

THE CYPRUS STALEMATE: WHAT NEXT?

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THE CYPRUS STALEMATE: WHAT NEXT?

EXECUTIVE SUMMARY AND RECOMMENDATIONS

The last round of Cyprus's drawn-out peace process ended in April 2004 when the Greek Cypriot community, which had long advocated reunification of the divided island on a bicomunal and bizonal basis, overwhelmingly rejected the UN-sponsored "Annan Plan", which provided for just that. At the same time on the northern side of the Green Line, the Turkish Cypriot community, in a major reversal of its traditional preference for secession, backed reunification. The failure of the referendum did not stop a still-divided Cyprus being admitted to membership of the EU a week later. Notwithstanding clear continuing support for the Annan Plan, or some variation of it, among all other members of the EU and the wider international community, the present situation remains stalemated.

Given that no negotiated settlement is presently in sight, the only way forward appears to be a series of unilateral efforts by the relevant domestic and international actors, aimed at sustaining the pro-solution momentum in the north, inducing political change in the south, and advancing inter-communal reconciliation. External players should, to the extent of their capacity, seek to exert pressure upon the political elites of both communities for immediate recommencement of negotiations and do everything possible meanwhile to reduce the isolation of the north.

The best-case outcome, manifestly in the interests of both sides and their regional neighbours, would be for Greek and Turkish Cypriots to make further efforts to reunify Cyprus within the broad framework laid down in the Annan Plan. With its detailed and comprehensive provisions, its tightly forged compromise arrangements and its distillation of three decades of negotiations, some new variation of that Plan, built around the concept of a bizonal and bicomunal federation as originally agreed by Archbishop Makarios and Rauf Denktaş in the 1970s, is the only proposal that seems ultimately capable of common acceptance.

The most substantial blockage of such an agreement is now the policy and attitude of the Greek Cypriot leadership and in particular of President Tassos

Papadopoulos. They should realise that if they persist in their refusal to engage with the United Nations and with Cyprus's other international partners, the island will slip by default toward permanent partition and the independence of the north, whether formally recognised or not. The idea that Turkish Cypriots will instead accept minority status in a centralised Greek Cypriot state is a pipe dream.

Confidence building measures cannot, in the present environment, realistically be negotiated. But they can still be undertaken unilaterally. Political leaders are always reluctant to make concessions not immediately reciprocated, but these can sometimes be very much in the longer term national interest. The argument of this report is that the best hope of changing the dynamics of the Cyprus conflict, and creating an environment in which a UN-brokered solution can once again be contemplated and the best interests of all parties advanced, is for the following measures, and approaches, to be taken by the key players:

- **The EU, UN and U.S.** have important roles in creating an atmosphere where progress may be possible. In 2004, the UN Secretary-General, the EU Council of Ministers and the U.S. Secretary of State all called for ending the north's isolation; their words should now be followed by deeds. The EU, for all the difficulty of acting in the face of Cypriot vetoes, has a particular obligation to sustain by every available means the economic development and European integration of northern Cyprus as it pledged to do in April 2004. The Commission, Council, Parliament and other member states should implement the new funding instrument for northern Cyprus, and press for the establishment of a branch of the Commission's delegation in the north to oversee its delivery and the inclusion of northern Cyprus in the EU's customs union with Turkey. The U.S. similarly should upgrade its existing office in the north. Lifting the isolation of the north is key to promoting a long-term and sustainable solution based on equality.

- **Greek Cypriots** need to refocus on the core issues, recognise that a centralised state is a recipe for endless further domestic and regional instability, accept that the roots of the Cyprus conflict lie as much in 1963 as 1974, acknowledge that it is not only they who have been uprooted from their homes and mourn their missing, and look again at the advantages of giving practical effect to the bizonality and bicommunality principles they agreed to three decades ago. Given the uncompromising position taken by the present government, the critical role here in generating debate must be played by the Greek Cypriot opposition, moderates on all political sides and civil society leaders.
- **Greece**, similarly, must review its historic approach. The attitude of successive governments that “Cyprus decides, Greece follows” is anachronistic and unhelpful: Greece needs to move on from its politics of silence, once more clarify to the international community its stance towards the Annan Plan as the basis for recommencing negotiations and finding a solution, and be prepared to take a lead within the EU to refocus efforts on discharging the Union’s obligations to its Turkish Cypriot citizens.
- **Turkish Cypriots** should through their government address the outstanding property cases, harmonise laws and practices in line with the EU’s *acquis communautaire*, extend de facto the EU-Turkey Customs Union to the north and encourage Turkey to reduce its military presence as well as the number of Turkish settlers from the mainland who have migrated to the northern part of the island in the past three decades. The Turkish Cypriot side should show more understanding of Greek Cypriot demands with regard to the issues of missing persons and the restoration of damaged cultural monuments, in order to demonstrate that it is intent on resolving past disputes and willing to ease the costs of reunification and the pain of those who have suffered from the events of 1974.
- **Turkey** should unilaterally undertake a number of confidence building measures to confirm its commitment to a settlement. It should proceed with its existing EU commitments, including full implementation of the Customs Union with all 25 member states. The partial withdrawal of some of the 35,000 troops stationed in the northern part of the island would be an important step in easing the fears of the Greek Cypriots, without threatening Turkey’s security interests. And it should commit to the drafting of a plan for repatriation of a number of settlers once a census has been held.

RECOMMENDATIONS

To EU Institutions and Member States:

1. Accept that ending the isolation of northern Cyprus is a strategic imperative for the European Union, pending the unification of the island.
2. Continue to work on, and press Cyprus to accept:
 - (a) committing the Union to proceed on the trade regulation under a specified timeframe and implementing the aid regulation for northern Cyprus, with provision for *acquis* harmonisation, reform of the civil service, refurbishment of Famagusta port and financing of a census;
 - (b) establishing a subordinate branch of the Commission’s delegation in the north to coordinate the delivery of funds and *acquis* harmonisation;
 - (c) ensuring that Turkish Cypriots are fairly represented within EU institutions; and
 - (d) revising the current proposals for direct trade to include the incorporation of northern Cyprus into the EU customs union with Turkey, the amendment of the Green Line regulation and the joint management of Famagusta port by the Turkish Cypriots and the Commission.
3. For individual member states, establish bilateral links where appropriate with the authorities and civil society in northern Cyprus.
4. In the case of the UK, maintain the commitment under the Annan plan to give up substantial parts of the British sovereign base territory on Cyprus to a post-settlement state.

To the United States:

5. Upgrade the consular office in northern Cyprus to a branch of the U.S. Embassy in Nicosia.
6. Increase contacts at all levels with officials and civil society in northern Cyprus.

To the UN:

7. Adopt the conclusions of the May 2004 Secretary-General’s Report on Cyprus as a Security Council resolution to strengthen the UN’s calls to end the isolation of northern Cyprus.
8. Be ready to engage actively in the preparation of further negotiations, should the Greek Cypriots indicate their concerns with the Annan Plan in a form which offers some hope for a negotiated settlement.

9. Proceed with the creation of a UNDP Trust Fund for Northern Cyprus.

To Greek Cypriots:

10. In the case of the government, at the very least re-engage with the UN-sponsored settlement process by submitting a prioritised list of concerns with the Annan Plan to the Secretary-General (as he has requested).
11. In the case of the opposition, moderates on all political sides, and civil society leaders :
 - (a) initiate a new debate over the future of the island, and the advantages of implementing the bizonality and bicommunality principles, supporting in that context a review of the Greek Cypriot historical narrative of the conflict, particularly through the education system and the media;
 - (b) support a positive approach to the economic development of northern Cyprus, measures to reduce its isolation and visa-free access for those Turkish settlers who would have gained citizenship under the Annan Plan; and
 - (c) work to reformulate the Greek Cypriot debate on EU-Turkey relations, emphasising the security gains that would derive from Turkey's EU accession.

To Greece:

12. Proactively support pro-settlement voices among Greek Cypriot politicians and civil society and actively support reopening the negotiations based on the Annan Plan.
13. Suspend the Joint Defence Space doctrine, cease joint military activities with the Greek Cypriots and stop participating in the operations and staffing of the Cypriot National Guard.

To Turkish Cypriots:

14. Ensure that the Turkish Cypriot property commission's procedures are compatible with the European Convention on Human Rights and reinstate Greek Cypriot property in a refurbished Varosha under Turkish Cypriot administration.
15. Proceed immediately on EU *acquis* harmonisation in areas like trade and public sector reform and embark in other areas on preparatory work to raise public awareness and to determine the necessary transition periods.
16. Adopt the Common External Tariff.

17. Pursue confidence building measures, such as an (EU-monitored) census in the north, strengthening the rights of the Orthodox communities in the Karpas peninsula (including designating part of the peninsula as a demilitarised national park), opening more border crossings, actively supporting international demining efforts, and taking an initiative for the preservation of cultural monuments.
18. Continue to engage with the Committee on Missing Persons to resolve the 2,500 cases of Greek and Turkish Cypriots still not accounted for as a result of the events of the 1960s and the military operation of 1974.
19. Cease any construction work on property owned by Greek Cypriots.
20. Begin planning the creation of mixed population villages in cases where people are willing to move.

To Turkey:

21. Implement the Customs Union with all twenty-five member states of the EU as committed.
22. Begin a limited withdrawal of Turkish troops from the north of the island.
23. Commit to repatriating a number of settlers back to Turkey.

Brussels/Nicosia, 8 March 2006

THE CYPRUS STALEMATE: WHAT NEXT?

I. A HISTORY OF DISCORD

The seeds of conflict in Cyprus were sown during British colonial rule in the early twentieth century. In the 1920s, the Greek Cypriot community, supported by Greece, became increasingly dissatisfied with British control. Yet unlike other twentieth-century decolonisation movements, the Greek Cypriot desire for freedom did not translate into a demand for independence. Viewing themselves as one people with mainland Greeks, the Greek Cypriots expressed their demand for self-determination through *enosis*, union with Greece. By the 1950s, Greek Cypriot dissatisfaction developed into a guerrilla struggle against the British. Aware of the fate of most other Muslims living in former Ottoman territories annexed to Greece over the previous 100 years, the Turkish Cypriot community, 18 per cent of the population, rejected *enosis*. Supported by Turkey and spurred on by the British, the Turkish Cypriots formed a reactive armed movement and inter-communal clashes erupted. By the late 1950s, Turkish Cypriot (and Turkish) aims crystallised into a demand for *taksim*, partition of the island into Greek and Turkish zones.¹

In 1959, the path for a compromise was cleared with a shift in the British position, renouncing sovereignty over Cyprus. Through the 1959 London and Zurich accords, the parties agreed on a basic structure for the new and independent Republic of Cyprus (RoC), which explicitly ruled out both *enosis* and *taksim*. Established on 16 August 1960, Cyprus was to be a bicomunal state, allowing for effective representation of, and power-sharing between, its two constituent communities. The parties also signed the Treaties of Guarantee, of Alliance and of Establishment. The Treaty of Guarantee granted Britain, Greece and Turkey the right of unilateral intervention to restore constitutional order on the island. The Treaty of Alliance allowed Greece and Turkey to

station 950 and 650 troops respectively in Cyprus. The Treaty of Establishment accorded the UK sovereignty over two military bases in Dhekelia and Akrotiri.

From the outset, most Greek Cypriots expressed their dissatisfaction with the agreements, regarding them as a betrayal of the *enosis* cause and contesting what they believed to be over-generous concessions to the Turkish Cypriots. In December 1963, the Greek Cypriot leadership proposed a set of constitutional amendments which would have eliminated the bicomunal nature of the Republic and set the stage for a centralised unitary state with minority rights for the Turkish Cypriots. Following the predictable rejection of the proposals by Ankara and the Turkish Cypriot leadership, Turkish Cypriot officials left all public positions and then were unable to return. Inter-communal violence reerupted leading to thousands of deaths and the forced displacement of over 30,000 Turkish Cypriots from mixed areas to enclaves. A UN peacekeeping force (UNFICYP) was deployed in 1964, primarily to protect the Turkish Cypriot community, and remains to this day despite changed circumstances. The problem intensified following the advent in 1967 of military dictatorship in Greece and growing Greek interference in the internal affairs of the island. This came to a head on 15 July 1974, when the Greek Cypriot National Guard (by then run by mainland officers) staged a coup, led by the notorious Nicos Sampson, to oust the Greek Cypriot government and extend Greek military rule to Cyprus. At this point, Turkey intervened militarily, invoking its rights under the Treaty of Guarantee initially to secure the perimeter of an area between Kyrenia and Nicosia and subsequently, in mid-August, to extend its control to 37 per cent of the island's territory in the north. During the war in Cyprus, the military dictatorship in Athens, which had encouraged the coup and then been unable to lend it adequate support, collapsed, and Greece returned to parliamentary democracy.

Following Turkey's intervention, its troops remained in Cyprus. The 1960 constitutional order was never restored: a radically different one emerged, with the island de facto partitioned into two zones: the Turkish Cypriot in the north and Greek Cypriot in the south, separated by a UN-monitored buffer zone, the Green Line. The 1975 Vienna accords on the temporary exchange of populations led to the displacement of 140,000 Greek

¹ For a concise history of the Cyprus conflict, see Andrew Borowiec, *Cyprus, A Troubled Island* (Westport, 2000). For a Greek Cypriot perspective, see Glafcos Clerides, *Cyprus: My Deposition*, volume 1-4 (Nicosia, 1989). For a Turkish Cypriot perspective, see Pierre Oberling, *The Road to Bellapais* (Boulder, 1982).

Cypriots from the north and 60,000 Turkish Cypriots from the south. Both areas were thus almost entirely ethnically cleansed. Since partition, Turkey has encouraged immigration to northern Cyprus from the mainland, and today the number of Turkish immigrants is somewhere between 55,000² and 115,000³ out of a total population in the north of approximately 200,000. The Turkish Cypriots in the north constituted their government as the “Turkish Federated State of Cyprus” in 1975 and then declared independence as the “Turkish Republic of Northern Cyprus (TRNC) in 1983. The “TRNC” has not been recognised by the international community, with the sole exception of Turkey, and its formation was condemned by the UN.⁴ The Greek Cypriots in the south retained the right to describe themselves as the internationally recognised “Republic of Cyprus”, viewed by the international community as the only legitimate authority on the island despite the absence of Turkish Cypriots in state institutions; Turkey in turn does not recognise the legitimacy of the current “Republic of Cyprus”.

The two sides hold completely differing interpretations of these events. For Turkish Cypriots, the conflict began in 1963, with the breakdown in the 1960 power sharing mechanisms; this actually led to the outbreak of violence, sponsored by leading Greek Cypriot politicians including well-documented atrocities and the eventual ghettoisation of the Turkish Cypriots in enclaves. For Greek Cypriots, the conflict began in 1974 with the invasion of the island by Turkish military forces, which resulted in its partition, the seizure of 37 per cent of its territory, the dislocation of 140,000 Greek Cypriots from their homes, the colonisation of the occupied land by 115,000 Turks from mainland Anatolia and the constant presence of a Turkish military force of 35,000. In Greek Cypriot historiography, the period between 1963 and 1974 is completely ignored, giving an impression that the ethnic communities coexisted harmoniously.

The decades that followed witnessed growing economic disparity between north and south. By 2003, GDP per capita stood at €15,600 in the south and €5,240 in the north, with labour productivity in the north 40 per cent of that in the south.⁵ After 1974, the small Greek Cypriot economy experienced a boom, helped by the status of the

government as the only internationally recognised state on the island. It benefited from trade and investment, specialising in light manufacturing goods, tourism and offshore financial services. The government also benefited from its good relations with both the Arab world and Israel. The Turkish Cypriot economy has been far more sluggish. Its international isolation has hindered trade and tourism. Non-recognition and the consequent uncertainty in property markets dampened foreign direct investment (FDI) and private sector development. Economic dependence left northern Cyprus vulnerable to Turkey’s high inflation rates and macroeconomic instability. In addition, the northern economy has been dominated by a large and inefficient public sector that has exacerbated serious fiscal imbalances. The economy has been propped up by direct budgetary aid from Turkey.

