

CYPRUS: REVERSING THE DRIFT TO PARTITION

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CYPRUS: REVERSING THE DRIFT TO PARTITION

EXECUTIVE SUMMARY AND RECOMMENDATIONS

One more major effort, strongly encouraged by the UN and European Union (EU), should be made in 2008 to resolve the long-running dispute between ethnic Greeks and Turks on Cyprus and achieve a comprehensive settlement to reunify the island. All sides have much to gain from such a settlement. For the Greek Cypriots, it would end lingering insecurity, give them access to the Turkish economy, the most dynamic in the region, and increase their service industry's value as an eastern Mediterranean hub. For Turkish Cypriots, it will mean being able to enjoy the benefits of EU citizenship of which they are presently largely deprived. For the EU, the unresolved Cyprus problem now hampers its functioning on issues as diverse as cooperation with NATO in Afghanistan and Chinese shoe imports. And for Turkey a settlement would overcome a major obstacle to its convergence with the EU.

If such an effort fails, the alternative is likely to be partition. Movement toward this has accelerated since 2004, when the UN's Annan Plan, in an ironic reversal of long-held positions, was accepted by the Turkish Cypriots but collapsed due to Greek Cypriot rejection, and the Greek Cypriot government entered the EU as the sole representative of the divided island. While there has been almost no bloodshed since the Turkish invasion of 1974 and violent conflict remains highly unlikely, the events of 2004 have rendered obsolete the comfortable belief that the relatively tranquil status quo can be preserved indefinitely.

If no settlement is found, the process referred to locally as "Taiwanisation" will inevitably speed up, consolidating partition. All sides need to focus much more sharply than they have to date on the downsides of this. Greek Cypriots will experience growing international toleration of the self-declared Turkish Republic of Northern Cyprus, loss of significant land that would have been returned by the north in any settlement, permanent stationing of Turkish troops, acceleration of a Turkish Cypriot building boom on Greek-owned properties, and the arrival on the island of more Turkish settlers. Turkish Cypriots will experience slower development; a tougher struggle against criminal elements taking advantage of their isolation; and indefinite suspension of many of their rights as EU citizens. Turkey

will face a troubled atmosphere in a wide range of its dealings with the EU and in NATO, making it much harder for its leaders to pursue additional economic, legal and administrative reforms.

Any comprehensive reunification settlement will need to be based on the bizonal and bicomunal principles that have been long understood by the parties and are at the heart of past UN mediation efforts. Both sides can live with at least two thirds of the 9,500-page UN Annan plan, and solutions can readily be envisaged to the outstanding matters in dispute if only, as ever, the political will can be summoned to engage in serious negotiations. That will require a fresh start: since March 2006, when Crisis Group first reported on Cyprus, it has become apparent that the initially promising process based on the 8 July 2006 Agreement between the leaders of the island's two communities is wholly stalemated.

The period following the Greek Cypriots' February 2008 presidential election may offer both communities an opportunity to reestablish their will to engage in meaningful negotiations. While there is understandable scepticism now in many quarters as to whether any likely outcome of that election will be conducive to such negotiations, it is important that this issue not be prejudged. In the weeks ahead maximum efforts should be made, internally and externally, to focus on the substantive matters at stake – the disadvantages of an accelerated move to partition and the advantages of a comprehensive reunification settlement – and the process by which negotiations might be advanced. This report is written in that spirit.

The ideal outcome would be for the leaders of both sides, as soon as possible after the election, to meet and signal to the UN a real commitment to restart talks, backing this up with unilateral confidence-building measures (CBMs). The UN should then send a mission to establish a framework for subsequent face-to-face talks between the leaders. At that point Turkey should unilaterally open its seaports and airports to Greek Cypriot traffic, followed quickly by action from the Greek Cypriots to remove the obstacles they have created to EU direct trade with the Turkish Cypriots. Difficult as they no doubt will be to

achieve, such measures, taken together, would create an atmosphere in which negotiations would have a realistic chance of succeeding.

RECOMMENDATIONS

To relaunch negotiations after the February 2008 Greek Cypriot presidential elections

1. Greek and Turkish Cypriot leaders should jointly express their will to re-engage in UN-mediated talks on a comprehensive settlement, and the UN should build up its team in Cyprus and send a senior figure to conduct an assessment mission.

To establish an environment conducive to successful negotiations

2. The Greek Cypriot administration, as a unilateral CBM, should agree to EU implementation of its Direct Trade Regulation so as to allow Turkish Cypriot products to be sold directly to the EU.
3. The Turkish Cypriot administration, as a unilateral CBM, should freeze construction on Greek Cypriot-owned real estate.
4. Turkey, as a unilateral CBM, should implement its commitment in the 2005 Additional Protocol to the EU-Turkey Customs Union to open its seaports and airports for Greek Cypriot traffic, and its civilian and military leaders should firmly commit to the reunification of Cyprus in a bicomunal, bizonal federation and ultimate full withdrawal of Turkish troops pursuant to a settlement.

To maintain momentum in the negotiations

5. Both Cypriot administrations should lift impediments that prevent the EU from working freely in Turkish Cypriot-administered areas; the Greek Cypriots should pro-actively discourage discrimination against Turkish Cypriot products and advertising in Greek Cypriot media and commerce and engage pragmatically with Turkish Cypriot police, public health authorities, and other agencies dealing with day-to-day affairs.
6. The Turkish Cypriot administration should end harassment of merchants seeking to export through Greek Cypriot ports and allow EU-financed bicomunal projects to proceed, especially to encourage joint ventures based on common interests with the Greek Cypriot private sector and a renewal of civil society meetings.
7. The UN and EU should develop and deepen collaboration on intercommunal meetings, in

particular to increase opportunity for debate on the economic, social and political benefits of reunification.

8. Turkey should:
 - (a) explore all ways to allay Greek Cypriot fears, including avoiding military exercises near the Green Line and military overflights of internationally recognised Greek or Greek Cypriot airspace;
 - (b) offer as soon as there is significant negotiating progress to accept international monitoring of its troop strength on the island; and
 - (c) encourage Turkish officials, business people and intellectuals to engage with Greek Cypriots to build trust in support of the negotiations.
9. Greece should explain the potential dangers of non-resolution of the Cyprus problem to all European member states in preparation for comprehensive talks in 2008 and encourage Greek Cypriots to emulate its own détente with Ankara since 1999.
10. EU institutions and member states should strongly support renewal of Cyprus talks in 2008, follow them closely so as to be ready to react to a threatened breakdown, explain to publics and policy elites in Europe how the Cyprus problem injures the common foreign and security policy, and encourage Russia to use its influence on the island to encourage a settlement.
11. The U.S. should work with European capitals and with other Security Council members to highlight the dangers of non-resolution of the Cyprus problem.

Nicosia/Istanbul/Brussels, 10 January 2008

CYPRUS: REVERSING THE DRIFT TO PARTITION

I. INTRODUCTION

The modern Cyprus problem is now more than half a century old and has been in a diplomatic stalemate for more than three decades.¹ Intercommunal tensions on the eastern Mediterranean island grew in the 1950s as British colonial rule began to unwind² and escalated into violence and ethnic cleansing in 1963-1964. Inter-communal unrest came to a traumatic climax in 1974 with a coup backed by Greece and subsequent invasion by Turkey that forcibly divided the island. Since then, bloodshed has all but stopped. UN peacekeepers (UNFICYP) ensure co-existence of the Greek and Turkish residents with little worse than verbal sparring, although disturbances have proved them invaluable every few years. Cyprus today is home to slightly more than one million people, about 80 per cent Greek Cypriot and 20 per cent Turkish Cypriot.³

Outside powers have always been deeply involved.⁴ Formally, the UK, Greece and Turkey remain guarantor powers under treaty arrangements concluded at independence in 1960. The peacekeepers arrived in 1964, and the UN has nearly always mediated negotiations for a

settlement. Since the Greek Cypriot government became a European Union (EU) member in 2004, the EU has also in practice become a party to the dispute.

One obstacle to peacemaking is the very different versions of the island's history believed by Greek and Turkish Cypriots, who, despite similarities and centuries of cohabitation, are divided by both language and religion (Orthodox Christian, Islam). This has built a wall of distrust, made worse by misleading schoolbooks and a near-total absence of direct communication since 1974 between Greek Cypriots and Turkey.

Greek Cypriots portray the island's history as Hellenic, ethnically and culturally Greek, and put aside other narratives and the island's subjection to many overlords.⁵ Turkish Cypriots claim an equal share of the history on the basis of many centuries of residence, as well as the legacy and monuments of 307 years of Ottoman Turkish rule, one of the longest periods the island spent under a single master.

As the UK prepared to leave Cyprus, the Greek Cypriot majority of 78 per cent sought (and fought for) *enosis* – a pan-Hellenic union with Greece. The 18 per cent Turkish minority sought *taksim* – division of the island and protection of their part by Turkey.⁶ The resulting negotiations left the new republic in 1960 with one of the

¹ See Crisis Group Europe Report N°171, *The Cyprus Stalemate: What Next?*, 8 March 2006. For further background, see Andrew Borowiec, *Cyprus, A Troubled Island* (Westport, 2000); and Joseph S. Joseph, *Cyprus: Ethnic Conflict and International Politics* (London, 1999).

² Ottoman Cyprus became a British protectorate in 1878. London annexed the island in 1914 and declared it a crown colony in 1925.

³ The last exact ratio before 1974 was 77.1 per cent Greek Cypriot, 18.2 per cent Turkish Cypriot. The official end-2006 Greek Cypriot population was 778,700. A Turkish Cypriot census in April 2006 counted 178,000 citizens of the self-declared Turkish Republic of Northern Cyprus, of whom the Greek Cypriot government recognises only 88,900 as Turkish Cypriots. There are at least 100,000 residents of northern Cyprus from the Turkish mainland. Troubles on Cyprus have resulted in large emigration, with a diaspora totalling perhaps half the number of the Greek and Turkish Cypriots on the island.

⁴ "The adage that geography is the mother of history can have few better exemplars than Cyprus...from early historical times to virtually the present day, it has been manipulated by surrounding states. Its destiny has been that of a prey", Alan James, *Keeping the Peace in the Cyprus Crisis of 1963-64* (London, 2002).

⁵ Veteran Greek Cypriot negotiator and former Cyprus President George Vassiliou, who worked hard on compromise solutions in the 1980s and 1990s, says his community's sense of entitlement lies behind the failure of would-be Greek Cypriot peacemakers like himself. "The bitterness of attacks on me was unbelievable. [The others] are scared to death by a solution. They don't want a federation... We Greek Cypriots think of Cyprus as a Greek island. The Turkish Cypriots are the *muhallebecis* [milk pudding sellers], poor, doing odd jobs, children of a lesser god. It is very difficult for us to accept political equality", Crisis Group interview, Nicosia, October 2007.

⁶ For a Greek Cypriot view, see *Cyprus: My Deposition* (Nicosia, 1989) by the long-time negotiator Glafcos Clerides. For a Turkish Cypriot perspective, see Pierre Oberling, *The Road to Bellapais* (Boulder, 1982). Lawrence Durrell's classic *Bitter Lemons* (London, 1957) chronicles the unfolding of the ethnic conflict. Yiannis Papadakis, *Echoes from the Dead Zone: Across the Cyprus Divide* (London, 2005) is an engaging personal investigation of the clash between Greek and Turkish nationalisms.

most complex post-colonial constitutional regimes. Partly because neither side was truly committed to the system, it never worked well and broke down within three years.

Greek Cypriots portray the period between 1960 and 1974 as one of ethnic harmony.⁷ In their view, the Turkish Cypriots unilaterally withdrew from the constitutional government in 1963. Turkish Cypriots say they were forced out by a prejudicial package of thirteen constitutional amendments, followed by the crushing of their resistance.⁸ Between 1963 and 1974, 20,000 to 25,000 Turkish Cypriots, about one quarter of the community, were forced from their homes, sometimes to live in ghetto-like conditions. Most evictions happened in the first year of clashes, after which most communal violence ceased with the arrival of the UN peacekeepers.⁹ Turkish and Turkish Cypriot historiography, however, usually characterises the whole period as one of ethnic cleansing, village massacres, hostage-taking and the privations of ghetto life.¹⁰

In July 1974, the military regime then ruling in Athens backed a coup by Greek officers of the Cyprus National Guard to unify Cyprus and Greece. Based on the founding treaties of 1960, Turkey claimed a right to intervene to restore the constitution, even though it had not recognised the legitimacy of the Greek Cypriot administration since the 1963 breakdown. It invaded on 20 July, eventually capturing 37 per cent of the island.¹¹

The shock and permanence of the Turkish invasion, along with resulting casualties, were traumatic for the Greek Cypriots.¹² The invasion and ensuing year of wrenching

adjustments resulted in the displacement of 142,000 to 162,000 Greek Cypriots, one third of the community, from the north of the island to the south. At the same time, 45,000 Turkish Cypriots, then about 40 per cent of the community, moved from their homes in the opposite direction. The Turkish Cypriots view the displacements as a “peace operation”, ending nearly two decades of inter-communal tension and bloodshed.

Debates about the rights and wrongs have gotten the sides nowhere. The Turkish Cypriots argue that before 1974 their rights were usurped. The Greek Cypriots respond that much of the current problem is about the 1974 Turkish “invasion and occupation”. The Turkish generals counter that their intervention ended communal bloodshed and maintains a kind of peace. Greece and the Greek Cypriot government note that today they have the power and technical right to keep Turkey out of the EU. But all must break out of this dialogue of the deaf if there is to be progress toward a solution.

⁷ This is beginning to be questioned. Outspoken Greek Cypriot member of the European Parliament Marios Matsakis told a newspaper “everything we have been told about living harmoniously with the Turkish Cypriots was a big lie”, *Cyprus Mail*, 31 August 2007.

⁸ For illuminating documents and literature from the early period of conflict asserting the Greek Cypriot community’s claims, see www.cyprus-conflict.net.

⁹ About 700 Greek and Armenian Cypriots also had to move from their homes.

¹⁰ 191 Turkish Cypriots were killed and 209 remain missing, presumed dead; 133 Greek Cypriots were killed and 41 remain missing, presumed dead. Most deaths occurred in the 1963-1964 violence. See “Quo Vadis Cyprus”, Turkish Economic and Social Studies Foundation (TESEV), April 2005.

¹¹ Greek Cypriots argue that even if an intervention right existed, it had no military dimension and should in any event have run its course when both the Cyprus coup and the junta in Greece collapsed.

¹² “This is a community that feels it has been raped by Turkey”, Crisis Group interview, peace activist Yiouli Taki, Nicosia, October 2007. The 1974 casualty figures are disputed. A comprehensive overview in “Quo Vadis Cyprus”, op. cit., lists 3,500 killed, two thirds Greek Cypriot, including an official toll of 891 Greek Cypriot soldiers (93 in the Nikos Sampson coup) and

250 Turkish Cypriot soldiers. Additionally, 1,434 Greek Cypriots (two thirds of them soldiers) and 272 Turkish Cypriots are still missing, presumed dead. Another 494 Turkish soldiers and 163 Greek soldiers (including five killed in the coup) also died. Greek Cypriot figures of missing vary, but the government website says 1,474, www.cyprus.gov.cy.

II. THE PEACE PROCESSES

There have been several initiatives since 1974 to resolve the Cyprus problem, and many parties have been responsible for their failure.¹³ Nevertheless, acting through successive UN Secretaries-General, international mediation has established the outline of a settlement, including an independent, sovereign, bicomunal and bizonal federation, with territorial readjustments; eventual compromises on the status and property of displaced persons; and provisions for freedoms of movement, residence and property.¹⁴

Peace plans have come tantalisingly close to success every decade or so, usually at moments of major international pressure. Most have failed because the two sides are so far apart conceptually that even the midpoint seems unacceptable. The Greek Cypriot side considered that the two-state federation described in the Annan Plan would result in a government without “functionality”.¹⁵ Turkish Cypriots have feared that handing power over their lives to a Greek Cypriot-led common government would sideline their community.

At various times one side or the other (sometimes both), has not trusted the other to stick to a deal and has concluded that time was on its side. Even negotiations over minor details have quickly come up against the fundamental dilemmas. Only unilateral gestures – like the opening of Green Line crossing points by the Turkish Cypriots in 2003 – have tended to work in returning normality to Cypriots’ lives. Attempts at partial solutions and mutual confidence-building measures (CBMs) have generally run aground.

¹³ David Hannay, *Cyprus: the Search for a Solution* (London, 2005), details former Turkish Cypriot leader Rauf Denktaş’s long record of blocking federal reunification. For self-criticism of a less obvious Greek Cypriot block of a solution prior to President Papadopoulos’s outright rejection, see Nicos Rolandis, “In the Death Chamber”, *Cyprus Mail*, 14 October 2007. Citing his 1983 letter of resignation as foreign minister after talks broke down, he said, “There was a lot of talk about a trap, partitionist tendencies, about national hazards...we shall be left alone with our... patriotic oration and with the Turkish occupation”.

¹⁴ This outline has been built up from many elements, including, among others, the 1960 independence agreements and the 1977 and 1979 High-Level Agreements, the 1992 UN “set of ideas” and the work that went into the Annan Plan in 2004. The 1977 and 1979 High-Level Agreements were negotiated between the leaders of the two communities, the former by Archbishop Makarios III, president of Cyprus from independence in 1960 until his death in 1977, and Rauf Denktaş, the Turkish Cypriot leader from 1973 until 2005, the latter between Denktaş and Makarios’s successor as president, Spyros Kyprianou.

