

Hudson Institute

DECEMBER 2014

# Energy: The West's Strategic Opportunity in the Eastern Mediterranean

BY SETH CROPSEY & ERIC BROWN



H

# Energy: The West's Strategic Opportunity in the Eastern Mediterranean

BY SETH CROPSEY & ERIC BROWN



© 2014 Hudson Institute, Inc. All rights reserved.

For more information about obtaining additional copies of this or other Hudson Institute publications, please visit Hudson's website, **[www.hudson.org](http://www.hudson.org)**.

#### **ABOUT HUDSON INSTITUTE**

Hudson Institute is an independent research organization promoting new ideas for the advancement of global security, prosperity, and freedom.

Founded in 1961 by strategist Herman Kahn, Hudson Institute challenges conventional thinking and helps manage strategic transitions to the future through interdisciplinary studies in defense, international relations, economics, health care, technology, culture, and law.

Hudson seeks to guide public policy makers and global leaders in government and business through a vigorous program of publications, conferences, policy briefings, and recommendations.

Visit **[www.hudson.org](http://www.hudson.org)** for more information.

#### **Hudson Institute**

1015 15th Street, N.W.  
Sixth Floor  
Washington, D.C. 20005

P: 202.974.2400  
[info@hudson.org](mailto:info@hudson.org)  
[www.hudson.org](http://www.hudson.org)

## TABLE OF CONTENTS

Executive Summary	6
Introduction	8
Who Will Shape the Region's Future?	11
U.S. Involvement in the East Mediterranean: What History Tells Us	18
Turkey at a Crossroads: Implications for Peace and Stability	21
The Growing Problem of Russia and Iran	28
American Uncertainty in the East Mediterranean	33
Maximizing the Positive Geopolitical Potential of East Mediterranean Energy	36
Policy Recommendations to Advance a Political and Security Environment Favorable to Large-scale Energy Development and Commerce	39
Conclusion	45
About the Authors	46
About Hudson Institute	47

## EXECUTIVE SUMMARY

A string of recent hydrocarbon discoveries in the eastern third of the Mediterranean Sea has demonstrated once again that world energy production could increasingly be shaped by democratic states that are friendly to the international order and to other liberal democracies in particular. In the near future, development of the strategic resources in the “East Med” will bring energy self-sufficiency to Israel as well as relief from painful economic constraints in EU-member Cyprus. It could also enhance current diplomatic efforts to improve regional stability and security, including the security of an increasingly vulnerable Turkey whose political and strategic future as a member of the Atlantic Alliance is now in doubt. Moreover, through the creation and expansion of a secure energy production sector that also includes Greece, East Med energy could come to directly supply Europe, and thereby help reduce the EU’s vulnerabilities to Russian coercion.

Unlocking the economic and geostrategic benefits of the East Med’s energy potential requires something that the region is sorely lacking: political stability and security. The East Med as a whole has entered a time of protracted conflict and insecurity. The old security and political order has broken down due to the continuing fallout of the Arab Spring and the deterioration of relations between the U.S.’s two most capable regional allies, Turkey and Israel. It has been replaced by a humanitarian catastrophe and widening sectarian warfare in Syria; an escalating

geopolitical rivalry between the Western countries and the emboldened revisionist powers of Russia and Iran; deepening instability and the weakening of the state-based order in the Arabic-speaking Levant and across northern Africa; spreading Islamist militancy, which has now in the form of the Islamic State overtaken large swathes of territory; and a burgeoning naval arms race in the Mediterranean that is already complicating the development of the East Med’s energy potential.

In the face of these dangers, the West has a unique strategic opportunity in the Eastern Mediterranean. The United States, in particular, has the chance to work with each of its allies to facilitate the creation of a secure regional market that could attract the large-scale involvement of international energy developers. This would anchor a budding democratic coalition in a region beset with war and instability and create greater opportunity for Western countries to shape a more secure and more prosperous order therein. U.S. involvement would thus help to reestablish American influence where it has contracted in recent years—and in a consequential region where U.S. national security interests are likely to grow in the future.

**This paper offers a number of policy recommendations aimed at shaping such a favorable environment:**

- The United States should work with its allies to support the strategic and prudent development of a regionally focused energy market as a first step to unlocking even greater potential across the East Med, including extra-regional exports.
- The United States should seek Turkey's improved security and inclusion as a key partner in the defense and expansion of a law-based security order in the East Med.
- The United States should reestablish a robust naval presence in the Mediterranean to strengthen its regional diplomatic leverage and help secure the regional energy market.
- The United States and the region's core liberal democracies should continue to bolster security cooperation to guard against a potentially destabilizing naval arms race and deter the encroachment of revisionist powers, specifically Russia and Iran.

- The United States should loosen its arms embargo on Cyprus.
- NATO's Partnership for Peace should accept Cyprus as a member.
- NATO members France and Italy should be integrated into the regional security architecture.

In the end, there is no substitute for robust U.S. leadership in crafting a geopolitical outcome characterized by greater stability and prosperity in the East Med, and that will also provide the Atlantic Alliance with the strategic depth and capabilities it needs to cope with the difficult security challenges across Southwest Asia that lie ahead.

## INTRODUCTION

In 2009, a U.S.-Israeli consortium of energy companies, operating some 50 miles off the coast of Haifa, Israel, sought to confirm the existence of what seismic data had indicated was a significant reserve of natural gas buried beneath the seafloor. Drilling into the seabed 5,600 feet below the water's surface, the exploration team discovered a massive cavern filled with trillions of cubic feet of pure methane gas. In addition to that initial discovery, a series of major hydrocarbon strikes since then in the maritime zones of Israel and nearby Cyprus have set off what is now widely described as an energy “bonanza” and a geopolitical “game-changer.” The energy potential that lies within the easternmost third of the Mediterranean Sea could indeed become both of these. If, as is likely, more gas and also oil discoveries lie ahead, then the continued extraction and monetization of these strategic resources will remake the economic and security landscape and seascape of the Eastern Mediterranean.

Seismic exploration of the East Med seafloor in recent years has indicated that the hydrocarbon potential there is huge. Attentions now are focused on the Levant Basin, a bowl-like geological expanse that cups the maritime economic zones of Cyprus and Israel, Lebanon, Hamas-ruled Gaza, and war-ravaged Syria. This basin holds as

much as 122 trillion cubic feet (tcf) of recoverable gas, and perhaps as much as 1.7 billion barrels of oil, according to a much-cited 2010 U.S. survey.<sup>1</sup> In global context, such a quantity of unproven gas reserves, haphazardly divided up in the deep waters of several countries, is but a splash in the bucket compared to Russia's 1.6 *quadrillion* cubic feet of proven reserves, or the 1.2 *quadrillion* cubic feet estimated to be in Iran. But if the U.S. survey is correct, then the basin's natural gas reserves, to say nothing of its oil, may well fetch nearly \$600 billion dollars at today's prices for everyone involved in harnessing it.<sup>2</sup>

Exactly how these resources are divided among the Levantine countries in whose exclusive economic zones they lie is still unclear. But in all likelihood, each one of the countries with a claim on the Levant Basin would benefit directly from the continued discovery, extraction, and monetization of the basin's resources. This, in turn, could also have beneficial add-on effects for the wider East Med, from Greece and Turkey all around to Egypt. So far, the major hydrocarbon strikes since 2009 have positively transformed the national fortunes of the Levant Basin's two liberal democracies and their 21<sup>st</sup> century strategic prospects.

---

1 U.S. Geological Survey, “Natural Gas Potential Assessed in Eastern Mediterranean,” April 8, 2010, [http://www.usgs.gov/newsroom/article.asp?ID=2435#.Uwu0G\\_RdV1F](http://www.usgs.gov/newsroom/article.asp?ID=2435#.Uwu0G_RdV1F).

2 “Israel's Levant Basin: How Much Is It Worth?,” Oil in Israel, <http://www.oilinisrael.net/tag/levant-basin>.



For Israel, the discovery of the Tamar field (10 tcf) in 2009 and the super-giant Leviathan field (19 tcf) in 2011 will mean energy self-sufficiency for decades to come. This is an historic boon to security for Israel, a country that previously had to rely on energy imports in a tumultuous and hostile neighborhood. What is more, Israel's offshore geology suggests it has much greater hydrocarbon resources yet to be found—anywhere from 50–100 tcf more, according to the 2011 U.S. estimate.<sup>3</sup> Jerusalem has decided to export at least 40 percent of Israel's known reserves, and the country is now set to join the select group of net energy exporters before the start of the 2020s.<sup>4</sup> If this undertaking is managed well, export revenues and the savings from large-scale energy production at home could combine with Israel's high-tech, innovation-driven economy to catapult the country into an unprecedented era of sustained national development.<sup>5</sup>

Meanwhile, for EU-member Cyprus, the 2010 discovery of the Aphrodite gas field came in the midst of a protracted fiscal crisis that still threatens the country's sovereignty. At about 4 tcf, Aphrodite has proved smaller than originally thought, but it is still a significant find. It has also piqued the interest of energy companies. In addition to Noble Energy, the U.S. firm that has spearheaded the Israel-Cyprus exploration so far, the European giants Eni and Total have both bid for blocs to prospect in the deep waters south of the Cypriot coast, estimated to hold as much as 60 tcf of natural gas.<sup>6</sup> Nicosia has made clear its



Photo Credit: U.S. Energy Information Administration, August 2013

desire to use the island nation's central location in the East Med to establish it as a world-class hub for gas production and distribution. In time, Cyprus could experience a near reversal of its current misfortunes and be transformed from a problem child of the Eurozone crisis into a strategic asset and leading energy-producing province in Europe itself.

Today, Israel and Cyprus are at the epicenter of what may evolve into a much broader regional energy renaissance.

<sup>3</sup> Lior Zeno, "MIT Professor: Gas Companies Will Do Excellently with New Tax," *Ha'aretz*, January 9, 2011, <http://www.haaretz.com/business/mit-professor-gas-companies-will-do-excellently-even-with-new-tax-1.335977>.

<sup>4</sup> Chris Smith and Warren R. True, eds., "LNG UPDATE: Global LNG Supply, Demand Remain Tight," *Oil & Gas Journal*, April 7, 2014, <http://www.ogj.com/articles/print/volume-112/issue-4/special-report-lng-update/lng-update-global-lng-supply-demand-remain-tight.html>.

<sup>5</sup> The smaller Tamar field alone will infuse the Israeli economy with up to \$48 billion in energy savings over the twenty-eight years that it is expected to be producing. See, for example, Joshua Levitt, "Tamar Natural Gas Field Worth \$52 Billion to Israeli Economy – Ernst & Young," *Algemeiner* RSS, January 8, 2014, <http://www.algemeiner.com/2014/01/08/tamar-natural-gas-field-worth-52-billion-to-israeli-economy-ernst-young/>.

<sup>6</sup> Karen Ayat, "Interview with Dr. Charles Ellinas and Mr. Solon Kassinis, Cyprus National Hydrocarbons Company (KRETYK)," *Natural Gas Europe*, April 22, 2013, <http://www.naturalgaseurope.com/interview-charles-ellinas-solon-kassinis-kretyk>.



## TODAY, ISRAEL AND CYPRUS ARE AT THE EPICENTER OF WHAT MAY EVOLVE INTO A MUCH BROADER REGIONAL ENERGY RENAISSANCE.

Leviathan's discovery in Israel's maritime zone prompted neighboring countries to take a fresh look at the geological details of their own seafloors. Lebanon's offshore apparently looks promising, though it probably has somewhat less than the 96 tcf of recoverable gas that the energy ministry in Beirut claims. Syria believes it, too, has huge offshore hydrocarbon deposits, and in 2013, the Damascus regime's strategic patron in Moscow signed a 25-year deal to explore and develop it.<sup>7</sup> Outside of the Levant Basin, the East Med region probably contains even greater hidden reserves. Greece's offshore has long been thought to be rich in hydrocarbons. Spurred on by their country's bankruptcy, the Greeks initiated a new round of seismic prospecting in the northern Aegean and Ionian seas and discovered something staggering. Greek Prime Minister Antonis Samaras told President Obama that his country's unproven reserves could be as high as 165 tcf and thus surpass what is thought to be in the Levant Basin. He also said that the reserves in Greece, Israel,

and Cyprus combined may prove so extensive that the three democracies together could supply up to half of Europe's gas needs for up to three decades.<sup>8</sup>

All of these estimates, of course, are based on scientifically informed guesses—some probably more scientific than others—but they are speculation and are yet to be proved. And ultimately, it is the proof that matters.

