be completed by the year's end and an estimated capacity of 13.88 bcm/year. There is a thought to construct and extension, the Belgrade-Banja Luka interconnection, through Bijeljina, that will allow the supply of natural gas to the Serbian Republic of Bosnia Republika Srpska in Bosnia and Herzegovina. The Serbian company Gastrans will proceed with the project, which is owned by South Stream Serbia, based in Switzerland, in which Russian Gazprom holds a 51% stake with the rest belonging to the Serbian gas company Srbijagas. A short while ago, Gastrans announced the launching of a tender for binding capacity to the Turkish Stream II. In a recently released report, the Energy Community Secretariat points out that the new pipeline from south to north will provide additional gas for Serbia and at the same time an alternative source of energy supply to its energy industry.

On the other hand, it is underlined that the Turkish Stream II pipeline strengthens the involvement of Russian Gazprom and the presence of Serbian Srbijagas in Serbia. The European Union considers the Turkish



Stream II as a "threat" to the smooth operation of competition in the Balkans' energy sector. For this reason, the Energy Community Secretariat - the institution that the EU has set up to extend EU energy policy to aspiring members- asks Belgrade to immediately initiate the necessary procedures to create a transparent, domestic gas market that will facilitate synergies with the other countries in the region, as the objective is for the gas market in the Balkans to operate on the principles of the Energy Community, under the same rules and the same preconditions. Therefore, the according initiatives and moves of the Serbian Independent Energy Authority are being expected, as it is their obligation to do what is needed in order to comply with the European directives.



## NATO in S.E. Europe and Increasing Tensions with Russia

The Balkans is a strategic focal point of US security strategy. At the July 2018 summit, NATO concentrated on shoring up security from the Baltic Sea to the Balkans, especially to counter Russia. For a long time, the only foreign military base in the Balkans was a Soviet navy base on Sazan Island in **Albania**. In recent weeks NATO has made two key moves that signal its intentions to expand its presence in the Balkans. The first was a recent announcement by NATO that it would be investing €51 million into modernizing Kucova Air Base in Albania. This is intended to bring the airbase's facilities "in line with NATO-approved standards" and includes restoration to the runway, construction of a fighter ramp, upgrade of the air base tower. It is worth keeping in mind that the Albanian Air Force no longer operates fixed-wing aircraft. Since 2009, when Albania joined NATO, Italy and Greece have provided air policing for the country.

It's worth noting that NATO's growing footprint in Albania comes at a time of significant change for the country. In the past year, Albania has shown increasing environmental consciousness and reevaluated both hydroelectric projects and drilling in protected areas. Albania has also been involved with a number of other NATO initiatives aimed at supporting regional security. This could suggest, as the Albanians claim, a desire to orient themselves with the West.

NATO's announcement concerning Albania was followed by a second key announcement concerning the process of

**North Macedonian** membership in the alliance. A country that is itself far from perfectly stable. NATO has announced that the Republic of North Macedonia has signed its accession protocol on 6 February. It is hoped that its membership can be ratified rather quickly. **Montenegro's**, as an example, took roughly a year. There are still those, however, who raise concerns over the nature of concessions made on both sides, Greece and Northern Macedonia, to shore up the deal and it remains to be seen if the membership process will be a smooth one.

This is only one component to the increasing tension in the Balkans. **Serbia** finds itself continually trying to walk the tightrope. In August Serbia began receiving Russian MiG-29 fighter jets as part of a larger arms purchase. Serbia has committed to buying significant equipment from Moscow with the Russians in the process of delivering 30 battle tanks and 30 armoured vehicles. In addition to the arms deal, Serbia has traditionally looked upon Russia as an Orthodox ally in ongoing tensions with neighbours. A symbol of both Serbia's relationship with Moscow and inversely Moscow's interest in the region can be seen in Putin's visit to Belgrade in mid-January. While in the Serbian capital Putin reiterated the claim that he sought to support efforts to maintain calm in the Balkans. This came a day after he accused the West of destabilizing the Balkans through efforts to boost NATO membership. During mr. Putin's visit, Belgrade and Moscow signed several arms deals, including for tanks and rocket

systems. It has been reported that Serbia will also purchase the Russian-made S-300 air defense system and six more MiG-29 jets from Belarus, along with several unmanned air vehicles for military purposes from China. Serbia is also supporting the buildup of Republika Sprska's security forces.

Moscow is fueled in part by the Kremlin's unwavering support for Serbia on the highly emotional issue of Kosovo. Serbia has never fully accepted Kosovo's independence. Russia similarly rejects it and has utilized its veto power at the UN to leave Kosovo in something of a limbo. The issue of Kosovo remains both deeply relevant and incredibly tense. Belgrade, for its part, has also consistently shown signs of wanting to balance their relationship with Russia with that of the West and appears to often resort to the Cold War tactic of playing both sides off one another. Belgrade has continued to move forward with EU-mediated dialogue to resolve the Kosovo issue. Serbia has, however, demanded a price for their participation and has attached conditions to resolving the Kosovo issue. Specifically, Serbian President Aleksandar Vucic is seeking a guarantee that the Serbs would join the EU in 2025 as part of any deal with Kosovo.

### Strategic focus

As long as these local tensions continue to persist, intersected by the ever-present East-West divide, the Balkans remain as always a powder keg. It is likely that hybrid war and military competition will divide the region into two security zones: one

under the Russian umbrella (Serbia and Republika Srpska) and the second with the Euro-Atlantic aspirations (Albania, Kosovo, North Macedonia and Montenegro) with an ambivalent Bulgaria in between.

During the Cold War, southeastern Europe was strategically balanced through a 2+2+2 formula: two NATO members (Turkey and Greece), two Warsaw Pact states (Bulgaria and Romania) and two states not within any military bloc (Yugoslavia and Albania). Today, Bulgaria, Romania, Montenegro and Albania have all joined NATO. Russia tries to return to the region via Serbia and Republika Srpska. However, North Macedonia has become the 30th member of NATO, while Kosovo also hopes to join. It hosts Camp Bondsteel – the main US Army base under KFOR command – one of the largest American military bases in Europe. With the recent North Macedonia’s accession to NATO, the Alliance’s southern flank will be closed, and two pan-European transport corridors (VIII from Durres, Albania to Varna, Bulgaria and X from Salzburg, Austria to Thessaloniki, Greece) will come entirely under NATO protection. Serbia and Bosnia & Herzegovina will be completely surrounded by NATO members, save for their mutual border.

**NATO - Russia armaments race**

For now, most NATO aspirants from the Western Balkans do not meet the alliance’s 2% of GDP defense spending goal. North Macedonia last hit that target in 2007, when it spent 2.15% of its GDP on defence. In 2018, the figure fell to 1%. This resulted from a planned reduction in the country’s active military personnel, from about 8,200 to about 6,800. In 2017, Serbia spent \$731 million on its military, the highest in the region, according to the Stockholm International Peace Research Institute (SIPRI). Albania spent \$162 million, North Macedonia



\$112 million and Montenegro \$74 million.

**Serbia** remains the Western Balkans’ strongest military power, with Albania a distant second. **Kosovo** will transform its “Security Forces” into a standing army soon. **Bosnia and Herzegovina**, teetering on the edge of becoming a failed state, wants to become a NATO member. However, **Republika Srpska** -which can veto such moves at a federal level- will block any such initiative. It is worth noting that three weeks ahead of general elections last year, Republika Srpska got a visit from Russia’s Minister of Foreign Affairs Sergei Lavrov.

Even Serbs outside Serbia are blocking other countries in the region from joining NATO, while Serbia’s army still relies on Russia support. Only 3% of Serbian citizens support their country joining NATO, while in Albania the figure is about 90%. Most North Macedonians also support NATO membership, despite the flood of Russian anti-NATO propaganda ahead of last September’s referendum on joining. Several high-placed EU and US officials, including German Chancellor Merkel and US Defense Secretary Jim Mattis, visited the country to counteract the Kremlin’s campaign. Last

year, the US Congress approved \$8 million to help North Macedonia against Russian propaganda.

In this context, the U.S. State Department wants to expand a little-known effort that offers countries cash to buy American-made weapons if they give up Russian-made arms. The year-old initiative, called the “**European Recapitalization Incentive Program**”, is already helping six eastern European countries buy new helicopters or armored vehicles. The goal is to help U.S. partners break away from the Russian supply and logistics chain, that allows Russian contractors and service personnel and Russian-manufactured spare parts onto either NATO allied bases or partner military bases. It’s meant to incentivize U.S. partners and allies to put in their own funds to modernize their military and divest Russian legacy equipment. To get the money, countries must get rid of their Russian weapons, promise not to buy new ones, and commit some of their own funding to buying U.S.-made.

Since the program began about a year ago, the State Department has pledged \$190 million for six projects in six countries. The countries are in different stages of buying the new equipment and State Department officials believe it could take a few years until the partner nations are able to move ahead with the purchases. The countries include:

- Albania, \$30 million for helicopters
- Bosnia, \$30.6 million for helicopters
- Croatia, \$25 million for infantry fighting vehicles
- Greece, \$25 million for infantry fighting vehicles
- North Macedonia, \$30 million for infantry fighting vehicles
- Slovakia, \$50 million for helicopters



# SOUTH EASTERN MEDITERRANEAN

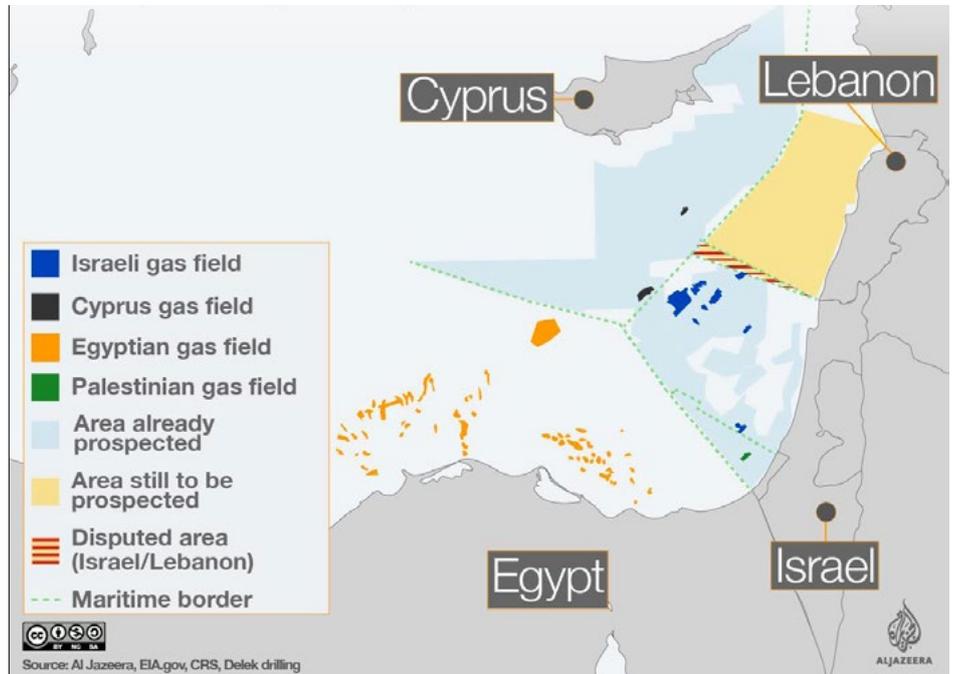
## Complicated Energy Geopolitics

If geopolitics is an argument about the future world order, then the easternmost third of the Mediterranean Sea is shaping up to be a cauldron of quarreling visions and interests like no other. The current situation of Eastern Mediterranean gas development is still fluid, and the instability produced by the war in Syria and the showdown of United States with Iran and Turkey, are adding additional sources of complexity, that can undermine the projects discussed by governments and energy companies. However, the study of the interaction between markets, political and security dynamics offers a starting point for understanding strategies. In particular, the geopolitical interests of the Eastern Mediterranean countries are bound to affect geo-economic decisions concerning flows and exchanges in traded gas. The stakeholders' capacities however, to realize their preferred political options and use natural gas as a tool of foreign-policy objectives, are constrained by economic, technical and security concerns.