Successive rounds of bicomunal talks since 1974 have provided a few incomplete successes along with a myriad of failures. At different points in time, one party or the other, or both, have rejected internationally sponsored proposals. Yet, the international community, acting through the UN Secretary-General, developed increasingly precise ideas as to what the contours of a settlement should look like. International proposals were elaborated on the basis of the 1960 agreements as well as on the first and only bicomunal understandings reached in the early post-1974 years. The 1977 and 1979 High-Level Agreements⁶ stipulated that a future solution would be based on an independent, sovereign, bicomunal and bizonal federation, with territorial readjustments; that it would find answers to the status and property of displaced persons; and that it would stipulate provisions on the “three freedoms” of movement, settlement and property. In the mid-1980s under Secretary-General Javier Pérez de Cuellar, in the early 1990s under his successor, Boutros Boutros-Ghali, and in 1999-2004 under his successor, Kofi Annan, the UN devoted much time and energy to elaborating detailed plans and proposals for the federal reunification of Cyprus.

Alongside the ups and downs in the peace process since the late 1970s, other key developments took place. The most pivotal were those relating to the parties’ relationship with the European Community/European Union (EC/EU).⁷ In Greece, following the end of military

² Turkish Cypriot census (1996).

³ Council of Europe estimate (2004).

⁴ UN General Assembly Resolution 5412 (1983), UN Security Council Resolutions 541 (1983) and 550 (1984) and Council of Europe Resolution 1056 (1987).

⁵ 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.

⁶ These were negotiated between the leaders of the two communities, the 1977 agreement by Archbishop Makarios III, president of the Republic of Cyprus from independence in 1960 to his death in 1977 and Rauf Denktash, the Turkish Cypriot leader from 1973 until 2005; and the 1979 agreement by Denktash and Makarios’ successor as president, Spyros Kyprianou.

⁷ For an account of the impact of the EU on the Greece-Turkey-Cyprus triangle, see Nathalie Tocci, *EU Accession Dynamics*

rule in 1974, the new civilian government under Constantine Karamanlis's New Democracy applied for EC membership and joined in 1981. Its membership had two effects on the conflict. First, the Greek Cypriot government decided to pursue EC/EU accession. It duly applied in 1990 and, despite Turkish Cypriot and Turkish protests for another decade, entered the EU, along with eight former Communist countries and Malta, in May 2004. Secondly, Greece's first two decades of membership generated significant strains in EC/EU-Turkey ties. Greece obstructed EU financial assistance to Turkey as well as Turkey's EU candidacy until 1999. Greek attitudes have shifted profoundly since the launch of the Greek-Turkish rapprochement in that year, the most significant process of peaceful reconciliation between the two since the 1920s. As a result of the rapprochement as well as of key domestic developments in Turkey and within other important EU member states, in 1999 Turkey was formally recognised as an EU candidate country, clearing the way for the opening of accession negotiations in 2005. And the Turkish Cypriot community became increasingly convinced that its future, too, lay in the EU.

II. THE ANNAN PLAN AND THE 2004 REFERENDUMS

The last phase of the Cypriot accession process to the EU witnessed the most concerted and comprehensive effort by the international community to achieve a settlement since the independence negotiations of 1959-1960. In 1999-2000, proximity talks were held between Turkish Cypriot leader Rauf Denktash and Greek Cypriot leader Glafcos Clerides, ending with a Turkish Cypriot walkout in 2000. Following a year of deadlock, the process was relaunched in December 2001 through direct talks. In view of the approaching deadline of Cyprus's EU accession and the clear preference of the EU and the UN that a reunited Cyprus should join, the UN team (supported in particular by the British Special Representative, Lord Hannay) presented the first version of the Annan Plan in November 2002. The Plan, with 182 pages of main articles and finalised laws, and 9,000 pages of attached draft laws and treaties, the product of some 300 meetings, represented by far the most detailed and comprehensive attempt by the UN to advance a federal solution in Cyprus.⁸

A. THE ANNAN PLAN

The Annan Plan provided for the establishment of a new state of affairs, with a United Cyprus Republic (UCR) being the EU member, comprising a federal level and two constituent states – of the Greek Cypriot community in the south and the Turkish Cypriot community in the north. Constitutionally, the plan allocated most powers to the two constituent states, with the federal level of government responsible principally for foreign relations, monetary policy, federal finance, Republic citizenship and immigration.

Federal institutions were to be marked by political equality in effect. The executive was to be constituted by a presidential council comprising nine members (of which at least three would be Turkish Cypriots) holding office for five years, the presidency of which would rotate between the two communities. The presidential council would try to reach decisions by consensus, but could decide by majority vote provided decisions were supported by at least one member from each constituent state. The federal parliament would be composed of two houses, and decisions would normally require the approval of

and Conflict Resolution: Catalyzing Peace or Consolidating Partition in Cyprus (Aldershot, 2004).

⁸ For the course of the negotiations over the 1999-2004 period, see David Hannay, *Cyprus: The Search for a Solution* (London, 2005) and "Report of the Secretary-General on his mission of good offices in Cyprus", UN, New York, May 2004.

both chambers by simple majority, including one quarter of the senators from each constituent state. The lower house would be elected on the basis of constituent state citizenship, provided that the Turkish Cypriot state held at least one quarter of the seats. The upper house would be composed of an equal number of Greek Cypriots and Turkish Cypriots. Constituent state elections would be based on permanent residency. The Supreme Court would have an equal number of Greek Cypriots and Turkish Cypriots.

The constitutional dimension (which substantially met Turkish Cypriot demands for political equality) was counterbalanced by territorial proposals which provided for a significant reduction of the Turkish Cypriot zone, from 37 per cent to approximately 28.5 per cent of the island. Territorial readjustments would have allowed the majority of Greek Cypriot displaced persons to return to their properties under Greek Cypriot rule. The remaining displaced persons who wished to return to their properties in the north would normally have the right to reinstatement of one-third of the value and one-third of the area of their property. They would receive compensation for two-thirds of the value if their properties were occupied by other displaced persons or had been significantly improved.

All Cypriot security forces were to be disbanded, and the mainland Greek and Turkish contingents would have been reduced to 6,000 apiece by 2011 and 3,000 by 2018 (or by the date of Turkey's EU accession). Thereafter, numbers would be scaled down to the original 950 and 650 troops respectively foreseen in the Treaty of Alliance, with the objective of complete demilitarisation. A UN peacekeeping force, empowered by a new mandate, would monitor implementation of the agreement. The Treaty of Guarantee would remain in force *mutatis mutandis*, allowing the three guarantors to protect the constitutional status not only of the new republic as a whole, but also of its two constituent states. The Plan further stipulated that Cyprus would not put its territory at the disposal of international military operations (including European Security and Defence Policy operations) without the consent of the two constituent states and of both Greece and Turkey until the latter's EU entry.

Both Greek and Turkish Cypriots had very good incentives to accept the offered settlement. For the Greek Cypriot side, the Annan Plan would reestablish the much desired unity of their country. At the same time it would enable Greek Cypriot refugees to reclaim a significant part of their lost territory and return to their homes in safety, and would demilitarise the island to the levels of the Treaty of Guarantee of 1960. For the Turkish Cypriots, the Annan Plan would remove the many penalties flowing from international non-recognition of their self-proclaimed political entity; they would receive equal political status

while at the same time fully asserting their Turkish identity. There was a further incentive for their acceptance in that the eventual reunification of the two divided parts would immediately bring their community the privileges of the island's entry into the EU. The framework of the Plan was the assurance of bizonality and political equality, the respect of ethnic diversity and human rights and the existence of an independent sovereign state with a single international personality.

The UN Secretary-General's "Basis for the Comprehensive Settlement of the Cyprus Problem" (Annan I), was put to the leaders of the Greek and Turkish Cypriot communities, as well as the three guarantor states in November 2002, with a revised version (Annan II) following four weeks later. The intention was to settle the Cyprus conflict definitively before the EU took its enlargement decision at the Copenhagen European Council in December by reuniting the internationally recognised and legitimate Republic of Cyprus with the self-proclaimed and internationally isolated TRNC as the United Cyprus Republic. But hopes were dashed by the blunt rejection of the Turkish Cypriot leadership. A further version of the Plan (Annan III) was put forward in March 2003 in a last bid to resolve the issue prior to the signing of the Treaty of Accession on 16 April but it was rejected again by the Turkish Cypriots. Annan IV and then Annan V were published in March 2004 in a failed effort to reunite Cyprus before it formally joined the EU on 1 May of that year.

On 24 April 2004, Greek Cypriots and Turkish Cypriots voted in separate referendums on Annan V, the parties having finally agreed in February, under intense pressure from the U.S., EU and UK, that the Secretary-General could, in the absence of final agreement on a text, put his own definitive version to a vote. It was the first time that citizens of the island had had the opportunity to express their opinion on a peace settlement. Turnout was high, with 90 per cent of 480,000 registered Greek Cypriots and 75 per cent of the 143,000 Turkish-Cypriots going to the polls. The outcome of the twin referendums was – in a startling reversal of the whole negotiating history – a clear "yes" (65 per cent) from the Turkish Cypriot side, but a resounding "no" (76 per cent) from the Greek Cypriot side. The following month Cyprus was admitted to EU membership still divided, with the *acquis communautaire* suspended in its application to the north.⁹ The dispute today remains as far from solution as ever.

⁹ The Greek Cypriot government's 1990 application for membership was endorsed by the European Commission in 1993, and accession negotiations opened in 1998, at a period when the biggest blockage to the island's reunification lay with the Turkish Cypriot leadership. As the Republic of Cyprus signed off on chapter after chapter of its EU accession treaty, nobody

B. THE TURKISH CYPRIOTS: A SHIFT TOWARDS COMPROMISE

The position of the Turkish Cypriot leader, Rauf Denktash, remained hardline throughout his presidential tenure, resulting in stalled negotiations, rejected peace proposals and stringent preconditions. He rejected the final Annan Plan in 2004 even more forcefully than the proposals of 1992 and 1986. But this time he was outflanked by his own people and by a new political consensus in Ankara. Led by a new moderate leadership and backed by the AKP (Justice and Development Party) government in Turkey, the Turkish Cypriots embraced the Annan Plan and the prospects for reunification within the EU that it entailed.

What explains the overwhelming Turkish Cypriot vote in favour of a settlement based on reunification, in clear contrast to the forceful rejection of the Plan by their long-time leader? One factor was the deteriorating economic situation in northern Cyprus from the late 1990s. But the rising appeal of EU accession was another crucial element. To achieve EU accession, the Turkish Cypriots became increasingly inclined to accept the costs of reunification.¹⁰ Another consequence of isolation had been the rising Turkish Cypriot dependence on Turkey, which raised further the awareness that the Turkish Cypriots were not masters in their own house. Self-determination came to be viewed as dependent on an agreement and on EU membership.

Another reason for the Turkish Cypriot “yes” can be found in the Annan Plan itself and the domestic campaign in favour of it. The public’s support for a settlement grew following publication. Whatever its remaining disadvantages from a Turkish Cypriot perspective, the Plan showed how the envisaged solution could satisfy basic Turkish Cypriot needs, thus allaying many fears. Upon its publication, the pro-solution camp immediately began a well-organised campaign to overthrow the old establishment and its long-held views on the conflict.

A final important factor lay in Ankara. Turkish Cypriot support was greatly facilitated by the policy shift in Turkey and the evolving Turkey-EU relationship. The

ever raised the idea that their acquiescence in the reunification of the island be made a precondition of EU membership, especially since at the moment when the crucial commitments were given the problem appeared to lie in the north rather than the south. In any case, negotiators were concerned that any such blockage on Cyprus might trigger a veto from Greece on the other applicant states.

¹⁰ The Annan Plan foresaw the displacement of approximately 74,000 Turkish Cypriots – some one third of the population – many of whom had already been displaced once or twice before (1963 and 1974).

fundamental U-turn in Ankara’s foreign policy under the AKP government and its acceptance of the referendum procedure and of the Plan itself induced many of the more reticent segments of the Turkish Cypriot public to vote in favour. The progress on Turkey’s path to Europe also reassured many Turkish Cypriots that in the long term all parties would be united in the same European family.

C. THE GREEK CYPRIOTS: FROM TACIT ACCEPTANCE TO OUTRIGHT REJECTION

Had the referendums taken place immediately after an agreement at the December 2002 Copenhagen European Council, the Greek Cypriots might have been swayed to vote “yes” by the government of President Clerides (who lost his bid for reelection in February 2003). If he had been able to sign the document, Clerides could have articulated its benefits (principally in terms of territory and property) and reassured the public on security by emphasising the protections inherent in EU membership.¹¹

A positive Greek Cypriot vote could even have been reached under the newly elected President Papadopoulos, if a deal had been signed in The Hague in March 2003. Although Papadopoulos has since stated that he would not have signed at that point, the fact that Cyprus’s EU accession treaty had also not yet been signed would have put him under greater pressure from the EU’s existing member states.¹² In such circumstances, the authorities, the media and the wider political elite would have been far more reluctant to openly back the “no” campaign.

The blunt rejection of the 2002 and 2003 proposals by the former Turkish Cypriot leadership makes it impossible to know. UN mediators eventually won acceptance, in February 2004, of a referendum without prior agreement between the leaderships, thus eliminating the obstacle posed by Denktash’s clear opposition.¹³ But in concentrating their efforts on circumventing the veteran Turkish Cypriot leader, the UN team overlooked the problems on the other side of the Green Line.

When the peace process was relaunched, circumstances were very different. Cyprus was on the verge of EU entry. As reported by the UN Secretary-General, the new Greek Cypriot negotiating team did not engage in meaningful give-and-take during the final phase of

¹¹ Crisis Group interview, Greek Cypriot journalist, Nicosia, April 2005.

¹² Some argue that the Greek Cypriots might have turned down EU accession if the price was the Annan Plan. *Ibid.*

¹³ Crisis Group interview, former British diplomat, Larnaca, February 2005.

negotiations.¹⁴ The new president flatly turned down the Plan, playing upon the public's fears and anti-colonial sentiments. In addition, the "no" camp had been bolstered by one and a half years of relentless campaigning since the publication of Annan I in November 2002. The "yes" camp, having committed itself to campaign on the basis of the final version of the agreement, could only credibly make its case one month before the referendums, once the text had been finalised. And, crucially, the largest Greek Cypriot party, AKEL, which had the potential to sway large segments of the population, was in government with the rejectionist president and, not wishing to be on the losing side of the referendum, ultimately joined the "no" camp.

At the same time in Greece itself, the newly elected Conservative government of Kostas Karamanlis was following the traditional Greek policy of "Cyprus decides and Greece supports". Karamanlis in fact found himself in a very difficult position, facing pressure from the U.S. and the EU to openly support the Annan settlement in order not to jeopardise the forthcoming ten-state enlargement. A further element was Greece's desire to maintain its historic rapprochement with Turkey, and its concern that in the event of the Annan Plan's failure and the EU accession of a divided island, a Greek Cypriot government exercising the full powers of an EU member state would wield a veto over Turkish membership hopes in December 2004, a potentially catastrophic development for Athens-Ankara relations. Finally, on 16 April 2004, just one week before the referendum, the Greek Prime Minister broke weeks of silence and gave a less than whole-hearted endorsement to the Annan Plan, stating that its advantages outweighed its disadvantages when judged within the framework of the European Union. But his statement was too late and too weak to influence the opinions of the Greek Cypriots, whose leadership had already ensured their voters' rejection of the solution on offer.

Some observers point in particular to the feeling of insecurity vis-à-vis Turkey prevalent amongst the Greek Cypriot public, based on historical experience and augmented by an uncritical education system and biased media.¹⁵ The Annan plan had had an image problem with Greek Cypriots from the start.¹⁶ Given the island's colonial history, they have had an ambiguous and at times tense relationship with the UK. Seeing, as they did, the 1974 Turkish intervention as premeditated aggression, they

were inclined from the outset to view the Annan Plan as a British and American blueprint that primarily served foreign, and especially Turkish, interests. The fact that almost every provision in it had come from proposals made by Greek Cypriot or Turkish Cypriot negotiators over the years did not resonate. What attracted far more attention, and generated resentment, was that the Plan had been negotiated under externally dictated tight deadlines (due to the imperative to reunify the island prior to EU accession) and was submitted to the public without prior agreement by the leaderships. Seen from this perspective, in view of the humiliation of 1974 and the wider mistrust of foreign powers, the Greek Cypriot "no" was a courageous attempt to resist foreign interference and assert independence and sovereignty.

