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*December
2016*

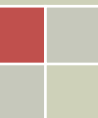
IKV BRIEF

CYPRUS TALKS NEAR THE END GAME

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The Cyprus issue has been on the international agenda for six decades and has remained intractable despite countless mediation efforts. Since the accession of Cyprus to the EU as a divided island, with the Greek Cypriot Administration as the sole representative, the Cyprus issue has become a major stumbling block for Turkey's EU accession prospects. The momentum generated in the latest round of UN-sponsored reunification talks with Mustafa Akıncı and Nicos Anastasiades in the driver's seat, has created an expectation that a solution to the decades-long Cyprus problem is within reach. Over the last 19 months, the leaders have made unprecedented progress on many aspects of the Cyprus file. The negotiations experienced a major setback when the talks on territorial adjustments were deadlocked on 21 November, the day on which the international community was expecting roadmap that would have set the stage for the five-party conference which would have marked the final phase in the talks. As the talks descended into uncertainty, key international actors have stepped in to bring the leaders back to the negotiation table and maintain the momentum in the talks which is viewed by many to be the best and -most likely the last- chance to resolve the Cyprus issue. On 1 December, leaders announced the immediate resumption of the talks and declared their roadmap: They will meet in Geneva on 9 January 2017. On 11 January, they will present their respective maps and from 12 January a Conference on Cyprus will be convened with the added participation of the guarantor powers¹. As the leaders prepare to meet with the three guarantor powers on 12 January at a five-party conference, the stakes for sealing the deal on Cyprus could not be higher.

Explaining the current window of opportunity for a Cyprus solution

To date, six UN Secretaries-General and over twenty five UN envoys have undertaken the Sisyphean task of facilitating a solution acceptable to the two communities in Cyprus. The intractability of the Cyprus problem has earned the island the reputation of "diplomats' graveyard". The resumption of the UN-sponsored talks under the leadership of two pro-solution leaders, Turkish Cypriot President Mustafa Akıncı and Greek Cypriot leader Nicos Anastasiades in May 2015 has created optimism that the solution to one of the most enduring frozen conflicts in Europe is finally possible.

The last time the two communities came close to a deal was in 2004. The comprehensive settlement deal named after the then UN Secretary-General Kofi Annan, which was put to separate simultaneous referenda on both sides of the Green Line on 24 April 2004,

¹ "Statement by the United Nations Spokesperson", *UN Cyprus Talks*, 1 December 2016, <http://162.243.184.203/2016/12/01/statement-by-the-united-nations-spokesperson/>. Retrieved: 7 December 2016.



was endorsed by two-thirds of the Turkish Cypriot community. However, the plan became void after being rejected by over three quarters of the Greek Cypriot community. One week after the failure of the Annan Plan, the Greek Cypriot Administration acceded to the EU as the sole representative of the entire island.

The unilateral EU accession of the Greek Cypriot Administration has created an anomaly which imported the Cyprus problem into the EU, yet impaired the EU's ability to contribute to a solution. Despite their constructive pro-solution stance, the Turkish Cypriots were left out in the cold. Initiatives put forward by the European Commission to end the economic isolation of the Turkish Cypriot community were met with opposition from the Greek Cypriot Administration which held a seat, thus veto power in the EU Council of Ministers. The trauma generated by the failure of the Annan Plan, further contributed to the crisis of confidence between the two sides. Following a four-year stalemate, full-fledged reunification talks resumed in 2008 and have since been going on and off. On 11 February 2014, the agreement by the two sides on a Joint Declaration outlining the main principles upon which the new partnership state would be established marked a turning point. However, the talks experienced a major interruption in October 2014 over a dispute concerning the offshore hydrocarbons around the island. Following an eight-month impasse, the latest round of reunification talks were relaunched in May 2015 between the newly elected TRNC President Mustafa Akıncı and Greek Cypriot leader Nicos Anastasiades.

The current round of talks is hailed as the most realistic chance for a settlement, since the Annan Plan. Senior diplomats and leading decision-makers share the view that 'stars are uniquely aligned for a settlement in Cyprus'. Comments by leading EU officials including European Commission President, Jean-Claude Juncker, President of the European Council, Donald Tusk and President of the European Parliament, Martin Schulz, who visited the island to voice their support for the reunification process, also confirm the upbeat mood of the international community for a settlement in Cyprus.