¹⁵ “It’s like offering someone who likes to drive an old Skoda instead of a BMW”, Crisis Group interview, Greek Cypriot official, Brussels, December 2007.

Pride, fear and sometimes a desire to punish persuade both sides to stick to intransigent positions, despite the long-term costs of insecurity for Greek Cypriots and of international disapproval for Turkey.¹⁶ The Turkish side’s reputation for immovability was well-earned while the community was led by Rauf Denktaş. When the referendums in 2004 resulted in Greek Cypriot rejection of the compromise plan associated with his name, Secretary-General Kofi Annan said that if they “remain willing to resolve the Cyprus problem through a bicomunal, bizonal federation, this needs to be demonstrated”.¹⁷

Some suggest that peace processes have become a habit that takes the place of a solution. Greek Cypriot MEP Marios Matsakis has said that “too many politicians and others prefer the continuation of the Cyprus problem”, because if it did not exist “they would be out on the streets looking for a job”.¹⁸

A. THE ANNAN PLAN

The most intense of all the peace processes since 1974 was the four-and-a-half-year effort that culminated in the plan named for Kofi Annan.¹⁹ The first official version was floated in November 2002. The international community hoped that Cyprus’s impending EU membership gave unique leverage, while major states also feared importing the problems of a divided island into the EU.²⁰

¹⁶ A leading Greek foreign policy expert summed up a Greek Cypriot view of the standoff as: “The Turks have the guns. We have the EU. If we don’t get what we want, they won’t get it either”, Crisis Group interview, Athens, October 2007. A former senior officer in Turkish national intelligence said, “we don’t have a powerful economy, we have no international political leverage, so of course we use our armed forces. It’s the only really strong thing we have”, Crisis Group interview, Ankara, October 2007.

¹⁷ “Report of the Secretary-General on his mission of good offices in Cyprus”, UNSC S/2004/537, 28 May 2004.

¹⁸ Interview, *Cyprus Mail*, 31 August 2007.

¹⁹ David Hannay, the UK special representative during the initiative, gives the most comprehensive account of the lead-up to the Annan Plan and its rejection in his *Cyprus*, op. cit. See also Miltiades Hatzopoulos, “Pride and Prejudice in a British View of the Annan Plan Negotiations”, *Southeast European and Black Sea Studies* vol. 6, no. 4 (December 2006), which argues that the UK’s priority was to retain its sovereign bases on Cyprus after EU membership; Claire Palley, *An International Relations Debacle: The UN Secretary-General’s Good Offices Mission in Cyprus 1999-2004* (Oxford, 2005); and James Ker-Lindsay, *EU Accession and UN Peacemaking in Cyprus* (London, 2006).

²⁰ The EU was initially cool to accepting a divided Cyprus but changed in the late 1990s, due to Athens’s pressure, the intransigence of Turkish Prime Minister Mesut Yılmaz and the Blair government’s change of UK policy. Crisis Group interview, ex-European Commission official, Lisbon, October 2007.

The novelty of the Annan Plan was more in its exhaustive detail than in its bizonal, bicomunal parameters. Key words like “partnership” and “political equality” between the two communities, a “sovereignty” emanating from both communities and the goal of a “state” for each side can be found in the 1992 UN “set of ideas” and earlier. By the time it reached its fifth and final version in April 2004, it included 182 pages of main articles and finalised laws, with over 9,000 pages of attached draft laws and treaties. Strongly backed by the UN, the EU and the U.S., it was submitted to separate referendums on the island in April 2004, the first time the two communities had been directly asked their views.

Denktash had rejected the first three incarnations of the plan, but the Turkish Cypriot position changed as the community came to believe his hard line could cost it future prosperity and equal status with the Greek Cypriots in the EU. After unprecedented street demonstrations, Denktash’s party lost control of the Turkish Cypriot parliament in a December 2003 election to the party of the pro-reunification Mehmet Ali Talat. Denktash stepped aside as the lead Turkish Cypriot negotiator, then lost the presidency to Talat in 2005. From January 2004 onward, the new AK Party government in Turkey spelled out its “one step ahead” policy towards Cyprus to aid its own EU accession hopes. In the referendum, 65 per cent of Turkish Cypriots voted for the Annan Plan.

That plan, however, was a tough sell to Greek Cypriots.²¹ Though they had theoretically accepted a federal solution since 1977, they seemed not to have focused until now on how much the reality of such a solution differed from three decades of maximalist rhetoric and treasured myths.²² Tassos Papadopoulos, who won the presidency from the pro-solution Glafcos Clerides in 2003, campaigned forcefully against the plan, tearfully informing television viewers that having “received a state” he would not “hand over a community”. EU Enlargement Commissioner Guenther Verheugen and UN envoy Alvaro de Soto were denied the opportunity to explain the international

community’s views on Greek Cypriot television. Concluding that it did not adequately address their security concerns regarding Turkish military threats and eventual secession of the north, 76 per cent of Greek Cypriots voted against the plan.²³

The EU’s Verheugen declared that the Greek Cypriot leadership had cheated on a 1999 summit pledge in Helsinki not to hinder a solution.²⁴ Kofi Annan said that before his “no” campaign, Papadopoulos had “told me that he would want to support” the plan and that little was done to prepare Greek Cypriots for the inevitable compromises. “What was rejected was the solution itself rather than a mere blueprint”, Annan said.²⁵

Greek Cypriots believe that the international community sought to railroad them in its desperation for a settlement and that the UK and the U.S. were pandering to Turkey for their own interests.²⁶ Papadopoulos’s disengagement from the negotiations²⁷ did mean that the last version of the Annan Plan was significantly influenced by Turkish interventions.²⁸ Even so, the Turkish side thought there was a negotiation in good faith with the Greek Cypriots, and the UN envoy sought through his interventions to ensure that Greek Cypriot interests were defended.²⁹ Greek Cypriots who denounced the Annan Plan as pro-Turkish

²¹ “For us what was offered made us worse off. The dynamics of the economy were arrested, we couldn’t have gotten into the eurozone. And there should have been a functional federation with loose bizonality. If you construct the state on different zones and ethnicities the chance to survive is very limited”, Crisis Group interview, Greek Cypriot academic Andreas Theophanous, Nicosia, October 2007.

²² “There was never a debate on what it implies. [Previous politicians] didn’t inject information into society. The attitude is: ‘we will tell people how to act’. Everyone was postponing the moment of truth”, Crisis Group interview, peace activist Yiouli Taki, Nicosia, 8 October 2007. Researcher Philippos Stavrides noted that “people said: ‘this is not how you were telling us it would be’”, Crisis Group interview, Athens, October 2007.

²³ Controversial points in the Annan Plan included Turkey’s intervention right; the immediate dissolution of the Greek Cyprus government but a slow withdrawal of Turkish troops and return of territory; and the acknowledgement of all treaties between Turkey and the Turkish Republic of Northern Cyprus. “All was set for break-up”, Crisis Group interview, Costas Carras of the UK Friends of Cyprus, Athens, October 2007.

²⁴ “Cyprus Split on Annan Plan”, *Guardian*, 29 April 2004.

²⁵ “Report of the Secretary-General”, op. cit.

²⁶ “The Annan Plan was what Turkey wanted”, Crisis Group interview, Greek Cypriot negotiator Tasos Tzionis, Nicosia, October 2007.

²⁷ Papadopoulos made himself available for only two of the six critical days of negotiation in March 2004 in Bürgenstock, Switzerland, “Report of the Secretary-General”, op. cit. According to Greek Cypriot peace activist Yiouli Taki, “Papadopoulos went to destroy the process, and the UN was so irritated by him that they went for a Turkish ‘yes’. They had to have at least one”, Crisis Group interview, Nicosia, October 2007.

²⁸ The centrist Greek Cypriot party DISY, fearing the negative consequences that have developed, supported the Annan Plan even though it was “far from perfect”. It heavily criticised Papadopoulos for “doing a bad job in negotiating effectively to make it a more acceptable plan”, Crisis Group interview, DISY deputy spokesman Harris Georgiades, Nicosia, October 2007.

²⁹ Turkish negotiators had no sense that Papadopoulos had withdrawn and point to at least eight such UN interventions which, for instance, opposed efforts to keep Greek Cypriots out of a future Turkish Cypriot state, Crisis Group interview, Turkish foreign ministry secretary-general Ertuğrul Apakan, November 2007.

argued at the same time that the Turkish side would not have implemented the deal.³⁰

B. THE 8 JULY 2006 AGREEMENT

Attempts to pick up the pieces of the Annan Plan have been unsuccessful, in part because they have become entwined with Turkey's negotiations for EU membership. This includes in particular the 2005 Additional Protocol to Turkey's Customs Union with the EU, which obliges it to open its seaports and airports to Greek Cypriot traffic, but which it has been unwilling to implement. Kofi Annan made explicit that the UN would not again become involved without convincing evidence of Greek Cypriot willingness to re-engage. The Greek Cypriots did indicate a willingness to restart talks in 2005 but supplied a list of goals so vague that the UN declined to pursue the offer.³¹

In 2006, however, the UN began to put pressure on all sides for new movement and sent the then Under Secretary-General, Ibrahim Gambari, to the region.³² This fitted with a Greek Cypriot desire to escape the spoiler image and a Turkish Cypriot interest in coming back to the internationally-backed compromise plan. Gambari's mission resulted in a joint statement, known as the 8 July Agreement, in which the two sides made a general five-point declaration, including commitment to a bizonal, bicommunal federation with political equality, acknowledgement of the negative consequences of failing to find a solution and a vow to end the "blame game". They also promised an immediate resumption of talks. The new process was to have two tracks: on one, technical committees would work with day-to-day issues; on the other, working groups of experts would address substantive issues.³³

The chief negotiators of the two sides have met 52 times over fourteen months. A 16 November 2006 letter from Gambari suggested a three-phase approach: setting up bicommunal expert groups; monthly meetings of the leaders; and finally full negotiations. Lacking domestic or international pressure, however, the sides have not even been able to reach the first phase, due to disagreements over the names of the committees and their mandates.³⁴

For the Greek Cypriots, the 8 July Agreement aimed to start a "bottom-up process...to create a new basis for negotiations which do not use the Annan Plan as a starting point". The method would be the "exact opposite of the Annan Plan", in which the UN had taken the leading role in outlining compromises. The local sides would regain ownership of the process and lay the basis for comprehensive talks rather than "speed up failure".³⁵ Nothing of substance has so far been discussed, however, with the process stalling over what should be considered and how. The Greek Cypriots say this was due not to Talat, the Turkish Cypriot leader, but to Turkey's refusal to engage.³⁶

From the Turkish Cypriots' perspective, the 8 July process threatened to sweep aside the two-state solution they believed had been on the table since the 1992 set of ideas.³⁷ They resented the Greek Cypriot wish to renegotiate subjects they thought had been agreed under the Annan Plan and felt the Greek Cypriots were blurring the line between tracks, notably by raising the property question as a "day-to-day" rather than "substantive" issue. They called for a quicker start to full negotiations and for the leaders to meet again, but this did not happen for fourteen months.

The UN, which has acted as host and mediator, and the EU have supported the new process. The EU has called on Turkey to play a more constructive role.³⁸ International officials close to the talks, and some Greek and Greek Cypriot liberals, say Greek Cypriot officials are using the slow-moving talks to win time in the belief that the Turkish Cypriots will eventually individually accept the benefits of citizenship in the internationally recognised

differences remain concerning the interpretation of the agreement, most notably on what constitutes a day-to-day matter, and the mechanism for resolving disagreements". UN Secretary-General Ban Ki-moon, "Estimates in respect of special political missions, good offices and other political initiatives authorised by the General Assembly and/or the Security Council", General Assembly, A/62/512, 30 October 2007. In Ban's 3 December 2007 "Report of the Secretary-General on the United Nations Operations in Cyprus", UNSC S/2007/699, he stated that during the previous six months there had been "no progress".³⁵ Crisis Group interview, Greek Cypriot official, Brussels, September and December 2007.

³⁶ For instance, Greek Cypriot negotiator Tasos Tzionis cited a hardening of policy in November 2006 after the Turkish Cypriot side consulted with Ankara, Crisis Group interview, Nicosia, October 2007.

³⁷ Crisis Group interview, Turkish officials, Ankara, November 2007.

³⁸ In the 10 December 2007 General Affairs and External Relations Council (GAERC) conclusions, EU foreign ministers urged Turkey "to actively support efforts to implement the agreed 8th of July process leading to a comprehensive and viable settlement of the Cyprus problem", p. 10.

³⁰ "We don't trust that when Turkey signs an agreement it will stick to it", Crisis Group interview, Greek Cypriot negotiator Tasos Tzionis, Nicosia, October 2007.

³¹ For more details, see Crisis Group Report, *The Cyprus Stalemate*, op. cit.

³² The 8 July process is sometimes also known as the Gambari process.

³³ See <http://news.bbc.co.uk/2/hi/europe/5161224.stm>.

³⁴ "There is...preliminary agreement on the list of issues for the technical committees and the working groups. However,

Greek Cypriot state, rather than wait for the Turkish Cypriot administration to achieve something through negotiation. A Western diplomat said, “the Greek Cypriot government says it wants to move on the [8 July] process. But the government machinery does everything it can to block the other side”.³⁹

On 5 September 2007, the Greek and Turkish Cypriot leaders met for the first time since the start of the 8 July process but were unable to agree on resuming talks. Timelines were the main point of contention. Talat proposed a speeded-up negotiation, suggesting the preparatory phase be limited to two-and-a-half months, leading to a one-year negotiation ending in 2008. Officials in Turkey suggest this timetable could begin after the February 2008 Greek Cypriot presidential elections. They say talks could last two years or more, and their only condition is that they not be conceptually open-ended.⁴⁰ The Greek Cypriots reject speeding up the process, which they see as an attempt to set the talks up for failure, after which the Turkish Cypriots would blame them and then pursue formal partition.⁴¹ The Turkish Cypriots view the impasse as further evidence that the Greeks believe time is on their side.⁴²

The Greek and Turkish Cypriot leaders each visited the new UN Secretary-General, Ban Ki-moon, in October 2007, and offered a series of CBMs. UN officials said there was some overlap, including opening crossing points and bicomunal activities, but a fundamental difference in approach. The Turkish Cypriots wanted negotiations with a stated timeframe and a link between the CBMs and movement to next steps. The Greek Cypriots were prepared to take only one step at a time, after each of which they would review whether to move to the next stage.

³⁹ “Papadopoulos clearly wants an open-ended process. But there’s no lack of research on the issues, so it did look like delaying tactics. We don’t have three years to spend on this”, Crisis Group interview, European Commission official, Brussels, September 2007.

⁴⁰ “It’s a real commitment...The Greek Cypriots say it’s an artificial timetable. But it’s a reasonably artificial timetable, ample time to show if you’re negotiating in good faith. If Papadopoulos could only take the leap of faith...we don’t want to negotiate for another 40 years”, Crisis Group interview, Turkish official, Ankara, October 2007.

⁴¹ Crisis Group interviews, Greek Cypriot official, Brussels, September and December 2007. Crisis Group interview, official from a European state close to the Greek Cypriots, Athens, October 2007.

⁴² “Papadopoulos rejected a time frame. No way. He wanted endless preparations again. The Greek Cypriot side refused any date [because they know] that if they sit down they won’t be able to get away”, Crisis Group interview, former Turkish Cypriot negotiator Raşit Pertev, Brussels, September 2007.

III. A LAST CHANCE IN 2008?

An opportunity for movement may present itself after the elections for the Greek Cypriot presidency in February 2008, since there will then be several years without further elections on Cyprus or in Turkey and Greece. This could ease nationalist and populist pressures against compromise. Greek and Turkish Cypriot officials, as well as the Turkish foreign ministry, say they are eager to begin substantive negotiations, but they differ on how to approach them.

Incumbent Greek Cypriot President Papadopoulos has made his 2004 rejection of the Annan Plan and readiness to stand up to any attempt to revive it a central part of his campaign for re-election. He concentrates on the 8 July Agreement and the “new basis” for negotiations, namely his goal of reunification with Turkish Cypriots around the existing Greek Cypriot administration. He has attacked as a sell-out the more compromising approach of the two other main candidates – Dimitris Christofias of the nominally communist AKEL party and the former foreign minister, Ioannis Kasoulides, an independent backed by the centre-right party DISY – thus limiting the opposition’s ability to convey support for a new strategy. Nevertheless, according to a DISY spokesman, “we are trying to escape from the siege mentality...highlighting the danger of keeping the situation as it is. We have to have a realistic counter-proposal; we have to win back our credibility by showing we are ready to talk and to narrow the gap”.⁴³

A senior diplomat posted to Cyprus said, “what is obvious, bizarre and frankly appalling is that the whole electoral debate is almost exclusively about the past. Very little [is said] about the future and even the present”.⁴⁴ A Greek Cypriot newspaper commented that all the main candidates have preferred “to deal with the no-cost politics of wishful thinking – promising the ideal solutions and telling us what they will never accept. The main message of Papadopoulos’s campaign, in fact, is that he is the man best able to resist the foreigners’ effort to impose an unfair settlement”.⁴⁵ It is important that whoever wins the election breaks out of this vicious circle. In the weeks ahead maximum efforts should be made, internally and externally, to focus on the substantive matters at stake: the disadvantages of an accelerated move to partition and the advantages of a comprehensive settlement.

After the elections the Greek Cypriots and the Turkish Cypriots both need to re-engage. Otherwise, the chances of reunification will continue to diminish and a drift

⁴³ Crisis Group telephone interview, DISY deputy spokesman Harris Georgiadis, January 2008.