Greek Cypriot Objections to the Annan Plan. Critics of the Annan Plan complained generally that too many Turkish demands were conceded by the UN and the drafters of the Plan for too little in return. The key assertions were:

- If the Plan was to be in line with the island's accession to the EU, it should provide for upholding the entire EU *aquis communautaire*; its derogations from the three indispensable freedoms of movement, property ownership and settlement, therefore, would create the anomaly that citizens of all other EU member states would be able to enjoy greater land and property rights in Cyprus than the Greek Cypriots.
- In particular, the Annan proposals for property compensation, including the scheme for re-exchange through a system of deferred payments, violated personal property rights, in contravention of the decisions of the European Court of Human Rights (ECHR).
- The intercommunal majorities required by the plan gave the Turkish Cypriot minority vetoes on everything, thus creating a "tyranny of the minority", as a consequence of which all disputes would end up in the Supreme Court, which would include three non-Cypriot judges as well as three from each constituent state so that foreigners yet again would have the ultimate say in Cyprus's decision making mechanisms.
- The economic cost of the proposed solution: the possibility that Greek Cypriots, rather than the Turks whom they held responsible, would be made to pay for various aspects of reconstruction – including compensation for properties not returned to their legitimate pre-1974 owners, reconstruction of abandoned property within the UN's buffer zone, and compensation for settlers who might wish to return to Turkey; it was "immoral" of the UN to free Turkey from paying for the damage it had caused

¹⁴ Reported in "Report of the Secretary-General", op. cit.

¹⁵ Peter Loizos, "The Greek Cypriot Referendum Vote on Annan Five: Perceptions of Non-Elite Voters", *Cyprus Review*, Fall 2004.

¹⁶ Crisis Group interview, Greek Cypriot anthropologist, London, June 2005.

in the island and instead place the burden of compensations, reinstatements and reconstruction on the Cypriots.

- The long-standing Greek Cypriot demand for the complete demilitarisation of the island and the departure of all Turkish occupying forces (with no right of future intervention) as soon as a settlement was reached, was not met. The Annan Plan allowed Turkey to station troops indefinitely, and preserved its right of military intervention even in the Greek Cypriot part of the island, with no substantial guarantees for the settlement's implementation.
- The Annan plan was very specific about those settlers from Turkey who would be allowed to stay (45,000 to be granted citizenship by the Turkish Cypriot side, plus those who had married Turkish Cypriots in the interim) but gave no indication as to how the repatriation of the remainder would work.

The Annan Plan, of course, had its deficiencies, as any agreement based on compromise does, but it was the only realistic possibility for a viable settlement, and there are reasonable counter-arguments to all the above assertions:

- Claims that the Annan Plan violated EU law and the European Convention on Human Rights are overstated: the derogations proposed were mostly temporary, and could certainly have been accommodated in the framework of international human rights law, especially in the context of the island's transition from a partitioned, problematic political entity to a united, bicomunal, bizonal republic.
- Annan V had already deleted permanent ceilings to property restitutions and acquisitions that had been included in previous versions of the Plan; the Greek Cypriot share of property in northern Cyprus would have been roughly doubled.¹⁷ By voting against the Annan Plan, Greek Cypriots ensured that no displaced persons would return at all, rather than the substantial numbers who would have been provided for in the settlement.
- Experience from elsewhere demonstrates that complex power-sharing mechanisms can be made to work if there is political will on both sides.¹⁸ The question is whether there is such a will to share on the Greek Cypriot side.

- The international community was certainly ready to put forward much of the funding for a comprehensive solution, so the perception that the Greek Cypriots would have to bear most of the economic cost was inaccurate; a "pre-donors conference" was in fact held in mid-April 2004 (it would have been difficult to hold it earlier, as the Annan Plan had not been finalised).¹⁹
- Complaints about the Annan Plan's toleration of the continued presence of Turkish troops are overstated. Turkey and Greece would have been allowed to maintain up to 6,000 soldiers apiece until 2011. The number would then have dropped to 3,000 for each side, until 2018, when Turkey and Greece would be forced to reduce their contingents to no more than the 650 and 950 respectively provided for by the Treaties of Alliance and Guarantees in 1960. Complete demilitarisation of the island was unattainable in the context of the 1960 constitutional treaties, which were not in question at the 2004 referendum.
- The problem of Anatolian settlers is not of recent origin: settlers from Turkey have lived in Cyprus for decades, and it was not easy for the UN drafters to provide for the early repatriation of some 115,000.

There certainly remains room for improvement on a number of details of the Annan Plan, and some of these proposals are outlined elsewhere in this report. But looked at from the outside, it seems clear that if the will to reunify the island had really existed, the Greek Cypriot population could have been persuaded of the benefits of an internationally regulated security environment, of the necessity to contribute economically to the reunification of the island, and of the common sense involved in voting "yes" so that many refugees could return home, rather than "no" so that none could return.

It is hard to avoid the conclusion that the stated concerns about Turkish Cypriot political influence in a future united Cyprus were more the products of an unwillingness to share power with the other major community on the island than of genuine problems with the proposed system, carefully negotiated as it had been over many years, and a troubling continuing unwillingness to acknowledge that

¹⁷ "Report of the Secretary-General", op. cit.

¹⁸ The textbook examples of successful consociational states, ie those with entrenched power-sharing arrangements between different parts of the community, are Belgium and Switzerland, with arguments also made for Lebanon (more problematic in recent years), Macedonia and others.

¹⁹ The U.S. pledged \$400 million, the EU €259 million, Denmark €4.7 million and Finland €500,000. The other participating states (Switzerland, Belgium, Italy, Japan, the Netherlands, Germany, Norway, Sweden, Chile, Australia and Austria) expressed their willingness to commit funds once a final settlement for the island had been achieved. The World Bank, IMF, and Council of Europe Development Bank promised to provide favourable financial arrangements in the post-settlement period. The total cost of the settlement was calculated at \$2 billion.

the Cyprus of the early 1960s was destroyed not so much by the Turkish invasion of 1974 as by the Greek Cypriots' violence against their own fellow citizens some ten years earlier.

The great irony of 2004 is that for the first time since the independence negotiations in 1960, the two arch enemies, Greece and Turkey, both with a significant national interest in the island's future political status, agreed on the constitutional and institutional provisions of the solution, the role of the UN Secretary-General in filling remaining blanks, and their own role as guarantors of Cyprus's independence. The leaderships of both countries were pragmatic in their approach, with Kostas Karamanlis and Tayyip Erdogan each realising that acceptance of the Annan Plan offered worthwhile certainties, even if in certain cases those fell short of hopes and expectations. It was a matter of immense frustration that the Greek Cypriots were unable or unwilling to follow their example.

President Tassos Papadopoulos tearfully denounced the Annan Plan on television, saying that having "received a state" he had no intention of "handing over a community".²⁰ He and the rest of the Greek Cypriot leadership, and those opinion leaders they influenced, campaigned accordingly. Top EU and UN officials, among them the UN special envoy to Cyprus, Alvaro de Soto, and the EU Commissioner for enlargement, Gunter Verheugen, were prevented from giving interviews to Greek Cypriot state or even private television.²¹ When Verheugen finally had a chance to speak on the Cypriot public broadcasting network, it was only on the second public radio station. The Greek Orthodox Church labelled the Plan "satanic", threatened those who voted for it with "eternal damnation" and called for a "frenzy of prayer" against adoption. The partisanship of the Greek Cypriot media and the "no" campaigners led to a conspiratorial view of the world, to an acute sense of persecution and worst of all to a heightened sense of superiority leavened by an even more acute sense of grievance and loss.²²

²⁰ Papadopoulos had a long history as a hardliner before his election as president in 2003. He was one of the Greek Cypriot negotiators who opposed signing the London and Zurich Agreements in 1959 and as Minister for Labour was instrumental in the 1963 Akritas Plan, including the clandestine import of arms from Greece for use against the Turkish Cypriots. He remained prominent in politics over the subsequent decades.

²¹ Yiannis Pretenderis, "Verheugen in quarantine", *To VIMA* (Greek daily newspaper), 25 April 2004, available at <http://tovima.dolnet.gr/>

²² Former President of the Republic of Cyprus George Vassiliou publicly stated that "it is embarrassing and absolutely shameful... What we have seen is an industry of misinformation at work... a special kind of police state where people have been told what to vote and indirectly threatened".

D. ANALYSING THE REFERENDUMS: CAN THE ANNAN PLAN BE SALVAGED?

The most striking, and in many ways saddest, finding of the opinion polls²³ conducted after the referendums is that the rejection of the reunification proposal by Greek Cypriots was particularly strong among the young generations, as well as those less directly affected physically by the problem, for example those residing far away from the actual line of partition. Older generations, and those in a more disadvantageous position, such as those living close to the Green Line or the refugees, were significantly more tolerant and open to reunification. The "young segments" of the polls simply did not show interest in a common future of the two communities. By contrast, the older generations, those who had experienced the political "experiment" of the bicomunal, consociational democracy of the 1960s, showed a more encouraging degree of goodwill and tolerance for a second chance to achieve a United Cyprus Republic.

The picture which emerges from the northern, Turkish Cypriot side of the island is the reverse. Post-referendum polls indicate that those 45 and older, who had actually experienced living together with Greek Cypriots and had witnessed the inter-communal violence and bloodshed of the 1960s were considerably less supportive of the Annan Plan and more sceptical towards the prospect of reunification. By contrast, Turkish Cypriots born after 1974 voted overwhelmingly in favour and seemed less prejudiced than their parents about the other side, tired of nationalistic attitudes and far more appreciative of the changing political and economic conditions. Searching for opportunities and growth, this younger generation of Turkish Cypriots is characterised more by pragmatism dictated by commerce and the spirit of enterprise than the prospect of unification offered than by hard-line positions based on rhetoric and fanaticism.

The issues looked quite different to their Greek Cypriot counterparts. The southern part of the island had experienced economic prosperity for an extensive period. And the "no carrot, no stick"²⁴ element of Cyprus's accession to the European Union, had further eroded any motivation for an eventual settlement: since EU membership was achieved without having to make any compromise, there was no clear incentive with which to

²³ See in particular in the discussion below the opinion polling carried out by Alexander Lordos and published on <http://www.cypriuspolls.org/>; also C. Webster and C. Christophorou, "Spring Survey 2004: Greek-Cypriots, Turkish-Cypriots, and the Future. The Day after the Referendum", executive report, CYMAR Market Research Ltd., Nicosia, 2004.

²⁴ Q. Oliver, "Why Cyprus lost its referenda", *Cyprus Mail*, 9 May 2004.

entice the Greek Cypriot side to vote “yes”, and there was equally no clear disincentive (e.g. sanctions) to prevent them from voting “no”. Greek Cypriot youth saw no reason to abandon the status quo.

Supporters of the Annan Plan believe, however, that the underlying views of the latent Greek Cypriot majority do not reflect those of the current leadership and that the majority could be swayed back to voting “yes” if some modifications were made. This view gains some support from opinion polls indicating that 80 per cent of the “no” voters rejected the Plan out of fear that Turkey would not deliver on its commitments.²⁵ Had stronger guarantees been provided through a binding UN Security Council resolution and a reduction in the time frames for territorial readjustments and progressive demilitarisation, over one quarter of the electorate might have switched its vote to “yes”.

A recent extensive survey based on polling data shows that, so far as public opinion is concerned, there may well be room for compromise.²⁶ Large majorities on both sides still consider a bizonal, bicomunal solution an acceptable compromise. The survey also found that Turkish Cypriots are more inclined to be generous on property and residence issues than was provided for in the Annan Plan, especially if this is combined with generosity for the Turkish settlers who would have to leave; and that Turkish Cypriots favourably view a more streamlined central Cyprus government, which might have control over even something as sensitive as education policy.²⁷

All that said, large gulfs remain, particularly on the question of the security regime in the immediate aftermath of a peace settlement; 76 per cent of Greek Cypriots felt that it was “essential” for the withdrawal of both Greek and Turkish troops to take place much faster than currently provided for in the Annan Plan, while 45 per cent of Turkish Cypriots felt that this was “totally unacceptable”.²⁸ Similar divisions are apparent on the question of demilitarising Cyprus completely in the

longer term. There is, however, significant support among Turkish Cypriots for the concept of Greek and Turkish troops on the island ultimately being integrated into a single European Security Force, and for Turkish military guarantees to be replaced with an integrated European security force, once Turkey has joined the EU.²⁹ Greek Cypriots were not asked those questions.

The impact of the security issue came as a total surprise to the Annan Plan’s negotiators. Alvaro de Soto said it “came out of a clear blue sky at the last minute”, after having been the least contentious area during the negotiations.³⁰ Concern about taking a step into the unknown is high on both sides of the Green Line. Turkish Cypriots fear the renewed domination of Greek Cypriots as much as Greek Cypriots fear Turkey’s persistent grip on the island. Both attitudes are based on bitter experience; both can be and have been manipulated to legitimise maximalist nationalist demands and to reject anything that falls short of these.

The issues identified by public opinion surveys are capable of negotiation, and if the two sides are serious about engaging in a renewed peace process, it should be possible to find mutually satisfactory solutions. However, there is at present little evidence that the Greek Cypriot authorities have decided to reengage in a serious way.

For most Greek Cypriots (as opposed to Turkish Cypriots), and particularly for the younger generation as just noted, the status quo remains quite comfortable. Greek Cypriots have enjoyed rising standards of living since the 1970s. Their status has improved further through EU accession. As the UN Secretary-General put it, many Greek Cypriots saw in the Plan “very little to gain, and quite a lot of inconvenience and risk”.³¹ The Greek Cypriot government, indignant about the doubts expressed by the Secretary-General in the aftermath of the referendums, has been at pains to deny any suggestion that the Greek Cypriot majority is now irrevocably and permanently opposed to a reunification settlement.³² But the problem remains that the solution the Greek Cypriot public is willing to accept and the perceived price it is willing to pay, at least under the guidance it is getting from its present political

²⁵ Presentation by George Vassiliou at the 4th Annual EU-Turkey Conference, organised by the European University Institute, Sabanci University and the IeMed Institute in Barcelona, June 2004.

²⁶ Alexandros Lordos, “Civil Society Diplomacy: A new approach for Cyprus?”, Nicosia, February 2005, available at <http://www.dzforum.de/deutscheVersion/Standpunkte/CivilSocietyDiplomacy.pdf>.

²⁷ *Ibid.*, pp. 76-80.

²⁸ *Ibid.*, p. 17. The Turkish Cypriot figures were 44.6 per cent for “totally unacceptable”, 13.8 per cent for “tolerable if necessary”, 13.7 per cent for “a helpful improvement” and 14.7 per cent for “absolutely essential”, with 13.2 per cent giving no response. In other words, those who found it “totally unacceptable” outnumbered all others who expressed an opinion.

²⁹ *Ibid.*, p. 19. Lordos’ proposal, put to his Turkish Cypriot interviewees, was for a force which would “include Greek and Turkish soldiers but also soldiers from other European countries... stationed all over the island, but with more Turkish soldiers in the north and more Greek soldiers in the south.”

³⁰ De Soto, “Next Steps on Cyprus”, speech delivered at the John Hopkins Conference on the Eastern Mediterranean, 10-11 February 2005, Bologna, p. 109.

³¹ Reported in “Report of the Secretary-General”, *op. cit.*, paragraph 85.

³² The Secretary-General suggested that in voting against the Plan, the Greek Cypriots had voted against a solution. *Ibid.*, paragraph 83.

leadership, may fall outside the red lines necessary to secure a mutually acceptable deal.³³

Many in the south assert that a “better deal” is possible but these “better deal” beliefs have a short- and a long-term explanation. The short-term explanation is connected to the arguments put forth by the “no” campaigners and in particular by President Papadopoulos. Rather than presenting the security gains of EU accession as former President Clerides had done, the “no” camp argued that the blueprint for a settlement could be improved in a post-EU accession context. Cyprus’s membership and Turkey’s aspirations to join the Union would increase Greek Cypriot leverage and thus secure a more favourable agreement. So, as Papadopoulos put it, why should the Greek Cypriots “do away with our internationally recognised state exactly at the very moment it strengthens its political weight, with its accession to the EU”?³⁴ Why agree to a settlement today that entails risk and compromise, when the people can afford to wait and perhaps secure a deal that would guarantee Greek Cypriot hegemony tomorrow?

The long-term explanation is linked to the fact that since 1974, the Greek Cypriot public has been persuaded by its governments, its education system and its media of the moral and legal superiority of its cause. Its elites have fostered a culture of resistance to colonial and neo-colonial influence and an image of the Greek Cypriots as the underdogs who would and should resist external pressures and dictates. The political class has rarely argued the need, let alone the desirability, of a genuine compromise power-sharing solution with the Turkish Cypriots. Those leaders who have attempted to do so have been punished electorally. Nobody in the Greek Cypriot establishment had ever described what a realistic federation (to which most political actors paid lip-service) would entail, although the details must have been well understood by successive negotiators. When the public was presented with such an agreement, it was dismayed to see that it did not correspond to their expectations. Rather than rejecting the Plan because of its details, the Greek Cypriots may have turned it down because of its general philosophy and approach. As former UN Special Representative de Soto asked, “could it be...that we are witnessing a waning of the willingness of the Greek Cypriots to accept two crucial elements of a federal solution, namely the political equality of their

prospective partner in the north, and the sharing of power with him”?³⁵ This concern can be only slightly alleviated by the opinion poll results quoted above; even if Greek Cypriots tell pollsters that they like the concept of a bizonal, bicomunal state, the fact remains that they voted against it when given the chance.

