



Second Report  
of the  
**Foreign Affairs Committee**

Session 2004–2005

**Cyprus**

Response of the Secretary of State for  
Foreign and Commonwealth Affairs

*Presented to Parliament  
by the Secretary of State for Foreign and Commonwealth Affairs  
by Command of Her Majesty  
April 2005*

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**FOREWORD BY THE SECRETARY OF STATE FOR FOREIGN AND  
COMMONWEALTH AFFAIRS**

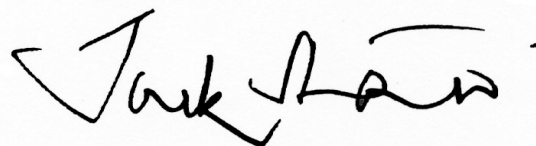
**THE RIGHT HONOURABLE JACK STRAW MP**

This Command Paper sets out the Government's response to the Foreign Affairs Committee's report on the United Kingdom's relations with Cyprus.

I welcome the Committee's timely report and the Committee's desire to examine how and why the opportunity to reunite the island in April 2004 was missed. Since then the context in which the continuing search for a settlement takes place has changed in two significant ways. On 1 May 2004 Cyprus acceded to the EU, and on 17 December the EU decided to open accession negotiations with Turkey on 3 October this year.

The Committee's report is wide-ranging and comprehensive and I am grateful for the efforts made by the Committee to examine closely the full range of views expressed by politicians, officials and members of the public. As the Committee concludes, a lasting settlement of the Cyprus problem is overwhelmingly in the interests of the people of Cyprus, as well as for the EU and the region as a whole.

I am glad that the Committee felt able to support in broad terms many areas of the Government's policies on Cyprus, and concluded that our actions remain focussed on achieving a comprehensive settlement. We continue to place a high priority on supporting all efforts towards a solution, and in seeking to move forward our approach we will be informed by and give due weight to the Committee's recommendations.

A handwritten signature in black ink, reading "Jack Straw". The signature is written in a cursive style with a large initial 'J' and a long horizontal stroke at the end.

JACK STRAW  
Secretary of State  
for Foreign and Commonwealth Affairs



## SECOND REPORT FROM THE FOREIGN AFFAIRS COMMITTEE

SESSION 2004-2005

### CYPRUS

#### RESPONSE OF THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS

**1. After careful consideration, we conclude that it was right that all those on the electoral roll in northern Cyprus were able to participate in the referendum held in April 2004, and we recommend that the same arrangements should apply in respect of any future referendum on a solution to the Cyprus problem (Paragraph 80).**

We consider that, in the circumstances, it was reasonable that all those on the electoral roll in the north of Cyprus were able to participate in the 24 April 2004 referendum. We are satisfied that the result was a fair reflection of the will of the Turkish Cypriot community. We currently see no reason why such arrangements should not apply to any future referendum, although the Government will express its clear view on that issue as and when events in Cyprus - ie, the scheduling of any such future referendum - mean it is appropriate to do so.

**2. We conclude that there is as yet little evidence that the Republic of Cyprus has fully taken on board that its membership of the EU involves obligations, as well as opportunities. We recommend that the Government work on a bilateral level, and with its European partners, to encourage Cyprus to adapt to European Union values and methods of working. (Paragraph 103)**

The Government believes that the Republic of Cyprus is aware that membership of the EU involves obligations, as well as opportunities. Cyprus has worked hard to align its legislation with the *acquis* and of the new Member States has the fewest temporary derogations. In the past year, Cyprus has taken difficult austerity measures to bring its economy into line with the Maastricht criteria and, to this end, is successfully bringing down its fiscal deficit. The Government engages with Cyprus across the range of EU issues and in many areas, such as the Lisbon Agenda, Future Financing of the EU and the Services Directive, our views are broadly shared. Through the Global Opportunities Fund, the Government has delivered an administrative capacity building project to share UK experience of EU working methods with the Ministries of the Republic.

We note the Committee's observation that the Republic of Cyprus has so far appointed only one Turkish Cypriot to its representation in Brussels. We consider that an increase in the number of Turkish Cypriot employees would be very much in line with European Union values.

