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The resumption of the UN-led negotiations in Cyprus in May 2015 has revived hopes that a solution to the more than forty-year division of the Island is possible. While the EU is currently facing a plethora of challenges ranging from the refugee crisis generated by the threat posed by the advance of the ISIS to its south, an ever unstable and turbulent Middle East with the humanitarian cost of the Syrian crisis deteriorating, to instability in Ukraine and mounting tension with an ever assertive Russia, recent developments in the Eastern Mediterranean have raised hopes that the resolution to one of the most enduring frozen conflicts in Europe is within reach.

Key Findings

- ✓ The momentum gained in the UN-led Cyprus talks offers a realistic chance that a solution to one of the most enduring frozen conflicts in Europe is possible in the very near future.
- ✓ With the accession of the GCASC as the sole representative of the 'Republic of Cyprus' to the EU, the Cyprus issue has in essence taken hostage Turkey's EU accession process.
- ✓ Currently, the provisional closure of all chapters and the opening of 14 out of 35 chapters have been blocked due to the Cyprus issue. Seen from this angle, the settlement of the Cyprus issue can act as a catalyst in Turkey's EU accession talks.
- ✓ There are many reasons to feel optimistic that the current negotiation round is set to deliver a just and lasting settlement.
- ✓ The strong political will on both sides as well as the synergy between the two leaders has been reflected on the talks.
- ✓ The guarantor powers as well as the international community are supportive of the talks and seem keen to see the Cyprus issue resolved.
- ✓ The experience of the financial crisis has caused the Greek Cypriot side to view a potential settlement from an economic perspective and gain a better understanding of the potential economic advantages it could derive from a settlement.
- ✓ With the discovery of hydrocarbon resources around the Island, Cyprus has attracted a lot of attention internationally. Moreover, the potential wealth to be gained from these, also adds up to the urgency reach a settlement.
- ✓ The upcoming elections in the South can cast a doubt on the talks; therefore pressure to finalize the prospective settlement deal before May 2016 is high on both leaders.
- ✓ Given the complexity of issues and the trauma experienced with the failure of the Annan Plan in the South, there is cautious optimism on the Turkish Cypriot side.
- ✓ The cost of failure is high; such a scenario would not only mark the end of the federal formula, but also perpetuate the division of the island.

The Cyprus issue, which has been subject to countless international, multilateral, formal, informal, direct, indirect initiatives, has been in the spotlight of the international community for over fifty years. The issue has taken on a different dimension following the unilateral EU membership of the Greek Cypriot Administration of Southern Cyprus (GCASC) as the sole 'legitimate' representative of the Island. The EU's asymmetric use of conditionality coupled with its failure to exert the much needed pressure on the Greek Cypriot side to say 'yes' to the Annan Plan, has resulted in the divided island becoming a member of the EU. This has inevitably made the EU a party to the dispute and perpetuated the division of the island.

Moreover, the commitments made by the EU to the Turkish Cypriots including ending the economic isolation of The Turkish Republic of Northern Cyprus (TRNC) namely the Direct Trade Regulation could not materialize due to the Greek Cypriot veto in the Council of Ministers. In the minds of many Turkish Cypriots, TRNC, often regarded as the 'part where the application of the EU *acquis* has been suspended' has in essence been punished for their collaborative attitude and overwhelmingly saying 'yes' to the Annan Plan. The accession of 'Cyprus' as a divided island in the EU, has not only been acknowledged as a huge mistake by key European policy-makers¹, but also dealt a huge blow to the EU's credibility.

The Cyprus Connection in Turkey's EU Accession Process

Despite Turkey's attempts at avoiding any possible linkage between its relations with the EU and the Cyprus issue, the two issues have become intertwined especially following the EU's decision to declare the Greek Cypriot Administration recognized by the EU as the sole legitimate representative of the "Republic of Cyprus" as a candidate state. The Helsinki Presidency Conclusions which confirmed Turkey's status as 'a candidate state destined to join the EU' cemented the link between the settlement of the Cyprus issue and Turkey's European fortunes. Following its unilateral membership to the EU, the GCASC has become a major veto-player in Turkey's EU accession process.

