

REUNITING CYPRUS

NEW DYNAMICS & IMPLICATIONS FOR TURKEY-EU RELATIONS



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To my grandfathers, Kasim Şahin and
Ali Göçgeldi (1937-2015)

Contents

Abbreviations	7
Foreword.....	9
I. Explaining the window of opportunity for a Cyprus settlement	11
Pro-solution leaders in power: The Akıncı-Anastasiades connection	12
Economic realities: Financial crisis in the South, isolations in the North.....	16
Hydrocarbons: From source of friction to source of wealth	19
Water: A pipeline to peace in Cyprus	22
Volatile regional context and support from guarantors.....	23
II. Turkey-EU-Cyprus triangle.....	25
EU engagement and “Europeanisation” of the Cyprus problem	25
Turkey-EU relations and the Cyprus problem: Helsinki and beyond.....	29
III. The day after... GCASC within the EU.....	33
GCASC as a veto-player in Turkey’s EU membership process	34
Recent developments and the story of three Summits.....	40
Turkish Cypriots: The story of unfulfilled promises.....	42
The Direct Trade Regulation before and after Lisbon	44
IV. Reunification efforts following the Annan Plan.....	47
A new window of opportunity: Talat-Christofias.....	47
The Joint Declaration and the hydrocarbon showdown.....	52
The last trial of a generation: Akıncı-Anastasiades	54
Intense diplomatic traffic to Cyprus	56
Developments on the CBM front	59
Potential deadlines to watch.....	60
The last window of opportunity for a Cyprus settlement.....	61
V. Appendix: Perspectives on key issues.....	64
A bi-zonal and bi-communal federation.....	64
Rotating presidency: A must for the Turkish Cypriot side	65
The Gordian knot in Cyprus talks: Property	66
EU matters and permanent derogations.....	69

Territorial adjustments: Where to draw the borderline?.....	70
Security and guarantees: How to strike a balance between the security needs of the two communities?	73
Citizenship: The question of immigrants from mainland Turkey.....	75
The economy of a reunified island.....	76
References	77

Abbreviations

AKEL	Progressive Party of the Working People <i>(Anorthotikó Kómma Ergazómenou Laoú)</i>
CBMs	Confidence Building Measures
CTP	Republican Turkish Party <i>(Cumhuriyetçi Türk Partisi)</i>
DISY	Democratic Rally <i>(Dimokratikós Sinayermós)</i>
EU	European Union
ECB	European Central Bank
ECJ	European Court of Justice
ECtHR	European Court of Human Rights
EEC	European Economic Community
EEZ	Exclusive Economic Zone
EFTA	European Free Trade Area
EP	European Parliament
IPC	Immovable Property Commission <i>(Táşınmaz Mal Komisyonu)</i>
IMF	International Monetary Fund
ISIS	Islamic State of Iraq and Syria
GAERC	General Affairs and External Relations Council
GCASC	Greek Cypriot Administration of Southern Cyprus
GDP	Gross Domestic Product
MEP	Member of the European Parliament
NATO	North Atlantic Treaty Organization
OECD	Organisation for Economic Co-operation and Development
PDO	Product of Designated Origin
TEC	Treaty Establishing the European Community
TFEU	Treaty on the Functioning of the European Union
TPAO	Turkish Petroleum Corporation <i>(Türk Petrolleri Anonim Ortaklığı)</i>

TRNC	Turkish Republic of Northern Cyprus <i>(Kuzey Kıbrıs Türk Cumhuriyeti)</i>
tcf	Trillion cubic feet
UBP	National Unity Party <i>(Ulusal Birlik Partisi)</i>
UK	United Kingdom
UN	United Nations
UNFICYP	United Nations Peacekeeping Force in Cyprus
UNSG	Secretary-General of the United Nations
US	United States

Foreword

Six decades on the international agenda, the Cyprus problem has remained resistant to countless conflict resolution efforts. The sheer number of UN envoys and Secretaries-General engaged in mediation efforts over the last half century have earned the island the title of “the diplomats’ graveyard” and the “island of missed opportunities”. The most comprehensive settlement effort named after the then UN Secretary-General Kofi Annan, was overwhelmingly rejected by the Greek Cypriots in 2004, which had guaranteed accession in the European Union. The accession of a divided island in the EU with the Greek Cypriot Administration as the sole representative, has not only perpetuated the division of the island, but also complicated EU’s relations with Turkey.

12 years after the failure of the Annan Plan in the southern part of the Green Line, recent developments have created optimism that the resolution of one of the most enduring frozen conflicts in Europe is finally within reach. The latest round of UN-sponsored talks that resumed under the leadership of two likeminded and pro-solution leaders has created the impression that if the Cyprus problem cannot be resolved this time, permanent partition could be on the cards. On the occasion of the first anniversary of the resumption of the talks, the two leaders in a joint message, while acknowledging that difficulties and differences persist on outstanding issues, voiced their determination “to intensify their efforts with the aim of reaching a comprehensive settlement agreement within 2016”(UN Cyprus Talks 2016).

In light of the recent progress in the reunification talks, on 27-28 November 2015, IKV paid a visit to the island and held high-level contacts with key Turkish Cypriot officials including President Mustafa Akıncı, then Foreign Minister Emine Çolak, Chairman of the Turkish Cypriot Chamber of Commerce Fikri Toros and the Chairman of the Cyprus Turkish Chamber of Industry Ali Çıralı. During our contacts in the TRNC, we were encouraged by the progress achieved in the talks and have gained the impression that this time a settlement is indeed within reach. Heartened by our contacts in the TRNC, we decided to explore the circumstances that we think make the current attempt at resolving the Cyprus question different.

This report aims to explore the current circumstances which make the ongoing round of reunification talks more conducive to a solution. This report does not aim to provide a historical account of the Cyprus conflict and the mediation efforts prior to the Annan Plan, as a lot has already been written on those issues. The report instead focuses on the developments following the rejection of the Annan Plan in the South. In this context, particular attention will be paid to the latest round of UN-sponsored reunification talks which resumed in May 2015. The emergence of moderate leaders in both sides, as well as the new realities created by the discovery of hydrocarbons around the island and the financial crisis in the southern part of the island will be elaborated in this regard. The perspectives of the two sides with regard to the key issues on the negotiation table and potential deal-breakers will also be considered. The report will also look into the EU's involvement in the Cyprus problem and the implications of the unilateral accession of the Greek Cypriot Administration prior to a settlement to the problem on Turkey's EU membership aspirations. Special attention will be paid to the EU's engagement -or its failure to meaningfully engage- with the Turkish Cypriot community.

At the time of writing this report, the window of opportunity for a breakthrough in Cyprus by the end of 2016 exists. We hope that the talks result in a viable and lasting solution to the Cyprus problem.

Economic Development Foundation

I. Explaining the window of opportunity for a Cyprus settlement

With tectonic shifts taking place in the Middle East and North Africa, the conflict in Syria entering its sixth year with no prospect of ceasefire in sight and an unprecedented wave of refugees risking their lives to flee the conflict-stricken countries of the Middle East, Europe trying to combat the double threats of violent extremism and xenophobia, the good news the EU and the international community at large desperately await could come from an island in the Eastern Mediterranean: Cyprus.

The Cyprus problem has been on the agenda of the international community for six decades. The issue has been subject to countless mediation efforts since the intercommunal talks started in 1968 in Beirut. Since 1964, six UN Secretaries-General and twenty five UN envoys have undertaken the Sisyphean task of facilitating a solution acceptable to the two communities on the island: the Turkish Cypriots and Greek Cypriots. The momentum created since May 2015 in the latest round of the UN-sponsored reunification talks has generated optimism that a solution to one of the most enduring protracted conflicts in Europe is finally within reach. Therefore, there is reason to believe that Ban Ki-moon and his Special Adviser Espen Barth Eide could be the last UN Secretary-General and special envoy tasked with facilitating a solution in Cyprus.

Today, many describe the climate surrounding the talks with a single statement: “Stars are uniquely aligned for a solution in Cyprus”. There is good reason to believe that 2016 could be the year in which the international community could witness the reunification of the two sides under the umbrella of bi-zonal and bi-communal federation marking the beginning of a new era in the Eastern Mediterranean as well as in the entire European continent. According to Espen Barth Eide, the two sides have arrived at a point in which the question is no longer a matter of whether the Cyprus problem can be resolved or not, but rather about when it could be resolved and whether the two communities are ready for it (qtd. in Yinanç 2016). Although there is no agreed deadline for finalising a settlement, the two parties around the negotiation table are well aware of the fact that the talks cannot drag on indefinitely. The sides are optimistic that agreement on the main

Today, many describe the climate surrounding the talks with a single statement: “Stars are uniquely aligned for a solution in Cyprus”.

principles of a settlement deal could be possible before the end of 2016, which would unlock the possibility for the prospective settlement deal to be put to simultaneous referenda. The dossiers on the table are tough and will require hard bargaining (See Appendix).

There are various reasons to believe that the positive climate that has emerged in the current context could actually translate into a breakthrough which can result in a just and lasting solution to the decades-long Cyprus problem on the basis of a bi-zonal bi-communal federation with political equality. This unprecedented window of opportunity is a combination of various internal and external factors which will be examined in this section.

Pro-solution leaders in power: The Akıncı-Anastasiades connection

First and foremost, the optimism surrounding the talks can be attributed to the fact that both leaders sitting around the negotiating table seem genuinely interested in finding a solution to the Cyprus problem. As stated by the former UN Secretary-General Kofi Annan after the failure of the settlement plan bearing his name, “bold and determined political leadership on both sides in the island, (...) ready to negotiate with determination and to convince their people of the need to compromise” is crucial for achieving a settlement (“Cyprus still requires comprehensive settlement, Annan says.”).

The current Greek Cypriot leader Nicos Anastasiades, who was the leader of the only major Greek Cypriot political party (DISY) which supported the Annan Plan, is seen as a moderate figure by the Turkish Cypriots. Anastasiades’ opposite number in the intercommunal talks; TRNC President Mustafa Akıncı has gained international acclaim based on his impeccable record in bi-communal projects. As the Mayor of the Nicosia Turkish Municipality between 1976 and 1990, at a highly delicate time, Akıncı had established an effective partnership with his Greek Cypriot counterpart Lellos Demetriades to address the city’s sewage problem. Furthermore, he was a staunch supporter of a settlement on the basis of a bi-zonal and bi-communal federation and actively campaigned for the Annan Plan.



Akıncı, Anastasiades and UN envoy Eide after their meeting in the UN Buffer Zone, 15 May 2015.

Getting strong support from the Turkish Cypriots based on his pro-settlement stance, Akıncı won the second round of the presidential race on 26 April 2015 and replaced the incumbent President Derviş Eroğlu. Akıncı's election as the fourth President of the TRNC has breathed new life into the UN-sponsored reunification talks and led to their resumption only within weeks after his coming to power.

Akıncı and Anastasiades are united in their vision for a reunified island. On both sides there is strong political will and determination to end the decades-long Cyprus imbroglio and reach a lasting and just settlement. Rather than engaging in the blame game all Cyprus watchers are pretty familiar with, the leaders have adopted a constructive attitude towards each other. There is the impression that each side tries to empathise with the other and understand the validity of the other's concerns.

On both sides there is strong political will and determination to end the Cyprus imbroglio and reach a lasting and just settlement.



The two leaders enjoying Turkish coffee at the Büyük Han, 23 May 2015.

The synergy between Akıncı and Anastasiades has been reflected on the pace of the talks.

The synergy between Akıncı and Anastasiades has been reflected on the pace of the UN-sponsored talks. The good interpersonal relations between the two leaders are also a facilitating factor for the talks. Apart from the formal UN-sponsored negotiation process, on numerous occasions the two leaders have come together for informal, social and cultural gatherings. They were spotted strolling through

Lokmacı/Ledra Street and sipping Cypriot coffee on the northern part of the ceasefire line (i.e. Green Line) and zvania on the southern part, or watching a theatre play performed by Turkish Cypriot actors in Leymosun/Limassol. The two leaders even sent out joint holiday wishes to all Cypriots in Turkish and Greek in a televised message for the first time (Bilge 2015a). Such moves, although not sufficient to reconcile divergences on the highly complex and sensitive dossiers on the negotiation table, bear symbolic importance in building trust and sending a message of hope to the two communities.

Turkish Cypriot President Akıncı and Greek Cypriot leader Anastasiades, born in 1947 and 1946 respectively, in Limassol in the South, are from the same generation. Akıncı defines their attempts at resolving the Cyprus question as “the last trial of their generation” (Daily Sabah 2016). Akıncı warns that this might also be the last chance for a federal solution which has formed the basis for negotiations since 1977. The general sentiment among the two communities is that “it is now or never” for a settlement. According to Akıncı, if he and his Greek Cypriot counterpart too fail to resolve the Cyprus problem, then the next generations, who lack memories of living together with the other community, could be tempted to explore other options and “permanent divorce” could be on the table. Their determination and political will implies that unlike in the run up to the Annan Plan referenda, when one side openly campaigned for the rejection of the UN blueprint, this time hopefully both sides will be campaigning in favour of the deal.

The general sentiment among the two communities is that “it is now or never” for a settlement.



Anastasiades and Akıncı delivering a joint New Year's message, 20 December 2015.

The fact that Akıncı and Anastasiades are fully in control of the process increases the chance for a solution.

What makes this time different is that the process is fully “Cypriot-owned” and “Cypriot-led”. The fact that the negotiation process is home-grown and Akıncı and Anastasiades are fully in control of the negotiation process, increases the chance for a mutually-agreed solution. The parties are determined that the text that both leaders endorse would be put for simultaneous referenda. What the parties are negotiating is more complicated than the administrative details of a federal state; they are trying to create a new social *modus operandi* on the basis of which the two communities that have been separated for decades will come together under a federal umbrella.

