

Divided Cyprus: Coming to Terms on an Imperfect Reality

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Executive Summary

Talks have begun – yet again – on a settlement for divided Cyprus. To avoid another failed effort at a federation, new ideas are needed. The basic blockage is that Greek and Turkish Cypriots have separate lives, languages and infrastructure and fear a unified new administration would be more threatening than the peaceful status quo. In debate and new backstage diplomacy, they and the international community should test a route to a different unity, including through giving Turkish Cypriots full independence and EU membership. Thinking outside the box may persuade the sides they prefer a federation, not least because the smaller Turkish Cypriot state would be so weak. But a realistic new approach could also be the best way to take advantage of Turkey's new political will for a settlement, Greek Cypriots' need for a dignified escape from economic trouble and Turkish Cypriots' wish to be both in the EU and in charge of their own affairs.

Legitimising Turkish Cypriot self-determination has been taboo outside the Turkish Cypriot entity and its backers in Turkey. The Greek Cypriot majority that took exclusive control of the internationally-recognised Republic of Cyprus in 1964 remains utterly opposed in public to formal partition. Its position is backed by UN Security Council resolutions and Cyprus's network of allies, notably the EU, especially because of Turkey's 1974 invasion and the subsequent physical separation of the communities. Yet, in five rounds of mainly UN-facilitated negotiations over four decades, the sides have been unable to agree to reunify Cyprus according to the official parameters of a bizonal, bicommunal federation. Thousands of meetings in dozens of formats have resulted only in a glacial, incomplete normalisation of the de facto partition between the Greek Cypriot majority in the south and the Turkish Cypriots in the north.

Officials involved in the fresh round of talks since February 2014 say they are aiming for the lightest federation yet imagined. The chief Greek Cypriot and Turkish Cypriot negotiators have visited Ankara and Athens, opening an important new line of communication. But ill omens abound. Talks on just the opening statement dragged on for five months. Public scepticism is high. Suggested confidence-building measures, rarely achieved through negotiation anyway, have fallen flat. Natural gas discoveries south of the island are still minor and have done more to distract the sides than to unify them. Turkey and Greece, the outside powers with the greatest ability to help reach a deal, support the talks in principle, but their leaders have done little of the public diplomacy outreach that might make them likelier to succeed.

The status quo has proved durable and peaceful and is constantly improving. Nobody has been killed on the Green Line dividing the island since 1996. The main day-to-day problem is not so much the division of the island, but the non-negotiated status of the de facto partition. In private, business leaders on both sides and diplomats on all sides appear increasingly interested in a new framework for discussion. Turkish Cypriots voted in 2010 for a leader who openly favours maximum independence for their community. Some Greek Cypriots are privately ready to consider this option, although anger at the injustices of the Turkish invasion and strong nationalist rhetoric still rule the public sphere.

This report argues that the parties should informally consider the option of mutually agreed independence for the Turkish Cypriots within the EU. The feasibility of such an option depends on EU membership procedures that in this case would depend on the voluntary agreement of the Greek Cypriots, whose state is already a member, so has veto rights over a new candidate. To win that voluntary agreement,

Turkey and the Turkish Cypriots would have to offer much: to return long-occupied territory like the ghost beach resort near Famagusta; pull back all or almost all of Turkey's occupation troops; give up the international guarantees that accompanied the island's independence in 1960; offer guaranteed compensation within an overall deal on property that both sides still own in each other's territory; drop demands for derogations from EU law that would block post-settlement Greek Cypriot property purchases in any future Turkish Cypriot state; and acknowledge full Greek Cypriot control of territorial waters south of the island that have proven natural gas deposits.

The existing Republic of Cyprus and a new Turkish Republic of Northern Cyprus side by side in the EU might provide much of what Greek Cypriots and Turkish Cypriots actually want. There would be no federal government with cumbersome ethnic quotas that might anyway be struck down by the European Court of Human Rights. The prickly issue of the two thirds of north Cypriot properties owned by Greek Cypriots would become clearer and easier to resolve. If independent, the Turkish Cypriot entity would probably be willing to place its own limits on new Turkish "settlers" from the mainland. Turkey and Turkish Cypriots would likely have a defence arrangement, as is possible within the EU. And with a Cyprus settlement, the path of Turkey's own EU accession process would be open again.

Without a settlement, the frictions of the non-negotiated partition will simply continue. Turkey's EU relationship will stay blocked and the EU and NATO will remain unable to cooperate formally, due to diplomatic duelling between the Republic of Cyprus and Turkey, respectively members in only one of those organisations. Turkish Cypriots will live on in unjustified isolation. And Greek Cypriots will suffer a deeper economic depression, longer deprivation of property rights, costly obstacles in the way of natural gas development, diminishing leverage over Turkey and, perhaps worst of all, indefinite uncertainty.

Recommendations

To leaders of the communities in Cyprus and the governments of Turkey and Greece:

1. Encourage more open debate on all forms of a Cyprus settlement, especially an independent Turkish Cypriot state in the EU.
2. Pursue without delay direct contacts between all parties, especially through sustained visits by the Greek Cypriot and Turkish Cypriot chief negotiators to Ankara and Athens.
3. Encourage parliamentarians, business association leaders, media representatives and academics to exchange visits.

To leaders of the Greek Cypriot community:

4. Privately explore, alongside talks on federal reunification, a full range of settlement options within the EU framework, including recognition of an independent Turkish Cypriot state.
5. Find new ways to work with Turkish Cypriot institutions, starting with a unilateral lifting of the Republic of Cyprus's block on Turkish Cypriot direct, tax-free trade with the EU.

To leaders of the Turkish Cypriot community:

6. Bring the Turkish Cypriot administration and its legislation into conformity with the EU *acquis communautaire* (body of law).
7. Reciprocate any Greek Cypriot normalisation of official contacts.

To the government of Turkey:

8. Ensure a steady stream of reassuring public messages and meetings with Greek Cypriot officials and opinion leaders to persuade the Greek Cypriot community at large that Turkey seeks a fair and long-term settlement.
9. Suspend efforts to achieve unilateral international recognition of Turkish Cypriot institutions and focus on privately exploring terms with Greek Cypriots for a full range of settlement options, including an independent Turkish Cypriot state within the EU.
10. Unilaterally extend Turkey's EU customs union to Cyprus unilaterally by ratifying the Additional Protocol of the Ankara Agreement, thus normalising trade with Greek Cypriots and opening the half of Turkey's EU negotiating chapters blocked over this issue.

To the government of Greece:

11. Engage with Ankara to underline Greek Cypriot sincerity in seeking a deal and to outline how Turkey could use new public outreach to Greek Cypriots to advance a settlement.

To the UN, U.S., UK and the wider international community:

12. Support talks on a settlement between the two communities with the sustained wider participation of representatives of Turkey and Greece.
13. The EU should prepare to inform the sides, if asked, about how alternative settlements might fit into EU norms, including an independent Turkish Cypriot state within the organisation.
14. Keep the Cyprus agenda open to all forms of settlement that all sides can agree to, and offer to pass messages about and arbitrate on outstanding differences between the parties.

Nicosia/Istanbul/Brussels, 14 March 2014

Divided Cyprus: Coming to Terms on an Imperfect Reality

I. Introduction

A new round of talks on ending the Cyprus dispute started on 11 February 2014.¹ If they gather real momentum, they will become the sixth major attempt under UN sponsorship to find a settlement on the basis of a bizonal, bicomunal federation since 1977.²

The previous round started in March 2008. It initially paired Greek Cypriot leader Demetris Christofias and his Turkish Cypriot counterpart Mehmet Ali Talat, an old friend and fellow leftist. The leaders and their chief negotiators held more than 250 meetings.³ They created a framework of six main areas of negotiation, prepared early on by working groups and seven technical committees. A new crossing point was opened in central Nicosia and another in the north west of the island, important steps towards normalisation.⁴

Yet, the talks fizzled out, partly due to a slow start by Christofias; partly because in April 2010 Turkish Cypriots elected a new leader, Dervis Eroğlu, well-known to favour a two-state settlement, who suspended the negotiations when Cyprus took the six-month EU presidency in July 2012;⁵ and partly due to the March 2013 Greek Cypriot fiscal meltdown.⁶ Another reason, this report argues, is that the two sides have simply grown too far apart.

A new factor arrived with the election as president in February 2013 of Nicos Anastasiades. This pragmatic Greek Cypriot had risked his political career in an idealistic campaign for the 2004 reunification plan named for then-UN Secretary-General Kofi Annan. The Annan Plan was the closest Greek Cypriots and Turkish

¹ For previous reporting on Cyprus, see Crisis Group Europe Reports N°171, *The Cyprus Stalemate: What Next*, 8 March 2006; N°190, *Cyprus: Reversing the Drift to Partition*, 10 January 2008; N°194, *Reunifying Cyprus: The Best Chance Yet*, 23 June 2008; N°201, *Cyprus: Reunification or Partition?*, 30 September 2009; N°210, *Cyprus: Bridging the Property Divide*, 9 December 2010; N°216, *Aphrodite's Gift: Can Cypriot Gas Power a New Dialogue*, 2 April 2012; and Briefing N°61, *Cyprus: Six Steps Towards a Settlement*, 22 January 2011.

² See Appendix B for the main phases.

³ Kudret Özersay, "Exhaustion and Time for Change", *Peace Review: A Journal of Social Justice*, 24:4, November 2012, pp. 406-413.

⁴ "[The talks were] monumentally difficult. But more has been achieved than is recognised". Alexander Downer, Special Adviser to the UN Secretary-General, speech, House of Lords, London, 13 June 2012.

⁵ "The situation is there. Two areas, two peoples, two states, two nations and two separate religions exist in Cyprus. It is possible to reach a result by starting from these realities". Dervis Eroğlu, speech in Gaziantep, *Kıbrıs*, 26 December 2011.

⁶ "The [Republic of Cyprus] President's stated desire to resume the talks at that stage was deferred and the UN had to clearly express its understanding of these circumstances". Martin Nesirky, spokesman for UN Secretary-General Ban Ki-moon, statement, 4 February 2014.

Cypriots have ever come to settling the division of the island.⁷ Anastasiades's long-standing efforts to forge links with Turkish Cypriot and Turkish leaders offered hope of new impetus. But his leadership suffered a crippling blow when as a condition of an EU package to rescue the Cypriot financial system that collapsed in March 2013, he had to accept that some Greek Cypriots lost nearly half their bank deposits beyond the insured level of €100,000.⁸

In April 2013, the UN presented the two sides with 75 pages of "convergences" achieved in the 2008-2012 round of talks.⁹ These, published in Cypriot media, have neither been entirely repudiated nor embraced by either side. But whatever these often complex, unwieldy, conditional convergences tentatively seemed to approve, the principle in Cyprus negotiations has always been that nothing is agreed until everything is agreed.

The summer months of 2013 brought apparently hopeful signs. Anastasiades seemed to change the Greek Cypriot goal to a lighter federation, a scenario that Turkish Cypriots would be much likelier to accept.¹⁰ Greek Cypriot leaders refloat the idea of a confidence-building measure to restore the ghost city of Varosha from Turkish military control to its original, largely Greek Cypriot, owners. In return, Greek Cypriot officials said they would allow Turkish Cypriots to use Famagusta port for direct exports to the EU as part of a package that could include legalising some international flights to the main Turkish Cypriot airport.¹¹ The idea did not progress much beyond preliminary messaging.

Turkey began to express new interest in its EU accession process – the success of which is deeply dependent on resolution of the Cyprus issue – and the EU in 2013

⁷ Cyprus has been politically divided since 1963-1964, when the ethnic architecture of government broke down and obliged the then 20 per cent Turkish Cypriot minority to live in enclaves and ghettos without political representation. The communities were physically separated in 1974, when Turkey invaded to reverse an Athens-backed coup aimed at annexing Cyprus to Greece. Since then the Turkish Cypriots and Turkish army have controlled the northern 37 per cent of the island.

⁸ Cypriot banks had loaned huge amounts to local property developers and entities in Greece that could no longer repay. The crisis was compounded by prior fiscal mismanagement and the EU's decision to make Cyprus an example for other south European countries considering asking for bailouts. "The Eurogroup crippled him [Anastasiades]. It's criminal the way they treated them. How could he come back and lead, how could he negotiate?" Crisis Group interview, Greek Cypriot political activist, Athens, May 2013. "Of all his generation, he's the one who has shown himself most ready to kick [the process] down the road. But Cypriots were not reading the tea leaves. [The euro crisis produced] humiliation from the EU He felt completely deflated, lost his belief in doing things. He hit the buffers ... but so has everyone else". Crisis Group interview, senior European diplomat, Nicosia, June 2013.

⁹ "Convergences – 2008-2012", 30 April 2013, available at <http://bit.ly/1hpiuSo>.

¹⁰ "We are not going for a federal structure that will be overwhelmed with civil servants ... [normally] citizens would only have interactions in their daily life with the constituent states, which could even be delegated the authority to handle things like stamping passports at the border". Crisis Group interview, Andreas Mavroyiannis, Greek Cypriot chief negotiator, 12 September 2013.

¹¹ Currently only planes taking off from a Turkish airport can fly to Ercan airport (Timbiou in Greek). "Opening the ports is not important to us. Ercan airport is important. The [Turkish Cypriot] economy is based on universities and tourism". Crisis Group interview, Turkish official, Ankara, May 2013. "Let them [the Turkish side] come and propose it, and we will negotiate". Crisis Group interview, senior Greek Cypriot politician, Nicosia, June 2013. "If they put it on the table, we have spelled out conditions under which we would be ready to discuss it. We are, however, committed to legality, and respect thereof is *sine qua non*". Crisis Group interview, Andreas Mavroyiannis, Greek Cypriot chief negotiator, Nicosia, 12 September 2013.

opened a negotiating chapter for the first time in three years.¹² In June, Turkey allowed the Republic of Cyprus to compete in the Mediterranean Games that it hosted, even though it does not recognise that state, and the team consisted entirely of Greek Cypriots.¹³

The foreign ministers of Turkey and Greece took a major step forward in September, agreeing that the Greek Cypriot and Turkish Cypriot community negotiators could be received in each other's capital. This was to lay the basis of the first open, regular, direct channel of communication since the 1970s for contact between Greek Cypriot officials and Turkey. The meeting, originally scheduled for late October, was delayed amid mutual recriminations, but finally took place on 27 February 2014.¹⁴

On the island, direct negotiations between the communities facilitated by the UN were due to start in October 2013. They were held up, however, by a Greek Cypriot demand for a substantive joint declaration about desired end goals, like single sovereignty and single citizenship, and a Turkish Cypriot counter-demand for some acknowledgement of the communities' separateness.¹⁵ Illustrating the paradoxes in play in late 2013, Greek Cypriot spokesmen said for months that the talks had already restarted, while bitterly accusing the Turkish side of intransigence; Turkish Cypriots insisted the talks had not started but kept up a positive spin about progress. After major diplomatic encouragement of Turkish Cypriots by Turkey and of all sides by the U.S., everyone welcomed a joint declaration on 11 February 2014.¹⁶

Nevertheless, officials involved in the negotiations and committed to finding a settlement fear that emotional optimism disguises a lack of new content and absence of consensus on their real goal.¹⁷ New talk of a "light federation" cannot hide big differences in interpretation.¹⁸ Beşir Atalay, the Turkish state minister whose portfolio includes Cyprus, said "we tell the Turkish Cypriots we want you to get to the end, but

¹² "Turkey's leading role in transatlantic institutions is the primary pillar of its foreign policy ... the EU membership process has been re-energized". Ahmet Davutoğlu, "With The Middle East in Crisis, U.S. and Turkey Must Deepen Alliance", *Foreign Policy* (online), 15 November 2013.

¹³ Turkish Cypriots reacted bitterly. "The seriousness of the problem is underlined by the fact that we [reporters] couldn't even get accredited to the Mediterranean Games". "KTSYD'den olimpizm günü açıklaması" ["Olympics Day Statement from the Turkish Cypriot Sports Writers Association"], *Star Kıbrıs*, 24 June 2013.

¹⁴ Crisis Group had long pressed for this breakthrough, notably in Crisis Group Briefing, *Cyprus: Six Steps Towards a Settlement*, op. cit.

¹⁵ Anastasiades wanted "a new and defining High-Level Agreement, 34 years after the last one". "Downer's visit to the north irks Greek Cypriot side", *Cyprus Mail*, 17 December 2013. "There should be substance. We need concrete deliverables ... to really convince people, to restore trust [not] meetings for the sake of meetings". Crisis Group interview, Andreas Mavroyiannis, Greek Cypriot chief negotiator, 12 September 2013. The still-born Turkish Cypriot demand for explicit recognition of a separate sovereignty was "not about the right to secede but making sure that, if the future federation falls apart for any reason, neither side will have the capacity to represent the other or the whole of Cyprus". Crisis Group communication, Osman Ertuğ, senior Turkish Cypriot official, February 2014.