Currently, in the context of Turkey's EU accession process, the Cyprus issue constitutes a major stumbling block due to the closure of all chapters and the opening of a total of 14 out of the 35 negotiation chapters in Turkey's accession talks being suspended by the EU Council and the unilateral veto of the GCASC. Moreover, the issue serves as a convenient excuse to isolate Turkey by Turkey-sceptic circles and policy-makers inside the EU.

Upon the accession of 'Cyprus' to the EU, which effectively meant the accession of the Greek Cypriot Administration, Turkey signed the Additional Protocol extending the implementation of the Turkey-EU Association Agreement (i.e. Ankara Agreement) to the ten member states acceding to the EU in 2004 which included GCASC. However, Ankara

¹ "Verheugen feels 'cheated' by Greek Cypriot government", *EU Observer*, 2 April 2004. Retrieved from <https://euobserver.com/enlargement/15270>, 7 December 2015.

in a declaration, made it clear that the signature of the Additional Protocol in no way amounted to the recognition of the GCASC. This has triggered the counter-declaration by the EU which interpreted Turkey's stance as a restriction on free movement of goods and means of transport. The EU in its counter-declaration urged Turkey to fulfil its obligations emanating from the Ankara Agreement, and warned that progress in the relevant chapters of the acquis, as well as the overall pace of the negotiations will depend on Turkey's implementation of the Additional Protocol. On 11 December 2006, the then General Affairs and External Relations Council suspended the provisional closing of all and the opening of eight chapters associated with the Customs Union on the grounds of Turkey's failure to fully implement the Additional Protocol. Thus, the closing of all chapters and the opening of eight chapters have been made conditional upon the resolution of what is widely referred to as the 'ports issue', namely Turkey's failure to open its ports and airports to Greek Cypriot vessels and aircrafts.

Moreover, enjoying the rights emanating from full membership in the EU as the sole 'legitimate' representative of the Island, GCASC has not hesitated to use its status as an EU member to derail Turkey's EU membership talks. Furthermore, the GCASC also blocked the Direct Trade Regulation aimed at ending the isolation of the TRNC. The decision-making process in the Council of Ministers has further facilitated GCASC's attempts at uploading its national interests to the EU-level. Ahead of the December 2009 Council meeting, GCASC with a unilateral declaration announced its decision to suspend negotiations in 6 chapters of Turkey's accession talks. The chapters blocked by GCASC include the chapters on 'Freedom of Movement for Workers', 'Energy', 'Judiciary and Fundamental Rights', 'Justice, Freedom and Security', 'Education and Culture' and 'Foreign, Security, and Defence Policy'.

Ironically, most of the chapters blocked by the GCASC are related to vital aspects of the Turkey-EU relationship. And the veto on those prevents an effective cooperation between Turkey and the EU and thus unquestionably harms the EU's interests.

A case in point is Chapter 15 on 'Energy', at a time when the EU is trying to reduce its energy dependency on Russia, by diversifying its energy routes and suppliers, Turkey's potential as an energy hub and a transit country could not be fully exploited due to GCASC's veto in the Council. Instead, the Commission is exploring alternative ways of cooperation independent of the accession process to bypass the current deadlock through the creation of a high-level dialogue on energy.

The same is true for Chapter 31 on 'Foreign, Security and Defence Policy'. The increasing humanitarian toll of the Syria crisis, the advance of ISIS in Iraq and Syria in Turkey's and the EU's shared neighbourhood, as well as the crisis in Eastern Ukraine have yet again proven the urgency and the necessity to foster foreign policy cooperation and coordination between Turkey and the EU. Furthermore, the Commission in its 2014-2015 Enlargement Strategy in an attempt to bridge the divergences between certain

candidate states' and EU's official positions that became increasingly visible in the context of the Ukraine crisis, decided to prioritize the opening of chapter 31 in accession talks. With this chapter being blocked by the GCASC, the EU's room for manoeuvre in Turkey's case seems limited. Therefore, the EU is trying to circumvent the current impasse by establishing a high-level foreign policy dialogue with Turkey.

