

# **EU-27 WATCH**



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# EU-27 Watch

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## On the project

Due to the new treaty provisions of the Lisbon Treaty and the economic crises the enlarged EU of 27 member states is on the search for a new modus operandi while also continuing membership talks with candidate countries. The EU-27 Watch project is mapping out discourses on these and more issues in European policies all over Europe. Research institutes from all 27 member states and the four candidate countries give overviews on the discourses in their respective countries.

The reports focus on a **reporting period from December 2009 until May 2010**. This survey was conducted on the basis of a questionnaire that has been elaborated in March and April 2010. Most of the 31 reports were delivered in May 2010. This issue and all previous issues are available on the EU-27 Watch website: [www.EU-27Watch.org](http://www.EU-27Watch.org).

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**Cyprus****The direct trade regulation and other new developments on the Cyprus issue****Nicoleta Athanasiadou, Costas Melakopides and Christos Xenophontos\***

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Inevitably, the cardinal issue preoccupying Cyprus, hence being constantly discussed by politicians, academics, the business world and the general public, is Cyprus' "existential" problem caused by Turkey's 1974 invasion and the ongoing military occupation of 37 percent of the Republic's territory.

In this particular reporting period, a serious development regarding the Cyprus problem was the April 2010 change of leadership in the Turkish Cypriot community. Upon his election, Derviş Eroğlu described the Greek-Cypriot positions on the Cyprus issue as "maximalist", expressing, however, his determination to continue the negotiation process.<sup>1</sup> Eroğlu asserted that the problematic status of the talks – initiated between President Christofias and Eroğlu's predecessor, Mehmet Ali Talat, in September 2008 – is not the fault of the Turkish Cypriots. The latter, he claimed, have displayed a positive approach whereas the Greek-Cypriots acted "greedily" and joined the European Union, thereby preventing a settlement. On the next day, Eroğlu reiterated his erstwhile position on separate sovereignties and citizenships in Cyprus. Interviewed by Turkish dailies Sabah and Radical, he declared that the UN parameters were not carved in stone. He called on the UN to re-evaluate their resolutions on the non-recognition of the secessionist regime of the occupied territory, adding that the "isolation" of the Turkish-Cypriots was a "shame to humanity". He predicted it would be hard to achieve a settlement by year's end. When asked if there is a "plan B", he replied that his goal is an agreement ensuring the recognition of the Turkish Cypriots by the international community, allowing them to live in "their territory" under Turkish guarantees.

A few days later, the UN Secretary-General's special advisor on Cyprus, Alexander Downer, meeting with Eroğlu, expressed the hope that direct talks will resume.<sup>2</sup> Downer stated his opposition to the approval of the direct trade regulation (see below) and the convening of an international conference on Cyprus. Downer made clear the UN expectation that the talks will continue from where they were left off and premised on what he described as the "UN parameters". Meanwhile, the new Turkish Cypriot leader demanded re-negotiation of all chapters.

Following Eroğlu's statements, President Christofias called for a national council meeting – the president's advisory body on the Cyprus issue – where the future strategy on the Cyprus issue and Eroğlu's election were discussed.<sup>3</sup> President Christofias analysed the recent developments and described Eroğlu's election as "a negative development" for the negotiation process. Speaking afterwards to the press, the leaders of the Movement for Social Democracy (EDEK), the Democratic Party (DIKO), the European Party (EVROKO) and the Green Party called for the reformulation of the national negotiating strategy and reiterated that the President should withdraw the "generous gifts" he had handed to Mehmet Ali Talat. These "gifts" amounted to excessive concessions to the other side, including a rotating presidency proposal, a weighed voting system, and allowing 50,000 (illegal) Turkish settlers to stay after the solution. EVROKO leader Demetris Syllouris stressed, "*the European solution* is the only option that could end the deadlock and create prospects for a fair and viable settlement".

Direct talks between Christofias and Eroğlu finally resumed but, according to government officials, no progress is perceived to date. Political analysts stated that Turkey and the Turkish Cypriot side agreed to resume negotiations, not because they genuinely want the problem's resolution, but for public relations and communication purposes.<sup>4</sup> They also recalled Eroğlu's stereotypical statement that the solution should be based on "two separate states, two separate economies and two separate peoples". This position, however, violates the long-established UN framework that aims at reunification based on a bi-zonal, bi-communal federation with (a sui generis) "political equality" and a single international personality.