The fact that the two communities have been in direct contact for 13 years now, should also be seen as a facilitating factor for the talks. The borders, which have been closed since 1974, have been opened on 23 April 2003 following a decision by the TRNC to allow border crossings from the South. 13 years of open borders have enabled greater interaction between the two communities, and no major incident has occurred. The business communities on both sides have been undertaking various joint bi-communal projects. Numerous civil society organisations from the South and the North have been working together in joint ventures. Religious leaders from both communities have come together to voice their support for the ongoing peace talks. Increased contacts and bi-communal projects are quite valuable in building bridges and overcoming the deeply-entrenched mistrust that has characterised the relations between the two communities on the island.

Economic realities: Financial crisis in the South, isolations in the North

The financial crisis in the South has been a wake-up call which has fundamentally altered the Greek Cypriot perspective of a prospective solution. Four years into the Eurozone, in 2012, the Greek Cypriot Administration found itself seeking a 10 billion euro rescue package from the European Commission-ECB-IMF troika. As heavy exposure to Greek debt and the massive size of the financial sector brought the Greek Cypriot banking sector on the brink of collapse, the Greek Cypriot Administration became the fifth country in the Eurozone to receive a bail-out. Greek Cypriots had to swallow the bitter pill as



Financial collapse in the South led to protests, 21 March 2013.

GCASC became the first Eurozone country to impose capital controls. Although GCASC silently exited its bailout program at the end of March 2016, having borrowed 7.5 billion euros of the 10 billion euros allocated, the crisis has left its mark on the lives of the people. With the South's economy still fragile and a long list of reforms to implement, a prospective settlement is perceived as a major opportunity to attract the much-needed investments to the island. Furthermore, normalisation with Turkey and subsequently gaining access to the vast Turkish market is acknowledged by Greek Cypriot businesspeople as a major opportunity (Pilides 2015).

The financial crisis in the South has been a wakeup call which has fundamentally altered the Greek Cypriot perspective of a prospective solution.

With these harsh economic realities and vast potential benefits in mind, those groups that have voted “no” in the Annan Plan referendum could be inclined to vote “yes”. According to the former Foreign Minister of TRNC Emine Çolak, there is a realisation on part of the Greek Cypriots that things have not gotten any better following their rejection of the Annan Plan and their subsequent EU membership; on the contrary things have gotten worse (Yinanç 2015). Therefore, a settlement deal might not be for Anastasiades hard to sell in the southern part of the island.

Although the economy has been doing well in growth terms, international isolation has taken a heavy toll on the Turkish Cypriots.

Although the Turkish Cypriot economy has been doing relatively well in growth terms, international isolation has taken a heavy toll on the Turkish Cypriots. The economy of the TRNC is heavily reliant on financial aid by Turkey. TRNC depends on Turkey for more than 50 per cent of foreign trade. The economy relies on tourism and education as key sectors. There is a persistent gap between the two economies of the island. The average per capita income of the TRNC is about 50 per cent of that of the GCASC, and the GDP of the GCASC is three times higher than that of TRNC (Hopkins 2016).

It would not be wrong to assume that had a solution been based solely on economic considerations, the Cyprus problem would have been resolved a long time ago. Today, economic integration makes more sense than it did in 2004. The gains associated with the settlement of the Cyprus problem are considered to be huge for both economies. Reunification would mark the end of the unfair and long-overdue isolation of the Turkish Cypriots and enable the Turkish Cypriot economy to open up to the 500 million-strong European market. The Greek Cypriots on the other hand, would be able to open up to Turkey- the most dynamic economy in the region. Reunification would create a “United Cyprus Federation” with a population of about 1.1 million people and an average per capita income of 20 thousand dollars. Political stability and certainty would attract foreign investment to the island. Higher education, tourism, shipping, logistics, construction and real estate are expected to be among the pivotal sectors which would see the largest boom after a prospective solution.

According to a study by the Oslo-based Peace Research Institute (PRIO), reunification is expected to create a peace dividend of 20 billion euros for the island’s economy in the next 20 years. It is expected to add around 12 thousand euros to average per capita income and increase the island’s annual GDP growth by 2.8 points (“PRIO: Solution in Cyprus increases GDP per capita by € 12,139”). The study also suggests that reunification will benefit the Turkish Cypriot economy more and increase the GDP per capita of the TRNC from the current level of 50 per cent to 90 per cent of the South.



Aphrodite field off the southern shores of the island, 2011.

Hydrocarbons: From source of friction to source of wealth

The discovery in 2011 of significant hydrocarbon resources in the Eastern Mediterranean has emerged as a new variable in the rather complex equation on the island. The discovery of hydrocarbon resources around Cyprus has not only increased the appetite of key players such as the EU and the US, but also created the expectation that hydrocarbon reserves could act as a catalyst for reunification. The logic underpinning the proposition is simple as it rests on the assumption that the potential wealth to be derived from hydrocarbons would outweigh the costs associated with reunification.

Contrary to expectations, however, hydrocarbon reserves have so far failed to act as a catalyst for reunification, but have rather emerged as a new source of tension, mainly due to the Greek Cypriot side's unilateral actions in its disputed "Exclusive Economic Zone". The Greek Cypriot side's moves disregarding the legitimate rights and interests of the Turkish Cypriots have not only

The discovery of hydrocarbon resources has emerged as a new variable in the complex equation on the island.

jeopardised the UN-sponsored reunification process, but also caused an escalation with Turkey in the Eastern Mediterranean due to overlaps with Turkey's continental shelf. The Greek Cypriot Administration claims that as the internationally recognised government in the island, it has a sovereign right to sign bilateral delimitation agreements with other states and explore and exploit natural resources in its "EEZ". Regarding the potential wealth to be derived from the hydrocarbons, while acknowledging that the Turkish Cypriots have rights over those resources, the Greek Cypriot Administration vaguely stated that Turkish Cypriots could be able to benefit from the wealth from the offshore hydrocarbons only after a settlement was reached (Gürel and Le Cornu 2013:11).

In response to the Greek Cypriot side's actions, Turkey and the TRNC signed a bilateral continental shelf delimitation agreement and issued a drilling license to TPAO for exploration of hydrocarbons. The Turkish Cypriot side's proposals, for the establishment of a bi-communal *ad hoc* committee to deal with the management of the hydrocarbon resources and sharing their revenue have landed on deaf ears. The tension experienced due to the unilateral actions of the Greek Cypriot side, which at the same time threatens destabilising the island and the region as a whole, confirmed that hydrocarbons could indeed become a curse, unless the Cyprus problem is resolved.

Despite the fact that hydrocarbons have so far been a source of friction, these resources, if used wisely, can contribute to a solution and reconstruction in Cyprus. Hydrocarbon reserves in the Aphrodite field located off the shores of Cyprus, although one-third less than initially anticipated (around 5 tcf), offer a great potential when taken together with the reserves in the Levant basin. Hydrocarbons in the Aphrodite field combined with

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the resources in the Tamar gas field discovered in 2009 and Leviathan field discovered in 2010 off the shores of Israel and the Zhor field discovered in 2015 off the coast of Egypt, are estimated to be as large as 120 tcf. The fact that two of the largest natural gas discoveries in the last 15 years were made in the East Med (i.e. in the Leviathan and Zhor fields), has inevitably drawn the attention of leading international actors such as the

EU and the US. At a time when the EU is looking for alternative energy suppliers and transit routes to reduce its heavy dependence on Russian gas in the aftermath of the annexation of Crimea and the crisis in eastern Ukraine, the East Med hydrocarbons offer great potential in addressing EU's energy needs.

The offshore hydrocarbons in the Levant basin are perceived as a potential game-changer not only for the global energy market, but also for facilitating regional dialogue through intensifying interdependence between regional states. Combining the offshore gas resources in the East Med and exporting those to Europe by a pipeline via Turkey is considered as a win-win option that would not only address Europe's primary objective of diversifying its energy suppliers, but also bring strategic and economic benefits to the East Med.

The discovery of hydrocarbons in the Levant basin has also highlighted Turkey's potential role as a transport hub for the delivery of these resources to the European energy market. The recent deterioration of the relations between Turkey and Russia, following the downing of a Russian fighter jet due to its persistent violations of the Turkish airspace has only increased the importance of the East Med hydrocarbons for Turkey's energy needs. Building a pipeline that would transport East Med gas to Turkey and then to southeast Europe is considered to be among the most efficient and cost-effective ways for addressing Turkey's energy security concerns and ensuring its access to the European energy market (Grigoriadis 2016:5).

The wealth and the economic gains associated with the hydrocarbons around the island taken together with the hydrocarbons in the region further increase the necessity of resolving the Cyprus problem. As recently manifested by the exchange of bitter statements between Turkey and the Greek Cypriot Administration following the GCASC's unilateral decision to open a third offshore licensing round in late March 2016, the hydrocarbons will continue to serve as a source of constant friction unless a settlement is reached.

The discovery of hydrocarbons has also highlighted Turkey's potential role as a transport hub for the European energy market.

Another natural resource, water has recently emerged as a key factor in the Cyprus equation.

Water: A pipeline to peace in Cyprus

Another natural resource, water has recently emerged as a key factor in the Cyprus equation. The scarcity of water in Cyprus has long been a problem; however the situation has deteriorated with decrease in rainfalls and years of severe drought as well as salinisation of groundwater due to overexploitation of aquifers. According to a report by the Turkish National Security Council, there is a huge gap between water supply and demand on both sides of the island which is expected to get wider in parallel with economic growth. By 2020, water demand is expected to rise from the current level of 172.3 million m³ and 272.5 million m³ to 200 million m³ and 287.4 million m³ for the TRNC and GCASC, respectively (Milli Güvenlik Konseyi). Despite the presence of desalination plants in the South, expensive desalination processes do not offer a sustainable solution for sourcing water (Atlı 2015).

In an attempt to address water shortages in the TRNC, in October 2010, Turkey initiated a project for the construction of a water pipeline between the southern coasts of Turkey and the TRNC. The TRNC Water Supply Project dubbed “the project of the century”,



The TRNC Water Supply Project, inaugurated in October 2015, is dubbed the project of the century.

which is designed to meet the fresh water need of the TRNC for the next 50 years, was completed in October 2015. Ankara has suggested extending the project to the South under the name “Peace Water” in the event of a settlement to the Cyprus problem.

Despite some initial disagreements concerning the management of water distribution in the TRNC, water has started to flow from the Alaköprü Dam in Anamur near the southern shores of Turkey to Geçitköy Dam near Girne/Kyrenia in the TRNC. In the event of a settlement to the Cyprus issue, the Greek Cypriots too would be able to benefit from the water coming from mainland Turkey. In any event, access to fresh water should be seen as an additional incentive for a solution in Cyprus. Although not enough to bring the separation of the two sides to an end in itself, the prospect of sharing water provides an additional economic rationale for a settlement and therefore could facilitate the ongoing political process to end the division of the island.

Volatile regional context and support from guarantors

The deteriorating geopolitical environment in the region is only increasing the urgency for a solution in Cyprus. It would not be an exaggeration to define the geopolitical landscape around the island as an arc of fire that spans from Libya to Syria. With the Syrian crisis entering its sixth year and no solution at sight, the humanitarian tragedies have become everyday news, as thousands of people risk their lives to embark on a journey from Syria to Europe. The spill over from the Syrian conflict has been threatening security in other regional states. The advance of ISIS in the region as well as sectarian conflicts in Yemen, Iraq and Libya pose serious threats to international peace and stability.

In contrast to the regional context, Cyprus remains divided but peaceful. Once the scene of violent intercommunal strife, the situation in Cyprus has been stable for forty years, with virtually no casualties since 1996 (International Crisis Group 2014:11). With so many crises and deep-rooted conflicts to be dealt with, major international actors such as the EU and the US have great interest in resolving the Cyprus question. A lasting solution to the Cyprus problem

Once the scene of violent intercommunal strife, the situation in Cyprus has been stable for forty years.

would send a message of hope, a strong signal of peace and reconciliation to the rest of the world. Furthermore, a reunified Cyprus could be perceived as a source of inspiration not only for the region, but also for Europe. Especially at a time when religious extremism and xenophobia are emerging as major fault lines, international actors are convinced that a post-settlement Cyprus could prove a model for peaceful co-existence between Muslims and Christians and invalidate the “clash of civilizations” thesis.

The two guarantors and motherlands; Turkey and Greece are strongly committed to a solution in Cyprus. Turkey’s support for a fair and lasting solution guaranteeing the political equality of the Turkish Cypriots has been voiced at the highest level on various occasions. The strong support provided by Turkey has also been confirmed by Turkish Cypriot officials. Furthermore, the fact that relations between the two NATO allies, which had been strained in the past due to disputes in the Aegean and the Cyprus problem,

have entered a period of rapprochement and begun to flourish since the earthquakes in the two sides of the Aegean in 1999, is seen as a facilitating factor. Athens and Ankara share the view that a unique window of opportunity for a solution in Cyprus does exist and the two capitals confirm reaching a common understanding in contributing positively to the ongoing reunification talks (Hürriyet 2015). A solution in Cyprus would greatly contribute to the relations between Athens and Ankara and open new avenues of cooperation.

A post-settlement Cyprus could prove a model for peaceful co-existence.

II. Turkey-EU-Cyprus triangle

EU engagement and “Europeanisation” of the Cyprus problem

The EU’s involvement in Cyprus dates back to the 1960s when Greece and Turkey became associate members of the then EEC and the UK applied for membership. The Republic of Cyprus- the partnership state- applied for association to the then EEC in 1962. The main motivation underlying the application for association was economic in nature. The Association Agreement was signed on 19 December 1972 by the Greek Cypriot Administration and the EEC without the consent of the Turkish Cypriot community.

The EU’s involvement in Cyprus has differed over time, leaning from an even-handed approach towards an approach favouring the interests of Greece. Especially with Greece’s membership in 1981, the Cyprus issue became an important internal matter for the EU. Athens, without hesitating to use the veto card, persistently lobbied for the Greek Cypriots inside the EU. As a result, it has managed to upload its policy preferences concerning Cyprus onto the EU level. In that sense, the Cyprus issue became increasingly “Europeanised” and the EU’s probable role to act as an impartial mediator between the parties was seriously hampered.

