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Cyprus and the European Union: Problems and Prospects

by Professor Nicolas Emiliou¹
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¹ Nicholas Emiliou is Professor of European law at the University of Durham and Special Adviser to the Minister of Foreign Affairs, Cyprus.
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Abstract

The development of the relations between Cyprus and the European Union has, on occasions, been riddled with political difficulties. The unresolved political problem of Cyprus has dictated to a great extent the attitude and policy objectives of both the Government of the Republic of Cyprus and the Community within the framework of their relations. Economic considerations have, at least since 1974, played a secondary role. Despite a variety of difficulties and delays, relations between Cyprus and the EU have been developing and improving bringing Cyprus on the verge of full EU membership.

I. Introduction

On the political level two distinct trends can be identified with regard to the development of EC-Cyprus relations². On the other hand, there is the desire of the successive Cyprus Governments for a more active involvement of the Community in the efforts towards the solution of the Cyprus problem; on the other hand, there is the reluctance of the Community to get actively involved into the problem. This reluctance can be attributed partly to the limitations of the Community mechanism in the sphere of foreign policy and partly to the conflicting interests of its Member States. However, the establishment of the common foreign policy by the Treaty of European Union could gradually change the situation and encourage a more active involvement of the Community in the efforts towards a solution of the Cyprus problem.

II. The early stages

Cyprus has pursued close relations Europe since its independence in 1960. In 1961 it became a member of the Council of Europe. As early as 1962, the Government of the Republic of Cyprus explored to possibility of establishing formal links with the European Community.

The decision to pursue close relations with the Community in 1962 was connected with the first British application to join the Community which was submitted at the time. Cyprus' economy was heavily dependent on the British Commonwealth preferential trade tariffs. The prospect of dismantling Commonwealth trade preferences as a result of Britain's accession to the EC prompted the Cyprus Government to seek an institutionalized trade arrangement with the Community. The British application was effectively blocked by General De Gaulle and as a result Cyprus' interest in the Community faded, only to be revived a few years later when once again Britain applied to join the EC in August 1970.

² Kranidiotis (1992), p. 165.

The reasons behind Cyprus' revived interest in the Community were once again mainly economic. Britain was Cyprus' single most important export market. It was therefore necessary to find new export outlets for Cypriot agricultural and manufactured products³. Moreover, around the same time, the Community had launched its preferential trade policy towards other Mediterranean countries. These preferential trade agreements, especially with Spain and Israel, would affect adversely the competitiveness of Cypriot agricultural products exported to EC countries⁴. In the face of the new realities, it was in the best interests of Cyprus to pursue a special trade relationship with the Community.

In addition to the economic reasons, there were also good political reasons for an opening on behalf of Cyprus towards the Community. In late 1963, violence broke out between the two communities in Cyprus resulting in loss of and property on both sides. The administration had ceased to function effectively on a bi-communal basis. The Government of Cyprus remained in control of the state. However, the Turkish Government and the Turkish Cypriots have ever since denied the legitimacy of the Government of Cyprus and refused any form of cooperation with it⁵.

Following these events, the Government of Cyprus engaged itself to an intensive political and diplomatic campaign aiming at safeguarding the independence of the Republic Cyprus and the legitimacy of its government. Thus, the effort of the Cyprus Government to reach an association agreement with the Community also aimed at strengthening its international standing. Negotiations between Cyprus and the Community began in early 1972 following the mandate adopted by the Council of Ministers on 30 December 1971⁶. The association agreement was signed on 19 December 1972 and came into effect on 1 July 1973⁷. The agreement was based on Article 238 of the EC Treaty. Agreements under this provision are usually not limited to trade but extend to other sectors of the economy as well. The EC-Cyprus Association Agreement provided for the gradual abolition of all custom duties and quantitative restrictions in the trade between Cyprus and the Community.

³ Tsardanidis (1991), pp. 29-30.

⁴ Shlaim (1976).

⁵ The Secretary-General of the United Nations, in his report to the Security Council, described the Turkish policy in this way:

"The Turkish Cypriot leaders have adhered to a rigid stand against any measures which might involve having members of the two communities live and work together, or which might place the Turkish Cypriots in situations where they would have to acknowledge the authority of Government agents. Indeed, since the Turkish Cypriot leadership is committed to physical and geographical separation of the (two) communities as a political goal, it is not likely to encourage activities by Turkish Cypriots which may be interpreted as demonstrating the merits of an alternative policy. The result has been a seemingly deliberate policy of self-segregation by the Turkish Cypriots".

⁶ *Fifth General Report of the EC*, para. 440.

⁷ See Council Regulation 1246/73 on the conclusion of an Agreement establishing an Association between the European Economic Community and the Republic of Cyprus, to which the text of the Agreement is annexed, OJ 1973 L 133/1.

The final aim was the establishment of a customs union between the parties in two stages. The first stage would have been completed by 30 June 1977, and the second, whose negotiations process would have started eighteen months before the completion of the first stage, would have initially covered a five-year period and would in substance become a transitional period for the completion customs union⁸.

The Cyprus crisis in the summer of 1974 had direct consequences on the development of EC-Cyprus relations. The Turkish invasion of 1974 upset in every respect the social, political and economic life of Cyprus. Ever since, EC-Cyprus relations have been influenced and to great extent defined by the developments relating to the political problems of Cyprus. The first period of EC-Cyprus institutionalized relations, from 1972 to 1984, was a period of stagnation. The second period, from 1985 to 1992, was a period of normalization. The third period, from 1993 to the present, is a period of development of EC-Cyprus relations.

III. The years of stagnation: 1972-1984

During the first period, under the influence of Britain and the United States, the Community adopted a reserved attitude towards Cyprus, trying to keep equal distance from both communities in Cyprus. Thus, when the first stage of the Association Agreement was completed, the Community was reluctant to proceed into the second stage envisaging the establishment of a customs union. Some EC Member States led by Britain, for purely political reasons, reacted to the commencement of negotiations in the belief that they were thus exerting pressure on the two communities to show moderation in the intercommunal dialogue then under way. Some other Member States, such as France and Italy, which had products competitive to Cypriot products, supported postponement of the negotiations to protect their own products⁹.

Thus, the implementation of the Association Agreement was delayed and, instead of progressing into the second stage, the first stage was extended effectively, on successive occasions, until 1985. During the same period a number of additional protocols were signed improving slightly the provisions of the original agreement and adapting them to the developments that were taking place. The first two of the four EC-Cyprus financial protocols were also signed during this period. The apparent unwillingness of the Community institutions to set in motion the mechanism for the commencement of the negotiations for the implementation of the second stage of the Association Agreement created tension in EC-Cyprus relations and caused skepticism in Cyprus about the Community intentions.