The accession of Cyprus to the EU had been seen by many as a catalyst for solving the Cyprus problem.³⁶ Both sides would have numerous incentives to terminate the conflict and enter as a united island. First and foremost were the economic considerations, as both sides, but especially the Turkish Cypriots, would gain from such factors as increased trade and tourism, access to EU structural funds and eventual membership in the European Monetary Union (EMU). Secondly, it was argued that a united Cyprus under EU auspices would benefit legally and socially: the acceptance of the *acquis communautaire* and the associated EU values of democracy and protection of minority rights would not only provide the legal framework, but also the societal security needed for the two communities to live together again.

The rejection of the Annan Plan by the Greek Cypriot side confirmed the fears of those who believed that, having secured EU membership, the Greek Cypriot community would no longer have incentives to reach a settlement with the Turkish Cypriots and thus would become the intransigent party.³⁷ The concept of parallel moves towards EU membership and towards a settlement within the island did secure support for a solution in Turkey and Greece, and in the Turkish Cypriot part of the island. However, the Greek Cypriots missed this unprecedented opportunity for reunification and may have more deeply entrenched the division of the island. Their president now does not seem to have any inclination, or coherent strategy on how, to get unification back on track, and the prospects for achieving it look bleak.

³³ A recent opinion poll conducted in southern Cyprus revealed that approximately half the population viewed a unitary state as the preferred solution (although 70 per cent would accept a federation as a painful compromise). Results presented by Alexandros Lordos, “Cyprus: The Way Forward”, Wilton Park conference, 10-11 February 2005, Larnaca.

³⁴ Reported in “Report of the Secretary-General”, op. cit., paragraph 65.

³⁵ Alvaro de Soto, speech delivered at the Third International Conference on Federalism, 3-5 March 2005, Brussels.

³⁶ See, among many others, the European Commission’s 1993 Opinion: “The result of Cyprus’s accession to the Community would help bring the two communities on the island closer together”; or the then British Foreign Secretary, Robin Cook, at the opening of negotiations: “Progress towards accession and towards a just and viable solution to the Cyprus problem will naturally reinforce each other”.

³⁷ As predicted by S. Atasoy. “Cyprus, Turkey, and the EU: The Need for A Gradual Approach”, *The Brown Journal of World Affairs.*, summer/fall 2003, vol.x, issue.1, pp. 257-267.

III. LOCAL, REGIONAL AND EU DEVELOPMENTS

Several other key developments within Cyprus, as between Greece and Turkey, and involving the EU, have taken place before and since the April 2004 referendums. Some have furthered reunification; others have consolidated partition.

A. THE OPENING OF THE GREEN LINE AND THE GREEN LINE REGULATION

The first important event was the unilateral decision by the Turkish side to open the Green Line in April 2003, after the Turkish Cypriot walkout in The Hague. In the early weeks, there was a huge influx of people crossing the line, and the consequences were largely positive. Young Greek Cypriots and Turkish Cypriots for the first time experienced that contact does not entail violence, and coexistence is possible.

Following the first months of novelty and excitement, the numbers of crossings dropped and stabilised, throwing the remaining aspects of division into sharp relief. On the Greek Cypriot side, seeing the comparative poverty in the north and watching Turkish Cypriots buy consumer goods in the prosperous south consolidated the notion of the "impoverished other". Some Greek Cypriots resented having to show their documents to Turkish Cypriot authorities when crossing the line. On the Turkish Cypriot side, resentment mounted over the obstacles to intra-island trade imposed by the Greek Cypriot government, as well as to restrictions imposed on tourists travelling to the north.

Following the referendums and the ensuing entry of divided Cyprus into the EU, a new regulation was approved by the EU Council of Ministers on 28 April 2004 and came into force in August, meant to ensure that the Green Line would not represent the EU's external borders and to encourage reunification. First, it sought to secure EU citizenship rights for individual Turkish Cypriots, despite the non-application of EU law in the north: Turkish Cypriots who were Cypriot citizens in 1974 as well as their descendents and spouses (and any other EU citizens irrespective of their port of entry) could move freely across the island, whereas non-EU citizens (i.e., Turks) could not. Secondly, the regulation sought to promote intra-island trade, allowing Turkish Cypriots to send their indigenous goods into the south, to be sold there or exported to other EU markets via southern Cypriot ports.

The regulation has failed to kick-start substantial cross-border trade or to promote Turkish Cypriot exports, essentially, it appears, because Turkish Cypriot producers

are reluctant to entrust their trade to the supervision of the authorities in the south. That said, the opening of the border, the Green Line regulation, and the steady economic recovery in Turkey since the 2001 crisis have had positive repercussions on the north. In 2003-2004 the economy grew by 10 to 12 per cent, and inflation fell to single digits following its sharp decline in Turkey. The most visible signs of growth have been in the construction sector, particularly near Kyrenia and Famagusta. Employment and consumption have also increased through the hiring of Turkish Cypriots in the south. And there has been a growth in tourism, mainly as a result of the opening of the Green Line: approximately 4 per cent of tourists visiting the south also travel to the north.³⁸ However, the economic pick-up in northern Cyprus falls well below what will be necessary to bridge the divide between the two sides.

B. THE EU'S UNFULFILLED PROMISES TO THE TURKISH CYPRIOTS

International isolation is one of the largest obstacles to Turkish Cypriot development. In tourism, the absence of international air links (as well as poor quality accommodations) has meant that northern Cyprus has used on average only 30 per cent of its tourist infrastructure. While in 2003 2.3 million tourists visited the south, a mere 470,000 travelled to the north.³⁹ Legal problems relating to certificates of origin and Turkish Cypriot ports have deterred international trade, particularly with the EU.⁴⁰ FDI has been minimal due to the legal uncertainty about property rights. In addition to the cases brought by Greek Cypriots to the European Court of Human Rights (ECHR), the recent Greek Cypriot law suits in domestic courts against British property owners in the north have raised further legal uncertainty.⁴¹

³⁸ Crisis Group interview, Commission officials, Brussels, April 2005.

³⁹ Noe and Watson, op. cit.

⁴⁰ There is no UN or other embargo on establishing trade with the Turkish Cypriots. However it is very difficult for member states of the EU to trade there. Northern Cyprus is not part of the EU-Turkey customs union, and there is no alternative trading regime in place. Moreover, as a result of the European Court of Justice ruling in the *Anastasiou* case, any goods coming from Cypriot ports must be accompanied by certificates issued by the officially recognised authorities of the island, ie the RoC. Any documentation for the transport and trade of goods issued by the Turkish Cypriot authorities is thus void.

⁴¹ Following the first case in 1998 by a Greek Cypriot woman, Ms Loizidou, there are over 100 individual Greek Cypriot property cases pending before the European Court of Human Rights. In addition, since May 2004, the judgements in lawsuits brought in the Republic of Cyprus against British citizens who

The UN Secretary-General's report following the referendums⁴² called upon the international community to eliminate economic restrictions and barriers on the north. This was echoed by former U.S. Secretary of State Colin Powell and EU leaders such as former Enlargement Commissioner Verheugen, British Prime Minister Tony Blair, and the EU Council of Ministers on the eve of enlargement.

The logic underpinning these calls was threefold. First, the results of the referendums were felt to create an obligation to compensate the Turkish Cypriots, who despite their positive vote, would be excluded from the dividends entailed in EU accession. Secondly, since the Turkish Cypriot unilateral declaration of independence in 1983, the international community has adhered to UN Security Council Resolutions 541 (1983) and 550 (1984), which called upon states not to assist the secession of northern Cyprus. Normalising the economic situation in the north was viewed as a form of assistance to secession. The 2004 vote in the north for reunification has invalidated the political logic of isolation.

Thirdly, lifting the isolation is now viewed as a step towards reunification in so far as it would promote Turkish Cypriot development and thus help to bridge the economic gap between the two sides. In the spirit of these arguments, several measures have been taken by non-EU organisations, including the Organisation of the Islamic Conference (OIC) and the Council of Europe. In July 2004, the OIC recognised the Turkish Cypriot constituent state (as had been provided for in the Annan Plan). While Turkish Cypriots remain observers in the OIC, their title was altered from "community" to "constituent state" (ie as a potential constituent state in a future united Cyprus, rather than a sovereign, independent state). In October 2004, the Council of Europe Parliamentary Assembly invited two Turkish Cypriot members, giving them the right to speak but not to vote. The EU's General Affairs Council (foreign ministers) requested the European Commission to draft two proposals, on aid and trade respectively, to improve the position of the Turkish Cypriots; while the aid regulation was finally adopted in February 2006, the proposed trade regulation for now remains a dead letter.

Aid. In 2002, the European Council approved a package worth €259 million for the north in the event of reunification. In July 2004, the Commission proposed disbursing the funds despite the failed referendums, directing them to infrastructure, private sector development, *acquis* harmonisation, confidence-building

acquired property in the north may become enforceable in British courts due to Cyprus's EU accession.

⁴² "Report of the Secretary-General", op. cit.

measures and feasibility studies. The money would be administered by the European Agency for Reconstruction.⁴³ This remained unimplemented for months, as a result of both substantive and procedural problems. Substantively, Greek Cypriot insistence within the Council of Ministers led to a provision in the regulation that EU funds would be used neither on Greek Cypriot land and property nor on public bodies. This means that the funds can be used only on 20 per cent of the territory controlled by the Turkish Cypriots, who note that analogous precautions regarding Turkish Cypriot property were not taken when disbursing pre-accession aid to the south.

Trade. The more significant intended initiative was on direct trade between the north and the Union. The proposed regulation would allow duty-free import of EU goods into northern Cyprus and the duty-free export of goods wholly obtained or substantially produced in the north. To overcome the problem of origin certificates, the Commission proposed that certificates issued by the Turkish Cypriot Chamber of Commerce could be accepted on the grounds that the Chamber had been lawfully set up under the 1960 arrangements. The Commission's proposal includes a tariff quota system to ensure that only Turkish Cypriot products can be exported freely into EU markets (to minimise the risk that third countries would export their goods through the north into the EU).

The obstacles to implementation, both legal and political, have proved formidable, exemplifying the difficulties the EU has in acting decisively on Cyprus now that one party to the conflict is a member state. Legally, the Commission had originally proposed the regulation under a procedure which would require only a qualified majority in the Council.⁴⁴ However the Greek Cypriots, supported by the Council's legal service, successfully argued that the regulation required unanimity.⁴⁵ Having established

⁴³ The European Agency for Reconstruction has so far had responsibility for administering aid in the Balkans; see Crisis Group Europe Report N°160, *EU Crisis Response Capability Revisited*, 17 January 2005, p.16. There is already an EU-funded aid programme, "Partnership for the Future", active on both sides of the Green Line, Partnership for the Future (PFF), which funds direct support to the business communities on both sides of the island, infrastructure and rehabilitation project for the main cities in the north, and de-mining in the buffer zone.

⁴⁴ This would have been under Article 133 of the EU Treaty, which primarily regulates trade between the Community and third countries, although it has been used also to regulate trade with territories that are part of an EU member state but are not included in its customs territory, such as Ceuta and Melilla (Spain).

⁴⁵ They argued that the regulation falls under Protocol 10 of the Accession Treaty, which stipulates that a partial lifting of the suspension of the *acquis* to the north requires unanimity.

its right to veto, the Greek Cypriot government has made no secret of its readiness to exercise this right. It has insisted on its own sole right to certify and verify origin of Cypriot exports. Moreover, it has objected to the use of Turkish Cypriot ports, arguing that this would be illegal because the government of the Republic of Cyprus is unable to control them. Politically, it has claimed that the Green Line regulation is sufficient and that direct trade with the north would induce a creeping recognition of the TRNC.⁴⁶

The wrangling over these two regulations has been very unedifying. The Luxembourg Presidency in the first half of 2005 attempted to resolve the questions and succeeded in bringing both sides to Brussels, where the Turkish Cypriots made the surprising offer to return Varosha – the uninhabited and formerly developed tourist resort area bordering the town of Famagusta – completely to the Greek Cypriots in exchange for the opening of the northern ports and airport. The Greek Cypriots rejected this out of hand, and negotiations collapsed. The British presidency in the second half of 2005 came to the conclusion that it would have to concede the delinking of the two aid and trade regulations, as the Greek Cypriots had requested. However, the Greek Cypriots then demanded that the passage of the aid regulation be tied to a more restrictive interpretation by the Commission of the trade regulation's likely remit. When a draft of the Commission's proposed explanatory text reached the Turkish Cypriots, they declared it unacceptable, and the process again collapsed, this time with the loss of €20m of the €259m package thanks to the ending of the 2005 financial year.⁴⁷ The aid regulation was eventually passed on 27 February 2006, with no explanatory declaration attached.

The Greek Cypriots' behaviour goes against their own best interests. If they are worried about the Turkish Cypriots seeking recognition, they should call their presumed bluff and accept the Annan Plan. In any case, Turkish Cypriot ports are already used for exports to the EU – worth €0 million in 2003, €15 million in 2004 – but cannot benefit from preferential treatment due to a 1994 judgement of the European Court of Justice (ECJ).⁴⁸ Legally, any ship can sail into any port (unless sanctions apply). Within the EU, importing member states are

responsible for ensuring that safety and security standards are met. It thus appears that the Greek Cypriot government does not object to the use of northern ports, but rather to preferential treatment for Turkish Cypriot exports and to the consequent potential economic gains.

The Greek Cypriot leadership seems concerned that trade and the ensuing economic development of the north (independent of the south) would reduce Turkish Cypriot incentives to seek reunification. This argument reflects a negative mindset that has prevailed for decades on all sides of the conflict. In attempts to secure a favourable agreement, all parties have tried to weaken the other through unilateral moves. Turkey has played up its military might, while the Greek Cypriots have exerted economic pressure on the Turkish Cypriots. Post referendums, the Greek Cypriot leadership notes there is a higher degree of international sympathy towards the Turkish Cypriots: faced with the prospect of losing ground in future negotiations, it has become all the more resolute in maintaining pressure on the north.

Air Links. In the case of airports, the same political logic is bolstered by international law. The absence of direct air links hinders the development of tourism, potentially the largest source of income for the north. The Chicago Convention on International Civil Aviation acknowledges each state's "complete and exclusive sovereignty over airspace above its territory" (Article 1). The Republic of Cyprus government, recognised by the UN as the sole legitimate state on the island, claims exclusive rights to designate which airports may be used. Unsurprisingly in the prevailing atmosphere, it has not recognised northern airports and argues that operating direct flights to the north would be a breach of the Chicago Convention. The European Commission has indicated that it cannot advance contradictory proposals. Interested member states like the UK have also been cautious in advancing ideas, arguing that the simplest solution would be for the Greek Cypriots to allow direct flights to Ercan airport in northern Cyprus.⁴⁹ There is little prospect for further movement on this front, despite its importance for the development of the north.

The Turkish Cypriots, unlike the Greek Cypriots, have almost no means of getting their side of the story heard in Brussels. The EU's promises to them have been broken, lost in the intergovernmental bargaining of day-to-day EU negotiation, where the division of the island has become a topic on which other member states respect the Republic of Cyprus's claim that it is a "vital national

The Commission has conceded the Greek Cypriot call for unanimity in principle, though it argues that the legal basis should be slightly different.

⁴⁶ Speech by a Greek Cypriot official delivered at the Wilton Park conference, "Cyprus: The Way Forward", Larnaca, February 2005.

⁴⁷ Crisis Group interviews with Commission officials and member state diplomats, January 2006.

⁴⁸ In 1994, the European Court of Justice judgement on the Anastasiou case prohibited preferential treatment for Cyprus exports that did not bear Republic of Cyprus certificates of origin.

⁴⁹ See the "Response of the Secretary of State for Foreign and Commonwealth Affairs on the Second Report of the Foreign Affairs Committee, Session 2004-05 on Cyprus", London, April 2005, p. 4.

interest”, one on which it will resist being over-ruled or out voted to the fullest extent possible (and in practice, no member state is likely ever to be willing to push matters that far). The EU’s foreign ministers resolved on 26 April 2004 “to end the isolation of the Turkish Cypriot community, and to facilitate the reunification of Cyprus by encouraging the economic development of the latter community”. Almost two years on, this resolution appears to be worth less than the paper it was written on.