Despite Turkey’s attempts at avoiding any possible linkage between its relations with the EU and the Cyprus dispute, the two issues have become intertwined especially following the EU’s decision to declare the Greek Cypriot Administration recognised by the EU as the sole legitimate representative of the “Republic of Cyprus” as a candidate state.

The GCASC’s unilateral application for membership dated 3 July 1990 was deemed illegal according to the 1960 Constitution establishing the partnership state, as it clearly ruled out the possibility of the Republic of Cyprus joining an international organisation of which both Greece and Turkey were not members. However, the Commission in its opinion (*avis*) dated July 1993 regarding the unilateral membership application, made a controversial decision confirming the

With Greece’s membership in 1981, the Cyprus issue became an important internal matter for the EU.

The Commission spelled out that the launch of accession negotiations would be conditional upon a prospective settlement.

eligibility of GCASC's application for membership and in the expectation of significant progress in the reunification talks, expressed its readiness to launch the process of accession with "Cyprus" as soon as the prospect of settlement was surer. In the event of a failure in the talks, the Commission committed itself to reconsider its stance and reassess the situation in view of the positions adopted by each party in the talks (European Commission 1993). In that respect, in its *avis*, the Commission while considering GCASC eligible for membership, spelled out that the launch of accession negotiations would be conditional upon a prospective settlement in the island. With

this statement, the Commission aimed at catalysing the settlement talks in the island, while at the same time keeping a heavy-handed approach between Turkey and Greece. Furthermore by indicating its intention to return to the matter in January 1995, the Commission had in essence postponed taking definite steps vis-à-vis the GCASC. At the time, the Commission was aware that giving the green light for the launch of accession talks prior to the resolution of the Cyprus problem would only import the conflict into the EU.

However, at the Corfu Summit in June 1994, the EU would reverse its position and announce its decision to include Cyprus within the next round of enlargement (European Council 1994). This U-turn in the EU's stance was also confirmed at the Essen Summit of December 1994. The decision to include GCASC in the next enlargement round was in clear contradiction with the Commission's *avis* which stipulated that the EU's stance on the accession of the GCASC would be considered in January 1995, at the earliest. What brought this about-turn in the EU's position had to do with the Hellenic factor. Athens had threatened to play the veto card for the EFTA enlargement (i.e. the accession of Austria, Sweden and Finland) set to take place on 1 January 1995, unless the Greek Cypriot Administration was included in the next enlargement round. Furthermore, Athens had blocked the proposals for the realisation of the Turkey-EU Customs Union in 1994 and treathened not to ratify the Customs Union unless the Greek Cypriot Administration received a date for the launch of accession talks. In that respect, blackmail

by Greece was instrumental in forcing the EU to revise its conditionality regarding the membership of the Greek Cypriot Administration. On 6 March 1995, the General Affairs Council announced that accession negotiations with the GCASC on behalf of the whole island would commence six months after the planned Inter-Governmental Conference.

A major turning point in the Turkey-EU-Cyprus triangle came in 1997, following the Commission's announcement of "Agenda 2000" outlining the roadmap for the next round of enlargement. In total disregard for the international treaties, the Commission confirmed that the resolution of the Cyprus issue would not constitute a precondition for the start of accession negotiations with the GCASC. The Luxembourg European Council of December 1997 endorsed Agenda 2000 and decided to include the Greek Cypriot Administration in the first-track countries with which accession negotiations were to commence in March 1998, whereas Turkey was denied candidate status and was offered a "European Strategy" to

Blackmail by Greece was instrumental in forcing the EU to revise its conditionality regarding the membership prospect of the Greek Cypriot Administration.



Luxembourg European Council, 12 - 13 December 1997.



Helsinki European Council, 10-11 December 1999.

At the time, a divided Cyprus acceding to the EU was seen as an unlikely prospect.

bring it closer to the EU. The Luxembourg European Council was a turning point for Turkey-EU relations for all the wrong reasons. The EU's decision to exclude Turkey from the next wave of enlargement caused a major rift between Turkey and the EU, with political dialogue with Brussels being frozen. Furthermore, the EU's decision to include the Greek Cypriot Administration in the first group of states to accede to the EU created resentment on part of Turkey. In protest of the EU's decision to launch accession talks with the GCASC, Ankara declared that it would give further momentum to its efforts for integration with the TRNC.

Although the Greek Cypriot Administration was given the green light to start accession talks, at the time, a divided Cyprus acceding to the EU was seen as an unlikely prospect. Member states such as France, Germany, the Netherlands and Italy recognised that it would be a mistake to grant membership to GCASC before a settlement, as it would import a security conflict into the EU, cause friction between Turkey and Greece and damage EU's relations with Turkey (Nugent 2000:134).

Turkey-EU relations and the Cyprus problem: Helsinki and beyond

Another major turning point in Turkey's relations with the EU and the Cyprus issue came at the Helsinki European Council of December 1999. The Helsinki Presidency Conclusions confirmed Turkey's status as "a candidate state destined to join the EU" while at the same time cementing the link between the settlement of the Cyprus issue and Turkey's EU membership aspirations (European Council 1999). Paragraph 12 of the Helsinki Presidency Conclusions, which was on Turkey's candidacy, underscored the importance of adherence to the Copenhagen political criteria as well as progress in the resolution of outstanding bilateral disputes or their referral to the International Court of Justice (as stated in paragraph 4) and finding a comprehensive settlement to the Cyprus problem (as stated in paragraph 9[a]). Moreover, contributing to a settlement in Cyprus was included in the Accession Partnership Document among the matters Turkey was expected to address in the short-term.

Despite linking Turkey's EU accession process to the settlement of the Cyprus issue, the EU in paragraph 9 (b), clearly indicated that the solution of the Cyprus dispute would not be considered as a precondition for the eventual accession of the GCASC. With this statement, the EU committed itself to the accession of GCASC regardless of a settlement to the Cyprus dispute. Even though the admission of a united Cyprus would have been more desirable for the EU, immense pressure and blackmail from Greece paved the way for removal of conditionality from the Greek Cypriot Administration. On numerous occasions, Greece had made it clear that it was ready to veto the Eastern enlargement, unless the Greek Cypriot Administration was included in the first group of countries to accede to the EU. Furthermore, the EU had hoped that the incentive of EU membership would facilitate a solution on both Turkey and GCASC (Eralp 2009). It is important to note that the absence of conditionality for the GCASC has fundamentally altered the parameters of the talks and made it increasingly difficult for the parties to reach a settlement (Öniş 2003: 24). Moreover, the Helsinki Conclusions effectively affirmed the possibility of a divided island acceding to the EU.

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GCASC, having guaranteed a place within the EU had no incentive to support any settlement.

The urgency of resolving the Cyprus dispute prior to the GCASC's eventual accession brought the parties to the negotiation table. In the period between December 1999 and April 2004, the UN undertook intensive efforts to facilitate a comprehensive settlement to the dispute (Karatas 2011: 35). At the end of 2001, the Turkish Cypriot Leader Rauf Denktaş and the Greek Cypriot Leader Glafcos Clerides resumed direct talks under the auspices of the UN. On 11 November 2002, UN Secretary-General Kofi Annan presented both leaders the proposal titled "Basis for Agreement on a comprehensive settlement on the Cyprus problem" which would be known as the "Annan Plan". The plan would undergo five revisions before being put in front of the two communities. During this period, Ankara pro-actively supported the Annan Plan.

Having concluded accession negotiations with the EU at the Copenhagen Summit in December 2002, it became increasingly clear that GCASC was to join the EU together with the other nine countries on 1 May 2004. The Copenhagen Summit Conclusions, while confirming that the Greek Cypriot Administration would be admitted to the EU, expressed hope for a settlement of the Cyprus problem by 28 February 2003, before the Accession Treaty was to be signed on 16 April 2003. The EU continued to falsely believe that the Greek Cypriot leadership would support a settlement. However, the Greek Cypriot side, having guaranteed a place within the EU, free from all kinds of pressure, had no incentive to support any settlement in the first place. The Greek Cypriot public was against the plan and the Greek Cypriot leader Tassos Papadopoulos in a televised message openly called for a "resounding no" making the case that the Greek Cypriots would have greater bargaining power once admitted into the EU. As the Annan Plan was put in front of the two communities on the island in separate simultaneous referenda on 24 April 2004, the Turkish Cypriots voted 65 per cent in favour of the plan while the Greek Cypriots voted 75.6 per cent against. The results of the referenda left the EU in a very difficult position having to admit the side which had overwhelmingly rejected reunification.

The accession of the GCASC, one week after the rejection of the Annan Plan to the EU, on behalf of the entire island has created an anomaly. Today, although Turkey does not recognise

it, from the EU's perspective the entire island is *de jure* EU territory and the application of the EU *acquis communautaire* has been suspended in the northern part of the island. Having guaranteed accession in the EU regardless of a settlement, the Greek Cypriot side did not have any incentive to accept the Annan Plan. Furthermore, the argument that the Greek Cypriots would be in a stronger position to get a better deal once inside the EU, played a role in the rejection of the plan in the South.

Moreover, the accession of the GCASC in the EU on behalf of the entire island created the impression that the Greek Cypriots were awarded with membership in the EU even though massively rejecting the Annan Plan. On the other hand, Turkish Cypriots, despite having voted in favour of reunification and EU membership, were excluded from the EU, just because the other community said "no". The Greek Cypriot "no" and the Turkish Cypriot "yes" acted as a wakeup call for the circles which had falsely laid the blame on the Turkish Cypriot side for the failure of the talks. Günther Verheugen, the Enlargement Commissioner at the time, voiced his disappointment with the Greek Cypriot rejection of the plan stating that he felt cheated by the Greek Cypriot leadership. Due to its endorsement of the Annan Plan and its constructive stance, the Turkish Cypriot side gained moral superiority over the Greek Cypriot side. The Greek Cypriot "no" made it clear that the real impediment to a solution in Cyprus was not the Turkish side as had been argued by the Greek Cypriot side, but rather the intransigence of the Greek Cypriot side (Oğuzlu 2010:74).

Even though most EU members and outside observers did not think that it would be possible for a divided island to be allowed in the EU, blackmail by Greece played a role in shaping the EU's policy. By admitting a divided island, on which a UN peacekeeping force (UNFICYP) has been stationed since 1964, the EU in essence contradicted with one of the cardinal principles it had laid out at the Helsinki Summit of December 1999 namely; the peaceful settlement of disputes. Intense pressure and the abuse of EU decision-making procedures based on unanimity by Greece, fundamentally altered the EU's stance on the accession of GCASC and ultimately resulted in a divided island becoming part of the EU.

The Greek Cypriot "no" and the Turkish Cypriot "yes" acted as a wakeup call for the circles which had falsely laid the blame on the Turkish Cypriots.

The Turkish Cypriot “yes” provided Turkey and the Turkish Cypriots with moral superiority.

Furthermore, the unilateral accession of the Greek Cypriot Administration following its rejection of the Annan Plan, further invalidated the belief that starting accession talks with the Greek Cypriot Administration would increase the pressure on Ankara and the Turkish Cypriot side and create conditions conducive for a settlement. Many influential decision-makers and Eurocrats believe that the role of the EU in the Cyprus conflict was based on miscalculations and

misperceptions, which rather than catalysing reunification, has only perpetuated the division of the island. The Turkish Cypriot “yes” to the Annan Plan was applauded by the international community and provided Turkey and the Turkish Cypriots with moral superiority. The vote created widespread calls both on part of the EU and the broader international community to end the isolation of the Turkish Cypriots.

Two days after the referenda and the Greek Cypriot rejection of the settlement, the General Affairs Council issued a decision on the need to end the isolation and to contribute to the economic development of the Turkish Cypriots who “had expressed their clear desire for a future within the EU” (Council of the EU 2004). The Commission was tasked with bringing forward proposals that would translate this into action. On 29 April 2004, the Council adopted the Green Line Regulation to regulate the movement of persons, goods and services across the northern and the southern part of the island. The Commission proposed two initiatives to end the isolation of the Turkish Cypriot community, namely by providing financial aid to the Turkish community (Financial Aid Regulation) and allowing direct trade between the TRNC and EU member states (Direct Trade Regulation). However, their realisation would prove problematic due to opposition from the Greek Cypriot Administration. Although the Financial Trade Regulation would be adopted in 2006, the Direct Trade Regulation, which would have allowed the Turkish Cypriots to trade with the EU at preferential customs rates without having to go through Greek Cypriot ports or pay external EU duties, faced strong reaction by the Greek Cypriot side and has failed to materialise to date (International Crisis Group 2011:7).

III. The day after... GCASC within the EU

The accession of the Greek Cypriot Administration to the EU to represent the whole island meant that the EU has become a direct party to the Cyprus dispute. This situation created a dilemma whereby the EU bore an increased responsibility to contribute to the resolution of the Cyprus problem yet at the same time missed the opportunity to make a difference after the failure of the Annan Plan.

Thus, the accession of a divided Cyprus to the EU severely limited the EU's ability to contribute to a solution. Following its unilateral membership in the EU, the GCASC has become a major veto-player in Turkey's EU accession process. The Greek Cypriot Administration concentrated its efforts as an EU member state on two aspects: how to make sure that the EU did not end the isolation of the Turkish Cypriots and how to use any steps in Turkey's accession process to extract concessions regarding the Cyprus problem (Faustmann 2011:155).