⁸For a detailed discussion and analysis of the EC-Cyprus Association Agreement see Lycourgos (1994).

⁹ Tsardanidis (1991), p. 145.

IV. The period of normalization: 1985-1992

During the second period of EC-Cyprus relations an attempt was made to normalize and foster the development of these relations. The change in the Community's attitude towards Cyprus during this period can be attributed to a great extent to two important political events that took place in the early 1980s. First, the accession of Greece into the EC with effect from 1 January 1981. The presence of Greece in the EC institutional framework undoubtedly helped to promote Cyprus' case in the Community. Despite the fact that in the early years of her Community membership Greece's priority was to improve her economic and commercial relations with her new partners, she nevertheless contributed to the promotion of EC-Cyprus relations within the framework of the association process.

The second important development was the unilateral declaration of independence (UDI) by the Turkish Cypriots with regard to the part of Cyprus under Turkish occupation under the name "Turkish of Northern Cyprus" ("TRNC"). This entity has not been recognized by the international community (apart from Turkey) as possessing the constituent elements of statehood¹⁰. This illegal action was also condemned by EC Member States within the framework of the European Political Co-operation (EPC), who repeatedly expressed their support for the unity, territorial integrity and sovereignty of the Republic of Cyprus and the legality of her government¹¹. These two events contributed to a change of heart towards Cyprus and a realization on the part of the Community that it had to take a firmer stand towards the Turkish side with regard to the Cyprus problem. As a matter of fact, on 21 December 1983, following a demarche by the Government of Cyprus, the Community decided that all Cypriot products imported into the Community ought to be accompanied only by officials issued by the competent authorities of the Republic of Cyprus and exported through ports designated by those authorities. On 21 February 1984, the Commission sent the new specimen seals and signatures to the competent authorities of the Member States but did not, however, take any binding measures.

However, some Member States (especially Britain, the Netherlands and Germany) occasionally allowed imports from the occupied area of Cyprus into their territories. Thus, despite the fact that the ban on imports from the occupied part of Cyprus was probably the only specific measure taken by the Community in the form of "sanctions" in respect of the illegal UDI by the Turkish Cypriots, it did not take the form of a legally binding measure and moreover it was systematically violated by certain Member States¹².

¹⁰ See, *inter alia*, UN Security Council Resolutions 541/1983 and 550/1984.

¹¹ See e.g., EPC Statement of 16 November 1983, *EC Bulletin* 11-83; conclusions of the European Council, Brussels 19-20 March 1984, *EC Bulletin* 3-1989.

¹² On 5 December 1989, the Commission's Directorate for Agriculture issued an official recommendation (the "Legras letter") which banned the importation of Cypriot products not accompanied by certificates of origin and phytosanitary certificates issued by the competent

The new situation created by Greece's accession and the proclamation of the illegal "TRNC" created the feeling that the Community had to do something about Cyprus. The mid-1980s was a good time for the Community to act, having overcome its budgetary crisis and completed the negotiations for the Single European Act and the Iberian accessions. Furthermore, the international political climate was improving and a new period of détente appeared on the horizon, a fact that allowed the Community leeway for political manoeuvring.

In the light of the accession of the two Iberian countries, the Community initiated discussions on a new Mediterranean policy towards non-member Mediterranean countries. The negotiations for the new Mediterranean policy gave Greece the opportunity to press for the promotion of EC-Cyprus relations. Linking the two issues, Greece made clear that it would not agree to the new Mediterranean policy unless the Council issued a mandate to the Commission to begin negotiations with regard to the second stage of the EC-Cyprus Association Agreement.

Indeed the move of the Greek Government proved effective. Thus, on 20-21 October 1985, at an informal meeting of the foreign ministers in Luxembourg, a compromise agreement was reached to promote simultaneously the new Mediterranean policy and the negotiations mandate for the EC-Cyprus Association Agreement. The final form of the mandate was officially approved by the Council of Ministers on 25 November 1985, based on the proposals of the Commission¹³. This decision was of great political importance for Cyprus. The decision to proceed with the negotiations put an end to a long crisis between Cyprus and the Community. At the same time, the acceptance of the sovereignty of Cyprus and the fact that the Government of Cyprus legitimately represented the whole of the island was accepted and reiterated.

The arduous negotiations that followed lasted for almost two years. On many occasions, it was felt that an agreement would never be reached. The Community adopted a rigid negotiating line and proposed limited concessions and preferences for Cypriot products. The most difficult issues were: (i) the transition to the customs union and whether this would be automatic, as the Cyprus Government wished, or after an agreement, as the Community insisted; (ii) the abolition of the rules of origin demanded by Cyprus; and (iii)

authorities of the Republic of Cyprus. This statement was challenged before the Court of Justice of the European Communities by a Dutch company representing Turkish Cypriot interests (Case C-60/90 *Sunzest* [1991] ECR I-2917). That application was rejected as inadmissible by the Court on the grounds that the Commission's statement was not a "decision" of the Commission but simply transmitted the advice of a Commission Department with no effect in law. Finally, on 5 July 1994, following an application by Greek Cypriot exporters of agricultural products, the Court of Justice effectively banned the imports into Community Member States of agricultural products not appropriate export certificates issued by the authorities of the Republic of Cyprus (Case C0405/92 *R.v. Minister of Agriculture, Fisheries and Food, ex parte S.P. Anastasiou (Pissouri) Ltd and Others* [1994] ECR I-3087).

¹³ 19th General Report of the EC, para. 335.

the exemption of some sensitive products from the Agreement¹⁴. Finally, after difficult negotiations a compromise was reached. The Protocol was signed on 19 October 1987 and took effect on 1 January 1988¹⁵.

This Protocol governs the second stage of Association Agreement and aims at the establishment of a customs union between the parties. This stage is divided into two phases: the first phase, from 1988 to 1997, involves, *inter alia*, a further reduction of customs duties and the abolition of quantitative restrictions. The transition from the first to the second phase will be decided by the Association Council. The second phase will last four or five years. It will involve: (i) the abolition of the rules of origin and the free movement of goods covered by the customs union; (ii) the adoption of measures stemming from the EC Treaty *vis-à-vis* competition, state aids, indirect taxation etc; (iii) the enactment of measures concerning the free movement of agricultural products covered by the customs union on the basis of reciprocity and the adoption by Cyprus of the common agricultural policy mechanisms with regard to the same products; and (iv) the application of measures which should have taken effect in the first phase but which were not fully applied during that period.