C. THE OVERHAUL OF TURKISH CYPRIOT POLITICS

The Annan Plan, economic ills, dependence on Turkey and the prospect of EU accession triggered an overhaul of Turkish Cypriot politics. Historically, the nationalist camp (through the National Unity Party, UBP, the Democratic Party, DP and President Denktash) dominated the political scene. Through the 1990s, as the Greek Cypriot south progressed towards EU accession, the positions of the Turkish Cypriot leadership hardened further, hindering all attempts by the UN to pursue the peace process. However, by 2002-2003, large-scale public mobilisation in the north led by the opposition and major segments of civil society successfully challenged the entrenched establishment. This was supported, indeed made possible, by the political shift in Turkey under the AKP government.

The first results came in December 2003, when the centre-left Republican Turkish Party (CTP) led by Mehmet Ali Talat won the highest share of the vote in parliamentary elections. These elections did not result in a clear victory of the “pro-solution” camp. The two parties on the nationalist side, the UBP led by Dervis Eroglu and the DP led by Serdar Denktash (son of Rauf Denktash), gained the same number of seats as the two centre-left parties, Talat’s CTP and the Peace and Democracy Movement, BDH, led by Mustafa Akinci. The new government was formed by the pro-Annan Plan CTP and the more sceptical DP.

Despite its internal differences, the coalition government developed a consistent political strategy. Although the DP’s position on the Plan remained ambiguous, Serdar Denktash worked with Talat, leading the public to the referendum (unlike his father, who rejected the Plan and pulled out of the final phase of the peace process in 2004).

After the April 2004 referendums, the initial excitement over the overwhelming victory of the pro-solution camp was overtaken by disillusionment. The Turkish Cypriots had voted for peace, reconciliation and EU accession but received little in return. Not only were they excluded from the bounties of Europe, but their Greek Cypriot neighbours entered the Union one week

after their resounding “no”. The initial indignation of EU leaders at the Greek Cypriots and their praise for the Turkish Cypriots had not translated into tangible results in aid or trade.

Taken aback by the Greek Cypriot “no” and the EU’s non-delivery, the CTP-DP government was prematurely dissolved in early 2005. Although Talat warned that the EU’s stance could cause a resurgence of nationalism in the north,⁵⁰ this did not materialise. On the contrary, the February 2005 elections saw a clear victory for Talat’s CTP, which gained 24 seats in the 50-member assembly. However, the overall balance between nationalist and moderate forces remained unchanged between 2003 and 2005 (on both occasions each camp won 25 seats). Talat also then won the presidency in April 2005. With the replacement of the older Denktash by the moderate Talat, the reorientation of Turkish Cypriot politics in favour of reunification and EU accession has consolidated.

This is not to say that the feeling of betrayal with respect to the Greek Cypriots and the EU had no effect on domestic politics. While a return to the narrow-minded nationalism of the past is unlikely and the Turkish Cypriot leadership remains committed to the Annan Plan, the views of Talat and the CTP may be moving towards the centre; disillusionment coupled with the imperative to retain close ties with Ankara may be hardening the attitudes of the new leadership.⁵¹ In turn, the polarisation between the nationalist and moderate camps that had characterised the Turkish Cypriot “revolution” may be subsiding.⁵²

D. THE LACK OF MOVEMENT IN GREEK CYPRIOT POLITICS

The victory of Tassos Papadopoulos over incumbent Glafcos Clerides in the presidential election of February 2003 led to a resurfacing of nationalism in the south. Although the president’s Democratic Party (DIKO), formed a coalition with the historically moderate AKEL, the latter’s rhetoric has hardened considerably in recent years. The new leader’s preferences became clear after March 2003. Until then, Denktash’s blunt rejection of the Annan Plan had allowed Papadopoulos to portray himself as the compromiser. After the failed summit in

⁵⁰ Simon Bahceli, “A New Era for Turkish Cypriot Politics”, *Cyprus Mail*, 17 February 2005.

⁵¹ Crisis Group interview, Turkish Cypriot civil society activist, Nicosia, February 2005.

⁵² Crisis Group interview, Turkish Cypriot civil servant, Nicosia, April 2005; opinion poll figures presented by Kudret Akay at a Wilton Park conference on 10-11 February 2005 in Larnaca.

The Hague in March 2003 and the signing of the EU Accession Treaty in April, his declarations became increasingly inflexible. They culminated in April 2004 with his emotional appeal to the Greek Cypriot public to reject the Annan Plan.

Papadopoulos was followed by his own party, DIKO and the socialist party, EDEK. Large segments of civil society, the media and the Orthodox Church also backed the “no” campaign. AKEL, the party that had actually brought Papadopoulos to power in February 2003 by allying with him, initially asked for further international guarantees in order to endorse the proposal publicly. The U.S. and the UK, with EU support in view of the island’s imminent accession, attempted to satisfy AKEL’s demand by asking the UN Security Council to pass a resolution pledging to guarantee the security of Greek and Turkish Cypriots provided that both endorsed the Annan Plan. This was vetoed by the Russians, on the grounds that a draft resolution prior to the referendum was inappropriate.⁵³ AKEL then asked for postponement of the referendums and was turned down in view of the EU’s enlargement on 1 May. Finally, two days before the referendum, AKEL came out against it, on the basis of there being no satisfactory international guarantees for successful implementation. The only two parties in favour of the Plan were the centre-right Democratic Rally, DISY (including former President Clerides) – which, driven by a strong Europeanisation sentiment, has moderated considerably on the conflict in recent years – and the liberal party, EDI (led by former President George Vassiliou).

The referendum results did not lead to any deep reassessment within Greek Cypriot society, nor to any sense of lost opportunity in view of the strong Turkish Cypriot “yes”. One week after the referendums, the Republic of Cyprus entered the EU; since then day-to-day politics have taken precedence over the conflict. The European Parliament elections in May 2004 did not indicate any significant political shift in the south, though AKEL lost eight percentage points. There has been no decisive attempt by AKEL to exert leverage on the president to re-engage in direct talks or to hold a second referendum.

Since the referendums, the opposition parties have attempted to re-engage in dialogue with the Turkish Cypriots and Turkey and have become more inclined to support Ankara’s EU bid. The government instead has used its new decision-making power within the EU to hamper efforts aimed at lifting the isolation of the Turkish Cypriots in line with what appears to be its strategy of

forcing them to acquiesce in absorption by a Greek Cypriot-dominated state in the south. That this is their strategy is further suggested by the leadership’s tactic of offering social, economic and political benefits to individual Turkish Cypriots (Cypriot citizenship, employment, social insurance, healthcare, education and the like).⁵⁴ Meanwhile political institutions continue to be controlled by Greek Cypriots alone.

Since the rejection of the Annan Plan in the April 2004 referendum, President Papadopoulos has continued to quarrel with the international community. He accuses the “foreign friends” of the island of being liars and he talks about “censors and overlords” who do not act, as they should, as “mediators” of good will.⁵⁵ He sees enemies everywhere and dismisses the Annan Plan on the grounds that it should serve the interests of all Cypriots rather than those of outsiders.⁵⁶ He even comments on the disappointment of Cyprus’s European partners, “because their own plans have not been served as planned”.⁵⁷ The more specific he is in accusations and criticisms, the more vague and contradictory he is in demands. On the one hand he states: “We do not reject the Annan Plan. We still believe it is a good basis for an eventual solution... We should be ready to make sacrifices[,] to accept that the solution cannot be fair”.⁵⁸ On the other hand he defends his own rejection of it: “Nobody has the right to criticise the people or be vindictive or punish a whole people in the exercise of its supreme right in a democratic way [to] reject... a plan designed by others and determine... its future and that of generations to come” His chief diplomatic aide has appealed for new negotiations that should not be open-ended but also have no deadlines.

Papadopoulos has attempted to reformulate the conflict as one between Cyprus and Turkey, because he hopes to exert leverage on Turkey within the EU context.⁵⁹ He has described EU veto rights as “a weapon we have in our hands”, and has claimed that he has no less than 64 opportunities to veto Turkey’s EU accession course (for the opening and closing of each negotiating chapter of the *acquis*):⁶⁰ hence his advocacy of an open-ended peace

⁵³ It was the only Russian veto of a UN Security Council resolution since 1994.

⁵⁴ These trends may strengthen if in the years ahead Turkish Cypriot individuals win court cases in the south with regard both to reclaiming lost properties and exercising voting rights.

⁵⁵ D. Konstantakopoulos, “Papadopoulos rebukes ‘friends’”, *The Investor’s World* (Greek daily newspaper), 5 June 2004.

⁵⁶ J. Christou, “Solution cannot serve the interests of outsiders”, *Cyprus Mail*, 3 June 2004.

⁵⁷ *Ibid.*

⁵⁸ *Ibid.*

⁵⁹ Crisis Group interview, Greek Cypriot journalist, Nicosia, April 2005.

⁶⁰ “Cyprus refuses to rule out Turkey EU membership veto”, *Financial Times*, 12 October 2004.

process with no deadlines or UN proposals, free from the straitjacket of the Annan Plan, in which the Greek Cypriots can exert their new leverage on Turkey to secure a radically different solution. The 28 February 2006 meeting between Papdopoulos and Kofi Annan ended with both men restating their (few) points of agreement, and no indication of serious re-engagement by the Greek Cypriot side.

E. TURKEY'S DOMESTIC REFORMS AND THE EU ACCESSION NEGOTIATIONS

Since late 2001, Turkish governments have pursued an unprecedented process of domestic political reform aimed at fulfilling the EU's Copenhagen political criteria necessary to begin accession negotiations.⁶¹ Particularly after the electoral victory of the AKP in November 2002 and the December 2002 Copenhagen European Council's conclusion bringing closer the prospect of those negotiations, Turkey's reform momentum accelerated significantly. The reforms are not flawless or anything like complete; still less have they all been effectively respected and implemented. Yet what is irrefutable is that an important process of progressive change is in the making and that it is the most extensive in Turkey's history since Ataturk's reforms following the establishment of the Turkish Republic in 1923.

With the AKP's rise to power, policy towards Cyprus transformed radically. Abandoning the long-held line that a solution was reached in 1974, the AKP declared that "no solution is not a solution". A coincidence of factors, including the U.S.-led war in Iraq, the election of AKP leader Tayyip Erdogan as prime minister only in the spring of 2003, and the resistance posed by conservative forces in Turkey and northern Cyprus, meant that the AKP's changed rhetoric was not followed immediately by a change in policy; thus Turkey and the Turkish Cypriots rejected the Annan Plan at the December 2002 Copenhagen European Council. Nonetheless, a process of profound transformation had begun, partly thanks to the AKP, but supported also by changing views within key institutions, including the military and the foreign ministry as well as civil society and the media.

In February 2004, the Turkish government proposed to re-launch the peace process through a tight three-stage procedure, which demonstrated an unprecedented level of goodwill. It both entrusted the UN Secretary-General with the task of filling in the blanks in the (probable) event that the leaders failed to reach an agreement and proposed to submit the Plan to separate referendums irrespective of the outcome of negotiations. The proposal was made in a context in which Turkey's December 2004 "date for a date" on accession talks was approaching, and EU actors were becoming increasingly vocal about the need for it to move on the Cyprus problem.⁶² In short, the incentive to start accession talks, together with EU pressure to move on Cyprus, in a context of profound political transformation in Turkey, generated a historical shift in Ankara in favour of Cyprus reunification.

Turkey's U-turn on Cyprus and its domestic reforms contributed to the December 2004 European Council decision to open accession negotiations on 3 October 2005. That decision was crucial in consolidating Turkey's reform process. However, quite apart from the unnecessarily exaggerated issue of the Customs Union protocol, discussed below, fundamental doubts prevail about the complex EU-Turkey relationship within a number of EU capitals. The European Council's conclusions reflected many of these hesitations and uncertainties. They specified that Turkey could expect membership no earlier than 2014, strongly emphasised the open-ended nature of the negotiations and the possibility they could be halted, and hinted at the prospect of permanent restrictions to the liberalisation of agriculture and the free movement of persons.

The 2004 European Council also showed the potential the accession of a divided Cyprus holds to poison Turkey's accession course. At the strong insistence of the Greek Cypriots, the European Council requested that Turkey sign the protocol extending its Customs Union agreement to that part of Cyprus where EU laws apply, i.e., the south. The manner in which the issue was politicised in the run-up to the summit created the potential for a crisis. The protocol was presented as a new precondition, the latest on a long-list of obstacles to delay negotiations, which looked all the more unfair in a context where the Greek Cypriots had been responsible for failed reunification. In Ankara's eyes, recognition would have invalidated Turkey's historical views on the conflict. Prime Minister

⁶¹ The three criteria set by the European Council meeting in Copenhagen in 1993 for EU membership applicants to fulfil are: i) stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities; ii) a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the [European] Union; and iii) ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.

⁶² "Continuing Enlargement: Strategy Paper and Report of the European Commission on the progress towards Accession by Bulgaria, Romania and Turkey", 2003, available at http://europa.eu.int/comm/enlargement/report_2003/pdf/strategy_paper2003_full_en.pdf

Erdogan, therefore, refused to sign the protocol at the summit.⁶³

The Customs Union issue has been formally resolved: the Turkish government (fending off accusations from the domestic opposition that it had accepted a second Treaty of Sèvres)⁶⁴ reached an agreement with the European Commission to sign the protocol in March 2005 based on an understanding that the signature does not entail diplomatic recognition of the Republic of Cyprus. However, the protocol has not yet been ratified by the Turkish Grand National Assembly, and Turkey's implementation of the existing Customs Union arrangements has been incomplete, in particular in the context of opening Turkish ports and airports to Greek Cypriot carriers. (This is an obligation which Turkey is presently claiming does not arise under the Customs Union, which relates only to trade in manufactured goods, not services; the EU's position is clear that any such restriction on port access is a barrier to trade and manifestly impermissible).⁶⁵ For their part, the Greek Cypriot government has backed down from the demand of immediate full recognition, and now hopes to get this concession from Turkey at an early stage in the negotiating process. However, it retains the option of threatening vetoes at any point in the process to extract more (even if the veto is unlikely to be used in practice).

In addition to the Cyprus factor, there are other indications of a possible resurgence of nationalism in Turkey. Since its 2001 financial crisis, successive Turkish governments have picked up the pieces of the macro-economy with the support of the IMF. But the remarkable economic recovery has not translated into rising employment. Public frustration has been rising, in a context in which all parties, but most notably those which were excluded from parliamentary politics after the 2002 elections, are now repositioning themselves to challenge the AKP.

External circumstances are also feeding into Turkish nationalism. The war in Iraq, the strengthening of the Kurds in Iraqi politics, and the resumption of PKK violence have reawakened fears of separatism.⁶⁶ The

perceived feeling of discrimination from the EU feeds into such fears. In 2005, pressures regarding Turkey-Armenia relations, and uncertainty over EU accession talks after France and the Netherlands rejected the EU Constitutional Treaty have augmented doubts further. In other words, while in 2002-2004 the virtuous circle in EU-Turkey relations contributed to Turkish democratisation and improvements in communal relations in Cyprus, in 2005 the process showed signs of stagnation. The indictment and prosecution of Turkey's best known writer, Orhan Pamuk, on charges of insulting the country's national character with remarks on Turkey's treatment of Armenians and Kurds, was a further dampener on the process. Although this case was dropped in January 2006, the relevant law is still being used to prosecute other journalists and academics; it is seen as a significant limitation on freedom of expression

On 24 January 2006, Turkey, in a much publicised "new initiative", published a new Action Plan on Cyprus, proposing to open Turkish sea ports to Greek Cypriot vessels and Turkish air space to Greek Cypriot air carriers in return for the opening of the sea ports and airport in northern Cyprus, the inclusion of northern Cyprus in the Customs Union with the EU, and participation for Turkish Cypriots in international sports, cultural and other social activities. The UN Secretary-General was invited to convene a high-level conference in the first half of 2006 to finalise implementation of this plan. The European Commission, the UK and the U.S. welcomed the Turkish proposals as at least a basis for dialogue, and they are certainly consistent with the EU's commitments to end the isolation of the north and develop it economically. However, the Greek Cypriots rejected them completely, complaining that Turkey was in effect offering to do things to which it was already committed as part of the EU accession process. Of course, this is true; but the international community has also made commitments to the Turkish Cypriots which have not been kept.