⁴⁴ Crisis Group email correspondence, 6 January 2008.

⁴⁵ *Cyprus Mail*, 1 January 2008

towards partition will accelerate.⁴⁶ UN officials consider that the situation has worsened since 2004 and say the international community now lacks leverage over the Greek Cypriots and any incentives to offer the Turkish Cypriots and Turkey, especially since the EU is taking an increasingly hard line on Turkish membership issues.⁴⁷ Many of the same actors are still on the scene and bear grudges. Seeing the danger, the current EU Enlargement Commissioner, Olli Rehn, has urged all sides to “finally move on [the Cyprus] issue. It’s a real European problem. It’s hurting the European Union, its citizens and potentially our soldiers and policemen”.⁴⁸

The cause of a comprehensive settlement is not yet lost. A UN poll shows the people of Cyprus are ready, if reluctant, to accept a serious compromise and that a federation is considered tolerable by 66 per cent of Greek Cypriots and 72 per cent of Turkish Cypriots.⁴⁹ His own research has persuaded Greek Cypriot pollster Alexandros Lordos that “a sensible re-drafting of the UN Peace Plan... will have a strong possibility of being accepted by both communities in a future referendum”.⁵⁰

This report argues that an end to the uncertainty on Cyprus is far better for all sides than its alternative: an unmanaged slide to a permanent division of the island. The latter may seem psychologically the easiest path to Greek Cypriot hardliners and some diehards in the Turkish establishment, but it would be profoundly damaging to Turkey’s convergence with Europe, Greek Cypriot prosperity, stability in the eastern Mediterranean and EU unity.

A. RELAUNCHING THE TALKS

After the February 2008 election, the Greek Cypriot and Turkish Cypriot leaders should meet to agree on relaunching the negotiations.⁵¹ They should then recommit to a bicomunal, bizonal federation and political equality, the long-established principles restated in the 8 July 2006 Agreement. The chances for success in the talks would increase if the Turkish Cypriot side could commit from the start to the goal of full Turkish troop withdrawal, and the Greek Cypriot side could commit to an understanding that these principles will result in a federation of two

constituent states. The two Cypriot leaders should then approach the UN Secretary-General, preferably by a joint letter, to lay out their commitment to negotiating and implementing a settlement.

To underline their political will, they might agree to open Nicosia’s Ledra Street crossing, a CBM in the works for a year or more. The reopening of this main shopping street in the heart of the divided capital, barricaded along the communal divide since the 1950s, would impress sceptics and energise both sides for the hard work ahead. Currently this CBM is held up by Greek Cypriot conditions and Turkish military objections to changes to nearby outposts. Its implementation would be welcomed at the UN and would encourage the Secretariat to recruit top-flight emissaries to assist the subsequent negotiations.

B. THE UN ROLE

Despite occasional frustrations, majorities of over 80 per cent of both Greek and Turkish Cypriots support UN efforts to mediate a settlement.⁵² The UN is interested in taking advantage of any opportunity to re-engage, especially after receiving positive messages from both sides in October 2007.⁵³ Upon being formally approached, Ban Ki-moon should send as soon as possible a high-level, independent figure on a one-off assessment mission to formulate and publish a framework for talks. This mission should visit not just the two sides in Cyprus but also the outside parties closest to the problem, the EU, U.S., UK, Turkey and Greece.

The framework should take into account the decades of previous UN-mediated efforts at compromise, including the intensive work that went into the Annan Plan. It should envisage the early launching of full talks; without setting deadlines, it should acknowledge the benefits of real progress before 2009, a key year for Turkey’s EU accession negotiations,⁵⁴ and it should leave space for the participation at some agreed level of senior envoys from at least the two most critical outside parties, the EU and Turkey.

If these contacts show that the two sides are indeed ready to engage, the Secretary-General should appoint a new Special

⁴⁶ “If this doesn’t happen in the next three years, nothing will happen”, Crisis Group interview, European Council senior official, Brussels, September 2007.

⁴⁷ Crisis Group interviews, UN officials, New York, November 2007.

⁴⁸ Reuters, 29 Nov 2007.

⁴⁹ Survey by the UN peacekeeping mission in Cyprus, UNFICYP, 24 April 2007.

⁵⁰ See www.cypruspolls.org.

⁵¹ The first round of the election is on 17 February; if no candidate wins more than 50 per cent, a run-off will be held on 24 February.

⁵² UNFICYP, *op. cit.*

⁵³ Crisis Group interviews, UN officials, New York, November 2007.

⁵⁴ The EU froze the opening of eight of the 35 negotiating chapters in December 2006 in reaction to Turkey’s failure to open its ports, as it promised in the 2005 Additional Protocol to its Customs Union with the EU. The EU said it would review progress on this annually until 2009. It is not a formal deadline, but lack of progress could add burdens to the EU-Turkey relationship.

Adviser on Cyprus to supervise a full good offices process in Cyprus and the region and work alongside the UN Special Representative in Nicosia. Ban has already asked that funds be set aside for a potential mission.⁵⁵ The Secretariat should start building up the Cyprus team to reinforce its expertise on the ground.

The Secretary-General should take great care with the appointment of the special adviser. The ideal mediator must be capable of defusing fears among Cypriot factions of arrogant great power meddling.⁵⁶ Despite the sophistication and energy of many previous emissaries, two thirds of Cypriots say they believe the UN is biased in favour of the other side.⁵⁷ The new envoy must have a good feel for inter-ethnic mistrust and small-town politics, an ability to avoid being labelled as biased and a thick skin against media attacks. He or she should be of unassailable integrity and sufficient stature to create political will and trust.

C. GETTING THE FORMAT RIGHT

The scenario described above would be defined by a clear starting point – the opening of Ledra Street or a comparable CBM – and encouraged by the end-goal of the creation of a two-state federation and the withdrawal of Turkish armed forces. It would be difficult and probably counterproductive at this time to assign precise timeframes for the talks but it is evident that the longer they stretch out, the more difficult it will be to reach a compromise solution. Turkey should begin an ultimately full troop withdrawal at the same time as any new united Cyprus government takes office. Turkish Cypriots would achieve most of their goals at the beginning of any peace plan's implementation, via recognition of their constituent state. The goals of the Greek Cypriots should not take much longer. To make all sides feel secure during the transition, a binding (Chapter VII) UN Security Council resolution guaranteeing the new plan's implementation would be important. The EU and others should do their utmost to prevent any repetition of the role of Greek Cyprus and Russia in blocking such a guarantee for the Annan Plan.⁵⁸

The failure of the 8 July process to make any real advance towards full negotiations in the past eighteen months shows that, as in all previous efforts, progress rarely comes unless the two Cypriot community leaders meet face to face with outside diplomats present and regional officials in the background.

The 8 July process should become just one of several parallel processes supporting the main talks.⁵⁹ These should include the bicomunal expert committees foreseen by the 8 July Agreement, as well as civil society groups and business forums, which could deliver ideas to the main negotiators, aided as necessary by UN and other experts accredited to the talks; readiness by Turkey to engage with Greek Cypriots, working up to the ultimate goal of recognition in the settlement; early Greek Cypriot engagement at some level with the Turkish Cypriot administration, working towards an agreed two-state federation; a bottom-up, presidentially-endorsed debate in Greek Cypriot society on settlement goals; full EU political engagement; and an EU-sponsored project off the island to familiarise intellectuals, business people and officials with the benefits of a solution.

If there is genuine political will for a settlement, a timeframe of a few months for preparations and a year or two for negotiations would be reasonable at least to determine if real progress is likely. The exhaustive talks on the Annan Plan, despite lengthy boycotts by one side or the other, took only eighteen months. However, a pre-determined timeframe would likely cause more difficulties than it solved. The 8 July process was partly defeated by a Turkish Cypriot desire for speedy deadlines and corresponding Greek Cypriot resistance.

All four main actors – Greek Cypriots, Turkish Cypriots, Turkey and Greece – must act more forthrightly to challenge popular prejudices. If they seek a settlement, they should avoid actions that provoke nationalistic reactions in the media of the other side.⁶⁰

During the process that led up to the Annan Plan, the UN mediator stepped in to “fill in the blanks” and offer his best sense of what a compromise should look like. The Turkish

⁵⁵ “Depending on the developments on the island, in 2008, the Secretary-General may decide to appoint a Special Adviser to carry out his good offices mission at the shortest possible notice to reach a comprehensive settlement of the Cyprus problem”, Ban Ki-moon, “Estimates”, op. cit.

⁵⁶ A leading Greek foreign policy expert compared Cypriot politics to those of a “big village”. A Greek politician said Greek Cypriot politicians rebelled against the technical detail of the Annan Plan and “couldn’t connect to the envoys...they were too young, too fast”, Crisis Group interviews, Athens, October 2007.

⁵⁷ UNFICYP, op. cit.

⁵⁸ Russia, in its first Security Council veto since 1994, blocked a guarantee of the Annan Plan in 2004. Diplomats believe it was

at Greek Cypriot request, Crisis Group interviews, Brussels and Nicosia, October 2007.

⁵⁹ “The 8 July agreement, and subsequent agreed procedural clarifications, aims to facilitate direct talks, not to block them”, Ban Ki-Moon, “Report”, op. cit.

⁶⁰ An aide to former Greek Prime Minister George Papandreou said changing public opinion was the hardest part of creating détente with Turkey after 1999. “We’d work for months for one little step, then an article about fifteen planes [flying over Greek airspace] would appear, and it would be back to square one. It’s even more difficult on Cyprus”, Crisis Group interview, Athens, October 2007.

Cypriots believe this remains a vital option if the talks are to proceed at a reasonable speed.⁶¹ Greek Cypriots are averse to the idea, believing that matters basically must be left to the two parties.⁶² The 8 July process, however, gives no great confidence that much will be achieved without substantial international involvement. Some degree of mediation is vital, as is the legitimacy a new referendum would bestow on the process at its end.

It would be helpful in this respect to widen the group at the negotiating table. New direct participants could include not only representatives from the EU but also from Turkey, Greece and the UK, the powers given a right of oversight in the 1960 Treaty of Guarantee. As during development of the Annan Plan, these players will not be far from the table in any event, since all have a strong interest in a settlement. This format would give the Greek Cypriots something they have long asked for: the direct engagement in the talks of Turkey. It would also give Turkey what it has long asked for: full representation for the Turkish Cypriots and recognition of a continued role for itself as a guarantor power.

D. A NEW EU RESPONSIBILITY

A critical new element in any 2008 process would be the EU's changed role. During the Annan Plan talks, top EU officials from the European Commission's Enlargement Directorate-General were always in the wings. Since the Cyprus problem has turned into a major EU-Turkey and EU-NATO problem, Brussels has both a responsibility and a need to ensure the maximum is done to reach a settlement.

The "Turkish Cypriot Community" task force within the Enlargement Directorate-General should continue to be supported in its work to implement an EU promise to end the isolation of the Turkish Cypriots and bring them into the EU's orbit.⁶³ Such efforts include a December 2007 suggestion of twelve areas of governance in which the EU would help Turkish Cypriot officials harmonise laws with those of the EU.⁶⁴ The "Conference of Presidents", which links political parties in the European Parliament, should maintain its high-level contact group to bolster Turkish Cypriot faith in a European future.

But EU member states are split over Cyprus. A few, like France, openly side with the Greek Cypriots.⁶⁵ Others, led by the UK and Sweden, want to do the maximum to help the Turks and Turkish Cypriots enter Europe.⁶⁶ A group of "like-minded" countries has had two informal meetings since September at Swedish invitation to explore ways of breaking the logjam but is said to have "ruffled feathers without any result".⁶⁷

One path forward could be for the UN to choose as its Special Adviser a former head of government from a European country like Belgium, Spain or Ireland with close recent experience of inter-communal disputes. Given that Greek Cypriots represent the whole island in the EU and have used that membership to block EU decisions to help Turkish Cypriots, as well as anger in Turkey at recent difficulties in its accession process, Ankara is likely to view a European appointee as inherently biased. If a candidate is found who could truly generate political momentum, however, Turkey and the Turkish Cypriot side should put aside their objections to a European UN mediator.

During the Annan Plan talks, Enlargement Commissioner Verheugen led the EU team, which had no seat at the negotiating table but maintained close liaison with the UN and regional states. A future EU representative should be of at least the same stature as Verheugen and might serve as a direct representative of the EU President, in anticipation of the more potent role foreseen for the EU Presidency in the recently signed Treaty of Lisbon.⁶⁸ That person should be known as a Facilitator, since the title "EU Representative" would be inappropriate when dealing with Cyprus, an EU member state. Whatever the title, the EU cannot afford to be distracted by Greek Cypriot sensitivities, since the Cyprus problem is driving a wedge between it and Turkey and is increasingly disruptive of its other important business.

The EU should also offer to fund an expansion of existing UN or other programs involving bicomunal meetings. This might include a substantial conference, or series of meetings with serious papers for publication, that debate the benefits to both sides of a solution, not the problems of the past. The economic advantages of a solution appear self-evident to outsiders but are discounted by many Cypriots. The meetings should aim to involve not just

⁶¹ Cyprus Group telephone interview, Turkish Cypriot official, December 2007.

⁶² Cyprus Group interview, Greek Cypriot official, Brussels, December 2007.

⁶³ For more details, see http://ec.europa.eu/enlargement/turkish_cypriot_community/index_en.htm.

⁶⁴ Crisis Group telephone interview, Turkish Cypriot official, December 2007.

⁶⁵ In March 2007, Turkey protested a defence cooperation agreement between France and the Greek Cypriot administration.

⁶⁶ These include Sweden, the UK, Italy, the Czech Republic, Poland, Netherlands, Finland, Germany, and the U.S.

⁶⁷ Crisis Group interview, UN official, Nicosia, October 2007.

⁶⁸ When ratified by all 27 EU states, the Treaty of Lisbon, signed on 13 December 2007, will create an EU president with a two-and-a-half-year term and what will be in effect an EU foreign minister. Normally monitoring such a settlement process would call for an EU Special Representative, but there is no precedent for this when the dispute is within an EU member state.

Greek and Turkish Cypriot opinion makers, but also intellectuals and economists from Turkey, Greece and the EU. Slovakia could expand its longstanding bicomunal monthly meetings in the buffer zone to include special sessions either at the current location (the former Ledra Palace Hotel), or in Bratislava. Greece could host a meeting on Rhodes, off the Turkish coast. The Council of Europe could contribute expertise on constitutional arrangements.

Issues to focus on would include: the peacebuilding successes of European enlargement; the benefits of the 1999 Greek-Turkish rapprochement; the diminution of tension between Greeks and ethnic Turkish Muslims in northern Greece; the positive role assumed since the 1990s by the 10 per cent Turkish minority in Bulgaria; and the mutually profitable interaction between Turkey and the Greek island of Rhodes. Discussions could also include other examples of countries that have gone through or are experiencing painful territorial divorces and settlements within the EU, such as Belgium, Ireland and Britain, the Czech Republic and Slovakia. There should be a focus on the devastating wars that formed the basis for Europe's relatively new culture of compromise and of which Cypriots have little consciousness.⁶⁹ Above all, the debate should detail how a reunified Cyprus could have a brighter economic future as an eastern Mediterranean hub than a divided island could ever hope for.

E. THE ADDITIONAL PROTOCOL TO THE EU-TURKEY CUSTOMS UNION

Turkey and Greek Cypriots need to become far more familiar with each other to reduce the suspicions and politics of fear that are the biggest obstacles to a settlement. Turkey and Greece were trapped in the same vicious circle for decades before 1999 but have overcome it through top-level gestures of political goodwill, contacts, tourism and trade. Turkish and Greek Cypriot officials appear to rely to a surprising degree on reading each other's media, which can be inaccurate, sensational and subject to official manipulation.⁷⁰

Turkey needs to realise how deeply it is feared by Greek Cypriots, avoid any threatening posture and convince Greek Cypriots to do business with it. The best start would

be to commit clearly to full and rapid troop withdrawal upon conclusion of a satisfactory agreement between the Greek and Turkish Cypriots. It should also at the earliest opportunity open its seaports and airports to Greek Cypriot traffic. It has been committed to this since 2005 under the Additional Protocol to the EU-Turkey Customs Union but has resisted, initially for fear it would constitute recognition of the Greek Cypriot administration as the government of all Cyprus and later in reaction to the EU's failure to implement its Direct Trade Regulation with the Turkish Cypriots. Efforts have been made to break the impasse, most notably a Finnish attempt to link the issues in 2006, but it appears the ports will only be reopened if Turkey acts unilaterally and unconditionally as a CBM for the new talks.

Opening the ports in 2008 would bring Turkey many advantages and would not prejudice its position on recognition pending a final settlement any more than did the 2003 decision to allow Greek Cypriots visa-free travel to Turkey.⁷¹ More open trade would remove a major obstacle to EU accession and create a strong platform for cooperation on which Turkish and Greek Cypriot officials, businesses and civil society could build. Greek Cypriots, who currently buy Turkish goods through Greece, would also have to open their markets directly to Turkish products. The EU would then be able to rewrite its Green Line Regulation to allow Turkish exports to cross. The Turkish Cypriot economy would benefit, since its merchants would be the natural middlemen. Turkey and Greek Cypriots would come into more frequent contact, breaking down a major barrier to progress. If the 2008 talks failed, the gesture would preserve for Turkey the moral high ground on Cyprus.