Bonanzas will not materialize by themselves. Unlocking the East Med's buried resources and their fullest economic potential requires the mobilization of enormous sums of capital, technology, and human know-how and effort. Exploratory drilling is expensive, and even with the latest seismic surveying technology, there is no guarantee of success. Even if new deposits are found, in a virgin energy territory like the East Med, it will take years to build up the requisite infrastructure to extract these resources and bring them to market. For investors to make a long-term commitment, there must be a reasonable expectation of a return. This requires a situation that is favorable to commerce, and prior to this, it requires what most of the East Med has been sorely missing: political stability and security.

---

7 Ziad Haidar, "Syria Signs Offshore Oil and Gas Exploration Deal with Russia," *Al-Monitor*, December 27, 2013, <http://www.al-monitor.com/pulse/business/2013/12/syria-russia-sign-offshore-oil-deal.html>.

8 "Vast Gas Reserves Offshore Greece," *Natural Gas Europe*, August 12, 2013, <http://www.naturalgaseurope.com/greece-natural-gas-reserves>.



## Who Will Shape the Region's Future?

The sudden emergence of the Eastern Mediterranean as a potentially major energy-producing province came just as the old regional, political, and security order collapsed. With the swift overthrow of Tunisian dictator Zine el Abidine Ben Ali in 2011, the Arabic-speaking countries that skirt the East Med embarked on a great convulsion, dubbed at the time the “Arab Spring.” Since then, the authoritarian governments in Egypt and Libya have fallen, both countries have succumbed to deepening factionalism, and a popular uprising against the Damascus-based tyranny was started and answered with brutal force. That war has since cut down the lives of at least 190,000 and displaced millions more. What began as a struggle among Syrians over their own country's future has since metastasized into a “new Afghanistan,”

a now-widening strategic-sectarian conflict between Iran and its regional proxies and those who oppose them, mainly the Gulf sheikhdoms and Sunni jihadist groups. The rapid and spectacular rise of the Islamic State out of this conflict was not wholly unforeseen, but the region has little indigenous capability to deal with it. Without a robust international effort to destroy the jihadist organization and empower political alternatives to it, the Islamic State will likely be exporting its fanaticism to vulnerable polities across the Middle East and North Africa for years to come.

---

Photo Credit: Syrians walk amid debris as they return to the Juret al-Shayah district of the central city of Homs, May 10, 2014. (AFP/Getty Images)

**WITHOUT A ROBUST  
INTERNATIONAL EFFORT TO  
DESTROY THE JIHADIST  
ORGANIZATION AND EMPOWER  
POLITICAL ALTERNATIVES TO IT,  
THE ISLAMIC STATE WILL LIKELY  
BE EXPORTING ITS FANATICISM TO  
VULNERABLE POLITIES ACROSS  
THE MIDDLE EAST AND NORTH  
AFRICA FOR YEARS TO COME.**

Europe has been bracing itself against the spillover from the wars, as has Turkey and the Kurdish Regional Government in Iraq, which together have provided a safehaven for millions of refugees and internally displaced persons. With no end in sight, it has become common to hear talk of the “end of the Sykes-Picot era” and the decomposition of the “artificial” Arab Levant nations created in the 20<sup>th</sup> century as an historic and irresistible process.

**SYRIA HAS ALSO BECOME THE  
CORE LOCUS OF AN ESCALATING  
GEOPOLITICAL CONTEST BETWEEN  
A DIVIDED AND RUDDERLESS  
ALLIANCE OF WESTERN  
COUNTRIES AND A NEW AXIS OF  
REVISIONIST POWERS—IRAN AND  
RUSSIA.**

Syria has also become the core locus of an escalating geopolitical contest between a divided and rudderless alliance of Western countries and a new axis of revisionist powers—Iran and Russia—which have an interest in opposing the liberal order when it does not work for them and in pushing back U.S. influence from their doorsteps. From its origins on the Mediterranean, this contest has now expanded through Turkey and into Southeast Europe, where it now threatens what was widely considered not long ago to be a relatively secure, liberal peace.

In the midst of such turmoil, the task of constructing the next order is normally eclipsed by more urgent demands. But over the next few years, strategic decisions will be made by governments in and outside of the East Med about the monetization pathways of the region’s energy resources. These decisions about national policy will be influenced not just by economics and commercial viability assessments, but also by how politicians judge present-day security and political dynamics, including where these trends might be taking the region as a whole and whether there may be opportunities to affect them for the better. These decisions will also have ramifications for the energy map in the East Med and the security of many nations for years to come.

So far, the energy discoveries and ensuing politics over how to harness them have scrambled relations across the East Med. This has spurred the formation of new alliances, notably between Israel, Cyprus, and Greece, and also exacerbated generations-old disputes over territory, including between Israel and her neighbors and between Turkey, Greece, and a divided Cyprus. Thus, in a region already beset with political upheaval, rivalry, and warfare, a question has hung over the hydrocarbon discoveries and the resulting discussions about what their future might hold: Will the geopolitical change brought about by these decisions be for the better or the worse?





Photo Credit: Israeli Prime Minister Benjamin Netanyahu with Cypriot President Demetris Christofias during a joint press conference after a meeting in Nicosia on February 16, 2012. (ANDREAS LAZAROU/AFP/Getty Images)

That answer depends on whose geopolitics are setting the agenda. In this, the region's liberal democracies and the Western nations more generally now have a strategic opportunity. Israel and Cyprus have been sprinting ahead with the development of their shares of the Levant Basin. Between them, the two countries now hold the largest "Western" energy reserves in the Greater Middle East—reserves that are not controlled by Putin's Russia, by the Islamic Republic of Iran, or by any of the Gulf states. This has placed Israel-Cyprus, along with their partners in the U.S. and European governments and private sectors, in the effective driver's seat of the East Med energy revolution. Together these actors have an opportunity to proactively shape the regional energy market so as to attract the largest possible volume of outside financial investment and exploration and, through this, to maximize the energy revolution's potential security-enhancing benefits.

Two broad schools of thought have governed the way that the liberal democracies involved in the Levant Basin have approached its development and sought strategic advantage from it.

The first liberal strategy has looked to the East Med energy bonanza as an opportunity for national self-strengthening, including through the formation of a new strategic alliance between Israel, Cyprus, and Greece. In 2013, for instance, Cyprus and Israel signed a Memorandum of Understanding that acknowledges the desire of both countries to work together in developing the hydrocarbon finds, including by constructing a joint liquefaction plant at Vasilikos, on the southern coast of Cyprus.<sup>9</sup> In theory, this would allow for export to a range of future liquefied natural gas (LNG) markets, perhaps to Europe, but also to the lucrative LNG markets in Asia. Greece, Israel, and Cyprus have discussed other export

9 Elias Hazou, "Noble Execs Haven't Abandoned Onshore LNG Plant Yet," *Cyprus Mail*, May 20, 2014, <http://cyprus-mail.com/2014/05/20/noble-execs-havent-abandoned-onshore-lng-plant-yet/>.

options, including laying a cable along the seafloor that would directly supply European markets with electricity made in East Med power plants.<sup>10</sup> The three countries have also begun working together on constructing a common, sub-regional security architecture that will be a crucial basis for cementing their cooperation in energy commerce.

As new finds are made and brought online, it is not difficult to envision an East Med gas network emerging as a key component of a new European security, one that could help insulate Europe from the likely shocks of spreading instability in North Africa. This is perhaps especially true if Greece's hydrocarbon stores prove as enormous as Athens has predicted. If combined with new lines of energy supply from North America, this could open the door to a 21<sup>st</sup> century transatlantic security that will reduce Europe's vulnerabilities to Russian energy-based coercion.

The second liberal strategy has seen the development of the East Med's energy resources as a potential vehicle or "political catalyst" for fostering stability in a conflict-riddled region.<sup>11</sup> No one has seriously argued that infrastructure construction and the blossoming of intra-regional trade alone will generate peace. But given the speed with which the situation in the East Med has deteriorated, the need to fit energy policy into a comprehensive strategy for restoring security to the region is as reasonable as it is urgent. As some have argued, the promise of economic benefits could establish the requisite community of interest between some, though likely not all, of the parties now at odds and create genuine incentives for political moderation and

pragmatism. This could help set the stage for diplomatic breakthroughs and political settlements to some of the region's disputes while reducing the opportunities for outsiders, such as Russia and Iran, to use the insecurity for their own purposes. Significantly, in 2014, Israel announced its first two export agreements: the first to the Palestinian Authority, the second to Jordan.<sup>12</sup>

These two security strategies—the first to strengthen the liberal democracies, the second to use the energy bonanza to enlarge the liberal order itself—are not incompatible, and they are likely to prove mutually reinforcing. Strengthening the budding coalition of East Med democracies can only be achieved by deepening the energy and security cooperation between them and, through this, by proactively shaping the surrounding environment in ways conducive to their common pursuit of enlightened liberal self-interest. The development of energy resources will provide the economic basis for pursuing both security strategies at once.

**BUT TO UNLOCK THE FULL GAME-CHANGING POTENTIAL OF THE EAST MED—WHICH REQUIRES THE LARGE-SCALE INVOLVEMENT OF THE INTERNATIONAL PRIVATE SECTOR—THE LIBERAL DEMOCRACIES MUST SUCCEED IN MAKING THE EAST MED MORE SECURE.**

10 "Enthusiasm and Commitment in Israel for the Greece-Cyprus-Israel Energy Bridge," *EuroAsia Interconnector*, March 4, 2012, [http://www.euroasia-interconnector.com/News-Enthusiasm\\_and\\_commitment\\_in\\_Israel\\_for\\_the\\_Greece\\_Cyprus\\_Israel\\_energy\\_bridge%2C2?Section=None&WebContentCode=](http://www.euroasia-interconnector.com/News-Enthusiasm_and_commitment_in_Israel_for_the_Greece_Cyprus_Israel_energy_bridge%2C2?Section=None&WebContentCode=).

11 See Christopher Coats, "The Diplomatic Potential of Eastern Mediterranean Gas," *Forbes*, February 19, 2014, <http://www.forbes.com/sites/christophercoats/2014/02/19/the-diplomatic-potential-of-eastern-mediterranean-gas/>.

12 John Reed, "Noble Energy Signs \$500m Deal to Supply Gas from Israel to Jordan," *Financial Times*, February 19, 2014, <http://www.ft.com/cms/s/0/5db74ce8-9978-11e3-91cd-00144feab7de.html#axzz33DwK4e3G>.

But to unlock the full game-changing potential of the East Med—which requires the large-scale involvement of the international private sector—the liberal democracies must succeed in making the East Med more secure. If they do not take advantage of the opportunities they have, then major strategic decisions about the shape of the energy market and the region’s future as a whole will be made for them—either by others who do not share their liberal aspirations, or by the pulls of the region’s worsening security situation.

### *Rising Security Challenges*

While the hydrocarbon strikes have boosted the strategic and economic prospects of Israel and Cyprus and brought them, along with Greece, closer together, the discoveries have also created new security challenges. Among other things, the scramble to put down claims on the Levant Basin’s riches has inflamed generations-old disputes over territory. Lebanon and Israel are still officially at war, and Iran’s two most capable regional proxies, Syria’s Assad regime and Hezbollah, have both accused Israel of trespassing in Lebanon’s proper domain. The energy finds have also become a major aggravating factor in the tangled and increasingly antagonistic relations between Turkey and each one of its democratic neighbors, the “strategic triangle” of Greece, divided Cyprus, and Israel.