Israel plans to construct the world's longest underwater gas pipeline together with Cyprus and Greece to carry Eastern Mediterranean gas on to Italy and the EU southern states. US Secretary of State Mike Pompeo has endorsed the project. It will run smack up against the competing Turkish-Russian gas pipeline, Turk Stream, against a potential Qatari-Iran-Syria pipeline, as well as de facto undercut the Washington attempt to get more US LNG gas to the EU to reduce Russian dependency. The project, under discussion for several years since Israel discovered major gas reserves in the offshore Leviathan Field, is known as the "EastMed Pipeline Project". Natural gas will flow from Leviathan via Cyprus, Crete and Greece to reach its terminal at Otranto on the southeast heel of Italy. Plans call for a pipeline of 2,100 kilometers running three kilometers deep under the Mediterranean. Cost is estimated at \$7 billion with a five year construction period.

### New Fault Lines

The EastMed is part of a complex of new geopolitical fault lines across the entire Middle East. Notable is the fact that the Gulf Arab Emirate, UAE, has already invested \$100 million in a project called, "a covert cornerstone underpinning the change in relationship between parts of the Arab world and the Jewish



State." This would seem to be a reference to the 2017 proposal of the US to create an "Arab NATO" with Saudi Arabia and other Gulf Arab states, backed by Israeli intelligence input, to counter the influence of Iran in the region. Little is said today about any "Arab NATO", but ties between Netanyahu's Israel and key Sunni Muslim Arab countries remain strong.

One regional player definitely not happy about the proposed Israeli East Med pipeline is President Erdogan's Turkey. When Israel first proposed EastMed two years ago, Mr. Erdogan quickly turned to Russia to sign a deal to build the Gazprom's Turk Stream to rival Israel. EastMed would tie into gas fields in the Greek EU part of Cyprus. In recent months Mr. Erdogan has moved Turkey closer to Iran and especially Qatar, home to key figures in the Muslim Brotherhood, as tensions with Saudi Arabia and Israel increase.

The Sunni vs Shi'ite conflict seems to take a back seat to geopolitical power and control of pipelines. In summer 2017 there was a dramatic split among Gulf Arab countries with Saudi Arabia declaring an embargo against Qatar for its "support of terrorism." In reality, the move was aimed at cutting growing back-channel talks between Qatar and Iran, both of whom share the world's largest natural gas field in the Persian Gulf. The Qatari section is called "North Field"

and its LNG is said to be the world's cheapest to extract, making Qatar in recent years the largest LNG exporter. The adjoining Iran section is called "South Pars".

After spending a reported \$3 billion financing anti-Assad and anti-Iran terrorist groups in Syria, in a futile try to get a pipeline through Syria to Turkey and on to the huge EU gas market, it seems that the Qataris at some point, after Russia's decisive entry into the Syria war in late 2015, realized they might gain more by shifting sides and covertly working with Iran and Mr. Assad and Mr. Erdogan to bring both Qatari and Iran gas to market. That was the real reason for the sharp break between Qatar and the Saudis. Notable is the fact that both Iran and Turkey came to the aid of Qatar when the Saudis tried to embargo them into submission.

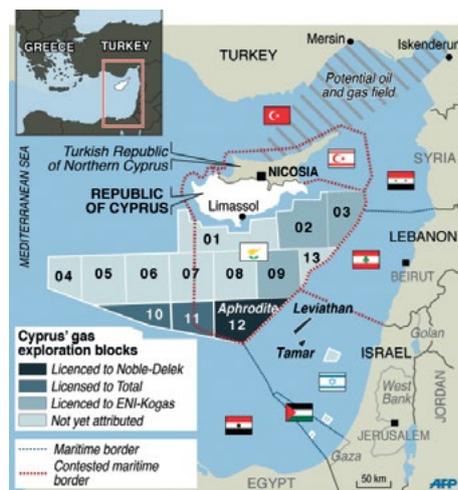
Now comes Israel into play, in a closer friendship with Saudi Arabia and the UAE, backed by Washington, with financing also from a French company, IGI Poseidon, a subsidiary of Italian Edison, offering another rival option to Qatar and Iran and Turkey as well as to Russia. Turkey is threatening to drill for oil and gas in the EEZ of Cyprus, while Lebanon disputes the offshore claims of Israel's pipeline to Cyprus. And ExxonMobil recently announced a major gas discovery in the offshore Cyprus waters disputed between Turkey and Greek or EU Cyprus.

## Interests at stake

Nine countries (Israel, Egypt, Greece, Cyprus, Turkey, Russia, Italy, France and USA) have major to very high stakes in the “Big Game” of South East Mediterranean’s region. The experience of recent years suggests that ensuring peace and stability in the region is first and foremost the responsibility of the regional powers.

Five of them have important to very high stakes in the development and operation within the shortest possible time, at a full production and transport capacity, of the above facilities. The countries with very high stakes are **Egypt, Israel and Cyprus**. All three shall become self-sufficient in gas energy, in the mid and long-term scenarios. Of these, two (Israel and Egypt) have already made a major shift to covering their electricity production requirements using natural gas. **Cyprus** is lagging behind, in this sector. It is still in the design phase, but in the long term (2025) it is planning to cover all of its electricity requirements (excluding production from renewable sources) through the use of natural gas. In addition, it has been decided that a very large underwater electrical cable, the “**EuroAsia Interconnector**”, is to be funded by the European Union, on the one hand in order to lift the energy isolation of Cyprus and on the other to transfer electricity from Israel (primarily) and Cyprus (secondarily) to Greece and Europe. The electricity that shall flow through the “EuroAsia Interconnector” will be produced mainly from the use of natural gas.

Two other countries, **Greece and Italy** have significant interests in the integration of energy infrastructure in the Eastern Mediterranean. Greece aspires to become an energy hub (gas and electricity) towards Italy and the Balkans, while also diversifying its own sources of supply. It also hopes that the major energy interconnections (electricity-natural gas) shall lift Crete’s



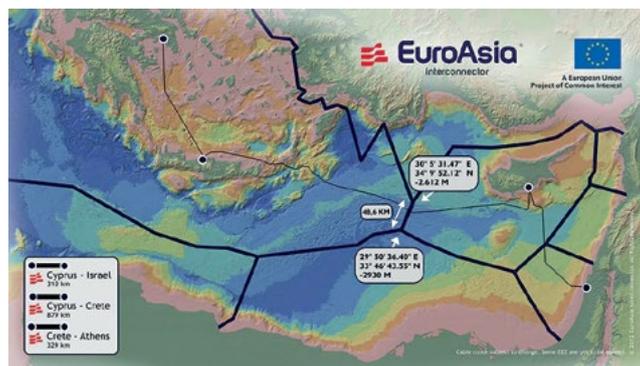
energy isolation, an island that annually costs about 600-800 million euros (depending on international oil prices) to the Greek economy, as it utilises electricity produced from fuel oil.

Moreover, a secret Greek hope is that the completion of the gas transport infrastructure to Italy and the Balkans will in the future also be used for the transportation of Greek gas reserves which exist in the offshore area to the South and West of Crete, that exhibits similar geological characteristics to that of the South Eastern Mediterranean. Greece believes that the suspected gas fields shall become a basic source of national wealth in the coming years and that they shall contribute to the country’s exit out of the long-term economic crisis that has been plaguing it. Italy, in turn, after completing the energy infrastructure described, shall become the basic hub for central European gas supply with natural gas both from the South-East Mediterranean and North Africa.

The business interests at stake in the wider area

are also very significant. More specifically active in the field of Israel’s natural gas production are companies such as: American Noble Energy, Hellenic Energy, the Israeli Delek Group, Isramco Negev 2, Ratio Oil Exploration. The Italian ENI operates in the Egyptian EEZ (exploiting the Zohr gas field). In the Cyprus EEZ, exploration is being carried out by Noble Energy - Delek Group and Shell joint ventures in Block 12, ENI in Block 8, an ENI & Kogas joint venture in Blocks 2,3 and 9, ENI and TOTAL in Blocks 6, 7 and 11, as well as the consortium of ExxonMobil and Qatar Petroleum in Block 10.

The **EU position** with regard to Eastern Mediterranean gas developments is rather ambiguous. On the one hand, the discoveries in Cyprus, a member state, will directly affect the balance of its internal energy reserves. The resources in the Eastern Mediterranean could improve economic recovery in Cyprus and Greece, two of the most vulnerable Eurozone members. Furthermore, Levantine energy resources could, in theory, if additional gas fields are found, become an important means of diversifying gas supplies and reducing EU dependence on Russia. On the other hand, the EU has proved to have scarce leverage to back up its policy preferences in this region, especially where national imperatives dominate the decision-making process, in non-EU member states such as Turkey.



## The Security Challenges

The recent history of the Mediterranean has taught us that there are no unilateral, political or military, solutions to stabilise the region. Several ongoing issues threaten the exploration, production, and transit of energy resources in the Eastern Mediterranean, especially the security environment, territorial disputes, and the macroeconomic climate. Recent developments, together with the uncertain future of the wider area (Balkans, Middle East, North Africa), suggest

the need for enhanced security. Ongoing territorial disputes between several eastern Mediterranean countries, especially the Turkey-Greece-Cyprus disputes over their respective EEZs, could hinder exploration and development in the region, particularly in the offshore Levant Basin. Disputes over maritime boundaries jeopardize joint development of potential resources in the area and could limit cooperation over potential export options.

At the same time, the security requirements of the already existing or to be constructed Critical Energy Infrastructures (CEI) are highlighted. Offshore drilling rigs, either fixed or floating, underwater drill sites, underwater pipelines for connecting the rigs to the drill sites, pipelines transporting the gas produced from platforms to the coast, and finally the EastMed and EuroAsia Interconnector pipelines, make up a very extensive energy infrastructure grid, extending across the South Eastern Mediterranean and reaching Crete, the Greek mainland and onwards to Italy.