Such a Turkish move should come quickly, timed either to encourage the winner of the Greek Cypriot presidential election to move forward or to get meaningful talks off to a good start. The decision should be purely pragmatic. Nationalist hardliners consider it a concession to be made only after hard bargaining, but there are senior Turkish officials who believe the Additional Protocol should have been implemented long ago.⁷² Turkey is isolated on this issue within the EU.⁷³ While the EU's December 2006

⁶⁹ "Many people find it rather insulting when Cypriots say, 'ah, but you don't understand our pain'. Europe understands the terrible consequences of conflict all too well. Indeed, the whole European project is built on the experience of war. Europe should say 'sit down and watch this', and show them some of their history", Crisis Group telephone interview, British academic James Ker-Lindsay, November 2007.

⁷⁰ "They both know that their corresponding media suck, but they read it and base their policies on it", Crisis Group telephone interview, Cyprus-based diplomat, December 2007.

⁷¹ Ankara recognised Greek Cypriot passports in 2003, though it stamps a separate piece of paper. If Turkey wants to maintain non-recognition of the Greek Cypriot state until Turkish Cypriot rights have been recognised, the same system of stamping separate papers might be applied to allow Greek Cypriot ships to use Turkish ports until a full settlement is reached.

⁷² "I told them they had to accept it right from the start. It was a catastrophe to get into this situation", Crisis Group interview, senior former Turkish ambassador and TV foreign affairs commentator, Istanbul, December 2007.

⁷³ When the UK tried to defend Turkey's position on the additional protocol in an EU Council meeting, the other 26 member states gave no support, Crisis Group interview, European Commission official, Brussels, September 2007.

threat to review Turkey's actions on the Additional Protocol annually "until 2009" does not constitute a formal deadline, it suggests the issue will be used, unless resolved, to telling effect by European governments hostile to Ankara's accession goal.

Turkey should also encourage its officials, businessmen and intellectuals to meet Greek Cypriots whenever possible so as to foster trust and familiarity with the big changes that have occurred in both countries in recent years. At the same time, Turkish Cypriot officials should encourage trade between the two communities and be more flexible in allowing EU projects in the north of the island, even if that means cooperating with Greek Cypriot entities. They should likewise be more open to bicomunal EU projects, especially if these sponsor joint ventures with the Greek Cypriot private sector or civil society groups or benefit both sides, as in the recent agreement to remove mines from the Green Line buffer zone.

F. THE DIRECT TRADE REGULATION

One good way for Greek Cypriots to reassure Turkish Cypriots that their future state would be respected would be to accept unilaterally EU implementation of its 2004 Direct Trade Regulation. That action, which would allow Turkish Cypriots to export directly to the EU, would give an important signal that the talks are in earnest and will end with a federal partnership between Greek and Turkish Cypriot states.⁷⁴ It would also encourage the Turkish Cypriot side to build its capacity for dealing with reunification. Allowing the Turkish Cypriot administration to work does not amount to recognition, and ignoring it is being blind to reality. As Ban Ki-moon said, "it is regrettable that that the ongoing debate on the lifting of the isolation of the Turkish Cypriots has become a debate about recognition...the maintenance of economic, social, cultural, sporting or similar ties or contacts [between Turkish Cypriots and the outside world] does not amount to recognition".⁷⁵

Another good way of persuading Turkish Cypriots of Greek Cypriot desire for a common future in the EU would be to remove restrictions on the EU aid program in the north. A more flexible attitude towards Turkish Cypriot administrative involvement would help, as would more pragmatism over use of Greek-owned property for

infrastructure projects, especially since the Greek Cypriots have built a power station, cement factory, waste processing area and Larnaca Airport on Turkish Cypriot-owned land.

Similarly, as representatives of the more powerful party, Greek Cypriot officials should reach out to Turkish Cypriot counterparts to find ways to start pragmatic cooperation between agencies like the police and public health authorities. Such cooperation is vital today – as shown by its absence in recent scares over avian flu and foot-and-mouth disease – and needs to be strengthened to lay the basis for an eventual federal Cyprus.

Greek Cypriot officials often say they seek a "bottom-up" alternative to the Annan Plan, which they saw as being imposed by the UN and international powers.⁷⁶ To support and deepen such a process, the Greek Cypriot president who is elected in February 2008 should immediately organise a national debate within civil and political society on the benefits of a solution and on the risks of not having a political settlement and of continuing the drift to partition. This could be done by encouraging a main television station to set up public forums, possibly alternating between major towns, featuring leading thinkers from political parties, the Orthodox Church, civil society and the business world. The new president could also build confidence by publicly persuading wholesalers and consumers to accept goods made and labelled by Turkish Cypriots and by speaking out on the need for Greek Cypriot newspapers to accept legitimate Turkish Cypriot advertising.

One reason Greek Cypriots cite for their "no" to the 2004 compromise is pride in the all-Greek post-1974 government.⁷⁷ This is reflected in President Papadopoulos's official goal of a "reunification of the state, the country, the society, the economy and the institutions".⁷⁸ But Greek

⁷⁴ "We have to be ready to discuss [a new solution] positively to win back the moral advantage of being the side who want a solution", Crisis Group interview, DISY politician Harris Georgiades, Nicosia, October 2007.

⁷⁵ "The objective should be to engender greater economic and social parity between the sides by further promoting the development of the Turkish Cypriot community, so that the reunification of the island may occur in as seamless a manner as possible", Ban Ki-moon, "Report", op. cit.

⁷⁶ Since 2004, Greek Cypriot supporters of the Annan Plan have been harassed by president, parliament and pro-government media as hirelings of the West. In October-November 2006, the Greek Cypriot parliament established a committee to look into the funding of groups and persons that supported the Annan Plan. There have been no conclusions, but the names of twenty groups or persons were leaked to the press. "It was a witch hunt. When nothing came up, they just went quiet...except the president has now been on television talking about 'two cheques', giving no names but speaking as if something [illegal] happened", Crisis Group interview, Greek Cypriot peace activist Yiouli Taki, December 2007.

⁷⁷ "Greek Cypriots do support unification of some sort, but they do not seem to be supporting, for the moment at least, the kind of unification that is actually on the negotiating table – a Bizonal Bicomunal Federation", Alexandros Lordos, "Building Trust", Friends of Cyprus Report no. 49, autumn 2006.

⁷⁸ Follow links to "Press and Information" and "Recent Developments" at www.moi.gov.cy/moi/pio/pio.nsf/index_en/index_en?opendocument. for a full survey of official Greek Cypriot positions.

Cypriots must understand that this is perceived by Turkish Cypriots as opposition to any power sharing in a new republic.⁷⁹ The Turkish side will never agree to much of the pre-1974 status quo, just as the Greek side will never agree to any significant long-term presence of Turkish troops. Both need to recognise the other's bottom lines.

G. AGREEING ON A STATE

Many decades of discussion have made clear, at least to international negotiators, the parameters of a mutually acceptable settlement. Greek Cypriot negotiator Tasos Tzionis says the Annan Plan is not acceptable as a basis for further negotiations, but "We are ready for the full implementation of the 8 July agreement which would lead to full-scale negotiations under the UN."⁸⁰ Turkish Cypriot leader Talat says he is ready to amend the Annan Plan,⁸¹ which Turkish President Abdullah Gül says could be "tweaked".⁸² Ban Ki-moon says, "there is broad consensus on the way forward".⁸³

1. Bizonality

Since the first agreements in 1977 and 1979 on a bicomunal, bizonal solution – then a major Greek Cypriot concession – any comprehensive solution has aimed at a federal government. The final version of the Annan Plan provided for a new "United Cyprus Republic" at the federal level, to run foreign relations, monetary policy, federal finance, republican citizenship and immigration. Most day-to-day internal powers were to be devolved to two politically equal constituent states, Greek Cypriot in the south, Turkish Cypriot in the north.⁸⁴ Superficial

agreement on key terms like "bizonal" or "federal", however, disguise deep differences about what they mean. The gap between the goals of a unitary state (Greek Cypriot) and a two-state federation (Turkish Cypriot) has swallowed many past initiatives.⁸⁵

If Greek Cypriots genuinely seek a deal, they should spell out their acceptance of something that is a longstanding part of the UN body of work but absent from their discourse: that unification "based on bicomunal, bizonal federation and political equality", as mutually agreed most recently on 8 July 2006, requires some kind of Turkish Cypriot administration in the north. The Turkish Cypriots call this a state; the Annan Plan called it a "constituent state". The word "state" has been present in UN documents since at least the 1992 "set of ideas".

Similarly, Turkey should be engaged with the process. Every Greek Cypriot hears about it when Turkish generals on the island declare in meetings that the talks on reunification are a waste of time, and the only possible deal is a confederal one. Ankara should make sure that its official message about a federal compromise is clearly delivered and heard by Greek Cypriots.

2. Security and territory

In 1974, the Turkish armed forces captured 37 per cent of the island, a proportion double the Turkish Cypriots' 18 per cent share of the population. Negotiation over land to be given back to the Greek Cypriot side has almost always focused on reducing the overall area held by the Turkish side to under 30 per cent; the Annan Plan's figure was 28.5 per cent. The Turkish army has retained the ghost beach resort of Varosha as a bargaining chip for a settlement.

All Cyprus peace plans aim for the departure of at least most Turkish troops stationed on the island, variously estimated at 25,000 to 43,000. Most aim for Cyprus's complete demilitarisation, aside from the British sovereign bases. The last version of the Annan Plan revived the 1960

⁷⁹ Turkish Cypriot leader Mehmet Ali Talat, for instance, perceives the policy of his Greek Cypriot counterpart, Tassos Papadopoulos, as "living in a dream world. For him the only solution is to extend his sovereignty over the north, which is impossible. If he thinks this way that means a Cyprus solution is very difficult", Haberler.com, 24 December 2007.

⁸⁰ Crisis Group interview, Tasos Tzionis, Nicosia, October 2007.

⁸¹ "We're not even talking about the Annan Plan any more. What we say is the UN has a body of work...that will be the agenda", Crisis Group interview, Mehmet Ali Talat, Nicosia, October 2007.

⁸² Crisis Group interview, Ankara, October 2007.

⁸³ "Estimates", *op. cit.*

⁸⁴ At the federal level, the executive was to be led by a presidential council with nine members, at least three of whom would be Turkish Cypriots, holding office for five years. The presidency would alternate between council members from each community on a twenty-month cycle starting with a Greek, so the Greeks would hold the post for 60 months, the Turks for 40 months. Decisions would be by consensus. The federal parliament would consist of two houses. Who would vote for what depended on four factors: local representation, national representation, primary

residence and language. The upper house would have equal numbers of Greek and Turkish Cypriots, the lower house a minimum of one quarter Turkish Cypriots. Decisions would be by simple majority, including at least one quarter of the upper house senators from each constituent state. The Supreme Court would have equal numbers of Greek and Turkish Cypriots as well as three foreign judges.

⁸⁵ For an overview of the misunderstanding that has grown up on both sides over how bizonality would work – very superficially according to Greek Cypriots, almost as two ethnically separate states according to Turkish Cypriots – see Ayla Gürel and Kudret Özersay, "The Politics of Property in Cyprus", International Peace Research Institute, Oslo, 2006; also on the communities' differing understanding of federalism, see Alexandros Lordos, "Building Trust", *op. cit.*

arrangements for independence, which provided for garrisons of 950 from Greece and 650 from Turkey; it foresaw a reduced Turkish garrison of 6,000 through 2011, after which 3,000 would stay until 2018 (or until Turkey joined the EU). Some 73 per cent of Greek Cypriots say Turkish forces on the island make them feel very insecure, while 76 per cent of Turkish Cypriots say they make them feel very secure.⁸⁶

Turkey should proactively do its best to defuse the Greek Cypriot fears. Its military should immediately assist in the removal of more land mines under UN auspices⁸⁷ and avoid what could be seen as aggressive exercises. Once talks show real signs of progress, it should allow an international institution to count the garrison. Once there is an agreement between the parties backed by international guarantees, it should speedily withdraw that garrison.

To satisfy a Greek Cypriot desire to see all the troops leave and lingering Turkish fears that the Greek Cypriots will abuse their majority powers, some linkage to Turkey's EU accession could be useful. Greek Cypriots objected to the Annan Plan's continuation of Turkey's right of oversight from the 1960 Treaty of Guarantee and its retention in perpetuity of a 650-man garrison. Turkey and the Turkish Cypriots should consider agreeing that these rights would formally lapse upon the former's EU membership.

3. Property

Property issues have been a principal stumbling block in the 8 July process and in attempts by the EU to upgrade Turkish Cypriot infrastructure. Most private land in the north was owned by Greek Cypriots at the time of the 1974 Turkish invasion.⁸⁸ The Annan Plan foresaw the return of some property to most Greek Cypriot refugees, usually one former home and one third of the land, with financial compensation for the remainder. After fifteen years, any Greek Cypriot would have been able to buy property in the north.⁸⁹ However, the Turkish Cypriot federal state would have had the right to limit non-Turkish speakers to one-third of its population.

Greek Cypriot concerns that need to be addressed in any new talks include how the Turkish Cypriot side can afford

the settlement of property claims and how soon money would be paid. Currently, with no agreement, the Turkish Cypriot property commission would be responsible; a new round of talks in 2008 may decide to revive a joint commission, as in the Annan Plan. A group of EU states might help by guaranteeing a Eurobond to finance compensation settlements. In the north, if there are to be separate commissions, Turkey and the Turkish Cypriots might then pledge to repay the Eurobond in due course by the resale of properties bought in their commission's name.

The European Court of Human Rights (ECHR) in Strasbourg, whose jurisdiction is accepted by Turkey, Turkish Cypriots and Greek Cypriots alike, is seized of the property issue. However the judgements both already delivered and expected soon suggest that leaving the issue there may favour partition rather than reunification.

The ECHR established a key principle in 1998, that Turkey, as the occupying power, is obliged to compensate Greek Cypriots for blocking access to property in the north.⁹⁰ But seized with 1,400 similar cases, the ECHR suggested in 2005 that a local remedy be established.⁹¹ Acting on this, the Turkish Cypriot authorities set up a property commission in March 2006 that has received 300 applications from individual Greek Cypriots and has finalised its work on 28. Most applicants in the 28 resolved cases agreed to receive cash compensation somewhere between the 1974 value and the current market value. Three obtained decisions for restitution, apparently implying a Turkish Cypriot title deed. The Mike Tymvios case ended in a swap for Turkish Cypriot property in the south.⁹² Tymvios's application to the ECHR to validate this settlement is pending in Strasbourg.

Greek Cypriots worry that the Turkish Cypriots are using the commission to undermine talks on an overall solution. A Greek Cypriot researcher expressed concern that extensive resort to the commission "would legitimise a northern institution, legitimise exchange. My fear is that there is a real danger that we will be led by a solution on the ground

⁸⁶ UNFICYP, *op. cit.*

⁸⁷ Ban Ki-moon, "Report", *op. cit.*

⁸⁸ The Greek Cypriots claim 78.5 per cent of private land in the north – the more generally accepted figure – while the Turkish Cypriots says the figure is 63.8 per cent. The Turkish side meanwhile claims 22 per cent of the land in the south, while Greek Cypriots say the figure is 13.9 per cent. Gürel and Özarsay, "The Politics of Property in Cyprus", *op. cit.*

⁸⁹ For details, see Stelios Platis, Stelios Orphanides and Fiona Mullen, "The Property Regime in a Cyprus Settlement", International Peace Research Institute, Oslo, 2006.

⁹⁰ *Loizidou v. Turkey*, referred to the ECHR in 1993. The court found Turkey at fault in 1996 and asserted Titina Loizidou's right to her property. Turkey paid her substantial damages in 2003.

⁹¹ *Xenedis-Arestis v. Turkey*, referred to the ECHR in 1998, ruling in 2005.

⁹² Turkish Cypriot-owned property was put under the control of a state custodian in 1991. Some was leased to displaced Greek Cypriots, some used for Greek Cypriot public sector projects. It is unclear if there is any money in the custodian's "Turkish Cypriot Properties Fund". "Sooner or later we have to give the property back", Crisis Group interview, Greek Cypriot politician, Nicosia, October 2007. Most Turkish Cypriots handed over their title deeds to their own administration's property commission, which in return gave them coupons that could be used for taking over former Greek Cypriot properties.

towards a Rauf Denktash solution [partition]”.⁹³ Any lack of good faith by the commission, however, would likely force Ankara back to satisfying what can be anticipated to be more expensive EHCR compensation judgements. Either way, if Turks want to retain much of the land in northern Cyprus, they may be forced to buy what cannot be bartered for Turkish-owned private land in the south.⁹⁴ A Turkish Cypriot researcher said, “the way the [Strasbourg] court is dealing with [the property issue] is bringing home the idea [to Greek Cypriots] that perhaps human rights are not a matter of principle but of bargaining. This notion of compromise was not present before”.⁹⁵

On a separate track, the European Court of Justice (ECJ) in Luxembourg, which interprets EU law, is due to rule soon on whether Greek Cypriot legal judgements and fines against anyone who buys formerly Greek Cypriot-owned properties in the north can be enforced in other EU states.⁹⁶ The Turkish Cypriots argue that judgements should be unenforceable under EU regulations, because EU law has been suspended in their part of Cyprus since Cyprus entered the union as a divided country in 2004. If the Greek Cypriot view prevails, it would threaten the property boom in northern Cyprus and further alienate Turkish Cypriots from the EU. Former Turkish Cypriot negotiator Raşit Pertev asks: “If we can get no benefit from being members of the EU, why should we also be punished?”⁹⁷

Some Turkish Cypriots with title deeds in the south have been testing their rights for restitution from the Greek Cypriot state custodian. Greek Cypriot courts rejected two such applications in 2007, and the ECHR will eventually rule on this aspect of the problem as well.