Among the chapters blocked by the GCASC are two key chapters that deal with the rule of law and security (chapters 23 and 24), areas to which the EU has attached increasingly more significance due to the problems still experienced by the rather premature enlargement to Bulgaria and Romania in 2007. Furthermore, a vast majority of criticism targeting Turkey fall within the scope of these two *acquis* chapters. The GCASC's veto in the Council of Ministers in practice means that the opening benchmarks for these two chapters have not been conveyed to Turkey. And this in turn deprives Turkey of the much needed direction to overcome its deficiencies in the areas of judiciary, fundamental rights and justice, freedom and security. Despite the fact that the Commission and the European Parliament, acknowledging the opening of chapters 23 and 24 as the most effective way to address Turkey's deficiencies in the realm of the rule of law, have on numerous occasions urged the Council to convey the opening benchmarks for the two chapters to Turkey, this is yet to be realized.

For years, the failure to find a mutually acceptable solution to the Cyprus issue has in essence taken Turkey's EU accession negotiations hostage. Against this background, the resolution of the Cyprus dispute will unlock the potential needed to overcome the current impasse in Turkey's accession negotiations. Finding a fair and lasting solution to the Cyprus issue will amount to the veto on the 14 negotiation chapters which are blocked by the Council and the GCASC to be lifted. From this perspective, the resolution of the Cyprus issue will act as a catalyst to provide the much needed impetus in Turkey's EU accession process.

The Turkey-EU Summit, which convened on 29 November 2015 in an attempt to reach a deal on the refugee crisis and restart Turkey's EU accession process, has further emphasized the urgency to resolve the Cyprus issue, despite no direct reference was made to in the summit conclusions. In the summit conclusions, the leaders gave a green light for the preparations for the opening of a number of chapters to begin. Except for chapter 17 on Economic and Monetary Affairs, which has been expected to be opened since last year, the chapters proposed are blocked by the GCASC. Therefore, it would not be wrong to assume that the opening of the chapters that deal with the rule of law, energy, foreign policy, and education continue to be conditional on the resolution of the Cyprus issue.

Why is this time different?

After a series of failed attempts to find a comprehensive settlement to the Cyprus issue following the rejection of the Annan Plan in the southern part of the Green Line,

regarded as the most viable chance for a settlement, there was little hope left for ending the division of the island. The hopeful beginning initiated in February 2014 with the Joint Statement agreed by Greek Cypriot leader Anastasiades and the then Turkish Cypriot President Eroğlu was left in tatters with the Greek Cypriot side leaving the negotiating table due to a disagreement over the hydrocarbon resources around the island. The victory of the moderate Mustafa Akıncı over the incumbent President Dr. Derviş Eroğlu, in the presidential elections in TRNC, has injected new hope to the negotiation process and led to the resumption of the talks in May 2015.

Since 1975 UN Secretaries-General have been trying to facilitate through their Good Offices a settlement acceptable to both Turkish Cypriots and Greek Cypriots. To date five UN Secretaries-General and twenty five Special Advisers have taken on this arduous task. Chances are high that the current UN Secretary-General Ban Ki-moon and his Special Adviser Espen Barth Eide could be the last ones to do so. In the words of the Turkish Cypriot Foreign Minister Emine Çolak, this time 'the stars are uniquely aligned' for reunification². This optimism has also been shared by numerous key officials including the British Foreign Secretary, Philip Hammond, European Commission President Jean-Claude Juncker, The US Secretary of State John Kerry and Turkish Foreign Minister Mevlüt Çavuşoğlu. There are various reasons to believe that the positive climate surrounding the UN-led reunification talks could actually translate into a breakthrough that can result in a just and lasting settlement to the decades-long Cyprus issue on the basis of a bi-zonal bi-communal federation.

First and foremost, this time both leaders sitting around the negotiating table are genuinely interested in reaching a settlement. The Greek Cypriot leader Nicos Anastasiades, who previously campaigned in favour of the Annan Plan, is seen as a moderate figure by the Turkish Cypriots. Similarly, the Turkish Cypriot leader Mustafa Akıncı has been in favour of the Annan Plan and won the presidential race based on this pro-settlement stance. On both sides there is strong political will for a solution. Both Akıncı and Anastasiades seem determined to reach a lasting and just settlement. Rather than blaming each other for the ills of division, the leaders have adopted a constructive attitude towards each other. The synergy between the Akıncı and Anastasiades has been reflected on the pace of the UN-led talks. The good personal relations between the two leaders are also a facilitating factor for the talks. Apart from the formal UN-led negotiation process, the two leaders have gathered for informal, social and cultural gatherings. They were spotted walking together in the streets of the divided city of Nicosia, sipping coffee and watching a play performed by Turkish Cypriot actors in Limassol.