The agreement for the transition to the second stage of the Association Agreement and the increased interest of the Community in the Cyprus problem¹⁶ enhanced the image of the Community in Cyprus, encouraged the island's European orientation and led to the realization that Cyprus could derive great political and economic benefits by further developing her relations with the EC. In the light of the above developments, the Greek Government as from 1987 began to encourage the Cypriot Government to submit an application for full membership of the Community.

The Greek Government believed that the Community was in a better position than any other power to exert pressure on Turkey to show moderation on the Cyprus problem. Given Turkey's desire to strengthen its relations with the

¹⁴ See Kranidiotis (1992), pp. 172-173.

¹⁵ Official Journal of the EC, 31 December 1987, L 393/1.

¹⁶ On three occasions between 1988 and 1991 the Community tried unsuccessfully to get involved in the process of finding a solution of the Cyprus problem. The first attempt was made by the EC Commissioner Claude Cheysson who proposed that Turkey should withdraw from the new town of Famagusta and allow the opening of Nicosia airport. Both of these areas would then come temporarily under UN control. In exchange, the Government of Cyprus would allow the free export of products from the occupied area through the port of Famagusta and Nicosia airport and issue the requisite export certificates. In addition, Greece would withdraw its reservations on the fourth Financial Protocol between EC and Turkey. Turkey rejected these ideas. On another occasion, in late 1988 the "big four" EC Member States (France, Germany, Italy and Britain) decided to follow closely developments on the Cyprus problem, and intervene whenever necessary. The Greek Government reacted strongly against this initiative on the ground that it was undertaken on an intergovernmental basis outside the Community framework. The third EC initiative was launched in early 1991 by the Luxembourg Presidency of the Council. However, the lack of a clear plan of action and the strong American reaction against the idea of a Community initiative undermined this effort and led to its failure.

Community, this would not have been impossible. Moreover, accession of Cyprus to the Community would be the only realistic guarantee that any solution to the island's political problem would be viable and functional. The basic principles and freedoms underlying the Community edifice such as free movements of goods, persons, services and capital, respect for human rights and democratic procedures would serve as safety valves between the two communities of Cyprus and would guarantee the viability of any solution. The Greek Government considered that the best time for the submission of Cyprus' application would be during the Greek presidency of the Council of ministers in the second semester of 1988.

The Greek Government communicated its views to the Government of Cyprus in late 1987. These views were received favorably. However, the early 1988 presidential elections in Cyprus brought a new administration in power. George Vassiliou, the new President of Cyprus, although supporting Cyprus' European orientation was reluctant to submit an application during that period. In early 1988 there were new UN initiatives in the offering and a new round of intercommunal talks had just started. In this context, Vassiliou was discouraged, mainly by the United States and Britain, from submitting an application to join the Community lest this move upset the intercommunal talks under way. The United States, Britain and a number of other EC Member States held the view that the Cyprus problem should remain within the framework of the UN. During a visit covering several European capitals, Vassiliou received the message that Cyprus could not expect to become an EC member as long as the political problem remained unresolved¹⁷.

The United States and Britain did not view favorably the prospect of accession of Cyprus to the EC even if the Cyprus problem were solved. Both of these countries would have preferred Cyprus to remain outside of the Community, so that they could influence developments in the island in a more direct manner. In addition, they have been reluctant to disappoint Turkey, which has been strongly opposing Cyprus' accession to the Community. The oft-repeated Turkish position has been that the Government of Cyprus did not have the authority to submit an application as long as the political problem remained unresolved. Such action, Turkey argued, would undermine the efforts to find a solution to the Cyprus problem because Turkey would withdraw from negotiations¹⁸.

The reluctance of the Cyprus government to submit an application created some tension in its relations with Athens, which continued to support the need for an application. In the meantime, the intercommunal dialogue did not lead to any results while the Cypriot Government was dragged from one fruitless round of negotiations to the next. By mid-1989, there was within Cyprus itself a broad consensus between almost all of the political forces than

¹⁷ See e.g., Cyprus Press Information Office Press Release, 14 October 1988.

¹⁸ See e.g., statements by the Turkish-Cypriot leader Rauf Denktaş on 15 September 1990, Cyprus Press Information Office press Release, *Turkish Bulletin*, 15 September 1990.

an application for full membership in the EC should be made. The House of Representatives debated the issue on many occasions and adopted a resolution urging the Government to submit an application at the earliest possible point¹⁹. Finally, the collapse of the Soviet Union and the democratization process in Eastern European countries changed the character of the system of international relations from the bipolar model into a loose multi-polar dominated by the United States. These developments increased the dangers to the national security of smaller states, such as Cyprus; their integration into a big and powerful supranational organization associating them with a wider group of states would offer security as well as political and economic advantages. Moreover, the non-aligned movement of which Cyprus is a founding member gradually declined in importance while the European Community and its deals were in their heyday. The emergence of all of the above factors led the Cyprus Government to reassess its position and realize the importance of the submission of an application for full membership of the EC. The Government of Cyprus considered that the prospect of Cyprus' accession to the EC would send a clear message to the Turkish Cypriots that the Community regarded seriously the prospect of Cypriot membership as a catalyst in the efforts for finding a solution to the island's political problem. A settlement in Cyprus would contribute to the efforts for peace and stability in Eastern Mediterranean. It would also greatly facilitate the rapprochement between Greece and Turkey and ensure the stability of NATO's southeastern flank.

The economic benefits to be derived in the case of Cyprus' membership were obvious²⁰. The Government of Cyprus viewed the customs union agreement as an intermediate stage on the road to full economic integration. As a full EC member, Cyprus would also participate in common Community policies such as the common agricultural policy, transport, environment, development policies etc. moreover, Community membership would enable Cyprus to benefit from the EC structural funds. All of the above would speed up the modernization of Cyprus' economy and infrastructure.

On the basis of the above considerations, on 4 July 1990, the Cyprus Government submitted a formal application to join the Community under Article 237 of the EEC Treaty²¹.

Cyprus' application was discussed in the COREPER on 12 September 1990, and in the Council of Ministers on 17 September 1990. According to the procedures, the Council decided unanimously to refer to the Commission for its opinion. During the discussion in the Council, Britain, Germany, Holland and Belgium insisted on the adoption of a statement to the effect that the benefits of EC-Cyprus relationship would be enjoyed by the people of Cyprus

¹⁹ See the Resolution of the House of Representatives (Cyprus), 23 June 1989.

²⁰ Kranidiotis & Kokkoni (1990).

²¹ Article 237 of the EEC Treaty has been repealed by the Treaty on European Union. Accession of a new Member States is covered by Article O of the Treaty on European Union.

as a whole. Despite the different opinion of other Member States, this statement was adopted with the modification "in the spirit of the UN resolutions". The insistence of certain EC Member States' Governments on such a statement can be explained in the light of the position shared by some Member States that Cyprus' accession to the Community should be linked with the solution of the island's political problem and their concern about the Turkish reaction.