4. Settlers and refugees

Population ratios on Cyprus have always been critical for political balance and access to state resources. The main

issue now is how many of the 250,000 or more residents of northern Cyprus are, in Greek Cypriot parlance, “illegal settlers”.⁹⁸ Former Turkish Cypriot leader Rauf Denktash encouraged settlement by Turkish citizens to shore up the community’s economic and strategic position and his own political base, particularly in 1975-1980.⁹⁹ Greek Cypriots claim there are only 88,900 Turkish Cypriots, outnumbered by 119,000 to 160,000 “settlers” from Turkey.¹⁰⁰ Turkish Cypriot expert Mete Hatay estimates that fully naturalised, voting “settlers” – often immigrants who have lived in Cyprus for at least a generation – number no more than 32,000 to 35,000, among an official total of 178,000 Turkish Cypriot citizens.¹⁰¹

The Annan Plan provided that both sides could submit lists of 45,000 non-native residents to be included as full citizens in the two new states. Under its territorial adjustments, a majority of the displaced Greeks, about 120,000, would have been able to return to their homes under Greek Cypriot administration in areas under former Turkish control.¹⁰² However, one quarter of the Turkish Cypriot population, about 42,000, would have had to move to make way for them, some for the second or third time since the troubles began.¹⁰³ The Greek Cypriots have a strong interest in striking a generous deal quickly in order to regain these areas, particularly the town of Morphou, and to freeze the number of Turkish immigrants.

⁹³ Crisis Group interview, Institute of Strategic and Development Studies (ISTAME) researcher Philippos Savvides, Athens, October 2007.

⁹⁴ A prominent Turkish politician took the buy-out idea in his stride: “We can probably get the money to [the Turkish Cypriots] for that”, Crisis Group interview, leading parliamentarian from the ruling AK Party, Ankara, October 2007.

⁹⁵ Crisis Group interview, International Peace Research Institute Oslo (PRIO) researcher Ayla Gürel, Nicosia, October 2007. See also Elias Hazou, “Tassos: Land Swap is a Stand-Alone Case”, *Cyprus Mail*, 25 September 2007.

⁹⁶ This is the last stage of a case in which a Greek Cypriot, Meletios Apostilides, sued a British couple, Linda and David Orams, who had built a villa on his property in northern Cyprus. In September 2006, the UK High Court ruled that his claim for damages was not enforceable and that Apostilides should pay 75 per cent of the Orams’ legal costs, see <http://news.bbc.co.uk/go/pr/fr/-/2/hi/europe/4440983.stm>.

⁹⁷ Crisis Group interview, Nicosia, October 2007.

⁹⁸ “Authorities on both sides of the barbed wire have used demographics as a weapon”, Mete Hatay, “Is the Turkish Cypriot Population Shrinking?”, International Peace Research Institute, Oslo, forthcoming.

⁹⁹ Turkish Cypriot lawyer Emine Erk says “Denktash and [his party] used these settlers in a way that we are ashamed of” but that since coming to power in 2003, the Talat government has not given citizenship to new arrivals, only allowing them to stay with work permits or as students, Crisis Group interview, Nicosia, October 2007.

¹⁰⁰ The lower figure claimed by Greek Cypriots is reflected in the “Report of the Secretary-General”, op. cit.. The higher government estimate is from “Illegal Demographic Changes”, at www.mfa.gov.cy. As noted above, an official Turkish Cypriot census in April 2006 counted 178,000 citizens and 70,000 residents from the mainland, exclusive of the Turkish military.

¹⁰¹ Mete Hatay’s research concluded that an additional 102,000 temporary residents of mainland origin included 16,277 registered workers, 30,000 non-registered workers, an average of 1,700 tourists, 18,400 university students, 500 lecturers and 35,000 Turkish soldiers and their families. Mete Hatay, “Beyond Numbers”, International Peace Research Institute, Oslo, 2005.

¹⁰² “Report of the Secretary-General”, op. cit.

¹⁰³ Most of this population transfer was in the town of Morphou, Crisis Group interview, Turkish Cypriot leader Mehmet Ali Talat, Nicosia, October 2007.

IV. REMAKING THE CASE FOR A SETTLEMENT

The leaders of the two Cypriot communities recognised in the 8 July Agreement that “the status quo is unacceptable, and its prolongation would have negative consequences”.¹⁰⁴ The potential benefits of reunification, however, are still not properly recognised, especially by Greek Cypriots and Turkey. Almost any reasonable settlement would be better than the current stalemate.¹⁰⁵ According to a report from the Greek Cypriot south, “a reunification of Cyprus would benefit the economies of both communities by leading to an accelerated investment-driven growth”, with a high catch-up rate in the north, good support for property prices and further convergence between the south and the rest of the EU.¹⁰⁶

A. GREEK CYPRIOT ECONOMIC AND SECURITY INTERESTS

A negotiated settlement is the only realistic option the Greek Cypriots have to remove Turkish troops from the island and recover some land for members of the community who lost their homes. The Turkish Cypriot side’s offer of a large amount of territory for a compromise solution is still on the table but may not be forever. Giving up Morphou in the Annan Plan was a controversial concession for Turkish Cypriots, who, after the disappointment of the 2004 referendum, are less willing to accept such large-scale dislocations. The unspoiled beauty of the Karpas peninsula, whose partial transfer to the Greek Cypriots was an element of early versions of the Annan Plan, may be lost as Turkish Cypriot developers create facts on the ground through electrification, hotels and marinas. It is uncertain how long Varosha, once Cyprus’s best sand beach resort, now occupied by the Turkish army and kept empty as a bargaining chip, will be left uninhabited.¹⁰⁷ Progress on a settlement is needed if the UK is to consider reviving the offer it made during Annan Plan negotiations to halve the

size of its sovereign military bases – 3 per cent of the island and where 10,000 Greek Cypriots live.¹⁰⁸

A settlement would boost the island’s economy in the long term, and possibly in the short term as well if the EU does more to ease the cost of bringing Turkish Cypriot living standards up to those of Greek Cypriots.¹⁰⁹ Greek Cypriots would do well to follow the trend set by their neighbours, including Greece, Syria, Egypt, Lebanon, Jordan, Israel and Palestine. All are deepening business ties with Turkey, which has the biggest and most dynamic economy in the region. Normalised access to Turkey would give their relatively sophisticated service industries an advantage in their campaign to become a true eastern Mediterranean hub.

Greek Cypriot financial services did well in the past due to their offshore attractions, but as a member of the EU and from 1 January 2008 of the eurozone as well, their freewheeling days are over.¹¹⁰ Cyprus’s shipping fleet, once the world’s fourth biggest, is now eleventh. A leading Greek Cypriot businessman believes the decline is due to the Turkish port ban: “I wish [our people] would take the long-term view, from an economic point of view, not just politics and security....[Otherwise,] we’re doomed as a small island. Not everybody sees the urgency of solving the problem”.¹¹¹

A settlement would also stimulate tourism, which has sagged in recent years. Some major travel companies already make permission to include tours to the north a condition of operating in the Greek Cypriot south. Some Israeli tour groups bus tourists straight from Larnaca Airport in the south to the north’s casinos. Just as the islands of Greece have profitably done since 1999, a reunited Cyprus could attract increasingly prosperous Turkish tourists. Mono-communal attitudes, on the other hand, can actively depress international interest. The whole island lost from the cancellation of the international Manifesta 6 arts festival in 2006, after the German organisers were unable to get official Greek Cypriot support to hold it on both sides of the Green Line.

¹⁰⁴ Text from the Public Information Office accessed through www.cyprus.gov.cy.

¹⁰⁵ “There is certainly a logic to the argument that [Greek Cypriots] should do a land-for-peace deal. Many Greek Cypriots don’t want to give up the state they have created for themselves in which they run their own affairs. But they also resent the fact that accepting a Turkish Cypriot state would also legitimise the Turkish invasion. People do feel very bitter about what happened”, Crisis Group telephone interview, James Ker-Lindsay, November 2007.

¹⁰⁶ Platis, Orphanides and Mullen, “The Property Regime in a Cyprus Settlement”, op. cit.

¹⁰⁷ A 2006 Finnish proposal that Varosha be restored under UN administration, then returned to Greek Cypriots came to naught.

¹⁰⁸ The UK offer died with the Annan Plan, but if a new settlement appeared imminent, London might consider reviving it, Crisis Group telephone interview, UK official, December 2007.

¹⁰⁹ Crisis Group interview, European Commission official, Brussels, September 2007.

¹¹⁰ “Not having Turkey hostile to you is important. Business opportunities will be less in future for Cyprus. They can’t live off being a offshore tax haven any more. I’m worried about a Taiwan-like situation. There’s no cost for the world, but a cost for Cyprus. It’s the worst possible deal...land-for-peace makes sense if they’re not willing to really live with the Turks”, Crisis Group interview, leading Greek foreign policy expert, Athens, October 2007.

¹¹¹ Crisis Group interview, leading Greek Cypriot businessman, Nicosia, October 2007.

New ideas, and a more cosmopolitan outlook, would likewise help Cyprus retain its most talented youth. Greek Cypriots may enjoy EU membership and have some of the smartest restaurants and upmarket boulevards in the eastern Mediterranean, but Europe is physically distant. Without new openings, the country risks looking like a gated community in the wrong neighbourhood. As former President Vassiliou put it, “it’s not a question of being richer. It’s more a question of security and safety. The penalty for Cyprus [without a solution] could be that young Greek Cypriots, if they see there is no solution, may end up working in Brussels or Scotland, not here”.¹¹²

A policy that generates frictions and an unstable relationship with its powerful neighbour Turkey may endanger both Cyprus’s security and its international profile.¹¹³ Greek Cypriots underestimate the threat to reunification and their long-term security if EU-Turkey negotiations are put into cold storage, as happened a decade ago.¹¹⁴ Turkey is not without leverage, as its campaign against Cypriot participation in international organisations and treaties has shown,¹¹⁵ and it has not always acted in its own prudent best interests when tensions have risen over Cyprus.¹¹⁶ Greece suffered from this in the 1980s and 1990s, when, even as an EU member, it came near war with Turkey on two occasions and suffered tourism and other losses as a result.

As happened during the time of poor Greece-Turkey relations in the 1980s and 1990s, bigger EU states are hiding their own anti-Turkey stands behind the Cyprus problem, potentially exposing Greek Cypriots to greater levels of Turkish frustration. The EU clock is now ticking for Turkey, which faces a comprehensive EU review of progress on the Cyprus question in 2009. Greek Cypriots

should be trying hard to bring Turkey closer to the EU, since their own security is likely to suffer most if further EU-Turkey alienation sets in.

B. TURKISH CYPRIOT GAINS

Turkish Cypriots have most to gain from a settlement that would end their situation of international limbo and gain them full EU citizenship rights. Their current status is otherwise not likely to improve, and they could expect even more dependence on Turkey; slower economic growth; popular frustrations; more emigration of the pre-1974 Turkish Cypriot population; and greater pressure to accept immigrants from Turkey.

The north’s pariah status has forced over-reliance on the economic benefits of casinos, which in turn have attracted organised crime and money laundering from Turkey and the region. The south of the island is also involved. Turkish Cypriot entrepreneurs have put up brothels on their side of the Green Line outside Nicosia that serve Greek Cypriots with ill-protected prostitutes from Eastern Europe. Diplomats believe the Talat government is sincerely trying to combat illegal immigration, but due to recognition sensitivities, Greek and Turkish Cypriot police do not cooperate. Even a triple murder has gone unresolved due to such disputes.¹¹⁷ The former Turkish Cypriot negotiator, Raşit Pertev, said, “the Greek Cypriots won’t cooperate . . . especially not with the Turkish Cypriot police. But bicomunal mafias are very organised, doing human trafficking, drugs and prostitution”.¹¹⁸

A more pragmatic and cooperative Greek Cypriot attitude would strengthen the self-confidence of the Turkish Cypriot administration to better manage the north’s environment and natural and historical heritage.¹¹⁹ Archaeological sites in the north are the richest on the island but cannot be protected under international supervision, partly because Greek Cypriot authorities retaliate against foreign academics who work on them and partly because of the running dispute over recognition of Turkish Cypriot universities. The Turkish Cypriot building boom pays little heed to zoning or other considerations.

¹¹² Crisis Group interview, Nicosia, October 2007.

¹¹³ “An unofficial border with Turkey is a disaster. We are vulnerable in ways we haven’t thought of. Ultimately, Turkey can occupy us militarily, but it doesn’t have to. It can make our life miserable, it can affect our property, and destabilise us. Tourism is very sensitive to security”, Crisis Group interview, leading Greek Cypriot businessman, Nicosia, October 2007.

¹¹⁴ “We keep trying to explain to Cyprus that the polls showing low support for the EU in Turkey are meaningful, that Turkey might decide to walk away from the table. They think that Europe will keep Turkey locked in, and that they are a long way from any chance of that”, Crisis Group interview, EU Commission official, Istanbul, October 2007.

¹¹⁵ A full list of organisations, treaties and other international arrangements in which Turkey is blocking Greek Cypriot participation can be seen by following the links “Foreign Policy” and then “International Organisations”, at www.mfa.gov.cy.

¹¹⁶ “The Cyprus issue is also emotional ... sometimes emotions can overtake the mind and logic, and make one accept any sacrifice”, General (rtd.) Armağan Kuloğlu, Kıbrıs’ın Stratejik Konumu, Türkiye’nin Politikaları ve AB Giriş Sürecinin Etkileri, Global Strateji Enstitüsü Dergisi, Ankara, summer 2007.

¹¹⁷ In February 2005, lack of evidence from the Greek Cypriot police led to a Turkish Cypriot court freeing the eight main Turkish Cypriot suspects in the January 2005 execution-style killing of a Turkish Cypriot businessman, his wife and fifteen-year-old daughter in the Greek Cypriot south. The Turkish Cypriot authorities had refused demands that they be handed over for trial in the south, “Murder suspects walk free”, *Cyprus Mail*, 9 February 2005.

¹¹⁸ Crisis Group interview, Brussels, September 2007.

¹¹⁹ “The administration in northern Cyprus is very weak. They don’t even respect their own laws”, Crisis Group interview, European diplomat, Nicosia, October 2007.

Turkish Cypriots should not take for granted the moral high ground won by their “yes” vote on the Annan Plan in 2004. Greek Cypriots may be unjust to put all blame on the Turkish side for non-movement in the 8 July process, but constant repetition of the charge is slowly eroding the Turkish Cypriot position as are daily Greek Cypriot contacts within the EU.

C. RELAUNCHING TURKEY’S EU CONVERGENCE

Turkey and Cyprus are inextricably linked, a fact of life for which the former – often acting against its own best interests – has paid dearly throughout the duration of the dispute over the island.¹²⁰ Today Cyprus stands between Turkey and continued convergence with the EU – a broad process with many way stations that dates back to the early 1960s. Turkey needs to work for a Cyprus settlement, since it will never enter the EU as long as it is blamed for partitioning a member state, occupying part of it and refusing it diplomatic recognition.¹²¹ Settlement terms are unlikely to improve with time from Ankara’s perspective, since the Greek Cypriots will retain a veto over many aspects of the relationship with Brussels and ultimately over membership.

Military and conservative members of the Turkish establishment, who already felt the Annan Plan went too far, will have to accept more compromises. The government will need to find direct ways of persuading Greek Cypriots it genuinely wants a settlement and must be sensitive to the fact that the language of military threat, used to extract concessions from Syria in 1998 and Iraq in 2007, would make a deal harder to strike in Cyprus or Europe.

Turks in general should also take more account of the costs to them of the Cyprus problem, which have long included international goodwill and opportunities for faster convergence with Europe, but also a subsidy burden which was estimated at \$3,000 per resident of northern Cyprus in

2006¹²² and may have risen considerably due to economic difficulties there in 2007.¹²³

D. MAINTAINING GREECE’S PEACE DIVIDEND

Greece and Turkey have done much to normalise their relationship since 1999, when earthquakes in Istanbul and Athens produced an opportunity for peacemaking politicians. Officials now meet frequently, there is cooperation on energy pipelines, Greece’s National Bank has bought a large Turkish bank, Turkish domestic appliances sell well in Greece, and the two country’s military chiefs visit each other. The new stability of the relationship was proved in 2006 when the collision of jousting Greek and Turkish warplanes inside the international airspace of the Athens Flight Information Region resulted in the death of a Greek pilot but not a severe crisis.

Nobody can articulate better than Greece the risks Cyprus and Turkey run by following the same path of mutual antagonism that characterised Greece-Turkey relations in the late 1980s and 1990s. Like the government of the late Prime Minister Andreas Papandreu, Cyprus President Tassos Papadopoulos has been tempted by every opportunity to deny Turkey EU funds and privileges. This only hardens Turkish attitudes and calls into question the sincerity of Greek Cypriot officials’ stated goal of seeing Turkey in the EU.¹²⁴ The Greek experience underlines the fact that progress with Turkey on security and other issues requires a virtuous circle of EU-Turkish convergence.¹²⁵

Events in Cyprus, however, can still endanger Greece’s détente with Turkey. The problem is not just the diplomatic uncertainty of living alongside a Turkey that is unable to make progress in its EU negotiations. When Turkey and Cyprus began arguing over territorial waters and oil exploration rights in early 2007, there was a sudden rise in the number of Turkish military overflights challenging Greek claims to Aegean Sea airspace.¹²⁶

¹²⁰ In 1955 and 1963, communal conflict on Cyprus triggered destructive, officially backed riots against non-Turkish businesses in Istanbul and later expulsions that denuded the city of its age-old Greek community. The Cyprus crisis triggered the “Johnson Letter” in 1964, when U.S. President Lyndon Johnson outraged Turkish public opinion by warning Ankara not to use U.S. weapons to protect Turkish Cypriots against Greek advances. After events on Cyprus resulted in the 1974 invasion, Turkey endured a U.S. arms embargo and a freeze in its relations with Europe.