F. GREEK-TURKISH RAPPROCHEMENT

Greek-Turkish ties are of fundamental importance for the Cyprus conflict. The rapprochement since 1999 has acted as a key force in favour of reunification in Cyprus. The seeds of rapprochement were sown during the spring of that year when the Greek foreign minister, George Papandreou, made the strategic decision to engage in constructive dialogue with traditional archenemy Turkey, following the period of increasing brinkmanship in 1996-1999. The summer earthquakes in Istanbul and Athens provided the trigger for a major policy shift, with the groundbreaking reciprocal visits of Papandreou and his counterpart, Ismail Cem. Rapprochement then filtered through the system, through a set of bilateral agreements on

⁶³ See in particular Peter Ludlow, "Dealing With Turkey: The European Council of 16-17 December 2004", EuroComment Briefing Note 3.7, February 2005.

⁶⁴ The 1920 Treaty of Sèvres, signed by the disintegrating Ottoman Empire and the First World War victors, foresaw a considerably smaller Turkish state and provided the option of Kurdish secession. It epitomises in the Turkish collective memory the attempt by Western powers to weaken and fragment Turkey by supporting its internal and external enemies.

⁶⁵ Crisis Group interview, European Union official, Brussels, 13 February 2006.

⁶⁶ See Crisis Group Middle East Report N°35, *Iraq: Allaying Turkey's Fears Over Kurdish Ambitions*, 26 January 2005.

“low politics” issues and led to a surge in business and civil society contacts, as well as steadily rising bilateral trade.

Greece and Turkey have not yet resolved any of their longstanding disputes in the Aegean and Cyprus. But since 2002 the two have engaged in exploratory talks about Aegean issues, including the continental shelf. On Cyprus, the former PASOK government’s support for the Annan Plan was closely tied to its policy of rapprochement with Turkey: a settlement would very much have consolidated it. In 2004, Papandreu (by then leader of the opposition) openly backed the “yes” campaign in the referendums.

The policy of rapprochement has persisted, albeit in a more low-key manner, following the election of Karamanlis’ New Democracy (ND) in March 2004. The new government also expressed support for the Annan Plan. However, unlike its predecessor, it did not take a clear stance on the referendums until Karamanlis’ lukewarm endorsement of the plan on 16 April. Of course, he had been in power for just over one month by the time of the referendums; his more detached position also reflected ND’s traditionally more hands-off approach towards Cyprus. In addition, with Cyprus on the brink of full EU membership, the government felt that Greece had delivered, and Greek Cypriots were now full masters of their own future. Particularly after Papadopoulos had forcefully rejected the Plan, the Karamanlis government did not want to be seen as openly contradicting the elected Greek Cypriot leader.

The Greek-Turkish rapprochement is one of the most positive developments in the Mediterranean region since 1960. It remains fragile, however, and while it has provided a conducive context for settlement in Cyprus, it has not, alone, been sufficient to deliver peace on the island. The Greek government’s unqualified support for the Cyprus government’s stance within the EU on issues pertaining to the conflict may poison the rapprochement, and a crisis in Cyprus or in the Aegean could endanger the process.

IV. ALTERNATIVE FUTURE SCENARIOS

A. A SHORT OR MEDIUM-TERM SETTLEMENT ON THE BASIS OF THE ANNAN PLAN

The most desirable outcome is one in which the parties re-engage in direct talks to produce a modified Annan Plan, call new referendums and agree a new settlement. With its level of detail and tightly inter-related compromise arrangements, the Plan, albeit with some amendments, represents the only feasible basis for a reunification solution that could be agreed by all parties. This scenario would materialise if the Greek Cypriots persuaded the UN Secretary-General of their willingness to re-engage in a meaningful give-and-take process. In May 2004, Kofi Annan, wishing to avoid another failure in Cyprus, made explicit that the UN’s re-engagement would come only with convincing evidence that the Greek Cypriot side was willing to prioritise its wish-list and engage in meaningful talks. The same requirement had been made of the Turkish Cypriots after the March 2003 summit in The Hague.

In May 2005, the Greek Cypriot government engaged in exploratory talks with the UN Secretariat on a possible re-launch of the peace process. This resulted the following month in a “pulse-taking” tour of the region by the Under Secretary-General, Sir Kieran Prendergast. He reported back to the Security Council on 22 June that the Greek Cypriots had given him a long list of substantive points – governance, security, citizenship, residency, property, territory, economic and financial issues, transition periods and guarantees of implementation – which were so far-reaching, vague and undifferentiated as not, in his judgment, to constitute a realistic basis for re-engagement.⁶⁷ The UN is now considering the appointment of a Special Adviser to the Secretary-General on Cyprus, but not with any great enthusiasm; in the meantime the head of the UN peace-keeping mission on the island is “double-hatted” as the UN Special Representative, but without any expectation that he will push the process forward.

The optimal outcome, therefore, requires a Greek Cypriot initiative, starting with what Prendergast called “a prioritised and exhaustive list of concrete proposals”, leading to the relaunch of negotiations on “Annan VI”.

⁶⁷ The purported text of this communication from the Greek Cypriots to the UN was published in *Politis* (Greek Cypriot daily newspaper) on 27 November 2005. It is a rambling, confused and contradictory text, and the Greek Cypriot government has not confirmed its authenticity.

Assuming unchanged political dynamics in northern Cyprus and in Ankara and continuing progress in EU-Turkey and Greek-Turkish relations, it would take a political change in the south for the current leadership (or successors) to make the strategic determination that a modified Annan Plan represents their best chance to capitalise on their investments. Securing a binding UN Security Council resolution (as proposed by the U.S. and the UK, but blocked by the Russia before the 2004 referendums) could, on this optimistic interpretation, be sufficient to alter AKEL's stance and to swing the Greek Cypriot electorate to a "yes".

Yet, as former UN Special Representative Alvaro de Soto asks, "rejection by a 3 to 1 majority seems to reveal a thorough dislike of the contents of the plan: why should they want to take extra precautions to ensure that it was implemented?"⁶⁸ Indeed according to the Greek Cypriot leadership's own analysis, Greek Cypriot objections went to the heart of the Plan.⁶⁹ As already noted above,⁷⁰ the Greek Cypriots rejected the restrictions to the full implementation of the right of return and the freedoms of settlement and property acquisition. They opposed the indefinite retention of Turkish troops and Turkey's status as guarantor. They objected to the extension of citizenship and residency rights to many settlers (including their right to vote in the referendum). They feared the economic costs of reunification and the replacement of their republic by a loose union of questionable functionality. And the Greek Cypriots objected to the fact that the Plan ostensibly provided immediate gains to the Turkish Cypriots, while the benefits to the Greek Cypriots would occur over time and hinge on Turkey's goodwill. There were also procedural issues – specifically the tight deadlines imposed by the UN. Amending the Annan Plan to address all these concerns, while at the same time retaining Turkish Cypriot support, would be (as the House of Commons Foreign Affairs Committee puts it with some understatement) a "formidable challenge".⁷¹

Deep divisions remain on the security issues, particularly the future of the Treaty of Guarantee, on which Turkey based its 1974 intervention. There may be space for flexibility on the provisions for property restitution, such as a greater Turkish (or international) contribution to Greek Cypriot compensation for lost properties, adding an

important symbolic gesture to the process of reconciliation. Any significantly different arrangement concerning settlers from the Turkish mainland is improbable.

Substantive changes in the constitutional arrangements are unlikely. There is little room for manoeuvre between the Greek Cypriot call for reunification and continuity and the Turkish Cypriot need for political equality. Both Greek Cypriot and Turkish Cypriot nationalists have argued that the proposals will not create a functional government. Underlying these claims is the unwillingness to concede political equality. A complex federal power-sharing formula may well be less efficient than a unitary state or states, but that is the price to pay for resolving conflict.

One could imagine that the Turkish Cypriots could support a binding UNSC resolution guaranteeing the Plan's implementation, a reduction in the timeframes for territorial readjustments, property restitution and the demilitarisation of the island. Annan V provided for the permanent retention of only 650 Turkish troops (and 950 Greek troops), as in the original Treaty of Guarantee. This could perhaps be reduced still further, even to zero, by the time of Turkey's accession (as had been provided for in earlier versions of the Plan). However, if the Greek Cypriot "no" is in fact deep-rooted, then these amendments will not be sufficient to shift a quarter of the Greek Cypriot electorate. No matter how few Turkish troops remain on the island, the fact is that many more are just a few minutes' plane flight away.

Scope for win-win amendments exists but may be very limited. If it proves impossible to shift one quarter of the Greek Cypriot vote while retaining a Turkish Cypriot majority over the next few years, the two following alternative approaches, each of which has its advocates, will dominate future discussions.

B. A CENTRALISED STATE: THE GREEK CYPRIOTS'S PREFERRED OPTION?

The preferred option of some Greek Cypriots⁷² seems to be to abandon the basic philosophy and approach of the Annan Plan (and indeed of all negotiations since the

⁶⁸ Alvaro de Soto, "Next Steps on Cyprus", op. cit.

⁶⁹ "Letter to the Secretary-General of the UN from the President of the Republic of Cyprus", 7 June 2004; see also the purported list of demands presented by the Greek Cypriots to Sir Kieran Prendergast in 2005, fn. 57 above.

⁷⁰ See Section II C above.

⁷¹ "Cyprus: Second Report of Session 2004-2005", House of Commons Foreign Affairs Committee, vol. 1, London, 2005, p. 38.

⁷² Greek Cypriot researchers who have long doubted the genuine commitment of large segments of the political establishment to a bizonal, bicomunal federation include Caesar Mavratsas, "The ideological contest between Greek Cypriot nationalism and Cypriotism 1974-1995", *Ethnic and Racial Studies*, vol. 20 (1997), pp. 718-737; Yannis Papadakis, "Greek Cypriot narratives of history and collective identity: nationalism as a contested process", *American Ethnologist*, vol. 25 (1998), pp.149-165; and Zenon Stavrinides, "Greek Cypriot perceptions on the Cyprus problem" (2001), at <http://website.lineone.net/~acgta/Stavrinides.doc>.

1970s) and seek to build an empowered central state in which majority decision-making (read Greek Cypriot) would prevail and most Greek Cypriots would be able to return to the north, diluting if not eliminating any bizonal aspects to the island's governance. Under this scenario, the Turkish establishment would "sacrifice" Cyprus for EU-related gains. There would be a faster and more extensive withdrawal of Turkish troops and settlers, stronger international guarantees, and a weaker (or absent) Turkish role in the security arrangements on the island. Greek Cypriots see this as a "European solution", with freedom of movement and other rights assured in an EU context.

The Greek Cypriot leadership has already begun to use its prerogatives within the EU to exert pressure on Turkey and the Turkish Cypriots. But however hard they may press, it is unlikely that Greek Cypriot leverage would bend Turkish Cypriot and Turkish positions beyond their long-held red lines. Maintaining the isolation of the north will not make Turkish Cypriots more inclined to surrender. It is much more probable that isolation will re-legitimise nationalist positions and dilute support for the EU. And it is most improbable that any Turkish government now or in the future could afford to give up Cyprus for the sake of EU membership (irrespective of specific views on the importance of the island). In any reasonably foreseeable environment, doing so would be political suicide, particularly when the EU is already perceived as having employed a double standard by accepting Cyprus.⁷³ The fragile consensus on the Annan Plan in Turkey was only reached after two years of excruciating internal debate. It could be broken at any time, particularly if further obstacles on the path to EU accession should emerge.

C. CREEPING RECOGNITION OF A SEPARATE TURKISH CYPRIOT STATE

If the Greek Cypriot leadership pursues a policy of continued isolation of the north and obstruction of a peace settlement, the most likely ultimate result is precisely the opposite of what it desires: a creeping de facto recognition of the TRNC by the rest of the world. At present, as outlined above, the balance of opinion both in Turkey and among Turkish Cypriots favours finding an accommodation with the Greek Cypriots rather than pursuing secession. But if it becomes apparent that the Greek Cypriots are simply not interested in reconciliation and reunification on anyone's terms but their own,

⁷³ Not all analysts are convinced of this, including some in northern Cyprus: see for instance "Island Trouble", *The Economist*, 26 January 2006. However it is difficult to see either Ankara or any future Turkish Cypriot leadership agreeing to dissolve the TRNC unilaterally.

attitudes will inevitably shift, not just among Turks but among Cyprus' other international interlocutors.

It is worth considering the evolution of the UN's stance on recognition of Cyprus. Despite the breakdown of the 1960 arrangements, since 1964 the UN has considered the Greek Cypriot republic as the only recognised state on the island. Post-1974 its continued recognition was justified by the widespread perception of the international community that the persisting partition was due to Turkish aggression and Turkish Cypriot intransigence. The referendum results have shifted that perception. The Greek Cypriots are now regarded as the intransigent side and can no longer rely on international sympathy for the events of 1974.

The Cyprus government does wield a veto within the European Union and would certainly make it as difficult as possible for any member states (or associated states) to formally recognise the TRNC. It should be noted, however, that even where the official policy of the EU as a whole is in effect determined by the interests of one member state, the bilateral dealings can take many forms and it is likely that many member states would move to de facto recognition.⁷⁴ Even fewer restrictions, of course, apply to other countries,⁷⁵ including the U.S.; and even in cases where formal recognition is not achieved, it is possible for a government to acquire most of the trappings of statehood.⁷⁶ One could envisage moves at the UN to insist that the Cypriot seat in the General Assembly should only be filled if both communities are represented.

But, quite apart from the behaviour of the Greek Cypriot government, another possible factor has emerged which could push that balance back the other way. If the European Union, in the wake of the referendum results in France and the Netherlands, were to back away from its commitment that Turkey's accession negotiations have the explicit end goal of full membership, Turkey's incentives to seek accommodation with anyone in the EU, let alone the Cyprus government, would greatly diminish, and the likelihood of a push for TRNC secession would

⁷⁴ Macedonia is recognised under its constitutional name, "The Republic of Macedonia", by more than half the EU's member states for the purposes of bilateral relations, even though for Greece and official EU declarations it remains "FYROM" (the Former Yugoslav Republic of Macedonia).

⁷⁵ Much excitement was generated on both sides of the Green Line, and in the Greek and Turkish press, by May 2005 reports that The Gambia was to formally recognise the TRNC, based on impromptu remarks by the African state's president at a press conference. The reports were formally denied by the Gambian government.

⁷⁶ The classic example is, of course, Taiwan; see Crisis Group Asia Report N°53, *Taiwan Strait I: What's Left of One China?*, 6 June 2003.

accordingly increase. This would return Turkey's relations with Greece virtually to the 1974 situation and deepen its existing problems as a country in military occupation of the territory of an EU Member state. But it would also mean the hardening of the division of the island.

V. MOVING FORWARD

It is worthwhile making a further effort to secure a loose federation along the lines of the Annan Plan before abandoning the solution ostensibly sought by the parties and the international community for decades, and accepting either centralised dominance of the Greek Cypriots or the permanent partition of the island. Given that political conditions are far from conducive to this outcome, the task is for all relevant players to act to the extent of their own capacity to improve the immediate situation and create the conditions for an acceptable long-term solution.

Confidence building measures cannot realistically be negotiated between the parties at present. But they can still be undertaken unilaterally. The best hope of changing the dynamics of the conflict, and creating an environment in which an Annan-type solution can once again be contemplated, is for the key players to take unilateral measures to increase confidence in the likelihood of a peace settlement, as outlined below.

A. WITHIN CYPRUS: THE INTERNAL DIMENSION

Within the island, three complementary objectives should be pursued:

Sustaining the pro-solution momentum in the north. The Greek Cypriot leadership appears to argue that if the isolation of the north were lifted, Turkish Cypriot support for reunification might dwindle.⁷⁷ This logic is deeply flawed. Further isolating the Turkish Cypriots is likely to increase their dependence on Turkey and exclusion from the EU. The economic development of the north would in fact benefit the Greek Cypriot side. Reducing the economic divide between the two sides would increase the viability of a federal settlement, reduce the costs of reunification to the wealthier Greek Cypriot community, strengthen Turkish Cypriot independence from Turkey and ensure that Turkish Cypriots stay in Cyprus. Furthermore, even if a federal agreement fails to materialise, it is in Greek Cypriot interests to secure a reasonably developed and well-governed state or entity on the other side of the Green Line. A failed statelet in northern Cyprus could only harm the southern republic, both politically and economically.