**3. We are greatly disappointed that it has so far proved impossible to gain agreement on the modest but important proposals to improve the operation and usefulness of the Green Line Regulation on intra-island trade. We recommend that the United Kingdom work closely with the Luxembourg presidency to secure early implementation of these changes and to streamline procedures for making further amendments. We further recommend that the EU should take steps to bring in genuinely free trade, with traders in the South of the island being free to move goods and products across the line to the North. (Paragraph 115).**

We agree with the Committee's assessment that intra-island trade has the potential to increase the prosperity of Greek Cypriots and Turkish Cypriots alike. The Government has continued to push for improvements to the Green Line Regulation. Since the Committee's report was written, the Commission and the Republic of Cyprus have agreed on modest improvements to the Green Line Regulation, including inter alia a significant increase in the value of personal goods that may be brought across the line. These amendments entered into force on 26 February. In agreeing to these amendments, the UK Government noted that they were still limited and we would like the scope of the regulation extended still further to enhance trade.

We welcome all moves towards increasing intra-island trade and economic interaction between Greek Cypriots and Turkish Cypriots. We note the Committee's disappointment that goods cannot currently move from south to north. The Turkish Cypriots have recently announced that they will permit trade from south to north – we welcome this and will encourage the Turkish Cypriot administration to implement these new measures without delay. The Committee's report notes that the Republic of Cyprus does not currently recognise Turkish Cypriot commercial driving licences, with the consequence that few Turkish Cypriot truck drivers can drive across the line. We will continue to encourage the Republic of Cyprus to lift this restriction.

**4. We regret that valuable aid for the people of northern Cyprus is being held up by political and procedural disputes within the EU. We recommend that the Government use its good offices to persuade all parties to remove the remaining obstacles to disbursement of this aid. (Paragraph 122)**

We agree with the Committee's assessment that EU financial aid to northern Cyprus will help the Turkish Cypriots prepare for integration into the EU. We regret that it was not possible to reach agreement on this aid regulation amongst EU Member states in November. Since that time, the Presidency has not re-introduced the matter for discussion. We agree with the Committee's recommendation and will take forward consultations with the Presidency, Commission and Member States on achieving EU agreement on the regulation. At the same time, we would reiterate, as Dr MacShane made clear in his evidence to the Committee, that we believe that aid should be disbursed directly in the north of

Cyprus. We also continue to believe that the aid regulation should be treated as a package in conjunction with the Commission's proposed draft regulation to facilitate direct trade between the EU and north Cyprus. We believe these regulations are complementary, and need to be considered together if they are to fulfil the mandate EU Ministers gave to the Commission in April 2004 on ending the economic isolation of the Turkish Cypriots.

**5. We conclude that undertakings given to Turkish Cypriots by the international community must be honoured. We recommend that the Government do more to turn its words into action, by working with the Luxembourg presidency of the EU to remove obstacles to direct trade with and travel to northern Cyprus, and that it encourage the wider international community to do the same. (Paragraph 135)**

We agree with the Committee's conclusion, and with the Committee's observation that the consequences of failure to agree on the Commission's proposals would be to consign the Turkish Cypriots to continuing economic isolation and to place pro-resolution Turkish Cypriot politicians under possibly unbearable strain. We also agree with the observation that direct trade and contact with the rest of Europe will provide Turkish Cypriots with additional incentive to seek an overall solution to the Cyprus problem.

We believe that a direct trading relationship between the EU and the north of Cyprus would help narrow the economic gap between north and south, thus leading to increased opportunities for economic cooperation and business ventures between the two communities. It would improve the climate for foreign direct investment in the north, and would provide the incentive to harmonise with the *acquis* in key areas and improve the infrastructure in the north. In this context, we recall that the EU's approach to trade with Cyprus has traditionally sought to ensure that trade is for the benefit of both sides. Prior to Cyprus' EU accession, the EU's Association Agreement and Customs Union with Cyprus were negotiated on this basis.

The issue of direct trade has not been reintroduced for discussion amongst EU Member States since November. But we will continue to consult with the Luxembourg Presidency, Commission and EU Member States on this issue. We believe that the absence of direct trade poses a greater threat to the reunification of Cyprus. Our support for direct trade in no way undermines our long-standing position on non-recognition. However, we acknowledge that there are genuine Greek Cypriot concerns about this proposal, and we will continue to try to reach a common understanding with the Cyprus government on the balance of risk and opportunity in this area. We will continue to encourage all member states to work towards agreement of the Commission's proposals as soon as possible.

**6. We recommend that in its response to this Report, if not sooner, the Government clarify whether it has the power to authorise direct passenger flights between the United Kingdom and northern Cyprus. We further recommend that, if it does possess the power to authorise flights, the Government announce a date from which such services will**

**be permitted, subject to satisfactory safety inspections of the facilities at Ercan and other assurances. (Paragraph 146)**

We continue to believe that direct flights between the UK and north Cyprus would contribute materially to ending the isolation of the Turkish Cypriots and would contribute to the prospects for reunification. It therefore remains our position that we would in principle support the commencement of direct flights to northern Cyprus.