¹⁶ See Hugh Pope, "A Little Something New", Crisis Group blog, 11 February 2014.

¹⁷ "Nobody talks about details of a settlement. We focus on process. The U.S. and Turkey are pushing harder than people on the island". Crisis Group interview, Western diplomat, Nicosia, February 2014.

¹⁸ "When we say 'light federation' the federal level must have all those powers that are necessary for the existence of the state". Crisis Group interview, senior Greek Cypriot official, Nicosia, February 2014. "In public we say positive things, but I'm not hearing much new; I don't believe the talks [on federal reunification] will go on to the give-and-take stage". Crisis Group interview, senior Turkish Cypriot official, Nicosia, February 2014.

it can't be rushed ... the island isn't ready [to accept a federation]".¹⁹ Indeed, Turkish Cypriots are privately ambivalent, longing to be part of the EU but still wanting Turkish protection from the Greek Cypriots.²⁰ Greek Cypriot officials remain trapped between their deep scepticism about Turkey's intentions, their public's rejection of any hint of recognition of a Turkish Cypriot state and their state's urgent need to revive its flattened economy. A bicomunal civil society activist spoke for many observers:

I'm scared they're rushing it. Any deal is doomed. Nobody wants a federation. [Greek Cypriots] are allergic to the Annan Plan, which was the outcome of 40 years of talks, and you can't find any federal deal much different to it. It'll fail if it comes to referendum. But even if you succeed, and a federal deal is accepted, you'll have the next day when nobody will know what to do.²¹

Crisis Group has published seven reports between 2006 and 2011 in support of a bi-communal, bizonal federation and pointing out the costs of failing to reach it. This paper – the result of repeated research visits over the past year to both sides in Nicosia, Ankara, Athens, Brussels, London and Washington – is different. While there remains a strong wish on both sides for a settlement, it analyses why the current framework for talks has proved inherently fruitless and considers whether the critical mass for a federal breakthrough is indeed reachable.²² It poses and seeks to answer new questions: whether as an alternative to the drift deeper into de facto, non-negotiated partition, a start should be made to a public debate on independence for the self-declared "Turkish Republic of Northern Cyprus" ("TRNC") within the EU; whether in parallel to the current UN-facilitated process on a federal settlement, officials should informally explore such a deal; and if so, on what terms it might be achieved.

¹⁹ Crisis Group interview, Ankara, February 2014.

²⁰ Crisis Group interview, Nicosia, February 2014.

²¹ Crisis Group interview, Istanbul, February 2014.

²² "We are reaching the end of our patience". Crisis Group interview, Western diplomat, Nicosia, February 2014.

II. The Limits of Federal Reunification

Almost every method has been tried in the four decades of negotiations on a unified political settlement. Nothing has worked, including imperious British fiat, outside arbitration, neutral UN mediation, and Cypriot-led, locally-owned processes. Perhaps the only idea not tried has been to turn the process over to women, so far almost completely excluded from any active role.²³

Thousands of meetings have been held between all kinds of leaders, from businessmen to priests. These have included those who favoured and opposed compromise settlements in all combinations. They have talked directly in their homes, in the Green Line buffer zone, in proximity talks through intermediaries, side by side in luxury Swiss hotel rooms, in the UN's New York headquarters and via "blame game" battles in the media. Turkish Cypriot chief negotiator Kudret Özersay pointed out that they have attended working breakfasts, lunches and dinners and come with and without spouses, and with and without (once, by UN order) neckties. Özersay once even proposed swapping seats with his Greek Cypriot counterpart, just to prove how both sides knew the other's positions by heart.

Almost all alternatives concerning plans for a solution within the framework of the existing UN basis have also been exhausted ... the parties and the UN have tried thousands of "Non-Papers", "Food for Thought" papers, "Convergence papers", "near convergence papers", "outline papers," and "opening statements of the Secretary-General" ... if the parties are to resolve the Cyprus problem, then they must be given the flexibility to discuss other alternative solution models that presently lie beyond the existing UN basis for a negotiated settlement.²⁴

A. *Fraying Parameters*

The complex ethnic checks and balances in Cyprus's constitution at independence in 1960 broke down after just three years. Since then, various models of settlement have been publicly discussed. Popular opinion on the island is divided, but federal reunification is nobody's first choice. Greek Cypriots strongly support a unitary state, but that is rejected by most Turkish Cypriots. A two-state solution is generally supported by Turkish Cypriot public opinion, but rejected by Greek Cypriots. Greek Cypriots strongly oppose partition, but, in effect contradicting this, they also oppose most elements of a bizonal, bicomunal federation. More tellingly, perhaps, a majority on both sides does not want to share power with the other at all.²⁵

²³ "The negotiating teams have always been male dominated and Cyprus women had been excluded from any substantial participation therein ... I really feel shame over this tragic situation". Erato Kozakou Marcoullis, former foreign minister, Republic of Cyprus, "Where are the Women in the Negotiations for Peace" seminar, 12 November 2013, <http://on.fb.me/1gvpQWP>.

²⁴ Kudret Özersay, "Exhaustion and Time for Change", *op. cit.*, pp. 406-411.

²⁵ Turkish Cypriots see a consensual separation with both states in the EU as the ideal outcome (79 per cent) and better than the Turkish Cypriot interpretation of federation (69 per cent), while interim solutions such as Taiwanisation or Kosovoisation are rejected as half measures (50 per cent and 46 per cent respectively). Greek Cypriots see consensual separation as entirely unacceptable (79 per cent), but do not support key stated goals of the talks: political equality (32 per cent), a federal government (31 per cent), bizonality (19 per cent), bicommunality (18 per cent), and equal constituent states (15 per cent). As for both communities sharing power, 58 per cent of Greek Cypriots and 54 per cent of Turkish Cypriots are opposed. "Cyprus 2015: Research and Dialogue for a Sustainable Future", Interpeace, December 2010.

Negotiators have therefore focused on how to bring to life a formula that opinion surveys indicate is the second-best choice for both communities: a “bizonal, bicomunal federation” with “political equality”.²⁶ Polls nevertheless show an upward trend in both communities of those who would vote “no” in a referendum if their leaders actually sealed any such federal deal.²⁷

At times negotiators have leaned towards a closer federation, as in the 2008-2012 Christofias-Talat round that at its outset was the first time since 1974 that all three main parties (Greek Cypriots, Turkish Cypriots and Turkey) were genuinely and concurrently seeking a settlement.²⁸ The more recent talks between Anastasiades and Eroğlu seem to aim for a lighter federation.²⁹ Once again the UN is showing impatience with the inconsistent overall approach, with envoy Alexander Downer saying in April 2012 that the world body “does not see any value in scheduling leaders’ meetings unless there is a clear indication from both sides that there is something substantial to be concluded”.³⁰

For months in late 2013, resumption of talks was held up over a fundamental difference in approach. Greek Cypriots insisted on an initial joint leader’s statement that the new federation should have a single sovereignty – something that most rounds of talks have in principle agreed on as a goal. Turkish Cypriots pointed out that 65 per cent of them voted for a single sovereignty in the Turkey-backed Annan Plan referendum in 2004, but before agreeing to it again, they insisted on a nod towards residual sovereignty in case the new federal entity were to break down as in the 1960s.³¹ Given the mistrust and history of conflict – and the reality that Turkish Cypriots already run their own affairs – the demand for a pre-nuptial agreement

²⁶ The concepts, if not the full term, date back to “high-level agreements” in 1977 and 1979, endorsed by the UN and theoretically accepted by both sides. For the purposes of this paper, it and the term “confederation” are taken to mean roughly the same thing, that is, a federation, which is by its nature bizonal, and in the Cypriot case, bicomunal, since it involves two nearly homogenous populations that use different languages, follow different religions and belong to different ethnicities. The goal of federation – but undefined – is said to be supported by 79 per cent of Greek Cypriots and 76 per cent of Turkish Cypriots. However, 92 per cent of Greek Cypriots still prefer a unitary state, and 90 per cent of Turkish Cypriots still support a two-state solution. Both view the other’s interpretation of federation as worse than the status quo, though 53 per cent of Turkish Cypriots reportedly could support the Greek Cypriot interpretation, and 65 per cent of them voted for the Annan Plan version in 2004. Ibid.

²⁷ Greek Cypriots moved from 34 per cent “no” in January 2009 to 51 per cent “no” in March 2012. Turkish Cypriots moved from 38 per cent “no” to 42 per cent “no” in the same period. “Understanding the Public Dimension of the Cyprus Peace Process”, Interpeace, December 2012. Only 38 per cent of Greek Cypriots and 43 per cent of Turkish Cypriots “somewhat” or “strongly” agree with the bizonal, bicomunal federation concept. “Cyprus 2015”, op. cit.

²⁸ This was “the only time that there appeared to be genuine commitment by all three sides to work together to find a solution – and again, this is open to dispute”. Hubert Faustmann, “Can the Cyprus Problem Be Solved”, *The Cyprus Review*, fall 2013, p. 3.

²⁹ President Anastasiades believes “the less the areas of friction in the [new] state, the better ... a loose, devolved federation is much stronger than one with a complex administration”. Crisis Group interview, senior Greek Cypriot politician, Nicosia, June 2013.

³⁰ Transcript of Remarks by Special Adviser to the Secretary-General Alexander Downer following his meeting with the Secretary-General, Nicosia, 27 April 2012. <http://bit.ly/1f8C859>.

³¹ “The Greek Cypriots, after having usurped the partnership Republic of 1960, have run away with the title of Republic of Cyprus, keeping the Turkish Cypriots out of the international system in the last 50 years The Greek Cypriots say that if we have sovereignty, we’ll run away with it. We ask, who ran away? We have to agree on an off-ramp, just in case”. Crisis Group interview, senior Turkish Cypriot official, Nicosia, November 2013.

seems understandable, but it was rejected by even some progressive, pro-solution Greek Cypriots; the *Cyprus Mail* said, “we cannot be discussing the terms of a future divorce”.³²

Still, under U.S., UN and wider international pressure, the two sides squared the circle. The Greek Cypriots won mention of agreement on single sovereignty, international identity and a repudiation of secession. The Turkish Cypriots won mention of the ideas that sovereignty emanated equally from Greek Cypriots and Turkish Cypriots, the federated units would be politically equal, and neither future entity would have any jurisdiction over the other. And for both sides, as usual, it was “nothing is agreed until everything is agreed”.³³

Many insiders view this process cynically. A veteran Turkish Cypriot negotiator said, “the talks maintain and preserve the Cyprus status quo. So when you fail, you start again The UN parameters are the tool we always use against each other It’s like a tennis match”.³⁴ A former Turkish government minister put it bluntly:

The whole current set-up is based on not solving the problem We can’t help the two sides more than they want to help themselves ... the international community is waiting for a new idea, everyone, the Turks, the Greek Cypriots, the Turkish Cypriots. Someone’s just got to shake them out of their cycle.³⁵

A Greek Cypriot academic researcher warned that the underlying popular will to reunite had been undermined years ago:

While in the 1990s an energetic bicomunal movement for change emerged, seeking to address the past and look to a shared future through dialogue and bicomunal activities, it had limited impact on society at large. This was largely due to the “damage” done by history, and the biased presentation of this history on both sides, especially through the education systems. There is undeniably a presentation of opposed historical claims. Indeed, in the divided capital, there is on each side a Museum of National Struggle, the historical narratives of which express both sides’ official constructions of the past, ending up with totally opposed stories ... practically every conceivable formula has been attempted to accommodate the interests of Greek- and Turkish-Cypriots ... each attempt at “solving” the island’s problem has failed.³⁶

B. *Measures of Lost Confidence*

The Greek Cypriot and Turkish Cypriot communities strongly desire a settlement of some kind, but they do not believe the federal deal on offer can ever actually be agreed or implemented.³⁷ Distrust is intense, and both fear domination by the other.³⁸

³² “Our View: Turkey’s waiting game maintains status quo”, *Cyprus Mail*, 12 December 2013.

³³ For the joint declaration, see <http://bit.ly/1cHFz22>.

³⁴ Crisis Group interview, Nicosia, June 2013.

³⁵ Crisis Group interview, Ertuğrul Günay, former Turkish tourism and culture minister, Ankara, July 2013.

³⁶ Nicola Solomonides, “One State or Two? The Search for a Solution to the Cyprus Problem”, *International Public Policy Review* 4:1, September 2008, pp. 67, 71.

³⁷ More than 70 per cent of respondents from both communities want a settlement of some kind. “Cyprus 2015”, op. cit. 84 per cent of Greek Cypriots and 70 per cent of Turkish Cypriots believe “the other side would never accept the actual compromises and concessions that are needed for a

Leaderships seeking to show their populations some kind of progress toward a settlement often revive elements of a rich, long-discussed menu of possible confidence-building measures.³⁹ None have progressed far, least of all negotiated steps to build trust in federal reunification. The slow pace of any change merely reinforces popular scepticism.

The incremental steps adopted by both sides have generally only normalised the divided status quo.⁴⁰ Usually these measures are done unilaterally, like the 2003 Turkish Cypriot decision to allow Cypriots to cross the Green Line dividing the island. A few exceptions came in 2008, with the opening of the city's Ledra Street and establishment of seven useful day-to-day technical committees on issues like policing and medical emergencies. Even demining the front line in the 2000s – often seen as one of the most successful confidence-building measures – was the result of unilateral gestures on both sides and is incomplete.⁴¹

In recent years, diplomats have often tried and failed to package elements that would restore the ghost resort of Varosha near Famagusta to its mainly Greek Cypriot owners and to legalise the Turkish Cypriot airport.⁴² Other possible confidence-building measures that currently appear dead in the water are the Republic of Cyprus allowing full access for Turkish Cypriot goods to the EU (Direct Trade); Turkey fulfilling its EU commitment to extend its EU Customs Union to Cyprus (the Additional Protocol of the Ankara Agreement);⁴³ Turkey's offer to extend a major fresh water pipeline opening in 2014 to Greek as well as Turkish Cypriots; and possible Turkish troop withdrawals.⁴⁴ But the easiest confidence-building steps – empathetic public rhetoric and outreach to Turkish Cypriots by the Greek Cypriots, or to the Greek Cypriots by Turkey – have rarely been tried.

fair and viable settlement", and 82 per cent of Greek Cypriots and 68 per cent of Turkish Cypriots believe the other side would not honour an agreement, and it would fail. Ibid.

³⁸ Polls show high mistrust (84 per cent Greek Cypriot, 70 per cent Turkish Cypriot) and concern about dominance by the other side (87 per cent and 59 per cent respectively). Ibid.

³⁹ "All these [parameters for confidence-building measures] oscillate in the minds of Greek Cypriots, because of this lack of trust. [Opening the ghost resort of] Famagusta would change that". Crisis Group interview, senior Greek Cypriot politician, Republic of Cyprus, Nicosia, June 2013. For discussion, see Crisis Group Briefing, *Cyprus: Six Steps Towards a Settlement*, op. cit.

⁴⁰ Confidence-building discussions are so minimalist that "this is not seeing the trees [and not the forest]; this is just looking at the leaves". Crisis Group interview, Democratic Party (DIKO) activist, Nicosia, June 2013.

⁴¹ The removal of the 27,000 mines between 2004-2011 is described in a UN document, <http://bit.ly/18Ebyei>. Four minefields remain closed to the demining effort, three Greek Cypriot and one Turkish; others remain outside the buffer zone. "Report of the Secretary-General on the United Nations operation in Cyprus", 30 December 2013.

⁴² "Our negotiating strategy is to exchange territory for recognition of our status. What status are we being offered in return for giving back Varosha? None. Likewise, [recognition of] Ercan [airport] doesn't mean much to us any more [because it's already so busy]". Crisis Group interview, senior Turkish Cypriot official, Nicosia, February 2014.

⁴³ For details on how Turkey could easily do more to implement the Additional Protocol, see Mensur Akgün, "Possible Scenarios in Cyprus: Assuming there is no solution", Turkish Economic and Social Studies Foundation (TESEV), February 2012.

⁴⁴ These are set out in Crisis Group Briefing, *Cyprus: Six Steps Towards a Settlement*, op. cit. "They [European officials] said something to us about army withdrawals, but we didn't listen to such things, and won't listen to them either". Prime Minister Recep Tayyip Erdoğan, statement, Brussels, 21 January 2014.

Smaller, more local confidence-building measures continue to prove that Greek Cypriots and Turkish Cypriots live and interact peacefully, at least while residing independently from each other. For instance, in the last six months of 2013, reciprocal visits by the Orthodox Christian and Muslim leaders reached a new level. A common feature is that the international community supports or pays for such events, as when the UN brought the mayors of both sides of divided Nicosia to a first joint social event in a UN-run hotel in the buffer zone; the international football association (FIFA) helped the Turkish Cypriot association provisionally agree to work through the Greek Cypriot one; and the UN Development Programme (UNDP) brought together 60 business and civic leaders in Malta.⁴⁵ Still, while providing welcome signs of normalisation and calls for mutual cell-phone roaming, these initiatives did little to prove that the two communities planned or wanted a federal future.