¹²¹ “Negotiating with a country not recognising an EU member is perverse”, Crisis Group interview, Netherlands official, The Hague, September 2007.

¹²² Crisis Group email correspondence, Fiona Mullen, Sapienta Economics, December 2007.

¹²³ Crisis Group telephone interview, senior diplomat based in Cyprus, December 2007. Turkish officials claim the subsidy is balanced by a large trade surplus with the north. “It’s not a heavy financial burden on Turkey, as some people think”, Crisis Group telephone interview, Turkish diplomat, December 2007.

¹²⁴ “We’d like to see Turkey in the EU, provided that Turkey fulfils all its obligations”, Crisis Group interview, Greek Cypriot negotiator Tasos Tzionis, Nicosia, October 2007.

¹²⁵ See Crisis Group Europe Report N°184, *Turkey and Europe: The Way Ahead*, 17 August 2007.

¹²⁶ Turkish-Greek aerial gamesmanship is suspended by mutual agreement from 15 June to 15 September annually to avoid disturbing the tourism season. In January-June 2007, Greece

Solving the Cyprus problem is probably the best way to put the EU-Turkey relationship back on track. It would also produce new Turkish goodwill for solving disagreements with Greece over the continental shelf and airspace, which have not progressed much despite 50 rounds of “exploratory talks” between senior foreign ministry officials since 2002.¹²⁷ “We are strongly supporting Turkey in Europe. If one day they become members, these problems will not exist”, said a Greek official, comparing the goal to that of cementing peace between France and Germany through the EU. “But sometimes we have the impression that we are giving our hand and risking that we won’t get our fingers back”.¹²⁸

E. REMOVING THE CYPRUS SPANNER FROM THE EU WORKS

Fallout from the Cyprus problem is moving from the periphery of European political consciousness towards centre stage, at least as far as the European Commission is concerned.¹²⁹ More actors outside the Commission should take notice of the reasons. In 2004, when the Annan Plan looked about to be accepted by all, relations between Cyprus, Turkey and the EU formed a virtuous circle; today they have become a vicious circle.¹³⁰

counted 816 Turkish violations of what it considers Greek airspace, 60 per cent within the internationally recognised six-mile limit. The proportion was 40 per cent in 2006. Crisis Group interview, Greek official, Athens, October 2007.

¹²⁷ These problems include: the historic Greek claim to ten miles of off-coast air space rather than the usual six; Turkey’s announcement that any Greek extension of territorial waters to twelve miles would be a reason to declare war, since the country’s numerous islands would convert the Aegean Sea into a Greek lake; a dispute over rights to the continental shelf in the open Aegean; disagreements over the modalities of the international Flight Information Region over the Aegean, which Turkey claims a right to enter without advance notice; and Turkey’s claim of “gray zones” that appear to widen its territory at Greece’s expense.

¹²⁸ Crisis Group interview, Athens, October 2007.

¹²⁹ Concern in the European Commission about the rising cost of the Cyprus conflict triggered a conference between EU and UN officials in Brussels in October 2007, seeking ways in which EU norms could be applied evenly on the island.

¹³⁰ “EU ennui means that Cyprus is getting a free ride. Nobody is spelling out the cost of a failure in Cyprus”, Crisis Group interview, EU ambassador, Paris, September 2007. Raşit Pertev, former Turkish Cypriot chief negotiator, believes the EU “thinks they can live with the Cyprus problem. It’s just a bother factor”, Crisis Group interview, Brussels, September 2007. Even within the EU, officials say fundamental problems can fail to elicit interest. “When I raised the issue in EU committee of Greek Cypriot blockage of an EU package that would have brought schoolbooks [cleaned of bias] to both sides, nobody even asked me a question”, Crisis Group interview, Nicosia, October 2007.

The EU’s interest in finding a formula to reunite Cyprus is vital not just for the parties directly involved, but also for its own smooth functioning.¹³¹ EU institutions and policies are a recurrent battlefield between Nicosia and Ankara. The Greek Cypriots hold many cards: they are well-organised, already inside the EU and rich enough to have moved easily into the Eurozone on 1 January 2008.¹³² “Cyprus is becoming a one-issue member. They view themselves in an existential struggle; for people like that, the answers are all easy...so everything gets blocked, even in Kosovo and Afghanistan. EU lives are being put at risk”, an official complained.¹³³ Symptomatically, as the EU struggles to find consensus over Kosovo, it is Cyprus – worried about Turkish Cypriots gaining the same rights as the Kosovars – that has emerged as the most intransigent opponent of independence.

At the same time, Turkey is pulling every lever it can as a NATO member to put pressure on Cyprus, which is not part of that alliance. The sparring has hampered NATO from protecting EU police projects in Afghanistan and Kosovo and blocked its official strategic dialogue with the EU.¹³⁴ The Cyprus problem could even delay the return of France to the military wing of NATO, since France’s condition is a deeper EU-NATO relationship.

EU energy security interests are also being put at some risk, given Turkey’s position astride alternative pipeline routes to Europe not controlled by Russia. This is because Cyprus has blocked the energy chapter of Turkey’s EU negotiations in a 2007 dispute over drilling rights far from anyone’s coast in the Mediterranean, where it is doubtful any oil is present.¹³⁵ “We tell them, there is no *acquis* [EU

¹³¹ A united Cyprus would likely not be able to veto a measure unless both communities agreed. “A partition might be good for the Greek Cypriots or the Turkish Cypriots, but the EU itself has a very strong self-interest in reunification. We don’t care about the terms. Whether the Turkish Cypriots joined later as a parallel Cypriot government, sitting next to Greek Cypriots in the European Council, or remained a black hole, it would be very bad news”, Crisis Group interview, European Commission official, September 2007.

¹³² Cyprus voted against its own financial interest in order to support the states it judged more helpful on the Cyprus issue when the EU split evenly on an anti-dumping measure for Chinese shoes in 2006, Crisis Group interview, international official, Nicosia, October 2007.

¹³³ Crisis Group interview, European Commission official, Istanbul, October 2007.

¹³⁴ See Crisis Group Report, *Turkey and Europe*, op. cit.

¹³⁵ The Greek Cypriots prepared a 2007 bidding round on oil prospecting blocks in its claimed Mediterranean zone and agreed on boundaries south of the island with Egypt and Lebanon, thus asserting a right to act for the entire island. Turkey challenged on principle, asserting undersea rights overlapping slightly with several of these blocks. The multinational BP, active in Egypt, did

law] on this, there is no connect, you shouldn't be doing this. They don't listen. And they won't stop until France and Germany sit on them. But France is happy to hide [its opposition to Turkey's membership application] behind Cyprus", a European official said.¹³⁶

A Cyprus solution would aid EU efforts to combat money laundering and human trafficking and facilitate air traffic control safety, all of which are currently being compromised by Greek and Turkish Cypriot reluctance to collaborate or recognise each other's institutions. The Greek Cypriot government does not wish to establish a hard frontier on the Green Line, which it believes would be contrary to its goal of full reunification, but it detained 5,191 illegal immigrants in 2005 and 3,796 in 2006, most from Turkey. The EU finds this number "worryingly high" and has criticised Nicosia for not buying surveillance equipment or increasing its anti-immigration agents.¹³⁷

V. THE DRIFT TOWARDS PARTITION

The breakdown of the UN-mediated peace process since 2004 has had some characteristics of a "velvet divorce"¹³⁸ of the kind in which some Turkish Cypriots have long been interested. The political stands of the two sides are diverging. Greek Cypriot Foreign Minister Erato Kozakou-Marcoullis complains that Turkish Cypriot and Turkish talk of a "new partnership based on bizonality and political equality" contains no "talk about reunification; nowhere is there the word federation".¹³⁹ Turkish officials say they are emphasising "partnership" over "federation" to underline their vision of a federal solution that would be based on two distinct states. Greek Cypriot officials, however, now say they want reunification with a single government, not through two such states.¹⁴⁰ The 2004 events are proving, as Kofi Annan predicted, to have been a watershed. EU membership for Greek Cypriots and the Annan Plan's failure are making more permanent several aspects of the island's de facto partition.

A. OPEN BORDERS, CLOSED MINDS

When the Turkish Cypriot side unilaterally opened the border in April 2003, a flood of people crossed both ways, but the numbers have since dropped greatly, almost halving from May 2006 to April 2007.¹⁴¹ A UN survey showed that while 30 per cent of Turkish Cypriots cross fairly regularly, mostly to shop or "enjoy the countryside", a majority of Greek Cypriots have never crossed at all, and a majority of Turkish Cypriots no longer do so. On the Greek Cypriot side, 88 per cent say they now never go to the north.¹⁴²

Other inter-communal contacts have also withered. Turkish Cypriot lawyer Emine Erk, a leading peace activist until the 2004 referendum, says meetings with Greek Cypriots are now rare and unproductive. She estimates that while 8,000-

not bid, because it considered the geology unpromising, Crisis Group interview, BP officials, London, September 2007.

¹³⁶ Crisis Group interview, European Commission official, Brussels, September 2007.

¹³⁷ "Communication from the Commission: Annual Report on the implementation of Council Regulation (EC) 866/2004", Brussels, 20 September 2007.

¹³⁸ "Velvet divorce" is the term used to describe the negotiated breakup of Czechoslovakia in the 1990s.

¹³⁹ Crisis Group interview, Nicosia, October 2007.

¹⁴⁰ Crisis Group interview, Greek Cypriot official, Brussels, December 2007.

¹⁴¹ A figure of 88,945 Greek Cypriots entering the north in May 2006 fell to 56,417 in April 2007. Turkish Cypriots crossing to the south dropped from 166,285 to 84,719 in the same period. Vehicle crossings, however, were down only about 10 per cent over the year for both communities. "Communication from the Commission", op. cit.

¹⁴² On the Greek Cypriot side, only 7 per cent cross occasionally and 1 per cent frequently; 39 per cent have never crossed, while 49 per cent crossed once or a few times in the past but no more. On the Turkish Cypriot side, only 28 per cent have not crossed at all; 27 per cent have crossed once or a few times in the past but no more, UNFICYP, op. cit.

9,000 Turkish Cypriots took daily work in the south a few years ago, less than 5,000 do so today. "It was very exciting going uphill. It's a scary ride going downhill. The overall climate among ordinary people, the youth, it's all getting worse. The deterioration is coming from the top down – the leaders don't have coffee [with each other], they just make hard statements".¹⁴³

In theory, 83 per cent of Greek Cypriots and 65 per cent of Turkish Cypriots think more inter-communal contact is necessary and say they would like to see outreach programs, joint television shows and bicommunal websites. But in practice much less of it is happening. Some 90 per cent of Turkish Cypriots and 87 per cent of Greek Cypriots say they have no contact whatsoever with the other community.¹⁴⁴ Readiness to co-exist reportedly dropped in both communities in the year to May 2006, precipitously on the Turkish Cypriot side.¹⁴⁵

One bright spot is that economists informally estimate that both sides spend perhaps €10 million monthly in each other's zone, the Turkish Cypriots mostly on shopping, the Greek Cypriots mostly on gambling and entertainment. But international officials note that the only matter in the recent past on which Greek and Turkish Cypriots worked without friction or foreign mediation was construction of the new crossing point at Agios Demetios/Metehan, where cars now pass what looks exactly like an international border.

While 25 per cent of Greek Cypriots may still favour a bicommunal solution, a Greek Cypriot peace activist says firm opposition to such a solution is 30 per cent and rising.¹⁴⁶ It is unclear whether ordinary people on either side actually want to live together.¹⁴⁷ Some 70 per cent of Turkish Cypriots and 57 per cent of Greek Cypriots are said to believe there will be no settlement in the foreseeable future. A former Turkish Cypriot negotiator said that:

We've started the talks a thousand times. We've used proximity talks, direct talks, everything in the book. There's just a severe lack of political will. What does each side actually want? [Not a real solution but] the best alternative to a negotiated settlement. Can the world create the real motivation?

¹⁴³ Crisis Group interview, Nicosia, October 2007.

¹⁴⁴ UNFICYP, op. cit.

¹⁴⁵ A poll by Alexandros Lordos found the number of Greek Cypriots willing to live under Turkish Cypriot rule had dropped from 29 per cent to 26 per cent. The number of Turkish Cypriots ready to live under Greek Cypriot rule fell from 30 to 10 per cent. Other indicators that slipped measured readiness to live next to, or have a family member marry, a member of the other community. Friends of Cyprus report, issue no. 49, autumn 2006.

¹⁴⁶ Crisis Group interview, Yiouli Taki, Nicosia, 8 October 2007.

¹⁴⁷ At an international meeting in Athens in March 2007, a dozen experts from Turkey and Greece, with no Cypriots present, were unanimous that there was no popular will for this.

How? They've already given the Greek side everything.¹⁴⁸

A former Greek Cypriot negotiator voiced similar frustrations:

We had a number of politicians who proved to be champions ... of leading the people into a lethargic state, through a series of monotonous, senseless, lukewarm, faded, "patriotic" phrases about resistance, bastions, strongholds and struggle. And the people also proved to be champions in swallowing the above preaching as long as favouritism, graft and benefits from power were on their side....It gets really tragic when one considers carefully where we ended up, by rejecting over the years seven initiatives on Cyprus....We do not realise that we stand before the "Chamber of Death", before partition.¹⁴⁹

B. THE EU MAGIC MISFIRES

When former Cyprus President Vassiliou applied for EU membership in 1990, he thought the magic of enlargement, free movement and human rights the best way to heal the island's divisions and remove Turkish troops from the north.¹⁵⁰ The EU is helping to normalise some areas that had been the source of intractable argument in the past.¹⁵¹ Its rules mean that travellers from the EU – and, in practice, other nationalities that need no visa for Cyprus – can legally and freely visit the south even if they use Ercan Airport in the north.¹⁵² A few Greek Cypriots even use that airport to fly to Turkey. Greek Cypriot adoption of the euro may eliminate the need for an entire section of the

¹⁴⁸ Crisis Group interview, former Turkish Cypriot negotiator Osman Ertuğ, Nicosia, October 2007.

¹⁴⁹ Former Foreign Minister Nicos Rolandis, "Death Chamber: Will the Telephone Ring?", *Cyprus Mail*, 14 October 2007.

¹⁵⁰ Vassiliou believes it has been a major Greek Cypriot mistake to believe Nicosia could remove the Turkish military simply through talks on a new constitutional structure. "The superpowers give greater importance to Turks than Greeks. A constitution doesn't formulate realities, it reflects them. It is impossible [for Greek Cypriots alone] to achieve a solution that improves on the status quo. The best thing we can do is to maintain the status quo...that's why I applied to the EU, so all the decisions would be taken in Brussels", Crisis Group interview, Nicosia, October 2007.

¹⁵¹ For an account of the impact of the EU on the Greece-Turkey-Cyprus triangle, see Nathalie Tocci, *EU Accession Dynamics and Conflict Resolution: Catalyzing Peace or Consolidating Partition in Cyprus* (Aldershot, 2004); and *The EU and Conflict Resolution: Promoting Peace in the Backyard* (London, 2007).

¹⁵² The 1944 Chicago Convention governing airports allows Greek Cypriots, as the sole internationally recognised representative of the island, to ban flights to the Turkish Cypriot north.

Annan Plan dealing with separate central banks. A creeping de facto harmonisation of retail shopping has brought prices into line on both sides of the Green Line.

But not all is going well. Many EU-favoured projects are stumbling over Greek Cypriot refusal to acknowledge post-1974 Turkish Cypriot institutions and a parallel Turkish Cypriot insistence on that acknowledgement. Instead of seeing a multiplication of blue EU project billboards in the north to remind Turkish Cypriots of their new status as EU citizens, both communities and the European Commission express frustration.¹⁵³ Turkish Cypriot universities are on EU territory but cannot participate in EU programs.

Trade has been one of the most contentious areas. Commercial exchanges between Turkish Cypriots and the rest of the world are subject to no UN or other international embargo, but in 1994 the European Court of Justice accepted a Greek Cypriot complaint that barred Turkish Cypriot exporters from using pre-1974 Cypriot certificates of origin or health documents for preferential trade with the EU.¹⁵⁴ In 2004, after the Turkish Cypriots accepted the Annan Plan and Greek Cypriots rejected it, Brussels committed to passing a Direct Trade Regulation to allow tax-free Turkish Cypriot exports to the EU to resume but Greek Cypriot refusals forced the EU to break the promise. Turkish Cypriots live within the EU's boundaries, but their territory remains outside its legal and customs area.

Partly to encourage reunification, the EU passed a Green Line Regulation to foster Turkish Cypriot trade days before Cyprus's membership took effect in 2004. It allows Turkish Cypriot goods to be exported to the EU over the Green Line and through Greek Cypriot ports. But ill will on both Cypriot sides means little trade is done.¹⁵⁵ Turkish Cypriots blame the Greek side for slow procedures that allow goods to rot in trucks. Greek Cypriots point out that nationalist pressure forced Turkish Cypriots to cancel a 3,800-ton

potato shipment to the EU, one quarter of the harvest. Onward trade with third countries in 2007 amounted to one shipment of aluminium scrap.¹⁵⁶

Turkish Cypriots have had to make do with an EU reassertion, in response to a Greek Cypriot complaint, of their right under international law to use the port of Famagusta.¹⁵⁷ Occasional suggestions of EU-supervised management of that port foundered on the Greek Cypriot objection that it would constitute recognition of the north.

