

THE POLITICAL ECONOMY OF A CYPRUS SETTLEMENT: THE EXAMINATION OF FOUR SCENARIA

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INTRODUCTION*

Conventional orthodoxy in relation to a possible solution of the Cyprus problem has revolved in the last forty years around the concept of a bizonal bicomunal

federation. Nevertheless, not only do the two communities have different interpretations of the concept but also within each community there exist various and often confused perspectives.

This study focuses on four scenaria:

- (a) bizonal bicomunal federation,
- (b) stalemate/continuation of the *status quo*,
- (c) two-state solution, and
- (d) functional federation with loose bizonality.

It should be stressed that each particular scenario leads to a unique set of arrangements and outcomes. Consequently, it would be wrong to assume that irrespective of the model of a solution the outcome would be more or less the same.

Objectives and Context

The objective of this research work is to examine the economic implications of four particular scenaria, or solution frameworks, to the Cyprus problem. In this context the implications of the accession of Cyprus to the Eurozone on January 1, 2008 are of particular significance. Social and political considerations are incorporated in our study to the extent that they influence economic outcomes and enhance economic analysis.

There is another strong argument for undertaking an economic analysis. There seems to be a common assumption that regardless of the given solution, the

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economic implications would be basically the same and that these would be, overall, positive. This viewpoint is simplistic and misleading, and the present study aims to establish the essential need for, and critical importance of, a political economy assessment. Discussion of the impact of each scenario on economic structure, economic growth, the potential creation of synergies, employment opportunities, fiscal considerations, property arrangements and other variables reveal that the four different scenaria would produce four very different outcomes.

The Examination of Four Specific Scenaria

In this study we examine four specific scenaria:

- (a) Bizonal bicomunal federation;
- (b) Stalemate/continuation of the status quo;
- (c) Two-state solution;
- (d) Functional federation with loose bizonality.

We recognize that, upon close examination, each scenario may entail several versions and/or variations, and in turn each version or variation may be associated with different results. The possibility of variations in each scenario is pointed out using specific examples.

(a) Bizonal bicomunal federation:

Although both communities have agreed that the solution should be based on what is commonly called a bizonal bicomunal federation (the term/concept bizonal bicomunal federation has existed in the Cypriot political vocabulary for about three decades since the latter part of the 1970s), there have been widely divergent interpretations of this term – not only between but also within the two communities. It is also problematic that there has been no systematic study on the compatibility of the various constitutional models with economic objectives. It is imperative that the two communities understand the economic implications of their particular interpretation of a bizonal bicomunal federation.

(b) Stalemate/Continuation of the status quo:

The present stalemate entails particular socioeconomic practices and outcomes, as well as particular costs and foregone benefits. The stalemate is also dynamic in nature. Following the partial lifting of restrictions to free movement of persons on both sides of the Green Line on April 23, 2003 as well as the accession of the Republic of Cyprus to the EU on May 1, 2004, there have been additional important developments. The post-2003 stalemate is a much different “setting” from what existed before and the two situations must be compared in the light of recent socioeconomic developments. It is also important to consider the wider economic implications of the current *status quo* and the potential political fallout.

(c) Two-state solution:

It has been suggested that a significant percentage of both Greek and Turkish Cypriots favour formal partition and a two-state solution, seeing this arrangement as more stable and simpler. Furthermore, it should be noted that this outcome may also be favoured by many of those who see the mainstream approach as futile and also leading to a worsening of the *status quo*. The economic (and other) implications of this scenario are examined for each community as well as for Cyprus as a whole. Furthermore, this scenario is compared with the other three scenaria. It would also be useful to extend this analysis beyond Cyprus, as it has significant implications for the broader region and the EU.

(d) Functional federation with loose bizonality:

There has been little consideration of any attempt that would incorporate the historical compromise of a bizonal bicomunal federation with the objective of integration. Likewise, there has been little consideration of how European political culture and norms could influence the specific constitutional and political formulation of the historical compromise embedded in the high level agreements of Makarios-Denktash (1977) and Kyprianou-Denktash (1979). Such a model would entail a set of specific economic implications and could significantly influence particular objectives. Before any conclusion can be

reached it is essential to have a comprehensive socioeconomic picture of this scenario. It would be instructive to compare the particular socioeconomic outcomes of this model with the respective outcomes of the other three scenarios.