C. *Hopes of a Gas Windfall Fuel Divisions*

A large natural gas deposit discovered in deep waters south east of Cyprus in 2011 raised hopes that all would be motivated to come to terms by the potential reward of shared riches. In principle, the sides have declared that any benefit of such natural resources would be a shared resource, operated by the future federal government. Absent political obstacles – a big if – the cheapest, quickest, most secure and profitable export market would be by pipeline to Turkey.⁴⁶ Instead of using this gift of nature as a spur for reunification, however, it has been instrumentalised in a way that again deepens partition between the communities.

Turkey's aggressive rhetoric has rekindled Greek Cypriots' deep fears of military action. It threatened physically intimidating measures, including laying claim to areas south of the island and saying it would drill in them "on behalf of" the Turkish Cypriots.⁴⁷ It carried out seismic tests in internationally recognised Republic of Cyprus waters, delineated a continental shelf with the "Turkish Republic of Northern Cyprus" and kept warships on active duty in international waters.⁴⁸ Nevertheless, it acted with some caution, usually keeping its vessels and aircraft more than ten miles from the drilling rig on the Aphrodite field.

Turkish Cypriots asked for the hydrocarbon development issue to be discussed in a joint working group, but the Greek Cypriots refused and are also not enthusiastic about the Turkish Cypriot hope that a share of any future income could help compensate Greek Cypriots for their lost property.⁴⁹ Indeed, Greek Cypriots have so far developed their gas resources unilaterally, with the EU and the U.S. supporting the

⁴⁵ For FIFA's still provisional breakthrough, see "Turkish Cypriot officials agree on FIFA's proposal for football union in Cyprus", *Hürriyet Daily News*, 29 November 2013.

⁴⁶ See Crisis Group Report, *Aphrodite's Gift*, op. cit.

⁴⁷ "It is for this [reason] that countries have warships. It is for this that we have equipment and we train our navies". Turkey's former Europe Minister Egemen Bağış, "Turkey to freeze EU ties if Cyprus gets EU presidency", Reuters, 18 September 2011.

⁴⁸ Most recently, a Turkish warship on 1 February warned a Norwegian vessel doing seismic research for France's Total south west of the island to abandon its position. "FM states that incident in Cyprus' EEZ is unacceptable", Cyprus News Agency, 3 February 2014.

⁴⁹ "Someone has occupied half your home. You find something in your back yard, [and the occupier says], 'I'm going to use that revenue stream to pay off my debt'. For something [the occupier has] been violating for 40 years! The Turkish Cypriots have rights to the reserves, but let's solve it in a manner the Greek Cypriots can accept". Crisis Group interview, senior official, Republic of Cyprus, Nicosia, June 2013.

republic's sovereign right to do so (while calling for equitable sharing of eventual benefits among all Cypriots). Greek Cypriots promise future revenue sharing but usually say they want a settlement, or a good prospect of one, before discussing this.⁵⁰ If they mean to use a share of the gas as an inducement for cooperation, it would be more convincing to involve the Turkish Cypriots from the start. Turkish Cypriot and Turkish officials say they perceive the unilateral gas development as partition by another name.⁵¹

Unfortunately for all, gas volumes are relatively modest. Political and commercial complexities "render East Mediterranean gas an unlikely game-changer for international gas markets".⁵² The second well drilled by Noble Energy into Aphrodite revealed that the field may contain less than hoped.⁵³ This undermines Cypriot plans to build an expensive liquefied natural gas (LNG) plant, at least until more is found. In the short term, both sides may be left with little.⁵⁴

The availability of East Mediterranean gas reserves ready for export in Israeli waters is not yet helping Cyprus either. An option being considered by the developers and the Israeli government that could benefit the island is a pipeline through to Turkey.⁵⁵ The Turkish market is attractive because of the country's strong demand for natural gas, especially in the south, and predictions the long-term price of LNG will fall. Turkish companies are proposing to build and finance the pipeline, offering potential benefits to Greek Cypriots.⁵⁶ However, such plans are hostage to the overall

⁵⁰ Former President Christofias went a step further, saying "as President I guarantee that before a solution ... that if we have revenue, we will see in which way we can use the revenues for the benefit of the two communities". Cited in "Cyprus promises to share gas benefits with north", Reuters, 22 September 2011.

⁵¹ "Turkish Cypriots didn't believe declarations that revenues would be shared after solution ... so this turned out to be a matter for separation rather than coming together". Hayriye Kahveci, Turkish Cypriot academic, speech to United Democrats party meeting, Nicosia, 16 November 2013. "If they behave according to this claim, we are ready to negotiate a two-state solution. Then these two states will meet in the EU". Foreign Minister Ahmet Davutoğlu, letter, "Turkey ready to negotiate two-state solution for Cyprus: Turkish FM", *Hürriyet Daily News*, 28 March 2013.

⁵² Hakim Darbouche, Laura El-Katiri and Bassam Fattouh, "East Mediterranean Gas: what kind of game-changer?", The Oxford Institute for Energy Studies, December 2012.

⁵³ After a first well, mean possible reserves were 7 trillion cubic feet (tcf); now they are 5 tcf. Another well will likely be drilled in 2014. Tests on blocks leased to a consortium of Italy's ENI and Korea's Kogas, and others leased to France's Total will give results over the next few years.

⁵⁴ "There is no proper plan for the LNG [liquefied natural gas] plant. They don't have the expertise, and they don't know what expertise they don't have. They've started with the end-point of LNG, they just want to get rich quick". Crisis Group interview, senior European diplomat, Nicosia, September 2013.

⁵⁵ See Hugh Pope, "Israel's plan to bring Turkey and Cyprus together", Crisis Group blog, 17 September 2013.

⁵⁶ "Turkish companies working on the Israel-Turkey pipeline are exploring how to channel some of the early revenues from the pipeline [to help the planned Greek Cypriot] LNG terminal overcome the serious financial obstacles it currently faces The Turkish companies believe this collaborative approach could allow for a grand bargain in which Cyprus would grant permission for the pipeline to cross its continental shelf Turkish companies working on the pipeline are willing to include Greek or potentially Greek Cypriot construction contractors in this project". Crisis Group interview, Matt Bryza, board member of Turcas Petrol and former U.S. deputy assistant secretary of state, Nicosia, January 2014. The Turkish developer of the pipeline said he wanted it to be a force for peace. Crisis Group interview, Erdal Aksoy, chief executive, Turcas Petrol, September 2013. For more on the Turcas proposal, see Matthew J. Bryza, "Eastern Mediterranean Natural Gas: potential for historic breakthroughs among Israel, Turkey, and Cyprus", *Turkish Policy Quarterly*, vol. 12, no. 4, winter 2013.

quality of the Turkey-Israel relationship, much degraded since 2008.⁵⁷ Also, any pipeline would have to pass through the Republic of Cyprus's exclusive economic zone. Permission for this is unlikely to be granted by any Greek Cypriot leader in the absence of a Cyprus settlement.⁵⁸

D. *A Conflict That Has Partly Solved Itself*

The Cyprus dispute is one of the world's most peaceful frozen conflicts, despite the political rhetoric and the costly burden that it is for the parties. A slow, steady de facto normalisation has produced many of the benefits that would be associated with a political settlement, though a two-state kind of settlement with almost no reintegration of the communities. Nobody has been killed since 1996; only ten have died since 1974.⁵⁹ A bicomunal committee is identifying the remains of the missing casualties from the 1963-1974 violence.⁶⁰ In 2013, both sides cancelled for the sixth year running their once vigorous annual military exercises.

Ceasefire violations along the Green Line typically consist only of a new line of sandbags here, too many men in a sentry box at a certain time there or insults hurled across the barbed wire by bored young conscripts on Saturday nights.⁶¹ Nevertheless, without a settlement, it would be unwise to remove the 860 soldiers and 69 police of the UN Force in Cyprus (UNFICYP), now 50 years old and still an essential referee respected by both sides for ironing out disputes.⁶²

The Green Line dividing the island was opened to civilians of both sides in 2003. Greek Cypriot and Turkish Cypriot vehicles can cross easily at any time. Most European, North American and other tourists who do not need Republic of Cyprus visas can cross freely as well. Visitors throng shops and cafés in regenerated pedestrian districts on both sides of the heart of the divided capital, Nicosia.

⁵⁷ "We have come to an end to how much we can negotiate under the table". Crisis Group interview, Israeli official, Nicosia, November 2013.

⁵⁸ Crisis Group interview, John Roberts, energy security analyst, Istanbul, January 2014. Theoretically, the UN Law of the Sea Treaty does not require permission for the laying of pipelines on the seabed. In practice, however, the Republic of Cyprus's consent is needed. Crisis Group interviews, Turkish and Cypriot officials, Ankara and Nicosia, September and November 2013. "We need a fair, sustainable and functional solution first. A potential solution will open up an unbelievable array of possibilities". Crisis Group communication, Yiorgos Lakkotrypis, energy, commerce, industry & tourism minister, Republic of Cyprus, February 2014. Other obstacles to the Israel-Turkey pipeline are listed in Theodoros Tsakiris, "Shifting Sands or Burning Bridges? The evolution of Turkish-Israeli relations after the Mavi Marmara incident and the strategic energy calculations of Greece and Cyprus", Center for European and International Affairs, University of Nicosia, 6 February 2014.

⁵⁹ According to Crisis Group open source research, four Greek Cypriot national guardsmen, three Greek Cypriot civilians, two Turkish Cypriot soldiers and a Turkish soldier were killed on the Green Line between the 16 August 1974 ceasefire and 1996.

⁶⁰ As of 15 December 2013, archaeologists had exhumed the remains of 1,012 individuals. The remains of 475 individuals have been returned to their families, 137 of them in 2013, the committee's most successful year.

⁶¹ Minor technical ceasefire violations fill a page or two in a daily official report. Crisis Group interview, UN official, Nicosia, July 2013.

⁶² UNFICYP intervened in 1964 to protect Turkish Cypriots from Greek Cypriot militias. One third of its \$56.6 million year's budget to 30 June 2014 is covered by the Republic of Cyprus, one sixth by Greece and the rest by contributions assessed on the whole UN membership. "It plays a crucial role, exercising authority in the buffer zone and contributing to keeping the calm and resolving issues that affect everyday life in both communities". "Report of the Secretary-General", op. cit.

The two sides have long cooperated over the capital's waste water, which flows into the Turkish Cypriot north. Emergencies elicit a quick response, partly because Greek Cypriots make an exception for pre-1974 Turkish Cypriot entities like the chamber of commerce and municipality. Joint action to solve power outages in the south and fight an oil slick in the north show how the two distinct entities can work normally once political obstacles are removed.

This self-solving dynamic even applies to the Turkish Cypriot airport of Ercan. In theory, no one recognises it except Turkey and the "TRNC", but it is not much less busy – servicing flights from Turkey – than the main Republic of Cyprus airport in Larnaca. Even though the Cypriot government rules out its legalisation, ever more thousands of Greek Cypriots are quietly using it, since international connections through Istanbul are typically faster, more comprehensive and half the price of alternatives through Larnaca or Athens. If Greek Cypriots still struggle with their feelings about Turkey, the same no longer seems to apply to Turkish Airlines, for whom half a dozen Greek Cypriot pilots now work.

E. *The Reality: Exhaustion*

However much the divided island is normalising itself, and even though some Turkish, Greek and Cypriot leaders are privately willing to come to terms, both sides on the island share a chronic "legacy of distrust from the violent past of the 1950s, 60s and 70s and a zero sum perception of the negotiations".⁶³ The self-contradictory rhetoric of a process that has lost its way is apparent in a Greek Cypriot spokesman's statement as the talks broke down again in December 2013: "when it comes to the Cyprus problem, one could be very close and at the same time very far".⁶⁴

The Greek Cypriots' 76 per cent rejection in 2004 of the UN's Annan Plan is hard to overcome. As the then Secretary-General said in his report at the time, "[w]hat was rejected was the [federal] solution itself rather than a mere blueprint".⁶⁵ When Demetris Christofias became the Cyprus president in February 2008, he never reversed his 2004 opposition to the plan and refused to allow any of its agreed compromises to be used as a basis for new discussion.⁶⁶ When Nicos Anastasiades, who had nearly lost his political career by supporting the plan, was elected in February 2013, he pledged allegiance to "the 76 per cent".⁶⁷

Untying this knot of contradictions is difficult because no Greek Cypriot president has been able to win an outright, first-round majority for the post. This means they are beholden to a third party, usually the Democratic Party (DIKO), which tends to take the most uncompromising line on a settlement.⁶⁸ Greek Cypriot media

⁶³ Hubert Faustmann, "Can the Problem be Solved?", op. cit., p. 2.

⁶⁴ Cyprus government spokesman Christos Stylianides, cited in "Deal Close Yet So Far", *Cyprus Mail*, 15 December 2013.

⁶⁵ "Report of the Secretary-General on his mission of good offices in Cyprus", UN Security Council, S/2004/537, 28 May 2004.

⁶⁶ "I blame Christofias ... he thought Turkey would guarantee the re-election of Talat [in 2010]". Crisis Group interview, diplomat, London, June 2012.

⁶⁷ "[Greek Cypriots] are in a functional dead end. What they want is partition, but they can't bring themselves to negotiate it". Crisis Group interview, European academic working in Cyprus, November 2013.

⁶⁸ "In Cyprus, you have a suffocating little world". Crisis Group interview, Greek official, Athens, June 2013. According to commentator Loucas Charalambous, the need to cater to DIKO was why

has long been notoriously hardline (as are some Turkish Cypriot outlets).⁶⁹ In 2013, Anastasiades even bound himself to submit any settlement to the National Council of all parties and former presidents.⁷⁰

On the Turkish Cypriot side, the idea of a compromise federal settlement has been losing support since it peaked during the Annan Plan period in 2004 and Mehmet Ali Talat's 2005-2010 "TRNC" presidency. That office was won in April 2010 by the veteran politician Dervis Eroğlu, a former medical doctor chosen by an electorate fully aware of his unwavering support for a two-state settlement. Even a senior Turkish Cypriot official who had worked with President Talat for a federal settlement said, "this process cannot go on forever. As people who believe in reunification, we'll do our utmost for a settlement that protects our rights. But if it fails, then we want the international community to meet with the two sides to talk about it".⁷¹

The two communities have grown apart.⁷² Few Cypriots now speak both languages, and translators are increasingly needed in the various levels of the negotiations, as lack of English fluency slows proceedings.⁷³ Although the opening of the boundary in 2003 spurred a rush of visits, these have steadily fallen.⁷⁴ The number of Turkish Cypriots taking up the offer of free health care for all who register for Republic of Cyprus citizenship has fallen to less than half its peak.⁷⁵ Taking a call after the temporary Turkish Cypriot closure of a crossing point because of a "computer malfunction" one Saturday morning, a transparently fabricated excuse in revenge for a perceived Greek Cypriot slight elsewhere, a senior Greek Cypriot official said, "I used to enjoy these mind games. But now I'm getting tired of it".⁷⁶

President Anastasiades spelled out demands that delayed beginning the talks in autumn 2013. "A curious war over a notorious joint statement", *Cyprus Mail*, 10 November 2013.

⁶⁹ "The situation is made all the more testing by the mass media in Cyprus. In this context, and in their majority, the media is part of the problem, and not part of a solution". Hubert Faustmann, "Can the Problem be Solved?", op. cit., p. 2.

⁷⁰ "Allowing collective decision-making at National Council a recipe for disaster", *Cyprus Mail*, 21 June 2013.

⁷¹ Crisis group communication, January 2013.

⁷² Interviews with 50 Greek Cypriot and Turkish Cypriot opinion shapers showed "a growing disconnect ... there is little hope on either side for resolution ... most people view some version of the current status quo as the most likely scenario". Rebecca Bryant, Christalla Yakinthou, "Cypriot Perceptions of Turkey", TESEV, August 2012.

⁷³ Crisis Group interview, UN official, Nicosia, June 2013.

⁷⁴ 1.27 million official crossings were recorded for June 2012 to June 2013, down from 1.54 million, May 2011 to May 2012 and a high of "over four million", April 2003-May 2004. "Reports of the Secretary-General on the United Nations operations in Cyprus", 30 November 2011-5 July 2013.

⁷⁵ There are now less than 500 Turkish Cypriots registered, mostly because Greek Cypriots made it conditional on three years of social security contributions. "Number of Turkish Cypriots receiving free medical care falls by more than half", *Politis*, 4 February 2014.

⁷⁶ Crisis Group interview, June 2013.