Speaking on the sidelines of the celebrations for the EU accession of the Republic of Cyprus, President Christofias urged the Turkish government to stop its "communication tricks" and called on Eroğlu to respect all the convergences achieved with his predecessor.<sup>5</sup> Invited to comment over statements made by Turkish Deputy Prime Minister Ali Babacan, who said that Turkey would like to

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\* Cyprus Institute of Mediterranean, European and International Studies.

see a solution in Cyprus before the end of 2010, Christofias stated: “We want a solution yesterday”. He then stressed that the Greek Cypriot side obviously wants a solution before then; that the problem is under what instructions Turkey is guiding Turkish Cypriot negotiators; and that the solution must serve the people of Cyprus, being fair, viable, and functional.

Another crucial issue on the Cypriot (governmental, political, and civil society) agenda is the “Direct Trade Regulation”. This EU-led initiative aims at direct trade between the Turkish-occupied areas and the EU. However, it is in manifest breach of Protocol 10 of Cyprus’ 2003 Accession Treaty. Therefore, Nicosia argues that it should be withdrawn, or at least frozen; otherwise, the issue should be referred to a European Parliamentary Committee, which would be most competent to address it. The Cypriot President also proposed that trade with the Turkish Cypriot community be conducted through the port of Famagusta, under the aegis and monitoring of the EU, in return for the opening of the fenced (i.e., occupied) city of Varosha. This proposal, he added, was the government’s response to the insistence by Turkey “and by some circles within the European Parliament and the Commission” to bring forward a regulation that, under normal circumstances, should not only be frozen but nullified. As reported by ANTENA TV, the President argued that it is unacceptable for the EU to raise such an issue which violates its own principles, especially when the Cyprus government is displaying a constructive stance in the UN negotiations, while daily newspaper Simerini reported Christofias’ statement that the administration of Cyprus’ problems should never have been handled by DG Enlargement, given that Cyprus has been a full member state since 2004.<sup>6</sup>

Authorities’ efforts have also focused on measures to overcome a budget deficit of 6.9 percent, high unemployment (estimated in April 2010 at 6.8 percent) and the rising poverty levels in the midst of the global financial crisis.<sup>7</sup> In June 2010, the European Commission activated the procedure for excessive deficit for Cyprus, calling on the country to reduce its budget deficit below 3 percent until the end of 2012. Cyprus will have six months following the adoption of the recommendations by Ecofin in which to present measures for the reduction of its deficit, something which entails the adoption of austerity measures.

Minister of Finance, Charilaos Stavrakis, described the above development as “purely technical”, pointing out that Cyprus was among the last members of the Eurozone to come under the procedure for excessive deficit.<sup>8</sup> Opposition party DISY, however, voiced anew its criticism that the government, instead of focusing on reducing its spending and boosting development and growth, focuses on boosting its revenue through additional taxes (announced earlier that day),<sup>9</sup> a position also expressed by government coalition-party DIKO. Both parties emphasised the need for a focus on development and stressed the risks of imposing additional taxes at a time of economic crisis. Social-democratic EDEK and the Greens also expressed concern over the Commission announcement, calling for immediate action to control the budget deficit, and criticised the measures announced by the government, while the European Party (EVROKO) – which called the announcement of measures “rushed” and damaging to Cyprus’ efforts to become a regional business centre – accused the government of having turned an economy with a surplus in 2008 to an economy that has now fallen under EU monitoring.

Given the austerity measures taken by the Cypriot government, Cypriots seemed rather pessimistic regarding issues like unemployment and the rise of poverty levels. According to a Eurobarometer survey on the economic crisis’ social impact, 30 percent of Cypriots said that they are struggling to balance their income and expenditure, while eight in ten perceive an increase in poverty.<sup>10</sup> Half of the Cypriots surveyed expect the situation to deteriorate further in the coming year; one in four expects that pensions will decrease; one in ten expects to retire at a later age; while one in five is concerned that post-retirement income will not suffice for a “respectable” lifestyle. Also, 20 percent replied that they feel anxious about job security, while six in ten Cypriots fear an inability to find a new job if they lose their current positions.

Meanwhile, Nicosia is mobilising efforts to attract foreign investors. Recently, the government of Qatar expressed interest in forming a conglomerate with the Cypriot government for the construction of a luxury hotel and a major business centre in Nicosia. The agreement will reach 500 million US Dollars and will mark the first time that Cyprus receives a direct investment of such magnitude.<sup>11</sup> Whereas political and business circles welcomed the signing of two business agreements between Cyprus and Qatar, opposition parties expressed concerns over the implementation of the deal, fearing it could lead Cyprus into dangerous adventures.<sup>12</sup> Opposition DISY deputy president, Averof Neophytou, even asserted that the agreements were unbalanced against the Cyprus government and challenged it to show greater transparency. Despite this opposition, a committee was formed regarding the project,

which is anticipated to be completed in two years, but it is doubtful whether it would be ready for the Cypriot EU Presidency in 2012.<sup>13</sup>

