

Intra-island trade in Cyprus

Obstacles, oppositions
and psychological barriers

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 **PRIO**
CYPRUS CENTRE



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CONTENTS

<i>ACKNOWLEDGEMENTS</i>	v
<i>EXECUTIVE SUMMARY</i>	1
<i>CHAPTER 1: APPROACH TO RESEARCH AND METHODOLOGY</i>	3
<i>CHAPTER 2: FACTS AND FIGURES</i>	7
<i>AN ECONOMIC HISTORY OF THE GREEN LINE</i>	7
<i>HOW THE GREEN LINE REGULATION CAME INTO FORCE</i>	9
<i>THE REGULATORY FRAMEWORK FOR INTRA-ISLAND TRADE</i>	12
<i>THE VALUE OF INTRA-ISLAND TRANSACTIONS</i>	15
<i>CHAPTER 3: REGULATORY OBSTACLES TO INTRA-ISLAND TRADE</i>	27
<i>NARROW PRODUCT RANGE</i>	27
<i>CHECKS ON PERSONS AND TRANSPORT</i>	28
<i>TELECOMMUNICATIONS</i>	29
<i>TAXATION</i>	29
<i>SUMMARY OF OBSTACLES TO GREEN LINE TRADE</i>	30
<i>CHAPTER 4: THE PREVAILING ATMOSPHERE</i>	31
<i>COMMUNITIES GROWING APART</i>	31
<i>MEDIA ATTITUDES</i>	34
<i>SUMMARY OF MEDIA ATTITUDES</i>	38
<i>CHAPTER 5: MAIN RESULTS OF THE CYPRUS PRODUCERS' POLL</i>	39
<i>CHAPTER 6: INTERVIEWS SOUTH OF THE GREEN LINE</i>	43
<i>6.1. INTERVIEWS WITH OFFICIAL BODIES</i>	43
<i>6.2. INTERVIEWS WITH BUSINESSES</i>	44
<i>6.3. CASE STUDY: A JOINT VENTURE PUSHED INTO FAILURE</i>	55
<i>SUMMARY OF INTERVIEWS SOUTH OF THE GREEN LINE</i>	57

<i>CHAPTER 7: INTERVIEWS NORTH OF THE GREEN LINE</i>	59
7.1. <i>INTERVIEWS WITH OFFICIAL BODIES</i>	59
7.2. <i>INTERVIEWS WITH BUSINESSES</i>	61
7.3 <i>CASE STUDY: A CROSSBORDER NEWSPAPER THAT STRUGGLES</i>	64
<i>SUMMARY OF INTERVIEWS NORTH OF THE GREEN LINE</i>	66
<i>CHAPTER 8: ANALYSIS OF THE INTERVIEWS</i>	67
8.1. <i>MAIN PSYCHOLOGICAL APPROACH AMONG GREEK CYPRIOTS</i>	68
8.2. <i>MAIN PSYCHOLOGICAL APPROACH AMONG TURKISH CYPRIOTS</i>	69
8.3. <i>INTERACTION OF THE PSYCHOLOGICAL TRENDS OF THE TWO COMMUNITIES</i>	71
<i>CHAPTER 9: CONCLUSIONS AND SUGGESTIONS FOR THE WAY FORWARD</i>	73
9.1. <i>THE MAIN PSYCHOLOGICAL BARRIERS</i>	73
9.2. <i>THE NEED TO CREATE THE RIGHT ENVIRONMENT</i>	74
9.3. <i>SOME PRACTICAL SUGGESTIONS</i>	74
9.4. <i>CONCLUDING REMARKS</i>	78
<i>REFERENCES</i>	79

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EXECUTIVE SUMMARY

Sales of goods across the Green Line have risen from just under EUR 475,000 in 2004 to EUR 4.9 million in 2007, while total transactions across the Green Line including shopping and casino spending amounted to an estimated EUR 31.7 million in 2007. In terms of value, the flow of money is in favour of Greek Cypriots but it tips in favour of Turkish Cypriots when estimated remittances of those working in the south are included. With this included, the value of total intra-island business including salaries is estimated at EUR 85.3 million.