III. Finding an Alternative Settlement

According to Alexander Downer, the most recent of 24 special advisers and special representatives of the UN Secretary-General sent to Cyprus, “both sides are desperate for a solution”.⁷⁷ Yet, decades of talks have failed to answer this need. The time has come to put ideas on the table that include options beyond the formula of a bizonal, bicommunal federation.

Diplomats and officials sometimes suggest a light confederation, that is, a federation that would be much less cumbersome than anything so far officially discussed. Such a formula may theoretically be easier for Greek Cypriots to accept and might lead to a single all-Cyprus voice and presence within the EU. But the devil is in the details; it would likely soon stumble on familiar obstacles (see Section IV.C below).

The idea that the Cyprus negotiations could include the possibility of legalising Cyprus’s divided status quo, with the Turkish Cypriot entity consolidating its self-declared independence and gaining the right to join the EU, is increasingly common among academics and experts. As a U.S. Congressional Research Service paper put it, the failures in 2004 and 2008-2012 have “led some observers to question whether a settlement could still be achieved at all or whether, despite all of the rhetoric, maintaining the status quo for the Greek Cypriots, or moving to permanent separation on the part of the Turkish Cypriots, could become less desirable but inevitable outcomes for both sides”.⁷⁸

An adviser to the UN and governments has publicly concluded that “many observers increasingly suggest” that a negotiated partition “really is the ‘best’ solution”.⁷⁹ An academic expert of long standing in Cyprus believes a new state for Turkish Cypriots within the EU “could arguably be the best option in view of the kind of settlement feasible, and in particular with respect to viability and stability, although clearly not in terms of justice from a Greek Cypriot perspective”.⁸⁰ A Spanish think-tank article said, “the international community is becoming increasingly frustrated ... if the two sides do not want to live together or either side’s goals are unattainable, then, instead of being forced into a new and unworkable marriage, they should agree a divorce on friendly terms”.⁸¹

The problem is that such arguments are rarely heard from Greek Cypriots, at least in public.⁸² This means that Greek Cypriots can easily dismiss the idea as giving Turkey what it wants. However, mutually negotiated separation is not Turkey’s current policy, even if many in Ankara privately believe it would be the most rational one. Turkish officials always underline a primary goal of a bicommunal, bizonal settlement, not believing that Greek Cypriots would ever settle for anything different. If Ankara has a fall-back policy that it pursues in parallel to or in place of federal reuni-

⁷⁷ Alexander Downer, speech, op. cit.

⁷⁸ Vincent Morelli, “Cyprus: Reunification Proving Elusive”, Congressional Research Service, 25 June 2013.

⁷⁹ James Ker-Lindsay, *The Cyprus Problem: what everyone needs to know* (Oxford, 2011), p. xv.

⁸⁰ Hubert Faustmann, “Can the Problem be Solved?”, op. cit., p. 5.

⁸¹ William Chislett, “Cyprus: Time for a Negotiated Transition”, Real Instituto Elcano, 5 July 2010.

⁸² “There is a political culture crisis. Nobody is able to present the problem differently. People feel dumb, in denial”. Crisis Group interview, bicommunal civil society activist, Nicosia, May 2013.

fiction, it has so far been based on a fruitless idea of persuading the world that the only alternative is to accept the “TRNC” as it is, an adjunct of Turkey.⁸³

Some believe that opening up a two-state settlement to debate could make a federal settlement more palatable.⁸⁴ Others recognise that positive rhetoric and gestures from Turkey are needed to persuade Greek Cypriots to consider alternatives. A Turkish think-tank chief who has worked hard in civil society and background meetings to promote a federal settlement has cautiously urged his country to put aside its “old reflexes”, “adopt a totally different policy and turn the stalemate into an opportunity. Staying within a federal framework, we just might reach a solution. But the main point should be to keep avenues of communication open for all possible outcomes”.⁸⁵

Any viable settlement will need the support of both communities, with neither allowed to impose its own maximum solution on the other. Ultimately, both will have to approve the arrangement by referendum. With the public taboos involved, and the loss of leverage any premature public pursuit of a two-state settlement would incur, quiet diplomacy would necessarily be the best way to come to terms.⁸⁶

A. *A Greek Cypriot Rethink*

One of the principal arguments against Turkish Cypriot independence under the EU umbrella is that it would be vociferously opposed by almost everybody in the Greek Cypriot majority of the island.⁸⁷ Presiding over a change of heart would not be easy, a pro-settlement activist acknowledged:

How do you get a population to accept change, when politicians and media have made it believe that the financial crisis was engineered to bring Cyprus to its knees

⁸³ Crisis Group interviews, Turkish officials, Ankara, 2010-2013. “Ankara’s first preference should always side with a bizonal, bi-communal solution within the framework of UN parameters”. Mensur Akgün, “Possible Scenarios in Cyprus: Assuming there is no solution”, TESEV, February 2012.

⁸⁴ “I don’t like the two-state model to be called a ‘negotiated partition’, because it won’t be like that: if we agree that, we’ll actually be closer than ever”. Crisis Group interview, former Turkish Cypriot chief negotiator, Nicosia, June 2013. “The only way it’s going to work is to have the possibility of formal partition. The Greek Cypriots would say ‘let’s think about whether we want to get into complicated power-sharing or whether we accept the situation ... we need to get this on the table. [Even with a two-state settlement,] over time, the border would dissolve”. Sir Jack Straw, former UK foreign secretary, speech, House of Lords, London, 13 June 2012. “Looking at a two-state settlement – and there are real problems that would have to be faced – might persuade people to have another look at a federation. Provided the central government can exercise the responsibilities required of any sovereign state (and in the case of Cyprus an EU member state), there is tremendous scope for varying the balance of responsibilities between central and regional authorities in a federation”. Crisis Group communication, former senior EU official, February 2014.

⁸⁵ Crisis Group interview, Mensur Akgün, director, Global Political Trends Centre, Kültür University, Istanbul, February 2012.

⁸⁶ “I don’t think they can negotiate [a two-state settlement] publicly; they need a deniable back channel ... when I talk about two states, they [the Greek Cypriots] smile. When I start saying, we’ll have to give more, they get comfortable”. Crisis Group interview, former Turkish Cypriot chief negotiator, Nicosia, June 2013.

⁸⁷ 79 per cent of Greek Cypriots find “entirely unacceptable” the idea of two sovereign and independent states on the island. “Cyprus 2015”, op. cit. “A negotiated partition is impossible. Nobody could put their signature under it”. Crisis Group interview, Takis Hadjidemetriou, former Greek Cypriot negotiator and civil society activist, Nicosia, June 2013.

to impose a solution? We need to deconstruct the Greek Cypriot sense of uniqueness and its expectations of a [natural gas] windfall.⁸⁸

Greek Cypriot chief negotiator Andreas Mavroyiannis expressed a bedrock sentiment: “I cannot compromise with the idea that my country will remain divided”.⁸⁹ When pressed for arguments about why this position is in the Greek Cypriots’ best interests, however, politicians rarely go beyond populist or emotional criteria. The opposition party leader, Andros Kyprianou, for instance, listed his reasons for rejecting a two-state solution as popular disapproval; a fear that it would make outbreaks of intercommunal violence unmanageable; the need for a “fair”, “just” settlement; and sheer faith that a federal settlement can be achieved.⁹⁰

Nevertheless, there are signs of a Greek Cypriot rethink. Opinion leaders and ordinary people are more open to new ideas, from confederation to separation, though fear of public reaction keeps them private.⁹¹ A senior official said a “comprehensive review of our obsolete positions, both on the substance of the Cyprus problem and on the procedures to be followed, is urgently needed”.⁹² A Greek Cypriot researcher noted in a University College of London journal that “the necessary conditions for federalism are markedly absent ... a risk of mutual vetoes and immobilisation [mean] there is no reason to assume that a confederation would be any more viable than a federation ... the most ‘successful’ measure has been that of partition”.⁹³ While the large DIKO party publicly takes a maximalist Greek Cypriot line on reunification, one of its activists privately expressed a readiness to change:

Maybe 30 per cent want a two-state solution, and another 30 per cent don’t want federation [Greek Cypriot] youth isn’t even interested; the leadership is lagging behind the people. Take the question of property. The leadership didn’t deliver on their promise to recover it, so people decided to solve it on our own [by applying to the Turkish Cypriot compensation agency] The Turkish side ... has to make an offer Our opening position is: you can have 20 per cent of the territory, 20 per cent of the coastline, no guarantee [over Cyprus], we need a mini-

⁸⁸ Crisis Group interview, bicomunal civil society activist, Nicosia, November 2013.

⁸⁹ Crisis Group interview, Nicosia, 12 September 2013.

⁹⁰ “What gives me faith [that a federal settlement is possible] is that I will never accept the division of my country”. Andros Kyprianou, general secretary of the Progressive Party of the Working People (AKEL), round table at Global Political Trends Centre, Istanbul, 20 January 2014.

⁹¹ “Permanent partition is also secretly favoured by a significant proportion of the Greek Cypriots, though they would not dare to say so publicly ... any politician seriously making such a proposal to pursue negotiated partition would be handing his political opponents and the mass media a golden opportunity to brand him a traitor”. Hubert Faustmann, “Can the Problem be Solved?”, *op. cit.*, p. 5. “Although no Greek Cypriot political party wants [partition], many Greek Cypriots individually tell me they want it”. Crisis Group interview, senior Turkish Cypriot official, September 2013. “What the [Greek Cypriot] politicians say does not represent what the voters think. If you talk to Greek Cypriots in private, they are much more rational than ... the newspapers”. Crisis Group interview, senior European diplomat, Nicosia, September 2013. “I asked Christofias how many Greek Cypriots would accept partition, he said 10 per cent would. I asked Anastasiades, he said 50 per cent”. Crisis Group interview, senior international official, September 2013. “The settlement will look like a confederation. But confederation is not in the public domain”. Crisis Group interview, Greek Cypriot political activist, Athens, May 2013.

⁹² Ambassador Tasos Tzionis, former Cyprus chief negotiator, “Demilitarisation outmoded due to new conditions”, *Phileleftheros*, 2 January 2014.

⁹³ Nicola Solomonides, “One State or Two?”, *op. cit.*, pp. 73-74.

[disarmament treaty] and compensation for properties. You're asking for full sovereignty. You have to pay for it!⁹⁴

Even the negotiators' 11 February 2014 joint declaration was remarkable for its message to all that "neither side may claim authority or jurisdiction over the other". Whether or not they achieve a federal deal, this was the Greek Cypriot leadership's most daring statement yet of the reality of two constituent entities on the island. Implicitly, therefore, Greek Cypriot refugees who return to houses in the north – a longstanding government pledge – have now been told they will do so under Turkish Cypriot rule. Continued realistic messaging of this kind will be vital if Greek Cypriots are to accept the compromises in any settlement.⁹⁵

One reason for the new thinking is the collapse of the economy since the crushing banking crisis of March 2013 and a slow realisation that Cyprus urgently needs to reinvent itself.⁹⁶ Some Greek Cypriots even believe that the EU's crippling bailout terms were a plot to force them to surrender cherished hopes of reunification.⁹⁷ President Anastasiades shares a wide recognition that a settlement is vital for restoring economic health. Outsiders judge him to be acting on a realisation that the self-contained, uncompromising Greek Cypriot "castle" of international legitimacy and support has been undermined.⁹⁸

The leader of the big Greek Cypriot communist party opposes legitimising the two-state reality on the island but openly worries that his community has run out of ideas: "When I say to [my fellow leaders that] 'the talks will not resume. What is your next plan? What are you going to do avoid negative developments?' There is no response".⁹⁹ A senior Greek Cypriot government official said in private, "I don't think anyone believes an acceptable solution will really be reached I am even more strongly convinced we should not aim for a federal arrangement. Let's not rule out [consensual separation]. There is an urgent need for an approach where both sides win. Let's draw up our wish list".¹⁰⁰

Natural gas discoveries offshore in 2011 have not proved to be a quick fix for the Greek Cypriot cause. The current stated plan, as described above, is to build an expensive export liquefaction plant, though real revenues to the state from this would

⁹⁴ Crisis Group interview, Nicosia, June 2013. The standard DIKO policy is expressed in statements like: "When it comes to issues like the handling of the Cyprus problem ... there cannot be, and there must not be, compromises". "DIKO votes to quit coalition over handling of Cyprus talks", *Cyprus Mail*, 22 February 2014.

⁹⁵ Anyone who talks of Turkish Cypriot independence "will be lynched by public opinion". Crisis Group interview, Greek Cypriot official, February 2014. Still, a senior Greek Cypriot official said the joint declaration was unlikely to lead far on its own. "We have agreed on the words once again, but we mean different things". Crisis Group interview, Nicosia, February 2011.

⁹⁶ "Big business has understood that the only way forward is through a solution [to the Cyprus problem], not the gas. But we are unable to organise laterally to express this". Crisis Group interview, Greek Cypriot business organisation representative, Nicosia, November 2013.

⁹⁷ "A message must be sent to anyone seeking to exploit the dire economic situation in Cyprus and Greece that they should not think that we will bend under the weight of the crisis". Policy position of EDEK (The Movement for Social Democracy), a small Greek Cypriot political party. January 2014.

⁹⁸ "The castle is defended by a select few businessmen, and more and more are beginning to engage [with a settlement]". Crisis Group interview, Western diplomat, Nicosia, February 2014. To see Cypriot business people urging that a solution be found, see <http://bit.ly/1kb57JG>.

⁹⁹ Andreas Kyprianou, roundtable, op. cit.

¹⁰⁰ Crisis Group interview, Nicosia, June 2013.

be unlikely until 2025 and perhaps 2030.¹⁰¹ Worse, the €10 billion debts to the EU incurred by the Republic of Cyprus during its March 2013 financial crisis, in addition to a previous €2.5 billion Russian loan, have probably already eaten up eventual cash revenues even if it can exploit the Aphrodite natural gas field.¹⁰²

Open trade and communication with Turkey brought by any settlement remains the surest path to broad Cypriot economic growth.¹⁰³ Normalisation with Turkey could open up quicker, safer, more profitable ways to bring the island economic benefits from natural gas development, through work on either an Israel-Cyprus-Turkey or an Israel-Turkey pipeline that could be ready by 2017 [see above]. Some Greek Cypriots remain hopeful.¹⁰⁴ However, Nicosia would have to move quickly before the companies involved select other options.¹⁰⁵

Whereas twenty years ago discussing the Cyprus problem with Greek Cypriots opened a window onto bitter trauma about the events of 1974, now there is “a growing sense of pragmatism ... in moderate circles some appear to have concluded that the north is all but lost for good and that maybe it is time to open up discussions on a formal separation Many Greek nationalists ... realise that it might be better to keep the Republic of Cyprus as it is – a Greek Cypriot-controlled entity”.¹⁰⁶ An academic based in south Cyprus put it this way:

The rejectionist camp in the south has been involuntarily serving the Turkification agenda of Ankara. By pursuing non-feasible solutions (or rather objecting to all feasible ones) their policies make them status quo supporters by default. They have traditionally claimed that their policies prevent Greek Cypriots from signing their own defeat, or from accepting an “unjust” settlement, from legalising the facts created by the Turkish invasion, and from relinquishing Greek rights and claims. But adherence to their policies will probably lead to the permanent partition of the island ... instead of promising and holding out for pipe dream solutions, the “rejectionists” should be honest and tell Greek Cypriots openly that there cannot be a solution of the Cyprus problem that is based on reunification, since there cannot be a “good” or “just” one. Once this step is made, an honest debate among the Greek Cypriots could determine the future.¹⁰⁷

¹⁰¹ Crisis Group interview, Greek Cypriot economic planner, Nicosia, November 2013. “[The Noble company] is not sure they would do a pipeline [to Turkey], even if there were no political problems. They think there is a lot of gas; they are sincerely interested in LNG [liquefied natural gas], and they think LNG prices will hold up”. Crisis Group interview, senior person close to Cyprus hydrocarbon development, November 2013.

¹⁰² Cyprus’s energy ministry estimates an ultimate net profit between \$12 billion and \$18 billion. See “Noble: Cyprus’ gas world class”, *Cyprus Mail*, 4 October 2013.

¹⁰³ See Fiona Mullen, Özlem Oguz and Praxoula Antoniadou Kyriacou, “The Day After: Commercial opportunities following a resolution of the Cyprus problem”, International Peace Research Institute, Oslo (PRIO), March 2008.

¹⁰⁴ “I’ve noticed a change in the attitude of the Turkish state towards us. It’s the kind of thing only we notice, to do with ships’ movements, and so on. I’ve seen two Turkish companies [here in Nicosia] about a pipeline. I am excited [about what that represents]”. Crisis Group interview, Greek Cypriot official, November 2013.

¹⁰⁵ “While we are all dithering and looking at the options ... the oil companies will start looking elsewhere ... decisions would be irreversible [like the idea that Israel could market via FLNG – floating liquefied natural gas – from a special ship]”. Crisis Group interview, Greek Cypriot natural gas official, Nicosia, November 2013.