## Areas of Particular Strategic Importance: Cyprus and Crete

When attempting to plan the defence and security of an enormous region such as the Southeast Mediterranean, where a complex grid of offshore/onshore energy infrastructures is already being developed and is expected to develop further, one cannot avoid focusing on the two major islands that dominate the region's routes: Cyprus and Crete.

The strategic importance of Cyprus for the Middle East and the Eastern Mediter-



anean regions had been recognized since antiquity. A very recent historical example is the presence of the two Sovereign British bases on the Island (Dhekelia, Akrotiri). The first includes port facilities and the second an extensive air base. The preservation of these particular bases and of other facilities (such as the radar on the summit of Mt. Troodos, the highest peak in Cyprus) was defined as an inviolable term by Britain prior to its consensus in 1960, on the Proclamation of Independence for the state of Cyprus

which until then had been British territory. More specifically, the southern and eastern coasts of today's Republic of Cyprus, which are about 60% of the island, completely control the area between Cyprus, Egypt and Israel where the energy infrastructure and natural gas fields are currently located.

Another particularly strategic parameter for Cyprus is the fact that, owing to its insular nature and its distance from both the Asian and African coasts, the island has

a disproportionately large EEZ and FIR in relation to its land area. Cyprus' really large EEZ is due to the provisions of the new

1982 Law of the Sea convention. The very large Nicosia FIR is one of the benefits of the British legacy, as its limits were defined at a time (1947) when Cyprus was still British territory. Countries such as Israel with a very small airspace and a limited FIR, need a much larger airspace for their air force to practice in, which requires application and approval by the air traffic management authority of the state controlling the neighbouring FIR. Today of course this is possible due to the close Israel-Cyprus relations.



The strategic importance of Crete for the central and the eastern Mediterranean region had also been recognized since antiquity. Nowadays, Crete hosts the Souda Bay naval and air bases where U.S.A. and, generally, NATO forces are accommodated. Souda Bay is the second in importance naval base for the Greek fleet after its main Skaramangas naval base on the island of Salamina, adjacent to the port of Piraeus. The Souda port facilities are huge with the larger installation being Quay K-14 constructed with NATO funds. Its length, about 300 m, and width, about 100 m, allow an aircraft carrier to berth and it is the only NATO naval base to provide such facilities in the Eastern Mediterranean.

## The Major Security Problem

Military might and military means have become more important for littoral states and outsiders regarding several critical issues ranging from energy competition to political signaling. Thus, the Eastern Mediterranean is witnessing more ambitious defense modernization programs and a significant increase in game-changing naval developments. Over the past decade, and while gas fields were consecutively being discovered, the countries of the region were entering into a peculiar sort of arms race. This was no coincidence. Valuable national resources discovered at sea require naval and air forces for their safeguarding.

All stakeholder countries seem to be able to safeguard the part of their EEZ, where the energy resources are located and where their own production infrastructure is being developed. However, a major security issue arises concerning the vast sea area

between Cyprus, the Dodecanese and Crete. Through this area will pass the routes of the proposed EastMed and EuroAsia Interconnector pipelines and in conclusion it shall be the area via which the energy transfusion to Europe shall take place. Therefore, significant security issues arise primarily during the preparatory-planning phase, as well as during the pipeline construction phase. Pipelines at such depths, once laid, are relatively safe of asymmetric threats, as there is no such international precedent, but such a possibility should not be ruled out. Surveillance and providing security over such a large maritime area requires:

- **Constant aerial surveillance:** Navy co-operation and surveillance aircraft, such as Greece's P-3Bs which are being upgraded, designed to cover large distances, are a good but extremely expensive solution. Constant

surveillance using long-range UAVs may be a solution with a reasonable cost. Today, available UAVs such as the Israeli Heron and Hermes 900, the American MQ-1 Predator and highly sophisticated MQ-9 Reaper/Predator B. Predators can remain over an area being monitored for over 24 hours.

- **Local presence or readiness of naval units** of appropriate size for patrols on the high seas even in adverse weather conditions, but also capable of dealing with a variety of different types of threats. The most suitable ships are considered to be the size of a frigate or larger, having extensive air-defence capabilities.

for more read: [www.semedenergydefense.com](http://www.semedenergydefense.com)  
Report#3 "Energy Wars":  
The security of the energy routes in the South East Mediterranean



## Greece: A pillar of stability and security in S.E. Europe and Mediterranean

Greece is the only state in the region that may act as a guide to all of the rest countries of the West Balkans on the path towards the Euro-Atlantic community, to move towards European standards of reform. It's a long and difficult process, that is why there is a consensus among these countries for Greece's engagement.

### Energy Hub

The Greek Minister of Environment and Energy, Giorgos Stathakis recently stated "... the energy sector is being transformed through a general integration of the energy system at Balkan level. The Greek presence, with Greece being *de facto* transformed into a powerful energy hub with a very powerful energy sector, opens up new possibilities in the regional energy market that is shaped in the next few years".

Greece, maybe aside from Poland, is probably the most dynamic national energy marketplace where one sees real progress in terms of achieving energy independence. This year the TAP Pipeline, the last leg of the Southern Corridor, will be completed. ExxonMobil too, has a partnership with Total and Hellepe for exploration south of Crete. And ofcourse the FSRU in Alexandroupoli, which is particularly important to unlocking the Balkan energy island and expanding opportunities for exports into Greece of LNG, as well as for all of the countries to its north, that are 100% dependent today on Gazprom and Russia's use of energy as a political weapon. Greece is an important key



to unlocking that situation.

On November 2018 it inaugurated the upgraded liquefied natural gas terminal (LNG) in **Revithoussa**, operated by gas grid operator **DESFA**, in the Greek region of Attica, which it is the largest entrance gate of LNG in the Balkans and with the Balkan interconnections it is transformed into an essential entry point with an export capacity of approximately 2/3 of the natural gas that will be supplied to this terminal. This terminal, already in operation, provides Greece with more affordable, secure and sustainable energy. The project was built in two stages: **first** the construction of a Combined Heat and Power plant and then the extension of the storage capacity of the Revithoussa terminal. The **second** stage included the construction of a third tank, the upgrade of marine facilities and the installation of additional technology equipment to increase the gasification.

A follow-up to the Athens' initiatives, is the mega-project "**Regional Gigantic Energy Project**" (**REGIEN-P**) of €250 billion, aiming to attract economic and political support for the promotion of the energy autonomy of the Western Balkans. This project aims to install a series of thermal and hydroelectric stations, but also solar and wind power plants, which when completed will be one of the largest single energy projects in the world. The countries that will benefit from this initiative are Albania, Montenegro, Croatia, North Macedonia, Kosovo, Serbia, Bosnia and Herzegovina and, of course, Greece. Italy's role in this is considered crucial, since much of the generated electricity will be exported through a series of underwater cables (five pairs of 4.0 GW each) to provide "cheap green energy" to the demanding energy markets Europe.

This project, beyond its energy dimension, is of utmost **political significance**, because thanks to the mediation and technical support of Greece, an agreement

was reached between eight countries in the region and their participation was secured. When "REGIEN-P" is completed, within the tight 48-month timetable that has been set, the energy landscape of the wider region will change for ever.

"Soon Greece will be added to the producer countries",

minister Stathakis has said, pointing out that the Balkan market has entered a transformation process with the aim of becoming the South Eastern gateway to European energy market. The concession contracts for the hydrocarbon research in the areas of the **Ionian and Kyparissiakos Gulf**, were signed, while on the contract referring to research in the sea region **southwest of Crete** that has been assigned to ExxonMobil, Total and HELPE, the Ministry of Environment and Energy concluded the environmental licensing and sent it to the Court of Auditors and finally to the Greek parliament. Unfortunately, the recent political developments of the snap-elections will surely delay the final decisions.

### Greece on the frontline of the E. U.

Greece lives in a complicated neighborhood vis-a-vis Turkey; but also a complicated neighborhood vis-a-vis North Africa and

the Magreb, the refugee problem; vis-a-vis the Eastern Med, which in the past was basically a “lake” of the U.S. Navy’s 6th Fleet. Nowadays, there is a strong Russian naval presence in the region, a Russian base at Tartus, and leveraging that to project power and influence into the wider neighborhood.

Greece cannot escape the fact that the refugee/migration issue will continue to pose a monumental challenge. The potential influx of yet more refugees from Syria, but also from Africa and the Middle East, and even Turks themselves, looms on the horizon -in case of collapse of the Turkey/EU refugee deal- bringing devastating effects upon Greece and Europe as well. So in this complicated region the United States, view Greece as a pillar of stability.

Greece is a major stakeholder in terms of the East Mediterranean. You see that in the thriving Greece-Israel relationship, the very successful Greece-Israel-Cyprus Trilateral, as well as the Trilateral of Greece-Egypt-Cyprus. The “**Eastern Mediterranean Security and Energy Partnership Act of 2019**”, introduced by Senators Bob Menendez and Marco Rubio, will allow the U.S. to fully support the trilateral partnership of Israel, Greece, and Cyprus through energy and defense cooperation initiatives. This legislation essentially upgrades the geopolitical roles of Greece and Cyprus. The EastMed Act provides for the **first time** that the State Secretary must submit a report to the House on the number of violations of the Greek airspace and the EEZ of the Republic of Cyprus. One should bear in mind, however, that this is only draft bill, which have yet to be adopted by the US State Department.

Greece obviously **cannot shrink away** from all that. It is traditionally a **major naval power**. Anyone who has studied the country’s history can easily grasp that fact. No further explanation should be necessary. Meanwhile, defense analysts have pointed out that Greece would run into trouble every time financial stress took a toll on naval spending. The **Hellenic Navy** has found itself lagging behind due to the financial crisis. Sure, it can still fulfill its mission, but it is in urgent need of a brave modernization program. The details are known to those who ought to and who want to know.

In the big geopolitical game of the Eastern Mediterranean, over the region’s energy resources, Greece needs to **protect its own vital interests** and at the same time project its influence in the wider region. Turkey is already doing that and it is promoting its status at every chance possible. Furthermore, Ankara has developed quite a degree



of self-confidence in terms of its naval prowess. We should not forget that currently it has stationed the drill ship “Fatih” inside Cyprus’ EEZ, west of Paphos, under the protection of its warships and has launched two major aeronaval exercises, “Mavi Vatan”(Blue Homeland) and “Denizkurdu” (Sea Wolf), in a short period of 3 months apart this year.

The particular regional factors Greece has to contend with, explain clearly why it is one of the few NATO members who meet their obligations. No one doubts Greece’s contribution and role in a volatile region that contains risks for the West. It comes second only to the US in the ratio of its defense expenditure, spending **2.2% of GDP** in 2018, compared to the US’s 3.4%. Few other NATO members spent more than the 2% target last year. Greece is investing in NATO, although it **doesn’t rely** on the support and potentially the intervention of its allies, in the unfortunate event that it finds itself in serious trouble. In the meantime, it must continue strengthening its bilateral and multilateral relationships with a number of countries. Leaving Greek interests aside, **sitting on the front-line** of the European Union makes Greece key to the continent’s security.