Moreover, the accession of GCASC prior to a solution to the Cyprus problem to the EU has created major setbacks for institutional cooperation between NATO and the EU. Ever since the Greek Cypriot Administration joined the EU on behalf of the whole island, it has held hostage NATO-EU cooperation (Dempsey 2014). The issue has to do with diverging interpretations of the NATO-EU agreement of 2002. According to the agreement, non-NATO EU members, which do not participate in NATO's Partnership for Peace program or do not have a security agreement with NATO, are excluded from discussions on NATO-EU strategic cooperation. Turkey's official stance is in line with this agreement, whereas the EU maintains that this is against the principle of community solidarity and refuses to engage in a dialogue with NATO unless all its members are represented (Ülgen 2008:3). GCASC in turn is blocking Turkey's membership in the European Defence Agency and objects to the signature of a security agreement which would facilitate exchange of information between Turkey and the EU. These problems have seriously hampered NATO-EU cooperation.

Following its unilateral membership in the EU, GCASC has become a major veto-player in Turkey's EU accession process.

GCASC as a veto-player in Turkey's EU membership process

Under the Papadopoulos administration, GCASC was determined to use its unilateral membership in the EU in order to extract concessions from Turkey. The fact that decision-making within the EU on issues pertaining to enlargement such as the opening and closing of chapters was based on unanimity effectively meant that the GCASC had 70 opportunities to block Turkey's progress towards EU membership not to mention that the ultimate accession would require unanimous approval from all members including the GCASC (Faustmann 2011: 154).

Contrary to expectations that it would be willing to reengage in reunification talks, the Greek Cypriot Administration showed no intention of restarting the talks. Instead, GCASC concentrated its energy on derailing Turkey's EU membership process with the expectation to get concessions from Turkey; however GCASC's strategy would prove counterproductive.

In the run-up to the Brussels European Council of December 2004, where the EU was expected to give Turkey a date to start accession talks, the Greek Cypriot Administration came up with an extensive list of demands, which it insisted that Turkey would need to fulfil to receive its blessing for the launch of the EU accession talks. Those included the formal recognition of the GCASC, opening of Turkish ports and airports to Greek Cypriot vessels and aircrafts, lifting of its vetoes on GCASC's participation in international organisations such as NATO and the OECD as well as the removal of Turkish troops from the island (Faustmann 2011:155). This kind of conduct, which was in clear contradiction with the behavioural norms of EU governance based on consensus-seeking and compromise, caused

Contrary to expectations, the Greek Cypriot Administration showed no intention of restarting the talks.

serious backlash from the other member states, which clearly indicated that they would not be bullied by the Greek Cypriot Administration. Under pressure from its European partners, GCASC was forced to tone down its demands.

At the Brussels European Council in December 2004, it was agreed that Turkey would start accession negotiations on 3 October 2005, provided that it extended the Turkey-

EU Customs Union to the ten new members, which joined the EU in May 2004, including the GCASC. The Brussels Summit Conclusions confirmed that Turkey would need to sign and ratify the Additional Protocol extending the Turkey-EU Association Agreement (i.e. Ankara Agreement) to the ten new members prior to the launch of the EU accession talks. The Greek Cypriot Administration argued that this would amount to its implicit recognition by Ankara. However, Ankara made it crystal clear that any action that would suggest direct or indirect recognition of the GCASC was out of question.

In its counter-declaration, the EU interpreted the issue as an impediment to free movement of goods.

On 29 July 2005, Turkey signed the Additional Protocol extending the Ankara Agreement to the ten new members of the EU; however this was followed by a declaration which confirmed that the signature, ratification and implementation of the Protocol did not amount to any form of recognition of the so-called “Republic of Cyprus” (Republic of Turkey Ministry of Foreign Affairs 2005a).

Although Turkey’s signature of the Additional Protocol was initially welcomed by the British EU Presidency and the then Commissioner for Enlargement Olli Rehn, due to pressure from the GCASC, the EU on 21 September 2005 issued a counter-declaration in reaction to Turkey’s declaration of 29 July 2005. In its counter-declaration, the EU interpreted the issue as an impediment on the free movement of goods and restrictions on the means of transport, and called on Turkey to ensure the full and non-discriminatory implementation of the Protocol. The EU 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 Protocol. Furthermore, it was underscored that recognition of the member states remained a necessary element of the accession process. The counter-declaration also contained a review clause through which the Council pledged itself to follow up on the progress made on the issue in 2006 (Council of the EU 2005).

The EU’s counter-declaration, attracted strong criticism on part of Turkey since it was largely viewed as an attempt to introduce new elements for the start of accession talks. In

turn, Turkey in a statement regarding the EU's counter-declaration, reminded the EU of its prior commitments regarding the Cyprus issue including a call on the EU to deliver on its promises for ending the isolation of the Turkish Cypriots namely; by implementing the Financial Aid Regulation and Direct Trade Regulation (Republic of Turkey Ministry of Foreign Affairs 2005b).

The dispute concerning the implementation of the Additional Protocol or the so-called "ports issue" led to tension in the Turkey-EU relations. As the time for the review of Turkey's implementation of the Additional Protocol approached, the prospect of "a train crash" was looming large on Turkey-EU relations, which could result in the suspension of the negotiation process (Hürriyet Daily News 2006).

In December 2006, the General Affairs and External Relations Council decided to suspend negotiations on eight chapters related to the Customs Union namely; Free Movement of Goods, Right of Establishment and Freedom to Provide Services, Financial Services, Agriculture and Rural Development, Fisheries, Transport Policy, Customs Union and External Relations. Furthermore, it agreed not to even provisionally conclude negotiations on any of the 34 remaining chapters until the Commission verified that Ankara delivered on its commitments concerning the Additional Protocol (Council of the EU 2006). The Commission was tasked with reporting annually on progress made regarding the non-

Turkey's opening its ports and airports to Greek Cypriot traffic became an opening benchmark for 8 chapters and a closing benchmark for all.

discriminatory implementation of the Additional Protocol until the end of 2009, when the Council would review the situation. The GAERC conclusions were later endorsed by EU leaders at the Brussels European Council on 14-15 December 2006. Turkey's opening its ports and airports to Greek Cypriot vessels and aircrafts thus became an opening benchmark for of eight chapters and a closing benchmark for all chapters. And December 2009, the date on which the Council would review the situation, came to be largely perceived as a deadline for Turkey to open its ports and airports to Greek Cypriot vessels and aircrafts. This, in turn created the impression that the December 2009 European Council would be a defining

moment in Turkey's EU accession negotiations (Arısan Eralp 2009).

The period between 2006 and 2009, was marked by a rather unfavourable environment for Turkey's accession talks due to a host of intra-EU developments. Key politicians such as France's Sarkozy and Germany's Merkel, underscoring the open-ended nature of accession talks and proposing alternative partnership models short of membership such as "privileged partnership" had led to disillusionment with the EU on part of the Turkish public and had a negative effect on the relations as a whole. In June 2007, France under Sarkozy declared its decision to block the opening of five chapters which it claimed were "directly linked with membership". French veto on five chapters together with the already suspended eight chapters, effectively meant that over a dozen out of 35 chapters were off limits for Turkey.

At the December 2009 European Council, when the implementation of the Additional Protocol was to be reviewed, much to the chagrin of the Greek Cypriot Administration while it was confirmed that Turkey made no progress in opening its ports and airports to Greek Cypriot vessels and aircrafts, no sanctions were foreseen for Turkey. On this occasion, other member states were not willing to side with the Greek Cypriot authorities. Following the failure to get backing from other member states at the GAERC on 8 December 2009, the Greek Cypriot Administration declared its intention to unilaterally suspend negotiations on six chapters in Turkey's accession talks. These chapters included: Freedom of Movement for Workers, Energy, Judiciary and Fundamental Rights, Justice, Freedom and Security, Education and Culture, and Foreign, Security and Defence Policy. With the Greek Cypriot move, the chapters blocked in Turkey's accession negotiations solely because of the EU's wrong judgement call to let the Greek Cypriot Administration in prior to a settlement to the Cyprus question, reached a total number of 14. The fact that the opening of 14 chapters and the provisional closure of all chapters were blocked by the European Council and the Greek Cypriot Administration and another five were blocked by France, implied that Turkey's EU accession negotiations have become virtually frozen.

The fact that the opening of 14 and closing of all chapters were blocked, implied that Turkey's accession talks have become frozen.

The Greek Cypriot veto has severely reduced the effectiveness of the accession process.

Most of the chapters which have been suspended by the Greek Cypriot Administration, notably the ones on energy and foreign, security and defence policy concern vital aspects of Turkey-EU relations. Those chapters being suspended in practice, not only prevents the EU from engaging in a meaningful cooperation with Turkey, but also harms the EU's collective interests.

The blockages introduced by the Greek Cypriot veto in the Council, have severely reduced the effectiveness of the accession negotiations process as the primary framework for Turkey-EU relations. With Turkey's growing strategic importance in mind, the European Commission has increasingly attempted to find creative ways to engage with Turkey in a host of areas which are of mutual interest to both Turkey and the EU.

The Energy chapter is a case in point. At a time when the EU is struggling to reduce its energy dependence on Russia by diversifying its energy routes and suppliers, the opening of the Energy chapter with Turkey is crucial for the interests of the EU. However, since the negotiations on this chapter cannot move forward due to the Greek Cypriot Administration's resistance in the Council of Ministers, Turkey's potential as an energy hub and a transit country cannot be fully utilised. In order to circumvent the Greek Cypriot veto, the Commission has initiated a High Level Energy Dialogue with Turkey in March 2015.



Turkey-EU High Level Energy Dialogue Meeting, 17 March 2015.

The same is true for the chapter on Foreign, Security and Defence Policy. The ongoing crisis in Syria, the necessity to fight ISIS in the EU's and Turkey's shared neighbourhood, as well as the crisis in eastern Ukraine have yet again proven the urgency and the necessity to reinforce 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 candidate states' and EU's official positions that became increasingly visible in the context of the Ukraine crisis, decided to prioritise the early opening of this chapter in the accession process (European Commission 2014). However, with this chapter being blocked by the Greek Cypriot Administration, the EU's room for manoeuvre in Turkey's case seems limited. Therefore, the EU is trying to circumvent the current impasse by deepening the high-level political dialogue with Turkey.

In Turkey's case the new approach prioritising the rule of law chapters cannot be implemented, for these remain blocked by the GCASC.

Among the chapters blocked by the Greek Cypriot Administration are two key chapters that deal with the rule of law issues: Judiciary and Fundamental Rights and Justice, Freedom and Security (chapters 23 and 24, respectively). The EU has been attaching increasingly more significance to these two chapters as a result of the lessons learnt from the rather premature enlargement to Bulgaria and Romania in 2007 and the experience of Croatia. These two chapters, considered as "super chapters" according to the "new approach" put forward by the Commission, are stated among the first chapters to be opened and the last ones to be closed after being monitored throughout the accession process (European Commission 2011). In Turkey's case however, the new approach prioritising the rule of law chapters cannot be implemented, for these remain blocked by the GCASC.

Furthermore, given the fact that most of the criticism currently directed at Turkey concerns the rule of law, fundamental rights and democracy, which fall within the scope of the two super chapters, opening these two chapters is seen as a necessity. Delivering the opening benchmarks for chapters 23 and 24, and their subsequent opening upon the fulfilment of the benchmarks is acknowledged to be the most effective way to overcome the shortcomings in the political reform process. The fact that the opening benchmarks for chapters 23 and

The failure to find a solution to the Cyprus issue has in essence taken Turkey's EU accession negotiations hostage.

24 have not been decided and communicated to Ankara due to the Greek Cypriot veto, implies that Turkey has been denied direction deemed essential to address the shortcomings in the area of rule of law and fundamental freedoms. Despite repeated calls by the EP, European Commission and key politicians to this end, the rule of law chapters remain frozen. This situation not only seriously limits the effectiveness of the EU as an engine for political reform, but also threatens its credibility in the eyes of the Turkish public.

Recent developments and the story of three Summits

With the unilateral accession of the Greek Cypriot Administration in the EU, the Cyprus dispute has morphed into a huge stumbling block for Turkey's integration with the EU. For years, the failure to find a mutually acceptable solution to the Cyprus issue has in essence taken Turkey's EU accession negotiations hostage.

Recently, the unprecedented flow of refugees to Europe, largely as a consequence of the deteriorating humanitarian situation in Syria, has renewed the EU's interest in Turkey and paved the way for reenergising Turkey's long-stalled accession talks, although being pragmatic in nature and motivated by mostly security-related concerns. However, despite efforts by Ankara and other European capitals, reenergising Turkey's accession process has once again come down to the requirement to lift the Greek Cypriot veto.

In the Turkey-EU Summit of 29 November 2015, Turkey and EU leaders agreed to launch preparations for the opening of a number of chapters which were not named in the final *communiqué* to avoid a scene by the Greek Cypriot Administration (European Council 2015). The additional chapters, of which Commission President Juncker later informed Ankara in a letter, included five of the six chapters unilaterally blocked by the Greek Cypriot Administration namely; chapters on Energy, Judiciary and Fundamental Rights, Justice, Freedom and Security, Education and Culture, and Foreign, Security and Defence Policy (Demirtaş 2015).

In the follow up summit of 7 March 2016, which was perceived as a make or break moment in finalising the refugee deal between Turkey and the EU, Turkey proposed a package, which among other things included the opening of the five previously mentioned chapters in exchange for measures that were seen as revolutionary in handling irregular migrant flows to Europe by breaking the business model of human traffickers.

In the absence of a settlement to the Cyprus issue Turkey will run out of chapters to negotiate.

Turkey's request for the opening of these chapters rekindled the debate on the Greek Cypriot veto. Despite repeated calls from Ankara that the EU's collective interests should not be forsaken because of a single member's caprice, the Greek Cypriot authorities vehemently rejected the opening of the five chapters that Ankara had asked for (Akşam 2016). Regardless of increased efforts by the President of the European Council Donald Tusk, who until the last minute engaged in shuttle diplomacy between Ankara and South Nicosia, the Greek Cypriot Administration insisted on maintaining its unilateral veto on the aforementioned chapters, citing Ankara's failure to abide by its obligations emanating from the Additional Protocol, and claiming that such a move risked upsetting the ongoing UN-sponsored reunification talks between the two communities (Stefanini 2016). The deal was finally reached on 18 March 2016, when French President François Hollande agreed to open one of the chapters previously blocked under the leadership of Sarkozy.