There are a few further steps that the northern Cypriot leadership could take to indicate their continued

⁷⁷ Speech by Greek Cypriot government official at a Wilton Park conference, Larnaca, February 2005.

willingness to find a settlement, such as to start planning now for the creation of ethnically mixed villages and the dissolution of the Turkish Cypriot military force in the event of a settlement. But the pro-solution momentum in the north needs to show economic development as a tangible benefit of its policies. Without it, the nationalist camp would be vindicated in arguing that the status quo from 1974 was preferable. The boom since the opening of the Green Line has helped. But (particularly in the construction sector) this will have only a short term impact. Unless the isolation is lifted and the Turkish Cypriots reform their institutions and policies, the northern economy is set to deteriorate again.

The UN, the U.S., the UK and the European Commission and Council may well feel the Greek Cypriots' stance has weakened their international standing. But nobody has yet raised the possibility of recognising Turkish Cypriot secession. It is not necessary to go that far, of course. At the international level, third parties could lift the isolation of the north, while remaining committed to the Annan Plan and demanding from the Greek Cypriot side the same conditions they had demanded from the Turkish Cypriots (i.e. the acceptance of deadlines and a refereeing role for the UN Secretary-General). They could also suggest that if an agreed solution, submitted to separate referendums, was rejected again, the two communities could be granted the option of separate self-determination by the international community.

Inducing political change in the south. Major change in southern attitudes is necessary for the Annan Plan (or any variation) to be adopted in the near future. President Papadopoulos's speeches and policies since 2003 reflect the leadership's reluctance to embrace any meaningful compromise agreement (much like the former Turkish Cypriot leadership). The key internal actor is the largest party, the coalition partner AKEL. A policy change within AKEL – or indeed a split between pro – and anti-settlement factions – could be triggered by the parliamentary elections scheduled in 2006.⁷⁸

Would external pressure on the Greek Cypriots induce a policy shift or consolidate inflexibility? To the extent that the Greek Cypriot “no” was explained by a feeling of coercion and external imposition, international pressure could entrench rejectionism.⁷⁹ But if, as seems more

likely, it was either unaffected by international sentiment or indeed partly due to the public's perception that the moral and legal rightness of its cause was actually supported by the international community, then the international community has a potential role to play in generating a public debate in the south.

It would be a welcome development if the Greek government reviewed its unequivocal support for the Cyprus government within the EU, particularly when it comes to EU attempts to lift the isolation of the north. At the domestic level, Greek Cypriot civil society and the opposition could promote a national debate on the conflict and its resolution.

Advancing inter-communal reconciliation. Regardless of what constitutional solution might prevail in Cyprus, its two communities will continue to live on the island and will need to relate to each other peacefully and non-confrontationally. After the referendums, trust was damaged, particularly in view of the Turkish Cypriot dismay at the magnitude of the Greek Cypriot rejection. Bicomunal contacts and activities were reduced; it is imperative for these to be reconstituted and deepened, particularly in the areas of media and education, and it is vital for young Cypriots to re-evaluate their conceptions of “the other”. Contacts should be strengthened and institutionalised not just between political parties in the north and the south, but also between Greek Cypriots and Turkey and between Turkish Cypriots and Greece. The visit of DISY leader Nicos Anastasiades to Ankara in February 2005 set a positive precedent for this.

Whether at the level of government or (if this proved to be impossible) at the level of civil society, action should be taken to establish, develop and implement those aspects of the Annan Plan devoted to inter-communal reconciliation. The reconciliation commission with a mandate to bridge the contrasting historical narratives of the two communities foreseen in the Plan need not wait for a comprehensive agreement, but could begin immediately.

B. THE GREEK-TURKISH-EU DIMENSION

Since 2002, the Turkish establishment has changed its Cyprus and EU strategies. It deepened its commitment to EU accession and accepted that the path to Europe entailed fundamental domestic and foreign policy reforms. More importantly, the Turkish commitments to domestic reform and peace in Cyprus began to be viewed as ends in themselves rather than simply means for Turkey to enter the Union. These changes spearheaded the momentum in favour of reunification on the island. So long as Turkey continues to back a settlement along the lines of the

⁷⁸ The referendum generated divisions within AKEL, with large segments of the rank and file feeling alienated from the positions adopted by the leadership. According to one party member, if the leadership stays in government with the rejectionist president after the 2006 elections, the party could split. Crisis Group interview, Nicosia, April 2005.

⁷⁹ Crisis Group interview, Greek Cypriot ambassador, Nicosia, April 2005.

Annan Plan, the Cyprus conflict should so far as possible be delinked from Turkey's accession course.

Further deepening the Greek-Turkish rapprochement can only be helpful in cultivating the necessary conditions for peace in Cyprus. A welcome move in this respect is the suggestion by Grand National Assembly Speaker Bulent Arinc to remove the *casus belli* warning in the event that Greece extended its control of territorial waters (and airspace).⁸⁰ The *casus belli* language was never adopted as a Turkish parliamentary resolution. Abandoning the rhetoric would thus not entail a formal change of Turkish policy towards Greece. Furthermore, the warning, issued when the two countries were on the brink of war in the mid-1990s, is outdated in a context of rapprochement. Altering the rhetoric would deepen the bilateral understanding, inducing Greece to undertake similar conciliatory moves towards Turkey. It would also strengthen Greece's commitment to Turkey's EU accession and to a solution of the Cyprus conflict.

The New Democracy government in Greece should in its turn review the post-1974 dogma that "Cyprus decides and Greece supports". Greece has delivered Cyprus's membership of the European Union. The days of a weak and defeated post-invasion Cyprus are long gone, and the state is fully capable of standing on its own feet. There appears to be little reason why Greece should support unconditionally the changing positions of the Greek Cypriot leadership. Indeed, distancing Greece, when appropriate, from uncritical support of Greek Cypriot positions within the EU would serve to strengthen the Greek-Turkish rapprochement, which is now recognised as a strategic priority in Athens. It would also benefit Cyprus, by accelerating the process of its Europeanisation. The February 2006 appointment of a new Greek foreign minister, Dora Bakoyannis, from a family with a long tradition of supporting Greek-Turkish rapprochement, provides a good opportunity to begin this process.

C. A PACKAGE DEAL, CONFIDENCE BUILDING MEASURES, OR UNILATERAL STEPS?

Throughout the decades of negotiations, policy-makers have long discussed the relative virtues of package-deals versus step-by-step confidence building measures (CBMs). The track record in Cyprus is that whenever the leaderships shifted attention to CBMs, their principal objective was that of diluting (if not undermining) pressure for a comprehensive deal.⁸¹ Furthermore, negotiations over CBMs in Cyprus have never led to concrete results. By far the most significant confidence building move has been the opening of the Green Line in April 2003. This step was entirely unilateral, not the result of negotiation and agreement.

This track record reveals an important message. It is likely to be counterproductive for the international community to press the parties into direct talks on CBMs, rather than on the big picture of a comprehensive agreement. The Greek Cypriot leadership has attempted to pursue this route, recently proposing that the Turkish Cypriots could return Varosha to Greek Cypriot rule (which the Turkish Cypriots offered in 2005) and "gain" in return joint Greek Cypriot-Turkish Cypriot management of Famagusta port. Engaging in discussions on these or other proposals is unlikely to yield results. It may simply distract attention from the fundamental issues.

This is not to say that CBMs are undesirable, or that they should not continue to be pursued unilaterally. Anything that is compatible with the provisions of the Annan Plan and has the effect of raising inter-communal trust and increasing incentives for compromise cannot help but have a positive impact. But hard experience shows that

⁸⁰ Turkey has not signed the UN Convention on the Law of the Sea, and Turkish officials have claimed in the past that any attempt by Greece to assert its rights under that convention to extend its territorial waters to twelve nautical miles would constitute a *casus belli* since Turkey would in effect be blockaded behind the Aegean Greek islands. Turkey has also long challenged Greece's insistence that its national airspace extends ten nautical miles from its coastline; Turkey recognises only six, the same as for territorial waters.

⁸¹ A point made by Lord Hannay in his Wilton Park conference presentation in Larnaca, op. cit.: "One other blind alley I would advise against heading up is the idea of negotiating confidence-building measures. Whenever there has been a pause or a setback in the negotiations for a comprehensive settlement, someone comes forward with the idea of negotiating confidence building measures, and they never lead anywhere except to a major diversion of negotiating energy and more friction. The reason is clear. One or the other, or sometimes both, sides believe that the other side is going to get some unrequited benefit out of the measures proposed or that some sensitive aspect of a comprehensive settlement is going to be prejudiced. Far the most successful and beneficial confidence building measure in recent times, the opening of the Green Line, took place without any negotiation at all. Indeed one could wager that, if there had been any attempt made to negotiate the opening of the Green Line, it would never have taken place at all. Let us by all means have plenty more of that sort of confidence building but not a return to the failed remedies of the past, which in any case presume a continuation of the status quo rather than an end to it".

any attempt to negotiate them, other than squarely in the context of serious dialogue on the big issues, is likely to be fruitless, and even counterproductive. In the present environment, and for the immediately foreseeable future, unilateral steps – by all the relevant players, and of the kind described in the following section – are the only game in town.

VI. THE ONLY GAME IN TOWN FOR NOW: UNILATERAL STEPS

A. TURKISH CYPRIOT AND TURKISH UNILATERAL STEPS

There is little the Turkish Cypriots can do directly to re-launch the process. However, there is an array of concrete steps they could pursue unilaterally, serving the triple purpose of strengthening their position, increasing Greek Cypriot incentives and fostering inter-communal trust.⁸² Measures pursued by the Turkish Cypriot side should be conducive to an agreement based on the Annan Plan and also to the immediate improvement of their own current circumstances, given the possibility that no agreement will be reached for the foreseeable future. They should be capable of support both by promoters of the Plan and by those who would prefer to see the island drift towards partition. There are four principal steps that could be pursued in this respect by the new Turkish Cypriot government:

Property. The Turkish Cypriot bargaining position on property has been weakened significantly by the cases pursued by Greek Cypriots in the European Court of Human Rights (ECHR). It is being compromised further by the growing links between problems relating to properties and to the immigration of mainland Turks. The case of Ms Loizidou in 1998, and Turkey's subsequent agreement in 2004 to pay her substantial damages, propelled a series of analogous cases before the Court, increasing the likelihood that this issue will be solved through litigation in Strasbourg rather than by a political agreement.

Some in Turkey are keen for a moratorium on any future such cases. However, the European Court of Human Rights operates as an independent judicial body and cannot be subjected to political pressure. Now that its jurisdiction has been accepted by both Cyprus and Turkey, the individual Greek Cypriots who are involved in property disputes have no incentive to drop them. The only way for the Turkish Cypriots to escape ECHR jurisdiction in these cases is to establish an adequate domestic remedy of their own. While the property commission they created for this purpose in 2003 was deemed insufficient by the ECHR, in a judgement on the Xenides-Arestis case in December 2005, the Court also enjoined Turkey to establish such a domestic remedy

⁸² Crisis Group interview, Turkish Cypriot civil servant, Nicosia, April 2005.

within three months and redress for this particular case within another three months after that.⁸³

The TRNC passed a law in reaction to the Xenides-Arestis case on 24 December 2005, two days after the judgement was published. It gives little indication on its face whether it will meet the specific criticisms of the Xenides-Arestis judgements; it is mainly concerned with establishing a new Property Commission, which seems to have fairly wide latitude to interpret its own terms of reference.⁸⁴ It will presumably be challenged all the way back up to the ECHR by Greek Cypriot litigants and may well need further revision; close coordination with the Council of Europe will be necessary to ensure that any further revisions to the procedure are likely to pass the test of the ECHR.

In the last few years there has indeed been a construction boom in the northern part of the island. In a considerable number of cases this construction work is taking place on land which is owned by Greek Cypriots who fled to the south in 1974. The Turkish Cypriot authorities should cease all construction work on disputed property, as this complicates matters still further. The important point, however, is that the possibility of an adequate domestic remedy, by which displaced Greek Cypriots would have to apply to and accept the rulings of a Turkish Cypriot official institution, is not merely accepted but in fact demanded by the ECHR.⁸⁵ If the Turkish Cypriots can find an ECHR-proof solution, it will help their own economic development by resolving the current legal uncertainty in the property markets. It will also increase Greek Cypriot incentives to negotiate a comprehensive deal, since the ECHR is likely to be satisfied with a remedy less beneficial to individual Greek Cypriot litigants than would have been achievable through the Annan Plan.

⁸³ See the Court's "Decision as to the Admissibility of Application no. 46347/99 by Myra Xenides-Arestis against Turkey", 4 April 2005, and the Chamber Judgement in that case, 22 December 2005.

⁸⁴ In particular, while the new law does appear on its face to meet the ECHR's criteria that it should make provision for movable property and non-pecuniary damages, it is not very specific on these issues, leaving them to the Property Commission to decide. It clearly does meet two of the Court's other criticisms, in that those living in houses owned by, or built on property owned by Greek Cypriots are excluded from membership of the Commission, and there is provision for at least two members not from Cyprus or the guarantor powers. Some of its language is also borrowed from the Annan Plan. It appears to be a serious effort.

⁸⁵ Although the ECHR judgement is formally binding on Turkey, and not on the TRNC (since Turkey is a member of the Council of Europe, and the TRNC is not), it is clear from the details of the judgement that the TRNC is considered by the ECHR as potentially capable of enacting a satisfactory domestic remedy.

The status of the town of Varosha is another element in the property restitution question. Since 1979, the parties have accepted resettlement of the abandoned tourist resort area by Greek Cypriot displaced persons as an interim confidence-building measure. The Turkish Cypriots could offer to refurbish Varosha with international financial support and then return properties to the lawful Greek Cypriot owners. This would both act as a powerful confidence-building measure and boost Turkish Cypriot development as a result of the reconstruction. However, Greek Cypriots would be returning under Turkish Cypriot administration, until a comprehensive agreement took effect. This unilateral step would again increase Greek Cypriot incentives to strike a deal, since if the peace process remained frozen, it would act as a precedent for property restitution without territorial readjustments.

Governance. The second set of measures that could be pursued unilaterally is in the area of governance. Bad economic management over the decades has contributed to the slow growth rates in the north. The accession of Cyprus to the EU has meant that northern Cyprus is considered part of the Union as a matter of EU law. As such, sooner or later the *acquis communautaire* will need to be applied there. Despite the small size of the territory, the application of the *acquis* will require considerable effort by the Turkish Cypriots because of their lack of effective administrative capacity. They should embark on gradual *acquis* harmonisation now. Some areas of EU law, such as trade, can be harmonised immediately. This is all the more true in a context in which Turkey has signed (and sooner or later is bound to implement) the protocol extending its Customs Union with the EU to southern Cyprus.

Another area requiring urgent harmonisation is the public sector, where the need is to reduce state intervention in the real economy. Further reform of the banking sector would also be advisable.⁸⁶ In other areas, preparatory work is necessary to raise public awareness and to calculate what transition periods would minimise the short-run costs of harmonisation. In other words, the period until a comprehensive settlement should be treated as useful extra time to embark upon the overhaul of public institutions, law and policy that EU membership entails.

The European Union must assist the Turkish Cypriots in this process. Since 2004, TAIEX has offered its services to over 200 Turkish Cypriot civil servants.⁸⁷ These efforts

⁸⁶ Crisis Group interview, Commission officials, Brussels, April 2005.

⁸⁷ TAIEX is the Technical Assistance and Information Exchange Instrument of the Enlargement Directorate-General in the European Commission. It provides centrally managed short-

should be multiplied in the coming months, preferably by using the remaining €139 million of the €259 million of aid originally earmarked for this purpose.

Trade. The third set of measures concerns the area of trade. The debate over the customs protocol has put Turkey and the Turkish Cypriots in a stronger position to go beyond the granting of trade relations, as currently proposed by the Commission, by arguing for the de facto inclusion of the north into the EU-Turkey Customs Union. In practice this would require three steps. The first and easiest would be for the Turkish Cypriots to adopt unilaterally the common external tariff of the European Union (which could be done by a simple regulation). This would remove the financial tariff barriers between the North and the EU. The second would be to amend the Green Line regulation to allow Turkish (and other EU) originating products to cross the Green Line in both directions. The third step would be to provide for the joint management of Famagusta port by Turkish Cypriots and a recognised authority, such as the European Commission.

The last two measures cannot be adopted unilaterally by the Turkish Cypriots; they require an EU decision, with the risk of veto from the Greek Cypriot side this entails. However, there is a strong case to be made for such an extended customs union in the context of the Council's commitment to bolster the Turkish Cypriot economy; the Turkish Cypriots are, after all, entitled to benefit from their EU citizenship. (This was also one of the proposals in the January 2006 Turkish action plan).⁸⁸ Even if it proves difficult to persuade the EU to take the second and third steps in this process, the Turkish Cypriots, by adopting the EU's external tariffs, would send a strong political signal that they were prepared for their eventual entry into the Customs Union; it would probably also be a positive signal for investors.