There has been some acceleration in trade growth in both directions in 2008. Yet intra-island trade remains only a very small proportion of trade within the Greek Cypriot and Turkish Cypriot communities and trade by each side with the rest of the world. Taking as its cue the low level of trade and the European Commission's reference to psychological barriers to Green Line trade in its 2007 report, the aim of this research was to ascertain whether there were psychological barriers to intra-island commerce and to suggest practical steps to help address these and other barriers to trade which were identified during our research.

Our review of the literature, such as previous reports on the Green Line regulation, media reports and the prevailing atmosphere in which trade is conducted, showed that apart from political and structural impediments to trade, there were also other impediments that might be described as "psychological." In order to investigate these, we held interviews with businesses, business representatives, official bodies and opinion-formers on both sides of the island. In the south, we focused on potential purchasers of Turkish Cypriot goods and services, while in the north, we focused on those selling goods to the south.

We found that psychological barriers do indeed exist and are reinforced by political leaders and the media. The main psychological approach among Greek Cypriots was denial. The main psychological approach among Turkish Cypriots was a fear of being treated as inferior. The interaction of these psychological trends leads to a strong resistance to trade among Greek Cypriots and a strong resentment about trading among Turkish Cypriots. Greek Cypriots fear that if they trade, they will be identified and pilloried by their own community, since the produce could involve Greek Cypriot land, which reminds them of the trauma of 1974. We found that even those who do conduct business feel compelled to deny the existence of their clients or hide their identity by trading only in non-labelled goods. For many Greek Cypriots, therefore, doing business with Turkish Cypriots is taboo. Turkish Cypriots, meanwhile, do not trust that the Greek Cypriots are really serious about trade and fear that it is merely a means of controlling them. The actual experience at the crossing points has been humiliating, reminding Turkish Cypriots of the traumas of the 1960s, when restrictions, checks and requests for documents made it very difficult for Turkish Cypriots to do business and thus became associated with

economic hardship. This has therefore led to deep-seated resentment against both Greek Cypriots and the EU.

Tackling the psychological barriers to trade requires a multi-layered approach that touches all parts of society and will take time to implement, especially as psychological barriers can be a powerful tool in the hands of political leaders and public opinion-formers that can be used for better or for worse. Therefore the barriers cannot be addressed unless there is a political will to begin the trust-building process.

The process also needs a tangible basis. We therefore make some practical suggestions that, by addressing some of the structural issues, can also help address the psychological barriers.

We recommend three broad principles for political leaders, business leaders and the European Commission. These are: openly to encourage trade; to tackle the practical obstacles to trade; and to improve the dissemination of information. Within these abovementioned headings, we make the following practical suggestions.

- Open encouragement from political and business leaders, using techniques such as an annual Business for Peace Award, given to Turkish Cypriot and Greek Cypriot businesses and joint ventures that have done most to promote intra-island commerce.
- Lifting of all telecommunications barriers to emails and text messages and implementing roaming agreements, which the Republic of Cyprus government appeared willing to encourage in April 2003.
- Make the crossing points more business-friendly and send a strong signal that trade is supported by establishing a Green Line information hotline and an information board on each side listing the main rules and regulations (including sudden amendments).
- Systems, perhaps using the chambers, for contract resolution and encouragement of existing systems for cross-Green Line payments.
- Reconsideration by all parties (Greek Cypriots, Turkish Cypriots, the European Commission) of the rules on taxation.
- Amend the Green Line regulation so that by default it includes any products of Turkish Cypriot origin that meet EU health and safety standards and thus encourages producers to meet EU standards for the day after a solution.
- Improve the dissemination of information. We include many suggestions for the chambers, the European Commission and, with respect to the joint venture programme, the Republic of Cyprus Ministry of Finance on how to improve their websites and published information.