Both the Turkish Government and the Turkish Cypriots reacted strongly to Cyprus' application, threatening not to cooperate with the UN Secretary General in his efforts to find a solution to the Cyprus problem. On several occasions, the Turkish Cypriot leader Rauf Denktash said that Cyprus could accede to the EC only when Turkey became a member and only after the Cyprus problem were resolved. In other statements, Denktash said that Cyprus' accession to the EC would amount to the island's union with Greece. On 31 August 1990, the Turkish Cypriot leadership sent a memorandum to the Council of Ministers asking for the rejection of Cyprus' application on the ground that the Government of Cyprus did not represent the whole of the island, and that the application as such was unconstitutional.

The Government of Cyprus rejected those allegations, emphasizing that it was the only internationally recognized government representing the whole of the island. It pointed out that an illegal regime which had violated the provisions of the 1960 Constitution could not invoke its provisions in order to hinder the functioning of the State²². At the time of the submission of its application, the Government of Cyprus invited the Turkish Cypriots to cooperate and to join forces with it for the preparation of the accession negotiations. It was pointed out that Cyprus' accession to the community would be extremely beneficial for the Turkish Cypriots, who would feel more secure in a European framework and would be able to enjoy, to a greater extent than their Greek compatriots, the economic advantages that accession to the EC would bring²³.

In the late 1980s the prospect of Cyprus' accession to the EC became one of the main issues in the negotiations for the solution of the political problem. The Cyprus Government in its consultations with the UN Secretary General and others brought up the issue of EC membership and argued that Cyprus' accession to the Community would facilitate a solution to the political problem. In two important texts on the Cyprus problem, the UN Secretary General referred to the possibility of Cyprus acceding to the EC. In his June 1989 report, he stated for the first time that special consideration should be given to the possibility of Cyprus' accession to the EC.

²² Loukaidis (1989).

²³ See Cyprus Information Office Press Release, 4 July 1990.

In his August 1992 report (known as the 'set of ideas')²⁴, the Secretary General proposed that "matters related to the membership of the federal republic {of Cyprus} in the European Economic Community will be discussed and agreed to , and will be submitted for the approval of the two communities in separate referenda". This suggestion would pose a most severe obstacle to the accession of Cyprus to the EC. First, this proposal is very vague; it does not clarify when and at what stage of the negotiations "matters related to the membership of the federal republic in the European Economic Community will be discussed and agreed to". It is not clear whether this question will be resolved before or after the establishment of the federal republic. It is almost certain that the question of Cypriot membership in the EC will be a point of contention between the two communities since the Turkish Cypriot side takes the view that

"... in the interest of ensuring parity in the special ties between the respective motherlands, Greece and turkey, and Cyprus, the federation can only become a member of, or participate in, nay international organization or other body if (a) both Turkey and Greece are members of, or participate in, such organization or body; and (b) such membership or participation is approved by the two federated states in separate referenda"²⁵.

This view would make Cyprus' accession to the EC almost impossible in the foreseeable future since the EC does not even consider Turkey as a serious candidate for full membership for the time being at least²⁶. Furthermore, the suggestion for two separate referenda on the issue of participation in the EC is contrary to the democratic principle. While the great majority of Greek Cypriots, who constitute eighty-two per cent of the population, may vote overwhelmingly in favor of their country's accession to the EC, Cyprus may not become a member if the Turkish Cypriots, who constitute eighteen per cent of the total population, vote (narrowly perhaps) against accession.

Given the fact that the enlargement of the Community became an issue of great priority, the European Council in December 1991 invited the Commission to study the issue and prepare a report for discussion by the European Council in its June 1992 meeting at Lisbon. In its report, the Commission laid down the criteria and conditions that, in its opinion, applicant countries would have to fulfill in order to join the EC as well as the conditions that the EC itself would have to respect in the process of its enlargement in order not to compromise its nature, objectives and

²⁴ Report of the Secretary-General on his Mission of Good Offices in Cyprus (Set of Ideas on an Overall Framework Agreement on Cyprus), UN Document No S/24472, 21 August 1992.

²⁵ See Report of the Secretary-general on His Mission of Good offices in Cyprus of November 1992, pp. 15-16, para. 40.

²⁶ See EC Commission Report on the Criteria and Conditions for Accession of New Members to the Community, *Europe and the Challenge of Enlargement*, Brussels, 24 June 1992 (Supplement 3/92 – Bull. EC), point 29.

functioning. In the last part of its report, the Commission set out the situation in the different applicant countries and suggested guidelines to be followed on a case by case basis. The report served as basis for the Conclusions of the Lisbon European Council on the issue of enlargement²⁷.

In its report the Commission stated that a State applying for membership must satisfy three basic conditions: (i) European identity; (ii) democratic status; and (iii) respect for human rights. Another set of criteria related to the applicant State's acceptance of the EC system and its capacity to implement it. This presupposed: (a) a functioning and competitive market economy; and (b) adequate legal and administrative framework in the public and private sector.

The Commission also pointed out that membership implied the acceptance of the *acquis communautaire*. Temporary derogations and transitional arrangements of limited period could be possible, but "the principle must be retained of acceptance of the *acquis*, to safeguard the achievements of the Community". In this connection, the Commission was satisfied that, "... the integration of Cyprus ... into the Community system would not pose insurmountable problems of economic nature". Thus:

"In the case of Malta and Cyprus, the adoption of the *acquis communautaire* would appear to pose no insuperable problems. However, both are very small states, and the question of their participation in the Community institutions would have to be resolved in the appropriate manner in accession negotiations".

Referring especially to Cyprus, the Commission observed:

"In the case of Cyprus, there is inevitably a link between the question of accession and the problem which results from the *de facto* separation of the island into two entities, between which there is no movement of goods, persons or services. The Community must encourage all efforts to find a solution, in particular through support for the resolutions of the United States and the initiatives of the Secretary General. In the meantime, the association agreement should be exploited so that Cyprus is enabled to pursue its economic integration".

Following the debate on the issue of enlargement in the European Council meeting in Lisbon (June 1992), the Heads of State or Government of the Member States in their conclusions adopted the views of the Commission stating that the negotiations for the accession of new Member States should commence only after the Treaty on European Union had been

²⁷ Point I, 2 of the "Conclusions of the Presidency". Reference to this report is also made in the Commission's opinion on the application of the Republic of Cyprus for membership to the EC.

ratified by all the Member States and the provisions of the so-called second "Delors Package" were approved. The European Council decided that priority should be given to the EFTA countries and pointed out that the applications of Turkey, Cyprus and Malta would be dealt with separately and on their own merits.