¹⁰⁶ James Ker-Lindsay, *The Cyprus Problem*, op. cit., p. 112.

¹⁰⁷ Hubert Faustmann, “Can the Problem be Solved?”, op. cit., pp. 4-5.

If Greek Cypriots agreed to an independent Turkish Cypriot state within the EU, it could remove most of the international legal arguments against the idea. These are principally that partition would in effect bless Turkey's use of force in 1974; its past settling of Turkish citizens in north Cyprus; and its long occupation of Republic of Cyprus territory; as well as that recognising "TRNC" independence would flout a bevy of UN Security Council resolutions.

In return, Greek Cypriots would get much of what they really want. Subject to negotiation on details, Turkey and the Turkish Cypriots would likely be ready to drop their insistence on continuing the 1960 guarantee for the whole island (see Section IV.F below); to withdraw Turkish troops; to drop any claim to gas reserves in Greek Cypriot territorial waters south of the island; to end talk of any official derogations barring Greek Cypriots from exercising property rights after the settlement; to hand back at least as much territory as was on offer in the Annan Plan; commit to a compensation scheme for Greek Cypriot properties in the north, and to allow all the normal EU freedoms of movement, goods, people and capital (see Section III.C below). Although Greek Cypriots have only begun to discuss what recognition of an independent Turkish Cypriot state might mean, it could also be one way of answering the Greek Cypriots' deep wish to reunite the island in most everything that actually matters, like currency, EU laws and the visa regime.

B. *Turkish Cypriots Lose Faith*

When 65 per cent of Turkish Cypriots voted for the 2004 Annan Plan to reunify the island, they hoped a federal future would bring certainty, normalcy and EU membership. They saw the overwhelming Greek Cypriot rejection of the plan as ending these hopes and have become much less positive toward a federation.¹⁰⁸ Still, although most still want to be protected by Turkey, they do not want to be annexed.¹⁰⁹ A two-state settlement within the EU would give them recognition and support to survive on their own. A defence treaty with Turkey for the "TRNC" territory alone might be acceptable to Greek Cypriots and the EU (See Section IV.F below).

If the EU accepts the new state as its responsibility, the Turkish Cypriots would likely rise to the occasion. The denial until now of international recognition to most Turkish Cypriot institutions is a main reason for the entity's poor record of loose regulation and dependence on Turkish investors and casino hotels.¹¹⁰ Turkish Cypriots have long run their own parliament, courts and municipal services, with many symbols and institutions of statehood, including official inspections at all boundary crossings. Turkish Cypriot representatives are slowly becoming more welcome around the world. The UN envoy, Alexander Downer, met Turkish Foreign Minister Davutoğlu

¹⁰⁸ "There's no excitement any more. We're on automatic". Crisis Group interview, Aysu Akter, Turkish Cypriot TV presenter, November 2013. "Turkish Cypriots are in despair ... [feel themselves victims of Turkish] 'predatory capitalism' ... left between two impossible futures: a federation that could not be worked out on paper, and annexation to Turkey [that is both] internationally unacceptable and ... undesirable". Rebecca Bryant, Christalla Yakinthou, "Cypriot Perceptions of Turkey", *op. cit.*

¹⁰⁹ "Turkish Cypriots are increasingly alienated from Ankara. It's a big rift. Prime Minister Erdoğan's dismissive language, the new mosques, the religious schools, and the plans implemented have no respect for the Turkish Cypriots". Crisis Group interview, senior diplomat, Nicosia, June 2013.

¹¹⁰ "Yes, it's corrupt; there is an excessive number of civil servants. In a closed system nothing can develop properly. The solution is international supervision, the *acquis* [EU body of law]". Crisis Group interview, senior Turkish Cypriot official, Nicosia, February 2014.

at the Turkish embassy to the “TRNC” in December 2013, infuriating Greek Cypriots.¹¹¹ A recognised government would enable Turkish Cypriots to make deals with internationally compliant companies, rather than remaining bogged down in a status quo in which they are increasingly cut out by Turkish businessmen, often those close to the Turkish ruling party.¹¹²

Nevertheless, Turkish Cypriots labour under the burden of their premature and unilateral 1983 declaration of independence, the condemnation of which by the UN Security Council makes it hard for countries to discuss the option. Turkey recognises this independence but, given the international opprobrium attached to it, has not gone all out to persuade others. Fellow Muslim states have shown almost no interest in the inevitable confrontation with the EU and member states Cyprus and Greece should they unilaterally recognise the “TRNC”.¹¹³ All this results in a Turkish Cypriot sense of living in debilitating limbo.

The Turkish Cypriots’ biggest challenge would be to prove that an independent state is viable, that they can adapt to EU norms and learn to be functionally independent of Ankara.¹¹⁴ A critical Turkish study of “TRNC” governmental shortcomings shows why even Turkish officials voice frustration with their inefficiency and dependence culture.¹¹⁵

C. *Turkey’s Need to Reach Out*

Turkey, burned by the international rejection of the unilateral declaration of independence announced by the late Turkish Cypriot leader Rauf Denktaş in November 1983, keeps its official talking points firmly supportive of the UN process.¹¹⁶ But in private, some in Ankara suggest it would be ready to discuss the radical steps it would have to take to win Greek Cypriot acceptance of Turkish Cypriot independence within the EU.¹¹⁷

Ankara’s motives include the boost a settlement would give to its own EU accession process and international reputation; the fact that support for the island costs about \$1 billion per year; and, recently, the quest for a domestically popular foreign

¹¹¹ “Representations by the Foreign Ministry over the meeting of A. Downer with the Turkish FM in the occupied areas”, Republic of Cyprus Press and Information Office, 16 December 2013.

¹¹² “There are more tariffs between the ‘TRNC’ and Turkey than between the ‘TRNC’ and the EU”. Crisis Group interview, senior foreign diplomat, Nicosia, June 2013.

¹¹³ “It is not realistic to assume that Greek Cypriots could be bullied into a settlement given that they have de facto already lost the north”. Hubert Faustmann, “Can the Problem be Solved?”, *op. cit.*, p. 6. “It ... seems highly unlikely that the recognition option presents an alternative to a negotiated solution”. James Ker-Lindsay, *The Cyprus Problem*, *op. cit.*, p. 111.

¹¹⁴ “The Turkish Cypriots resent Turkey, but every time they have a problem, they take the plane to Ankara”. Crisis Group interview, European diplomat, Nicosia, November 2012. “The ‘TRNC’ is nowhere near EU membership. Turkish subsidies corrupt the whole society. They have little control of their territory”. Crisis Group interview, senior European diplomat, Nicosia, September 2012.

¹¹⁵ “The most basic missing part of the TRNC public administration is the lack of a capacity to make policy at the state centre, to prioritise, to coordinate policies, to follow them up and to regulate them”. “KKTC Devleti Fonksiyonel-Kurumsal Gözden Geçirme Çalışması” [“Review of the Functional-Institutional Review of the TRNC State”], Economic Policy Research Foundation of Turkey [Türkiye Ekonomi Politikaları Araştırma Vakfı – TEPAV], April 2013.

¹¹⁶ Crisis Group interviews, Turkish officials, Ankara, July-September 2013.

¹¹⁷ Crisis Group interview, Ankara, April 2012.

policy achievement.¹¹⁸ It has suffered for its Cyprus policies since the problem burst into the open in 1955. Disputes over the island brought tensions with its main ally, the U.S., in the 1960s, international military sanctions in the 1970s and loss of EU aid in the 1980s and 1990s. Since 2006, almost half of Turkey's 35 EU accession negotiating chapters have been blocked over Cyprus, making the issue both symptom and cause of a dysfunctional relationship with Brussels. A senior Turkish official who pushed hard to restart talks in 2014 said:

We don't care what the settlement looks like. What I care about is a negotiated settlement. We are ready for a one-state solution. But if they are not ready to live with the Turks, or to share a state with the Turks, that [federation] will never happen ... if they reject it, we have to negotiate a two-state solution. They can't think they can go on with a status quo with them as the legitimate state. [A deal] could be done in three to six months if they want to do it.¹¹⁹

Turkish and Turkish Cypriot leaders have talked repeatedly of the need for partition if the two sides do not reach agreement.¹²⁰ Turkish bureaucrats and think-tanks have investigated a transition to making the statelet an overseas or dependent territory.¹²¹ The Turkish media often talks of this as a Plan B, apparently a normalisation of the "TRNC" along the lines of Taiwan if the federal talks break down.¹²² But the "TRNC" is very different from Taiwan, much smaller and economically much weaker. Without Greek Cypriot agreement, the "TRNC" cannot succeed.

To obtain such agreement, requires a new, sustained Turkish bid to reduce Greek Cypriots' fears of what they see as their still threatening, historic enemy. When Prime Minister Erdoğan broke a taboo and received a delegation including Greek Cypriot peace activists and opinion leaders in 2010, it had an immediate positive impact on Greek Cypriot attitudes. However, the meetings were never followed by a long-term outreach strategy. More often, Turkish leaders' statements have been counterproductive.¹²³ Civil society interaction is sporadic and has declined as hopes of a quick settlement have faded. For years, Cyprus developments have rarely made Turkish newspaper headlines or TV news.

¹¹⁸ "The cost of the Cyprus problem is too much compared to [any jealousy about] TRNC joining ahead of Turkey. Why not a Turkish speaking member of the EU?" Crisis Group interview, Turkish official, Ankara, February 2014. "The current domestic crisis could be productive ... Erdoğan has flashed a green light. He's ready for either a reunification or a two-state settlement, basically, 'just bring us a solution'". Crisis Group interview, Turkish political analyst close to Prime Minister Erdoğan, Ankara, February 2014.

¹¹⁹ Crisis Group interview, Ankara, February 2014.

¹²⁰ "[Foreign Minister] Davutoğlu made it clear we should negotiate for a settlement, or, if there's no desire for that, for a two-state solution". Crisis Group interview, Turkish official, Istanbul, May 2013. See also, "Turkey ready to negotiate two-state solution for Cyprus: Turkish FM", *Hürriyet Daily News*, 28 March 2012; "PM draws the line for Cyprus: Unity or split," *Hürriyet Daily News*, 20 July, 2011.

¹²¹ Many European former imperial powers have such dependent overseas territories. Crisis Group interview, Turkish official, November 2011.

¹²² For instance, see "Kıbrıs için B planı" ["A Plan B for Cyprus"], *Milliyet*, 8 November 2013; and "Kıbrıs için Tayvan modeli" ["A Taiwan Model for Cyprus"], *Milliyet*, 29 November 2011.

¹²³ "Erdoğan: There is no country called 'Cyprus'", *Today's Zaman*, 19 July 2011. Turkey's EU affairs minister, Egemen Bağış, compared Greek Cyprus to a "stubborn mule ... null and void". "EU Minister Bağış responds to Greek Cypriot deputy's remarks", *Hürriyet Daily News*, 6 December 2013.

Some in Turkey believe what was a heavy millstone round its neck is now much lighter.¹²⁴ A former minister recalled: “Cyprus wasn’t discussed once in the five years I was in the Cabinet”.¹²⁵ But in order to create the right atmosphere for any settlement, the strongest regional power would have to do far more to overcome the real fears of a Greek Cypriot community whose size is less than 1 per cent of its own population. For instance, a senior Greek Cypriot official dismissed a report of generous Turkish thinking about terms for separation because “Turkey would never let us go”.¹²⁶ Turkey could start by having its prime minister and president regularly affirm a wish for a settlement and readiness, if the right deal can be achieved, to help rebuild the Greek Cypriot economy, cooperate on East Mediterranean gas, accept demilitarisation of the island and end the old system of guarantees.

D. *Greece Engages*

Since its then-military dictatorship tried to annex the island in 1974, with disastrous consequences for Greek Cypriots, Greece has taken a back seat on Cyprus matters, following the doctrine “Nicosia decides, Athens supports”.¹²⁷ Unquestioning Greek and thus reflexive EU protection of the Greek Cypriot position – helped by the way some larger EU states quietly wish to keep Turkey at arm’s length – has arguably been another dynamic favouring partition. Greek support ensured that Cyprus joined the EU in 2004, even as a divided island, allowing Nicosia to avoid the hard compromises indispensable for reunification.

Greece’s own normalisation with Turkey in 1999 is a success that has become a pillar of Athens’s policy, but one that has not yet delivered on all counts. Costly tensions persist on the disputed maritime boundaries with Turkey. Despite more than 50 high-level bilateral meetings, Aegean Sea issues seem unlikely to be settled until the Cyprus problem is solved.¹²⁸

Nationalist sensitivities in Greece towards its historic rival mean it may be even more conservative than Greek Cypriots when it comes to new thinking on a Cyprus settlement. Nevertheless, as a Greek official put it, “if they don’t have any problem [with something], we don’t have any problem”.¹²⁹ Turkey believes Greece may be setting aside an old policy never to discuss Cyprus with it.¹³⁰ Athens’s decision to receive

¹²⁴ Crisis Group interview, Turkish official, Ankara, September 2013.

¹²⁵ Crisis Group interview, Ertuğrul Günay, ex-tourism and culture minister, Ankara, July 2013.

¹²⁶ Crisis Group interview, Nicosia, April 2012.

¹²⁷ A Turkish illusion of immense Greek influence in Cyprus “has no basis in reality Turkey exercises a far greater degree of control over the north than Greece does over the south”. James Ker-Lindsay, *The Cyprus Problem*, op. cit., pp. 5-7.

¹²⁸ “Even if we have 1,000 meetings, we won’t settle it until the Cyprus issue is solved. That’s because we know that the Greek side may have the better arguments in Aegean, but we have the better arguments in the [disputed boundaries in the] Mediterranean. But we can’t solve the Mediterranean ones until Cyprus is solved [and we negotiate normally with its government]”. Crisis Group interview, person close to Turkish state thinking, June 2013. A Greek official, however, said a Cyprus settlement “would give impetus to Turkey-Greece relations, but not necessarily solve the Aegean. What we need is a new approach, a new mentality, a new Greece-Turkey-Cyprus partnership”. Crisis Group interview, Athens, June 2013. See also Crisis Group Europe Briefing N°64, *Turkey and Greece: Time to Settle the Aegean Dispute*, 19 July 2011.

¹²⁹ Crisis Group interview, Greek official, Athens, June 2013.

¹³⁰ “The basic problem between Turkey and Greece is Cyprus. We need a settlement to dissipate this distrust. Our Greek friends have started to discuss Cyprus with us”. Crisis Group interview, Turkish think-tank director, Ankara, February 2014.

visits by Turkish Cypriot representatives in February 2014 was critical for paving the way to contacts between Greek Cypriot and Turkish officials, and good links to Turkey mean it has a valuable future contribution to make. A senior Greek Cypriot official may have understated the case when saying “Greece has no influence. The process is Cypriot-owned. The one that can help is Turkey”.¹³¹ Greek engagement with Ankara on Cyprus and the continued exchange of negotiators’ visits can help explain Greek Cypriots’ need and desire for a settlement to Turkish leaders and public opinion.

E. Unwanted yet Indispensable Outsiders

Any Cyprus settlement will need strong, multi-year guarantees of implementation through a mix of UN, U.S. and EU oversight, as would have the Annan Plan in 2004. Final details would probably need international arbitration on some points, such as the precise line of the future border between the entities. It would also need cast-iron guarantees that during a strictly supervised transition period Turkey would withdraw its troops, not annex the “TRNC” and end interference in Greek Cypriot affairs. Greek Cypriots would need to end verifiably their EU sanctions against Turkey and support Turkish Cypriot entry to the EU, the point at which the settlement would be complete.

Under any settlement in which Turkish Cypriots move from an Ankara-led system to an EU-led one, all sides would have to be fully conscious of the massive adjustments needed. Most residents of the north have Turkish identity papers, whether they are citizens of the “TRNC” or not.¹³² Much as happened with the former Yugoslav states, the EU, with complementary help from the wider international community, would have to take over support for the “TRNC”, currently running at about \$1 billion per year, for as long as it took for EU membership to be achieved.¹³³

1. International frustrations

International pressures on Cyprus come from several angles. Russia in particular was seen as close to the Soviet-educated President Christofias, and Moscow has historically regarded Cyprus as a lever against Turkey and more recently a useful friend within the EU. However, it has been conspicuously absent in Cyprus’s current time of need and has shown more interest in ensuring its access to the booming Turkish market for natural gas.¹³⁴

The UN has a key role. UNFICYP is one of its oldest peacekeeping operations, and waves of representatives have tried to broker a settlement. Frustrations are high and rising, with many international officials privately saying the failure of the 2008-2012 talks increased diplomatic scepticism about a new round. The UN’s most recent envoy, Alexander Downer, publicly said he was now trying “to see if we can set up a bicomunal bizonal federation, or whether this is just whistling in the wind, and we

¹³¹ Crisis Group interview, Christos Stylianides, government spokesman, Republic of Cyprus, Nicosia, June 2013.