While these remedies are put in place at the practical or structural level, they need to be accompanied by a parallel process of trust-building, which includes measures for reconciliation, forgiveness and revisiting historical narratives.

The history of the European Union, founded after centuries of wars on European soil and two world wars, has shown that the best way to overcome the psychological barriers of dealing with the former enemy, is to create an environment for economic co-operation. Businesses on this island need to be allowed to do what they do best, without fear and without hindrance. Only in this kind of environment can the wounds carried by so many on this island slowly disappear.

APPROACH TO RESEARCH AND METHODOLOGY

The cue for our research came from two sources. First, is the comparatively low level of intra-island trade. As will be shown in Chapter 2, intra-island trade in goods equalled only 0.1% of Greek Cypriot and 7% of Turkish Cypriot trade with the rest of the world in 2007. The second cue was the European Commission's reference in its 2007 report to psychological barriers to trade,¹ a view that has been expressed elsewhere. The main aim of the research was to identify whether there are indeed psychological barriers to intra-island commerce and to suggest practical steps to help address these and other barriers to trade which were identified in the course of our research. Research included fact-finding, media monitoring, interviews with businesses, business representatives and opinion-formers on both sides of the island.

In conducting our research, the term "intra-island trade" was taken to mean not only its common meaning, namely trade in goods under the Green Line regulation and its Turkish Cypriot equivalent, but also other forms of economic exchanges across the Green Line, in particular consumer purchases from retail stores, marketing tools across the divide (advertisements) and co-operation on tourism.

Chapter 2 (Facts and figures) gives an outline of the facts and figures surrounding Green Line trade: the history of the Green Line itself and how the Green Line regulation came into force. The chapter also details the various types of intra-island economic exchanges and gives estimates where hard figures are not available. Since a focus only on psychological barriers to trade would be incomplete, Chapter 3 (Regulatory obstacles to Green Line trade) outlines the various practical barriers to intra-island trade, while Chapter 4 (The prevailing atmosphere) analyses the political and sociological environment in which businesses operate, including the attitude of the media. Before moving to the interviews, we give the main results of the Cyprus Producers' Network poll in Chapter 5, which both supported our findings and gave an insight into what traders feel are the main barriers at the practical level.

¹ "Psychological trade barriers are still significant." European Commission, Annual Report on the implementation of Council Regulation (EC) 866/2004 of 29 April 2004 and the situation resulting from its application, page 12, COM(2007)553, Brussels, 20.9.2007.

The interviews with key players, which we explain in more detail below, are contained in Chapter 6 (Interviews south of the Green Line) and Chapter 7 (Interviews north of the Green Line). In Chapter 8 (Analysis of the interviews) we assess whether there are psychological barriers and analyse the main psychological trends identified in the interviews and how they interact with one another. Finally in Chapter 9, we move to our conclusions with recommendations for setting the right environment, reducing practical and structural barriers to trade and thereby helping to address some of the psychological barriers to trade.

During the course of our research (after the main interviews had been conducted), one of the authors, Fiona Mullen, was appointed a UN facilitator for the Technical Committee on Economic and Commercial Matters, which dealt extensively with intra-island trade. The content of the discussions in these committees is strictly confidential and has therefore not been included in this paper. However, the co-author's experience in the committee has also served as useful, albeit private, "cross-check" of our findings. All analysis and opinions expressed in this paper are strictly those of the authors.

Approach of interviews

While there has been literature about the impact of the prevailing atmosphere on Greek Cypriots and Turkish Cypriots as groups (see Chapter 4), there has been little literature on the psychological impact at the individual level. Therefore a parallel aim of this research was to analyse the impact of the Cyprus problem on individuals.