Ankara has sharply objected to deepening energy cooperation between Nicosia and Jerusalem, claiming, among other things, that the Turkish enclave on northern Cyprus, which Ankara alone recognizes and which is heavily fortified with Turkish troops, will be unfairly deprived of its share of energy revenues. At the same

time, Turkey has been pressing territorial claims against EU-member Cyprus, which Ankara alone *does not* recognize, arguing that the exclusive economic zone (EEZ) agreements Nicosia has struck with its neighbors actually cut into Turkish maritime territory. The Turkish Navy has staged military drills off Cyprus to emphasize this point. In 2011, Egemen Bağış, then Turkey’s EU affairs minister, warned the Cypriots against rushing ahead with hydrocarbon exploration without them: “This is what we have the navy for. We have trained our marines for this; we have equipped the navy for this. All options are on the table; anything can be done.”<sup>13</sup> Likewise, the Turkish President Recep Tayyip Erdogan, whose personal antipathy toward Israel is clear, has also made threats as Jerusalem has maneuvered closer to Nicosia: “Israel cannot do whatever it wants in the Eastern Mediterranean. They will see what our decisions will be on this subject. Our navy attack ships can be there at any moment.”<sup>14</sup> In early 2014, a Turkish warship harassed a Norwegian prospecting vessel in the waters off the southern coast of Cyprus and succeeded in chasing it away. As tensions have mounted, the AK Party government in Ankara has also been pressing claims against Greece, arguing that the energy potential in the Aegean Sea, in an area that is widely recognized in international law as Greece’s EEZ, lies instead within Turkish boundaries.

As a result of these disputes, some have concluded that the East Med’s energy potential is at risk of remaining “diplomatically trapped” within the seabed.<sup>15</sup> The United States, in a bid to salvage the situation, has dispatched diplomats to Greece, Turkey, Cyprus, Israel, and Lebanon to seek a breakthrough on many fronts. Washington,

---

13 Adam Taylor, “Turkey Threatens Naval Action against Cyprus If They Look For Oil,” *Business Insider*, September 6, 2011, <http://www.businessinsider.com/turkey-cyprus-oil-2011-9>.

14 “Erdogan: Warships Can Be in E. Med at Any Moment,” *Ynet News*, September 15, 2011, <http://www.ynetnews.com/articles/0%2C7340%2CL-4122850%2C00.html>.

15 Tia Goldenberg, “Israel Faces Geopolitical Tangle over Natural Gas,” *Times of Israel*, March 30, 2013, <http://www.timesofisrael.com/israel-faces-geopolitical-tangle-over-natural-gas/>. See also the work on East Med energy development by Simon Henderson of the Washington Institute for Near East Policy.

along with the region's liberal politicians, has seen that the promise of the energy bonanza could help to foster diplomatic settlements that might come to contribute, in time, to political stability. Experts and insiders are divided over whether this energy diplomacy will work, but there has been a general assumption that an equitable arrangement is within reach and that pragmatic leaders on all sides are mainly interested in doing business. Turkey, especially, has much more to gain from participating in the East Med bonanza than from threatening it.

And yet, as the historian Thucydides famously observed in the course of a war among the Peloponnese almost 2,500 years ago, men will not always choose to do what is in their best interests—especially when their honor is at stake. Indeed, 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 energy finds in the Levant Basin have rendered the East Med all the more relevant to outside powers—including Russia and Iran. At the end of 2013, Russia signed a 25-year prospecting deal with the Damascus regime granting it exploration rights in Syria's offshore territory. In addition to further bolstering Assad, the move demonstrated the Kremlin's intent on establishing a controlling interest in the Levant Basin, one that could give it greater influence over regional affairs.<sup>16</sup>

Russia has been backing its diplomatic maneuvers with military commitments. The Russian government's international television network, RT, formerly known as

Russia Today, reported in September 2013 that Moscow's naval buildup in the Mediterranean aimed to establish "a constant naval presence in the eastern part of the Mediterranean Sea."<sup>17</sup> Noting amphibious ships, a large anti-submarine warfare vessel, and reconnaissance, escort, and missile-launching ships, Fleet Admiral Viktor Chirkov said that "Russia will be building up its Mediterranean fleet until it is deemed sufficient to perform the task set."<sup>18</sup> What task set this is, Admiral Chirkov did not say. But Russian warships stationed in the region now give Moscow the capability to project deeper influence over the area. Meanwhile, Russia's strategic ally Iran has also been sending warships to the East Med, just as it has been bolstering its position there via its proxies Hezbollah, Hamas, and the Assad regime. In 2011, Iranian warships passed into the Mediterranean Sea through the Suez Canal for the first time in over 30 years, and in April 2013, a top official of the Islamic Revolutionary Guard Corps declared that Iran's security "borders have stretched and reached the Mediterranean coasts."<sup>19</sup> The naval voyage was largely symbolic, but it reflected Iran's abiding ambitions to become a Mediterranean power, a precedent created in the fifth century BC by its antecedent, Persia.

Both Russia and Iran are clearly playing the long game in the East Med. In Syria, the two countries have demonstrated the wherewithal to exploit the region's insecurity for their own geopolitical purposes. Both revisionist powers have an economic and ideological stake in opposing Western influence and liberal outcomes in the East Med that might damage their own interests. Through all this, the security and political underpinnings of the already contested liberal order in the region, such

---

16 "Syrian Energy Deal puts Russia in Gas-rich Med," United Press International, January 16, 2014, [http://www.upi.com/Business\\_News/Energy-Resources/2014/01/16/Syrian-energy-deal-puts-Russia-in-gas-rich-Med/UPI-32731389905770/](http://www.upi.com/Business_News/Energy-Resources/2014/01/16/Syrian-energy-deal-puts-Russia-in-gas-rich-Med/UPI-32731389905770/).

17 "Russia to Expand Mediterranean Fleet to 10 Warships – Navy Chief," RT, September 13, 2013, <http://rt.com/news/navy-warship-syria-mediterranean-800/>.

18 Ibid.

19 "IRGC Official: Iran's Borders Now Stretch to Mediterranean Coasts," *Farsnews*, February 1, 2014, <http://english.farsnews.com/newstext.aspx?nn=13921112001650>.





Photo Credit: U.S. Sixth Fleet flagship USS Mount Whitney (LCC 20) arrives at Marathi NATO Pier, Feb. 28, 2012 (U.S. Navy photo by Mass Communication Specialist Seaman Chelsy Alamina/Released)

as it is, have increasingly come under new pressures from forces intent on pushing them aside.

The United States has a national interest in helping to secure the East Med bonanza for the direct benefit of its allies and for the sake of general regional stability. And yet, the two core components of U.S. national power in the East Med, its alliances structures and the U.S. Navy, have both become attenuated. Diplomatic relations between its two most capable allies in the region—Turkey and Israel—have deteriorated rapidly in recent years. This, combined with continuing fallout from the Arab Spring, has weakened the security order. In the absence of direct U.S. strategic involvement, revisionist powers and growing rivalries at sea over the Levant Basin's resources will have the chance to diminish it further. Where the U.S. Sixth Fleet had once been preeminent, it now has only one permanently assigned ship, a command and control flagship homeported in Italy, along with a few ballistic

missile defense-equipped destroyers based at the western end of the inland sea. Otherwise, the U.S. naval force in the Mediterranean consists of warships that are temporarily assigned—“chopped”—to the Sixth Fleet as they transit east from Gibraltar to the Suez Canal, or as they return home steaming in the opposite direction.

The contraction of U.S. power in the East Med has helped to create a vacuum, one that other powers with alternative visions, and not liberal ones, have been quick to fill. There is, therefore, a risk that the vigorous U.S. diplomacy on behalf of liberal outcomes will be undermined without an accompanying plan to create and secure a market that can attract large-scale private-sector involvement. Indeed, without a strategy to reconstitute the regional security architecture, the current U.S. policy is at risk of becoming sentimental meliorism and producing nothing.



## U.S. Involvement in the East Mediterranean: What History Tells Us

The emergence of the United States as a Mediterranean power began in the early 19<sup>th</sup> century when the U.S. Navy was built up, in large measure, to protect seaborne American commerce from raiding pirates of the Barbary States, the vassals of the Ottoman Sultanate. By the end of the Cold War, a Mediterranean security order that was generally favorable to liberal democracy and free trade rested on secure geostrategic foundations. Through initiatives such as the 1995 Barcelona Process, a greater “Euro-Mediterranean” community was conceivable in which the East Med was seen as a frontier of the Atlantic

World that would be remodeled through increasing diplomatic and commercial interactions between the littoral countries of the north and south.

The upheaval and intensifying geopolitical contests in today’s East Med, however, have turned the hopes of the 1990s on their head. Since the start of the Arab Spring, an older map of the region has been revealed, which is more

---

Photo Credit: President Harry Truman shakes hands with Secretary of State George Marshall upon Marshall’s return to Washington on May 29, 1947 from the Big Four Minister’s conference held in Moscow. (Photo by Hulton Archive/Getty Images)

the historic norm than the exception. The region is—to borrow the phrase of geographer Saul Cohen—a classic “shatterbelt,” a congeries of different peoples and cultures that has smoldered in conflict and dissension across the centuries.<sup>20</sup> The East Med has also historically been a central arena of strategic rivalry between powers that have come both from within it and from the outside with the ambition of organizing the area for their own ends.

The West’s first great literary work, the *Iliad*, describes the warfare between mainland Greece and Aegean tribes and Troy, a city located in northwest Anatolia, in what is today Turkey. Approximately three centuries later, the Persian Achaemenid Empire began a five-decade effort to conquer the Greek city-states. The invasion across the Aegean was preceded by Persia’s subjugation of Egypt. Two centuries later, Alexander the Great crossed the Aegean into Asia Minor en route to a successful invasion of Persia and then the subcontinent. In the meantime, the major Greek city-states of Athens and Sparta, along with their Greek-speaking allies, fought a three-decade war that toppled Athens from her position as the Hellenic world’s leading city-state. Imperial ambition passed to Rome, whose legions extended her rule through the Aegean to the Levant and northern Africa. Rome’s command of the central Mediterranean famously forced Hannibal west through Spain and over the Alps. But Rome’s generals ultimately forced Hannibal back to Carthage and to defeat at the hands of those who controlled the seas. Rome’s civil wars were often contested in the East Med—for example, the Battle of Actium, in which Octavian defeated Antony and Cleopatra, thus ending the republic. The resulting empire was on perpetual war footing to bring the region to an uneasy peace. One contest, between rival emperors

Constantine and Licinius, resulted in the transfer of the imperial seat to Constantinople, the city on the Bosphorus named after the victor. Centuries later, a religious schism between the Eastern Orthodox and Western churches occurred that paralleled the classical warfare and is still relevant to its strategic affairs today. Crusaders from the West replaced the plunderers of antiquity from the East. Venice’s high command used the Fourth Crusade as an excuse to seize Constantinople, and it so drained the Byzantine Empire that it became low-hanging fruit for marauders from the West and the eventual conquest by the Ottomans two and a half centuries later. Ottoman predations in the southern Balkans had largely succeeded by the time Constantinople fell. Tensions between the religions, and within them, continue to this day along the fault lines that run from Southeast Europe and through the Levant to northern Africa.

The strategic involvements of the United States in the eastern third of the Mediterranean began in earnest during the Cold War. U.S. leaders quickly grasped the importance of the East Med for containing Soviet expansionism and securing Western Europe. Implementing a policy aimed at accomplishing these goals required a robust and sustained presence, which the United States achieved by creating a new set of political and security alliances. Greece and Turkey, who coexisted in the face of significant historic tension, both joined NATO in 1952. This established a presence for the Atlantic Alliance on the shores of the Levant and enabled it to reach into the Black Sea. Strong bipartisan support in the U.S. Congress for Israel’s security helped the tiny country founded in 1948 to emerge, over time, as an increasingly capable ally that has been separate from NATO but has also enhanced it.

---

20 S. B. Cohen, *Geopolitics of the World System* (Lanham, MD: Rowman & Littlefield, 2003).

But to unlock the full game-changing potential of the East Med—which requires the large-scale involvement of the international private sector—the liberal democracies must succeed in making the East Med more secure. If they do not take advantage of the opportunities they have, then major strategic decisions about the shape of the energy market and the region’s future as a whole will be made for them—either by others who do not share their liberal aspirations, or by the pulls of the region’s worsening security situation.