The latest episode between the two Turkey-EU Summits confirmed the fact that in the absence of a settlement to the Cyprus issue, Turkey will run out of chapters to negotiate. Currently, there are three chapters that can be opened for negotiations (i.e. Public Procurement, Competition Policy, Social Policy and Employment). There are two additional chapters (i.e. Institutions and Other Issues) which were previously blocked by France; however those cannot be opened until talks on all chapters have been finalised. The former three chapters are among the ones that candidate states leave for the final phases of negotiations due to the large adjustment costs involved. Against this background, for Turkey's accession talks to move forward a breakthrough in Cyprus is necessary.

A solution to the Cyprus issue would significantly improve the climate for Turkey's EU accession process.

A solution to the Cyprus issue would significantly improve the climate for Turkey's EU accession process. For Turkey-EU relations, a lasting solution to the Cyprus problem would imply the lifting of a huge stumbling block in its EU accession process by unfreezing 14 negotiation chapters and enabling the provisional closure of the chapters on which negotiations have been finalised. Greek Cypriot officials have also confirmed that all vetoes on Turkey will be automatically lifted following a solution to the Cyprus issue (Maurice 2016). Furthermore, it is important to note that the Cyprus issue has been used as a convenient excuse to keep Turkey from moving forward on its path towards the EU. In that respect,

a solution to the Cyprus problem is expected to considerably speed up the pace of Turkey's accession talks. Although not a sufficient condition for the end goal of EU membership in itself, the opening and the provisional closure of the currently blocked negotiation chapters can generate the necessary momentum in Turkey for the much-needed reforms in key areas.

Turkish Cypriots: The story of unfulfilled promises

Having overwhelmingly voted in favour of the Annan Plan and openly voiced their preference for a future within the EU, the Turkish Cypriots found themselves in a very disappointing situation following the Greek Cypriot side's accession to the EU as "the sole legitimate representative of the entire island". At the end of the day, despite having endorsed the idea of a European future, the Turkish Cypriots were left out in the cold, while the Greek Cypriots, who had overwhelmingly rejected the Annan Plan, joined the ranks of the EU as "a full-fledged" member. The EU has mostly failed to apprehend the peculiarity of the situation experienced by the Turkish Cypriot community (Beyatlı 2011:134). Although initially sympathising with the Turkish Cypriots based on their constructive stance regarding the Annan Plan, most of the EU's promises to contribute to the economic development and end the isolation of the Turkish Cypriot community failed to materialise or were delayed due to strong opposition and lobbying by the GCASC.

In practice, the accession of the Greek Cypriot Administration as the sole representative of the entire island has only aggravated the economic, political and legal inequalities

between the two communities on the island. While the EU *acquis* has been suspended in the northern part of the island in accordance with Protocol 10 of the GCASC's EU Accession Treaty on the grounds that it falls outside the effective control of the Greek Cypriot authorities, the Turkish Cypriots are regarded EU citizens (European Commission 2012). Despite being EU citizens, the Turkish Cypriots are in no position to fully enjoy their rights as full-fledged EU citizens, but rather remain in a largely disadvantaged position when compared with their fellow European counterparts.

The unilateral EU accession of the Greek Cypriot Administration has aggravated the inequalities between the two communities.

For instance, the Turkish Cypriots cannot send MEPs to the European Parliament. Although under the Annan Plan, two of the six seats currently occupied by the Greek Cypriot deputies had been allocated to the Turkish Cypriot deputies, this was blocked by Council Decision of 10 June 2004, which indicates that EP elections could not be held in the North prior to a settlement to the Cyprus problem (Official Journal of the EU 2004). Calls for granting observer status to Turkish Cypriot deputies in the EP, have landed on deaf ears.

Apart from inequalities in political representation, in order to qualify for employment in EU institutions, Turkish Cypriots have to speak an additional EU language on top of



Turkish Cypriots protesting in Brussels a few days ahead of GCASC's EU Presidency, 26 June 2012.

The Council, to reward the Turkish Cypriots, called on the Commission to put forward proposals to end their isolation.

the two official EU languages already required, as Turkish is not recognised as an official EU language. Moreover, Turkish Cypriots face restrictions on freedom of movement on their goods and they are not allowed to participate in the Bologna process (Beyatlı 2011:142-3).

Two days after the rejection of the plan for a comprehensive settlement of the Cyprus problem (i.e. Annan Plan), the Council in order to reward the Turkish Cypriots for expressing their desire for reunification and a future within the EU, called on the Commission to put forward proposals to end the isolation and contribute to the economic development of the Turkish Cypriot community. It was seen as a way to prevent the further deepening of the economic gap between the two communities and facilitate a prospective settlement.

The then UN Secretary-General Kofi Annan made a similar call when he urged the international community to eliminate the restrictions and barriers that have the effect of isolating the Turkish Cypriots and impeding their economic development (United Nations 2004). In essence, the overwhelming endorsement by the Turkish Cypriots of the Annan Plan had invalidated the rationale underlying the imposition of embargoes and isolations whose stated aim was to prevent the recognition of the TRNC as an independent state.

The Direct Trade Regulation before and after Lisbon

On the eve of the Greek Cypriot Administration's unilateral membership, the Green Line Regulation concerning the movement of people, goods and services across the UN Buffer Zone was adopted by the Council. On 7 July 2004, the Commission proposed two mechanisms to translate the Council's promises vis-à-vis the Turkish Cypriots into action: the Financial Aid Regulation and the Direct Trade Regulation. The Direct Trade Regulation was intended to end the isolation of Northern Cyprus, by allowing preferential direct trade between the TRNC and the EU which had been blocked since 1994 by the Anastasiou ruling of the ECJ. Although the Financial Aid Regulation came into effect in 2006 despite initial reaction from the Greek Cypriot authorities, the Direct Trade

Regulation has still not been adopted. The Commission's proposal aimed at ending the isolation of the Turkish Cypriots by allowing direct trade between the TRNC and EU member states faced strong reaction from the Greek Cypriot authorities on the grounds that allowing the TRNC to trade directly with the EU would amount to the *de facto* recognition of TRNC.

Furthermore, the divergence between the European Commission and the Council's Legal Services over the proper legal basis for the Direct Trade Regulation has resulted in a stalemate. The Greek Cypriot authorities backed by the Council's Legal Service, challenged the legal basis of the proposal for direct trade and argued that the proposal should be enacted by unanimity, rather than by qualified majority as foreseen by the Commission which had originally based the proposal on Article 133 of the TEC (currently Article 207 of TFEU) governing EU's trade with third countries and territories that are part of a member state but are not included in the EU customs territory such as Ceuta and Melilla (Spanish cities in North Africa), and Gibraltar (British exclave in the Iberian peninsula) (Akgün and Tiryaki 2010:30). The Greek Cypriot authorities on the other hand, have maintained that the suitable legal basis for the Direct Trade Regulation should be Article 1 paragraph 2 of Protocol 10 which deals with the suspension of the EU *acquis* in Northern Cyprus and requires the Council to act by unanimity. Despite efforts by successive EU Presidencies, the proposal on direct trade was left on the table largely as a result of the controversy regarding its legal basis and other member states' reluctance to challenge the Greek Cypriot position.

Precious time has been lost due to the legal limbo created by the Greek Cypriots; implementation by the EU of the Direct Trade Regulation on the other hand, could have unlocked a virtuous cycle. On 26 January 2006, Turkey made a proposal to overcome the stalemate concerning the Direct Trade Regulation by proposing to open its ports and airports to Greek Cypriot vessels and aircrafts in exchange for the implementation of the Direct Trade Regulation. However, this proposal was rejected by the Greek Cypriot Administration.

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The entry into force of the Lisbon Treaty on 1 December 2009 reopened the debate concerning the Direct Trade Regulation and presented an opportunity to review the legal procedures for its adoption. The Lisbon Treaty, extending the scope of EP's powers in external trade matters and widening the use of qualified majority method in decision-making at the Council, was seen as an opportunity to overcome the legal impasse concerning the adoption of the Direct Trade Regulation. However, under intense pressure from the Greek Cypriot authorities, the Parliament's Legal Service gave an opinion which confirmed the standpoint of the Council's Legal Service and that of the Greek Cypriot Administration, which held that the proper legal basis for the Direct Trade Regulation was Protocol 10 of the Accession Treaty, thus the issue of direct trade was to be dealt with by unanimity. The opinion of the EP's legal service was approved by majority in the Parliament's Legal Affairs Committee (JURI). Therefore, it became clear that the EP could not assume a role in the adoption of the Direct Trade Regulation. Consequently, the stalemate concerning the adoption of the Direct Trade Regulation has continued.

Had the Direct Trade Regulation been passed by the EP, it would have created pressure on the Council for a favourable decision which would have voted in favour in order to avoid an eventual crisis with Turkey, despite opposition by the Greek Cypriots. The approval of the Direct Trade Regulation by qualified majority would have paved the way for Turkey's implementation of the Additional Protocol. This in turn would have automatically removed the veto on the eight negotiation chapters blocked by Council in December 2006 and enabled Turkey, like a normal candidate for accession, to provisionally close chapters it had negotiated. Although, it would not have guaranteed that the Greek Cypriot Administration would not use its veto against Turkey, the implementation of the Additional Protocol would have invalidated the official argument underlying the Greek Cypriot veto on six chapters; namely the non-implementation of the Additional Protocol (Tocci 2010: 3-4). The adoption of the Direct Trade Regulation not only would have breathed new life into Turkey's EU accession process, but it would have also eased the unfair and long-overdue isolations experienced by the Turkish Cypriots. Moreover, it would have improved the EU's image as a trustworthy and credible actor among the Turkish Cypriots.

IV. Reunification efforts following the Annan Plan

Following the rejection of the Annan Plan in the South, contrary to expectations that a new round of reunification talks would commence quickly, the process entered a standstill. This had to do with the fact that the Greek Cypriot side under the leadership of Papadopoulos was not willing to sit down at the negotiation table. The Papadopoulos administration insisted that they would not be rushed into a new round of talks. The logic underpinning this approach was to delay the start of new talks until Turkey moved closer to EU membership when the Greek Cypriot Administration holding the veto card, would be in a better position to obtain concessions for a more favourable settlement. In the TRNC, on the other hand, will for a settlement was still present. This was evident in the election of then Prime Minister, CTP leader Mehmet Ali Talat as President in April 2005, who won more than 55 per cent of the vote based on his moderate stance and support for the Annan Plan (Kaymak 2012:92).

Growing pressure from the international community due to his rejectionist policies and the risk of exclusion, together with the moral superiority the Turkish Cypriot side gained following the “yes” vote to the Annan Plan, forced Papadopoulos to return to the negotiation table. Although Talat and Papadopoulos established the principles for future talks and reconfirmed the objective of reaching a settlement on the basis of a bi-zonal and bi-communal federation based on political equality on 8 July 2006, this failed to produce an atmosphere conducive to restarting the talks. The leaders had also agreed on setting up groups to discuss substantive aspects of the Cyprus problem and technical committees to deal with issues that affected the daily lives of the two communities; however this could not be realised as the talks entered a limbo. Full-fledged negotiations would have to wait until after leadership change in the southern part of the island.

A new window of opportunity: Talat-Christofias

The election in February 2008 of AKEL leader Demetris Christofias as leader in the southern part of the island, revived hopes for a new momentum in the talks. Despite the fact that he had campaigned against the Annan Plan due to tactical

Full-fledged negotiations would have to wait until after leadership change in the South.



Turkish and Greek Cypriots gather at Ledra Street crossing symbolising the division of the island.

reasons, Christofias was seen as a moderate figure compared to hard-liner Papadopoulos. Moreover, Talat and Christofias's ideological closeness with both leaders coming from the left of the political spectrum, and their friendly relations were seen as facilitating factors for the resumption of the talks (Voucheva 2008). Subsequently, the negotiation process, which had been on hold since 2004, was relaunched on 21 March 2008 by Talat and Christofias. Leaders decided to set up six working groups covering the six substantive issues (i.e. chapters) namely; governance and power sharing, economic matters, EU matters, property, territorial adjustments, security and guarantees, and seven technical committees covering practical matters related to the environment, health, crisis management, economic and commercial matters, crime and criminal matters, humanitarian matters and cultural heritage which aimed

Talat and Christofias's ideological closeness was seen as a facilitating factor for the talks.

to improve the daily lives of the two communities while at the same time facilitating greater interaction among them (United Nations 2009). The two leaders also decided on CBMs, among which was the opening of the Lokmacı/Ledra Street crossing to pedestrian traffic, 45 years after it had been closed when intercommunal clashes started. The opening of Ledra Street crossing, which had been regarded as a symbol of the division of the island, was hailed as a symbolic move (BBC 2008).

Talat and Christofias reaffirmed their commitment to the objective of reaching a settlement based on a bi-zonal, bi-communal federation with political equality between the two communities. It was also agreed that the federal structure will be composed by two constituent states and have a single citizenship and a single international personality.

Despite the initial optimism, substantial differences between the two sides began to surface.

Despite the initial optimism, substantial differences between the two sides began to surface as full-fledged negotiations began in September 2008. While the Turkish Cypriot side under the leadership of Talat favoured a settlement on the basis of a federation which would be a new partnership state, the Greek Cypriot side under the leadership of Christofias argued for restoring the unity of the island (Yabancı 2014). Furthermore, the fact that Christofias was vehemently opposed to any discussion on the basis of the Annan Plan proposals and avoided all sorts of timeframes or deadlines, complicated the negotiations. This implied that most points that had been previously agreed had to be renegotiated. By 30 March 2010, when the negotiations were paused prior to the presidential election in the TRNC,



TRNC President Talat and GCASC Leader Christofias shake hands after a meeting.