#### U.S.A.- Greek strategic relations

Tectonic shifts are underway in the Eastern Mediterranean. Some pose growing threats to American interests and allies, others offer new prospects for stability and prosperity. Washington now must develop a coherent regional strategy that addresses these challenges and capitalizes on these opportunities. There are, however, some notable positive developments in the Eastern Mediterranean. The region boasts bountiful

new offshore natural gas discoveries, which Israel, Cyprus and Egypt are already developing. They are enabling closer relations between Israel, Egypt and Jordan, and could eventually reduce European dependence upon Russian gas.

In the context of **American strategy in Southeastern Europe and Mediterranean**, Greece and the United States see eye to eye. In fact it probably sees closer eye to eye than does with almost any other NATO partner, in terms of shared interest in seeing that Turkey remains anchored in the West, and in working through the difficult issues that both the two governments have. The **US Ambassador to Athens** Geoffrey Pyatt, has repeatedly stressed that Greece’s geostrategic location is key to security and stability in the Southeast Europe and Mediterranean.

The U.S.A. values Greece’s increasingly important role in regional security. That is why the launch of the **Strategic Dialogue** by Secretary of State Pompeo and Foreign Minister Katrougalos in last December and the active efforts that both governments are making to sustain that momentum, continues working in those lanes. Greece cooperates closely with the United States in terms of NATO platforms, in a way that we



have not seen for more than two decades.

Meanwhile, a lot of progress is being made, often under the radar, in terms of Greek-American **military cooperation**. Athens and Washington are exploring to deepen bilateral cooperation and to continue progress made in key areas, via “flexible” options to further consolidate the presence of American weapons systems in Greece. These options include:

- discussions between Athens and Washington revolve around the **Larissa military air base**, where two unmanned aerial vehicles (UAV), MQ-9 Reaper-type

drones, are currently stationed. With the contract for their stay at the Larissa base expiring in August, two options are currently under discussion. The first concerns the possibility of stationing KC-135 tankers there, which frequently fly out of Incirlik Air Base, Turkey, to support U.S. operations in the Middle East. The second, albeit least likely, scenario, suggests the replacement of the MQ-9 Reapers with other UAVs, namely Global Hawk RQ-4. Moreover, the use of the **Stefanovikeio air base** in central Greece by US helicopters is also expected to continue, with the **ports of Alexandroupoli** or Thessaloniki serving as stopovers for flights to Eastern Europe.

- the US has increased its participation in Greek military exercises and expanded their scope. Among these are the “Iniohos” air exercise between NATO allies and partner nations, which Athens and Washington plan to upgrade to a large-scale drill.
- American ships are sailing around the Dodecanese islands and dock more frequently at Aegean Sea ports, on a regular basis. U.S. Navy vessels frequently dock at Souda Bay on the Greek island of Crete. U.S. Air Force pilots have also flown operations from Souda Bay in the past.

Now the Americans have set their sights on the port of Alexandroupoli. Recent geopolitical shifts and volatility in the wider region have elevated the port's status, attracting interest from Russia and China as well. The US Ambassador has repeatedly stressed that Alexandroupoli's port has tremendous potential and capacity, while also having rail and road networks feeding into Eastern Europe.

From a security and economic standpoint, it makes sense to further develop the port to benefit both US strategic relationship and the Greek economy. It is not just American LNG that will be able to reach Alexandroupoli by sea. The US sees Alexandroupoli as an **alternative** to the Bosphorus Straits that connect the Black Sea to the Mediterranean. The harbor can be expanded and modernized, it is located at rather short distance from the shores of the Black Sea and there are already plans for rail and road links with the ports of Varna and Burgas in Bulgaria. In case of a Black Sea crisis, the port could be used as an alternative route for allied troops, if Turkey were to shut down the straits, in violation of the Montreux convention and with the tolerance of its Russian allies.

The strengthening of relations has also coincided with Turkey's aggressive strategic posture. Once a reliable U.S. ally, Turkey under President Erdogan increasingly diverges from, and often directly opposes, American interests. This is by no means limited to the Eastern Mediterranean, but it is particularly acute there, while becoming more antagonistic toward Greece in the Aegean Sea.

At this juncture of significant developments in the Eastern Mediterranean geopolitical landscape, caution is the key-word. Greece has so far played its cards well, but it should not get ahead of itself. The messages coming from the United States and Israel are strong and positive. The perception gaining ground in influential circles is that Greece could evolve into a front-line state and maybe substitute Turkey, as far as American interests are concerned. In other words, officials are openly discussing whether the US could switch from “Incirlik” to a base in Greece. However, one must not rush to any conclusions about the day after in the wider region. Even in Washington, East Med experts do not have a clear idea of how things will evolve. The more pressure Turkish President Recep Tayyip Erdogan feels on a political and geopolitical level, the more unpredictable, or even dangerous the situation will become.

## Navy and Air Force

Deliveries over the past decade have included 5 AIP submarines: 4 “PAPANIKOLIS” class type 214 and a completely upgraded type 209/AIP, as well as 2 “ROUSSEN” class, Super Vita type missile boats. Another two Super Vita boats are being built in Greece, but the program has suffered very long delays. The main **Greek naval units**

are: 4 Hydra class type MEKO 200HN frigates, of German origin, which entered service from 1992 to 1998, 6 KORTENAER “S” frigates of Dutch origin, modernized in the years 2007-2010, 3 KORTENAER “S” frigates that have not been modernized, 11 submarines (3 modernized Type 209-1100, 1 modernized Type 209-1200 with AIP, 3 non-modernized Type 209-1200, 4 Type 214HN. Two additional Type 214HN are on contract but their status is uncertain yet) and 17 missile boats (5 British SUPER VITA, 4 modernized French Combattante III, 5 also French Combattante IIIB and 3 former German S148).

The **Hellenic Air Force's** major fighter aircraft force consists of 3 main types: F-16, Mirage 2000/2000-5 Mk5 and F-4. Deliveries over of the past decade have been 30 F-16 Block 52+ Advanced during 2009 - 2010. Very recently, it was decided to modernize 85 F-16 (55 Block 52+ and 30 Block 52+ Advanced) to F-16V (AESA radar) standard. In addition the country is modernizing 5 P-3B naval co-operation aircrafts. The Hellenic Air Force fleet has 17 Mirage 2000B/EGM-3 (delivered 1988 - 1992), 24 Mirage 2000-5Mk 2 (delivered 2007 - 2009), 32 F-16C/D Block 30 (delivered 1989-1990), 38 F-16 C/D Block 50 (delivered 1988-1992), 55 Block 52+ (delivered 2002-2004) and 34 F-4E upgraded to Peace Icarus 2000 standard, during 2003-2004. Finally, the Hellenic Air Force also has four Erieye EMB-145H (delivered in 2008) AEW&C aircraft.





## Cyprus: Too rich in energy resources, too weak to defend them

The exploration of hydrocarbon resources in the Southeast Mediterranean has become a sensitive issue. By some expert accounts, the greater area in the South East Mediterranean has a capacity of about 14.8 trillion c.m. (500 t.c.f.). Since then, Cyprus, Turkey, Israel, Egypt, Lebanon and Greece have been jockeying for control of those resources.

Cyprus has its own natural gas needs, on one hand to cover its electricity production, and to comply with European directives to reduce emissions on the other. Its requirements are estimated to 1 b.c.m. of natural gas for the year 2020, and close to 1.8 b.c.m. by the year 2025. On the purely energy issues, exploration is being carried out by Noble Energy - Delek Group and Shell joint ventures in Block 12, ENI in Block 8, an ENI & Kogas joint venture in Blocks 2,3 and 9, ENI and TOTAL in Blocks 6 and 11. It seems that the partnership between the French and the Italian company has been further secured in Block 7, and this cooperation is not unlikely to extend to other Blocks of Cyprus' EEZ, according to Energy Minister mr. Lakkotrypis.

Earlier this year, ExxonMobil, together with Qatar Petroleum, found the third large gas reservoir in Block 10, off the coast of Cyprus. Known as the "Glauucus-1" field, this latest discovery will add to the inventory of Eastern Mediterranean gas reservoirs coming online in neighboring Israeli and Egyptian territorial waters, which are expected to form a new energy hub for regional and, possibly, export

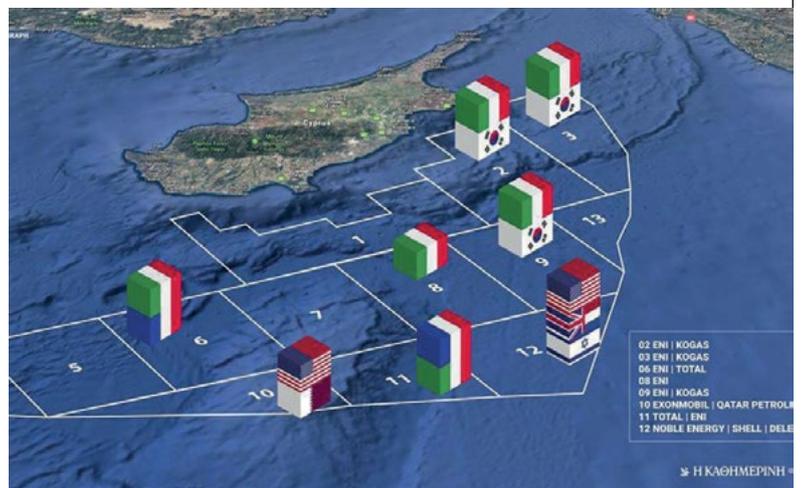
markets. Parallel are the developments regarding the "Aphrodite" deposit. Last informations say that its transfer to Egypt has been secured, with Noble Energy, Shell and Delek in agreement, so that the gas will reach the two Egyptian terminals. Cyprus is in an advanced stage of negotiations. With **Israel**, it is negotiating the exact distribution of the field's exploitation percentages, as a small part of it extends within Israel's EEZ. The start of production at the Aphrodite field will be the first natural gas production by an EU member state in the South East Mediterranean.

At the the same time with **Egypt**, Cyprus signed the underwater interconnection of wells to the underwater production network already under construction for the massive "Zohr" field, for the transportation of natural gas to the Egyptian shores and from there, either towards the Egyptian internal market or for export in LNG form.

Energy Minister Yiorgos Lakkotrypis recently announced that Cyprus is planning to carry out **eight drillings** in its EEZ, during the next 24 months. The

Minister said that six of those will be exploratory, while two will be confirmatory. The Minister refrained from revealing in which Blocks the drillings will take place, but said that the targets have been located and drillings will begin before the end of the year or beginning of 2020.