HISTORICAL BACKGROUND AND THEORETICAL FRAMEWORK

Background and Context

Political and constitutional considerations have economic consequences that affect issues like property arrangements, the degree of integration of the economy, the society and, moreover, economic structure and thereby economic variables and outcomes. We address these issues in relation to the various ideas and plans that have been proposed since 1974. But first it is essential to briefly assess the situation prior to 1974.

There has been little discussion of the economic ramifications of the 1960 constitution that established the Republic of Cyprus and the events that culminated in the 1974 crisis and debacle. Essentially the 1960 constitution involved a consociational arrangement and/or an administrative federation which meant, among other things, that many decisions required double majorities of the representatives of both communities. Indeed, the crisis of 1963 which led finally to the withdrawal of Turkish Cypriots from government was precipitated by deadlocks in the decision-making processes. Inevitably this had economic implications – for example, the non-approval of the annual budgets. Retrospectively one can see that the different positions of the two sides could have been addressed in a positive manner had there been an understanding of broader and more fundamental objectives as well as a political atmosphere of openness, tolerance and mutual trust.

The period 1960-1973 was characterized by robust economic growth and development as well as social transformation. By 1973 Cyprus was no longer a predominantly agrarian society. A sizable service sector had been created, there was modest urbanization and tourism was on the rise, while the average annual growth for this period was in excess of 7%. However, Turkish Cypriots

did not satisfactorily share the fruits of economic growth and development. While Turkish Cypriots complained of discrimination, Greek Cypriots argued that the Turkish Cypriots' relative lack of development was the outcome of the secessionist policy of their leadership and of Ankara. The impressive socioeconomic record in conjunction with other factors contributed to the disenchantment of the majority of Greek Cypriots with the cause of *enosis* (union with Greece). Thus, in this period, the two communities might have achieved a settlement on the basis of a unitary state with elements of local and communal self-administration on issues of low level politics. Indeed, on two occasions it seemed that there would be a fruitful outcome from the enhanced intercommunal negotiations (one of which was in July 1974, before the coup and the invasion).

With the events of the summer of 1974 and what followed, a new situation was created in Cyprus. In addition to the human tragedy, certainly there was severe socioeconomic dislocation and disruption as well as a new *de facto* political state of affairs. This included the forcible expulsion of thousands of Greek Cypriots from their ancestral land and the gradual transfer of all Turkish Cypriots to the occupied part of Cyprus. In February 1975, the Turkish-Cypriot leader Rauf Denktash declared the occupied northern part of Cyprus as the "Turkish Federated State of Northern Cyprus".

In the meantime there was new thinking about how to go forward with a final solution to the Cyprus problem. Initially the Greek Cypriots were discussing the prospect of a multicanton federation. The Turkish-Cypriot side immediately revealed its preference for what came to be known as "a bizonal bicomunal federation". The high level agreements of 1977 and 1979 entailed a very different approach than what was ever discussed before 1974.

Soon after the high level agreements the conventional wisdom and positions in relation to a solution of the Cyprus problem evolved into what was described as a bizonal bicomunal federation. Several factors contributed to this. First, the international community was trying to find common ground between two

diametrically different positions. Then we must consider Turkey's greater international weight in relation to that of Cyprus. This imbalance of power led Greek Cypriots to feel that the synthesis and the proposals put on the table primarily reflected Turkish positions. Greek Cypriots never accepted the Turkish philosophy of bizonal bicomunal federation. They did not even feel comfortable with the way Makarios had interpreted it, but eventually they accepted it. President George Vassiliou tried to codify the positions of the Greek-Cypriot side into what came to be known as the Greek-Cypriot proposals of 1989. These proposals accepted that Turkish Cypriots would constitute a majority in the area to be administered by the Turkish-Cypriot community.

The Greek-Cypriot proposals had specified several aspects of what could constitute a bizonal bicomunal federation. The Ghali Set on Ideas in 1992 and subsequently the Annan Plan, which constituted two serious efforts of the international community for a solution to the Cyprus problem, reflected an attempt for a synthesis of the different positions.

Theoretical Framework: Constitutional Arrangements and Economic Structure

In any modern state economic factors and considerations are of primary importance. If there is steady and balanced growth and development the objective of a normal political process is served. Understandably in the case of Cyprus, a country that has been *de facto* divided since 1974, the broad economic dimensions are of particular importance.