As the Committee is aware, the simplest way of enabling direct flights would be a decision by the Republic of Cyprus to designate Ercan as an international airport under the terms of the Chicago Convention on International Civil Aviation. In the absence of such a decision, the matter is very complex. Dr MacShane reaffirmed to the Committee that the government does not intend to pursue a policy which would be in contravention of international law. We have therefore been examining the various licensing decisions that would have to be taken by the Department for Transport and the Civil Aviation Authority to permit an operator to fly directly between the UK and northern Cyprus. As the Committee's report notes, the main legal questions concern the UK's implementation of the Chicago Convention. Our key consideration has therefore been to examine the circumstances under which the licensing decisions referred to above could be taken in line with the UK's obligations under the Chicago Convention. No decision has yet been reached on the basis of these considerations. We will keep the Committee informed of further progress.

**7. In the absence of an early overall settlement, we recommend that the Government support practical measures which will enable Turkish Cypriots to trade with the United Kingdom and other countries, such as refurbishment and then joint operation to EU standards of the port at Famagusta, as proposed by the government of Cyprus. (Paragraph 152)**

We support any Confidence Building Measure (CBM) acceptable, or likely to be acceptable, to both communities on the island. The Committee refers to the particular proposal from the Greek Cypriot side which was, broadly speaking, for the joint operation of Famagusta port under international management in connection with the return of the Famagusta suburb of Varosha to the Greek Cypriot side. We understand that the Turkish Cypriot side has rejected this proposal on the basis that it would be unreasonable to seek territorial adjustments outside of a comprehensive settlement.

However, we encourage both sides actively and creatively to explore what is possible in the field of CBMs, and in particular those related to trade which would benefit all Cypriots. We note that the Commission's proposed trade regulation does not deal directly with the question of ports and airports. In this context we would encourage the Commission to examine initiatives, including those suggested by the Republic of Cyprus, for trade through Turkish Cypriot ports with the

consent of all EU Member States. We must be clear however that CBMs cannot and should not be seen as a substitute for a comprehensive political settlement.

**8. We reiterate our previous strong support for Turkish membership of the European Union. We conclude, however, that in practice Turkish accession will be impossible for as long as there is no settlement of the Cyprus problem. We also conclude that Turkey has the power greatly to assist both a settlement in Cyprus and its EU aspirations, for example by withdrawing some of its many thousands of troops from the island, and we call upon it to do so. (Paragraph 163)**

The Government welcomes the Committee's strong support for Turkish membership of the European Union. Settlement of the Cyprus problem is not a requirement for opening or conducting accession negotiations with Turkey, but we agree that a settlement will be necessary before - and hopefully will be achieved long before - Turkey accedes to the EU. The Government agrees that Turkey has the power to assist a settlement in Cyprus - as it has done - and that withdrawing some of its troops would be another welcome contribution. Ministers have continued to make this point.

**9. We conclude that, despite assertions to the contrary, there is no wish or intention on the part of the British Government to perpetuate the present state of affairs on the island, still less to move towards a permanent and legal partition, which would be in no one's best interests. (Paragraph 172)**

We welcome the Committee's conclusion. The Government's overriding objective on Cyprus is to support efforts to achieve a just, comprehensive and lasting settlement, enabling reunification and enjoyment by all Cypriots of the benefits of EU accession. That is the best basis for regional prosperity and peace. All our activities on the island are designed with this objective in mind.

**10. We conclude that the Government's decision to offer to transfer sovereignty over almost half of the United Kingdom's sovereign base areas on Cyprus to the island's two communities as part of an overall settlement was a constructive and useful gesture, with no negative consequences for the United Kingdom's interests. We recommend that the Government be prepared to renew the offer with the same conditions as before in the event that progress towards a settlement is resumed. (Paragraph 182)**

The offer of approximately half of our Sovereign Base Area territory, which was made to the UN, as part of an Annan-based settlement was a material demonstration of the resources and effort the UK put into facilitating a Cyprus settlement. While our commitment to a settlement remains undiminished, the territorial offer was and is inextricably linked with the Annan plan and has no validity outside the context of that settlement model. The Government will decide how best it can facilitate the implementation of a settlement at the appropriate point

in the future. However, we would look favourably on renewing the offer to the UN in the event that negotiations on reunification were resumed.