¹³² Crisis Group interview, Turkish official, Ankara, February 2014.

¹³³ Crisis Group communication, former senior EU official, February 2014.

¹³⁴ “I have only a vague idea of [the Cypriot gas fields’] value. And, secondly, we know there are some problems with Turkey there. So, as I said, the issue is a complicated one”. Prime Minister Dmitry Medvedev, cited in Alex Jackson, “The Gas Fallout from the Cyprus Crisis”, *Natural Gas Europe*, 2 April 2013.

should try another model”.¹³⁵ Following his departure in February, his records and work in facilitating meetings between the two communities could be folded into the less high-profile office of the special representative and UNFICYP head, as has happened before. The UN cannot broaden the agenda of the talks beyond the current parameters itself, but if the two sides should agree to do this, the existing UN mandate would suffice: “to assist the parties in the conduct of full-fledged negotiations aimed at reaching a comprehensive settlement to the Cyprus problem”.¹³⁶

Washington has shown new interest in Cyprus, partly thanks to the presence of a U.S. company, Noble Energy, which has been in the forefront of Israeli and Cypriot discoveries of natural gas. In February 2014, several senior U.S. officials pushed all sides for a resumption of the UN-led talks.¹³⁷ A bipartisan group believes that a U.S. Cyprus envoy should be appointed to further national interests that would be helped by a settlement, including patching up Israel-Turkey relations.¹³⁸ Turkey supports the idea of such a go-between, and a leading Greek academic believes that “the U.S. is the only facilitator I can think of”.¹³⁹ This is not currently envisaged by Washington.¹⁴⁰ But if the current UN “good offices” mission should close, the U.S. could usefully appoint a senior official, task its embassies or ask an American politician respected by both sides to shuttle between Nicosia, Ankara and Athens with an open agenda to explore ideas beyond the narrow current federal framework.

The UK is highly influential as the former colonial power and guarantor and the main drafter on Cyprus matters in the UN Security Council. Its ability to act on its own is weakened by need to respect its EU partnership with Nicosia, desire to protect its sovereign bases on the island and outspoken support for Turkey’s EU candidacy.¹⁴¹ Nevertheless, in 2010, Jack Straw, a noted friend of Turkey and former foreign secretary, was the first senior European politician to break the taboo of advocating partition.¹⁴² If Greek Cypriots sought help in scoping out alternatives to the failed current federal framework for a settlement, London would be uniquely placed to provide it.

¹³⁵ Alexander Downer, speech, op. cit. He also put it this way: “The UN is only here to help. But in the end, the UN can never want this agreement more than the two sides. If the Greek Cypriot and Turkish Cypriot Leaders cannot agree with each other on a model for a united Cyprus, then we cannot make them”. Transcript of Remarks by Special Advisor of the Secretary-General Alexander Downer following his meeting with the Secretary-General. Ledra Palace Hotel, Nicosia, 27 April 2012.

¹³⁶ As restated in UN Security Council Resolution 2135, 30 January 2014.

¹³⁷ “As soon as the Americans came in, things started to shift. The embassy helped with drafting the [joint declaration], and toasted the resumption of negotiations with champagne”. Crisis Group interview, diplomat in Cyprus, February 2014. Nevertheless, a State Department spokeswoman urged reporters not to “over-read” the meetings and said there was no “new process or system underway that you’re not aware of”. Jennifer Psaki, briefing, 4 February 2014.

¹³⁸ Ambassadors Morton I. Abramowitz and Eric S. Edelman, co-chairs, “From Rhetoric to Reality: Reframing U.S. Turkey Policy”, Bipartisan Policy Center, October 2013.

¹³⁹ Crisis Group interviews, Istanbul, May 2013.

¹⁴⁰ Crisis Group interview, U.S. official, Istanbul, November 2013.

¹⁴¹ The UK Foreign Office discourages its diplomats from discussing alternatives to the current UN framework of Cyprus talks. Crisis Group interview, British diplomat, London, October 2013.

¹⁴² “The chances of a [Cyprus] settlement would be greatly enhanced if the international community broke a taboo, and started publicly to recognise that if ‘political equality’ cannot be achieved within one state, then it could with two states – north and south. It is time for the UK Government to consider formally the partition of Cyprus if the talks fail”. Jack Straw: “No ifs or buts, Turkey must be part of the EU”, *The Times*, 8 November 2010.

2. European responsibility

In the past decades, Europe and its institutions have become players on Cyprus. Some member states with regions threatening secession would be reluctant for Brussels to open negotiations about adding a micro-state to the EU.¹⁴³ Initially at least, an independent “TRNC” would indeed be small, weak, in need of deep EU engagement and still umbilically linked to a difficult neighbour, Turkey. There are strong arguments, however, for the EU to be generous. It has struggled to make amends for the way it broke its own rules by admitting the Republic of Cyprus as a Greek Cypriot monopoly state, excluding the Turkish Cypriots, and with a problematic border.¹⁴⁴ Also, many Brussels and Washington insiders alike believe the settlement impasse since 2004 is more due to Greek and Greek Cypriot “principled opposition” than Turkish or Turkish Cypriot “intransigence”.¹⁴⁵

Europe has both a significant responsibility for, and an interest in, correcting the imbalance in the eastern Mediterranean. The surge of economic growth resulting from any settlement would reduce the potential liability of the European taxpayer for helping Nicosia out of its euro crisis, and only a settlement would likely ensure that East Mediterranean natural gas can transit Cyprus or its territorial waters.¹⁴⁶ It would be the most obvious way to clear Cyprus-related objections to cooperation between the EU and NATO, of which the Republic of Cyprus and Turkey are respectively members.¹⁴⁷ Nor would EU membership for the “TRNC” add many new EU citizens, since 100,000 of the 178,000 registered Turkish Cypriots already hold Republic of Cyprus EU passports.

In private, some European and UN officials are sympathetic to the idea that Turkish Cypriot independence within the EU is now worth discussing.¹⁴⁸ Some EU states simply feel lost (see Section IV.C below).¹⁴⁹ In public, however, vigorous Greek

¹⁴³ “Partition seems impossible, perhaps a light, light federation ... but if it happened, I cannot imagine we would stop it. We’d agree to whatever the two sides agree”. Crisis Group interview, senior European diplomat, Nicosia, September 2012.

¹⁴⁴ As early as 1999, the Netherlands parliament voted to try to block the entry of a divided Cyprus, but with no effect. The EU signed an irreversible Treaty of Accession with the Republic of Cyprus a year before the Annan Plan vote – partly because of support from Greece, but partly because of Turkish intransigence to that point. See James Ker-Lindsay, *The Cyprus Problem*, op. cit., pp. 72-74. “I feel personally cheated by the Government of the Republic of Cyprus”. Günter Verheugen, European Commissioner, statement to European Parliament, 21 April 2004. “I have never seen such anger in the room as on 26 April 2004 [as EU foreign ministers tried] not to allow the Turkish Cypriots to be snookered by the Greek Cypriots ... [but in the end] the Greek Cypriots got de facto satisfactory partition and de jure membership in the EU and UN”. Jack Straw, speech, op. cit.

¹⁴⁵ Crisis Group interview, senior international official, June 2012. “Greek and Greek Cypriot opposition to further negotiations [since 2004] ... has been the main obstacle to their resumption and resolution”. Abramowitz and Edelman, “From Rhetoric to Reality”, op. cit.

¹⁴⁶ “It’s amazing how much investment the EU made in Caspian development, but in their own swimming pool [the east Mediterranean], they do nothing. No Europeans talk about reshaping the region”. Crisis Group interview, Israeli official, Nicosia, November 2013.

¹⁴⁷ Because of Cyprus-Turkey disagreements, “the EU and NATO co-operate with one hand tied behind their backs, harming Europe’s security”. Rem Korteweg, “Gas on Troubled Waters?”, Centre for European Reform, 13 January 2014.

¹⁴⁸ “This sounds so rational”. Crisis Group interview, core EU state ambassador, Ankara, February 2014.

¹⁴⁹ Crisis Group interviews, officials from the European Commission, European External Action Service, European Parliament, as well as European and other diplomats in Nicosia, January-

Cypriot opposition suppresses debate. Because Greek Cypriots control the internationally recognised Republic of Cyprus and its EU membership, most European and other foreign ministries and international organisations forbid their officials from suggesting options outside the officially agreed UN framework of a bizonal, bicomunal federation.¹⁵⁰ However, EU states – and the UN – could naturally follow if Nicosia should decide that a new approach, including a possible negotiated partition, was in its best interests.¹⁵¹

December 2013. “We have no talking points, no policy on Cyprus to represent to Turkey”. Crisis Group interview, core EU state diplomat, Istanbul, December 2013.

¹⁵⁰ The UK, for instance. Crisis Group interview, British diplomat, Ankara, February 2014.

¹⁵¹ “Many people see it is inevitable There might be bluster beforehand, but no other EU state would have a word to say [to actually block it]”. Crisis Group interview, former senior EU official, February 2014.

IV. A New Kind of European Solution

Going into the new round of talks on federal reunification in February 2014, the two sides explicitly ruled out unilateral secession.¹⁵² However, Crisis Group believes that a two-state settlement could now be explored, because its research, interviews and analysis indicate that the likelihood of a federal reunification has seriously diminished in recent years. The two sides could accordingly discuss what each other's positions would be on all possible other settlements. After careful consideration, they may elect to revert to models that presently do not have sufficient support. However, they may conclude, as Crisis Group has, that mutually agreed Turkish Cypriot independence within the EU could reflect the peaceful status quo and interests of all Cypriots.

Sober consideration of consensual partition as an option for Cyprus should not be construed as a precedent necessarily making such an option more acceptable in other disputes. Division of an existing state should be a last resort and take into account factors such as whether the state has lost moral or de facto authority over the territory desiring to secede, whether all alternatives have been explored, including in good faith negotiations, and importantly whether the step would give rise to new violence.

Crisis Group is also guided by what is realistic and what would lead to better governance. Cyprus has long since passed through several apparently one-way gates toward partition: political separation of the majority and smaller communities in 1963, physical separation in 1974 and rejection of UN-sanctioned efforts at federal reunification by both sides at various times since then.

Furthermore, if Greek Cypriots agreed it was in their best interest, independence of the "TRNC" could be managed in a rational, orderly way, and EU membership would ensure that the new Turkish Cypriot state meets objective standards. There is little chance partition would give rise to further "counter-secessions" or other ethnic violence in either of the island's two new states. International resistance to new states is usually strong, but if the Cypriot sides agree, the peaceful separation of Slovakia and the Czech Republic could be a model.

For the sake of simplicity, this report does not consider other possible settlements. A "confederation" is rejected by Greek Cypriots and is hard to distinguish from a "bizonal, bicomunal federation (see Section IV.C below).¹⁵³ Independence without an EU membership perspective would be unfair to Turkish Cypriots, who voted to accept the UN and EU-backed plan for reunification in 2004 and were only excluded then because of the massive "no" vote by Greek Cypriots to the Annan Plan. Brussels formally acknowledges the whole island as part of the EU. Because this could be construed as referring to the area of its member state, the Republic of Cyprus, the EU might technically have to follow suit if that entity were to change its borders, but Turkish Cypriots should not be left outside.

Also excluded is any scenario in which Turkish Cypriots would simply become part of Turkey, whether by annexation or popular vote. Firstly, polls show that Turk-

¹⁵² For the joint declaration, see <http://bit.ly/1cHFz22>.

¹⁵³ Some 77 per cent of Greek Cypriots say a confederation is "entirely unacceptable". "Cyprus 2015", op. cit. "There is no question of a confederation". Crisis Group interview, senior Greek Cypriot official, February 2014. "The confederal idea is a red herring. The only 'confederation' is the Swiss one, and that's actually a federation". Crisis Group communication, senior former EU official, January 2014.

ish Cypriots don't want it. Secondly, this would be unfair to Greek Cypriots, since it would apparently reward Turkey's use of force on the island in 1974.¹⁵⁴ Thirdly, Turkey is still very far from EU membership. A Turkish border on the island would make the division between the two communities deeper than if both the Republic of Cyprus and a "Turkish Republic of Northern Cyprus" were EU members.

A third option favoured by a great majority of Greek Cypriots – reunification of Cyprus as a unitary state – seems unfeasible. The existing partition is a hard reality, and 60 per cent of Turkish Cypriots view such reintegration as "entirely unacceptable".¹⁵⁵

The following seven sections look at the six official areas of negotiations and the one unofficial one (citizenship). They survey to what extent an independent Turkish Cypriot state within the EU might answer the stated and apparent interests of the main sides.

A. *Avoiding Government Deadlock*

In the UN's list of tentative convergences in the 2008-2012 process, twenty of the 75 pages relate to governance and power sharing. The two communities would each supply a president and vice-president with six-year terms; a cabinet of ministers with a Greek Cypriot majority; a senate with equal representation; a parliament with proportional (probably one quarter) Turkish Cypriot community membership; 22 federal competencies, including EU matters, defence policy and Central Bank functions; and deadlock-breaking mechanisms and ethnic ratios to be applied to courts and the federal civil service.

The appointment of ministers and cabinet voting was complex to ensure ethnic groups were balanced and allay fears that one might dominate.¹⁵⁶ All departments of the federal civil service would have to take decisions "according to the principle of political equality as defined by the UN Security Council". Despite an extraordinary level of technical detail on the hierarchy of courts or norms, the two sides could not agree whether, for example, the elements of the federation would be called constituent states or federated units and whether it would have ministries or departments. Turkish Cypriots were pushing for a level of autonomy in making treaties and running their airspace that made their concept far more like independence than a federation.

A leading Cyprus-based commentator concluded: "The essential viability of a compromise solution can be called into question. Any bi-ethnic federation based on political equality will be very difficult to operate".¹⁵⁷ A senior conservative Greek Cypriot politician saw some advantage in two states: "Then at last we could write a proper constitution to replace the 1960 one".¹⁵⁸ Similarly, as a Turkish Cypriot chief negotiator pointed out, "if the Greek Cypriots are eager to maintain a unitary state in

¹⁵⁴ Turkey argues the military operations were legitimate, pursuant to its status as a guarantor state, to reverse Greece's attempt to annex the island through a coup. However, the second wave of its offensive seized additional territory after the coup regime fell.

¹⁵⁵ "Cyprus 2015", op. cit.

¹⁵⁶ Thus, the chief and deputy of every new embassy would have to be from each of the two communities. And this on the Cabinet: "The Presidency shall appoint conjointly the members of the Council of Ministers. If they fail to do so, but a number of Ministers from either community can be agreed upon, these will be jointly appointed. The remaining Greek Cypriot ministers will be appointed by the Greek Cypriot member of the presidency and the remaining Turkish Cypriot ministers by the Turkish Cypriot member of the presidency". "Convergences", op. cit.

¹⁵⁷ Hubert Faustmann, "Can the Problem be Solved?", op. cit., p. 2.

¹⁵⁸ Crisis Group interview, Nicosia, June 2013.

the manner that they have been accustomed to since 1963, they could continue to keep a similar structure without sharing power with the Turkish Cypriots, while the Turkish Cypriots would be allowed to have their own independent state as part of a settlement".¹⁵⁹

B. *Property Matters*

All Cyprus negotiations have wrestled with a basic problem – two thirds to three quarters of private land in the Turkish Cypriot north is indisputably owned by Greek Cypriots, while perhaps one eighth of private land in the Greek Cypriot south is still owned by Turkish Cypriots.¹⁶⁰ The property question has always been discussed separately from that of territory, but they are inextricably linked. The more territory the Turkish side returns, the more Greek Cypriots recover their homes.¹⁶¹ Given that a two-state settlement is the scenario under which the greatest amount of territory would likely be handed back, it could be the best starting point for dealing with outstanding property issues for both sides. This might include doing away with Turkish Cypriot demands for post-settlement derogations from EU law that would block Greek Cypriots from buying property in a future EU-member Turkish Cypriot state.¹⁶²

The return of property has long been a priority concern in a settlement for Greek Cypriots, perhaps one third of whom are refugees or their descendants. The 2008-2012 talks on federal reunification agreed that dispossessed owners had rights to their property and that the remedy would be compensation, exchange or restitution. Public property would be assigned to the constituent state, and land could be expropriated for a still-to-be defined "public interest", like utilities. A donors conference would be asked to help. To try to raise the value of their portfolio, the Turkish Cypriots presented ideas like an island-wide Property Development Corporation. This would take over at least all Turkish Cypriot properties in the south, offering long-term "guaranteed financial entitlements" or seeking compensation for any extra value created by a water pipeline from Turkey due to be completed in 2014.