### *Rising Security Challenges*

While the hydrocarbon strikes have boosted the strategic and economic prospects of Israel and Cyprus and brought them, along with Greece, closer together, the discoveries have also created new security challenges. Among other things, the scramble to put down claims on the Levant Basin’s riches has inflamed generations-old disputes over territory. Lebanon and Israel are still officially at war, and Iran’s two most capable regional proxies, Syria’s Assad regime and Hezbollah, have both accused Israel of trespassing in Lebanon’s proper domain. The energy finds have also become a major aggravating factor in the tangled and increasingly antagonistic relations between Turkey and each one of its democratic neighbors, the “strategic triangle” of Greece, divided Cyprus, and Israel.

Ankara has sharply objected to deepening energy cooperation between Nicosia and Jerusalem, claiming, among other things, that the Turkish enclave on northern Cyprus, which Ankara alone recognizes and which is heavily fortified with Turkish troops, will be unfairly deprived of its share of energy revenues. At the same

time, Turkey has been pressing territorial claims against EU-member Cyprus, which Ankara alone *does not* recognize, arguing that the exclusive economic zone (EEZ) agreements Nicosia has struck with its neighbors actually cut into Turkish maritime territory. The Turkish Navy has staged military drills off Cyprus to emphasize this point. In 2011, Egemen Bağış, then Turkey’s EU affairs minister, warned the Cypriots against rushing ahead with hydrocarbon exploration without them: “This is what we have the navy for. We have trained our marines for this; we have equipped the navy for this. All options are on the table; anything can be done.”<sup>13</sup> Likewise, the Turkish President Recep Tayyip Erdogan, whose personal antipathy toward Israel is clear, has also made threats as Jerusalem has maneuvered closer to Nicosia: “Israel cannot do whatever it wants in the Eastern Mediterranean. They will see what our decisions will be on this subject. Our navy attack ships can be there at any moment.”<sup>14</sup> In early 2014, a Turkish warship harassed a Norwegian prospecting vessel in the waters off the southern coast of Cyprus and succeeded in chasing it away. As tensions have mounted, the AK Party government in Ankara has also been pressing claims against Greece, arguing that the energy potential in the Aegean Sea, in an area that is widely recognized in international law as Greece’s EEZ, lies instead within Turkish boundaries.

As a result of these disputes, some have concluded that the East Med’s energy potential is at risk of remaining “diplomatically trapped” within the seabed.<sup>15</sup> The United States, in a bid to salvage the situation, has dispatched diplomats to Greece, Turkey, Cyprus, Israel, and Lebanon to seek a breakthrough on many fronts. Washington,

---

13 Adam Taylor, “Turkey Threatens Naval Action against Cyprus If They Look For Oil,” *Business Insider*, September 6, 2011, <http://www.businessinsider.com/turkey-cyprus-oil-2011-9>.

14 “Erdogan: Warships Can Be in E. Med at Any Moment,” *Ynet News*, September 15, 2011, <http://www.ynetnews.com/articles/0%2C7340%2CL-4122850%2C00.html>.

15 Tia Goldenberg, “Israel Faces Geopolitical Tangle over Natural Gas,” *Times of Israel*, March 30, 2013, <http://www.timesofisrael.com/israel-faces-geopolitical-tangle-over-natural-gas/>. See also the work on East Med energy development by Simon Henderson of the Washington Institute for Near East Policy.



# Turkey at a Crossroads: Implications for Peace and Stability

In the Cold War, Turkey's location made it an indispensable component of the anti-Soviet containment regime. After the U.S.S.R. collapsed, the Western-oriented Turkish Republic continued to operate as NATO's southeast anchor and as a frontline state that contributed real capability to the U.S.-backed security order from Southeast Europe to the Persian Gulf. Today, however, the political foundation on which Turkey entered into its decades-old alliance with the Atlantic World is tottering and threatening to come apart. Since the rise of the *Adalet ve Kalkınma Partisi* (Justice and Development Party, or AKP), beginning in 2002, Turkey's rulers have deliberately steered their country away from the community of Western nations. These historic changes within Turkey have altered the strategic construction of Southwest Asia, and especially the East Med, which the AKP leadership's frequently strident rhetoric and erratic behavior has treated as an exclusive realm for its own gain and, at times, as a fault-line between the Islamic world and the Western one.

When the AKP came to power, there was great hope that Turkey would continue to be a pillar of regional stability. Americans, especially, wanted to see the new Turkey act as a bridge to connect and mediate between the West and an increasingly unstable Middle East. Those hopes were not entirely unwarranted. The AKP, after all, has never been an exclusively Islamist party, nor is it now. Rather, it is a collection of different interest groups and ideological and cultural tendencies—some Islamist, others conservative and pious—with a substantial core

constituency whose driving interest has been to develop their country and open it up for international business. Through its rise, the AKP had effectively incorporated elements of the failed Turkish Islamist movement and then subordinated this ideologically motivated faction to the party's larger pragmatic agenda of economic and political reform. It was widely believed that the party could act as a vehicle for integrating Islamism into a democratizing governing arrangement. The AKP's Turkey thus came to be seen as a model for other Middle Eastern societies seeking productive ways to cope with political Islam.

The domestic reforms the AKP launched during its first term had impressive, even laudable, results. By opening up the Anatolian heartland and then the eastern provinces to capital investments, the party succeeded in tapping and harnessing Turkey's economic potential. It also effectively inaugurated a new process of "nation-building" in Turkish Asia, a region in which the Kemalist project, because of its own ideological underpinnings, had always struggled. The AKP's power has since grown and been consolidated around the newly affluent and religiously conservative middle class that its early reforms helped to create.

Turkey's economic takeoff required it to look for energy beyond its borders. With virtually no energy resources of its own, the country turned to Russia and Iran for the fuel to drive its economy. But Ankara's ambition was also to make the country into an energy corridor that would draw on Caspian and Middle Eastern resources to meet rising domestic needs and pass along any excess to Europe for



Photo Credit: Turkey's Prime Minister Recep Tayyip Erdoğan addresses members of his ruling AK Party in Ankara on May 23, 2014. (ADEM ALTAN/AFP/Getty Images)

profit. The United States and the EU actively encouraged this, as it would help the countries of East Europe reduce the Kremlin's control over their supply of energy. For Turkey, becoming the transit point for Caspian energy would mean a secure supply and an opportunity to advance its bid for EU membership. Construction on the Trans-Anatolian Gas Pipeline (TANAP), which will run from Azerbaijan to Europe, is slated to begin in 2014, with a completion date of 2018.<sup>21</sup>

By the start of the AKP's second term in 2007, the party was in a stronger position to push for even deeper structural and constitutional reforms, including rolling back the political influence of the military, long the

guardian of the secularist order. The ethnic nationalism that was the basis of political life in the Kemalist republic was also increasingly replaced with an alternative conception of citizenship rooted in the country's Islamic heritage and culture. On this basis, the AKP initially modified its approach toward the dispute over Cyprus, which had become an EU member in 2004. The new approach was less coercive than the nationalistic policies of previous Turkish governments. At the time, Ankara's new pragmatism toward Nicosia, combined with its intention of joining the EU, made it easier to believe that a lasting peace was within reach.

<sup>21</sup> Aynur Jafarova, "SOCAR Says No Delay Recorded in TANAP Construction," *AzerNews*, April 11, 2014, [http://www.azernews.az/oil\\_and\\_gas/66040.html](http://www.azernews.az/oil_and_gas/66040.html).

The AKP government also pursued a new “democratic opening” toward the country’s minority Kurds. This has been a strategically vital policy shift: the costs of modern Turkey’s protracted struggle with Kurdish terrorism and separatism have always been significant, and because of the Kurdish population’s burgeoning numbers, those costs can only grow in the absence of a political settlement that ends the rebellions and incorporates the Kurds in an equitable governing arrangement. In principle, these policies reflected the political moderation that Turkey’s position astride Europe and Asia required. In practice, however, the AKP’s operative idea of democracy has come to more closely resemble majoritarian rule. And as the party’s power has grown, its efforts to restructure the state and maintain its controlling majority by abrading the rights of minorities who don’t agree with it and removing the institutional checks and balances on its exercise of power have only deepened.

As the resulting “AK party-state” consolidated its rule at home, it also charted a new course internationally. Turkey’s new foreign agenda rested on the concept of “strategic depth.” In practice, this meant that the country’s grand strategy would be re-centered by loosening its traditional moorings in the Atlantic Alliance and increasing its relations and involvements as a self-styled “Muslim power” in the Middle East—a volatile region that the security strategy of the Kemalist republic strove to keep a healthy distance from. As this has taken effect, the party’s once-constrained ideological faction has come increasingly to the fore. In mid-2006, the AKP government made a point of embracing the terrorist group Hamas after its electoral victory in Gaza. Almost simultaneously, it also began to make overtures to the Islamic Republic of Iran as well as to Syria, two U.S.-designated state sponsors of terrorism. This came at a time when Iran, with Syria’s help, was equipping

insurgents to fight against NATO troops and the people in Iraq whom they were trying to protect. Iran was also backing the Taliban in Afghanistan.

Westerners have been outraged and also confused by Turkey’s “drift,” and for many, it only confirmed what they suspected of the AKP all along. Most immediately, the shift in Ankara’s policy has sabotaged its longstanding security partnership with Israel and thus enfeebled the existing U.S.-backed security architecture in the East Med. After a series of high-profile diplomatic scandals, relations between Ankara and Jerusalem reached their nadir in 2010 after Israeli commandos challenged a Turkish vessel that was attempting to break the blockade Jerusalem established to keep weapons out of Hamas-ruled Gaza. Nine Turkish citizens were killed in the ensuing melee. Turkey subsequently expelled Israel’s ambassador, military agreements between the two countries were suspended, and Ankara officially designated Israel as a “threat to regional security.” The “Eastern Mediterranean Sea,” then-Prime Minister Erdogan said at the time, “will see Turkish battleships with higher frequency.”<sup>22</sup>

The Turkey-Israel breakup is often ascribed to Erdogan’s personal animosity toward the Jewish state, but its sources and ramifications are much greater than that. Since the hydrocarbon strikes in the Levant Basin, relations between Turkey and its three democratic neighbors in the East Med have continued to worsen. If current diplomatic efforts succeed, Turkey may yet become a destination market for Levant Basin gas producers. However, the prospects of an East Med gas economy that will be independent of Turkish control has dampened the AKP’s grand strategic ambition to recreate Turkey as the dominant Eurasian transit corridor for energy commerce.

---

22 Ibid.





Photo Credit: An Israeli Navy vessel passes by a drilling rig on May 27, 2013 off the coast of Ashdod, Israel in the Mediterranean Sea. (Uriel Sinai/Getty Images)

Ankara has thus opposed closer cooperation between Israel, Cyprus, and Greece in the development of their resources, arguing that the Turkish enclave on Cyprus will be deprived of its fair share of the energy revenues. Ankara has also disputed the legal maritime claims of Cyprus and Greece on which their exploration and extraction of hydrocarbons depend. Those claims rest on the United Nations Convention on the Law of the Sea (UNCLOS), to which Turkey is not a party. However, the international consensus is that the provisions of the convention have acquired the legal force of customary law, and thus, Turkey's disputes with Cyprus and Greece over the convention have dubious legal standing.

The AKP's claims over the East Med now seem to be guiding Turkey's unprecedented maritime-oriented strategic outreach. In March 2012, the Turkish Navy's senior officer, Admiral Murat Bilgel, announced that his navy seeks to "operate not only in the littorals but also on the high seas." According to Bilgel, Turkey's near-term goals in the East Med are to "enhance sea denial and maintain a forward presence with a limited power projection capacity."<sup>23</sup> Late in 2013, Turkey announced that it was procuring a massive amphibious assault ship that would be useful for doing just this, and also for conducting an opposed landing in the East Med were a future Turkey to ever seek to gain territory through force of arms. The announcement of the new ship itself has already altered diplomacy and the naval balance in the

---

<sup>23</sup> Michael Tanchum, "Turkey's New Carrier Alters Eastern Mediterranean Energy and Security Calculus," *Jerusalem Post*, February 4, 2014, <http://www.jpost.com/Opinion/Op-Ed-Contributors/Turkeys-new-carrier-alters-eastern-Mediterranean-energy-and-security-calculus-340352>.