Another frustration is that all six Cypriot members of the European Parliament are Greek Cypriots. EU-Turkish Cypriot contacts are limited. "It feels like a couple engaged to be married, but where the groom stops the bride from shopping, from meeting anyone", a peace activist said.¹⁵⁸ These frustrations are epitomised by EU efforts to reach out to the Turkish Cypriots with a financial aid regulation, beginning in 2002, when the European Council approved a €259 million package for the north in the event of reunification. The Commission then sought to reward Turkish Cypriots for their 2004 referendum vote by disbursing the funds anyway for infrastructure, private sector development, legal harmonisation, CBMs and feasibility studies.

Because the EU wanted to link this step to the Direct Trade Resolution, Greek Cypriots fought it, and it was approved only in February 2006 after the issues were delinked. But Greek Cypriots are enforcing strict limitations on its implementation. EU money cannot be spent for projects that infringe on Greek Cypriot land or state property, even though the Greek Cypriot administration has used privately owned Turkish land for infrastructure projects in the south. By January 2008, only about 5 per cent of the money had been spent and 13 per cent contracted out. Contracts for the rest must be assigned within three years – a short lead time for landfills and water projects – and the budget allocation will have to be approved by the Greek Cypriots if it is to be renewed after 2010.

The slow pace of EU work in the north is causing Turkish Cypriots to lose faith in Europe and confirming their dependence on Turkey. "They can only see that the EU magic wand has a Greek Cypriot hand on it", a European ambassador said.¹⁵⁹ The EU has the smallest possible sign outside its office in the north, its officers were only able to

¹⁵³ "Turkish Cypriots are EU passport holders, but they have no rights", said Turkish Cypriot leader Mehmet Ali Talat. "Trying to convince Talat, [EU officials] make too many concessions", complained chief Greek Cypriot negotiator Tasos Tzision, Crisis Group interviews, Nicosia, October 2007.

¹⁵⁴ The problem began when Turkish Republic of Northern Cyprus declared itself an independent state in 1983. When the ECJ decision was handed down in 1994, Turkish Cypriot goods were not embargoed but in effect lost their markets due to duties ranging from 3 to 32 per cent, forcing several hundred lay-offs in northern Cyprus textile plants. Citrus fruit (except lemons) and potatoes could not be exported at all. For details, see the ECJ journal, www.ejil.org/journal/Vol12/No4.

¹⁵⁵ Turkish Cypriots sold €3.4 million worth of goods to Greek Cypriots in the year to April 2007; Greek Cypriots sold about €1 million to the Turkish side. Both figures were about double the previous year but still small compared to the overall economies. "Communication from the Commission", op. cit.

¹⁵⁶ The only other international transaction was a load of Turkish delight in 2005, which, after another Cyprus dispute, is legally known as Cyprus Delight in the south and in EU literature, *ibid*.

¹⁵⁷ The communication to the Greek Cypriots said, "it is the Commission's understanding that there is no prohibition under general international law to enter and leave seaports in the northern part of Cyprus", *Cyprus Observer*, 19 October 2007.

¹⁵⁸ Crisis Group interview, Emine Erk, Nicosia, October 2007.

¹⁵⁹ Crisis Group interview, Nicosia, October 2007.

print their Turkish Cypriot phone numbers on their visiting cards in December.

The Turkish Cypriots also make difficulties, resisting any measure that indicates control by the Greek Cypriot administration. They initially protested when the EU tried to use €4 million of the money for removing mines from the Green Line. They only lifted objections to bicomunal democracy projects when it was agreed that Turkish Cypriot groups would be in the lead. "They said this was a bicomunal issue. There was a huge lobbying campaign. It's hard to be their friends. [Neither side] is keen on reconciliation. If one side doesn't block it, the other side will", said a European official.¹⁶⁰ Sometimes the complications become absurd: for the past two years, the European Commission has spent more on helping arrange phytosanitary certificates for Turkish Cypriot potatoes and citrus fruit than the value of the crop sold across the Green Line.¹⁶¹

C. THE TURKISH CYPRIOT BUILDING BOOM

Changing Turkish Cypriot attitudes since 2004 are most apparent in the building boom that is lining the once-unspoiled northern coast with look-alike concrete villas. Remaining inhibitions about building on Greek-owned properties are being cast aside. Talat, the Turkish Cypriot leader, told Crisis Group the boom is the result of how Turkish Cypriots interpreted the Greek Cypriot vote against the Annan Plan:

It means [the Greek Cypriots] don't like us, they don't believe in a solution. Turkish Cypriots didn't think like this before. They thought their problem was with the leadership, not the Greek Cypriots themselves. Now they're very pessimistic. Yes, our people are building on [Greek-owned] properties. How can we restrain them? As the years pass, it's getting harder. We've been divided for longer than Germany was.¹⁶²

Turkish Cypriot pessimism about Greek Cypriot will to reintegrate is reinforced by the fact that their companies cannot advertise in Greek Cypriot newspapers, even though Greek Cypriot private schools, shops and restaurants advertise freely in the Turkish Cypriot press.¹⁶³ Greek

Cypriot wholesalers in practice distribute only Turkish Cypriot goods which have neutral or no labelling, like vegetables or wooden window frames, because Greek Cypriot consumers boycott goods with original Turkish or Turkish Cypriot identification.

At the same time, despite enduring problems with their governance, the Turkish Cypriots feel economically more secure than in 2004. This has taken the edge off the economic frustrations that historically made them keen to join with the Greek south. The dynamic is mainly due to Turkey's rapidly strengthening economy, on which the Turkish Cypriots depend. In 2003, Cypriot GDP per capita was at €5,240 in the north and €15,600 in the south.¹⁶⁴ By 2007, some claimed Turkish Cypriot output per capita had risen to €8,000.¹⁶⁵

D. DISILLUSIONMENT IN ANKARA

Turkey's decision in 2004 to support Cyprus reunification within the EU was influential in persuading Turkish Cypriots to accept the Annan Plan, a step that Kofi Annan said removed "any rationale for pressuring and isolating them".¹⁶⁶ EU foreign ministers said they were "determined to put an end to the isolation of the Turkish Cypriot community"¹⁶⁷ and promised to follow up with the Direct Trade Regulation. However, Turkey believes the EU and UN have done little in practice for the Turkish Cypriots. For sure, Turkey also acted with one eye on securing the opening of its own accession negotiations with the EU, but further arguments over Cyprus still nearly prevented this in 2005. Since then, obstructionist Greek Cypriot diplomacy has been a major factor contributing to Turkey's loss of enthusiasm for pursuing reforms vital to its EU ambitions. This has been made worse by the new resistance to Turkish membership among some major EU states, chiefly the France of President Nicolas Sarkozy.¹⁶⁸

¹⁶⁴ Willem Noe and Max Watson, "Convergence and Reunification in Cyprus: Scope for a Virtuous Circle", *ECOFIN Country Focus*, vol. 2, issue 3, European Commission, Brussels, 2004.

¹⁶⁵ "We were one quarter [as rich as] the Greek Cypriots. Now we're a half", Crisis Group interview, Turkish Cypriot Chamber of Commerce President Erdil Nami Nicosia, October 2007. The Economist Intelligence Unit says GNP in the Turkish Cypriot north nearly tripled from \$941 million in 2002 to \$2.66 billion in 2006.

¹⁶⁶ "Report of the Secretary-General", op. cit.

¹⁶⁷ "The Turkish Cypriot community have expressed their clear desire for a future within the European Union. The Council is determined to put an end to the isolation of the Turkish Cypriot community and to facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community", General Affairs Council, 26 April 2004.

¹⁶⁸ Greek Cypriots led the EU decision to block eight of the 35 negotiating chapters in 2006; France placed its own hold on five in 2007. Several additional chapters are administratively blocked

¹⁶⁰ Crisis Group interview, European Commission official, Brussels, September 2007.

¹⁶¹ Crisis Group interview, European official, Nicosia, October 2007.

¹⁶² Crisis Group interview, Mehmet Ali Talat, Nicosia, October 2007.

¹⁶³ "When we published two ads for Turkish Cypriot hotels – built on old Turkish Cypriot land – we suffered a 70 per cent decline in advertising", Crisis Group interview, Greek Cypriot newspaper publisher, Nicosia, October 2007.

The Ankara establishment has paused in its “one-step ahead” policy since the failure of the Annan Plan. President Abdullah Gül says Turkey is “open to work, with goodwill [but] there is major disappointment”.¹⁶⁹ The sense of caution is based on a perception within the ruling AK Party that it took a risk by pushing for that plan and has been left with nothing to show for it to sceptical domestic opinion. “If [a new negotiation is] going to go further than Annan, I don’t think it will work... I want the talks to go on, but there is none of the old excitement,” a senior AK Party figure said.¹⁷⁰

As with many aspects of Turkish politics, there are competing trends. A progressive current, apparently dominant in the foreign ministry and still present in the high ranks of the AK Party, wants to push for a quick solution, believing that some EU countries currently favour Turkey and that lack of a Cyprus settlement will bar Turkey’s EU membership. A cautious school sees no point in taking a risk if there is even a 10 per cent chance something could go wrong. A third force is the growing nationalism of public opinion. The Turkish military, which was forced to take a back seat in the pro-EU atmosphere of 2004, is now more confident in asserting its Euroscepticism.

The military insists on strategic security interests in Cyprus beyond those of protecting the Turkish Cypriots. Generals fear that if a hostile force took over the island 70km from Turkey’s coast, it could threaten the routes of oil tankers using the Turkish terminals of pipelines from Iraq and the Caspian or bomb major cities and ports in the south of the country. A former general said that a Turkey which already feels hemmed in by Greek islands on its Aegean and western Mediterranean coasts “has to hold onto Cyprus so that it doesn’t fall into anyone else’s hands”. He noted that the distant UK keeps bases there to protect its Middle Eastern interests, many of which are shared by Turkey, a country far closer to and longer involved on the island.¹⁷¹

For the armed forces, deeply distrustful of Greek Cypriots, the main problem is not where to compromise but “how do we persuade the world that we are right? If Turkey-EU relations are already poisoned, what’s the point of giving concessions on Cyprus? If we give away Cyprus, won’t

the EU then start pushing us to make concessions on the Kurdish and Armenian issues?”¹⁷² EU hypocrisy is seen on Kosovo, part of a forcibly-divided state and now close to independence.¹⁷³ The AK Party government might ideally like to resume its “one step ahead” policy so as to remove the Cyprus problem from its EU agenda, but, given recent emergencies involving Kurdish rebels and northern Iraq, it has been forced into closer step with the more conservative military.¹⁷⁴

E. GREECE ON THE SIDELINES

Before Prime Minister George Papandreou lost the March 2004 election, Greece openly backed a Cyprus settlement. Subsequently, as opposition leader, he supported the Annan Plan, seeing it as part of Greece’s historic rapprochement that he helped engineer with Turkey after 1999. The government of Kostas Karamanlis gave the Annan Plan a lukewarm endorsement. Since then, Athens has reverted to its traditional “Cyprus decides, Greece supports” stance. Nevertheless, Greek Cypriots are losing support from their main ally. As former Greek Cypriot President Vassiliou put it, “Greece has given up on Cyprus. It’s a natural reaction to Papadopoulos’s line”.¹⁷⁵ Cyprus has now caught up with Greece in per capita income,¹⁷⁶ and Athens has delivered on its promise to get Cyprus into the EU. Greece feels cautious precisely because it now enjoys a largely successful détente with Turkey.

A leading Greek foreign policy expert said Athens was unwilling to get deeply involved with Cyprus because it supported the UN peace process at Greek Cypriot request, only to see the resulting Annan Plan spurned. “It’s not clear to us that they want to live side by side [with Turkish Cypriots]... I have very serious doubts about whether they are willing to share power with the Turkish Cypriots... We need to know what the Greek Cypriots really want. We can’t spend all our diplomatic capital for nothing again”.¹⁷⁷

by either Greek Cypriots or France, Crisis Group interview, European Commission official, December 2007.

¹⁶⁹ Crisis Group interview, Ankara, October 2007.

¹⁷⁰ Crisis Group interview, Ankara, October 2007.

¹⁷¹ Crisis Group interview, General (rtd.) Armağan Kuloğlu, Ankara, October 2007. “Cyprus has always attracted and been the arena of struggle between forces who wish to exercise influence over the region, to seize strategic areas and to achieve control of the Mediterranean ... in essence, it is an issue of Turkish security... after 50 years, it is also one of Turkish credibility”, Kuloğlu, Kıbrıs’ın Stratejik Konumu, op. cit.

¹⁷² Crisis Group interview, Turkish official, Ankara, October 2007.

¹⁷³ “Why is the outside world trying to force two peoples to live together in Cyprus who so clearly don’t want to live together, and haven’t done for nearly 50 years, yet in Kosovo are busy militating to separate Albanians and Serbs?”, Crisis Group interview, Eurasia Strategic Research Centre (ASAM) researcher Sema Sezer, Ankara, October 2007.

¹⁷⁴ “When the house is on fire, you can’t discuss decorating upstairs”, Crisis Group interview, Turkish official, Ankara, October 2007.

¹⁷⁵ Crisis Group interview, Nicosia, October 2007.

¹⁷⁶ GDP 2004 per capita figures, “Eurostat”, 3 June 2005.

¹⁷⁷ Crisis Group interview, Athens, October 2007.

F. OPEN SUPPORT FOR PARTITION

In August 2007, Marios Matsakis, the most outspoken Greek Cypriot member of the European Parliament, broke a community taboo, calling his government's drive to solve the Cyprus problem by assimilating individual Turkish Cypriots into its administrative structures unrealistic:

I said I would prefer two separate states, and then they can take on their own responsibilities on how to proceed. I said I was fed up, and a lot of Greek Cypriots were fed up because the Turkish Cypriots were having a privileged citizenship of the Republic of Cyprus. They get free medical care, they don't pay any taxes. Some of them get free electricity, and on top of that they accuse us of isolating them. They are selling their properties in the south and at the same time they are using and stealing our properties in the north... If they don't want to be with us, we have to stop pretending and face the facts. The Turkish Cypriots must realise if they want a two-state solution, they will be outside the EU and if they satisfy the criteria, and if we want to, they can become members. Does that sound so ridiculous? And if in the future the two separate states have good relations, and as EU members want to unite, well and good.¹⁷⁸

Publication of these comments unleashed a storm of indignation at home, where Greek Cypriots are far from debating, let alone publicly accepting, ideas about partition.¹⁷⁹ Any questioning of the goal of full reunification is rare, since the educational system, politicians and media have converted the trauma of the 1974 Turkish invasion into a polished theology of injured justice and legitimacy.¹⁸⁰

¹⁷⁸ The comments were originally made during a meeting of his Alliance of Liberals and Democrats in Europe, *Cyprus Mail*, 28 August 2007.

¹⁷⁹ "Matsakis was always denounced as a populist, until he suggested partition. Then he was accused of being a lone voice. In reality, his comments reflect the views of more people than politicians would care to admit", Crisis Group telephone interview, James Ker-Lindsay, November 2007. A Western ambassador said the Matsakis row triggered a reaction, not a debate: "I can't imagine the Greek Cypriot public opinion moving towards a solution if advertised as [partition]. A lot of people may feel deep down in their hearts that partition is a reality, and we have to live with it... at the monthly bicomunal meeting hosted by the Slovaks, all they are talking about is partition... [but] even if people feel it deep down, their theology and mythology militates against them ever accepting it", Crisis Group interview, Nicosia, October 2007.

¹⁸⁰ "We live in the past... The Turkish Cypriots have taken out the [worst] references in their schoolbooks, but our school books are still the same. Young people are indoctrinated that Turks are bad, Turks are killers", Crisis Group interview, Greek Cypriot newspaper editor, Nicosia, October 2007.

The Orthodox Church criticises attempts to reach out to the Turkish side.¹⁸¹ The small community brands as a traitor any who break ranks but there are cracks in private.¹⁸² The percentage willing at least to consider negotiated partition is estimated by a peace activist as a quarter of the Greek Cypriot population and increasing.¹⁸³ According to a prominent Greek Cypriot businessman, "more and more people are saying they'd be ready to live with a two-state solution".¹⁸⁴

More Greek Cypriots are tempted by the new possibility of obtaining compensation for land in the north through the Turkish Cypriot property commission, especially while real estate prices are rising on both sides of the island, and a political settlement looks unlikely. Pro-government newspapers have published shaming lists with 50 names of Greek Cypriots who have lodged claims with the Turkish Cypriot commission, but that has not stopped 300 from applying. "The government says we should be patriotic and wait for a solution. Greek Cypriots feel they cannot", a leading newspaper editor said.¹⁸⁵

Nevertheless, there is little sign that Greek Cypriot society is rethinking its overwhelming rejection of the Annan Plan. Young people appear unconcerned about the risks of the status quo.¹⁸⁶ Civil society activists work under the shadow of the demonisation of inter-communal meetings as "money to push for the Annan Plan".¹⁸⁷ Vested economic interests which opposed that plan continue to believe that reunification, by opening up prime tourism locations in the

¹⁸¹ The liberal Greek Cypriot newspaper *Politis*, which supports compromise with the Turkish Cypriots, lost 5 per cent of its circulation after the Greek Orthodox archbishop called it a "Turkish newspaper written in Greek", Crisis Group interview, Greek Cypriot publisher, Nicosia, October 2007.