Finally, while a financial-crisis-induced melancholy penumbra is temporarily affecting the Cypriot atmosphere, life in the free part of the Republic is profoundly marked by Cyprus' "existential problem". Therefore, beyond the aforementioned particular developments regarding the Cyprus problem, a few wider remarks are worth recording. First, Cypriot academic commentators and distinguished columnists have been concerned about Ankara's increasing regional assertiveness, which seems to be issued from grandiose geopolitical ambitions and designs of even "global" dimensions. The implications for the Republic of Cyprus are both indirect and immediate: as implied in Turkish Foreign Minister Ahmet Davoutoglu's opus, "Strategic Depth",<sup>14</sup> Cyprus is perceived – and should be conceived – by Ankara in purely geopolitical and geostrategic terms. It seems to follow that Turkey is advised to not be prepared to settle the Cyprus problem unless it satisfies its self-regarding conditions and terms. By implication, the term "bi-communal negotiations in Cyprus" borders on a veritable misnomer. For, as noted by Cypriot political leaders and even President Christofias, the representatives of the Turkish Cypriots are not autonomous negotiators, since they are constantly "guided by Ankara". Therefore, the suspicion that these "negotiations" are pursued by Turkey for merely "communication purposes" seems valid. In consequence, the expectation that such "bi-communal talks" can lead to respectable results seems illusory.

Second, President Christofias' above-mentioned "generous gifts" were never reciprocated by the Turkish Cypriots. Therefore, most political leaders, academic analysts, and influential opinion-makers have been calling on the President to withdraw, at long last, his offer. His refusal to do so to date may largely explain the increasing unpopularity of his handling of these negotiations.

Third, evaluating Ankara's recent foreign policy has led Cypriot political analysts, academics, and public opinion-makers to conclude that Turkey is not always prepared to match words with deeds. Indeed, while Davoutoglu's favourite stereotypes are "zero problems with our neighbours" and "Turkey is a regional peacemaker", Ankara's problems arising from, or concerning, Armenia, Azerbaijan, Iran, Syria, Israel, Greece, and Cyprus may suffice to show a grand contradiction. Therefore, there is a rising Cypriot sentiment to the effect that since Nicosia's apparently unsuccessful strategy has been premised exclusively on "carrots", it is about time that its own – diplomatic, political and legal – "sticks" should also be deployed.

And fourth, this picture helps explain the call by all political forces (except governing AKEL) for a reconsideration of Nicosia's negotiating strategy. Such a change was laconically expressed in a recent op-ed essay by former Foreign Affairs Minister Giorgos Lillikas, who concluded as follows: "The blackmailing dilemma that some [circles] are creating is, in reality, this: 'Legal partition with Turkish control even of the free territory and without the internationally recognised Republic of Cyprus or illegal partition?' Clearly, both options are entirely unacceptable. Whoever offers only these options pushes the people to the second option, simply in order to retain at least our state entity. Our people deserve better options. This, however, presupposes a different strategy that claims our rights and a different, multi-dimensional, foreign policy."<sup>15</sup>

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<sup>1</sup> Press Reports, April 2010.

<sup>2</sup> Press Reports, April 2010.

<sup>3</sup> Press Reports, April 2010.

<sup>4</sup> Interviews conducted by Nicoleta Athanasiadou, Ministry of Agriculture, Natural Resources and the Environment, Nicosia, early June 2010.

<sup>5</sup> Speech by President Demetris Christofias, Nicosia, 01/05/2010.

<sup>6</sup> Statements by President Christofias, Brussels, 17/06/2010 and 18/06/2010 (as reported by ANTENA TV and SIMERINI newspaper respectively).

<sup>7</sup> Figures published at the website of the Statistical Service of the Republic of Cyprus, available at: [http://www.mof.gov.cy/mof/cystat/statistics.nsf/index\\_en/index\\_en](http://www.mof.gov.cy/mof/cystat/statistics.nsf/index_en/index_en).

<sup>8</sup> Press Reports, June 2010.

<sup>9</sup> The package of measures, announced by Minister of Finance Charilaos Stavrakis on 16 June 2010, covers four main axes of policy which concern the clean-up of public finances, social solidarity, the targeting of social benefits and the boost in government revenue. The legislations approved by the Cypriot Cabinet include the increase of corporate tax by 1 percent to 11 percent for 2010 and 2011 only, the adjustment of property tax brackets and the imposing of 0.7 percent in tax to properties over 170,000 Euros in value calculated in 1980 prices, and the amendment to the ceiling income for eligibility for child and student benefits from 60,000 Euros per annum per two child family to 70,000 Euros per annum with the measure coming into effect as of 2011. Also announced was an increase to the level of tax on fuel products to levels which the minister of Finance stressed are the minimum permitted by the EU.