In its conclusions the European Council emphasized the political importance of Turkey and suggested the reinforcement of her relations with the Community in the economic and political spheres. With regard to Cyprus, there was no reference to the political problem but the suggestion was made that at that stage the relations between EC and Cyprus should be developed on the basis of the Association Agreement, the application for membership and political dialogue.

For Cyprus, the results of the Lisbon summit were mixed. Cyprus did not achieve her objective to be included in the first group of States to accede to the EC. Her exclusion from that group created some disappointment at the time. However, there were two positive elements in the Lisbon conclusions. First, the reference that EC-Cyprus relations should be developed "in view of the Cyprus application" signaled the acceptance in principle of the prospect of Cyprus' future membership; second, the conclusions made clear that Cyprus' application was entirely different matter from that of Turkey. Following the same line, the European Council in Edinburgh in December 1992 requested the Council to continue the development of appropriate and specific links with Cyprus (and Malta) within the framework of the Lisbon conclusions.

In the meantime, the early 1993 presidential elections in Cyprus brought to power a new administration under Glafcos Clerides. The cornerstone of the new administration's foreign policy was the promotion of Cyprus' European orientation. The new government on the strength of the positive elements of the Lisbon conclusions intensified the efforts for EC membership and made its priority to secure a positive opinion from the Commission which would allow the Council of Ministers to decide the start of accession negotiations.

V. Towards accession: 1993 to the present

In June 1993, the European Council in Copenhagen, considering the relations between EC and Cyprus expressed its satisfaction with the Commission's intention to present shortly its opinion on the application of Cyprus, emphasizing that this opinion would be examined rapidly by the Council taking into consideration Cyprus' particular situation.

The Commission issued its opinion on the application of Cyprus on 30 June 1993²⁸. In its opinion, the commission, after considering Cyprus' capacity to adopt within reasonable timescale the *acquis communautaire* including her capacity to participate in the planned economic and monetary union and the common foreign and security policy, concluded that Cyprus was ready and capable of becoming a dynamic member of the Community. The Commission concluded that the island "is located in the very fount of European culture and civilization" and that it possessed beyond all doubt a European identity and character and a vocation to belong to the Community.

It pointed out that a political settlement of the Cyprus problem would serve only to reinforce the island's European vocation and enhance its social, political and economic position. The Commission expressed its conviction that "the result of Cyprus' accession would be increased security and prosperity and that it would help bring the two communities on the island closer together". In view of the above, it concluded that "the Community considers Cyprus as eligible for membership and that as soon as the prospect of settlement is surer, the Community is ready to start the process with Cyprus that should eventually lead to its accession". The Commission repeated the Community's support for the UN efforts to resolve the Cyprus problem and gave the undertaking "to use all the instruments available under the Association Agreement to contribute, in close cooperation with the Cyprus Government, to the economic, social and political transition of Cyprus towards integration with the Community". Finally, the Commission recommended that, in the event that intercommunal talks failed to produce a political settlement, the situation "should be reassessed in view of the positions adopted by each party in the talks and that the question of Cyprus' accession to the Community should be reconsidered in January 1995".

Three months later, on 4 October 1993, the Council endorsed the Commission's opinion and welcomed its positive message. The Council invited the Commission to open substantive discussions forthwith with the Government of Cyprus in order to help the latter in its preparation for the accession negotiations which would follow later on. The Council also confirmed the Community's support for the UN Secretary General's efforts to produce a political settlement of the Cyprus problem. If, in spite of these efforts, there was no prospect of a solution in the foreseeable future, the Council agreed to reassess the situation in the light of the positions expressed by each side in the intercommunal talks and reexamine in January 1995 the question of Cyprus' accession to the Community.

The substantive talks between the Commission and the government of Cyprus began on 26 November 1993. the primary objective of those talks,

²⁸ *EC Bulletin* 1993, suppl. 5/93.

which covered a broad range of subjects, was to assist Cyprus' authorities to familiarize themselves with the *acquis communautaire* and harmonize Cypriot legislation and policies to those of the Community. As a matter of fact, Cyprus has already harmonized a good deal of its existing legislation with the *acquis* and the authorities endeavour to make sure that newly enacted legislation is in conformity with Community law and policies. There were several rounds of substantive talks over fifteen months. The talks were successfully completed in February 1995.

The interest of the Community in promoting a settlement of the political problem led to the appointment by the Council of an observer in the intercommunal talks. The observer was required to report "to the Council on the implications of political developments in Cyprus for the Union's *acquis communautaire*, including the progress of the United Nations Secretary General's good offices mission for Cyprus". The observer submitted his first report in April and the second in June 1994. He submitted his last and final report in January 21995, in view of the reassessment of Cyprus' application by the Council. The observer reported that despite the lack of tangible results, "overtures made by President Clerides in October {1994} were notably courageous"²⁹. He also noted that "the parties involved in the Cyprus problem have taken on board the significance of the EU's recognition of Cyprus' suitability to join the Union and its decision to embrace Cyprus in the next enlargement". During the first half of 1996, the Italian Presidency appointed Ambassador Federico di Roberto as official Representative of the EU Presidency for the Cyprus Problem. Following the Italian Presidency, the Irish presidency appointed Ambassador Kester Heaslip as its Representative of the EU Presidency for the Cyprus problem. Ambassador Heaslip's appointment has been renewed by the Dutch Presidency for the first half of 1997.

In June 1994, the European Council at Corfu discussed EU-Cyprus relations and concluded that an essential stage in Cyprus' preparations for accession could be regarded as completed. It also decided that the next phase of enlargement of the EU³⁰ would involve Cyprus and Malta. This position reaffirmed by the European Council at Essen in December 1994. The effect of these declarations was to clearly disassociate the issue of Cyprus' accession to the EU from the solution of the Cyprus problem. This view was confirmed by the then President of the Commission Jacques Delors in a statement made on 8 December 1994 on the eve of the Essen summit.

²⁹ The failure to make progress has clearly been attributed by the UN Secretary General in his report to the Security Council of 30 May 1994 to the Turkish side:

"For the present, the Security Council finds itself faced with an already familiar scenario: the absence of agreement due essentially to a lack of political will on the Turkish Cypriot side".

³⁰ The term European Union (EU) is used with respect to events that took place after November 1993 when the Treaty on European Union came into force.