Photo Credit: The Tamar drilling natural gas production platform is seen some 25 kilometers west of the Ashkelon shore in Israel in February 2013. (Albatross via Getty Images)

East Med. The ship's arrival will have major repercussions in what is rapidly becoming a wide-open free-for-all as the result of greatly diminished U.S. naval forces in the region and the increasing presence of Russian combat vessels.

In the rounds of energy diplomacy that have attempted to defuse these tensions, the general assumption has been that Turkey's main aim is to do business. As Cypriot foreign minister Ioannis Kasoulides has pragmatically said, "Groups like Noble Energy, ENI and Total would not be investing billions in exploration here if they really thought Turkey was going to stop them."<sup>24</sup> On this basis, some have suggested that Ankara's provocations are meant only to strengthen its diplomatic position and ensure that it is not unfairly excluded from the prospective bonanza. If this is the Turkish strategy, then it has

backfired spectacularly. It has strengthened the positions of those in Israel, Cyprus, and Greece who see Turkey as a threat to their security and whose plans for developing their own country's strategic resources do not involve Turkey as a destination market.

The Turkish naval buildup has also driven fears of a maritime arms race in the region, one that could further complicate its fragile security and spoil the large-scale development of the energy resources there. Ankara's territorial claims and repeated threats of violence have pushed Cyprus, Greece, and Israel even closer to one another. The energy cooperation between these three is thus becoming the foundation for a new, albeit diminished, sub-regional security compact that does not include Turkey.

<sup>24</sup> Ambrose Evans-Pritchard, "Gas Bonanza for Cyprus Hostage to Strategic Battle with Turkey," *Telegraph*, February 18, 2014, <http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/10647382/Gas-bonanza-for-Cyprus-hostage-to-strategic-battle-with-Turkey.html>.

Turkey's size and location have always made it the pivotal power in the East Med. It is far better for all sides to embed the country in the nascent regional energy economy so that the East Med can benefit from Turkish commitments to its security and development than for Turkey to remain on the outside and alone. But strengthening the liberal order in this way depends on Turkey's political future, and as a torn and hotly contested country, this future is very much in question.

Importantly, Turkey is not the same as the AK party-state, and Turkish society has become deeply polarized under the AKP's rule. Inside the party, substantial divisions have emerged between the now-leading Islamist faction and those who, for reasons both patriotic and religious, want to live in a civil democracy and not under a system of majoritarian rule. Outside the party, formal opposition to the AK party-state has also begun to coalesce. It will be costly, and maybe even futile, for the AK party-state to attempt to monopolize power in the internationally connected and affluent society that the early AKP helped to grow.

At the same time, the AKP has not yet been forced to pay any political costs for its repressive policies at home and despite widespread evidence of its corruption. With its

base in the heartland, the AK party-state has grown more autocratic and heavy-handed toward its domestic political opponents along the coast—as the brutal 2013 government crackdown against protestors opposing the development of Istanbul's Gezi Park shows. "Democracy," as President Erdogan famously put it when he was mayor of Istanbul, "is like a streetcar. When you come to your stop, you get off."<sup>25</sup> Turkey's multi-year distinction as imprisoner of more journalists than any other country is one sign that the Erdogan faction within AKP has alighted from its streetcar. If the AKP's undemocratic journey progresses, tensions and growing maritime rivalries in the East Med are likely to intensify. The AK party-state could emerge as more of an antagonist to the law-based security and commercial order in the East Med than a partner that sees an interest in securing and benefiting from it.

This should concern all alliance members—but especially Turkey's citizens, and especially now. As it was in the last century, Turkey is once again a frontline state in the major geopolitical struggles of the 21<sup>st</sup> century. Many of the hard security challenges that the Atlantic Alliance needs to address converge on Turkey's neighborhood. Ending the wars in Syria, destroying the Islamic State and

---

25 Matthew Kaminski, "Turkey's Good Dictator," *Wall Street Journal*, June 10, 2011, <http://online.wsj.com/news/articles/SB10001424052702304259304576375743249011516>.

empowering political alternatives to it, deterring Iranian aggression, and keeping Europe whole and secure—these are all very complicated strategic outcomes to pursue without Turkey’s willing and effective participation. But the AKP leaders’ rhetoric and policies, as well as Ankara’s failure to act decisively against the Islamic State along its borders and in defense of vulnerable populations who could also turn out to be Turkey’s best regional allies, such as the Kurds in Iraq, all suggest the AKP’s national security calculations are increasingly muddled by sectarian ones.

Turkey’s uncertain political future has led to growing speculation about what NATO would look like shorn of its southeast anchor. The AKP’s actions at home and abroad have already raised questions about whether its future membership in the alliance is tenable. No nation with Turkey’s current level of domestic repression could meet the standards for NATO membership that were applied to Central and Eastern European states who sought to join the alliance after the Cold War’s end.

But the West’s loss of Turkey as a strategic ally as a result of its continued political reorientation may also be beside the point. The Atlantic Alliance has positions to fall back to, while the AKP’s search for its own “strategic depth” has weakened not just regional security, but also that of the Turkish Republic. Ankara’s response to Russian aggression in Europe and in Turkey’s own backyard has been conspicuously muted. And while Turkey has opposed Kremlin and Iranian involvements in Assad’s butchery, this effort has been a strategic muddle, one that has involved Ankara with the most insidious jihadist groups in Syria and which has already resulted in terrorist blowback on Turkish soil. Turkey’s willingness and capacity to act as a “strategic barrier” against Russia and Middle Eastern extremism had always been a core part of its role in NATO, as well the basis of U.S. commitment to and investment in the republic’s security. Both Erdogan’s hostility to the West and the changing geopolitics of Southwest Asia are turning this barrier porous.





## The Growing Problem of Russia and Iran

### *Russia*

Russian aggression and subterfuge in Ukraine have fixed the West's attention once again on Europe's security, just as it has breathed new urgency into the push to diversify the EU's gas supply to reduce its dependence on Russia. Less attention has been paid to Turkish vulnerabilities to Russian and Iranian energy-based machinations. Since 2001, Turkey's consumption of natural gas has experienced one of the fastest rates of increase in the world. At its peak in 2011, the country consumed roughly 1.5 tcf annually. Around 60 percent of that fuel comes from Russia, and another 19 percent from the Kremlin's

closest strategic ally, Iran.<sup>26</sup> In effect, the AKP has maneuvered Turkey into a strategic prison of its own making.

In Turkey, Russia and Iran have acquired a new energy-dependent client. Both powers have thus taken a significant step toward neutralizing the only natural bulwark between them and their ambitions in the East

---

Photo Credit: Russia's President Vladimir Putin speaks with his Iranian counterpart Hassan Rouhani in Shanghai on May 21, 2014. (ALEXEY DRUZHININ/AFP/Getty Images)

---

26 U.S. Energy Information Administration, Turkey: Country Analysis Brief, April 17, 2014, <http://www.eia.gov/countries/cab.cfm?fips=tu>.

Med. There is every reason to assume these advancing powers will seek to maintain and increase their leverage. To do so, both countries will likely seek to block or control the development of alternate energy suppliers to Turkey, notably, Azerbaijan and the self-governing Kurdish region in northeastern Iraq, both of which look to Turkey as a bridge to the Mediterranean. The emergence of a vibrant East Med energy market could likewise threaten Russian and Iranian leverage over Turkey. This prospect gives both countries an additional reason to seek a controlling position in the Levant Basin or to scuttle the promise of the energy revolution there altogether.

**THE EMERGENCE OF A VIBRANT EAST MED ENERGY MARKET COULD LIKEWISE THREATEN RUSSIAN AND IRANIAN LEVERAGE OVER TURKEY. THIS PROSPECT GIVES BOTH COUNTRIES AN ADDITIONAL REASON TO SEEK A CONTROLLING POSITION IN THE LEVANT BASIN OR TO SCUTTLE THE PROMISE OF THE ENERGY REVOLUTION THERE ALTOGETHER.**

Russia's empire builders have long coveted the Mediterranean. Imperial Russia's aim to build a position in the Mediterranean through the Bosphorus resulted in a series of conflicts with the Ottoman Empire, then the Crimean War (1853–56), and by some accounts, its

entrance into the First World War. The Russian presence in the Mediterranean and across the Middle East evaporated with the Soviet collapse. Today, Moscow's strategic prospects on the Eurasian landmass appear to be fading as rapidly as its population and industrial base contract, and also as China pursues its own westward rise across the continent. But in the oil- and gas-producing provinces of the Middle East, where the energy oligarchy's immediate interests are now at stake, the story is very much the opposite.

Political turmoil in the Middle East has created an opening for a middling Russian power to entertain the ambitions of a greater power once again. The Crimean seaport of Sevastopol is the gateway from which much of the Kremlin's strategic outreach into the East Med flows, including its support to the Assad regime, its weapons sales to Egypt and others, and now, its efforts to establish an influential position in the Levant Basin. In Greece and Cyprus, Russian diplomatic influence, via ethnic Russians and Orthodox affinities, is still substantial. We can assume Russia will not mind if these EU countries persist in a state of economic crisis and political insecurity, for in time, this may create an opportunity for the Kremlin to detach a part of Europe.

With the fading U.S. security presence in the Mediterranean, Greece, Cyprus, and Israel have all looked to Russia as a potential balancer against what the three have come to fear could be an increasingly hostile Turkey with hegemonic designs on them.<sup>27</sup> The warships Russia now has stationed in the East Med do indeed give Moscow the ability to project substantial influence onto a region where the U.S. Sixth Fleet had once been preeminent. Russia's continued efforts to lease space at the Paphos airbase in western Cyprus, and the visit of

<sup>27</sup> At a time when Moscow is feeling the effects of U.S.-EU sanctions, Israel is increasing agricultural sales to Russia. In May 2014, the vice-chairman of the Duma's international affairs committee told Israeli reporters that "nothing can harm good relations between our two countries so long as another power doesn't intervene." Israeli Foreign Minister Lieberman has said that Israel would not take a position on the Ukrainian crisis. In the most recent of their several meetings, Netanyahu and Putin agreed to establish a hotline between Jerusalem and Moscow. An article in the Israeli press about a previous meeting between the two leaders reported that Putin had assured Netanyahu that Russia will not act in international fora to disarm Israel of any nuclear weapons it might possess. The same article reported that Russia would stand by Israel's side and offer it aid in a conflict.



Photo Credit: Russia's President Vladimir Putin speaks with Russian gas monopoly Gazprom CEO Alexei Miller during their meeting in Putin's Novo-Ogaryovo residence outside Moscow, on October 29, 2012. (ALEXEI NIKOLSKY/AFP/Getty Images)

Russia's large nuclear-powered guided missile cruiser, *Pyotr Veliky* (Peter the Great), to the Cypriot port of Limassol in December 2013, are reminders that power, like nature, abhors vacuums. From Limassol, the large Russian cruiser was also scheduled to transit the Aegean and conduct exercises with the Greek navy.

By building up its presence in the East Med, Russia might have the chance to hasten the decline of NATO's influence as well as to complicate efforts to strengthen the security alliance now forming between Greece, Cyprus, and Israel. It would also be able to stymie energy sales and attendant U.S.-led efforts to improve the strained relations between Turkey and its democratic neighbors. By thus keeping Turkey weak, Russia could redouble its diplomatic-military maneuvers in and around the region, including establishing more bases for naval operations. This would allow Moscow to achieve significant influence over the East Med and the Levant Basin's hydrocarbons—

including which companies are permitted to exploit them and the markets to which they will be exported.

Before the Ukraine crisis, it may have been tempting to imagine that Russia's return to the East Med would make it a force for stability in the region. But Russia today is not that kind of power. Its agenda is exclusively self-interested and shaped by the narrow interests of the energy oligarchy that rules it. It does not possess the desire or standing to mediate between sides, nor does it have the capability to provide the security that countries need to create a better future.