Various different dynamics coming together at the same time have increased the prospects for a settlement. First and foremost, the leaders sitting on the either side of the negotiation table are genuinely interested in a solution. The former mayor of the Turkish sector of Nicosia, Mustafa Akıncı campaigned for the Annan Plan in 2004 and won the presidential race based on his moderate and pro-solution stance. Similarly, his opposite number in the talks, Nicos Anastasiades was the only Greek Cypriot political party leader that rallied for the Annan Plan back in 2004. Moreover, the good rapport between the leaders is of symbolic importance in building the much-needed trust between the two communities.



Second, the financial crisis in Southern Cyprus has been a wakeup call for the Greek Cypriot side. Exposure to Greek debt and the size of the financial sector brought the Greek Cypriot banking sector to the brink of collapse in and left it seeking a 10 billion euro rescue package from international creditors. The financial crisis has further highlighted the potential gains to be made from a prospective settlement. Therefore, on part of Greek Cypriots, a prospective settlement is perceived as a major opportunity to attract the much needed investments to the island and to gain access to the 76 million-strong Turkish market.

Third, hydrocarbon resources have recently entered the Cyprus equation as a factor that requires cooperation between the two communities. Tensions caused in October 2014 due to the unilateral actions of the Greek Cypriot side concerning the offshore hydrocarbons, confirm that natural resources would serve as a curse, rather than a blessing unless the Cyprus issue is resolved. Another natural resource; water also necessitates the two sides to work together. Given the scarcity of water in the island, upon a settlement the Greek Cypriot side would be able to benefit from water coming from Turkey under the TRNC Water Supply Project inaugurated in October 2015.

Finally, guarantor states and key international actors converge in their support for a settlement in Cyprus. Ministers and senior diplomats from numerous countries and institutions including the US, Germany, France and the EU have wasted no time to rush to the island to express their support for what they perceive as a historic opportunity to resolve the Cyprus problem.

Crunch time for a Cyprus settlement

Since the resumption of the latest round of the talks in May 2015, the two leaders made substantial progress on key aspects of the Cyprus issue. According to UN Secretary-General's Special Adviser on Cyprus, Eide, despite a number of outstanding issues, the two sides have managed to reach convergences in four of the six chapters discussed in the talks, namely; governance and power sharing, EU matters, economy and property. It is important to note that it is the first time that the two sides have held detailed discussions on the property issue which has so far been regarded as the Gordian knot in the talks. According to Eide, the talks have entered a crucial stage in which even the most intractable aspects of the Cyprus problem have become tractable and that there are no longer issues that constitute a taboo in the talks². UN Secretary-General Ban Ki-

² "Eide: Cyprus settlement talks being held without 'taboos'", *Sigmalive*, 24 August 2016, <http://www.sigmalive.com/en/news/politics/148094/eide-cyprus-settlement-talks-being-held-without-taboos> Retrieved: 3 October 2016.



moon also expressed hope about the current round of reunification talks and indicated that the two leaders have made unprecedented progress on key issues³.

The talks which lost pace in the first half of 2016 due to parliamentary elections in the South, have gained considerable pace in the second half of the year. In September 2016, the leaders held a trilateral meeting with UN Secretary-General Ban Ki-moon and asked the Secretary-General to step up his personal engagement in the talks. Although the meeting did not yield a timetable as expected by the Turkish Cypriot side, it was symbolic in demonstrating the UN Secretary-General's support for the talks and his readiness to provide support in whatever way necessary⁴. The leaders have been advancing on the four chapters and moved forward to the chapter on territorial adjustments.

Potential deal-breakers

Despite the progress achieved on many aspects of the Cyprus problem, it is important to note that unresolved issues remain and “nothing is agreed until everything is agreed” continues to be the principle governing the talks. Although the governance and power-sharing dossier has been largely agreed on, rotating presidency, which the Turkish Cypriot side regards *sine quo non* for ensuring its political equality, has been vehemently rejected by the Greek Cypriot side. Other crucial issues which could be defining for reaching a settlement centre on how and more importantly by whom the potential settlement deal, which is estimated to cost billions of dollars, would be financed, which areas would need to be transferred to the prospective Greek Cypriot constituent state and whether a formula that strikes a balance between the diametrically-opposed threat perceptions of the two communities is attainable.