Furthermore, Cyprus establishing its key role in the South Eastern Medi-



terranean has begun to form tripartite cooperation mechanisms with other natural gas producers in the region. As a result, **Lebanon** recently announced an agreement with Cyprus to address their maritime border to enable "an oil and gas alliance" to be formed. Lebanon's Mediterranean territory is due to contain ten oil and gas blocks, four of which border Cypriot waters. The two states have agreed to co-operate in finding export markets for oil and gas production, in addition to

implementing a project for creating a **gas pipeline** between Lebanon and Cyprus. Lebanon last year signed contracts with France's Total, Eni of Italy and Russian Novatek to drill for oil and gas in two blocks, despite tensions with Israel over the ownership of block 9. In this context, Nicosia hosted the **1st Trilateral summit** between the leaders of Cyprus, Greece and Lebanon to review progress that has been achieved and map further cooperation.

**The stakes are high**

The race to exploit huge gas reserves in the Mediterranean is on. But for now, the hunt for the fuel looks more likely to inflame regional tensions. Turkish president Recep Tayyip Erdogan has already called for the ExxonMobil's drilling at Block 10 -south-west of Cyprus- to be scrapped, billing the United States energy giant and other companies from Qatar and the United Kingdom, assisting in the project, "pirates" and "bandits of the sea."

In order to **secure its energy plans**, Cyprus participates in two tripartite treaties: The Israel-Cyprus-Greece and the Egypt-Cyprus-Greece Trilaterals. These treaties, together with the support of the EU and especially the U.S.A., that has repeatedly decalred will not remain idle in case Turkey trespasses Cyprus' EEZ, either by drilling actions or harassment and interidiction of the programmed drillings, provide a rather secure diplomatic context against Turkey's increasing threats. Additionally, the political decision to participate in the construction of the proposed **EastMed pipeline** confirms the significance of this project, which beyond its main energy nature also possesses a

clear geopolitical and geostrategic one. Much to the dismay of Ankara, Turkey has been left out of plans to develop Eastern Mediterranean gas, as EastMed pipeline proposals circumvent Turkish territory, excluding the country from the potential energy source and its economic benefits.

To counter Russian influence in the Eastern Mediterranean and Turkish ambivalence, the US is strengthening its involvement in the region's energy development. In a show of support, **US Secretary of State Mike Pompeo** met with Israeli, Greek and Cypriot leaders in March to discuss regional energy development and joint security initiatives. In April, US Senators Bob Menendez and Marco Rubio introduced the Eastern Mediterranean Security and Partnership Act, which among other provisions, shall **lift a decades-old arms embargo** on Cyprus, as well as establish a "United States-Eastern Mediterranean Energy Center" to facilitate energy cooperation between the US, Israel, Greece, and Cyprus.

**Defending an ambitious energy plan**

Arguably, Cyprus is one of the heaviest militarised places on earth with armies of different nations marching around. In a perfect world there would be no need for military personnel on the island. Cyprus has **learnt the hard way** and now it's using its strategic location and reputation to do regional deals, while stitching its energy wealth into the bilateral and/or trilateral ties it seeks to enhance with its neighbours, EU partners and Washington. Outgunned and outnumbered by occupying force Turkey, Nicosia has to get smart, not only through its regional alliances such as

the upgraded military cooperation with France and Israel, but it must be clever in the way it defends itself.

Nicosia is not going to go to war with anybody, although it does need a nifty and flexible **National Guard** that thinks on its feet, incorporating smart technology that enables it to have a secure air-defence umbrella. Moreover, Cyprus doesn't have the money to buy US F-35 fighter jets, or battleships, but maybe it can use smart technology in its defence. A better trained, better-equipped army is surely what Cyprus deserves. The "Eastern Mediterranean Security and Energy Partnership Act of 2019" seeks, among other provisions, to authorise \$2 million for **International Military Education and Training (IMET)** for Cyprus. Nevertheless, Nicosia concedes that it wants the US embargo lifted, not so it can buy expensive high-tech weapons but as a symbol of a new political alliance in the East Med where Cyprus is a valued member.

What had taken place last year in Block 3 of the Cyprus EEZ, when Turkey used its warships to harass the ENI drilling rig, **redefined** Nicosia's strategy for EEZ in general. The Cypriot government is now aiming to disperse energy companies within the Cypriot EEZ, resulting in a greater balance of interests, with the aim of deepening the relations Cyprus and France have in this field. It should be noted that France since 1974 has been a major source of military supplies to Cyprus, when almost all Western countries were bound by the embargo imposed by the United States. The big picture is that similar scenarios will not be repeated, making France one of the **key players** in the EEZ, forcing Turkey

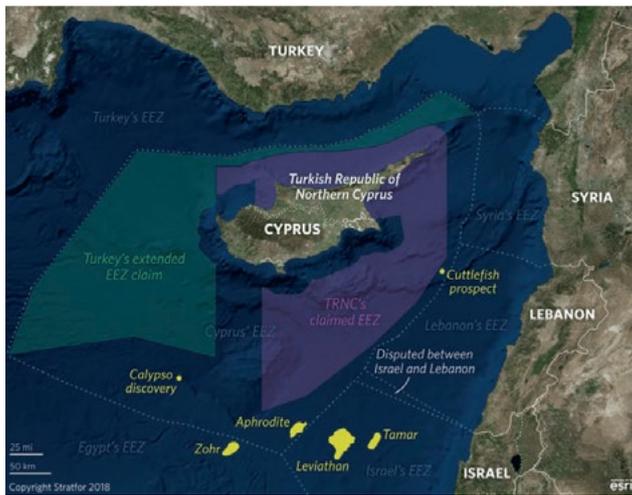


**Navy and Air Force**

Cyprus realizing its strategy to become the outmost E.U. frontier in the region whatever it takes, together with the growing needs for the defense of its EEZ, plans a new rearmament program for its National Guard. Conforming to EDA's guidelines and decisions, this programme of about €100 million aims to the aquisition of european weapons systems, as well as U.S. ones, should the arms sales embargo raises. In this context, a program of bilateral Defense Cooperation has been signed between the MoDs of Cyprus and France, as well as Egypt and Israel.

**Navy and Port & Marine Police** units are: 1 Offshore Patrol Vessel (OPV) Al Mubrukah class of british origin, 1 israeli Offshore Patrol Vessel (OPV) Saar 62 class, 4 italian Patrol Boats C382 type, 1 finnish Patrol Boat Ammohostos class, 2 Patrol Boats FAC-23Jet type, 1 Patrol Boat Shaldag Mk.I class, 2 Patrol Boats UFPB type, 5 Motor Launches SAB-12 type, 2 Special Forces Patrol Boats (SFPB) Rodman 55 type of spanish origin.

**Air Force** units consist of: 11 Russian Mi-35P attack helicopters, 4 French SA341L1 Gazelle attack helicopters, 3 AW139, 2 Bell 206L3 Long Ranger SAR.



to think twice about any future provocations. So what is taking place now, aims to put into practice the **France-Cyprus alliance** in the EEZ, since at every turn French officials have stated that the country will defend its interests, thus sending clear messages.

Moreover, Cyprus and France signed a statement of intent to co-fund the building of a new docking area at the “**Evangelos Florakis**” naval base at Mari, to allow larger French Navy’s warships to dock and service. Work has already started to upgrade

the naval base. Cyprus will be an intermediary station for the French navy, following the loss of the bases France held in Lebanon and Syria, and especially for the task force formed around the “**Charles de Gaulle**” aircraft carrier, patrolling the Eastern Mediterranean. The ship is one of two nuclear propelled aircraft carriers in the French navy, and carries 24 Rafale fighter jets, two Hawkeye tactical airborne early warning (AEW) aircraft, an Atlantique 2 reconnaissance plane and four helicopters.

#### Gas revenues and a divided island

Cyprus has been split since 1974 when Turkish troops invaded the island in the wake of a Greek-inspired coup. Repeated United Nations efforts to stitch it back together have failed, and only Turkey recognizes the island’s northeast tip as an independent state. An internationally rec-

ognized Greek-Cypriot government runs the rest of the island, which is a member of the European Union.

Mr. Erdogan has repeatedly **warned** Greece, Cyprus and international companies not to “step out of line” and encroach on Turkey’s rights. It insists that some of Cyprus’ prospecting areas lie within its jurisdiction. It also refuses to recognize what it calls “unilateral exploration activities” by Cyprus, insisting that Turkish-Cypriots on the island’s ethnically divided north should receive a generous cut in any discovery.

It is evident that the isolation of Turkey could complicate future reunification efforts in Cyprus. Officials in northern Cyprus have claimed gas revenue from offshore developments must be shared between the Turkish Cypriots and Greek Cypriots, as they are both heirs to the island’s territorial resources. Yet Greek Cypriot leaders have proposed sharing revenues only if progress is made on reunification talks, which Turkey and some Turkish Cypriots view as unfair. So, for the time being and as long as Turkey continues with its aggressiveness there will be a stalemate on this issue.



## Turkey: Willing to set East Med on fire. Why now and what lies next

Turkey’s Foreign and Prime Minister, **Ahmet Davutoglu** had presided over a widely acclaimed “**zero problems with neighbors**” foreign policy. This foreign policy was relying on an overly generous definition of “zero” and a selective definition of

“neighbor.” Turkey used this declared policy as cover to pursue regional hegemony in a less overtly threatening manner.

In an agonizing effort to reduce its energy dependency from Russia, as well as to confirm its aspirations of becoming a sig-

nificant energy hub between East and the West, Turkey is the only country in the region that feels left out from what is happening in the energy sector in the Southeastern Mediterranean. It has neither endorsed, nor ratified the New 1982 Law of the Sea Convention, which defines a state’s rights to the exploitation of its coastal marine waters, i.e. the definition of the Economic Exclusive Zone (EEZ). It is not, however, surprising that the country took advantage of the new Convention’s provisions and declared an EEZ in the Black Sea in 1986. The boundaries with what was then the Soviet Union were based on the previous 1978 agreement for the Continental Shelf. Later, in December 1997, Turkey also agreed and delimited an EEZ with Bulgaria.

As Turkey increasingly asserted itself in the Eastern Mediterranean, balancing coalitions started to form. Partnerships that initially formed over energy cooperation started to transform into something far deeper. At the beginning of this decade, few -if any- would have predicted that Cyprus, Egypt, Greece, Israel, Italy, Jordan and the Palestinians would be working to lay the groundwork for a true political and economic region. After the inauguration of the **Eastern Mediterranean Gas Forum** in Cai-



ro, the death knell may have been sounded for Turkey's bid for regional hegemony. For years, energy diplomacy in the Eastern Mediterranean has given rise to hopes that the region could develop something akin to the European Coal and Steel Community. The establishment of the Forum in Cairo, is an indication that these hopes are slowly being transformed into reality. Yet Turkey's absence, and its inability to cooperate with the other members, cannot be minimized. Whether it abandons the West or not, Turkey is not moving out of the Eastern Mediterranean.

For months it has been clear that, sooner or later, Ankara would proceed with actions aiming to ensure that it has a place on the energy map of the Southern Mediterranean. That objective was self-evident for a variety of reasons, not the least of which is the fact that the Turkish economy is in dire straits and is in danger of collapsing. The other crucial reason is Turkish **President Recep Tayyip Erdoğan's** ambition of establishing Turkey as a regional power.