If anything, the emergence of a democratically robust and economically vibrant East Med that is independent of Russian control would be a threat to the political security of the Moscow regime. Putin's rule is sustained by an economy built around outdated hydrocarbon production technology and control of the vital landlines of communication that extend from Russia to Europe and



Asia. This is hardly a winning strategy in the 21<sup>st</sup> century world, where energy prices will moderate and may fall as energy sources are becoming more plentiful and accessible than ever before. But in a world where scarcity and instability drive energy prices upward, Russia's control would provide it with a disproportionate level of geopolitical influence across Eurasia.

For these reasons, Russia may be the only country in the world that stands to benefit from protracted insecurity in the Middle East. Because of the global renaissance in oil and gas production, the energy oligarchy's desire to persist in the way it has been may even require it to seek ways to bring the region to a boil. This helps explain Russia's entente and deepening cooperation with Iran, something that is normally ascribed to the clear interest the two powers share in selectively opposing Sunni jihadism wherever it threatens their larger agendas. But it is not that simple. The Tehran regime's rule at home and position abroad, even more than Russia's, is vulnerable to falling energy prices. As a consequence, Arab Gulf producers might seek to secure themselves by constraining their production to keep prices high in a bid to mollify Tehran and keep its designs on them at bay. But an energy economy in the East Med that is run by the liberal democracies would not be as subject to Tehran's coercive influence or control.

### *Iran*

The Islamic Republic has been a power in Mediterranean affairs since it began exporting the 1979 revolution. Today, Tehran maintains three main clients on the East Med's shores— Hamas, Hezbollah, and the Assad regime in Syria—all of which provide it with the capacity to directly threaten the security of energy producers. In the 2006 Lebanon-Israel war, Hezbollah demonstrated its capacity to hit offshore targets with missiles.<sup>28</sup> In any future conflict involving Iran, East Med energy infrastructure will likely be

vulnerable to disruption by Iran or its proxies unless this is sufficiently hardened or, far better, protected by an allied force with the superior capability to deter the Islamic Republic. This reality is clearly factoring into the calculations of East Med energy producers now planning their infrastructure build-out and destination markets.

For Iran, as for Russia, the continuing fallout from the Arab Spring has created new opportunities to establish influence in the East Med. The Islamic Republic sees itself as a rising empire. Persia had been one, but the regime now controlling Iran cannot offer the diverse peoples of the Middle East the politics, or the opportunity, or the security that they want, so Tehran's advances across the region have come through its support for what divides societies. Wherever it cannot find factions, it has attempted to create them through subversion and by exploiting the fissiparous politics of vulnerable countries striving to form themselves on a more durable basis.

In Syria, Iran has invested enormous sums and provided direct military reinforcements to the Assad regime, demonstrating once again Tehran's desire to maintain its position on the East Med. The Islamic Republic has thus come to be the agenda-setter, even though its maneuvers have been mirrored and met by Sunni jihadists and their benefactors, who seek to oppose Iran in the only way they can, by sectarian war. In this, Sunni and Shiite Islamism have become flip sides of the same coin: when one advances in the region, the other does as well.

But in the resulting strategic-sectarian rivalry, the advantage has been Iran's. The spread of Sunni jihadism only drives fearful populations that would otherwise resist Iranian rule closer to the Islamic Republic in a search for protection. Thus, as the Islamic State has obliterated the border between Syria and Sunni Iraq, Iranian political influence in Shiite Iraq as well as among the Kurdish populations of Iraq, Turkey, and Syria has come to be

---

28 See, for example, "Soldier killed, 3 missing after navy vessel hit off Beirut coast," *Ha'aretz*, July 15, 2006.  
<http://www.defense-update.com/2006/07/ins-hanit-suffers-iranian-missile.html>

strengthened even more. At the same time, the religious warfare now spreading over the region undermines all prospects for moderation and the stable, life-sustaining political order that the West seeks. In Syria, Tehran has already boasted of its great “victory” against the West,<sup>29</sup> even though what most Westerners see is a humanitarian tragedy and an incomprehensible religious conflict that seems impossible to end from the outside or that, as some have coldly suggested, calls for a policy of calibrated “offshore balancing.”

From a position of strength in Syria, Iranian forces will have gained the leverage to inflict even greater fear and disorder. The political crisis in Jordan, which has been

compounded by the influx of Syrian refugees, is seldom the focus of Western attention, but it has not gone unnoticed in Iran. Tehran may use its position in Syria to further destabilize the Amman government, and it may also continue to home in on Turkey’s structural vulnerabilities, including by lending a hand to intransigent Kurdish factions that will not sue for peace with the Turkish Republic when it is offered. In this way, the Tehran regime may further realize the stated goals of the 1979 revolution and begin stripping away at the last vestiges of the U.S.-backed security order and Western influence in the Middle East.

---

29 Simon Tisdall, “Iran and Assad Have Won in Syria, Say Top Tehran Foreign Policy Figures,” *Guardian*, May 12, 2014, <http://www.theguardian.com/world/2014/may/11/syria-crisis-iran-assad-won-war-tehran>.



## American Uncertainty in the East Mediterranean

By contrast, America's strategic policy in the East Med has been distracted. The U.S., of late, has had a penchant for seeking out grand bargains with unreliable regimes, including most notoriously the failed "reset" with Russia. Many argue the latest bid to cement a nuclear deal with Iran is also doomed, since international pressure on the Tehran regime has weakened despite its warfare on Syria's people, and because this new U.S. diplomacy hasn't been backed by a comprehensive U.S. effort to reassure the many other vulnerable polities in the Middle East who want to resist Iranian subversion. The failure to pursue an allies-first policy, combined with the much-

diminished U.S. naval presence in the Mediterranean, has greatly facilitated the establishment of Russian and Iranian power along the East Med. The consequences of this have been detrimental for the long-term security of Turkey and Israel, as well as for Europe.

The United States looks at the deteriorating situation in the East Med from the perspective of a rising energy superpower. The U.S. has already overtaken Russia as the

---

Photo Credit: U.S. Secretary of State John Kerry with Turkish Foreign Minister Ahmet Davutoglu at NATO Headquarters in Brussels on April 1, 2014. (JACQUELYN MARTIN/AFP/Getty Images)

world's top natural gas producer, and according to predictions, it will surpass both Saudi Arabia and Russia and become the leading producer of oil in coming years, perhaps as soon as 2017. While U.S. oil output will likely plateau and then fade in the 2020s, domestic U.S. gas production is projected to continue expanding. The trillions of dollars in technically recoverable oil and gas said to be in the United States means not only that energy self-sufficiency and a new era of U.S. industrial primacy is within reach, but that the United States will soon emerge as a net exporter of energy. However daunting the engineering and homegrown political obstacles, and if legitimate environmental concerns can be addressed, U.S. allies from Western Europe to the Asia-Pacific could conceivably come to rely on moderately priced and secure fuel that is produced, at least in part, in the USA.

These realities have already changed the U.S.'s assessment of the geostrategic significance of the Middle East. They have also amplified growing doubts in the region about the staying power of the United States. In this, the U.S.'s adversaries have seen a chance to hasten America's exit from the region. Meanwhile, its traditional allies have been left to wonder if they will be facing the future alone, and they have started to hedge and adjust their security strategies accordingly. In a politically torn country like Turkey, uncertainty over the United States and its reliability as a security ally has probably empowered the alternative strategic vision of those Turks who want their country to formally join or lead an axis of Sunni countries, or to seek its own proverbial peace with Iran and Russia.

This is a distressing turn of events because the United States needs the backing of a system of stable allies for effective policy implementation—and now more than ever. Even though U.S. energy interests in the Middle East are programmed to shrink, America will still want to keep the region from exporting its problems to its shores.

Moreover, deepening chaos in the region will still affect the global price of energy as well as U.S. geopolitical influence and alliances elsewhere, including in the Asia-Pacific. Thus, the core objectives of U.S. policy in the Middle East are likely to remain unchanged. Washington will still want to see a self-sustaining security and political order established that can cope with weapons proliferation and rein in Islamist militancy. As such, Washington's interest in having and maintaining capable alliances in the region will become even greater.

Securing a better future for the East Med in particular will not be easy. In the Cold War era, the threat to U.S. national security interests in the Mediterranean came not from vulnerable or collapsed states or from the diversity of revisionist actors and ideologies that we now face, but from Soviet surface ships and submarines. Today's threat matrix is larger in geographic scope and broader in diplomatic complexity. Our present-day challenges are also potentially far more mortal because of the possible spread of nuclear and ballistic missile technology in a region whose ruling regimes could be more willing to accept risk in pursuit of foreign ambitions than the old, relatively conservative leadership of the Soviet Union in the late Cold War.

In this new era, however, the United States may discover it has distinct advantages. Increased domestic energy production will be a net benefit to the U.S. economy and industry and, over the next decade, if more North American energy sources are sold internationally, then global energy prices could moderate and may even fall. If the East Med gas bonanza is simultaneously realized, it could multiply the geostrategic benefits of the global energy renaissance for the West. It could also combine to weaken the economic basis of the regimes in Russia and Iran, whose domestic rule and external outreach both depend in large measure on high-energy prices.

We can assume Russia and Iran both understand this. Their rulers now have the opportunity to adapt their national strategies to these 21<sup>st</sup> century geopolitical realities. But if, as is likely, they are unable or unwilling to do this, then their foreign agendas are likely to grow more aggressive—especially in energy-producing provinces like the East Med. Western countries should be prepared for this.

In pursuing its national interests, the United States is apt to find that North American energy self-sufficiency will provide it with much greater latitude to implement a new, more flexible approach to alliance-building and maintenance in the Greater Middle East that reflects the political realities of the region as it actually exists, rather than being held hostage to them.

Across the region, there are a range of opportunities to pursue this. U.S. and Turkish security interests continue to overlap in some areas. Provided a pragmatic leadership in Ankara that is committed to a law-based security order in the East Med, collaboration in pursuit of these goals is possible and could become the basis for re-constituting the U.S.-Turkey alliance. To place our traditional alliances on a more secure footing, the United States could also take advantage of new opportunities to strengthen security, economic, and political relations with the self-governing Kurdish region inside Iraq and with Azerbaijan.

**BUT DEMOCRATIC GOVERNANCE IN ISRAEL, CYPRUS, AND GREECE AND THE CORE INTEREST OF THESE THREE IN STRENGTHENING AND ENLARGING THE LIBERAL ORDER IN THE EAST MED MAKE U.S. OPPORTUNITIES IN THAT PART OF THE WORLD UNIQUE.**

But democratic governance in Israel, Cyprus, and Greece and the core interest of these three in strengthening and enlarging the liberal order in the East Med make U.S. opportunities in that part of the world unique. Shared political principles make these allies less susceptible to the wiles of our strategic and ideological foes. Over time, the economic returns from tapping East Med energy will also enable these U.S. allies to build up their own defenses and dedicate real capability to tackling the hard security challenges in the wider region. U.S. strategy should take advantage of this and seek to enlist the full support of its allies in making a better future for the Mediterranean.



# Maximizing the Positive Geopolitical Potential of East Mediterranean Energy

The old security order in the East Med that counted on Turkey as a NATO anchor and an ally of Israel has attenuated. In its place is the humanitarian catastrophe and widening wars in Syria and Iraq; the emboldened revisionist powers of Russia and Iran; a politically contested Turkey that is making itself and many of our allies less secure; deepening instability and the weakening of the state-based order in the Arabic-speaking Levant and across northern Africa; spreading Islamist militancy that has now overtaken large swathes of territory; and a budding naval arms race in the Mediterranean itself. Just over the horizon, there is also a possibility that U.S. diplomacy will falter and Iran will possess nuclear weapons, thereby setting off a Middle Eastern proliferation race.

In the midst of all this, the development of East Med energy has the potential to provide an economic basis for constructing a new self-sustaining security order. But this will require the creation of a political and commercial environment that can attract the largest volume of outside investment and exploration activity.

After the initial hydrocarbon strikes offshore Cyprus and Israel, the question of how best to refine and transport energy to a profitable range of markets soon followed. One widely touted plan involved the construction of a liquefaction facility, most likely on Cyprus, which would make it possible for East Med gas to directly supply European markets. This would provide added security benefits by reducing EU vulnerability to Russian energy-based policy or to cuts in supply caused by spreading

instability in northern Africa. Alternatively, liquefied gas could also be sent by sea to the currently more lucrative LNG market in the Far East, and thus maximize the revenues.