² Peter Forster, "Cyprus close to reunification deal as Greek-Turkish talks enter key phase", *The Daily Telegraph*, 18 November 2015. Retrieved from <http://www.telegraph.co.uk/news/worldnews/europe/cyprus/12003639/Cyprus-close-to-reunification-deal-as-Greek-Turkish-talks-enter-key-phase.html>, 7 December 2015.

A major source of optimism has to do with the fact that this time the process is home-grown. Both leaders have taken strong ownership of the UN-led negotiation process, rather than leaving the discussions to their negotiators, Akıncı and Anastasiades seem determined and confident in finding a solution to the Cyprus issue. Since the resumption of the talks in May During the period between May to November the leaders met 16 times (with three meetings scheduled for December). Akıncı and Anastasiades, upon the completion of the screening process by their respective negotiating teams, have entered the substantial phase of negotiations on 29 June 2015. Since November, the leaders have increased the frequency of their meetings and entered an intensive phase in the negotiations, in an attempt to bridge their outstanding divergences on key issues. The dossiers on the table are complex and involve very sensitive issues.

The negotiations revolve around six chapters, namely; Governance and Power Sharing (i.e. the powers and competences of the federal government and how these are to be shared and practiced by the two constituent states), EU matters (i.e. the adaptation of the northern part to the EU acquis), Economy (i.e. formulation of common economic policies), Property (i.e. settlement of property disputes between the two sides), Territory (i.e. the amount of territory the Turkish Cypriot side is to cede to the Greek Cypriot side) and Security and Guarantees (i.e. the number of soldiers and whether the guarantee system should be rearranged). The leaders have achieved major progress in many of the chapters. According to official statements, the chapters on Territory as well as on Security and Guarantees have not been dealt with. However the principle of 'nothing is agreed until everything is agreed' applies in the talks. The chapters on Property, Territory and Security and Guarantees are regarded the trickiest of all. Two thirds to three quarters of private land in the North is believed to be owned by Greek Cypriots prior to the 1974 intervention, whereas one eighth of private land in the South is owned by Turkish Cypriots³. There are divergences between the two sides on the criteria for the property and the way to handle property disputes. The Greek Cypriot side insists that the rights of the original owner prevail and asks for the return of the properties, whereas the Turkish Cypriot side highlights the need to uphold the rights of the current user. It is important to note that the property issue has caused major headaches for Turkey, with an increasing number of cases being submitted by Greek Cypriots to the European Court of Human Rights.

The Security and Guarantees chapter appears to be another fault line, where things can go wrong. The Greek Cypriot side is opposed to the continuation of the current security guarantees and is of the opinion that the EU can provide security guarantees to all its citizens. The Turkish Cypriot side, for which the memories of ethnic violence that occurred in the 1960s are still fresh, security guarantees should not be lifted at least until Turkey becomes a member of the EU. London has declared its readiness to cede

³ International Crisis Group, *Divided Cyprus: Coming to Terms on an Imperfect Reality*, Europe Report No:229, 14 March 2014. Retrieved from [http://www.crisisgroup.org/~media/Files/europe/turkey-cyprus/cyprus/229-divided-cyprus-coming-to-terms-on-an-imperfect-reality.pdf](http://www.crisisgroup.org/~/media/Files/europe/turkey-cyprus/cyprus/229-divided-cyprus-coming-to-terms-on-an-imperfect-reality.pdf), 7 December 2015.

half of its sovereign base areas and to go along with the security arrangement that best suits the needs of both parties. Athens sides with the GCASC on the issue of guarantees and argues that the current system of guarantees is outdated and should therefore be discontinued⁴. This issue which also concerns the number of soldiers on the Island is to be dealt with in a multilateral conference with the participation of the three guarantor powers namely Turkey, Greece and the UK. Turkish Cypriot sources confirm that a multilateral conference could be convened in early 2016⁵.