On 5 July 1994, the Court of justice of the European Communities, following an application of Greek exporters of agricultural products, ruled that the EC-Cyprus Association Agreement did not authorize EC Member States to accept, when importing agricultural goods, movement and phytosanitary certificates issued by the so-called "TRNC" which was "an entity not recognized"³¹. The Court rejected the argument put forward by the Commission and Britain that non-acceptance of certificates from the northern part of the island amounted to the exclusion of a whole category of Cypriots from the benefits of the Association Agreement between the EC and Cyprus. It was argued that "factually", it was practically impossible or at least "difficult" for exporters in the northern part of Cyprus to obtain certificates other than those issued by the Turkish Cypriot community. The argument was based on Article 5 of the Association Agreement according to which the Agreement had to be implemented in a non-discriminatory manner to the whole population and all Cypriot companies. However, that provision the Court stated, could not

"in any event confer on the Community the right to interfere in the internal affairs of Cyprus. The problem resulting from the *de facto* partition of the island must be resolved exclusively by the Republic of Cyprus, which alone is internationally recognized".

Clearly, this decision has important legal and political implications for Cyprus' relations with the Community and especially her future accession to the European Union. In particular, there should no longer be any legal doubts that the Community must negotiate only with the Republic of Cyprus and that any internal problems of the island are problems of the Republic of Cyprus alone in which the Community has no right to interfere, at least in the context of the Association Agreement.

Given the lack of any visible progress towards the solution of the Cyprus problem, the Council in early 1995, pursuant to its decision of 4 October 1993 and taking into account the observer's report, reassessed the question of Cyprus' accession to the EU. At its meeting of 6 February and 6 March 1995, the Council of Ministers:

- reaffirmed Cyprus's suitability for accession to the EU and confirmed the Union's will to incorporate Cyprus in the next stage of its enlargement;
- decided that accession negotiations with Cyprus would commence at the latest six months after the conclusion of the Intergovernmental Conference of 1996;
- confirmed the EU's continued support for the UN efforts for a comprehensive settlement of the Cyprus problem;

³¹ See Case C-405/92, *supra* no 11.

- committed itself to adopting concrete proposals for a specific strategy in preparation for accession including a structured dialogue between EC and Cyprus.

This resolution was adopted in the framework of a “package deal” within the Council of Ministers relating to the general framework for developing future relations of the EU with Turkey and Cyprus. In exchange for setting out a timetable for opening accession negotiations between the EU and Cyprus, Greece lifted her long standing veto on the ECOTurkey customs union agreement.

The Council resolution of 6 March was hailed by the Cyprus government as the single most important development since the Turkish invasion. The importance of this resolution for the Cyprus Government is twofold. First, it has set in train a process that will eventually lead to Cyprus’ accession to the EU in the not so distant future. Secondly, it will have a considerable impact on the efforts for a solution to the Cyprus problem.

In accordance with the Council conclusions of 6 March 1995, the 16th EU-Cyprus Association Council, on 12 June 1995, adopted a resolution on the establishment of a structured dialogue between EU and Cyprus and on certain elements of the strategy concerning Cyprus’ preparation for accession. The structure dialogue “on various issues and various levels, of a quality to that which was offered to the countries of Central and Eastern Europe” would involve: (i) meetings on the occasion of the European Council between the heads of State or Government; (ii) meetings and talks at ministerial and other levels on issues falling within the common foreign and security policy and justice and home affairs; (iii) meetings and talks at ministerial or other level, if necessary and according to the need, on subjects of common interest such as the environment, tourism and shipping. Moreover, the existing political dialogue between EC and Cyprus on common foreign and security policy issues would be upgraded and expanded. Finally, the specific strategy for preparing Cyprus for accession would include, *inter alia*: (i) continuation of the efforts to familiarize the Cyprus authorities with the *acquis communautaire* and to harmonize Cypriot legislation with it; (ii) examination of the possibility of extending to Cyprus the trans-European shipping and telecommunications networks; (iii) Cyprus’ participation in Community programmes such as MEDIA II, certain training programmes (LEONARDO, SOCRATES, YOUTH FOR EUROPE), ARIANNE, RAPHAEL, KALEIDOSCOPE, and the Fourth Framework Programme of Scientific and Technical Research and MATTHAEUS; (iv) the possibility for Cyprus to benefit from funds under the Community’s future Mediterranean policy; and (v) extended cooperation between EUROSTAT AND Cyprus’ statistical and research departments.

During the same Association Council meeting, the fourth financial protocol between EC and Cyprus worth seventy-four million ECU was signed

covering the period until 31 December 1998. The objective of this protocol is to promote the development of the Cypriot economy and assist the effort of harmonization of Cypriot legislation with the *acquis communautaire*.

Within the framework of structured dialogue between EU and Cyprus, President Clerides was invited to every regular European Council meeting since June 1995³². These invitations underline the special status of Cyprus as a future EU member. The Cannes, Madrid, Florence and Dublin European Councils affirmed that the EC-Cyprus accession negotiations will begin six months after the conclusion of the 1996 Intergovernmental Conference. Finally, the Council of Ministers in its meeting of 17 July 1995 defined the precise modalities of the EU-Cyprus structured dialogue, thus providing the opportunity to the Cyprus authorities to understand better the functioning of the Union and exchange views with their EC counterparts on important issues of common interests.

VI. Cyprus' Strategy for Accession to the EU

Cyprus' accession strategy is underpinned by the island's European identity and culture, its democratic institutions and respect for human rights, the very good performance of its economy, the advanced level of the harmonization of its legislation with the *acquis communautaire* and its potential role as a bridge between Europe and the Eastern Mediterranean.

Cyprus' European character, commitment to democracy and human rights and the basic principles of the market economy have been soundly confirmed by the Commission's Opinion and need no further analysis in the context of this paper. This paper will therefore focus on some other specific elements of Cyprus' accession strategy, that is, the contribution of the prospect of accession to the effort towards a just and lasting solution of the Cyprus problem, her healthy economic performance, her intense efforts in the direction of harmonization with the *acquis communautaire*, her alignment with the EC common foreign and security policy (CFSP) and, finally, her potentially valuable role as a bridge between the EU and the countries of the Eastern Mediterranean region.

Just and lasting solution to the Cyprus problem

Cyprus' course towards the European Union can contribute substantially to the efforts for a solution to her political problem. This is in fact attested by

³² The President of the Republic of Cyprus has been invited and attended the European Council meetings at Cannes (June 1995), Madrid (December 1995), Florence (June 1996) and Dublin (December 1996). His participation is also envisaged at the Amsterdam summit (June 1997).

the developments which have taken place in the aftermath of the Council decision of 6 March 1995. Since then, a considerable number of statements made by Turkish officials and Mr. Denktash have always referred to the possibility of Cyprus' accession to the Union. The prospect of Cyprus' accession is one of their major concerns³³. This is because Turkey, for the first time since its 1974 invasion, is faced with a serious dilemma which it has to resolve within a specific time limit.