As catastrophic events, wars, mass violence and inter-communal violence can cause psychological trauma,² the aim of the interviews was to create an open environment in which feelings could be expressed, including uncomfortable ones such as fear and suspicion. The interviews were therefore conducted on a confidential basis, although it should be noted that despite reassurances, few people on this small island trust that confidentiality is really maintained in practice and this might have influenced responses.

In the southern part of the island we interviewed or aimed to interview the following:

- a) Official bodies charged with facilitating intra-island commerce.
- b) Large purchasers (larger supermarkets and hypermarkets) for their attitudes to purchasing goods from the north.
- c) Large retailers (the same supermarkets and hypermarkets as well as other large retailers) for their attitudes towards Turkish Cypriots as customers.
- d) Newspapers about attitudes towards accepting Turkish Cypriot advertisements.

² *Trauma and Recovery*, Judith Herman, M.D. New York, 1992.

- e) Our aim was to interview tourist representatives in the south to confirm/deny reports about co-operation with Turkish Cypriot tourist enterprises but we were unable to find any representatives willing to speak to us. The refusal to be interviewed was also relevant in our research.
- f) Certain individuals with a view to publishing case studies in order to highlight the challenges of individual business people. Some of these interviews had to be excluded because the interviewees were very nervous about identification and it was not possible to talk about the case without the company concerned being easily identified. Where companies or individuals were more relaxed about possible identification, we included them.

The main stated aim of the Green Line regulation is to facilitate trade of goods produced in the north to the south, therefore there is an asymmetry inherent in its structure. As a result, we concentrated in the north on those industries and bodies which might be seen as the main beneficiaries or intended beneficiaries of such trade. Our interviews therefore focused mainly on those bodies in charge of economic production and trade, and also those officials recognized by the EU as significant in the control of this trade, such as the Turkish Cypriot Chamber of Commerce. These included:

- a) Official bodies charged with facilitating intra-island commerce.
- b) Producers who have attempted to trade or are currently trading with the south. (These were identified through a snowball interviewing method, as their names are not available through official bodies).
- c) Tourism enterprises cooperating or attempting to cooperate with tourism enterprises in the south.
- d) One newspaper case-study. This is the only trilingual newspaper in the island, sold in both the north and the south. We used this newspaper to understand the successes and difficulties of such a bicomunal enterprise.

FACTS AND FIGURES

An economic history of the Green Line

The Republic of Cyprus was founded as an independent state in 1960, after a long struggle by the Greek Cypriots to end the British colonial rule on the island and to unite it with Greece (*enosis*). The Turkish Cypriots were opposed to this idea and instead demanded that, if the British rule were to end, the island either be given back to Turkey (successor of the Ottoman Empire from which the British took Cyprus) or otherwise be partitioned between Turkey and Greece (*taksim*). During this period, the island's two main communities grew more and more politically, socially and economically separated. All aspects of life were divided during this period, from trade and labour unions to sports federations. After 1958, Turkish Cypriots established a separate chamber of commerce, as well as a separate Nicosia municipality, soon to be followed by others. As N. C. Lanitis phrased it in 1963, “[A]n economic war has started between the two communities who do not buy each other’s products, a fact that leads to the creation of small, high cost and inefficient productive units. This situation is most damaging to all Cypriots, Greeks and Turks alike.”³

The island's independence in 1960 was perceived by both Cypriot communities as an imposed solution (especially by Greek Cypriots). Its constitution provided for a Greek Cypriot president, a Turkish Cypriot vice-president and three “guarantor powers”: Greece, Turkey and the UK. When power-sharing arrangements broke down in 1963, violence erupted between Greek Cypriots and Turkish Cypriots, and a UN-monitored buffer zone (Green Line) was soon established in Nicosia for the first time. This line was drawn by Major-General Peter Young, commander of the peace force then stationed in the island, as a way of separating the parties and preventing violence. The initial line drawn by Young in 1964 separated neighbourhoods of Nicosia on a map, and because Young drew the line with a green pencil, it has come to be known as the Green Line. During this period, Turkish Cypriots retreated to armed enclaves for security reasons, and they became cut off from production and trade outside those enclaves. Entirely dependent on aid from Turkey, Turkish

³ N. C. Lanitis, *Our Destiny: A consideration of some problems pertaining to Cyprus*, Nicosia, 1963.