<sup>10</sup> Eurobarometer: Flash Eurobarometer. Monitoring the social impact of the crisis: public perceptions in the European Union – Wave 4, June 2010, available at: [http://ec.europa.eu/public\\_opinion/flash/fl\\_289\\_en.pdf](http://ec.europa.eu/public_opinion/flash/fl_289_en.pdf) (last access: 08/07/2010).

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<sup>11</sup> Press Reports, May-June 2010.

<sup>12</sup> Ibid.

<sup>13</sup> Press Reports, June 2010.

<sup>14</sup> Davoutoglu's book was published in Greek translation in May 2010. Nicosia was the locus for the book's first public presentation. The massive attendance of the presentation attests to the concerns expressed in the present paragraph.

<sup>15</sup> Giorgos Lillikas: Partition or Bi-zonal and Bi-Communal Federation?, Phileleftheros (Nicosia daily), 03/06/2010, emphasis added.

## Questionnaire for EU-27 Watch, No. 9

Reporting period December 2009 until May 2010 – Deadline for country reports 21 May

**All questions refer to the position/assessment of your country's government, opposition, political parties, civil society organisations, pressure groups, press/media, and public opinion. Please name sources wherever possible!**

### 1. Implementation of the Lisbon Treaty

On the 1 December 2009 the EU-reform ended with the entering into force of the Lisbon Treaty. However, the new treaty provisions still have to be implemented. Some procedures and conditions have to be determined. In other cases, procedures, power relations, and decision-making mechanisms will change due to the new provisions.

- How is the work of the new President of the European Council, Herman Van Rompuy, assessed in your country? Which changes to the role of the rotating council presidency are expected?
- How is the work of the new High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, assessed in your country? Please take into particular consideration both her role within the European Commission and her relationship to the Council of the European Union.
- On 25 March 2010 a "Proposal for a Council Decision establishing the organisation and functioning of the European External Action Service" was presented. How is this concept perceived in your country? Which alternatives are discussed?
- On 31 March 2010 the European Commission presented a proposal defining the rules and procedures for the European Citizens' Initiative (ECI). What are the expectations for the ECI in your country? What are the various positions concerning the rules and procedures?

### 2. Enlargement and European Neighbourhood Policy

The European Commission has given its opinion on Iceland's application for EU-membership and a decision from the Council is expected before the end of June. Croatia seems to have settled its border dispute with Slovenia. Against this background:

- Which countries does your country expect to become members of the European Union in the next enlargement round? What are the opinions in your country on the membership of these countries?
- How are the membership perspectives of those countries discussed, which are not expected to become a member in the next enlargement round?

The Eastern Partnership and the Union for the Mediterranean were the last major projects dealing with the European neighbourhood:

- How are these projects assessed in your country?

### 3. European economic policy and the financial and economic crisis

The European Council agreed on 25/26 March on the key elements of the Europe 2020 strategy, the successor of the Lisbon strategy. While not being on the formal agenda the economic and financial situation in Greece was discussed. The European Council agreed on a finance package combining bilateral loans from the eurozone and financing through the International Monetary Fund.

- How is the finance package for Greece assessed in your country? Are there any opinions on the process, how the agreement on the package was reached?
- Which lessons should be drawn from the Greek case for a reform of the Stability and Growth Pact?
- How is the idea of "a strong coordination of economic policies in Europe" perceived in your country? What concepts of an European economic governance are discussed in your country and which role do they assign to the Euro group?
- How is the Europe 2020 strategy discussed in your country? What are the priorities for the Europe 2020 strategy from your country's perspective?

### 4. Climate and energy policy

The climate conference in Copenhagen took note of the Copenhagen Accord but did not reach a binding agreement. The next conference of the parties (COP 16 & CMP 6) will take place at the end of November 2010.

- How is the Copenhagen conference assessed in your country? Please take into consideration the negotiation strategy of European Union and the results of the conference.
- Does the European Union need to change its own energy and climate policy in order to give a new impulse to the international negotiations?
- Is a global agreement within the UNFCCC the best strategy to fight climate change? If not, which alternative strategy should the European Union follow?
- What is your country's position on financing mitigation and adaptation efforts in developing countries?

### 5. Current issues and discourses in your country

Which other topics and discourses are highly salient in your country but not covered by this questionnaire?