The choice is clear. If Turkey insists on the policy of no solution to the Cyprus problem, then it will condemn the Turkish Cypriots to non-participation in the benefits deriving from accession. If it really wishes the Turkish Cypriots to share these benefits, then Turkey will have to show good will and cooperate towards achieving a satisfactory solution. Thus, the prospect of accession may act as a catalyst in this direction.

The violent events of August 1996 in Cyprus, for which Turkey is responsible to a great degree as was acknowledged, *inter alia*, by the European Parliament's resolution of 19 September 1996, show clearly that that country has as its basic goal the permanent division of the island through rejection of a solution based on a federal model as prescribed by the UN Security Council Resolution 939/94³⁴.

Thus, it is not possible, for Cyprus' accession to the Union to be linked in any way with a solution to her political problem since such a solution depends mostly on Turkey, and Turkey is on record as strongly opposing Cyprus' full integration into the European family.

A key reservation expressed in certain quarters about Cyprus' accession is that accession will have the effect of "importing" the Cyprus problem into

³³ The Turkish Government and the Turkish Cypriot leadership were infuriated by the Council's resolution of 6 March 1995. on the same day, the Turkish Foreign minister stated that:

"Turkey disagrees with the decision taken by the Council on the membership negotiations with Cyprus. The Council's decision is an unfortunate step which could lead to the permanent division of the island. The opening of accession negotiations before a negotiated settlement is reached will lead to the talks being held exclusively with the Greek Cypriot side. In such an undesirable eventuality, Turkey will be left with no option but to take steps towards achieving a similar integration with the Turkish Republic of Northern Cyprus".

These remarks provoked strong reaction by the president of the Council, then French Foreign Minister Alain Juppe who stated that no third country could interfere in the internal affairs of the EU and that no such interference would be tolerated. See *Europe*, no 6435 (n.s.), 8 March 1995, p. 5.

³⁴ Paragraph 2 of Resolution 939 of 29 July 1994, provides that the basis of the solution to the Cyprus problem is: "... a state of Cyprus with single sovereignty and international personality and a single citizenship, its independence and territorial integrity safeguarded, and comprising two politically equal communities as described in the relevant Security Council resolutions in a bi-communal and bi-zonal federation, and that such a settlement must exclude union in whole or in part with any other country or any form of partition or accession". This has been confirmed by the most recent UN Security Council Resolution 1092 of 23 December 1996, para. 14.

the European Union. This is unjustified because the Cyprus problem is a European problem which affects the Union's interests directly whether Cyprus is an EU member or not. Two of the EU Member States are guarantors, by virtue of the 1960 Treaty of Guarantee, of the Republic of Cyprus' independence, territorial integrity and security and also of the state of affairs established by the 1960 Constitution. In their capacity as guarantor powers, both the Greece and the United Kingdom have been actively involved in the Cyprus problem since the 1950s. Moreover, the Cyprus problem inevitably affects the Union's relations with Turkey, a country of great geostrategic and economic importance for the EU³⁵. Last but not least, all of the Community institutions have dealt with the Cyprus problem on many occasions. Statements linking Cyprus' accession to the Union with the prior solution of the island's political problem would be relevant only if both sides were equally keen to accede to the EU. In this case such statements could motivate both parties to solve the problem. However, Turkey does not want a solution to the Cyprus problem and, most certainly, does not wish the island to join the Union.

Economic performance

One of the most tangible indicators of the successful implementation of Cyprus' pro-European strategy are her achievements in the field of the economy which run *in tandem* with the goals set by the Union for its members.

Cyprus has a record of successful economic performance reflected in rapid growth and stability. Cyprus' open economic system is based on a free market economy underpinned by free competition. Annual economic growth has been on average six per cent in the last decade during which full employment conditions were maintained.

It should be noted that in 1996, Cyprus satisfied the convergence criteria laid down in the Maastricht Treaty for participation in the economic and monetary union:

- the government budget deficit stood below three per cent of the gross domestic product;
- the public debt is since 1993 on a downward trend and stood at fifty-four per cent of the gross domestic product;
- the inflation rate stood at three per cent;
- the Cyprus pound has shown remarkable stability and has been pegged unilaterally since 1992 to the narrow band (2.25 per cent) of the exchange rate mechanism (ERM) without any problems;
- medium term interest rate in Cyprus is 8.5 per cent which is below the EU average of 8.9 per cent.

³⁵ The European Council in its Dublin summit of 25-26 June 1990 declared that the Cyprus problem "affects EC-Turkey Relations".

These economic indicators demonstrate the strength of the Republic's economy. Cyprus is not only prepared to join the Union, she is also in a position to proceed to the third stage of the proposed economic and monetary union. It is clear from the above that Cyprus is in a far more advantageous economic position than any of the twelve applicants for the European Union membership.

Harmonization

Another part of Cyprus' strategy is to offer concrete evidence that she shares the Union's visions and goals as described in its constitutive treaties. Cyprus, as a candidate state, is determined to show that she can contribute to the process of European integration. This is why Cyprus pays special attention to the harmonization process.

This process is doubly important. First, Cyprus' path towards harmonization is a very strong indication that she has taken her accession course seriously and that she deserves to be accepted in the Union as an equal partner on the merits of her application and not as a favour. Secondly, the faster the harmonization process progresses, the quicker the accession negotiations will be completed. Cyprus' aim is that accession negotiations should last for one year, and in any event, should not exceed two years.

The harmonization process began in late 1993 with the setting up of twenty working groups, which were increased later to twenty-three. Each group assumed the task of examining particular aspects of the *acquis communautaire*. The whole process was to be completed in three stages. The first stage, which was to last through 1995, aimed at familiarizing the Cypriot officials participating in the working groups with the *acquis*, and through successive contacts with Commission officials to study it, compare it with the Cypriot body of laws and practices and identify whatever differences existed. By March 1995, this initial stage of the working groups' mission had been completed successfully and their reports were prepared and began to be presented to the *ad hoc* Ministerial Committee for approval.

The second stage of Cyprus' accession strategy was the preparation of action plans and timetables for achieving harmonization of Cypriot legislation with the *acquis communautaire*. The areas which present difficulties are finance policy, the environment and the transport sector.

With the adoption of the structured dialogue and the conclusion of the first two stages of Cyprus' strategy for full European Union membership, she has entered the third and final stage prior to the beginning of accession talks. The Government currently proceeds with the preparation of the timetables for full harmonization with the *acquis communautaire* for

those sectors which present certain difficulties. By the time that the Intergovernmental Conference is concluded, Cyprus will be fully prepared to enter into negotiations.