With no solution, however, the status quo is burdensome and financially disadvantageous for both sides. 5,726 Greek Cypriots had by February 2014 defied their government and applied for a ruling from the Turkish Cypriot Immovable Property Commission. This institution opened in 2005 and was approved as a remedy by the European Court of Human Rights in 2010. It has paid out nearly £145 million compensation in the 471 cases concluded. Nine involved elements of exchange or restitution.¹⁶³ Less than 1 per cent of Greek Cypriot properties (by area) have been paid for by the commission, and Greek Cypriots sometimes only get one third of market value.¹⁶⁴

¹⁵⁹ Kudret Özersay, "Exhaustion and Time for Change", *op. cit.*, p. 411.

¹⁶⁰ See Crisis Group Report, *Cyprus: Bridging the Property Divide*, *op. cit.*

¹⁶¹ "Negotiations were tortuous ... we, or they, came quite close to a method [of calculating who would compensate whom and how]. But it won't be solved until the territorial adjustments [are clear]". Alexander Downer, speech, *op. cit.*

¹⁶² "We'll feel more secure. We won't need derogations [limiting Greek Cypriot property purchases and residence in northern Cyprus]. We'll give more property". Crisis Group interview, senior Turkish Cypriot official, Nicosia, February 2014.

¹⁶³ Commission website, www.tamk.gov.ct.tr/.

¹⁶⁴ "Four or five years ago, [my clients] seemed to get on average just over 50 per cent of today's Turkish Cypriot value of the property. Nowadays this figure seems to have gone down as low as a third – the 'bargaining' process [is] tougher and ... people are accepting less". Crisis Group communication, Turkish Cypriot property lawyer, February 2014. A Greek Cypriot specialist lawyer said

At the same time, Turkey, Turkish Cypriots and even foreigners who buy property in north Cyprus are constantly under threat of expensive international legal action that could result in heavy fines. This would mainly occur if they are found to have usurped Greek Cypriot-owned property. Whatever the form of settlement, all properties taken over will have to be compensated for somehow, even if few Greek Cypriots would probably return to homes under Turkish Cypriot administration.¹⁶⁵ Also needing compensation are Turkish Cypriots not resident in the Republic of Cyprus-controlled areas, who have little chance to be paid for property abandoned there, unless they lived abroad before 1974.¹⁶⁶

Disagreeing with his own government's attempts to block the Greek Cypriots who are steadily applying for compensation from the Turkish Cypriot property board, a senior official said things could be sorted out even before a settlement. "We need a combination of exchange and restitution. Restitution to Greek Cypriots doesn't mean going to live there, and if the Turkish Cypriot properties here could be exchanged, they could be developed. [For the economy,] it is even more important than [reducing] the defence budget".¹⁶⁷

C. The EU Solution

Greek Cypriots have set a goal of a "European Solution" to the island's division.¹⁶⁸ Senior officials view it as essential to any settlement that Cyprus speak with one voice and that it "will function within European institutions".¹⁶⁹ To deal with the EU obligations of a future reunited state, the two sides during the 2008-2012 negotiations envisaged the island's constituent entities agreeing to make decisions through a cumbersome network of principals and deputies from both communities and multiple layers of ethnically-weighted committees.¹⁷⁰

Among Greek Cypriots, the term "European solution" can, however, also be used to legitimise a nationalist position that ensures the island's majority would domi-

less than 1 per cent of the 1.3 million "dönüms" (acres) of Greek Cypriot land in the north had been paid for. Crisis Group interview, Achilleas Demetriades, February 2014.

¹⁶⁵ 10 per cent of Greek Cypriots say they would definitely go back; 7 per cent say they might. "Greek Cypriot focus groups revealed that people want their homes back as it is a bridge to their past ... [many] cannot contemplate a different settlement Participants [in the poll] also referred to the apparent neglect of political leaders to prepare citizens through realistic expectations regarding what could be achieved through a political settlement". "Cyprus 2015", op. cit.

¹⁶⁶ Any sale has to be approved by a Greek Cypriot guardian council. According to Greek Cypriot statistics, 7.9 per cent of the Turkish Cypriots' land in the south was sold between 1974 and the end of 2013. Land and surveys department information in response to a parliamentary question, 26 January 2014. This property includes about 6,000 houses rented out and maintained by the Republic of Cyprus. "Long-term exploitation of Turkish Cypriot properties: management is problematic", *Phileleftheros*, 3 February 2014.

¹⁶⁷ Crisis Group interview, Nicosia, June 2013.

¹⁶⁸ "The EU dimension is the overarching thing. A settlement must take into account the *acquis communautaire* [EU body of law] on security, guarantees, territory. We're not ready to do anything that puts this into question. We need to have the Turkish Cypriots on board, to show that we don't want to dominate them, have the safeguards from the EU". Crisis Group interview, Andreas Mavroyiannis, Greek Cypriot chief negotiator, 12 September 2013.

¹⁶⁹ Crisis Group interview, Christos Stylianides, government spokesman, Republic of Cyprus, Nicosia, June 2013. "We want a functioning, democratic EU state". Crisis Group interview, Andreas Mavroyiannis, chief negotiator, Greek Cypriot community, 12 September 2013.

¹⁷⁰ "Convergences", op. cit.

nate, property would have to be returned whole-scale, and derogations on residence would be minimal.¹⁷¹ Other Greek Cypriots believe a purely bicomunal state will not work, just like it did not work in the 1960s, and that individual rights are a fairer approach. To buttress their argument, they note that perhaps a substantial proportion of their republic's population (including illegal immigrants perhaps as much as one third) is other than Greek Cypriot; the concept of Cyprus belonging only to Greek and Turkish Cypriots now looks dated.¹⁷²

Turkish Cypriots fear that losing their community would mean complete domination by Greek Cypriots. They argue that "political equality" is a UN-sanctioned criterion for a settlement. They go further and demand that the Greek Cypriots (and thus the EU) recognise what would at least be a residual sovereignty should the new federation not work out (see Section II.A above). In track two sessions, Greek Cypriots seek similar escape provisions to ensure a possible safe return to the Republic of Cyprus structure.¹⁷³

Some independent assessments have raised technical objections to the "TRNC's" eligibility to go it alone as an independent state.¹⁷⁴ But if Greek Cypriots agree – and separation in this manner is impossible otherwise – most legal objections would fall away.¹⁷⁵ International law is at best ambivalent on the question.

The International Court of Justice's 2010 advisory ruling on Kosovo held that general international law does not prohibit declarations of independence. Legal tension over the principle of territorial integrity is only relevant where it concerns international law's main sphere of the relations between states. The conditions for a settlement specified in past UN Security Council resolutions would have to give way in the face of a mutually agreed and internationally supported solution. Furthermore, Turkish Cypriots and Turkey argue with some justification that Greek Cypriots unfairly won control of the internationally recognised Republic of Cyprus in 1964. Turkey felt obliged to accept that status because it was a legal requirement without which UN peacekeepers could not be despatched to protect Turkish Cypriots from intercommunal fighting. Eventual assessment of the "TRNC" in terms of criteria for statehood would be done in the context of a consensual process within the EU.

Among options for a settlement outside the UN parameters for a bizonal, bicomunal federation, much mention is made of a confederation. This would get round Greek Cypriot reluctance to see any permanent division of the island as well

¹⁷¹ "Despite its positive sounding name, the European Solution represented the abandonment of the creation of a bizonal, bicomunal republic and the establishment of a Greek-Cypriot controlled unitary state". James Ker-Lindsay, *The Cyprus Problem*, op. cit., p. 99.

¹⁷² The 2011 Republic of Cyprus census showed that 173,009 (21 per cent) of the government areas' 840,407 legal residents are not Greek Cypriots. The figure does not include illegal residents or the 100,000 Turkish Cypriots with the republic's passports. Crisis Group communication, Greek Cypriot statistics official, February 2014. The 2006 "TRNC" census lists 265,100 de facto residents, including 133,937 with only "TRNC" citizenship, 42,795 dual nationals, 77,731 Turkish citizens and 10,637 other citizens. This means that of the 1,105,507 people officially living on the island, only 60.3 per cent are Greek Cypriot and 12 per cent are solely Turkish Cypriot.

¹⁷³ Crisis Group interview, track two meeting participant, Istanbul, February 2014.

¹⁷⁴ According to a former UN and EU expert, the "TRNC" fails statehood tests in terms of the right to claim self-determination, because Turkish Cypriots are no longer an oppressed ethnicity, and partition is ruled out in the 1960 Cyprus Treaty of Guarantee. Frank Hoffmeister, *Legal Aspects of the Cyprus Problem: Annan Plan and EU Accession* (Leiden, 2006).

¹⁷⁵ Crisis Group communication, Ana Stanic, lawyer specialising in EU and international law, February 2014.

as worries about the precedent of secession among some EU member states. A Greek Cypriot official said he sought inspiration in the Belgian model, in which three language groups live in separate areas but have a united EU representation and laws.¹⁷⁶ However, the Belgian situation has gradually evolved from a united country with a shared basic infrastructure and has a federal bureaucracy whose officials are scrupulously fluent in both main languages; it is hard to see how two disconnected Cyprus communities that do not speak each other's languages and so distrust each other can integrate their administrations.¹⁷⁷

A former Turkish Cypriot negotiator suggests the two sides gradually integrate under a "confederal" council that would represent a new independent Turkish Cypriot state and the existing Republic of Cyprus together in the EU.¹⁷⁸ However, the EU has such pervasive reach into all areas of governmental activity, that, likely as not, negotiations on a "confederation" would soon resemble talks on the federal settlement that has been elusive for so long.

Whatever the legal opinions, the Turkish Cypriots are already more inside the European fence than out. The wording of the EU's 2003 Protocol No. 10, prepared for an assumed Cyprus reunification, talks of the whole island being in the EU and a need only for the European Council (EU heads of state and government) to approve a settlement. The Republic of Cyprus has already extended its EU citizenship to 100,000 Turkish Cypriots, though almost all live in the north and have little other connection to the Greek Cypriot side.¹⁷⁹ The European Commission has worked in the north for nearly a decade as the only resident foreign mission aside from Turkey's. Officials have struggled to help Turkish Cypriots and promote the EU *acquis communautaire* (body of law), often hampered by Greek Cypriot refusal to allow EU interaction with post-1974 Turkish Cypriot institutions or projects that in any way intrude on Greek Cypriot property.¹⁸⁰

An independent Turkish Cypriot state within the EU would satisfy the Greek Cypriot demand that any solution be "fully European". It would also fit Turkish Cypriot needs.¹⁸¹ The rights of all those long resident in the north whose family origins are from Turkey would be protected. It would free both sides from the burden of elaborate ethnic profiling for nearly all senior jobs that is envisaged in a future federation. The ethnicity-based political system risks being struck down by the European Court

¹⁷⁶ Because the French-, Flemish- and German-speaking parts of Belgium are run so separately, when there have been government crises, "nobody felt the effect. The Belgian model was a success". Crisis Group interview, Andreas Mavroyiannis, chief negotiator, Republic of Cyprus, Nicosia, 12 September 2013.

¹⁷⁷ The only shared bits of Cypriot infrastructure are the Green Line, occasional sales of power, a signposted walk in historic Nicosia and treatment of south Nicosia's waste water in the north.

¹⁷⁸ Kudret Özersay, "Exhaustion and Time for Change", op. cit., p. 412.

¹⁷⁹ The Republic of Cyprus accepts as citizens about 110,000 of the 178,000 the "TRNC" counts as Turkish Cypriots. Crisis Group interview, Greek Cypriot politician, Istanbul, January 2014.

¹⁸⁰ Since 2006, the EU has spent €259 million in the Turkish Cypriot areas to promote social and economic development, infrastructure, reconciliation, civil society, bring Turkish Cypriots closer to the EU and prepare for EU law implementation after a settlement. Since 2011, it has allocated €28 million annually "to build on the results achieved and support the ongoing UN process". European Commission, <http://bit.ly/1jsvJoO>.

¹⁸¹ "Cyprus will be unified by the *acquis*". Crisis Group interview, senior Turkish Cypriot official, Nicosia, February 2014.

of Human Rights, which in 2009 ruled against Bosnia's constitutional exclusion from office of some minorities.¹⁸²

Finally, a fundamental goal for Greek Cypriots (and Greece) is to see Turkey anchored in an EU accession process and ultimately as a member state. This is because an EU-integrated Turkey would accept many more of the same legal frameworks, norms and policies as Cyprus and therefore be perceived as much less a threat. However, the status quo is a constant wedge between Turkey and the EU, due partly to Turkey's choices, but mainly to the innumerable obstacles introduced by Greek Cypriots. It is time for Greek Cypriots to recognise that failing to reach a settlement and using their influence in Brussels to punish Turkey for lack of that settlement undermines their own vital security interest.

D. *A Two-State Economy*

The economy has been the least controversial of the seven main areas of discussion. Indeed, Cypriots on both sides support a settlement for economic reasons.¹⁸³ Almost any solution would be extremely good for the economy of both sides.¹⁸⁴ However, there has been little work comparing the relative long-term costs of federal reunification and what would doubtless be a steep short-term bill for bringing an independent "TRNC" up to EU standards.¹⁸⁵

Yet, in economic matters, a two-state system is already a deeply entrenched reality. The economies are almost entirely separate and use different currencies. Intra-island trade across the Green Line is minimal and falling.¹⁸⁶ Mutual refusal to recognise most of each other's institutions deepens the divide.

Paradoxically, agreement to accept this separation and recognition of Turkish Cypriot institutions would immediately allow the two sides to begin growing together again. If the Turkish Cypriots were on a path to EU accession, they would be obliged to join Greek Cypriots in using the euro and to follow many of the same EU rules. These benefits would, of course, also be available if a federal settlement could be agreed, or if the sides agreed to speed up the trend to normalisation, including between Greek Cypriots and Turkey. As a senior Greek Cypriot government official put

¹⁸² The European Court of Human Rights (ECHR) found in *Sejdić and Finci vs. Bosnia and Herzegovina*, 22 December 2009, that the BiH constitution violated human rights by barring access to the presidency and upper house any persons not declaring that they belong to one of that country's three constituent peoples (Bosniaks, Serbs or Croats).

¹⁸³ Economic management in the new federation "was largely agreed". Alexander Downer, speech, op. cit. Economic factors are seen as important motivating factors by both Greek Cypriots and Turkish Cypriots, such as creation of new business and job opportunities (89 per cent and 77 per cent respectively) and increased potential for attracting foreign investment (84 per cent and 69 per cent). "Cyprus 2015", op. cit. Four top Greek Cypriot, Turkish Cypriot, Turkish and Greek business associations jointly stated on 9 January 2014 that the "economic and social progress in Cyprus and the economic welfare of the Eastern Mediterranean as a whole, will undoubtedly hinge upon the economic integration of the island". See <http://bit.ly/KUhHO9>.

¹⁸⁴ The current situation is a "triumph of politics over economics". Lord David Hannay, ex-UK Cyprus envoy, speech, House of Lords, London, 13 June 2012. For a hopeful view of how things could improve, see <http://simonhustings.com/project/cyprus-nine-oclock-news-in-2030/>.

¹⁸⁵ "The [long-term] costs of federal reunification are insane, but nobody talks about it, or about who's going to pay". Crisis Group interview, bicomunal civil society activist, Istanbul, February 2014.

¹⁸⁶ Trade was €2.44 million in the six months to April 2013, down from €10.1 million in the six months to May 2012. "Reports of the Secretary-General", op. cit.

it, Turkey is “active all over the globe. They have access; we don’t. We don’t need formal diplomatic recognition; let’s just open up our economies”.¹⁸⁷

E. *Settling Citizenship*

Turkish and Turkish Cypriot policy following 1974 encouraged settlers to move from Turkey to populate areas conquered by the Turkish army that Greek Cypriots were forced to leave.¹⁸⁸ The “TRNC” says that about 43,000 of its 178,000 registered Turkish Cypriot citizens are people whose parents were born in Turkey. Not counted as Turkish Cypriots are at least 77,000 Turks who live on the island with only Turkish nationality and more than 10,000 residents of other nationalities.¹⁸⁹ During the 2008-2012 negotiations, President Christofias offered to let 50,000 “settlers” obtain citizenship in a reunited Cyprus (40,000 were foreseen under the Annan Plan). There was some progress, but the issue remained unresolved.¹⁹⁰

A two-state settlement would resolve this difficult item. The question of who qualified as a “TRNC” citizen would be that state’s business. Turkish Cypriots would probably limit future Turkish migration, since they feel they have become a minority in their own land and harbour prejudices against the poorer, less educated migrants who have often come as much-needed labourers.¹⁹¹ But many of the Turkish-origin residents of the north have become more Cypriot over the decades, and few people expect conflicts between mainland-born and Turkish Cypriots in a future “TRNC”.¹⁹²

A complication is that since joining the EU in 2004, the Republic of Cyprus has extended its citizenship to 100,000 Turkish Cypriots. Almost all live in the “TRNC” area and consider this additional identity a practical matter, mainly because travel with an EU passport is much easier. In a two-state settlement, these 100,000 would likely choose to become part of the new “TRNC”, unless Greek Cypriots accepted them as Republic of Cyprus citizens on the basis of residence in the south or a special application.