¹⁸² "Lots of Greek Cypriot youth today say accept partition, veto Turkey [in the EU] and forget the Turkish Cypriots", Crisis Group interview, Costas Carras of Friends of Cyprus UK, Athens, October 2007. "There is something called *inat*, or defiant pride, that often colours thinking in the region. Given that many people have already given up on getting back the north, there's a part of Greek Cypriots, a mischievous side, that would love to veto Turkey's entry into the European Union, even if it means sealing the division of the island", Crisis Group telephone interview, European academic, November 2007.

¹⁸³ Crisis Group interview, Yiouli Taki, Nicosia, October 2007. See also Elias Hazou, "Saying aloud what a lot of people think?", *Cyprus Mail*, 2 September 2007.

¹⁸⁴ Crisis Group interview, Nicosia, October 2007.

¹⁸⁵ Crisis Group interview, Nicosia, October 2007.

¹⁸⁶ The only two public demonstrations that have attracted Greek Cypriot youth since 2004 were to protest two-hour earlier closure of discotheques at 2 am, and extension of the age for pension eligibility from 63 to 65, Crisis Group interview, international official, Nicosia, October 2007.

¹⁸⁷ Crisis Group interview, ISTAME researcher Philippos Savvides, Athens, October 2007.

north, would cause real estate prices in southern Limassol and Larnaca to drop.¹⁸⁸

It is no longer unusual to be served by a Turkish waiter in a traditional Greek restaurant in downtown Nicosia, but public attitudes about the Turkish Cypriot side are not softening. A poll found that 45 per cent of Greek Cypriots entertain a somewhat or much worse opinion of Turkish Cypriots since Green Line crossing points opened in 2003.¹⁸⁹ An old Greek Cypriot view of Turkish Cypriots as poor, uneducated workers persists in the frequently expressed attitude that they should be more grateful for the “concession” of being allowed to work in the south.¹⁹⁰

While denying collective rights to any post-1974 Turkish Cypriot administration, Greek Cypriot official policy aims to absorb individuals into their institutions. Services on offer include citizenship, employment, social insurance, health care and education. Turkish Cypriots can vote in the February 2008 presidential election for the first time, but only those few hundred who reside in the south. Greek Cypriots have issued Republic of Cyprus passports to 65,000 Turkish Cypriots, but those who have the document say they consider it an EU right implying no loyalty to Greek Cypriot institutions.¹⁹¹ No Turkish Cypriots have been visible in the Greek Cypriot government since 1963.

Turkish Cypriot politics are hardening against reunification. Approval of the Annan Plan in 2004 showed a readiness to accept EU protection alongside or instead of that of Turkey, but the EU’s virtual inability to assist the community since the Greek Cypriot “no” has persuaded many that only Turkey can be relied on. Talat was elected president in 2003 on a wave of pro-EU, pro-reunification demonstrations. Now his former lawyer, peace activist Emine Erk, says, “I can see Talat becoming more hardline.... He represented the struggle for a solution; he came in on a high. It’s disillusionment, frustration, the fact of not being able to make progress”.¹⁹² In his still-busy office, Denktash, the hardline former president, is convinced 65 per cent of Turkish Cypriots would reject the Annan Plan today: “The population was deceived. But Talat and [Turkish Cypriot Prime Minister] Soyer are coming to defend my line: two peoples, two states

... separation has stopped the bloodshed, brought peace and stopped them from gobbling up the north. Why insist on bringing us together?”¹⁹³

G. “TAIWANISATION”

The dynamics since 2004 point to what many on the island have taken to calling a “Taiwanisation” of northern Cyprus.¹⁹⁴ While Turkish Cypriots still complain of international isolation – “self-imposed”, Greek Cypriots say, by the Turkish army – the trend is actually towards somewhat greater interaction with the outside world. Brussels has given a backhanded kind of acknowledgment by viewing the whole territory of Cyprus as part of the EU, while suspending its law in the north. Turkish Cypriots have two elected representatives with the right to speak, though not vote, in the Council of Europe’s Parliamentary Assembly. They have quasi-diplomatic representation in Brussels and lobbying rights in the European Parliament. Before their positive vote on the Annan Plan, everyone kept Turkish Cypriots at arms length; since then Talat has been received by two U.S. Secretaries of State, European Commission President Jose Manuel Barroso and the foreign ministers of the UK, Sweden, the Netherlands and other European states.¹⁹⁵

In July 2004, the 57-member Organisation of the Islamic Conference upgraded the status of the Turkish Cypriot observer delegation from that of a “community” to “state”, based on the Annan Plan. Several Muslim states are considering opening trade offices in the north.¹⁹⁶ As noted, the European Court of Human Rights has found the Turkish Cypriot administration capable of setting up a local remedy for Greek Cypriot property claims in the north. The Greek Cypriots complain that the UN increasingly treats the Greek and Turkish Cypriot sides as equals, a trend “apparent for a number of years and...growing with each report submitted”.¹⁹⁷

¹⁸⁸ Crisis Group interview, Greek Cypriot journalists, Nicosia, October 2007.

¹⁸⁹ The comparable figure for Turkish Cypriots is 12 per cent, UNFICYP, op. cit.

¹⁹⁰ “They should respect [the fact that we’re paying them] the money”, Crisis Group interview, Greek Cypriot academic, Nicosia, October 2007.

¹⁹¹ “If they think that by making us wait we’ll end up surrendering or becoming economically Greek, they’re wrong”, Crisis Group interview, Raşit Pertev, former Turkish Cypriot negotiator, Brussels, September 2007.

¹⁹² Crisis Group interview, Nicosia, October 2007.

¹⁹³ Crisis Group interview, Nicosia, October 2007.

¹⁹⁴ Crisis Group interview, ISTATE researcher Philippos Savvides, Athens, October 2007.

¹⁹⁵ Nevertheless, former Turkish Cypriot negotiator Raşit Pertev said, “we’ve got easier access to the EU, to EU states. Nobody refuses to see us, except in rare cases. We are past the stage of saying ‘hello’. But if we are part of the EU, what does it mean? I can’t represent myself; I can’t sell my tomatoes to the EU. Maybe we are the ghosts of the EU”, Crisis Group interview, Brussels, September 2007.

¹⁹⁶ Crisis Group telephone interview, Cyprus-based Western diplomat, December 2007.

¹⁹⁷ “Remarks by the Cyprus Government on some of the most important aspects of the latest report of the UNSG on the UN Peacekeeping Force in Cyprus”, paper circulated in the UN, 4 December 2007.

Syria, once a stalwart advocate of Greek Cypriot interests in the Arab and Islamic worlds, in October 2007 allowed a ferry link closed since the 1970s from Turkish Cypriot Famagusta to Lattakia to resume twice weekly. The name “Turkish Republic of Northern Cyprus” appears ever more frequently on internet sites, including those of governments. In October 2007, the UK used it – within inverted commas – in an official document on a strategic partnership between London and Ankara.¹⁹⁸ “I’m invited to every function on the other side. The Italian ambassador is coming to lunch today. This sort of thing didn’t happen before 2004”, said Erdil Nami, chairman of the Turkish Cypriot Chamber of Commerce.¹⁹⁹

Multinationals are also beginning to regard Turkish Cypriots as something other than history’s lonely losers. France’s Mercure Hotels has opened a luxury resort and casino in the north, not the south; Australian franchise Gloria Jean’s Coffees has opened in both parts of the island. The commercial isolation of the past, when Greek Cypriot pressure forced Barclay’s bank of the UK to close its branch in the north seems to be ending. The London-based HSBC bank, which sold its consumer banking branch in the south in 2006, has opened a prominent branch in the north through its Turkish subsidiary. Former Turkish Cypriot negotiator Raşit Pertev said the Greek Cypriots “have had their building boom. Now we’re having ours... we’re now their competitors”.²⁰⁰

For most Greek and Turkish Cypriots, “Taiwanisation” may not be seen as a deeply damaging outcome, although a settlement would clearly improve their long-term security and prosperity. The problem is that the current unmanaged partition is costing everyone time, money and psychic energy, while doing harm to the EU, NATO, Turkey and to the rights of those Cypriots who were ousted from their homes in the 1963-1974 period.

VI. CONCLUSION

Ideally new Cyprus talks beginning in 2008 would lead to agreement within a year or two on a settlement whose parameters have been clear for three decades. All sides should recognise that this may be a last chance to act on a UN-mediated basis aiming at comprehensive unification. The comfortable belief that the status quo could if necessary be maintained almost indefinitely is badly out of date. The twin events of 2004 – failure of the Annan plan and the Greek Cypriot membership in the EU – have set new dynamics in motion: “Taiwanisation” of northern Cyprus; ever-greater political divergence between Greek and Turkish Cypriots; a widening gulf between the EU and Turkey; rising stresses involving the EU and NATO; and diplomatic guerrilla warfare between Turkey and Cyprus. The sum of consequences for Europe’s tranquillity are rather remarkable when one considers that they flow from a dispute over a small island of one million relatively prosperous people, who are far from physical conflict and whose main industry is tourism.

The UN, EU and other states involved should approach a new push for negotiations realistically. Diplomatic capital and bicomunal goodwill have been wasted by the 8 July 2006 process, for which neither the Turkish Cypriot nor the Greek Cypriot side was properly prepared and from which neither expects much real change. The resulting stalemate has deepened popular cynicism. The EU and the UN now have a greater responsibility to become more engaged. They can make the arguments for a negotiated solution, which are usually lost in the nationalist atmosphere on both sides. The EU has a special need and responsibility to foster new debate and a real dialogue involving Greek Cypriot, Turkish Cypriot, Turkish and Greek opinion leaders.

EU and Greek Cypriot leaders should understand that for a Cyprus settlement to happen, they must reassure Turkey that its EU membership is a real prospect. Greek Cypriots should realise that pursuit of a unitary state by using their EU leverage against Turkey and ignoring the Turkish Cypriot administration is pushing Turkey away from the EU and making permanent partition of the island more likely. Likewise, Turkey must accept that persuading Greek Cypriots it is not an existential threat is the key to progress in removing the Cyprus obstacle to its EU ambitions. A dialogue and trade policy could produce positive results similar to those achieved with Greece since 1999.

If they resume, the EU should follow UN-mediated talks closely and work with both sides. If they break down again, the EU will face tough decisions. The

¹⁹⁸ A UK official called this a drafting misunderstanding, not a policy signal, Crisis Group telephone interview, December 2007.

¹⁹⁹ Crisis Group interview, Nicosia, October 2007.

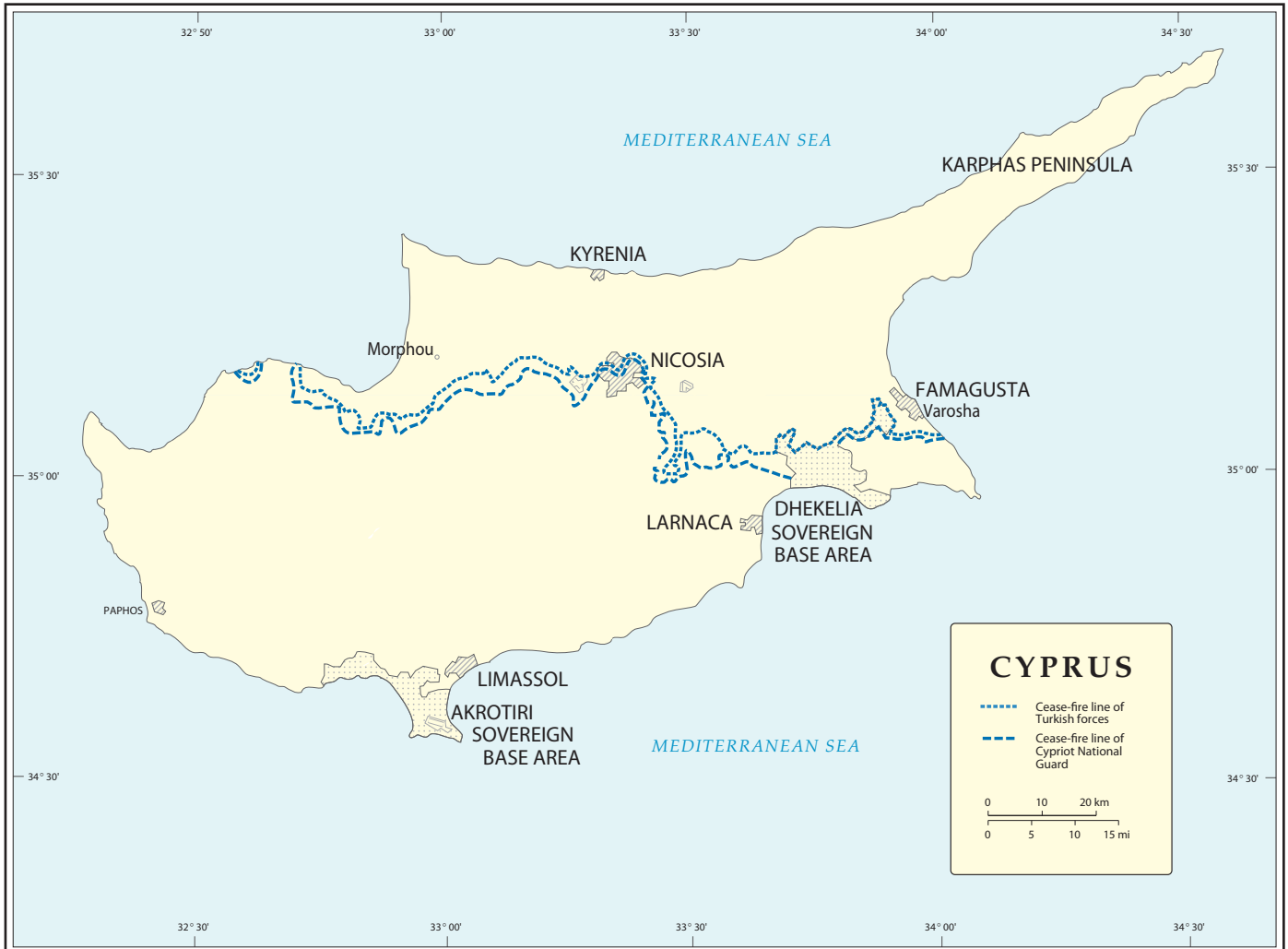
²⁰⁰ Crisis Group interview, Nicosia, October 2007.

Turkish Cypriots are EU citizens and should not be left in an indefinite limbo. Neither should the EU, already deeply implicated in the mistakes that have led to the current situation, continue to allow its own future to be mortgaged to the fate of the Cyprus problem.

Nicosia/Istanbul/Brussels, 10 January 2008

APPENDIX A

MAP OF CYPRUS



Adapted by International Crisis Group from Map No. 4038 (October 1997), United Nations Department of Public Information, Cartographic Section

APPENDIX B

CYPRUS CHRONOLOGY

- 1960 Cyprus granted independence from the UK, guaranteed by the UK, Greece and Turkey.
- 1963 Constitutional order breaks down and Turkish Cypriots withdraw from government, never to return. Greek Cypriot attacks on Turkish Cypriots trigger inter-communal violence.
- 1964 UN deploys peacekeepers to protect Turkish Cypriots and head off Turkish invasion. U.S. “Johnson Letter” forbids NATO-member Turkey to use American arms in Cyprus dispute.
- 1974 After Athens-inspired coup in Cyprus in pursuit of *enosis* with Greece, Turkish troops invade. Europe and the U.S. impose political and military sanctions against Turkey.
- 1975 Turkish Cypriots declare Turkish Federated State.
- 1977 First High-Level Agreement between Cyprus President Archbishop Makarios III and Turkish leader Rauf Denktash lays out basis for bicommunal, bizonal and federal solution.
- 1979 Second High-Level Agreement between Cyprus President Spyros Kyprianou and Denktash reaffirms vision of federal solution.
- 1983 September: collapse of peace effort by UN Secretary-General Perez de Cuellar.
November: Turkish Cypriots unilaterally declare independence as Turkish Republic of Northern Cyprus.
- 1992-1993 Rise and fall of UN Secretary-General Boutros Boutros-Ghali’s “set of ideas”.
- 1994 European Court of Justice bans Turkish Cypriots from direct, tax-free exports to EU that do not bear new Greek Cypriot certificates of origin.
- 2003 February: Hardliner Tassos Papadopoulos elected Greek Cypriot president, defeating Glafcos Clerides.
December: After advances by pro-solution parties, Mehmet Ali Talat’s Republican Turkish Party forms new government.
- 2004 April: Annan Plan submitted to twin referendums, accepted by Turkish Cypriots, rejected by Greek Cypriots.
May: Cyprus enters EU as a divided island.
- 2005 April: Talat elected Turkish Cypriot president. Veteran hardliner Rauf Denktash steps down as Turkish Cypriot leader.
- 2006 8 July Agreement between Greek Cypriot President Papadopoulos and Turkish Cypriot President Talat begins new UN-mediated contacts on a settlement, which soon stall.
- 2007 5 September: Talat suggests and Papadopoulos rejects speeded-up negotiations with end-2008 deadline.
- 2008 17 February: Greek Cypriot presidential elections.
- 2009 EU to review Turkey’s implementation of the 2005 Additional Protocol to the Customs Union committing it to open ports to Greek Cypriot shipping and aviation.

APPENDIX C

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