Territory is currently the issue on the table. Upon the request of the Turkish Cypriot side to avoid media leaks and disinformation, the two sides have moved the negotiations on the criteria for territorial adjustments abroad and held two rounds of talks in Switzerland. The issue is highly sensitive as it closely relates to property and the issue returnees. Key questions concern where the internal boundary between the two prospective constituent states in a united federal Cyprus would lay, what percentage of territory and more importantly which areas would be returned to the Greek Cypriot constituent state, the number of Greek Cypriots that would be allowed to resettle in northern Cyprus and the percentage of coastline each constituent state would control. It

³ “UN sees ‘unprecedented progress’ in Cyprus talks”, *In Cyprus*, 19 September 2016, <http://in-cyprus.com/un-sees-unprecedented-progress-in-cyprus-talks/> Retrieved: 4 October 2016.

⁴ “UN Secretary-General Ban Ki-moon’s remarks to the press following meeting with Mr. Nicos Anastasiades, Greek Cypriot leader, and Mr. Mustafa Akıncı, Turkish Cypriot leader”, UN Cyprus Talks, 25 September 2016, <http://162.243.184.203/2016/09/25/un-secretary-general-ban-ki-moons-remarks-to-the-press-following-meeting-with-mr-nicos-anastasiades-greek-cypriot-leader-and-mr-mustafa-akinci-turkish-cypriot-leader/> Retrieved: 7 October 2016.



is important to note that it is the first time in the 48-year-long negotiating history of talks that the parties have been discussing territory directly. In the past, territory proposals would be tabled by third parties. According to reports, the TRNC has made an opening and agreed to reduce its territory from the current amount of 36% of the total area of the island to 29.2%. However, despite two rounds of talks in the Swiss resort of Mont Pèlerin the negotiations failed to produce the necessary progress on the issue due to the maximalist stance of the Greek Cypriot side. It has been argued that the talks in Mont Pèlerin broke down over procedural and tactical differences rather than substantial issues. Fortunately, the situation that put the convergences achieved over the last 19 months into jeopardy and risked derailing the entire process was overcome thanks to the involvement of key international actors. However, the issue of territorial adjustments is likely to prove tricky. Recently, the Greek Cypriot side has increased its demands for the return of Morphou. The Turkish Cypriot side, which argues that it has made a lot of investments in the town of Morphou over the last decade, is against its return. The two sides have declared a roadmap according to which they are expected to meet in Geneva on 9 January 2017 and present their respective maps two days later, on 11 January. This would pave the way for a five-party conference to be held with the participation of guarantor powers which has already been scheduled for 12 January 2017.

The most contentious issue on the table concerns the security and guarantees; namely the future security architecture of the island, the status of the three guarantor powers and the presence of Turkish troops on the island. The Greek Cypriot side is categorically opposed to the continuation of the 1960 Treaties of Guarantee and Alliance that gives the three guarantor powers; Turkey, Greece and the UK the right of unilateral intervention in case of a breach of constitutional order. The Greek Cypriot side backed by Athens argues that the system of guarantees is anachronistic and calls for its discontinuation. Moreover, the Greek Cypriot side insists that a substantial number of Turkish troops would need to withdraw on day 1 of the implementation of the prospective settlement deal. The Turkish Cypriot side, for which the memories of episodes of interethnic violence that occurred in 1963-74 period are fresh, view the continuation of Turkey's guarantor status vital for their survival in a reunified Cyprus. It is important to note that the Athens and South Nicosia have become more vocal in denouncing the guarantees system following the 15 July failed coup attempt in Turkey. Turkey has strongly condemned comments by Greek officials aimed to establish a link between the attempted coup and Turkey's guarantor status⁵. The positions of the guarantor states will also play a role in discussions on security and guarantees. Turkey

⁵ "No: 180, 11 August 2016, Press Release Regarding the Statement of Greek Foreign Minister Nikos Kotzias Published on the Web Page of the Ministry of Foreign Affairs of Greece on 2 August 2016", Republic of Turkey Ministry of Foreign Affairs, http://www.mfa.gov.tr/no_-180_-11-august-2016_-press-release-regarding-the-statement-of-greek-foreign-minister-nikos-kotzias-published-on-the-web-page-of-the-ministry-of-foreign-affairs-of-greece-on-2-august-2016.en.mfa Retrieved: 8 October 2016.



on its part strongly supports a solution and regarding the discussions on security and guarantees underscores that the sensitivities of both communities should be taken into consideration⁶. The Turkish Cypriot leadership is positive that coming up with a formula that takes into account the sensitivities of both communities is possible. In that sense, the Turkish Cypriot side has not ruled out adapting the current system of guarantees to bi-zonality and the new conditions⁷.