F. *An End to the 1960 Guarantees*

Negotiations on security and guarantees have tried and failed to balance a series of asymmetrical fears.¹⁹³ Turkish Cypriots fear the Greek Cypriot majority (400 members of their community were killed and many confined to ghettos between 1963 and 1974); Greek Cypriots fear Turkey (3,000 members of their community were

¹⁸⁷ Crisis Group interview, Nicosia, June 2013.

¹⁸⁸ Sometimes these settlers are Turkish soldiers who were part of the expeditionary force.

¹⁸⁹ 2006 census figures from “TRNC” State Planning Organisation, <http://bit.ly/1djYUDV>.

¹⁹⁰ “Convergences”, *op. cit.*

¹⁹¹ “With 35,000 Turkish soldiers, 30,000 Turkish students, 50,000 Turkish nationals who had acquired TRNC citizenship, and approximately 60,000-70,000 Turkish workers and their families on the island, it should not be surprising that the small Turkish Cypriot community of approximately 140,000 began ... to feel overwhelmed”. Rebecca Bryant, Christalla Yakinthou, “Cypriot Perceptions”, *op. cit.*

¹⁹² Of the 43,000 Turkish Cypriots with Turkey-born parents, 17,000 were born in Cyprus. Statistics from “TRNC” State Planning Organisation, <http://bit.ly/1djYUDV>.

¹⁹³ “A lot has been achieved but negotiations have gone into the sand for the moment ... the Turkish Cypriots are looking for an international conference [leading to] a grand bargain, the Greek Cypriots are saying let’s solve the domestic stuff first, then have an international conference on the treaties”. Alexander Downer, speech, *op. cit.*

killed in the 1974 invasion, and Turkish troops still dominate the north); Turkey acts out of inherited fear, seeing itself as the successor state to the Ottoman Empire, whose outlying territories were seized by European powers during a traumatic nineteenth century decline. For instance, Turks fear a replay in Cyprus of what happened in Crete (1898-1913), whose Muslim and Turkish populations were forced to flee despite international guarantees.¹⁹⁴ Both communities consider “security and guarantees” to be by far the most important issue in the negotiations.¹⁹⁵

In the past, these fears were relieved by the Treaties of Alliance and Guarantee signed by the UK, Turkey and Greece that set up the security architecture of independent Cyprus in 1960.¹⁹⁶ Greek Cypriots rule out any future for these treaties. Turkish Cypriots wish them to continue, adapted to the new state of affairs.¹⁹⁷ Given the much smaller size of a potential independent Turkish Cypriot state, some kind of new architecture will be vital.

A long-serving Turkish Cypriot chief negotiator, proposing an independent Turkish Cypriot state, believed its “sovereignty might in practice be limited ... unification with any other state might be prohibited and this condition secured through the UN Security Council”.¹⁹⁸ This would address the deep-seated Greek Cypriot fear that Turkey will never allow them to be free of its control.¹⁹⁹

A settlement in which Turkish Cypriots become independent – even if somewhat limited in this way – would enjoy a significant advantage over the federal model by eliminating the frictions over whether Turkish Cypriots deserve sovereignty. This has been a fundamental sticking point in all negotiations; a Christofias-Talat agreement on single sovereignty in July 2008 was accepted only “in principle”, dependent on settlement of all other matters. However, granting Turkish Cypriots their own sovereignty can only happen if Greek Cypriots come to believe it is in their best interest; currently this is seen as inconceivable.

In return, Turkey would have to give up its attachment to its 1960 guarantor status – including the right to intervene – over the Republic of Cyprus government areas. It would have to withdraw at least nearly all (much better all) its troops from the island.²⁰⁰ It might address the Turkish Cypriots’ wish for protection by concluding a

¹⁹⁴ See Rauf Denktaş, “Kıbrıs Girit Olmasın” [“Don’t let Cyprus be Crete”], Nicosia, 2004. “The assumption is that Turkey is the victim”. Crisis Group interview, Turkish official, Ankara, January 2008.

¹⁹⁵ 72 per cent of Greek Cypriots and 71 per cent of Turkish Cypriots. “Cyprus 2015”, op. cit. A senior Greek Cypriot politician said, “we have discussed constitutional issues for years. It’s not where the problem lies”. Crisis Group interview, Nicosia, June 2013.

¹⁹⁶ The Treaty of Alliance allowed NATO-member Greece to station 950 soldiers and NATO-member Turkey to station 650 soldiers on the island. The Treaty of Guarantee guaranteed the independence of Cyprus and its constitutional order, with the proviso that any of the three could intervene unilaterally for this purpose if consensus was not forthcoming. When the junta in Athens organised a coup in Nicosia to unite the island with Greece on 15 July 1974, Turkey, after failing to win UK support, cited this provision as the basis for its invasion.

¹⁹⁷ “Convergences”, op. cit.

¹⁹⁸ Kudret Özersay, “Exhaustion and Time for Change”, op. cit., pp. 411-412.

¹⁹⁹ “Turkey would like to control Cyprus We are small, but we want to exist as a separate player with a minimum of autonomy”. Crisis Group interview, Greek Cypriot official, Nicosia, February 2014.

²⁰⁰ Estimates of Turkish troops in Cyprus vary from 20,000 to 43,000. 94 per cent of Greek Cypriots want or find it satisfactory that all Turkish and Greek troops leave the island immediately after a settlement; that figure is 36 per cent for Turkish Cypriots. “Cyprus 2015”, op. cit.

defence treaty with the new Turkish Cypriot state.²⁰¹ Most Turkish Cypriots want to keep something like the 650-strong Turkish battalion foreseen by the 1960 treaties, so there are perhaps grounds for a few hundred residual Greek and Turkish troops.²⁰² Still, any agreement would have to specify, with international oversight, that a future “TRNC”-Turkey arrangement could not raise this number.²⁰³ The whole island could also be demilitarised, as envisaged by the High-Level Agreement of 1979 between Greek Cypriot and Turkish Cypriot leaders.²⁰⁴

The February 2014 joint declaration, like that 1979 agreement, ruled out the possibility any part of the island could split off and join another country. This reflects real fear of a non-negotiated secession, that an independent Turkish Cypriot state might vote to join Turkey, as the former Syrian province of Hatay did after becoming independent in 1938-1939. This does not seem likely, especially if EU accession is on offer.²⁰⁵ A strong safeguard is vital, however, because Greek Cypriot acceptance of partition is fully out of the question if the outcome is the equivalent of annexation by Turkey. That outcome would also be unlikely to be recognised by the EU or the U.S.²⁰⁶

G. *The Territory and the Map*

The Greek Cypriots have long been seen as the principal beneficiary in any territorial negotiations. The 2004 Annan Plan foresaw reducing the Turkish Cypriot zone to 29 per cent of the island, down from the 37 per cent currently occupied by Turkish troops.²⁰⁷ This would have included the ghost resort town of Varosha, with the island’s best beach, and the town of Morphou/Güzelyurt. Any settlement would benefit all Cypriots by regaining the UN buffer zone for its original owners and likely reducing the size of the UK sovereign bases by half.²⁰⁸

Turkish and Turkish Cypriot officials have privately long maintained that the amount of territory Ankara would hand back in any agreement would be commensurate with the level of self-determination offered to Turkish Cypriots.²⁰⁹ In the case of

²⁰¹ 79 per cent of Turkish Cypriots want a role for Turkey in guaranteeing a settlement. “Cyprus 2015”, op. cit. “An independent TRNC could also have a defence treaty with Turkey, even soldiers, that’s no problem”. Crisis Group communication, ex-senior EU official, February 2014.

²⁰² 71 per cent of Turkish Cypriots view a permanent presence by both Turkish and Greek troops as essential (24 per cent), highly desirable (9 per cent), satisfactory (19 per cent) or tolerable (19 per cent). “Cyprus 2015”, op. cit.

²⁰³ “We need guarantees of the withdrawal of the Turkish army. If they don’t, then what? It was a big question in [the failure of the Annan Plan in] 2004. Do they really want to go away, and will they not come back?” Crisis Group interview, senior Greek Cypriot official, June 2013.

²⁰⁴ Greek Cypriots may now want to keep open the possibility of having the ability to defend their future natural gas installations. Ambassador Tasos Tzionis, ex-Republic of Cyprus chief negotiator, “Demilitarisation outmoded due to new conditions”, *Phileleftheros*, 2 January 2014.

²⁰⁵ Both communities rank the idea of annexation of the north by Turkey as the least preferred of all options. “Cyprus 2015”, op. cit.

²⁰⁶ Crisis Group interview, U.S. official, Istanbul, December 2013.

²⁰⁷ For the past 40 years, the island has functioned with four main jurisdictions: the Republic of Cyprus government areas (59 per cent), the “TRNC”-run areas (37 per cent), the UN-administered buffer zone (3 per cent), and the UK sovereign bases (1 per cent).

²⁰⁸ The UK is likely to honour its standing pledge of halving the size of its two sovereign bases to help a settlement. Crisis Group interview, British diplomat, July 2013.

²⁰⁹ “If a divorce is negotiated, [we will give back] Varosha. But without agreement [on any kind of Cyprus settlement], it’s not obvious that Varosha will be given back”. Crisis Group interview, Turkish official, Ankara, May 2013. “A two-state solution will be more generous on property and territory.

Greek Cypriot agreement to an independent Turkish Cypriot state, this would theoretically reach a maximum in favour of Greek Cypriots. Handing back more territory to Greek Cypriots would also benefit the Turkish side, by reducing the compensation Turkey is legally liable to pay to Greek Cypriots as in effect the occupying power (see Section IV.B above).

Political leaders may find it hard to agree on their own where the exact line should lie between their claims. In an agreement on consensual separation, the sides could submit the matter for binding decision, for instance to an arbitration panel. There would also have to be strong international oversight, particularly to address Greek Cypriot concerns that the troop withdrawals actually take place.

In the negotiations on a federation, offshore maritime zones have been considered a federal, shared competence. Turkish Cypriots have demanded a portion of the potential future revenue, but no way has been found even to start negotiating this (see Section II.D above).²¹⁰

In a two-state settlement, the main areas south of the island currently thought to have gas would likely fall comfortably into the Republic of Cyprus area.²¹¹ Turkey has already unilaterally delineated its maritime borders with the “TRNC”, mostly to the north of the island. Presumably this would remain in place between Turkey and an independent “TRNC”. The clarity of such a new state of affairs would allow faster, cheaper, safer, development of the resources; free of the threat of Turkish sanctions, bigger companies would engage in Cypriot business, and there would be more options for export routes.

Having a sovereign state makes you much more confident”. Crisis Group interview, senior Turkish Cypriot official, Nicosia, June 2013.

²¹⁰ “We have no ratio in mind, it could be demographic-based”. Crisis Group interview, Turkish official, May 2013.

²¹¹ “In the case of a two-state solution, the south will have the south [maritime zone], the north will have the north”. Crisis Group interview, Turkish official, May 2013.

V. Conclusion

In many ways, the four decades of talks on federal reunification have served as a reassuring placeholder that enables continuation of an imperfect but safe status quo. While both sides well understand what a bicomunal, bizonal federation with political equality would look like, neither has ever much wanted it or believed it would happen. The Greek Cypriots overwhelmingly rejected the idea the one time they were asked, in 2004. Turkish Cypriots, with one exception (2005-2010), have always voted in leaders who prefer a two-state settlement.

Cyprus, therefore, stays stuck in a rut. It is a peaceful one that perpetuates nostalgia for a mostly imagined past of a country that lived awkwardly together for just three years after independence from British rule. It maintains the illusion – less and less common among Cypriots – that two war-traumatised, ethnically cleansed entities that have quite different populations can somehow be put back together again because both still drive on the left, use British case law, share the same accent when they speak English and enjoy the same sense of humour.

Policy based on nostalgia and a never-ending process of UN-mediated talks is a backwards-looking displacement activity. It allows both sides to avoid getting down to real issues about how the island can operate more efficiently, return to prosperity and, arguably, achieve real peace. The two parties now resemble a pointlessly bickering couple in an arranged marriage gone wrong, used to each other but condemned to share the same property and continue an unhappy and enforced togetherness. Greek Cypriots are stressed by a sense that they have been robbed, can never feel fully secure and are unable to develop their resources as freely as a country normally should. Turkish Cypriots feel unfairly isolated, marginalised by all (including Turkey) and discriminated against.

An independent Turkish Cypriot EU member alongside the Greek Cypriot Republic of Cyprus would give both much of what they really want. Since this would in many ways in effect be reunifying the island within the EU, with the same currency, norms and visa regime, it would allow the sides to reconnect with no more border than those between continental European states. This could be the European solution Greek Cypriots want. The Turkish Cypriots would feel more secure, respected and confident, and likely would give up many demands that would make a federal government tiresome and expensive. Turkey and Greece would be freed from a diplomatic millstone that has weighed them down for five decades.

All sides need to honestly face the reality that any viable settlement will look pretty much like today's status quo. They should seize the opportunity of the recent upsurge of Greek Cypriot, Turkish Cypriot, Turkish and regional interest in a settlement to open a broad discussion on how to pin down a real deal. What all Cypriots want and need most is an end to uncertainty, a solid legal framework and a long-term perspective on which to base their and their children's lives.

Nicosia/Istanbul/Brussels, 14 March 2014

Appendix A: Map of Cyprus



Map No. 4038 UNITED NATIONS
October 1997 (Colour)

Department of Public Information
Cartographic Section

S.B.A. = UK Sovereign Base Area

Appendix B: Major Rounds of Cyprus Talks

- 1977 **Makarios-Denktash High Level Agreements.** The Greek Cypriot and Turkish Cypriot leaders set parameters, reconfirmed in 1979, for a bicomunal, bizonal federation, though they never agreed on definition of the terms.
- 1985-89 **Pérez de Cuéllar.** Following the self-declared independence of the “TRNC” in 1983, the UN Secretary-General initiated talks between Kyprianou (later Vassiliou) and Denktash. The process failed, as Turkish Cypriots insisted on a separate right to self-determination.
- 1992 **Boutros Ghali’s Set of Ideas.** The UN Secretary-General proposed a major framework for negotiations on an overall settlement. It was accepted as the basis for negotiations by the Greek Cypriot leader George Vassiliou but rejected by Turkish Cypriot leader Rauf Denktash. The process ended in deadlock.
- 2002-2004 **Annan Plan.** UN Secretary-General Kofi Annan proposed a plan envisaging a federation of two constituent parts with a single international legal personality. It was accompanied by the opening of intercommunal borders in 2003. The plan was put to twin referendums in 2004 in a last-minute bid to achieve a united EU entry. It was approved by two thirds of Turk Cypriots, but unexpectedly rejected by three quarters of Greek Cypriots.
- 2008-2012 **Christofias-Talat Talks.** This process began full of hope but ran out of steam due to slow engagement from Greek Cypriots and in effect fizzled out when Turkish Cypriots elected a hardline leader in 2010.

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Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international decision-takers. Crisis Group also publishes *CrisisWatch*, a twelve-page monthly bulletin, providing a succinct regular update on the state of play in all the most significant situations of conflict or potential conflict around the world.

Crisis Group's reports and briefing papers are distributed widely by email and made available simultaneously on the website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policy-makers around the world. Crisis Group is chaired by former U.S. Undersecretary of State and Ambassador Thomas Pickering. Its President and Chief Executive since July 2009 has been Louise Arbour, former UN High Commissioner for Human Rights and Chief Prosecutor for the International Criminal Tribunals for the former Yugoslavia and for Rwanda.

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Kazakhstan: Waiting for Change, Asia Report N°251, 30 September 2013.

Balkans

Bosnia: Europe's Time to Act, Europe Briefing N°59, 11 January 2011 (also available in Bosnian).

North Kosovo: Dual Sovereignty in Practice, Europe Report N°211, 14 March 2011.

Bosnia: State Institutions under Attack, Europe Briefing N°62, 6 May 2011 (also available in Bosnian).

Macedonia: Ten Years after the Conflict, Europe Report N°212, 11 August 2011.

Bosnia: What Does Republika Srpska Want?, Europe Report N°214, 6 October 2011 (also available in Bosnian).

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Kosovo and Serbia: A Little Goodwill Could Go a Long Way, Europe Report N°215, 2 February 2012.

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Aphrodite's Gift: Can Cypriot Gas Power a New Dialogue?, Europe Report N°216, 2 April 2012 (also available in Greek and Turkish).

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Turkey and Greece: Time to Settle the Aegean Dispute, Europe Briefing N°64, 19 July 2011 (also available in Turkish and Greek).

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Turkey: The PKK and a Kurdish Settlement, Europe Report N°219, 11 September 2012 (also available in Turkish).

Turkey's Kurdish Impasse: The View from Diyarbakır, Europe Report N°222, 30 November 2012 (also available in Turkish).

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