Ideologically aligned with the Muslim Brotherhood, Erdoğan sought unsuccessfully during and after the 2011 Arab upheavals to build a Muslim Brotherhood sphere of influence in Egypt and elsewhere. Erdoğan allowed jihadists to flood Syria and refugees to flee into Europe. He has attacked Kurdish in Syria and even threatened the lives of American soldiers fighting alongside them against ISIS. Turkey also, has severed its longstanding strategic link to Israel that helped form the bedrock of regional stability. It actively works to undermine Israel's security, supporting radical

Islamist groups in Syria, Gaza, Egypt and Libya. It is also moving closer to Moscow -including agreeing to buy advanced Russian air defense systems- and Tehran, while becoming more antagonistic toward Greece in the Aegean Sea and Egypt and Cyprus in the East Mediterranean.

Recep Tayyip Erdoğan's Turkey is acting like World War I-era Germany (at best) and is sometimes reminiscent of Nazi Germany. It strives to subvert the current status in the South East Mediterranean with high risk actions and statements, aiming to become a significant player in the planning of new energy routes in the region. It declares "per marem per terram" that as far as the energy resources of the Cyprus EEZ are concerned, the two communities, Greek Cypriots and Turkish Cypriots, both have equal rights. Having **refused to recognize** the Republic of Cyprus, as an independent and sovereign state, a member of the UN and the EU, Turkey is actively contesting the right of the Republic of Cyprus to exploit underwater energy resources.

Turkey goes far beyond the statements of contention, refusing to recognize the bilateral EEZ boundary agreements between Cyprus, Israel, Egypt and Lebanon. It also does not recognize the agreements for the allocation of exploration and production in Blocks of the Cyprus EEZ, that the government of the Republic of Cyprus has signed with the foreign energy colossus. It has the habit of carrying out air and naval exercises in the area concerned, deliberately scheduling these for when the Republic of Cyprus has issued NAVTEX warnings for the facilitation and safety of international

shipping, during exploratory - drilling activities by companies operating in the Blocks of the Cyprus EEZ.

**The drilling threats**

Ankara's latest provocation in the Eastern Mediterranean, taking steps to begin illegally drilling in the EEZ of the Republic of Cyprus, is a case in point. In an apparent bid to entrench what it sees as its rights in the Aegean and the Eastern Mediterranean, it has reserved an area stretching south from the Aegean island of Rhodes to the western coast of Cyprus to explore for oil and gas. Furthermore, dispatched the "Fatih" drilling rig from its southern port of Antalya with three support vessels and a frigate, in the direction of a sea area 60 kilometers off the western coastal city of Paphos within Cyprus' continental shelf, in violation of island nation's sovereign rights, as well as the marine seismographic surveyship "Barbaros" south of Limassol, rising the tensions in the region. The point at which drilling would take place, is considered to be an indication of Turkey **clearly challenging** the view of Athens and Nicosia that the Greek and Cypriot EEZs are adjacent.

Given that the other regional stakeholders were coming together -without pause at Turkey's exclusion- it was only a matter of time before mr. Erdoğan lashed out. Nonetheless, experienced observers have speculated that the **absence** of specialist crews and the requisite technical capabilities onboard the Turkish drillship, is an indication that no substantial results should be expected from Ankara's exploratory activities, which have placed both Greece and Cyprus on edge. Bearing this in mind, Turkey's moves are seen more as a gradual effort to entrench its demands in the region and to **test the resolve** of parties with interests in Cyprus' EEZ, such the United States, Israel, Egypt, Greece, France and Italy.

At a press conference, **Turkish Foreign Minister** Mevlut Cavusoglu revealed Ankara's true motives, proposing the transfer of the gas reserves of Cyprus through Turkey stressing that *"...Instead of speaking against Turkey, this issue must be resolved in its roots. Only then will the proper exploitation of the reserves around the island happen and they will be able to be transported to the international markets through Turkey."*

The **US State Department** could not be clearer: *"Turkey's announced intentions to begin offshore drilling operation in an area claimed by Cyprus as its exclusive economic zone is highly provocative and risks raising*

tensions in the region. We urge Turkish authorities to **halt these operations.**" The European Union's condemnation of Turkish actions was even stronger. Israel, the UK and Russia have all spoken up in support of Cyprus.

### Turkey on collision course with Egypt?

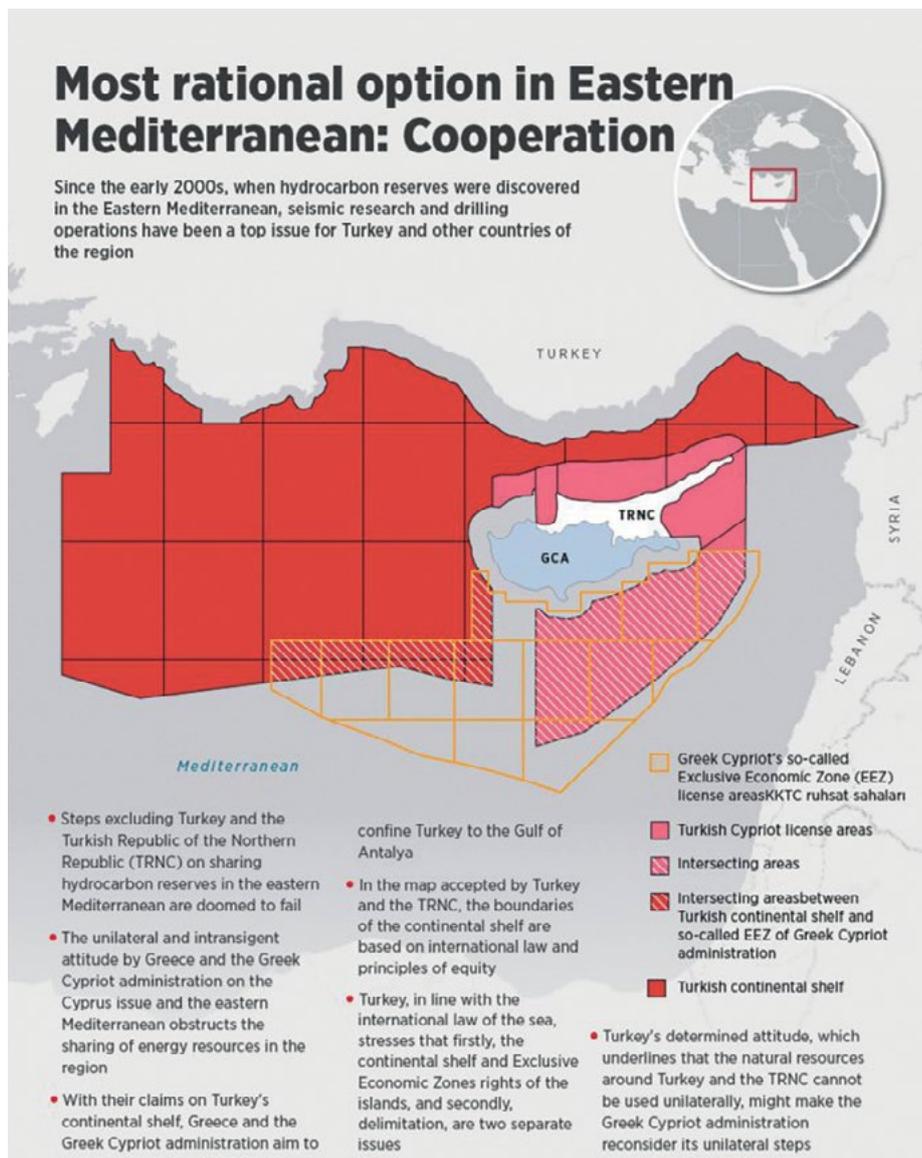
Perhaps the most important support in this case came from Egypt, that sees itself as an Eastern Mediterranean power and will not accept Turkey setting the rules. Clearly the rivalry between Egypt and Turkey helped make Egypt's support unequivocal, but Egypt also gets a lot out of the diplomatic relationship with Greece and Cyprus. The **Egyptian Foreign Ministry** stated that it followed "...with concern Turkish plans to drill off the western coast of Cyprus," warning of ramifications of the move on stability in the eastern Mediterranean. The Egyptian warning is probably a signal of frustration towards Turkey's conduct over the years.

Erdogan has adopted a hostile stance towards Egypt since Egyptians ousted Muslim Brotherhood-affiliated President Muhammad Morsi in 2013, in an army-backed uprising that led to the collapse of political Islam empowerment supported by Turkey and Qatar. Apart from attacking Cairo and inciting international public opinion against it, Turkey offers refuge to Muslim Brotherhood fugitives wanted by Egyptian authorities. Turkish authorities allow many Brotherhood media channels to air from Turkey, as part of a campaign by the Islamist movement against Egyptian President Abdel Fattah al-Sisi.

Cairo's reaction also shows anger at the destabilising role that Turkey has been playing in the region and its interference in Egypt's affairs and those of other countries in the region. Egypt plans to utilise its liquefaction plants in becoming a **regional energy hub**. This may explain Egypt's military buildup in the Mediterranean. Cairo has spent billions of dollars to modernise its navy, including with purchases of helicopter carriers, advanced corvettes and speedboats. A day before Egypt issued its warning against planned Turkish drilling off Cyprus, Egypt received a new submarine from Germany, the third from the European country.

### Turkish claims in East Med unveiled in maps

With drilling threats under way in Cyprus's EEZ, Turkey has presented seven maps outlining its claims in the Eastern Mediterranean, revealing its intentions in the region.



The maps, which have been cited in recent weeks by **Turkish Defense Minister** Hulusi Akar, suggest that any others in the region considering the demarcation of maritime regions would have to consult with Turkey first. However, the delineations on the maps only take into consideration Turkey and the mainlands of other countries facing its shores -ignoring the islands in between, such Rhodes, Karpathos and Crete, not to mention Cyprus.

The limits of Greece's continental shelf have been disputed by Turkey with a series of Navtexes that ignore the southeastern Aegean island of Kastellorizo, implying that it has no significance when it comes to delineating maritime regions in the Eastern Mediterranean. They essentially reiterate Turkish claims in the Eastern Mediterranean, as **Kastellorizo** is cut off from the rest of the Dodecanese chain of islands – basically disputing what Greece says is the eastern edge of its continental shelf and its exclusive economic zone (EEZ).

The maps were created between 2010 and 2012, after Cyprus' demarcation agreements with Egypt in 2003, Lebanon in 2007 and Israel in 2010. These deals allowed Cyprus to delimit its exclusive economic zone in its Southern and Southeastern seas. Considering these agreements legally void and therefore nonbinding, Ankara has claimed all the maritime regions west of Cyprus as part of the Turkish continental shelf. It only recognized Cyprus's territorial waters.

The Eastern Mediterranean is taking shape, and Turkey is becoming increasingly **isolated** as a force of instability. Greece, Cyprus, the US, the EU, Egypt and Israel have all made it clear that there is room for Turkey at the table, but Turkey has to play by the rules rather than write the rules itself.