Time is ticking for reaching a deal

Although the natural deadline voiced by the leaders as end of 2016 has been delayed by a couple of weeks, it is of paramount importance that the talks do not drag on for too long. For, 2017 contains potential risks that could deal a huge blow to the hopes for reaching a settlement on Cyprus. As of 1 January 2017, UN Secretary-General Ban Ki-moon, who has invested much energy to the Cyprus talks, will be replaced by Antonio Guterres. The incoming Secretary General will require time to gain an insight into the highly complicated Cyprus dossier. Moreover, with the new White House administration under the leadership of Donald Trump set to take office on 20 January 2017, key figures such as Joe Biden and John Kerry, who have been proactively supporting the talks, will be replaced. Although US interests in a Cyprus solution are not expected to change, it remains to be seen where Cyprus would rank in the new US administration's list of priorities.

Aside from these external factors, the prospect of a new round of exploratory drilling for hydrocarbons in the disputed waters off the shores of Cyprus and the upcoming presidential election period in the South, increase the pressure on the parties. The pre-election campaign period for the February 2018 elections, which is expected to start as early as 2017, could increase the pressure on the Greek Cypriot leader and render compromises on thorny issues difficult. If the talks drag on for too long, they could be overshadowed by the advancing election period in the South, which would mean that the prospect of reaching a deal will be postponed to the aftermath of the elections, at best.

Furthermore, recent statements by international gas companies such as Italy's Eni and France's Total that they will start exploratory drilling for hydrocarbons in disputed waters off the southern shores of the island in 2017, not only heighten the likelihood for potential tensions between Turkey and the Greek Cypriot Administration, but also risk

⁶ "Mevlüt Çavuşoğlu: "Çözüm için son şans"" [Mevlüt Çavuşoğlu: Last Chance for a Settlement], *Gündem Kıbrıs*, 24 September 2016, <http://www.gundemkibris.com/mevlut-cavusoglu-cozum-icin-son-sans-187788h.htm> Retrieved: 8 October 2016.

⁷ "Everything will become clear in three months", Presidency of the Turkish Republic of Northern Cyprus, 29 September 2016, <http://www.kktcb.org/content02.aspx?id=3&sayfa=97&content=5549&select=&lang=en> Retrieved: 10 October 2016.



undermining the atmosphere surrounding the talks⁸. Given the fact that a similar episode in 2014 had led to the collapse of the talks, exploration activities unilaterally permitted by the Greek Cypriot Administration in total disregard for the Turkish Cypriots' legitimate rights are likely to cause tension between the two communities as well as between the South and Ankara.

In an optimistic scenario, if everything goes as planned a prospective settlement plan could soon emerge to be put to a popular vote in separate simultaneous referenda on both sides of the Green Line in mid-2017. The first months of 2017 could be used to tackle technical issues over implementation, drafting of federal laws and the constitutions of the prospective constituent states. Then the leaders will need to engage in a huge campaign to inform their publics about the content of the settlement deal.

The cost of failure in Cyprus could be huge, as the current effort by Akıncı and Anastasiades is seen as the last trial of their generation. If the talks fail this time, it would become increasingly difficult to restart the process. The breakdown of the process would further erode trust between the two communities and push them away. This could also mark the end of settlement proposals in accordance with the established recipe on the basis of a bizonal and bicommunal federation with political equality. Therefore, the existing opportunity is too huge to fail. For the prospect of a reunited Cyprus could be gone for good.

⁸ "Eni to start drilling off Cyprus coast in 2017", *Europe Business Review*, 7 July 2016, <http://www.businessrevieweurope.eu/finance/936/Eni-to-start-drilling-off-Cyprus-coast-in-2017>
Retrieved: 10 October 2016.