Economic issues include the property arrangements, the three fundamental freedoms, fiscal policy, the role of the central government, legal framework, tourism, social policy, labour issues, environmental concerns and so on. Economic policy also entails issues such as competition as well as many other issues of concern for everyday life and how they will be determined. In this regard one could mention the position and the role of the local administrative units. Again the particular outcome in relation to the form of settlement (or non-settlement) of the Cyprus problem will have an impact on this. Perhaps it was not fully understood, in the lengthy discussions about constitutional and

legal issues, that particular constitutional and institutional provisions have their own impact on economic issues and variables.

There are other issues that must be examined as well. The question of the settlers, for instance, comprises political as well as practical dimensions. The two extreme perspectives are that, on the one hand, "all settlers must go" and on the other "all settlers stay". A related question, which has already been posed, is who is a settler and who is not.

Furthermore, the issue of immigration is of utmost importance and must be addressed accordingly. It is not only the concern of Greek Cypriots about the further inflow of people from Turkey. It is also an issue for the EU. Naturally in a unified state the responsibility for immigration policy lies with the central government. Within this framework addressing the issue of foreign workers is also an important chapter. Naturally this should also be in the domain of the central government.

Little or no attention has been given to the relationship between constitutional arrangements and economic structure and the potential implications. It is essential to briefly define (or rather describe) what economic structure entails and also assess its importance for economic activity. The economic structure of a state comprises, among other things, the relationship between the public and the private sector, the legal framework that regulates economic activity, the pattern and level of public expenditures, the taxation system and the level of tax revenues. It also includes the decision-making process, the relations between government, employers and employees, and, thus, the overall business environment.

Economic structure also incorporates incentive and disincentive systems, as well as whether or not an economy entails distortions. For example, a major factor affecting these issues is the level of government spending as a percentage of GDP. In this regard it can be pointed out that there is a

particular ratio below or above which, more often than not, there will be inefficient outcomes.

Naturally an efficient and flexible economic structure encourages economic progress; an inflexible and distorted economic structure will have negative economic repercussions. The former USSR is a pertinent example of an inflexible economic structure, which resulted in the collapse of the economic system and the Soviet Union.

Thus, from a philosophical and a theoretical perspective we can see that economic structure affects to a great extent economic activity and economic variables. Economic growth, investment, the level of unemployment, inflation, and how resources are allocated are affected. Given the importance of these variables, efforts must be made to influence the factors that impact on them.

In essence, constitutional and political issues would affect the degree of integration and segregation. In its turn this would affect economic structure and, consequently, economic activity. Another complication may be created by the following scenario: assume that a Turkish Cypriot resides in the region under Turkish-Cypriot administration and is employed for years in a business venture in the Greek-Cypriot component state/region. At some point in time he loses his job; from where does he get unemployment benefits? Would that be a function of the central government or would it be the responsibility of the component states/regions?

A fundamental theoretical assumption also adopted in this study is that each form of a solution entails a particular set of economic characteristics. Inevitably this is intertwined with a given economic structure. This in its turn affects the economic outcomes and overall record. These revolve around the following: the property issue and compensation, the three fundamental freedoms, fiscal policy, the legal framework, the financial system, the economics of development, the Social Security Fund and related policies,

competition, local administration, settlers, immigration, foreign workers, tourism, environment, education, health and consumer protection.

The objective is to determine whether, at least from the economic perspective, any particular scenario constitutes a distinctively exceptional outcome. Within the framework of the same philosophy and methodology there is a comparison of the four models. Last but not least, we assess whether, from the economic perspective, there are specific scenarios which are seen more favourably by each of the two communities. The outcome of this discussion may help us understand better the positions taken by the two sides. Moreover, the hope is that this analysis can offer evidence that particular policy options can lead to mutual gains for the two communities.

A COMPREHENSIVE EVALUATION OF THE FOUR SCENERIA

Bizonal Bicomunal Federation

The analysis suggests that the model that has been discussed more often and has been viewed as mainstream – bizonal bicomunal federation – even if implemented, will have serious problems of viability. It should be clarified that in this case bizonal bicomunal federation is defined within the framework of the philosophy of the Annan Plan. Enhanced bizonality is a major characteristic of this model leading to two zones, each with a strong ethnic element. Given also strong bicomunality and a strong form of consociationalism, decisions will be essentially reached by dual majorities.

Even if we assume that the decision-making process does not create any particular problems, the strong or even the enhanced bizonality will tend to create economic bottlenecks and problems. It will be difficult to practically have labour and capital mobility and to also implement the right to acquire property throughout the island. This would most likely impede the process of economic convergence of the two regions.