Apart from the ongoing negotiations regarding the chapters, the leaders have adopted a series of confidence building measures which foresee actions such as opening of new border crossings, ensuring the interoperability of mobile telephone networks and linking electricity grids on both sides of the island to make life easier for both communities. In Akıncı's words, they have achieved more progress in the last five months than in the past 47 years⁶.

The second reason why this time could be different has to do with the financial crisis in the South. A Eurozone member since 2008, the exposure to Greek debt and the size of the financial sector brought the Greek Cypriot banking sector to the brink of collapse in 2013 and left it seeking a €10 billion rescue package from international creditors. With the GCASC still struggling to overcome the effects of the financial crisis, a prospective settlement is perceived as a major opportunity to attract the much needed investments to the island. Furthermore, gaining access to the vast Turkish market is seen as a huge opportunity. With these in mind, the circles that have voted 'no' in the Annan Plan referendum could be inclined to vote 'yes'. Therefore, a settlement might not be for Anastasiades hard to sell in the southern part of the island.

For the Turkish Cypriot side, which has been subject to isolation, the potential economic gains of a settlement matter a lot. Its economy mostly reliant on tourism and education, the TRNC depends on Turkey for more than half of its foreign trade. It appears that the potential benefits that reunification under a federal umbrella can bring in terms of trade, investment and natural resources are acknowledged by both sides.

Third, the discovery of the hydrocarbon resources in the Eastern Mediterranean not only creates further incentives for cooperation between both sides, but also increases the attention of key international actors. Although the actual amount of natural gas is

⁴ "Kotzias: Anachronistic guarantees need to end in Cyprus", *sigmalive.com*, 27 October 2015. Retrieved from <http://www.sigmalive.com/en/news/politics/136796/kotzias-anachronistic-guarantees-need-to-end-in-cyprus#sthash.F4wMBuOU.dpuf>, 7 December 2015.

⁵ Meetings with key Turkish Cypriot officials, 27-28 November 2015, Nicosia.

⁶ "Akıncı: '47 yılda sağlanamayan ilerleme 5 ayda sağlandı'", *Kıbrıs Postası*, 25 November 2015. Retrieved from http://www.kibrispostasi.com/index.php/cat/35/news/177059/PageName/KIBRIS_HABERLERI, 7 December 2015.

one third less than initially expected, it is still substantial⁷. The potential wealth to be gained from the hydrocarbons makes a settlement more attractive for both sides. Furthermore, at a time when the EU is trying to differentiate its energy suppliers and transit routes in order to decrease its energy dependency on Russia, the gas on the shores of Cyprus offers a huge potential. Apart from that, the fact that the most cost-effective way to transfer the natural gas to Europe involves a pipeline to Turkey only increases the necessity of reaching a settlement to exploit these resources.

Furthermore, it is important to note that given the scarcity of water in both sides of the Green Line, the recently inaugurated Water Supply Project also dubbed 'the project of the century' can act as an important catalyst for a settlement. The project, which is designed to meet the fresh water need of the TRNC for the next 50 years, is expected to transfer 75 million m³ of water in total per year from the Alaköprü Dam in Mersin's Anamur district to the Geçitköy Dam near the shores of Kyrenia in TRNC. Ankara expressed its readiness to consider providing water to the South under the name of 'Peace Water', upon a request from the Greek Cypriot side⁸.

Fourth, the three guarantor powers converge in their support for a prospective settlement. Ankara for its part has indicated its strong support to the Turkish Cypriot side. Recently Turkish Prime Minister Ahmet Davutoğlu confirmed during his Greek counterpart Alexis Tsipras's visit to Ankara that Turkey and Greece have devised a common approach to contribute positively to the talks⁹. The British Foreign Minister Hammond during his visit to the island has further reiterated the UK's support for the ongoing efforts to resolve the Cyprus issue. As the leaders have entered an intensive phase in the UN-led talks since November, the attention of the international community has turned to the island. Since November the Island has hosted numerous foreign officials including the foreign ministers of Turkey, Germany, the UK, the US and Russia.