Alignment with the CFSP

During the past twelve months, in line with the modalities established by the Council of Ministers on 17 July 1995, Cypriots officials participated in numerous meetings with their counterparts from the fifteen member States on issues such as global disarmament and arms control, policy planning, human rights, terrorism, drugs, the former Yugoslavia, non-proliferation of nuclear weapons, the OSCE, and others.

Cyprus has also associated itself with demarches and declarations made or issued by the Union on various occasions and will continue to do so with even greater frequency. These include EU declarations on an array of international issues such as Eastern Slavonia, Haiti, Burundi, East Timor, to name just a few.

Cooperation between the EU and Cyprus during international conferences and in the framework of international organizations has intensified. Indicative of the close level of alignment with Union positions that has been attained, is the steadily increasing percentage of voting alignment at the United Nations. The percentage of alignment in the voting patterns of the Cypriot delegation at the UN General Assembly, with that of the Union has increased from sixty-six per cent during the 48th General Assembly, to seventy-one per cent during the 49th, reaching approximately ninety-eight per cent in last year's 51st General Assembly.

Cyprus has also in numerous cases, aligned herself with the European Union common positions before various United Nations committees. Common positions adopted by Cyprus include, *inter alia*, those on the Fourth Review Conference of the Biological and Toxin Weapons, the subject of demining in the context of UN peacekeeping, regional cooperation in the economic, social and related fields, the Comprehensive Test Ban Treaty, etc. In addition, Cypriot diplomatic missions in third countries have increased their contacts with representatives of the European Union Presidency with whom they exchange views and coordinate in matters of common interest.

Cyprus' relations with the Western European Union have also been upgraded as of May 1995 when WEU's Ministerial meeting at Lisbon decided to initiate a dialogue with Cyprus which would be expanded steadily in line with the island's progress towards accession to the Union.

Cyprus: Europe's bridge to the Eastern Mediterranean

Cyprus has a strategic position in the Eastern Mediterranean and is situated close to the friction areas of the Middle East. This can give Cyprus an important role in her region as one of the main pillars of the Union's Mediterranean policy.

Most of the necessary conditions for Cyprus to become one of the key channels of Union's Mediterranean policy are either present or can be achieved quite easily. First, Cyprus enjoys excellent relations both with the Arab world and Israel and she will have the chance to promote these relations even further as a member of the Union. Cyprus, as a member of the Union, can play an important role in her region thanks to her familiarity with the area and her traditional friendships. Second, the possibilities of economic and entrepreneurial presence are there and the Euro-Mediterranean Partnership has multiplied the opportunities for joint ventures between Cypriot and European Union companies in the region. Third, in the field of human relations, Cyprus has got an advantage not only due to historical factors but also on account of its cordial relations with the neighboring nations. In this respect, Cyprus can function as a centre for the exchange of ideas and cultural interaction which will promote Union's objectives in the area,

VII. Conclusions

The EU-Cyprus relations – as already stated – can be divided into three phases. The first period, from 1972 to 1984, was marked by the Community's reluctance to promote its relations with Cyprus. The second period, from 1985 to 1992, was a period of normalization of the relations of the two parties. During that period the Community adopted a more positive attitude towards Cyprus. This change in the Community's attitude can be attributed, to a significant degree, to the Greek participation in the Community organs following Greece's accession in 1981. It was during that period that the customs union agreement was signed, the European Political Cooperation through numerous statements expressed support for the independence and sovereignty of the Republic of Cyprus, condemned the illegal UDI by the Turkish side, and the application for full membership was submitted by Cyprus. But even during this period the Community's interest did not go beyond expression of support for certain guiding principles for the solution of the Cyprus problem and the UN initiatives. The Community avoided getting more actively involved in the process of finding a solution to the Cyprus problem; whenever it attempted to take up an initiative of its own, the EC was discouraged by the United States and Britain.

The third period, from 1993 to the present, is a period of rapid development of EC-Cyprus relations. The positive Commission opinion on

Cyprus' accession, the Corfu European Council's decision that Cyprus would be involved in the next enlargement of the EU, the decision of the Court of Justice on the issue of illegal exports from the occupied part of Cyprus, the resolution of 6 March 1995 setting a clear timetable for the commencement of accession negotiations and the adoption of a structured dialogue and a preaccession strategy by the Association Council of 12 June 1995 reflect the breakthrough in the EU-Cyprus relations during that period. But perhaps the most important development during that period is the realization by the Community that Cyprus' European future cannot remain hostage of the Turkish army, as was eloquently by the EU Commissioner for External Affairs Hans Van den Broek.

In the economic sphere, the EC-Cyprus Association Agreement has been functioning in the mutual interest. Particularly for Cyprus, the Association Agreement and the prospect of membership in the Community have contributed to the rapid development and modernization of her economy.

Nevertheless, the key element in EU-Cyprus relations is the political element. Cyprus' political problem has been repeatedly proved as a formidable obstacle to the smooth progress of those relations. This was the case when Cyprus was trying to move on to the second stage of the Association Agreement and, more recently, in her attempts to promote her application to accede to the Community.

Even now, the Community appears not having an integrated common policy on the Cyprus problem. This is due to significant differences of opinion between the Member States. On the one hand, Britain's "Atlantic" orientation has been dictating British efforts to keep Cyprus outside the Community sphere. On the other hand, Greece tries to bring Cyprus as close to the Community as possible.

On the political level, there is a tension between the policies of those countries that support Cyprus' European orientation and those favouring a solution of the Cyprus problem outside the Community framework. Cyprus, supported by a number of EC Member States, believes that more active Community involvement in Cyprus would enhance the efforts for a peaceful, just, functional and lasting solution of the political problem. Cyprus' accession to the EU will guarantee the viability of any solution and the state itself.

Certain quarters in the United States and some of the big EU Member States do not share the above view, mainly because Turkey objects to it. They still consider that the Cyprus problem should be resolved within the "Atlantic" framework taking into account the political and geostrategic interests of the NATO alliance. Despite this negative attitude, Cypriot and Greek insistence at the negotiation table has transformed the issue of Cyprus' accession to the EU into a major parameter in the efforts towards a solution to the island's political problem.

Cyprus' accession into the EU would serve the interests of all parties involved into the political problem. It would offer security to both Cypriot communities and would foster mutual trust. It would serve as a guarantee for the respect of human rights and democratic principles for the people of Cyprus. It would also strengthen the economic development of Cyprus, the benefits of which would be enjoyed by all Cypriots, especially the Turkish Cypriots. Finally, it would contribute to the improvement of the relations between Greece and Turkey and held long term stabilization and peace in Southeastern Mediterranean.

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