Cyprus may also face fiscal problems given the three-headed state embedded in the model; this will entail three budgets and occasionally potentially

conflicting fiscal policies. It would be important to have coordination as well as the political will to meet the obligations which emanate from participation in the EMU. Philosophically this model would make it difficult for the central government to function smoothly as the centre of gravity; instead, it would be the two component/constituent states that will perform this role. Problems may also arise and be exacerbated if the socioeconomic gaps between the two component/constituent states are enhanced. Greek-Cypriot tax payers will be more willing to endure sacrifices if there are common objectives, a vision of a common country and of a common future. In the absence of an integrationalist perspective, it will be very difficult to contain discontent.

Stalemate/Continuation of the Status Quo

The continuation of the *status quo* entails severe losses, foregone opportunities and a much more difficult political environment. It is understood that with the *status quo*, the "TRNC" will seek to upgrade itself economically and politically. The usurpation of Greek-Cypriot properties will continue while at the same time Turkish Cypriots will continue to enjoy rights as citizens of the Republic of Cyprus without any obligations.

Inevitably this may bring about the resentment of Greek Cypriots. Already this has been taking place to some limited extent. This has been exhibited in several ways including an overall decreasing number of crossings by Greek Cypriots to the northern part of the country.

The upgrading of the standard of living of Turkish Cypriots and their gradual reintegration with the rest of the world will also decrease the possibility for a breakthrough. And this despite the belief that such development will facilitate the solution. Indeed, the question raised is what incentives would the Turkish Cypriots have for concessions if they have almost all they want free and without obligations?

The stalemate is also associated with much waste and foregone opportunities. Particular attention is paid in this regard to the case of the deserted city of Famagusta. It was more than once reported that part of the deserted city

would be given back to the Greek Cypriots as a gesture of good will and as a confidence building measure. But nothing has materialized so far. If the stalemate persists, it is important to find ways to manage it. Within this framework it is important to promote specific CBMs and also further encourage a dialogue, at different levels, about a permanent settlement.

Two-State Solution

As already outlined, this scenario is based on the principle of "land for recognition"; the assumption made is that following this arrangement the Republic of Cyprus will have 72,5% of the territory and the "TRNC" 27,5%. It has been noted that the guarantee system envisaged in 1960 will be abolished and that the British Bases will be renegotiated as they would not be sovereign any more. It would be up to the Republic of Cyprus to see whether they will continue to function within a new legal framework.

This solution will generate an economic boom in the Republic of Cyprus as an outcome of a huge wealth effect – return of land, exchanges and compensation for those that will not receive their properties back. Although the Turkish side will give back some territory, there will be a wealth effect in the Turkish side also, though of lower intensity. The positive impact will be due to the legitimization process and the payment of compensations. The legitimization process will be associated with a wealth effect because it will encourage a normalization of economic life including the improvement of the allocation of resources. Land prices will also rise in the "TRNC".

To the extent that the two states embark on a path of cooperation and the "TRNC" on a process of modernization and Europeanization there will be added mutual benefits. Furthermore, it may also be possible, at least in theory, to create the prerequisites for reunification in the future. Synergies may exist in various sectors. There can be both cooperation and competition in relation to tourism where the prospects could be very promising. Within a philosophy of cooperation citizens can be allowed to travel freely and thereby make their purchases accordingly. Cooperation could also include the labour market,

health, education, environment, illegal immigration and so on. Such a process will be beneficial for both sides.

If on the other hand the "TRNC" remains under the strong influence of Turkey, and the socioeconomic gap with the Republic of Cyprus grows even more, one should not rule out some form of antagonism and cold relations. A negative scenario may include the lack of cooperation in the areas of illegal immigration. Furthermore, with cold relations the freedom of movement throughout the island may be subject to restrictions. Obviously this is not a desirable outcome.

Functional Federation with Loose Bizonality

This particular model has its own philosophy which does not coincide with the one embedded in the Annan Plan. On the other hand, it should be noted that this particular model could also be seen as not contradicting the high level agreements of 1977 and 1979. On the contrary, it could be stressed that it is within the philosophy of the high level agreements. In addition, the model incorporates fundamental principles from the European political culture and acknowledges the implications of the participation of a country in the EU and the EMU. The fundamental element of this model is that it encourages the two communities to cooperate. This supports the expectation that the decision-making process will be effective.