Cypriot incomes fell from an average that was 20% lower than the per capita income of Greek Cypriots in 1961 to one that was 50% lower in 1971.⁴

Differences between the two communities were never resolved, and while the Republic of Cyprus became a *de facto* Greek Cypriot state, Turkish Cypriots established a separate administration in the enclaves that they had established for their defence. In July 1974 the military junta in Greece encouraged a *coup d'état* which overthrew the then president, Archbishop Makarios. In response, Turkey militarily intervened as a guarantor power, to protect Turkish Cypriots and ostensibly restore constitutional order, which had been suspended since 1964. However, constitutional order was never restored, and the island was instead divided. The effect of that division was a social and economic disaster for approximately a third of the Cypriot population, but especially for Greek Cypriots originally from the north. Approximately 162,000 Greek Cypriots fled their homes in the north for safety in the south, while around 65,000 Turkish Cypriots abandoned their homes in the south for refuge in the north. Although the now *de facto* Greek Cypriot south rebuilt its economy within fifteen years and has subsequently prospered, the Turkish Cypriot north received immediate benefits after the war from which it was unable to profit, as the north was internationally isolated and remains so.

The Turkish Republic of Northern Cyprus (TRNC) was declared unilaterally⁵ in 1983 but is recognized only by Turkey, which continues to station approximately 35,000 troops in the island. By contrast, the (*de facto* Greek Cypriot) Republic of Cyprus continues to be recognized as the government of the whole of Cyprus (excluding the British Sovereign Base Areas). It has no effective control over the north. The 1974 ceasefire line that divides the island is what is now generally referred to as the “Green Line”.

One by-product of the lack of recognition of the TRNC was the landmark decision of the European Court of Justice in 1994⁶, which precluded “acceptance by the national authorities of a Member State, when citrus fruit and potatoes are imported from the part of Cyprus to the north of the United Nations Buffer Zone, of movement and phytosanitary certificates issued by authorities other than the competent authorities of the Republic of Cyprus.” Although this judgment never banned exports from Famagusta as such, it meant that Turkish Cypriot producers no longer enjoyed the preferential access under the Republic of Cyprus’s Association Agreement with the European Community, thus making their products much more expensive on EU markets. Turkey signed its customs union with the EU the following year, which made trading via Turkey a much more attractive option for Turkish Cypriot traders. This, in turn, increased economic dependence on Turkey.⁷ The consequences of this judgment, together with the non-recognition of ports and airports, is one of the main reasons why Turkish

⁴ Michael Attalides, “Relations between Greeks and Turkish Cypriots in Perspective,” in *Proceedings of the International Symposium on Political Geography, Sponsored by the Cyprus Geographical Association*, Nicosia, 1976, p. 64.

⁵ UN resolutions No. 541 and 550.

⁶ Case C-432/92, *The Queen v Minister of Agriculture, Fisheries and Food, ex parte S. P. Anastasiou (Pissouri) Ltd and others*, 5 July 1994.

⁷ Mullen, Oğuz and Antoniadou-Kyriacou, *The Day After: Commercial Opportunities Following a Solution to the Cyprus Problem*, p. 41.

Cypriots complain about embargoes and economic isolation (as well as, for other reasons relating to non-recognition, political isolation). Meanwhile, the Greek Cypriots declare that any isolation is self-imposed.