In April 2010, Talat lost the presidential race to Eroğlu.

the leaders had met 71 times. While the two sides confirmed that they had achieved considerable convergences in the areas of governance and power sharing, economy and EU matters, progress on the property dossier was limited and the two remaining chapters; territory and security and guarantees had not been discussed (Napolitano 2011:3).

In April 2010, Talat lost the presidential race to the veteran leader of the centre-right UBP Dr. Derviş Eroğlu who won over 50 per cent of the vote. The election result was largely seen as a manifestation of growing disappointment on part of the Turkish Cypriot community with the EU's failure to deliver on its commitments in ending their isolation namely; the failure to implement the Direct Trade Regulation and a general loss of confidence in the talks. Eroğlu, known for his support for a two-state solution, despite having criticised Talat for giving excessive concessions, declared his commitment to continue the negotiations and agreed to start from where Talat and Christofias had



Turkish Cypriot Leader Eroğlu and his Greek Cypriot counterpart Christofias before the trilateral meeting with UN Secretary General Ban Ki-moon at the Green Tree estate in Long Island, New York, 23 January 2012.

left off. In May 2010, negotiations between Christofias and Eroğlu resumed with discussions on the property dossier. However, the sides failed to make considerable progress on the issue. The Greek Cypriot side insisted that the original owner have the last word on the fate of any property and pushed for the property and territory chapters to be discussed in parallel. The Turkish Cypriot side on the other hand, maintained that the interests of the current user should also be taken into consideration while deciding the fate of the property under discussion. The ruling of the ECtHR on the Demopoulos case, which fortified the Turkish Cypriot line of reasoning, constituted a turning point regarding the discussions on property. In the ruling, not only did the ECtHR recognise the rights of the current user, but it also acknowledged the Immovable Property Commission (IPC) in the TRNC as an effective domestic remedy (Napolitano 2011:8). Regarding the territory chapter, the Turkish Cypriot side was determined that the issue should be discussed separately at the final phase of the process. In his status report on the talks, UN Secretary-General Ban Ki-moon, acknowledged the disagreements between the parties and the limited progress achieved (United Nations 2010).

Despite personal involvement by UN Secretary-General Ban, the talks could not make further progress.

Despite personal involvement by UN Secretary-General Ban Ki-moon, the talks could not make further progress. 1 July 2012, the date on which Greek Cypriot Administration was to take over the rotating presidency of the EU Council of Ministers for a six-month period, was seen as a natural deadline for finalising the talks. However, the Greek Cypriot side was arguing that the talks were open-ended (Sözen 2014:54). UN Secretary-General Ban, who had met with Christofias and Talat five times in the period from 2010 to 2012, also held the view that time was running up and a settlement should be reached by the summer of 2012 (Vogel 2012). It was agreed for the talks to continue until the Ban-Eroğlu-Christofias trilateral meeting in Greentree, New York in January 2012 and provided that substantial progress was made, an international conference to convene with the participation of the three guarantor states. However, due to the reluctance of the Greek Cypriot side, limited progress was achieved on core issues. Against this background, the talks reached an impasse. The advance of the EU presidency of the Greek Cypriot

Administration and the emergence of the financial crisis in the South also played a role in the demise of the negotiations. The presidential elections in the South, further contributed to the standstill in the talks. It became increasingly clear that a new round of talks would not commence until after the February 2013 elections in the South. Christofias' dismal record as a president namely due to his failure to capitalise on the positive environment in the talks and the delaying tactics he applied regarding an international bailout, left him not seeking another term in office.

The Joint Declaration and the hydrocarbon showdown

The election of the leader of DISY, Nicos Anastasiades at the helm of the Greek Cypriot Administration generated hope for the revival of the talks. The centre-right politician, who was the only political leader in the South that had rallied for the approval of the Annan Plan, was viewed by many as a moderate figure. The rejection of the Annan Plan by three-quarters majority of the Greek Cypriots had almost destroyed his political career. However, with the banking crisis and his moderate stance, he made a strong comeback into the Greek Cypriot political arena. Despite initial optimism that the talks would resume soon after the elections, they were delayed due to the economic difficulties engulfing the South. The banking crisis, which brought the Greek Cypriot economy on the brink of collapse and left it seeking international rescue, became the number one priority Anastasiades had to address. The initial calendar that was foreseen as October 2013 for the launch of the talks was further delayed due to disagreements over the wording and language of the joint declaration which would mark the beginning of a new round of talks.

The election of Nicos Anastasiades at the helm of the Greek Cypriot Administration generated hope for the revival of the talks.

Finally, the announcement on 11 February 2014 of the joint declaration by Eroğlu and Anastasiades marked the beginning of a fresh round of reunification talks ending an 18-month impasse. The text reconfirmed the goal of reaching a settlement on the basis of UN-parameters namely; a bi-zonal, bi-communal federation based on political equality. The single international personality and single sovereignty emanating from Turkish Cypriots and Greek Cypriots as well as single united Cyprus citizenship were also confirmed. The



Anastasiades's election victory revived hopes for the resumption of the talks.

declaration ruled out the possibility of either side claiming authority over the other, while confirming the guiding principle of “nothing is agreed until everything is agreed” for the talks (UN Cyprus Talks 2014).

The talks reached an impasse in October 2014 following the Greek Cypriot side's unilateral actions concerning the hydrocarbon resources around the island in its disputed “EEZ”. The Turkish Cypriot side's proposals calling for joint exploration and exploitation of the offshore hydrocarbons around the island were not accepted, nor were its calls for putting the exploration activities on hold until a settlement was reached. The Greek Cypriot side's actions not only disrupted the atmosphere surrounding the talks, but also raised tension in the East Med. Following the unilateral actions of the Greek Cypriot Administration, the Turkish Cypriot side was forced to take counter-measures, which would be used by the Greek

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Cypriot side as a convenient excuse to leave the negotiation table as the talks entered a critical phase. As a result of the hydrocarbon showdown, the talks entered yet another period of uncertainty. This also coincided with the presidential election period in the North.

The last trial of a generation: Akıncı-Anastasiades

The victory of the leftist former Mayor of the Turkish Municipality of Nicosia, Mustafa Akıncı over the incumbent President Eroğlu, in the presidential elections in TRNC, injected new momentum into the talks. Akıncı, who had actively campaigned for the Annan Plan, won 60.4 per cent of the vote based on his pro-solution stance. The result was seen as a manifestation of dissatisfaction with the status quo and an urge for change on part of the Turkish Cypriots. With a solid record in intercommunal work, which he had established as the mayor of the Turkish side of the divided city of Nicosia, Akıncı was a respected figure also in the southern part of the Green Line. Akıncı's election victory created euphoria both in the north and the south of the Green Line. Within weeks after Akıncı's coming to power as the fourth President of the TRNC, talks, which had been suspended for eight months, resumed.



Akıncı's election as President of the TRNC has created optimism for the resumption of the talks.

On 15 May 2015, Akıncı and Anastasiades embarked on the latest -and hopefully the final- round of reunification talks. Upon the completion by their negotiation teams of the screening process of the six dossiers on the table, Akıncı and Anastasiades have entered the substantive phase of the talks on 29 June 2015. Since the resumption of the talks a year ago, Akıncı and Anastasiades have come together 30 times; while their respective negotiators Özdil Nami and Andreas Mavroyiannis have met over a hundred times. The 17 committees and working groups aimed at improving the daily lives of the two communities have met over 650 times.

One year into the negotiations, the parties have achieved substantial progress on four chapters.

Negotiations, which are carried out on six chapters (governance and power-sharing, economy, EU matters, property, territory, security and guarantees), involve complex and emotionally-charged aspects. One year into the negotiations, the two sides have achieved substantial progress on four chapters namely; governance and power sharing, economy, EU matters and property (TRNC Presidency 2016). Discussions on territorial adjustments and security arrangements have been deliberately left to the final phase of the talks. The principle of “nothing is agreed until everything is agreed” continues to be the logic underpinning the talks. The fact that considerable progress has been achieved on four chapters does not imply that talks on these have been finalised. The issue of rotating presidency is the main outstanding issue in the governance and power-sharing chapter. The Turkish Cypriot side views the rotating presidency as an essential element in ensuring its political equality with the Greek Cypriot side.

However, this time the two sides are confident that the remaining divergences on the four chapters are bridgeable provided that there is progress on the two remaining chapters. The two sides have been working on the convergence papers known as the Akıncı-Anastasiades documents (AA documents). The Greek Cypriot side’s position is written in blue ink, the Turkish Cypriot side’s position is indicated in red ink while the agreed upon issues are written in black. The aim is to reach an agreement on the outstanding issues and turn the text into black. The AA documents, which reportedly consist of some 40 convergence papers, are considered to be the most comprehensive settlement proposal after the Annan Plan (Cumhuriyet 2015).

The momentum generated in the talks in the second half of 2015, created an encouraging atmosphere.

Another novelty in the talks has been the fact that for the first time the two sides have gone into so much detail into the property chapter - regarded as one of the thorniest files on the table- and have drafted a joint document on the property issue (NTV 2016). While this does not mean that there is agreement on all aspects, this is revolutionary in the sense that until now there would be two separate documents indicating the perspective of each side.

The momentum generated in the talks in the second half of 2015, created an encouraging atmosphere. In November 2015, the talks entered an intensive period. However, the parliamentary elections scheduled for May 2016 in the South increased the pressure on both sides, namely because pre-election campaign periods are in general tough and risk undermining the talks. The Greek Cypriot leader had initially voiced the possibility of postponing the parliamentary elections scheduled for 22 May 2016 by several months, provided that substantial progress was made in the first months of 2016 (In Cyprus 2015). Although the talks have lost some steam due to the parliamentary election period in the South, the possibility of finalising a settlement deal by the end of 2016 still exists. According to Akıncı, the talks are set to gain momentum, following the completion of the election period in the South. The months of June and July 2016 are viewed to be decisive for the reunification talks. Furthermore, Akıncı has proposed a new format for the talks which foresees starting discussions on territory in June or July 2016, the latest (TRNC Presidency 2016). This will be followed by security and guarantees, which would be discussed at a five-party conference with the participation of the three guarantor states. It remains to be seen whether this proposal will be accepted by the Greek Cypriot side.

Intense diplomatic traffic to Cyprus

The momentum gained in the talks and the unique window of opportunity for a lasting settlement, has not escaped international attention. Thanks to the optimism surrounding the negotiations, Cyprus has become an epicentre of intense diplomatic traffic in recent months. Since the resumption of the talks in May 2015, an increasing number of high-level foreign officials have visited Cyprus to encourage progress. Aside from occasional visits by

high-ranking Turkish officials to the TRNC, the leaders of the three EU institutions; European Commission President Jean-Claude Juncker, European Council President Donald Tusk, EP President Martin Schulz as well as US Secretary of State John Kerry, German Foreign Minister Frank-Walter Steinmeier and UK Foreign Secretary Philip Hammond were among the numerous foreign officials who held contacts on both sides of the Green Line.

Thanks to the optimism surrounding the talks, Cyprus has become an epicentre of intense diplomatic traffic.

The statement that “stars are uniquely aligned for a settlement in Cyprus” is shared by many influential politicians and senior diplomats including Jean Claude-Juncker, Philip Hammond and John Kerry. UN Secretary-General Ban, in his latest report on his good offices mission, expressed his belief that a settlement was within reach (United Nations 2016). Similarly European Commission President Juncker has indicated that he was very confident that a settlement could be possible within 2016. Turkish senior politicians have on many occasions expressed support for the ongoing talks and most recently Turkish Foreign Minister Mevlüt Çavuşoğlu and US Secretary of State John Kerry have voiced their hope for a settlement in 2016 (TRNC Public Information Office Media Review 2016).



European Commission President Juncker with the two leaders during his visit to Cyprus, 17 July 2015.



Akinci and Anastasiades during a panel session on reuniting Cyprus at the World Economic Forum in Davos-Klosters, Switzerland, 21 January 2016.

Visits by the leaders of the three major EU institutions as well as key EU officials such as EU's foreign policy chief Federica Mogherini, Commission Vice-President in charge of Energy Union Maroš Šefčovič and Commissioner for Regional Development Corina Crețu are indicative of the EU's interest in the developments in Cyprus. The fact that Juncker, Tusk and Schulz have sent messages of support during their visit to the island is important to note. Furthermore, Juncker's decision during his visit to the island in July 2015, to reappoint Dutch diplomat Pieter van Nuffel as his Personal Representative to the UN Good Offices Mission to provide legal and technical advice to the parties on the EU *acquis*, confirmed the EU's support for the talks.

Visits by key officials are indicative of EU's interest in the developments in Cyprus.

Moreover, eight months into the talks, Akinci and Anastasiades made a historic joint appearance at the Davos World Economic Forum on 21 January 2016, where they addressed world's political and business elites in a special session dedicated to reuniting Cyprus. Davos marked another first for Akinci and Anastasiades as they came together with UN Secretary-General Ban Ki-moon for the first time on the margins of the Forum.

Developments on the CBM front

In parallel with the negotiation process on core issues, the two sides have agreed on a series of CBMs. On the day the talks resumed, Anastasiades shared the coordinates of 28 minefields in the TRNC while Akıncı reciprocated by abolishing the visa formalities for Greek Cypriots wishing to cross to the North (Kambas 2015). A new package of CBMs, which foresaw measures including the opening of two new crossing points, ensuring interconnectivity of electricity grids and interoperability of mobile networks on both sides of the Green Line, was announced on 28 May 2015. However, the implementation of the CBM on mobile phone roaming has run into some administrative difficulties stemming from the Greek Cypriot side's failure to amend the legislation prohibiting cooperation with Turkish Cypriot GSM operators.

In parallel with the negotiation process on core issues, the two sides have agreed on a series of CBMs.