Inter-communal confidence building. The final set of measures proposed here are to promote inter-communal confidence building. Rather than being concessions, these measures would bolster the international image of the Turkish Cypriot leadership.

First, the authorities should organise, with the help of EU monitors and funding if possible, a census in northern

term technical assistance for approximation, application and enforcement of legislation.

⁸⁸ Both the amendment of the Green Line regulation and the joint management of the port would require Greek Cypriot consent, which would not be obtained easily. But even the direct trade regulation now requires unanimity (whether under Article 1 of Protocol 10 of the Treaty of Accession or through the double use of Articles 133 and 308 of the Treaty). Rather than limiting the issue to direct trade, the Commission should consider the de facto inclusion of northern Cyprus in the customs union.

Cyprus. This would put an end to the controversy over the number of Turkish settlers, an issue which has poisoned inter-communal relations and harmed the credibility of the Turkish Cypriot leadership and Turkey. Greek Cypriots claim that settlers (around 120,000 persons from mainland Turkey) now outnumber the Turkish Cypriots. Turkish Cypriots play down these figures, arguing that there are no more than 40,000 to 60,000 settlers in the north. The Annan Plan would have allowed 45,000 foreigners on each side to gain citizenship. In addition, for nineteen years (or until Turkey's EU membership), Turkish nationals, up to 5 per cent of the number of Turkish Cypriot citizens (and Greek nationals, up to 5 per cent of the number of Greek Cypriot citizens), would have been allowed to reside on the island. If Turkish Cypriot figures turn out to be closer to the truth, then the majority of mainlanders would be likely to gain Cyprus citizenship or residency under an Annan Plan. If Greek Cypriot figures are correct, the majority of settlers would have to relocate to Turkey. A census would bring some honesty into this debate.

Secondly, the Turkish Cypriots could pursue further measures aimed at improving the conditions and rights of the Greek Cypriot community in the Karpas peninsula and the Maronite community. The Turkish Cypriot government has already opened a Greek Cypriot school in Karpas, returned properties to the Maronite community and allowed it to elect religious leaders. Further steps could include opening and restoring churches in the area (with the aid of international funding) and allowing normal religious services, as well as wider measures to protect the peninsula (for example by designating part of it as a demilitarised national park). These measures would, while bolstering inter-communal trust, add to the credibility and legitimacy of the Turkish Cypriot authorities and strengthen arguments for Karpas remaining under their control in a comprehensive settlement. Moreover, the Turkish Cypriots in coordination with pro-settlement forces in the south could begin planning creation of mixed population villages in cases where people are willing to move. The village of Pyla is an encouraging example of such coexistence.

Thirdly, another set of unilateral CBMs could involve measures easing the functioning of the Green Line, such as opening more crossing points (as promised) and actively supporting EU-funded demining efforts along the buffer zone.⁸⁹ The Ledra street crossing in western Nicosia should be opened, symbolising reunification of the capital.⁹⁰

⁹⁰ €2.5 million have already been put aside for this purpose.

⁹⁰ Crisis Group interview, Turkish Cypriot politician, Nicosia, April 2005.

Fourthly, again as a unilateral confidence-building measure, Turkey could withdraw some of its military from the north. Its contingent ranges from 35,000 to 40,000 troops, roughly twice as many as the Greek Cypriot National Guard and the Greek army in the south combined. The Annan Plan provided for the retention of 6,000 Turkish troops until 2011 (to be scaled down thereafter). Even in the absence of an agreement, Turkey could scale down its presence with little security cost to the Turkish Cypriots, given the relative numbers and the proximity of the Turkish mainland.

Finally, Turkey could unilaterally come forward with a plan for repatriating a number of settlers as soon as a census is held in the northern part of the island as well as applying immediately stricter controls over the number of Turks who enter the island from the north for work purposes. As the report of the House of Commons Foreign Affairs committee highlights, this influx is continuous. Meanwhile the emigration rate among Turkish Cypriots, entitled as they now are to EU passports and citizenship, is increasing; they risk becoming a minority in their own part of the island.

B. GREEK CYPRIOT AND GREEK UNILATERAL STEPS

There is much the Greek Cypriot leadership could do if it wanted to seriously re-engage in the settlement process, beginning with clarifying publicly its commitment to the Annan Plan as the basis for a settlement. In addition, it should significantly modify its current policy of isolating the north. If the Greek Cypriot authorities allowed the use of Ercan airport for international flights, consented to the use of Famagusta port under joint Turkish Cypriot and European Commission administration, supported liberalisation of the Green Line regulation and refrained from vetoing Turkish Cypriot direct trade with the EU, the prospects for a favourable settlement – and their own reputation – would be considerably improved.

It is clear that the present leadership, in its current mood, is unlikely to volunteer any of these steps. The most that can realistically be hoped for in the short term is that at least it submit to the UN Secretary-General, as it has been requested to do, a prioritised list of its concerns with the Annan Plan. Under these circumstances, internal action should be focused on changing its, or the electorate's, mind, the critical players being the Greek Cypriot opposition and civil society. Unlike in the north, there has been no meaningful debate in the south, either on the community's aims or on the best means to achieve them. The current leadership proclaims the success of its own strategy, and remarkably

few voices challenge this assertion. These are some of the steps which could and should be taken:

- Civil society should exert pressure on the authorities to engage in an official review of the historical narrative of the conflict. Education and media projects aimed at re-evaluating historical narratives as well as the intrinsic merits of power-sharing and compromise are pivotal both to reaching an agreement and to ensuring its sustainability and success. Another important point is the inclusion of Turkish Cypriots – who even by Greek Cypriot rhetoric should be considered Cypriot and EU citizens – in sporting and cultural events (one of the points raised in the January 2006 Turkish action plan).
- The Greek Cypriot opposition parties, moderates on all political sides and civil society leaders, together with Greek governmental and non-governmental actors, should engage more actively in debate over economic strategy. In particular, Turkish Cypriot economic development should be seen as a desirable goal for the whole island. The zero-sum approach favouring the infliction of economic costs in order to bend the Turkish Cypriots into submission is unlikely to bear fruit. The development of northern Cyprus would benefit both sides, prior to and after an agreement. The natural beauty and historical sites of the north could redirect Cyprus's tourism sector towards new niche markets.⁹¹ Rather than viewing the north as an adversary, its development should be seen as aiding the Greek Cypriots to compete more effectively with the booming tourism industry elsewhere in the region (especially in Turkey). As a developed whole, Cyprus would prosper as a hub in the Eastern Mediterranean. Without an accompanying development of the north, the south may slide into complacency and uncompetitiveness, overtaken by Turkey in commerce and tourism, as well as politics and security. This is particularly true in the present context of the south's relative economic stagnation.
- The opposition parties, taking their lead from Greece, should openly reassess and debate strategy towards Turkey. As for Greece, a democratic and European Turkey is in the best interests of the Greek Cypriots, who are destined virtually to border this large and powerful country. While many Greek Cypriot politicians recognise this fact, the leadership remains attached to the zero-sum

⁹¹ Crisis Group interview, Commission officials, Brussels, April 2005.

logic of leverage as a means of extracting concessions from Turkey. It took almost two decades of EU membership for Greece to change its strategy; but since the turn of the century, it has been one of the principal promoters of Turkey in the EU. There are signs the opposition parties in southern Cyprus appreciate this logic, and they should vigorously question the tactics of the government. Promoting Turkey's path to Europe would be the best guarantee of Greek Cypriot security, supposedly the main concern of those who voted "no" in the referendum. In this spirit, allowing visa-free access to those Turkish mainlanders who would have gained citizenship under the Annan Plan would be a welcome gesture of reconciliation.⁹²

- Greece must revise its approach to the Cyprus issue. If Turkish accession to the EU is in Greece's geopolitical interests (as indicated by the words and deeds of its recent governments), then it must be among the first EU countries to push both in public and in private for the Union to fulfil its 2004 commitments to the Turkish Cypriots by passing the trade regulation, revised as proposed above, and implementing the aid regulation. Greece must also revisit its Joint Defence Doctrine with Cyprus,⁹³ which is in any case contrary to both countries' 1960 treaty obligations, and cease participating in the operations and staffing of the RoC's National Guard.

C. UNILATERAL STEPS BY KEY MEMBERS OF THE INTERNATIONAL COMMUNITY

The role of the international community, the EU and the UN in particular, is pivotal in creating the necessary conditions for a sustainable solution in Cyprus. Key actors are the European Commission and Council; the guarantor states, Greece, Turkey and the UK; the UN Secretary General, the Security Council and General Assembly; and the U.S.

European Union. Now that Cyprus has entered divided, the European Union has become part and parcel of the conflict and cannot credibly undertake a mediating role: this will remain the responsibility of the UN. It can and should activate itself principally to sustain the economic

development and European integration of northern Cyprus and contribute constructively to a redefinition of the much-abused "European solution" slogan on the island.⁹⁴ Most of the suggestions listed below would require Greek Cypriot consent, which is unlikely to materialise soon. However, this need not prevent EU institutions and the rest of the member states from elaborating and consolidating common views and proposed actions towards the north, in particular by reaffirming their existing commitment to enacting the trade regulation, by welcoming the Turkish proposals of January 2006 as at least a basis for discussion, by maintaining or increasing bilateral contacts with Turkish Cypriot politicians, and by generally maintaining constant pressure on the Greek Cypriot government to moderate its intransigence.

The easiest measure relates to aid and technical assistance. After many months of blockage, it is imperative that the funds in the EU's aid regulation now be disbursed to sustain the harmonisation of the north as well as to refurbish the port of Famagusta. The monies could be used also to support a census in the north and demining of the Green Line.

In order to effectively pursue the de facto integration of northern Cyprus into the EU, the Commission should establish a branch office of its delegation to Cyprus in the north. This would allow it to coordinate more effectively the delivery of funds devoted to technical assistance and *acquis* harmonisation. For this to happen, EU institutions will need to overcome their sensitivity on issues of recognition. If, as argued by the Union, Turkey's signature of a multilateral international agreement with the Cyprus government (on the extension of the Customs Union) does not constitute an act of recognition, it is difficult to see how the Commission's simple interaction with Turkish Cypriots at the level of administration would in itself entail the recognition of the TRNC.

EU member states and institutions should also take the lead from organisations such as the Council of Europe (which has, for instance, two Turkish Cypriot observers in its Parliamentary Assembly) and ensure that Turkish Cypriot citizens fill their share of Cyprus's quota within EU institutions. The European Parliament has created a High Level Contact Group for relations with northern Cyprus, including one member from each of the main

⁹² Crisis Group interview, Turkish Cypriot parliamentarian, Nicosia, April 2005.

⁹³ The joint defence doctrine, developed in 1993 by the then Greek prime minister, Andreas Papandreou, committed Greece and the RoC to a "common defence space" against Turkish aggression.

⁹⁴ Since the mid-1990s, Greek Cypriot rhetoric has advocated a "European solution" to the conflict and active and direct EU involvement in mediation, combined with full and immediate freedoms of movement, settlement and property acquisition. The EU is unlikely to take up this particular invitation, though Enlargement Commissioner Olli Rehn has at least appointed a special adviser on Cyprus, Finnish ambassador Jaakko Blomberg.

political groups. This body should work towards allowing formal interaction between the European Parliament and Turkish Cypriot officials and civil society actors. Two Turkish Cypriot parliamentarians already participate, to a limited extent, in the activities of the two largest political groups in the European Parliament.⁹⁵

The most important, albeit most difficult, measures to agree to are those relating to tourism and trade. Concerning direct flights, legal obstacles suggest that there is no simple way around the Greek Cypriot non-recognition of Ercan airport.⁹⁶ The European Commission, upon consultation with the Turkish Cypriot authorities, should revise its proposals for direct trade, upgrading these to include the de facto inclusion of the north into the EU-Turkey Customs Union. This would also include the Commission's declared willingness to take upon itself (provided it is given the mandate) the role of joint management of Famagusta port with the Turkish Cypriot authorities.

Individual States. The specific responsibilities of Greece and Turkey have been discussed above. There can be no practical or legal objection to other EU member states, or to the U.S., opening branches of their embassies in Nicosia on the northern side of the Green Line, and otherwise intensifying contacts with the Turkish Cypriot leadership and civil society to bring them out of their isolation.

The United Kingdom, which maintains two sovereign bases covering 3 per cent of the island's territory, offered to return almost half to Cyprus as part of the Annan proposals. It should maintain this offer.

United Nations. Finally, within the UN, the UK and the U.S. should pursue adoption of the recommendations of the Secretary-General's May 2004 report calling for ending the north's isolation. Russia, which holds a veto

within the Security Council, will need to be persuaded. The same holds true for any unilateral Turkish Cypriot proposals on Varosha, the status of which is already governed by UNSC resolutions (550/1984 and 789/1992).

It would be pointless for the UN to appoint a new full-time mediator now. The head of UNFICYP (Danish UN official Michael Moller) is double-hatted as the UN Special Representative for Cyprus, and until there is evidence of serious engagement from both sides, there is no need for the UN to have more than a watching brief. Nor is the need for a strong international military presence apparent; the UN should consider slimming down its force to an unarmed monitoring mission. However the UN should maintain its contacts with all parties and be prepared to restart the negotiations process if the underlying conditions shift favourably.

At the same time the United Nations Development Program (UNDP) should proceed with the establishment of a trust fund for the development of northern Cyprus. UNDP is already running support-programs in Cyprus, on both sides of the island; although the proposed development fund has run into opposition from the usual quarters, its existence would have few political implications and it would help to develop the economy of the north.

One more extreme option has been floated for a UN role, which it would be premature to advance now, but which could be considered if the situation looked like dragging on indefinitely and international impatience with the Greek Cypriots became very strong. Upon proposal by several UN member states, the General Assembly could decide that Cyprus's delegation would only be seated if it included representation from both communities. Other intergovernmental institutions such as the Council of Europe could follow suit. The result could be two-fold. Either the Greek Cypriot government would succumb to the pressure and accept the condition, and Turkish Cypriots would thereby gain an international voice in a way which would certainly accelerate debate over the status of the entity they were representing; or it could refuse, opening the way for the separate international political representation of the Turkish Cypriots, with all that would imply.

The essence of the Cyprus problem, as one negotiator reflected, is that "the status quo is not urgently unsustainable".⁹⁷ Turkey's military dominance on the island is not going to be challenged credibly by the Greek Cypriots; they for their part have secured EU membership and are one of the most prosperous new member states; international officials, though exasperated with the

⁹⁵ The European Parliament's High Level Contact Group contains a number of parliamentarians who have been strongly opposed to both Turkish EU accession and the Annan Plan in the past, as well as some who are perceived as more pro-Turkish, so it may not easily come to an internal consensus about its own modus operandi.

⁹⁶ International flights could in principle be re-routed to northern Cyprus; this would entail a mid-air change of the aeroplane's officially-filed destination. Crisis Group interview, Commission official, Nicosia, April 2005. But this is hardly practical for commercial flights, whether scheduled or charter. Another radical option would be for the UK's sovereign base in Dhekelia – not subject to international oversight by the Cyprus government – to allow civilian flights to the north to land. This would require an arrangement whereby civilians landing in Dhekelia would be able to exit directly into the north, rather than just to circulate within the sovereign base.

⁹⁷ Hannay, *Cyprus*, op. cit., p. 228.

intractability of the problem and particularly with the Papadopoulos government's perceived breach of faith with the process in 2004, for that very reason are unwilling to re-engage unless there are genuine signals (and at present there are not) that progress is possible.

But the status quo is not sustainable indefinitely. Unless Cyprus can move towards the sort of unification envisaged in successive agreements, culminating in the Annan Plan, it will remain a potentially disruptive element inside the European Union, in a region of the world not noted for its general stability. It is in the interest of Cypriots on both sides of the Green Line, and of their international partners, to resolve the problem sooner rather than later.

The only way forward at present appears to be the unilateral efforts proposed above, aimed at sustaining the pro-solution momentum in the north, inducing political change in the south and advancing inter-communal reconciliation. External players should, to the extent of their capacity, seek to exert pressure upon the political elites of both communities to re-engage in negotiations and do everything else they can to reduce the isolation of the north.

Brussels/Nicosia, 8 March 2006

APPENDIX A

MAP OF CYPRUS