The division of the island also meant that members of the two communities communicated very little until 23 April 2003. As a result of a combination of reasons, including protests by Turkish Cypriots and a desire by Turkey to reduce potential financial penalties of property claims brought by Greek Cypriots in the European Court of Human Rights (ECHR), the Turkish Cypriot authorities opened the main checkpoint at Ledra Palace and allowed Greek Cypriots to cross to the north and Turkish Cypriots to cross to the south more or less freely⁸ for the first time in decades. As of November 2008, six foot and vehicle crossing points⁹ had been opened.

A major push to solve the Cyprus problem failed on 24 April 2004, when at twin referenda a UN-sponsored plan was rejected by 76% of Greek Cypriots but accepted by 65% of Turkish Cypriots. (Another effort to reunify the island began in April 2008.) Cyprus therefore joined the EU as a still divided island on 1 May 2004.

In view of its international status, the whole of the territory of Cyprus (excluding the British Sovereign Base Areas) is “considered part of the EU”¹⁰. However, under Protocol X of the Act of Accession of Cyprus and nine other member states to the European Union, “The application of the *acquis* shall be suspended in those areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control.”¹¹ In other words, Turkish Cypriots whose parents were Cypriot nationals of the pre-1974 period are EU citizens, but EU laws and regulations (the *acquis communautaire*) do not currently apply north of the Green Line.¹²

How the Green Line regulation came into force

The entry into the EU of a divided island created an anomaly for the EU, since one of the EU’s external borders would technically be the northern coast of Cyprus but in practice it would be the Green Line. A special instrument would therefore be required to deal with this

⁸ Passports and/or national ID must be shown. Unless they can show they are married to a Turkish Cypriot, Turkish and other non-EU nationals who would normally need an entry visa are not admitted south. Members of the Greek Cypriot National Guard are not admitted north.

⁹ Ledra Palace (foot crossing), Ayios Dhometios/Metehan, Astromeritis/Bostancı, Ledra Street/Lokmacı (foot crossing), Ayios Nikolaos/Strovolia or Akyar (lies within the British Eastern Sovereign Base Area) and Pergamos/Beyarmudu (lies again inside the British Eastern Sovereign Base Area).

¹⁰ European Commission, Enlargement DG, Turkish Cypriot Community, http://ec.europa.eu/enlargement/turkish_cypriot_community/index_en.htm

¹¹ Protocol on the Treaty and the Act of Accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic, *Official Journal of the European Union*, L236, 23.9.2003.

¹² The RoC initially showed willingness to give citizenship to spouses of pre-1974 Cypriot nationals, as well as the children of such “mixed” marriages. But soon afterwards they changed their policy so that only those who were married pre-1974 or in another country are eligible for citizenship. In other words, children born of “mixed” marriages, where the marriage was performed in north Cyprus, are unable to acquire citizenship, while children born to such marriages where the marriage was performed in any other country, including Turkey, are ultimately able to become RoC, and hence EU, citizens.

anomaly. It would also address the regulation of inflows of goods and persons from northern Cyprus (outside the EU *acquis*) to the south (inside the EU *acquis*), which had already become an issue for the Republic of Cyprus since the opening of the checkpoints in April 2003. The EU's answer to this anomaly, which had been in preparation for some time,¹³ was the Green Line regulation, adopted on 29 April 2004, two days before the Republic of Cyprus joined the EU.¹⁴ (The regulatory framework of the regulation is outlined below.) Thus, the initial purpose of the Green Line regulation was for the EU to be able to regulate its *de facto* external borders,¹⁵ although the regulation did also state its intention "to facilitate trade and other links between the abovementioned areas and those areas in which the Government of the Republic of Cyprus exercises effective control, whilst ensuring that appropriate standards of protection are maintained as set out above."¹⁶

The Council conclusions of 26 April 2004

The EU's General Affairs Council (EU foreign ministers) on 26 April 2004 said in its Conclusions:

"The Turkish Cypriot community have expressed their clear desire for a future within the European Union. The Council is determined to put an end to the isolation of the Turkish Cypriot community and to facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community. The Council invited the Commission to bring forward comprehensive proposals to this end, with particular emphasis on the economic integration of the island and on improving contact between the two communities and with the EU. The Council recommended that the 259 million euro already earmarked for the northern part of Cyprus in the event of a settlement now be used for this purpose.