A final window of opportunity

Considering all these aspects and the momentum gained in the talks, there is a lot to be hopeful about. Within the coming months there is a real chance that we could witness a settlement deal to the decades-long Cyprus issue being agreed and taken to simultaneous referenda on the both sides of the Green Line. However, given the complexity and sensitivity of the issues being discussed and the level of mistrust between the two communities, there is no guarantee that the process would one

⁷ "Noble's Greek Cyprus gas drill at lower end of estimates", *Hurriyet Daily News*, 5 October 2013. Retrieved from <http://www.hurriyetdailynews.com/nobles-greek-cyprus-gas-drill-at-lower-end-of-estimates.aspx?pageID=238&nID=55709&NewsCatID=348>, 7 December 2015.

⁸ "Cumhurbaşkanı Erdoğan: Güneydekiler isterse adını barış suyu koyar, onlara da veririz", *Hürriyet*, 17 October 2015. Retrieved from <http://www.hurriyet.com.tr/cumhurbaskani-erdogan-guneydekiler-isterse-adini-baris-suyu-koyar-onlara-da-veririz-30335637>, 7 December 2015.

⁹ Ercan Gurses and Angeliki Koutantou, "Turkey, Greece see window of opportunity on Cyprus", *Reuters*, 18 November 2015. Retrieved from <http://www.reuters.com/article/us-turkey-greece-idUSKCN0T71WD20151118#UT1S9j36tmuj5feV.97>, 7 December 2015.

hundred percent result in a deal. According to some analysts the synergy between Akıncı and Anastasiades is reminiscent of the good relations between their predecessors Talat and Christofias and thus creates a feeling of déjà vu¹⁰. To recall, the talks between Talat and Christofias, which made a hopeful start, felt victim to the harsh realities on the ground and thus shattered the hopes for a settlement. Akıncı and Anastasiades should therefore focus on measures aimed at restoring trust between the two communities and convincing their respective communities of the benefits of ending the forty year-long division of the island.

Both communities have a lot to gain from reunification, so does the international community. Despite the euphoria generated by the current climate, the parliamentary elections set to take place in May in the southern part of the island could derail the process. Therefore, the pressure on both sides is high. Postponing the upcoming elections in the South is suggested by Turkish Cypriot officials as a way to ease the pressure¹¹. Ankara, on the other hand argues that a timeframe for the completion of negotiations should be set.

The settlement of the Cyprus issue will not only contribute to the welfare and security in the Eastern Mediterranean basin, but also send a strong message to the rest of the world. For Turkey-EU relations, reunification would imply the lifting of a huge stumbling block in its virtually frozen EU accession process. Although not a sufficient condition for EU membership in itself, the opening of new negotiating chapters can generate the necessary momentum in Turkey for the much-needed reforms in key areas. With the Turkish Cypriots taking their long deserved place inside the EU within the framework of the prospective federal partnership state, Turkish will finally become an official EU language. In addition with the Turkish Cypriots inside the EU, the unjustified fears by certain circles regarding Turkey's prospective membership in the EU could be overcome.

The prospective benefits to be gained from a settlement are huge, so are the costs of failure. This is perceived as a final chance for a federal solution in the island. The traumatic experience of the rejection of the Annan Plan by the Greek Cypriots is still fresh in the memory of the Turkish Cypriots. Therefore, there is cautious optimism on part of the Turkish Cypriots. If a similar scenario materializes this time, this will undoubtedly mark the end of the federal solution, which has been on the table since 1977 and perpetuate the division of the island. Therefore, the leaders on both sides should capitalize on the momentum gained in the talks; do their best to bridge their differences on the outstanding issues and to convince the communities on both sides of the Green Line of the potential benefits of a federal solution.

¹⁰ Vincent L. Morelli, "Cyprus: Reunification Proving Elusive", Congressional Research Service, 10 September 2015. Retrieved from <https://www.fas.org/sgp/crs/row/R41136.pdf>, 7 December 2015.

¹¹ "Stars beginning to align on Cyprus unification: UK", *Hurriyet Daily News*, 19 November 2015. Retrieved from <http://www.hurriyetdailynews.com/stars-beginning-to-align-on-cyprus-unification-uk-.aspx?pageID=238&nID=91429&NewsCatID=351>, 7 December 2015.