It may be tempting to raise the question of the relationship of this particular model with the high level agreements and the philosophy of the Annan Plan and how they could be related. In this regard it should be stressed that the Annan Plan, which included provisions for strong bizonality, reflected to a great extent the philosophy of the Turkish side. The suggested model, on the other hand, incorporates part of the original interpretation of the high level agreements.

Functional federation with loose bizonality encourages integration and acknowledges the particular characteristics of the two communities as well as

their needs. At the same time the model incorporates the prerequisites of effective participation in the EMU and of a globalized world.

Undoubtedly, this is the model which generates the best possible socioeconomic results. It advances economic integration with the contribution of the central government and support from the EU within a climate which stresses the free market forces. It is also the only model discussed where the Social Security Fund and related policies function under the central government.

It is also the model which would generate the best possible conditions for sustained economic expansion. This in itself will create the circumstances for dynamically addressing the challenge of internal and external economic convergence. If such a model is implemented it will not be an exaggeration to expect a new economic miracle.

Evidently the model is quite ambitious. Perhaps it is the only one which guarantees a unified Cyprus. For years, politicians from both sides, especially from the Greek-Cypriot community, referred to a solution that would require "painful concessions". Voters did not follow because they realized that not only were the concessions embedded painful, but also the particular model/solution would not be stable. There was fear that worse developments would have ensued. This particular model could be addressed in a way in which the parties involved may see it as a fair and desirable arrangement.

THE POLITICAL REALITIES AND THE FOUR SCENARIA

From our analysis it is clear that functional federation with loose bizonality provides the best possible model to achieve reunification, socioeconomic convergence and also the prerequisites for political stability. Such a model could also contribute to the implementation and promotion of broader interests. Indeed a successful model of functional federation in Cyprus and the constructive cooperation of Greek-Cypriot Christians and Turkish-Cypriot Moslems will be of great importance to the broader region.

The question that is raised, however, is whether, at this particular stage, this model can be accepted by Ankara and the Turkish-Cypriot leadership. This model leads to the effective participation of Turkish Cypriots in all aspects of public life and to a process of economic convergence. In principle these objectives are shared by Turkish Cypriots. Ankara and the Turkish-Cypriot leadership may object, however, to the political framework through which these objectives are met, namely through an integrationalist federal model and the continuity of the Republic of Cyprus.

On the other hand, the philosophy adopted and cherished by the Turkish side cannot lead to a viable outcome even if accepted by Greek Cypriots. We should recall that the Turkish side insists on strict bizonality, strict bicomunalism and political equality (with a particular definition). These pillars lead to a model with characteristics of federation and confederation. Such a model revolves around the philosophy of the Annan Plan. Its implementation will most likely lead to two almost homogenous regions and a central government where, essentially, dual majorities will be required for decisions. In this model power will not emanate from the central government, but instead from the two regional governments. There will be tensions due to the lack of a common vision, lack of adequate coordination and sustained socioeconomic gaps between the two sides. At best this model may collapse and lead to a velvet divorce. Under such circumstances the relations between these two sides will be cold.

On the other hand, assuming that a two-state solution is agreed based on the principle of "return of land for recognition" there is a good possibility that the two sides may embark on a process of cooperation. This cooperation may lead to even revisiting the issue of reunification. For such a course of action it is essential that Ankara accepts these ideas and also that the "TRNC" independently embarks on a process of modernization and Europeanization. Is this possible? If it is, as already noted, the cooperation between the two sides

will lead to mutually beneficial outcomes. If not, the antagonism between the two sides as well as a climate of cold relations could lead to tensions.

Be that as it may, this scenario is rather unlikely: it is doubtful whether the Turkish side would consent to the return of a substantial portion of territory and that Turkey would accept the idea of two completely independent states; it is also unlikely that Britain would accept this form of solution by which the Bases change legal status. Besides, it would, most likely, be very difficult for a Greek-Cypriot leader to sign such a solution.

We have seen why it may be difficult for any of the three models – bizonal bicomunal federation, functional federation with loose bizonality and a two-state solution – to be accepted and implemented, given the current political realities. By the process of elimination it seems that the most probable outcome in the immediate short run is the continuation of the stalemate. Even if this is the case it would be of utmost importance to manage it. Confidence building measures and discussion of the advantages and disadvantages of particular scenaria is of utmost importance. This, in conjunction with broader developments (e.g. EU-Turkey), will pave the way for a final settlement.