**11. We recommend that in any future negotiations on a settlement based on the Annan Plan, the parties be invited to consider accelerating the withdrawal of Turkish and Greek forces and the demilitarisation of Cypriot forces, so that all these are reduced to zero and security guarantees are provided by an external force acting under the terms of a mandatory resolution of the United Nations Security Council. (Paragraph 195)**

We recognise that any further negotiations on a settlement based on the Annan Plan will necessarily involve some changes to the plan. But we do not believe it would be helpful or appropriate for the Government to propose or support particular changes - this is for the two sides to agree in any future negotiations. We note that the Committee has identified a number of key Greek Cypriot concerns in its report, and strongly support the Committee's assertion that any changes proposed by the parties should be to the mutual benefit of the two communities.

**12. We note the very strong feelings of the Greek Cypriot people about the need for restitution of property to its rightful owners and conclude that the property issue remains one of the most crucial to be addressed in the search for a solution to the Cyprus problem. We conclude that in any revival of the talks process it will be necessary to find ways of addressing Greek Cypriot concerns which do not disadvantage Turkish Cypriots. An element of outside financial support may be helpful in this regard. (Paragraph 199)**

As with the previous recommendation on withdrawal of troops from Cyprus, we do not believe it would be helpful or appropriate for the Government to propose or support particular changes to the Annan Plan – this is for the two sides to agree in any future negotiations. But any property settlement will necessarily have to include elements of both restitution and compensation for previous owners whose property is not being returned. We note that the Committee has identified a number of key Greek Cypriot concerns in its report, and strongly support the Committee's assertion that any changes proposed by the parties should be to the mutual benefit of the two communities.

**13. We conclude that British citizens who intend to buy property in northern Cyprus risk exposing themselves to legal action by Greek Cypriots who may be the rightful owners of those properties. We recommend that the Government lose no opportunity to warn prospective purchasers of this risk. (Paragraph 200)**

As the Committee notes, the Government, through its travel advice, urges prospective purchasers of property in the north to seek independent, qualified legal advice, and warns them about the potential practical and financial implications of the non-recognition of the "Turkish Republic of Northern Cyprus" and the

possibility of a future political settlement. In the wake of recent developments, and in accordance with the Committee's recommendation, the Government has amended its travel advice to include a reference to the risk of legal proceedings.

**14. We recommend that a population census be held in northern Cyprus, funded by the European Union and carried out either by an appropriate international body or by the Turkish Cypriot authorities under close international supervision. (Paragraph 205)**

We note the Committee's observation that there is no reliable figure in the public domain for the number of persons of Turkish mainland origin who have taken up residence in northern Cyprus since 1974. An accurate census would help to establish clearer figures on the population in northern Cyprus, which would in turn be a factor for discussion in any resumption of settlement negotiations, and will of course affect the implementation of a settlement if agreed. But we do not believe it appropriate for the Government to dictate the terms of or make a recommendation on how and when a census should be carried out. It is for the two sides, in the context of renewed efforts towards achieving a settlement, and in conjunction with the United Nations, to discuss the contribution that a census could make to the achievement of an overall solution.

**15. We recommend that in any resumption of negotiations for a settlement of the Cyprus problem, the Government seek to persuade the parties of the need for an increase in the number of Turkish settlers who will be required to return to Turkey as part of a solution, together with improved financial compensation for them. The precise figures should be for negotiation between the parties. (Paragraph 208)**

As with our response to Recommendations 11 and 12, we recognise that any further negotiations will necessarily involve some changes to the Annan Plan. But we do not believe it would be helpful or appropriate for the Government to propose or support particular changes to the Annan Plan – this is for the two sides to agree in any future negotiations. We note that the Committee has identified a number of key Greek Cypriot concerns in its report, and strongly support the Committee's assertion that any changes proposed by the parties should be to the mutual benefit of the two communities.

**16. We conclude that a substantive financial gesture by Turkey on the property compensation issue would be a magnanimous and positive move which would reflect well on Turkey and should be of some assistance in reducing Greek Cypriot opposition to a solution which stops short of full restitution. (Paragraph 211)**

The Government would expect Turkey to continue to provide substantial financial assistance to Cyprus for some time following a settlement. Precisely how the property compensation issue would be addressed in the event of a settlement would have to be addressed at the time.

**17. We conclude that the costs of a settlement in Cyprus may be considerable, but that the international community is able and willing to make a substantial contribution to them. We recommend that the Government seek to ensure that, before any further referendum is held on the island, clear information is available to the people of Cyprus on the extent of the financial contribution which will be made by countries other than Cyprus. We further recommend that the Government and the European Union look sympathetically at ways of alleviating the financial burdens of a settlement on ordinary Cypriots. (Paragraph 216)**

We agree with the Committee's recommendations. The Government, along with EU Member States and other international partners, has long recognised that implementation of a settlement will carry a significant financial burden. With this in mind, in advance of the referenda in April 2004, the EU organised a donor conference at which the Commission and EU Member States, along with other international partners, all pledged their willingness to contribute to the cost of implementing a settlement. The UK made an immediate commitment of 31 million euros (as well as making available to the UN, for territorial adjustment, approximately half of the land of the Sovereign Base Areas), and further pledged to follow and support the ongoing needs assessment exercise by the European Commission and the IFIs.