### In a collision course with the US over the S-400s

The US Senate Armed Services Committee has unveiled a draft \$750 billion defense

## How Turkey's industry could suffer from the S-400s deal with Russia

After experiencing a decade of growth, Turkey's increasingly vibrant defense industry may fall victim to the government's quest to purchase the Russian S-400 system, a deal that will make Turkey the first NATO ally to deploy the system on its soil.

U.S. sanctions could potentially target senior procurement officials and prominent Turkish companies participating in the S-400 contract. That would create a **second wave of sanctions** by curbing and halting Turkish companies' international programs and deals, including know-how, with non-U.S., albeit western, defense entities. Additionally, the U.S. may disrupt Turkey's current and future systems **export efforts**, including those for the T129 attack helicopter, built by TAI under license from the Italian-British firm AgustaWestland. Last year Turkey signed a \$1.5 billion deal with Pakistan for the sale of 30 T129s. Turkey needs U.S. export licenses to make the T129 deliveries to Pakistan -or any other foreign buyer. In December, the Philippine government selected the T129 for military use, and talks are ongoing for the sale of eight helos.

A U.S. diplomatic source has predicted that the direct cost of U.S. sanctions on the Turkish industry could reach \$10 billion, excluding indirect costs. A Turkish aerospace industry executive admitted that the U.S. sanctions could hurt the Turkish industry, but said the damage



would not be "...too punishing. The talk of over \$10 billion in potential losses is a gross exaggeration to increase pressure on the Turkish government." On the other hand, Lockheed Martin's CEO Marillyn Hewson downplayed the impact of a potential U.S. ban on Turkey's purchases of the F-35, saying other countries are already angling for Ankara's jets. "In fact, a lot of countries say: 'We'll take their [production line] slots.' They really want the aircraft. I don't envision that being an impact on us from a Turkey standpoint."

For Turkey, the potential repercussions could be limited indeed, so long as Ankara stops at the S-400 purchase and continues talks with the United States about how to repair relations after sanctions are imposed and the F-35 held back. However, if Ankara chooses to deepen its partnership with Russia, bad could turn into grievous, as legacy defense cooperation with the United States could then be called into question.

Turkey has been **halted**. Turkey acquired its first of four aircraft in June 2018 at Luke Air Force Base in Arizona, beginning the formal training process for Turkish pilots, alongside a similar program for maintainers at Eglin Air Force Base in Florida and the initial plan was to transfer the first jets to Turkey in November 2019. However, Congress prevented the transfer of these aircraft. The 2019 NDAA **blocked** funding for the transfer until the Department of Defense submitted a report detailing Turkish participation in the F-35 program and plans to replace Turkish firms in the F-35 supply chain. The **Consolidated Appropriation Act of 2019** similarly blocked funding until the State Department submits a report to Congress detailing a "description of plans for the imposition of sanctions, if appropriate" for the purchase of the Russian missile. Additionally, is considering to halt all the **Turkish pilots' training** in U.S. bases.

Ankara has responded to this pressure with a proposal of its own: a **technical working group**. This proposal seeks to include NATO allies in technical discussions about how to mitigate the threat the S-400 radar poses to the F-35 so that the two systems can be safely co-located in Turkey. This proposal appears to be an effort to elevate "process" over substance, and to take what is a bilateral issue and try and involve NATO. Even if Turkey's offer was genuine, it may be too late. It will be hard for Ankara to walk back the October delivery and deployment date now that training has begun. Assuming this is the case, the United States is likely to do two things. First, the F-35s will not be allowed to fly to Turkey. Second, once the first S-400 shows up in Turkey, sanctions outlined in the **Countering**

policy bill that would effectively end Turkey's partnership in the F-35 production program, if Ankara pursues a plan to buy the Russian S-400 missile defense system. The **National Defense Authorization Act (NDAA)** would remove Turkey from the list of nations that have worked together to build the 5th generation F-35 fighter jet. Like other NATO allies, Turkey is both a prospective buyer and a partner in production of the F-35. However, US officials have said Turkey's plan to buy the Russian S-400 air defense system would compromise the security of the F-35 jets. The dispute has strained relations between Washington and Ankara.

Turkey's defense minister has stated that Ankara was preparing for potential US sanctions over its purchase of the Russian

missile system, even though he said there was some improvement in talks with the United States. At the same time, **Hulusi Akar** announced that 100 or so Turkish soldiers had arrived in Russia to begin operator training for the S-400. Mr. Akar, has indicated that the Turkish S-400s will be deployed maybe in October 2019, suggesting that the 100 or so troops would begin to operate the system inside Russia before they are delivered to Turkey.

Meanwhile, the U.S. transfer of F-35s to



**America's Adversaries Through Sanctions Act (CAATSA)** will be triggered. The sanctions will hit Turkey's poorly performing economy. Ankara could make this situation worse if it deepens defense cooperation with Moscow.



## U.S.A.: Enhancing its presence in S. E. Europe-Mediterranean by all means

Facing an unprecedented number of foreign policy flashpoints, the US risks being spread too thin to adequately address the challenges in the axis South East Europe - Mediterranean and protect American interests alone. The fact that Russia, through Gazprom, steadily increases gas exports to E.U. countries and the Balkans appears to have alarmed the U.S., which is attempting to **reverse the status quo** and enhance its presence in the European LNG market, putting an end to Moscow's tactic of using its natural gas exports to exercise economic and political influence in Europe<sup>1</sup>

Important new developments, both geopolitical and practical, led to the renewed focus by Washington on energy development and security in the Eastern Mediterranean. Washington was impressed with the progress made in Trilateral Greece-Cyprus-Israel energy development and is eager to participate as a partner where possible. At a strategic level, the proposed **EastMed pipeline** is an extremely important project that the United States strongly supports. It complements everything that it has been doing with the 3+1 meeting supporting the flourishing Greece-Israel relationship.

Simultaneously, Russian and Iranian inroads are bringing great power competition to the Eastern Mediterranean. During the Cold War, the Soviet Union did not challenge America's naval superiority here. President Putin however, is using Russia's permanent naval base in Syria to do just that, as well as establishing an anti-access/air denial exclusion zone covering much of the region. The Eastern Mediterranean is no longer **uncontested** operating environment for the U.S. military. While the interests of Iran, Turkey and Russia do not fully align, they appear increasingly unified in their anti-American approach to the region. Iran now effectively has a Mediterranean beachhead, too. Its forces, allies and proxies control much of Syria, where it also just leased a strategically vital port. Through Hezbollah, it dominates Lebanon's government and can threaten adjacent sea lanes and energy platforms with anti-ship missiles.

The Trump administration has been working to apply what it calls a "**maximum pressure campaign**" against Iran to try to get the country to change its behavior, including its sponsorship of terror groups and what the White House alleges is a

ballistic missile program that threatens the United States. Since withdrawing from the 2015 agreement that curbed Iran's nuclear ambitions, the Trump Administration has been intensifying the pressure campaign against Iran. Having withdrawn from the Obama administration's landmark nuclear deal with Iran in May 2018, in the months that followed reimposed punishing sanctions including those targeting Iran's oil, shipping and banking sectors. President Trump announced the U.S. will no longer exempt any countries from U.S. sanctions if they continue to buy Iranian oil, a decision that primarily affects the five remaining major importers: China and India and U.S. treaty allies Japan, South Korea and Turkey. The U.S. also recently designated Iran's Revolutionary Guard as a terrorist group, the first ever for an entire division of another government.

### **Drums of War in the Persian Gulf**

USS Abraham Lincoln CSG with a wing of warplanes and 3,000 sailors aboard is heading east to the Red Sea and perhaps then to the Arabian Sea or the Persian Gulf. It is accompanied by the USS Leyte Gulf,

# LIVE, WORK, PLAY

The USS Abraham Lincoln was here for a layover and left yesterday. An aircraft carrier armed with weapons, planes, gyms, bunks and even a Starbucks, the city at sea is one of only 20 such ships in the world. Feng Zongkun and Lim Yong go on-board.

### THE SHIP

Length: 333m, about 215 MRT trains

Width: 76m

Height: 63m, about the height of a 25-story 1000 block

- Based in Washington in the US
- Commissioned: 1989, for US\$3.5b (€54.2b)
- Maximum speed: 30 knots, or 56kmh
- Carries: 1.2 million kg of food for the planes
- Produces its own nuclear-powered electricity, water from seawater and oxygen for pilots
- Provides supplies to disaster areas
- Delivers air strikes and patrols to war zones such as Iraq
- Conducts training for pilots
- Most recently in Afghanistan

### Flight deck

- Holds about 80 planes
- Can launch two planes at a time in 30 seconds
- Planes can reach up to 275kph during launch
- Twice a day people form a human chain and comb the flight deck for any type of foreign debris that might get washed onto the plane

### The planes it carries

- Fighter planes such as the Hornet and the Super Hornet
- Transport planes such as the Globemaster
- Early warning detection planes such as the Hawkeye
- Electronic attack planes such as the Growler which detects and jams enemy radars
- Helicopter anti-submarine planes such as the Seahawk

### How planes are launched

- Planes are catapulted from the flight deck
- Two bars on the planes are attached to catapult shuttles on the deck
- Shuttles are driven by steam-powered pistons below deck
- When enough pressure has built up in the locked pistons are released
- The shuttle is catapulted forward, slinging the planes with it
- The tow-bar releases at the end of the runway, and the plane takes off

### THE CREW

5,000 sailors on the Lincoln

2,000 sailors on the destroyers, frigates, cruisers and other ships protecting the Lincoln

Age

21 to 24: 50%    25 and older: 42%

20 and younger: 8%

Gender

85% men    15% women

Where they sleep

Senior officers: Single rooms

Junior officers: Shared rooms

Everyone else: 30 to 40-bed dorms

### The amenities

Post office: Sailors send letters to the US for free if they are located in the Arabian Gulf, their primary area of operations

Bank: Virtually no cash used on-board. Sailors pay for everything using an electronic debit card linked to their on-board accounts issued by the bank

Starbucks: Has the same flavors as those on shore. The most popular drink on-board is white chocolate

1,800 telephones, including smartphones (right): Sailors limited to 15 minutes each if there is a queue

Feeding the crew

Every day, sailors eat and drink:

- 20,000 meals
- 800 loaves of bread
- 200kg of hamburgers
- 350kg vegetables
- 2,360 eggs
- 2,300 liters of milk
- 13,000 cans of soft drinks

### FUN FACTS

5km to 10km races are held every week on the flight deck. Up to 500 sailors can take part.

Every officer's name tag has a 1972 penny glued on it, for the ship's 72 designation. These were collected and donated by US school children before the ship was completed.

For every 45 days out at sea without any docking each sailor is entitled to two beers on a designated Beer Day.

Approximately 250 haircuts are given every day, and 2,500kg of laundry is cleaned.

a guided-missile cruiser, and four destroyers: the USS Bainbridge, Gonzalez, Mason and Nitze. It is deployed in response to a number of indications and warnings about escalatory actions from the Iranians, in order to send a clear and unmistakable message to the Iranian regime that any attack on United States interests or on those of its allies will be met with unrelenting force. US Navy has deployed also additional warships to the Middle East, as tensions continue to rise between Washington and Tehran. The USS Arlington, which transports marines, amphibious vehicles, conventional landing craft, and rotary aircraft, as well as a Patriot missile defense system will join the USS Abraham Lincoln CSG.