THE WAY FORWARD AND SUGGESTIONS FOR FURTHER RESEARCH

While there has been some progress in 2008 it will be difficult to overcome a structural deadlock in the Cyprus problem. It is essential to understand the dynamics embedded in, and the need for, a new approach. The pursuit of conventional orthodoxy – that of bizonal, bicomunal federation – cannot be expected to provide a functional arrangement. As this study has sought to demonstrate if it is implemented it will lead to political frictions and deadlocks which will be persistent and regenerated by socioeconomic difficulties. Moreover, such a model will have serious problems of political legitimacy worse than those created by the London-Zurich arrangements at the time.

A two-state solution as an outcome of an agreement based on the principle “land for recognition” may not be feasible for two fundamental reasons: on the

one hand, the Turkish side may not be prepared to return adequate land to Greek Cypriots and also to accept a sovereign Greek state in Cyprus and on the other hand, Britain is not likely to accept the termination of the sovereign status of the British Bases. In addition, even if these two issues were overcome, it may be difficult to find a Greek-Cypriot leader to sign it. Even if an agreement on this basis was found, however, and if the two states do not embark on a cooperative path there will be tensions. It is understood though that such a solution could lead to positive economic outcomes if the two sides cooperate on a wide range of issues.

If the current stalemate continues, despite renewed efforts, and with the political deadlock deepening, eventually the two sides may enter an antagonistic period. Even if the elites of both sides within the perspective of political correctness try to maintain a normal climate, Greek Cypriots will have increased frustrations which will come out; they will not be satisfied with conditions leading to the normalization of the *status quo* which entails usurpation of their properties in the northern part and with Turkish Cypriots having rights in the Republic of Cyprus and no obligations.

It is obvious that something must change to move forward. Functional federation with loose bizonality as defined in this study may offer a serious pragmatic option. It is acknowledged, nevertheless, that it may be difficult to implement such an integrationalist model immediately. But if there is an understanding that the solution to the Cyprus problem should safeguard the unity and the territorial integrity of the Republic of Cyprus, respect the rights of all Cypriots and of the two communities, and also depend on the philosophy of integration, then there can be a way forward.

The adoption of Confidence Building Measures and the utilization of EU processes can be of utmost importance. In this regard the return of Famagusta to its lawful inhabitants, the utilization of the port of the city for both communities, the beginning of a process of harmonization in relation to a number of chapters of the European *acquis communautaire* in the northern

part of Cyprus can lead to a new climate on the island. It is also understood that developments in Turkey as well as the relations between EU and Turkey will have a significant impact on Cyprus.

The longer the stalemate persists the more difficult it becomes for the two sides to reach an agreement. Furthermore, there is the risk of the two sides getting involved in an antagonistic relationship which may reverse even the existing levels of cooperation between the two sides.

It is also essential to understand and evaluate different aspects of the relationships between the two communities. In this regard it is vital to assess the socioeconomic implications of the new realities in Cyprus in the post April 23, 2003 period. In addition, it may be particularly important to assess what the elites as well as the ordinary people on both sides understand by the concept of federalism.

It is also of utmost importance to enhance policy oriented research on both sides as well as outside the island given that the Cyprus question is a complex one involving several dimensions. Within this framework it is essential to evaluate the dynamics of the post-April 23, 2003 situation and assess the results. To the extent that there have been positive results, the challenge is to see what policy package can enhance them. By the same token, it is of utmost importance to evaluate the negative aspects of the record and see whether and how it can be reversed.

Another important chapter that should be addressed is the impact of a solution beyond Cyprus; it is essential to analyze the effects of a solution which, on the one hand, proves viable and generates cooperation and prosperity and, on the other hand, collapses. The hypothesis embedded in this issue is whether indeed developments on the island have an impact beyond Cyprus. If there is an impact then we must analyze the possible repercussions and how the course of events can be influenced in particular directions.

Last but not least, there must be an enhanced dialogue between Greek Cypriots and Turkish Cypriots on all issues and at all levels. Even if there are disagreements and different perceptions it will be better if they come to the surface. At the end of the day, if Greek Cypriots and Turkish Cypriots are destined to share power and economic prosperity they must learn to debate, agree, disagree and also find ways to overcome disagreements and misperceptions. Equally important is to learn to create synthesis from different starting points.