At present, however, plans for liquefaction face a number of near-term obstacles. They also rest on some dubious assumptions about the long-term. For one, given the small amount of proven gas reserves in Cyprus and Israel, the capital investment needed for an LNG processing plant cannot yet be commercially justified. To overcome this hurdle, much more gas needs to be discovered. Exploration is now underway, but for this to continue and deepen, the East Med requires greater political stability and security to attract companies involved in exploration and drilling.

It will therefore be years before a new LNG plant begins operation in the East Med, and there is no guarantee that by then selling liquefied gas in the Far East will be as profitable as it is today. By some accounts, the People's Republic of China (PRC) is now entering a period of economic slowdown, which could cause great political and economic instability in the Asia-Pacific and shrink Chinese industrial growth for years. In any case, the PRC has also been looking for energy sources closer to home to enhance the political security of the ruling party and reduce its dependence on seaborne supply and thus on the U.S. Navy. This has already helped to drive Beijing's new energy-based rapprochement with Russia; in 2014, Moscow signed an historic \$400 billion "mega-deal" to supply China with Russian gas. Consummating this deal

will be complicated because of deep-seated distrust between the two countries. But after Ukraine, Russia has evidently been more inclined than in the past to accept Chinese pricing terms, and the overland trade in energy across the Eurasian landmass seems likely to grow. If it can secure an outlet market in the Far East, Russia could find greater room to pursue a more aggressive policy in the East Med even in the face of Western opposition.

In the meantime, India's continued economic emergence may make it a destination market for East Med energy. But in the next decade, potential increases in production in the Persian Gulf—in Iraq and perhaps also in Iran—will make the Asian gas market, including on the subcontinent, a difficult one for East Med producers to penetrate. While it could happen, it also may never happen.

Better destination markets for East Med energy are likely be found closer to home. The combined development of Israeli, Cypriot, and Greek gas resources could eventually give Europe much greater indigenous capacity to produce energy, and thus make itself more secure, than is now possible to imagine. But this will not happen anytime soon, at least not in any strategically significant way. In 2013, Europe, including Turkey, consumed approximately 538 billion cubic meters (bcm) of gas. This is about the amount contained in the entire Leviathan field, which will not be producing for export until 2017. The discovery and monetization of other finds in the Levant Basin, and then in the Aegean and Ionian Seas, will not happen any sooner. Athens will not rush ahead with exploratory drilling of its seabed if this is going to needlessly aggravate tensions with Turkey and potentially spark hostilities.

## **THE FIRST STEP IN UNLOCKING THE EAST MED'S FULL POTENTIAL TO CHANGE THE GEOPOLITICAL GAME FOR THE BETTER IS TO CONSTRUCT A SECURE REGIONAL MARKET WITH THE DEMOCRATIC PRODUCERS OF THE LEVANT BASIN AS ITS FOUNDATION AND THE IMMEDIATE NEIGHBORHOOD AS ITS DESTINATION.**

Therefore, the first step in unlocking the East Med's full potential to change the geopolitical game for the better is to construct a secure regional market with the democratic producers of the Levant Basin as its foundation and the immediate neighborhood as its destination. Such a regionally focused distribution scheme could provide economic relief and an unanticipated boost to the security of Egypt, Turkey, Jordan, and the Palestinian Authority, thereby providing each with a real stake in the neighborhood's security. Expanded commerce would give the core producers the best chance of attracting greater private sector involvements in the Levant Basin and, through this, exploration and development could then be expanded to other parts of the East Med, including to Greece.

There are obvious dangers associated with such regionally focused export plans. No one is more aware of this than the East Med producers themselves, who are now deliberating their national futures. Surely, a prudent approach to minimize their risk and exposure to regional volatility will be necessary if any sustained effort to



construct a secure energy economy in the midst of the shatterbelt is to succeed. Critics of regionally focused export schemes have argued, correctly, that energy interdependency will not transform political cultures and deeply entrenched antagonisms. At the same time, energy production and export within the region has never been controlled or secured, till now, by liberal democracies pursuing their own security and liberal interests.

The United States has an important role to play in helping its East Med allies to help themselves. The development of East Med resources should be seen as an integral component of any allied plan for proactively dealing with a

terrible situation that is getting worse. The true costs of delaying exports in a rapidly deteriorating security environment are likely to be much greater than missed profits. Meanwhile, the benefit to the United States by involving itself in the East Med will be the creation of a system of stronger alliances that could, in time, help to reduce U.S. burdens and bring new capability to bear against the hard security problems that we now face.

## POLICY RECOMMENDATIONS

### TO ADVANCE A POLITICAL AND SECURITY ENVIRONMENT FAVORABLE TO LARGE-SCALE ENERGY DEVELOPMENT AND COMMERCE

Sound U.S. policy would aim to strengthen the security and other institutions of our allies in the region to enhance the energy diplomacy already begun by the Obama administration. The overall U.S. goal should be to build a redoubt of self-sustaining strength with the East Med's democratic producers at the core. The East Med alliance can then unlock the full economic and security benefits of the energy revolution and, through this, they can seek to expand these benefits to the vulnerable peoples and politically responsible regimes in the wider region.

#### **1. The United States should work with its allies to support strategic and prudent development of regional energy export routes as a first step to unlocking greater potential across the East Med, including extra-regional exports.**

##### *Jordan and the Palestinian Authority*

Israel's decision, announced in 2014, to sell gas to its ally Jordan and to the Palestinian Authority makes strong commercial and strategic sense. The Jordanian and Palestinian populations need gas to sustain them and to give them a chance to grow their economies. In addition, the pipelines to connect them to the burgeoning East Med energy grid, controlled by the liberal democracies, are

short and can be constructed quickly and at a low cost. This involves risk, but the availability of secure Israeli gas supplies for these markets could contribute to societal stabilization and enable the Jordanian and Palestinian governments to exercise more effective sovereignty over their territories. The requisite infrastructure can be hardened against the sabotage that will come as a matter of course, especially if the Palestinian Authority and the Jordanian government have a real stake in uninterrupted supply for the sake of preserving their own rule.

At the same time, Israel has been looking at other ways to increase its security by strengthening the polities along its periphery and creating real incentives for moderation. In the Middle East, water is as much of a precious resource as hydrocarbons, if not more so, and both Jordan and Palestine are facing massive water shortages. Israel is a world leader in desalinization, an energy-intensive industry, and it is already exploring ways to sell its excess water supply to its neighbors. Again, this can be done at little security risk to Israel, while the benefits to the Jordanian and Palestinian people could be tangible.



Photo Credit: Egyptians celebrate in Cairo's Tahrir Square after Egyptian Defense Minister Abdel Fattah al-Sisi's July 3, 2013 speech announcing the army's toppling of Islamist President Mohamed Morsi. (GIANLUIGI GUERCIA/AFP/Getty Images)

## Egypt

As new hydrocarbon strikes are made, Levant Basin energy exporters could find another potential customer in Egypt. As a country with an estimated 77 tcf in gas reserves, Egypt should itself be a gas exporter.<sup>30</sup> Further exploitation of the Nile River Basin, however, requires capital investments and the expertise of foreign firms, none of which will be going to Cairo anytime soon. Egypt's gas consumption has increased and outstripped its production, resulting in power shortages and blackouts. The summer heat, coupled with a lack of power for air conditioning, was a factor in the toppling of the Muslim Brotherhood government in 2013 and the subsequent return to military rule.

In 2014, Noble Energy announced its desire to sell gas from Israel's Tamar field to Egypt's now-idled liquefaction plants, which would enable export to foreign markets and potentially bring some relief to an ailing country. Greece and Cyprus have excellent relations with Egypt, and together with Israel, they could begin to supply Egypt with gas as future discoveries warrant. Such a development would help to ease the strains on the critical Israeli-Egyptian peace which have grown since the beginning of the Arab Spring. It could, moreover, rekindle a commercial relationship between the two countries that could become a selling point to energy majors interested in further exploration and exploitation in the East Med.

30 U.S. Energy Information Administration, Egypt: Country Analysis Brief, July 31, 2013, <http://www.eia.gov/countries/analysisbriefs/Egypt/egypt.pdf>.

As new discoveries are made, construction of offshore extraction facilities in the East Med will also create well-paying jobs. If Israelis and Cypriots choose not to take these, it is not inconceivable that they could be safely filled, after the proper vetting, by workers from neighboring Arab countries. Over the longer term, the remittances sent home by these workers could give a cash infusion to the region's contracting economies. In addition, the integration of these workers into the East Med gas economy and the supply chains of Israel's blossoming industry could conceivably help to insulate them from the predations of outsiders and the self-destructive pathologies of radicalism.

Farther into the future, the emergence of a new regional gas economy directed by the liberal democracies could be a factor in stabilizing the Arab Levant. Lebanon, and perhaps even Syria under different rule, could both export their own gas via the infrastructure controlled by the region's democracies, just as they would benefit directly from regional energy production. Importantly, in the Levant countries as a whole, gas demand is now expected to grow up to threefold by 2020, to 36 bcm annually, according to a report by the Oxford Institute for Energy Studies.<sup>31</sup> If this demand is not met by the liberal democracies, then Russia or Iran may eventually find itself in a position to satisfy it or, alternatively, to allow the demand to go unsatisfied and use the subsequent misery for its own political purposes.

## Turkey

Beyond the Arabic-speaking periphery, the natural destination market for the Levant Basin's democratic producers is Turkey, the pivotal frontline state once again. A deal between Israel-Cyprus and Turkey, the region's largest economy, could be a breakthrough for the discovery and development of other energy sources in the East Med, which would attract greater involvement by exploration companies and investors. In September 2013, Turkish energy company Turcas proposed construction of a direct pipeline to Israel's Leviathan field. Such a pipeline could move up to 565 billion cubic feet (bcf) of dry gas per year and could be built at a cost of \$2.5 to \$4 billion.<sup>32</sup> Turcas officials have said that private Turkish companies would absorb the risk involved, including the possibility of worsening Ankara-Jerusalem relations, by paying for the pipeline's construction, among other things.<sup>33</sup> Once export to Turkey began, Israel and Cyprus would be in a better position to raise the capital they need to invite more exploration activity and invest in the creation of additional export routes, including liquefaction-based options.

At present, however, Israel and Cyprus are naturally reluctant to darken their economic futures by concluding agreements with a major customer whose enmity could spell a sudden end to revenues. Such a plan could work, however, if there is commitment and guidance from the United States and it demonstrates its long-term intent to reduce intra-regional tensions and prevent a naval arms race that would damage the international effort to develop the Levant Basin.

---

31 Hakim Darbouche, Laura El-Katiri, and Bassam Fattouh, *East Mediterranean Gas: What Kind of a Game-changer?*, Oxford Institute for Energy Studies, NG 71, December 2012, <http://www.oxfordenergy.org/wpcms/wp-content/uploads/2012/12/NG-71.pdf>.

32 Ezran Aran and *The Marker*, "Turkish Firms Discussing Vast Gas Purchases from Leviathan," *Ha'aretz*, April 24, 2014, <http://www.haaretz.com/business/.premium-1.586956>.

33 Ibid.



## 2. The United States should seek Turkey's inclusion as a key partner in the defense and expansion of a law-based security order in the East Med.

Secretary of State Kerry's use of U.S. influence in Israel to reestablish contact between Prime Minister Benjamin Netanyahu and Prime Minister Erdogan might bear fruit. Continuing these diplomatic endeavors while wielding other instruments of statecraft is worth the effort. A good place to start is to work with Ankara to build up its national security as a frontline state that will be coping with the catastrophe in Syria and the advances of Russia and Iran for years to come. This means working with Ankara to diversify its energy supply. The AKP government has made known its desire to lessen its dependence on Russian natural gas. Erdogan's now-leading faction in the AK party-state notwithstanding, the Turkish government respects U.S. power and the longstanding U.S.-Turkey alliance. It should fear now, as it has in the past, the encroachment of the power of Russia and Iran, especially if and when they seek to exploit Turkey's structural vulnerabilities.