At the same time, U.S. CENTCOM dispatched four B-52 long-range bombers, capable of carrying 70,000 pounds of bombs, to "Al Udeid" Air Base in Qatar. **Acting Defense Secretary Patrick Shanahan** has presented an updated military plan to President Donald Trump's national security aides that envisions sending up to 120,000 troops to the Middle East, should Iran attack American forces or accelerate work on nuclear weapons. The proposed deployment of 120,000 troops would be nearly equal to the amount of US troops that invaded Iraq in 2003. However, the plan does not call for a land invasion of Iran.

As a first measure, the Trump administration is sending about 900 additional troops to the Middle East in what senior defense officials insisted is a "narrowly-focused defensive posture" intended to protect U.S. troops from Iran without provoking a wider conflict. The deployment will include 900

fresh troops, including an Air Force fighter squadron, to allow the Pentagon to respond to any attacks, gather intelligence on Iran and its proxies, and harden its existing defenses. One Patriot missile defense battalion -which includes about 600 troops- already in the region will also be extended.

**Russian foreign minister Sergei Lavrov** has warned that any increase in the US military presence in the Middle East would result in new risks. From his part, the **Iranian foreign minister Mohammad Javad Zarif** criticized the US for sending military reinforcements to the Middle East and said "Having all these military assets in a small waterway is in and of itself prone to accident, particularly when you have people who are interested in accidents. So extreme prudence is required and the United States is playing a very, very dangerous game."

The recent concerns expressed by mr. Pompeo and U.S. defense officials contrast with U.S. Central Command's (CENTCOM) assessment just over a month ago. Despite Iran's "significant capability" in Syria and the region, CENTCOM officials said there were no indications Tehran was setting its sights on U.S. forces. "Iran's priority is to defeat ISIS, which it sees as an existential threat," the Defense Department's Lead Inspector General for Operation Inherent Resolve said, summarizing CENTCOM's March 26 assessment. "They are not displaying the intent to attack U.S. forces," the report added, warning, "...this calculus could change if Iran perceives a U.S. desire to ramp up anti-Iranian activities in a post-ISIS environment." Some former U.S. intelligence and security officials worry, however, that recent rhetoric

from the White House combined with its ongoing "maximum pressure" campaign, has done just that.

**President Donald Trump** is wary of drawing the U.S. into a war with Iran, in part out of concern that an armed conflict with the Islamic Republic would imperil his chances at winning a second term. Nevertheless, there is **division** within the administration over the approach to Iran. At the same time, the president is cognizant that he was elected in part on promises to withdraw the U.S. from Middle East wars -not start new ones. Some say that privately mr. Trump has said he doesn't want war with Iran.

On the other hand, President Trump's base wants him to show that the U.S. won't be pushed around. Mere saber-rattling, is unlikely to erode Trump's political support as long as the economy remains strong. And there is uncertainty among some of mr. Trump's political advisers about whether an Iran war would surely damage his re-election prospects. One person close to him observed that President George W. Bush won a second term **after starting two wars**, and another suggested the American public might rally around the president in the event hostilities broke out with Tehran.<sup>2</sup>

### **Are we facing the end of U.S.-Turkey relations?**

American strategic interests face challenges around the Eastern Mediterranean basin. The Shia-Sunni divide, that has helped put the Middle East in even deeper, turmoil is playing out on its shores with the involvement of both state and non-state stakeholders. Turkey -once a paragon of stability and a source of great optimism for many in the West- has become increasingly authoritarian and unreliable. **President Recep Tayyip Erdogan's** strong-arm leadership has turned a "zero problems with neighbors" foreign policy, into one where Ankara has zero neighbors with which it doesn't have problems. And two interlocking crises, one economic and the other involving migration, have roiled the European Union, starting with its member-states along the Mediterranean<sup>3</sup>

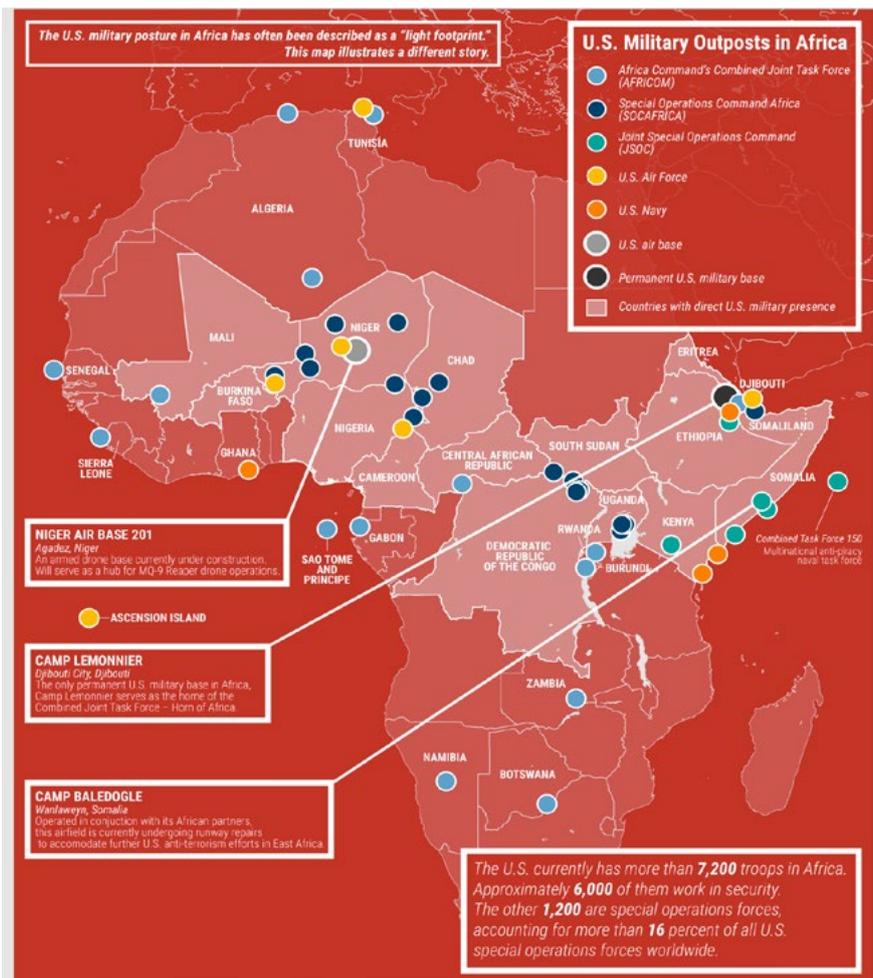
Washington has strongly urged Turkey repeatedly not to acquire the Russian S-400 air-defense system while, threatening to **impede** the transfer of F-35 stealth fighter, however Ankara seems not to yield under this pressing, although its defense industry is threatened with major setback, whether the F-35 deal doesn't materialize eventually, in the midst of a high economic recession and lira

collapse, as well as political turmoil. Members of Congress have tried a variety of approaches to convince Turkey to cancel the sale.<sup>4</sup>

A global geopolitical shift is taking place nowadays. The US fears that Turkey maybe has drifted apart from NATO, towards Russia, and the US is seeking to find ways to fill a gap in the strategic Black Sea region. Beyond the risk to legacy defense cooperation, the United States will soon have to contend with how to plan NATO training exercises if it can't trust Turkey to protect the F-35. The first and most tangible outcome may require moving the F-35 engine maintenance facility from Eskisehir, Turkey, to the Netherlands. As part of Turkey's participation in the F-35 consortium, it is currently slated to serve as Europe's primary engine maintenance hub. This is certain to change, given the concerns about flying allied F-35s in and out of S-400-patrolled Turkish airspace. Second, in any future NATO air exercise in Turkey, NATO countries could simply choose not to send F-35 for joint training.



According to a broadcaster of CNBC, the US government has issued an **ultimatum**, which expires these days: Turkey has to forgo purchasing the Russian-made anti-aircraft missiles; otherwise, sanctions will be imposed. Nevertheless, **Bloomberg** reported that according to a Turkish official, in a call with Donald Trump, Recep Tayyip Erdogan reiterated his desire to jointly examine any risks the system poses to the F-35 jet. President Trump agreed to form a joint study group on the Russian S-400, despite U.S. pressure to abandon the purchase according to officials from both nations familiar with the decision. Garrett Marquis, a spokesman for the White House's National Security Council, said "we have nothing new to announce at this time" as "we continue robust discussions with our Turkish counterparts at all levels." It remains to be seen what will be the outcome of the **impending meeting** of Turkish President Recep Tayyip Erdogan and U.S. President Donald Trump at next month's G20 summit in Japan to discuss bilateral issues, including the deadlock due to Ankara's plan to buy S-400s that has raised the ire of the US.



### China's growing interest in Middle East sets on U.S. alarm bells

China pledged \$23 billion in loans and aid to Middle Eastern countries last year and signed another \$28 billion in investment for infrastructure and construction projects. As Chinese influence and business spread across the region, however, U.S. officials, suspicious of Chinese geostrategic intentions, are becoming increasingly wary. They have urged Israel to reverse a deal giving a Chinese firm operational **control of the port at Haifa**, where American warships frequently dock. Washington raised also worries regarding Israeli use of Chinese telecom technology, which fears will be used for spying and data gathering.

The bulk of Chinese investment in the region is tied to Beijing's global trade and infrastructure program, informally known as the "New Silk Road" and formally as the **Belt and Road Initiative (BRI)**, a scheme launched in 2015 to spur trade along land and sea routes linking Asia, Africa and the Mediterranean. Critics have noted that China is not shy about using trade and investment as a tool for statecraft and has in the past readily used commerce to extend its sphere of influence.

U.S. policymakers fear that under the guise of the BRI, Beijing is also aiming to upset America's traditional alliances. Two years ago, China opened a military **base in Djibouti**, its first ever overseas base, positioned at a key maritime choke point, the strait of Bab al-Mandeb. The U.S. military already has a base there located just kilometers away. It has been used for operations against jihadist groups like Islamic State and al-Qaida. Some U.S. officials see China's move into Djibouti as a sign of broader and possibly military ambitions. Others see China's growing role in the region as mainly focused on **securing energy resources** and its thirst for oil. In recent years, the region has been the source of as much as half of China's imported oil. The BRI is expected to facilitate Chinese energy firms' delivery of even larger volumes from the region.

1. for more read: *The Balkan Geopolitical Frontline: The Containment of Russia* page 5.
2. for more read: [www.semedenergydefense.com](http://www.semedenergydefense.com) "U.S. reverts to "100,000 tons international diplomacy".
3. for more read: [www.semedenergydefense.com](http://www.semedenergydefense.com) "Turkey is willing to set Eastern Mediterranean on fire. Why now and what lies next...".
4. for more read: "S-400 Games: How much of a real threat are...".



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