The two leaders agreed on the establishment of a bi-communal *ad hoc* committee on EU Preparation, which is mandated to assist the Turkish Cypriot side on the implementation of the EU *acquis*. In a letter, dated 17 February 2016 and addressed to the Dutch EU Presidency and the European Parliament, Anastasiades has asked for the inclusion of Turkish among the official EU languages (Rettman 2016). Moreover, Turkey's granting access for exhumation teams of the Committee of Missing Persons to all suspected sites in the TRNC has marked a breakthrough.

Besides, for the first time the leaders came together with religious leaders on the island who pledged support for a settlement. Furthermore, in July 2015 the parties reached a common understanding on submitting a joint application for the island's indigenous and world famous hellim/halloumi cheese to receive protected designation of origin from the EU. This move was hailed by European Commission President Jean-Claude Juncker as highly symbolic of the two sides' commitment to work together (Weaver 2015). Back in July 2014, when GCASC applied for the registration of halloumi as a PDO, this had raised concerns in the TRNC. Given the fact that hellim makes up 25 per cent of TRNC's total exports and the hellim industry employs 17 per cent of TRNC's workforce, the compromise on hellim/halloumi has been a significant development.

The developments on the CBM front are crucial in restoring trust between the two communities.

The developments on the CBM front are crucial in restoring trust and building bridges between the two communities. This area requires extra attention, for a federal solution is in fact “a mega cooperation deal” (Sözen 2015: 34-7). Therefore, ensuring mutual trust and cooperation between the two communities will be decisive for the endorsement and workability of a potential settlement.

Potential deadlines to watch

Even though the Greek Cypriot side has opposed pronouncing timeframes regarding a prospective settlement, end of 2016 is largely viewed as a natural deadline. Some external developments point to the fact that the next six months will be crucial for finalising a settlement.

The fact that the Greek Cypriot Negotiator Andreas Mavroyiannis is a contender for the presidency of the UN General Assembly increases the pressure on the negotiators. In view of the likelihood that Mavroyiannis could leave his current post to precede over the UN General Assembly, the negotiators will try to achieve as many convergences as possible before the UN General Assembly elections scheduled for 13 June 2016.

Two external events namely; the presidential elections in the US and the appointment of a new UN Secretary-General also highlight the end of this year for a solution in Cyprus. UN Secretary-General Ban Ki-moon, who has invested a lot of effort in the process, would like an agreement being reached on Cyprus before he leaves office at end of December 2016. Similarly, the Obama administration would like to see the Cyprus problem resolved before the new president takes office in January 2017.

If the talks drag on to 2017, they should be finalised within the first months of 2017, as the current window of opportunity could soon close with the advance of the presidential election period in the South. Although the elections in the South will not take place until February 2018, the pre-election period could kick off as early as February 2017. The upcoming presidential elections in the South could increase the pressure on Anastasiades

making it harder for him to compromise and undermine the atmosphere surrounding the talks. Given the fact that the pre-election campaign period could affect the talks adversely, the sides should reach an accord and table it in separate simultaneous referenda for approval in the first months of 2017, at the latest.

The last window of opportunity for a Cyprus settlement

12 years after the initial hope and the subsequent trauma generated by the failure of the most comprehensive settlement plan, today there is fresh hope for a solution to the Cyprus problem. The current round of talks under the leadership of Akıncı and Anastasiades is seen as the best and probably the last chance for a solution. Analysts argue that if the Cyprus problem cannot be resolved with the Akıncı-Anastasiades duo in the driver's seat, then there is little chance that it can ever be resolved.

The stakes are high and time is not on the side of the Cypriots. The two communities, which have been living separately for decades, have grown apart. The younger generations do not have any memories of co-existence with the representatives of the other community. This is especially true in the case of Greek Cypriots. As the older generations cease to exist, the danger of permanent separation becomes more real. Therefore, the current round of talks is attributed great significance as they are largely viewed to be the last effort to resolve the Cyprus dispute according to the established federal formula. This is a factor that increases the urgency of reaching a settlement.

If the two leaders continue with the same determination, there is real chance that the international community could witness a settlement deal being finalised and put to simultaneous referenda on both sides of the Green Line. However, given the complexity and sensitivity of the issues being discussed, bridging the differences over outstanding issues would require determination and bold steps from both sides as well as encouragement from key international players. Then the two communities would make the final call. Negotiating the terms of the deal and crafting the settlement plan will only mark the

If the talks drag on to 2017, they should be finalised within the first months of 2017, as the current window of opportunity could close.

The current round of talks under the leadership of Akıncı and Anastasiades is seen as the best and the last chance.

beginning of an arduous process. The next step for the leaders would be to try to convince their respective communities on the workability of the deal and to prepare the two publics for the referenda. Although it would be early to make assumptions on the possible outcome of the referenda given the fact that the deal is a work in progress, this time there is reason to believe that both of the leaders sitting around the negotiation table will campaign in favour of the deal.

It is important to note that the success of the settlement deal will also depend on prospects of funding a solution. Costs associated with settling property claims as well as the establishment and functioning of federal structures could be as high as 30 billion dollars. It is clear that the international community would have to shoulder the financial burden of a prospective settlement. Financing is viewed as crucial in securing approval for the new blueprint that will emerge. Senior foreign politicians, who visited the island, have pledged to assist with funding the settlement that would come out of the negotiations. However, the two sides are cautious and would like to see the support translated into cash. Given the fact that the donors' conference, which convened prior to the referenda on the Annan Plan, raised a dismal amount of less than a billion dollars, there is reason to be concerned about. Furthermore, at times of austerity with the economic woes of the Eurozone far from being over, fund raising would be a key challenge. However, with so much at stake, there is good reason to believe that the chance of peace and stability should not fall victim to financial considerations.

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 Turkey's EU accession process.

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 the part of the Turkish Cypriots. If a similar scenario materialises this time, this will undoubtedly mark the end of the federal solution, which has been on the table since 1977, and is likely to lead to indefinite partition. Therefore, the leaders on both sides should capitalise 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 reunification.

Financing is viewed as crucial in securing approval for the blueprint that will emerge.

V. Appendix: Perspectives on key issues

The UN-sponsored reunification talks have focused on six chapters namely; power sharing and governance, economy, EU affairs, property, territory, and security and guarantees. There is consensus that of the six dossiers on the table the following constitute the most problematic ones: property, territory, and security and guarantees. There has been considerable progress on the first four of these chapters in the context of the current round of UN-sponsored reunification talks. However, some outstanding issues remain. This section aims to highlight the two sides' traditional standpoints and red lines regarding key aspects of the aforementioned issues.

A bi-zonal and bi-communal federation

Since the 1977 and 1979 High-Level Agreements between Denktaş and Makarios, “a bi-zonal and bi-communal federation” has formed the basis for a solution to the Cyprus problem. A federal solution is not the most favoured option by either community. For the Turkish Cypriots, the most desirable solution would be a confederation whereas the Greek Cypriots would like to see the creation of a unitary state. It has been argued that given the level of mistrust between the two sides and previous episodes of interethnic conflict, a confederal arrangement provides the best guarantee for the well-being of Turkish Cypriots. Given the diametrically opposed positions of the two sides; a federal solution is seen as a compromise formula and therefore has formed the basis for discussions.

Given the diametrically opposed positions of the parties, a federal solution is seen as a compromise formula.

How the two communities interpret “federalism” has however diverged. Greek Cypriots have advocated a vision of “tight” federation in which as many areas as possible fall under the competence of the federal government. The Turkish Cypriots on the other hand, have had a vision of a rather loose federation leaning towards a confederation which stipulates that the constituent federal units should have as much power as possible. The model proposed by the Annan Plan was a loose federation.

Despite agreement on those principles, key differences have existed between the Turkish Cypriots and Greek Cypriots on how to define the key UN parameters of bi-zonality and bi-communality. Bi-zonality also has important implications for the property issue which is regarded as “the Gordian knot” in the talks for a prospective settlement. Ensuring the political equality of the two communities has been central to Turkish Cypriot demands. Turkish Cypriots argue that any settlement must recognise them as fully equal to the Greek Cypriots and ensure their active participation in decision-making and governance.

Bi-zonality also has important implications for the property issue which is regarded as “the Gordian knot” in the talks.

Furthermore, the two sides seem to hold different perspectives as to how a united federal Cyprus would be created. The Turkish Cypriots would like to see the emergence of an entirely new partnership state on the basis of two constituent states. Based on this perspective, the new partnership state should not represent continuation of any previous state. This approach, which is also referred to as the “virgin birth-model”, is anathema to the Greek Cypriot side which in turn argues that the new state should be the outcome of an evolution of the Greek Cypriot - administered “Republic of Cyprus” to a bi-zonal, bi-communal federation. According to TRNC President Akinci, the new partnership state would be called “United Cyprus Federation” and would comprise of a Turkish Cypriot constituent state and a Greek Cypriot constituent state (Bilge 2015b).

Rotating presidency: A must for the Turkish Cypriot side

Another major divergence between the parties has to do with the nature and role of the presidency. In the current round of negotiations, while the sides have achieved considerable progress on power sharing and governance, the issue of rotating presidency remains unresolved.

The Greek Cypriot leadership is vocally opposed to the idea of rotating presidency. The Greek Cypriot side argues that for the rotating presidency to be accepted it should either become a ceremonial role with no substantial competences, or some sort of cross-voting enabling Greek Cypriots to vote for Turkish Cypriot candidates and vice versa should be

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introduced (Özersay 2015:24). However, the issue of cross-voting is seriously problematic for the Turkish Cypriots as it can lead to domination by Greek Cypriots who have numerical superiority. During the talks between Talat and Christofias, the parties are said to have reached a compromise on the issue, with TRNC President Talat accepting Christofias's proposal that the president and the vice-president be elected for a six-year term with cross-voting. The president would be a Greek Cypriot to serve for a four-year term and the vice-president would be a Turkish Cypriot, then they would rotate offices and there would be a Turkish Cypriot president in office for two years (Morelli 2016:15-6). There has been a shift in the Greek Cypriot position towards the idea of having a Greek Cypriot president and a Turkish Cypriot vice-president as had been the case under the 1960 treaties.

According to the Turkish Cypriot leadership, rotating presidency is central to ensuring the political equality of the Turkish Cypriot community, and is therefore regarded indispensable for any settlement (Anadolu Agency 2015). In the light of the statements made by the TRNC President Akıncı, it can be observed that while significant progress has been made under the chapter of power sharing and governance, the issue of rotating presidency remains unresolved. However, Akıncı indicates that there is likelihood to reach a compromise on this issue once substantial progress has been reached on the remaining chapters.

The Gordian knot in Cyprus talks: Property

The property issue is one of the most problematic and complex dossiers on the negotiation table, not only because of the various legal and economic aspects it entails. The humanitarian dimension and the sensitives on both sides further complicate the matter. As is known, following episodes of intercommunal strife in the 1960s and Turkey's intervention following the Athens-sponsored coup in 1974, over 150 thousand Greek Cypriots living in the North fled to the South and around 50 thousand Turkish Cypriots living in the south of the island were forced to flee to the North, as a result of which, massive amounts of property were left behind. Greek Cypriots claim that 46 thousand

properties, which make up 78 percent of privately-owned land in the TRNC, were owned by Greek Cypriots, whereas Turkish Cypriots claim ownership of 22.5 per cent of private property in the South (International Crisis Group 2010). It is important to note that the figures provided by each side have been contested by the other. Turkish Cypriots argue that the Greek Cypriot properties account for 63.8 percent of the privately-owned land in the North, while Greek Cypriots claim that the Turkish Cypriot properties account for 13.9 per cent of the privately-owned land in the South.

The property issue has become more complicated as finding an appropriate way to handle it raises questions concerning bi-zonality.

The property issue has become more complicated as finding an appropriate way to handle it raises further questions concerning bi-zonality (i.e. how to reconcile the different interpretations of bi-zonality), whether to uphold the rights of the current user or the original owner, territorial adjustments (i.e. where the borderline should be drawn from) and financing a settlement (i.e. how the compensation of original owners will be financed) (International Crisis Group 2010: 12-13).

The generally held line by the Turkish Cypriots is that the property issue should be resolved in accordance with the principle of “bi-zonality”, which in effect implies preserving as much as possible the present pattern of settlement of the two communities on the island, namely the need to maintain strong majority in these areas (Gürel and Özersay 2006: 15). Greek Cypriots interpret bi-zonality as having two distinct zones under the administration of the two communities and argue that the property issue should be dealt with in accordance with the principle of respect for human rights. The Greek Cypriot side upholds the rights of the original owner and argues that all displaced persons from either community should have the right to have their properties reinstated. The Turkish Cypriot side underscores the rights of the current user and wants the issue to be resolved largely through global exchange and compensation (Gürel and Özersay 2006: 11). The property issue is also linked to the right to return. The Turkish Cypriot side believes that if the Greek Cypriots are allowed to return, it would be practically impossible to create a Turkish Cypriot constituent state.

The ECtHR in its landmark judgement on the Demopoulos case ruled that the current users have rights over disputed properties.

Under the Annan Plan, restitution, exchange and compensation were stated as the remedies. Negotiations have largely focused on the criteria to determine the use of appropriate remedy. The property issue has also been subject to numerous judgements by the ECtHR. In this respect ECtHR's rulings on two cases have largely drawn the lines within which negotiations have been carried out: Loizidou and Demopoulos cases (Grigoriadis 2016:3). The ECtHR in its landmark judgement on the Demopoulos case ruled that the current users have rights over disputed properties and recognised the Immovable Property Commission established

in 2005 by the TRNC as an effective domestic remedy which meant that this would have to be exhausted to make an application to the Court. The Demopoulos judgement has dealt a huge blow to the Greek Cypriot side's position which labelled the decision as political and has tried to prevent individual applications to the IPC. As of 23 May 2016, 6,286 applications have been lodged with the IPC, 762 of which have been concluded through friendly settlements. The IPC has paid a total amount of 22,420,189 Pounds in compensation (Immovable Property Commission 2016).