Since gas from Leviathan will be ready for export in 2017, and possibly sooner, this could bring needed energy to the Turkish market before the Caspian gas flows to it via TANAP. In time, expanding energy commerce in the East Med could also help to strengthen the moderate, pro-business elements inside Turkey and AKP and help to diminish the self-destructive appeal of Islamist ideology. Furthermore, it may create real opportunities for a more secure Turkey that is sustained through its reintegration as a pillar of the Atlantic Alliance. This would be an important step forward for regional peace, for NATO, and for U.S. influence. It would also be a major step in countering any potential Russian or Iranian efforts to sow disorder in the East Med via a weak Turkey.

This will ultimately depend, of course, on the reinvigoration of Turkey's democratic institutions and principles both at home and abroad. Indeed, to imagine a

robust natural gas market emerging between Israel-Cyprus and Turkey is to assume that Turkey believes it has a real stake in resolving conflicts in accordance with the law and comes to identify its national interest with the development of a law-based security order in the East Med. In the interim, reassuring Cyprus, Israel, and Greece that Turkey's future naval buildup will not be permitted to obstruct their right to develop their national economies as they see fit will be a necessary first step.

## 3. The United States should reestablish a robust naval presence in the Mediterranean to strengthen its regional diplomatic leverage.

Any U.S. diplomacy aimed at facilitating stability and the construction of a regional energy market will benefit from reconstituting the Sixth Fleet. Diplomacy usually fails in deeply contested regions without the requisite hard power to support it. Shoring up its NATO allies in the region, which is also a crescent of growing Middle East littoral instability, would have several advantages: protecting the Atlantic Alliance; helping safeguard the energy deposits that have been, and are being, discovered in the region; ending the power vacuum that the U.S. Sixth Fleet's virtual departure caused; and reasserting U.S. influence where its absence can only lead to more mischief.

Naval strategy here equals enlarging the presence of the combat fleet, specifically one that can project amphibious and strike power ashore. In the Eastern Mediterranean, naval power counts as much today as it did in the Cold War—or in the fifth century BC, when Persia began to invade Greece. Over the long term, a naval presence matters more than a law-enforcement presence. On foot or in squad cars, police can disappear around a corner and give criminals the time to rob or murder. There are no corners at sea. A flotilla of amphibious vessels can loiter off a coast and descend at a place of its choosing without warning. Surface ships and submarines, by their very presence, can intimidate, blockade, and most important

of all, deter those intent on making war. U.S. policymakers' recollection of this essential fact of sea power would be the beginning of any U.S. strategy to regain influence in the region that is commensurate with the commercial and security interests of the United States and its closest allies and partners.

This requires the presence of a large amphibious ship, an aircraft carrier, and associated escort vessels in the East Mediterranean. Such an assortment of ships would amount to approximately half the combat force the United States maintained in the entire Mediterranean during the Cold War.

Turning such a strategy into reality will not be easy. The United States has no persistent patrol presence in the Mediterranean, including its increasingly volatile eastern third. In the absence of an unexpected shock, however, Washington will neither build the ships needed to assemble even a small Sixth Fleet nor move ships stationed elsewhere back to the Mediterranean. If current Defense Department budget plans remain in place, the future of U.S. sea power looks even bleaker. Facing congressional pressure, the administration ultimately agreed in 2014 not to proceed with its plan to reduce the number of U.S. aircraft carriers from eleven to ten.

In the future, the smaller U.S. Navy that the current administration envisions is likely to be able to maintain a global presence of only two aircraft carrier battle groups, one in the West Pacific and the other in the Persian Gulf. Notwithstanding its current straitened circumstances, the United States remains a wealthy and militarily powerful nation that is more than capable of increasing its global naval presence to three carriers. The ships already exist. The Eastern Mediterranean is the logical place for a third carrier to patrol, and Washington possesses the ability to add a one-carrier presence there by the end of the current five-year defense plan.

#### **4. The United States and the region's core liberal democracies should bolster security cooperation to guard against a destabilizing naval arms race and deter the advances of revisionist powers.**

In the meantime, other measures can be taken to bolster the sub-regional security architecture that has begun to emerge on its own. Increased cooperation, especially at sea, between the United States and friendly states committed to the liberal order in the East Med would be a positive sign that the deteriorating situation is being addressed with the seriousness it deserves. The concerted effort by Israel, Greece, and Cyprus to increase their cooperation, largely in response to what they see as Turkish threats, is a reminder that economic relations can deepen into security ones. And so they have.

In 2011, the year after the failed Turkish-supported attempt to break Israel's naval blockade, which had been established to keep weapons from reaching Hamas terrorists in Gaza, the Reliant Mermaid joint naval exercise was held, as in previous years. While in the past, this search-and-rescue exercise had included Turkey, Israel, and the United States, in 2011, Turkey did not participate. The United States, Greece, and Israel subsequently began a new military exercise, Noble Dina, which tests military capabilities considerably more robust than search and rescue. Noble Dina's participants practice anti-submarine warfare, air combat, and the defense of offshore natural gas drilling rigs, the core military skills needed to protect the extraction, refinement, and transportation of the increasing energy discoveries off the Israeli, Cypriot, and Greek coasts.

Noble Dina represents a significant step in the right direction, but more action is needed to improve the region's security. The U.S. Navy plans to build 32 littoral combat ships (LCS). The LCS is smaller than a frigate but faster, and built with interchangeable weapons suites that can transform the same vessel—at different times—so

that it can conduct mine warfare, anti-submarine warfare, or standard surface ship combat missions. The LCS was designed to operate close to shore, making it well suited to the Mediterranean's geography. Four ships of this class will be sent to Singapore as part of the "rebalance to Asia." A similar detachment based at the U.S. naval support facility in Souda Bay, Crete, or even on the island of Cyprus, would have a calming and beneficial effect in the East Med.

#### 5. The United States should loosen its arms embargo on Cyprus.

The U.S. government can add to its strategic depth in the area by reassessing the arms embargo it placed on Cyprus when Greek and Turkish Cypriots fought each other 40 years ago. At a bare minimum, Cyprus needs naval patrol craft and equipment to protect natural gas extraction platforms as they are constructed in its exclusive economic zones south of the island. The Cypriots plan to buy two Israeli patrol craft for this purpose, another reminder that growing economic ties can be the basis for security ones. Additional protection will be required for liquefying and shipping facilities situated on the southern coast of Cyprus, and for cargo vessels if they turn out to be the most profitable method for supplying liquefied natural gas to customers. Importantly, these patrol craft are purely defensive; it is all but impossible for them to threaten Turkey's interests or the Turkish Cypriot population that inhabits the northern portion of the island.

#### 6. NATO's Partnership for Peace should accept Cyprus as a member.

In the meantime, the United States can also perform a useful service by taking an active role in bringing Cyprus into NATO's Partnership for Peace. This is the springboard for full membership in NATO. It is also an appendage organization to which Belarus, Ukraine, and even Russia belong, which is intended to encourage harmonious relations from Western Europe to Central Asia. Strengthening ties between Washington and Nicosia is in the economic and security interest of the United States.

#### 7. NATO members France and Italy should be integrated into the regional security architecture.

Additional support from NATO allies France and Italy would also help stabilize the region. Both nations may soon have a stake in East Mediterranean energy security. The large French and Italian oil companies, Total and Eni, respectively, will explore for hydrocarbon deposits near the undersea fields discovered off the Cyprus coast.<sup>34</sup> If, as is likely, they find significant deposits, Paris and Rome will have a strong interest in protecting these major companies' investments. Both have small navies. However, if they join a growing coalition force composed of American, Greek, Israeli, and soon, Cypriot vessels, they would make important soft- and hard-power contributions to a safer and more competitive liberal order in the East Med.

---

34 "Italy's ENI Expects to Drill for Gas off Cyprus Next Year," Reuters, July 9, 2013, <http://www.reuters.com/article/2013/07/11/cyprus-gas-eni-idUSL6N0FH29I20130711>.

## CONCLUSION

The hydrocarbon strikes in the Levant Basin have revealed to the West a unique strategic opportunity to create a better and more secure future for the Eastern Mediterranean region. They demonstrate again that bountiful sources of energy exist, and that they exist outside the arc of unstable governments and those hostile to the international order. The continued discovery and monetization of this energy potential will create new opportunities for the region's democracies to lift their economies and national fortunes and, in cooperation with one another, to increase their collective security. Simultaneously, developing these resources will enable the region's democracies to proactively design and create an East Med security architecture that can be made to work for them and will help stabilize the region. The same abundance could be helpful in securing Turkey as a frontline state and, in time, to restore it as a key pillar and beneficiary of a law-based security order. Russia's reasserted objectives in the region, as well as Iran's, also can be turned back. Moreover, as new discoveries are made in the Levant Basin and Greece, the East Med will likely emerge as a key supplier to Europe and a major component of a revitalized Atlantic Alliance.

U.S. leadership, both diplomatic and strategic, is required to harness the full geostrategic potential of East Med energy and to use this to reverse a terrible and worsening regional security situation. If the United States and its allies do not take advantage of these opportunities, then those who do not share our liberal aspirations will play a greater role in shaping the region's future. As the region benefits, the United States will also. In time, energy wealth will permit the allied democracies to invest more deeply in their own security. This will place the Atlantic Alliance on a better and stronger footing for the 21<sup>st</sup> century, and will bring new capabilities to bear on the core security challenges that the West will be facing in the Eastern Mediterranean for some time to come.



## ABOUT THE AUTHORS

### Seth Cropsey

Hudson Institute Senior Fellow Seth Cropsey began his career in government at the Defense Department as Assistant to the Secretary of Defense Caspar Weinberger. He subsequently served as Deputy Undersecretary of the Navy in the Reagan and Bush administrations, where he was responsible for the Navy's position on efforts to reorganize DoD, development of the maritime strategy, the Navy's academic institutions, naval special operations, and burden-sharing with NATO allies. In the Bush administration, Cropsey moved to OSD to become acting assistant secretary, and then principal deputy assistant Secretary of Defense for Special Operations and Low-Intensity Conflict.

During the period that preceded the collapse of the USSR, from 1982 to 1984, Cropsey directed the editorial policy of the Voice of America on the Solidarity movement in Poland, Soviet treatment of dissidents, and other issues. Returning to public diplomacy in 2002 as director of the U.S. government's International Broadcasting Bureau, Cropsey supervised the agency as successful efforts were undertaken to increase radio and television broadcasting to the Muslim world.

Seth Cropsey's full biography can be found at:  
<http://hudson.org/experts/530-seth-cropsey>.

### Eric Brown

Eric Brown is a Senior Fellow at Hudson Institute, after joining in 2004 as a research associate. Since then, he has directed or contributed to a wide range of research and analysis projects on Asian and Middle Eastern affairs, international security and development, and alternative geopolitical futures.

Brown is the editor, with Dr. Hillel Fradkin and Ambassador Husain Haqqani, of the review *Current Trends in Islamist Ideology*. He has additionally written for *The American Interest*, *The China Heritage Quarterly*, *The Wall Street Journal-Asia*, and for publications of the *Jane's Information Group*, among other places. From 2003-2004, he was an associate editor of *The New Atlantis*.

Eric Brown's full biography can be found at:  
<http://hudson.org/experts/57-eric-b-brown>.

## ABOUT HUDSON INSTITUTE

Hudson Institute is an independent research organization promoting new ideas for the advancement of global security, prosperity, and freedom.

Founded in 1961 by strategist Herman Kahn, Hudson Institute challenges conventional thinking and helps manage strategic transitions to the future through interdisciplinary studies in defense, international relations, economics, health care, technology, culture, and law.

Hudson seeks to guide public policy makers and global leaders in government and business through a vigorous program of publications, conferences, policy briefings, and recommendations.

Visit [www.hudson.org](http://www.hudson.org) for more information.

### **Hudson Institute**

1015 15th Street, N.W.

Sixth Floor

Washington, D.C. 20005

P: 202.974.2400

[info@hudson.org](mailto:info@hudson.org)

[www.hudson.org](http://www.hudson.org)

Hudson Institute  
1015 15th Street, N.W. Sixth Floor, Washington, D.C. 20005  
202.974.2400 [www.hudson.org](http://www.hudson.org)