As and when the two sides are able to resume negotiations towards a settlement, we stand ready to work with the two sides, the UN, EU and the international community to make clear the contribution the international community can make to a settlement. At that time, we would encourage the Greek Cypriots and Turkish Cypriots to make this information clearly available in advance of any referendum.

We also encourage further investigation of the economic impact of a settlement and how to prepare for it. In this context we note the recommendations of a recent study on Cyprus by economists working with the European Commission's Directorate-General for Economic and Financial Affairs. The authors of the study noted that progressive convergence of the economies could actually lead to increased opportunities for wealth creation and economic activity on both sides of the island. We encourage all efforts to work towards convergence, particularly in north Cyprus where progressive harmonisation with EU standards in the private and public sectors will be key to convergence and implementing a future settlement.

**18. We conclude that, in the absence of an overall solution to the Cyprus problem, a step-by-step approach is likely to be better than no progress at all. We also conclude that confidence-building measures have a role to play, but only if they are consistent with the principles which underlie the Annan Plan, and only if they do not diminish the prospects of an overall settlement. We recommend that the Government consider lending its support to any worthwhile and**

**practicable confidence-building measures which meet those criteria.  
(Paragraph 223)**

The FCO response to FAC Recommendation 7 should be read in conjunction with this response to Recommendation 18. We agree with the Committee's Recommendation 18. The relaxation of restrictions on the Green Line in April 2003 was a significant event for the people of Cyprus and has boosted the prospects for a settlement. Since then, both communities have put forward and implemented proposals to build trust in Cyprus, which we welcome.

We are concerned, however, at the deterioration in certain realms of bi-communal contact, including between Greek and Turkish Cypriot non-governmental organisations and political establishments. We are also concerned at the apparent reluctance of certain parties to fully embrace the opportunities for bi-communal commercial contact offered by the Green Line regulation. In the absence of serious momentum towards a political settlement, we call upon all sections of Cypriot society to extend the hand of friendship to the other side in whatever forum possible, and upon the authorities on both sides of the island to do their utmost to facilitate this.

**19. We conclude that a lasting settlement of the Cyprus problem is overwhelmingly in the interests of the people of Cyprus and that it offers important advantages for the European Union, for Turkey and for the international community. We further conclude that, although the prospects for success may not be great, the opportunities which will arise in mid-2005 must be seized. As one of the Permanent Five on the UN Security Council, as President of the EU in the second half of 2005 and as a guarantor power in relation to Cyprus, the United Kingdom is in a uniquely special position to assist the process. We recommend that the Government make the achievement of a solution to the Cyprus problem a priority of its foreign policy in 2005. (Paragraph 236)**

The Government agrees that any opportunities to make progress towards a settlement must be seized. We share the concern of all those who believe that a just and lasting settlement will not be reached simply through the passage of time, and that – if not carefully handled – aspects of the problem will become more intractable over time. But we do not believe it would be helpful to set a timeframe in respect of a Cyprus settlement in 2005. Nor do we believe that the scheduled date of October 3 for opening EU accession negotiations with Turkey provides a useful target by which to relaunch efforts towards finding a Cyprus solution.

We agree that a lasting settlement is overwhelmingly in the interest of all Cypriots, and of the wider region and the EU. The Government continues to place a high priority on the achievement of a solution to the Cyprus problem. We continue to believe that the Annan Plan represents the only realistic basis for a settlement. But equally we recognise that any further negotiation will necessary involve some changes to the plan, and that it will be necessary for the outcome of any such

negotiations to be able to win the support of a clear majority in each of the two communities on the island.

The Government strongly believes that resumed negotiations towards a Cyprus settlement will need to take place under UN auspices if they are to have a chance of succeeding. The UN Secretary General has said that he needs to see clear evidence of political will from the parties that they support a settlement based on this plan before he will resume his good offices.

We believe that the EU has a strong role to play in facilitating a settlement, and in making a settlement easier to implement. We consider it a priority for the EU to agree measures which will fulfil the Council's determination, as expressed in April 2004, to end the isolation of the Turkish Cypriot community. As noted earlier, we will take forward consultation with the Luxembourg Presidency on these measures, and continue to place a high emphasis on the successful resolution of Cyprus-related issues during our own EU Presidency.





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