In the context of the negotiations currently underway, in July 2015, Akıncı and Anastasiades underscored the need to respect the individual's right to property and concluded that different options such as compensation, exchange and reinstatement should be on the table, the exercise of which should be based on agreed criteria (UN Cyprus Talks 2015). In addition, the leaders decided to create an independent property commission composed of an equal number of Turkish and Greek Cypriots to deal with property claims. In February 2016, UNSG Special Adviser Eide confirmed that there was 90 per cent agreement between the parties on how to resolve the property issue (Signalive 2016).

Settlement of the property issue also raises questions about how the property owners would be compensated. The estimated cost of settlement of property claims through compensation is 25 to 30 billion dollars. Financing compensation would require funding from the international community and international financial institutions. According to

TRNC President Akinci, the foreign ministers, who in recent months have flooded to the island in the hope of providing political support for a solution, have offered to help with funding. However, given the failure of the donors' conference convening ahead of the Annan Plan referenda in raising the much-needed funds for a comprehensive settlement back in 2004, the Turkish Cypriot side is cautious (Xinhua 2015). Therefore, a concentrated fundraising effort would have to be organised for financing a solution.

EU matters and permanent derogations

The EU matters chapter is one of the least problematic issues on the table. An *ad hoc* bi-communal EU Preparations Committee was launched by the leaders to prepare the Turkish Cypriot side for the implementation of the EU's body of laws (i.e. *acquis communautaire*). In July 2015, European Commission President Jean-Claude Juncker has appointed a Personal Representative to the UN Good Offices Mission to provide legal and technical advice for the talks.

However, there are a couple of issues that have been regarded as problematic under this chapter. The Greek Cypriots' rights to reside and buy property in the North have been seen as a major fault line among the two sides at the negotiation table. In order to preserve the bi-zonal and bi-communal character of the federation to be created following a settlement, the Turkish Cypriot side has sought permanent derogations from the EU *acquis* as regards the right to buy property and the right to reside. The Annan Plan foresaw the introduction of temporary derogations limiting the rights of Greek Cypriots to own property and to reside in the Turkish Cypriot constituent state for a period of 15 years. The Greek Cypriot side is strongly opposed to any limitations on what it perceives to be the fundamental rights of Greek Cypriots (Faustmann 2011:173-4). It is important to note that permanent derogations are viewed by the EU rather unfavourably and that derogations are likely to be accepted on a temporary basis. However, precedents regarding permanent derogations exist in Denmark, Malta and the Finnish Aaland islands. For instance, the right to reside in the Finnish islands of Aaland is only restricted to Swedish-speaking Finnish citizens. In Denmark, German citizens are subject to restrictions for acquiring second

A concentrated fundraising effort will need to be organised for financing a solution.

homes; similarly foreigners only who have been residing in Malta for over five years are allowed to acquire property (Tocci and Emerson 2002:39). The Commission, despite its rather negative attitude on derogations, could be inclined to accommodate derogations in order to facilitate a solution.

An issue of critical significance to the Turkish Cypriot side is that the prospective settlement deal be accepted as EU primary law. The rationale is to prevent the settlement deal from being challenged in EU courts on the grounds that certain provisions contradict with EU norms and principles. Unless accepted as EU primary law, the Turkish Cypriot side believes the prospective settlement deal could become void in a couple of years' time (International Crisis Group 2009: 18).

Territorial adjustments: Where to draw the borderline?

A major thorny issue that has been deliberately left to the final phase in the current round of the talks is the territory dossier. Given the sensitivity the issue entails for both sides, in an attempt to prevent speculation and misinformation by the Greek Cypriot media, TRNC President Akıncı argues that a “papal conclave” type of meeting, should be convened for discussions on territorial adjustments whereby he and his Greek Cypriot counterpart would be locked up until they reach an agreement (Akıncı 2015).

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For the last 42 years, 59 per cent of the total territory of the island has been under the jurisdiction of the GCASC, 37 per cent under the jurisdiction of the TRNC, 3 per cent under UN administration and the remaining 1 per cent under the administration of the UK (i.e. the Sovereign Base Areas of Akrotiri and Dhekelia). Both sides in principle recognise that any settlement will necessitate transfer of territory from the TRNC to GCASC and a new map would need to be produced; however it is not clear how much territory and more importantly which areas will be transferred. Where to draw the borderline between the two future constituent states remains highly problematic. Currently, it is estimated that

8 to 11 per cent of territory would need to be transferred to the future Greek Cypriot constituent state. Discussions on territory had mostly focused on Güzelyurt/Morphou and Maraş/Varosha on the southern edge of Gazimağusa/Famagusta and the Karpaz/Karpas Peninsula (Ker-Lindsay 2011:83).

According to the Set of Ideas proposal put forward in 1992 by the then UN Secretary-General Boutros Boutros-Ghali, which was regarded as the most elaborate proposal on territory, the Turkish Cypriot constituent state would have had 28.2 per cent. Furthermore the Ghali map foresaw the creation of a Greek Cypriot canton in the Karpaz/Karpas Peninsula and return of tens of thousands of Greek Cypriots to the North. It is important to note that the proposal was rejected by both sides. At the time, the Turkish Cypriot side indicated its position on territory as 29+ per cent (“Gali Fikirler Dizisi” 1992).

Under the Annan Plan, which was resoundingly rejected by the Greek Cypriot side, the Turkish Cypriot constituent state would have controlled around 29 per cent of the overall territory of the island. According to UN estimates, this would have allowed 54 per cent of Greek Cypriot displaced persons to return to their properties which would have been

Where to draw the borderline between the two future constituent states remains highly problematic.



Restricted area of the Green Line at the Gazimağusa/Famagusta district.



Two UN peacekeepers at a UN observation post.

under the jurisdiction of the Greek Cypriot constituent state, whereas a quarter of the population of the North would have needed to be relocated (Gürel and Özersay 2006:41).

The Turkish Cypriot side has traditionally opposed the transfer of Güzelyurt/Morphou. The Güzelyurt/Morphou plain being among the most fertile land in the North, has water resources and contains the majority of the island's orange orchards. The water resources in the area constitute strategic assets; therefore the Turkish side is not willing to see the Greek Cypriot side acquire strategic superiority at its expense.

Under the Annan Plan, the Turkish Cypriot constituent state would have controlled around 29 per cent of the island.

Following the failure of the Annan Plan, the Greek Cypriot side has tried to push for more substantial territorial adjustments than originally envisaged by the Annan Plan. In 2011, the then Prime Minister and current President of Turkey, Recep Tayyip Erdoğan criticised the Greek Cypriot stance and voiced opposition to the return of Güzelyurt/Morphou and Karpaz/Karpas (Milliyet 2011). Recent comments by Greek Cypriot leader Anastasiades that a settlement would not be possible

without the return of Güzelyurt/Morphou have caused controversy. TRNC President Akıncı criticised Anastasiades' comments as untimely given the fact that the issue had not been discussed in the negotiations (Cyprusscene 2016).

The issue of territorial adjustments is also emotionally-charged as it closely relates to the issue of the refugee returns. Furthermore, the Turkish Cypriots living in the land that can be transferred to the future Greek Cypriot constituent state will highly likely wish to relocate to the North. According to a public opinion survey carried out by the Cyprus 2015 initiative, 69 per cent of Greek Cypriots state that they would probably go back to their original homes if their property were in the Greek Cypriot constituent state whereas 73 per cent state that they would not consider going back if their property were in the Turkish Cypriot constituent state. Only 10 per cent of the Greek Cypriots seem determined to go back to their original homes regardless of whether they were located in the Turkish or Greek Cypriot Constituent state (Papadopoulou and Beyatlı qtd. in International Crisis Group 2010: 7).

The issue of territorial adjustments is emotionally-charged as it closely relates to the issue of the refugee returns.

Security and guarantees: How to strike a balance between the security needs of the two communities?

The issue of security guarantees is undoubtedly the thorniest issue on the table. The issue concerns the right of the guarantor powers to intervene in the island as well as the presence and number of troops on the island. Under the 1960 constitution, Turkey, Greece and the UK as the three guarantor powers, guaranteed the security, independence and the constitutional order of the then Republic of Cyprus. Furthermore, the Treaty of Guarantee, in case of a threat, gave the three guarantor powers the right to intervene unilaterally, if they failed to agree to act together. The Treaty of Alliance stipulated the establishment of a Turkish, Greek and Cypriot joint military headquarters and determined the number of Turkish and Greek troops to be allowed to remain on the island as 650 and 950 soldiers, respectively. In 1974 following the Athens-sponsored coup for *enosis*, Turkey was forced to invoke the Treaty of Guarantee and intervene militarily.

The issue of security guarantees is undoubtedly the thorniest issue on the table.

Major disagreements exist between the two sides regarding the current number of Turkish troops on the island. The total number of Turkish troops on the island is estimated to be around 21,000. However, the Greek Cypriot side claims that the size of the Turkish contingent is as large as 43,000 (International Crisis Group 2011:1).

The Annan Plan envisaged the gradual reduction of the troops on the island. Had the Annan Plan been endorsed in 2004, the size of each contingent would have been reduced to 6,000 by 2011 and to 3,000 by 2018. After that the total number of Turkish and Greek soldiers would have been limited to 950 and 650 to be reviewed every three years with the objective of their total removal.

As to the guarantees, the Greek Cypriot side is vehemently opposed to the continuation of the current guarantees system on the grounds that the existing guarantees system is outdated and in contradiction with the very principle of state sovereignty (Ker-Lindsay 2011:89). For the Greek Cypriot side, the Treaties of Alliance and Guarantee should therefore be discontinued. The Turkish Cypriots, for whom the memories of episodes of intercommunal atrocities committed in the 1960s are still fresh, security is a main concern. Turkish Cypriots, who fear for their safety in a reunified Cyprus, argue that the current system of security guarantees should not be lifted at least until Turkey becomes a member of the EU (Ker-Lindsay 2011:89). The issue has been deliberately left to be discussed at the end of the process. According to official statements, it is to be addressed at a five-party conference with the participation of the three guarantor powers; Turkey, Greece and the UK at the final stage of the talks.

It is important to note that the positions of the three guarantor powers will also play a role in determining the future security architecture of the island although the main actors will be the Turkish Cypriots and the Greek Cypriots. Greece's position on the issue is in line with that of the Greek Cypriot side. Stressing that the current system of guarantees is anachronistic, Athens calls for its discontinuation. According to Athens, complete withdrawal of the Turkish soldiers is *sine quo non* for a settlement (Hellenic

Finding the middle ground between the security concerns and threat perceptions of the two communities will not be easy.

Ministry of Foreign Affairs 2016). The British position on the issue of guarantees is more balanced. London has expressed its readiness go along with the security arrangements that both parties agree on and is willing to vacate half the land mass of its bases: Dhekelia close to Larnaca in the South and Akrotiri at the southern tip of the island (Hammond 2015). Turkey and the Turkish Cypriots while maintaining that continuation of Turkey's guarantee is crucial for the Turkish Cypriots do not clearly rule out the possibility of making changes to the 1960 Treaty of Guarantee (TRNC Presidency 2016). Given the fact that the new United Federal Cyprus will be bi-zonal, Turkey being a guarantor for the future Turkish Cypriot constituent state has been voiced as an option (Karahasan 2016).

Obviously finding the middle ground between the respective security concerns and threat perceptions of the Greek Cypriots and Turkish Cypriots will not be easy. However, TRNC President Akinci is optimistic that finding a creative formula, which would make the Turkish Cypriots feel secure while at the same not ring alarm bells on the southern part of the island, could be possible (TRNC Presidency 2016).

Citizenship: The question of immigrants from mainland Turkey

Although not dealt with under a separate chapter, the issue of citizenship and particularly Turkish citizens, who have immigrated from mainland Turkey to the TRNC since 1974, constitutes a major issue for Greek Cypriots. The Greek Cypriots, who pejoratively label the Turks, from mainland Turkey as “settlers”, have insisted that all mainland Turks, who have settled on the island since 1974, should be sent back to Turkey (Hannay 2005:43). The Greek Cypriots claim that sending large numbers of mainland Turks in the TRNC constitutes a deliberate attempt by Ankara to alter the ethnic balance of the island. The Greek Cypriot position is problematic for a host of reasons mainly because over 40 years have passed since immigrants from mainland Turkey have settled in the TRNC and the issue has become increasingly humanitarian. Ironically, the Greek Cypriots make no mention of the mainland Greeks who have settled in the South.

Under the Annan Plan, 45 thousand mainland Turks living on the island would have been allowed to remain.

Under the Annan Plan, 45 thousand mainland Turks living on the island would have been allowed to remain on the island. Within the context of the latest round of UN-sponsored talks, TRNC President Akıncı confirmed that all TRNC citizens would also be granted the citizenship of the prospective federal state (Akıncı 2015). This is quite important for the status of mainland Turks on the island, as it implies that all mainland Turks with TRNC citizenship will be permitted to stay on the island.

The economy of a reunified island

Regarded as one of the least problematic dossiers on the negotiation table, the parties will also have to agree on how to run a federal economy efficiently. Furthermore, the discrepancies between the two economies on the island would need to be addressed. Major international financial institutions such as the World Bank and IMF as well as the European Central Bank have been providing expert advice on the economic and financial aspects of a Cyprus settlement (Barber 2016). It is significant to see the IMF getting involved for the first time. The main issues on the agenda include post-settlement public finances, taxation and preparing the TRNC for switching to Euro (Today's Zaman 2016).

With the economy of TRNC heavily reliant on financial support from Ankara, it is expected that the post-settlement TRNC economy will need financial support over a transitional period. A settlement would put an end to the unfair economic isolation of the TRNC and allow it to trade freely with the rest of the world, and to benefit from EU funding. For the Greek Cypriots, gaining access to the vast Turkish market is seen as a huge opportunity. A viable settlement is expected to attract foreign investment to the island and generate huge benefits for the entire island in numerous areas including tourism, shipping, education, construction and real estate.

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