The Council asked Coreper to expedite discussion on the Regulation on a regime under Article 2 of Protocol 10 of the Act of Accession with a view to its adoption before 1 May, taking due account of the Council's desire to send a signal of encouragement to the Turkish Cypriot community that its future rests in a united Cyprus within the European Union."¹⁷

The second paragraph refers to the Green Line regulation, which, as mentioned, was already in preparation. In response to the Council's invitation to "bring forward comprehensive proposals" and to use the €259m "earmarked for the northern part of Cyprus in the event of a settlement", the Commission also proposed two other EU draft regulations in July 2004: the direct trade regulation and the financial aid regulation. Unlike the Green Line regulation, the direct trade and financial aid regulations made specific references to the first paragraph of the Council conclusions and therefore were clearly an attempt from the beginning to "end the isolation of the Turkish Cypriot community". However, since the Green Line regulation

¹³ The authors have seen a draft dated March 2004.

¹⁴ Council Regulation (EC) No 866/2004 of 29 April 2004 on a regime under Article 2 of Protocol 10 to the Act of Accession, Official Journal, L 206, 9.6.2004, p. 51 (hereinafter referred to as the Green Line regulation).

¹⁵ "Since the abovementioned line does not constitute an external border of the EU, special rules concerning the crossing of goods, services and persons need to be established", Green Line regulation preamble, paragraph 4.

¹⁶ Green Line regulation, preamble, paragraph 5.

¹⁷ 8566/04 (Presse 115).

was referred to in the same Council conclusions as “a signal of encouragement to the Turkish Cypriot community”, and since it was adopted only a few days after these conclusions, it gradually came to be associated with an overall package to reward Turkish Cypriots for supporting reunification. Moreover, as the other two regulations encountered the difficulties that we outline below, the Green Line regulation grew in relative importance. As will be seen in Chapter 7, this idea that the Green Line regulation was part of a package to reward Turkish Cypriots is important in understanding Turkish Cypriot attitudes towards how the Green Line regulation works in practice.

The direct trade regulation

Broadly speaking, the draft direct trade regulation,¹⁸ which was proposed in July 2004, would have allowed the same rules that govern north-south trade to apply to the whole of the EU: goods of Turkish Cypriot origin that pass health checks would be allowed into EU countries, with the exception of animal products and arms. Preferential tariffs would also apply. It was therefore proposed as a way of getting around the aforementioned European Court of Justice decision of 1994.¹⁹ Importantly for Turkish Cypriots, the regulation made a clear reference to the Turkish Cypriot vote in favour of reunification.²⁰ However, importantly for Greek Cypriots, its wording implies that it would have allowed for exports directly from the port of Famagusta,²¹ which does not enjoy international recognition as the Greek Cypriots declared it closed in 1974.²² Worse still for Greek Cypriots, the explanatory memorandum of the draft regulation refers to “rules applicable to third countries”.²³ Although the memorandum also adds that these rules also apply to other territories of the EU which are not part of the customs union, such as Gibraltar and other territories, the Greek Cypriots have taken the reference to countries as a reason to block the regulation. To date, therefore, it has never been passed.

Financial aid regulation

The financial aid regulation was proposed at the same time as the direct trade regulation.²⁴ However, primarily because it was seen by many member states as part of a package with the direct trade regulation, it was passed (with some amendments) only in February 2006.

¹⁸ The full name of the draft direct trade regulation is “Proposal for a Council regulation on special conditions for trade with those areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control”, Brussels, 7.7.2004, COM(2004) 466 final, 2004/0148 (ACC).

¹⁹ European Commission representative in Cyprus, Mr Adriaan Van der Meer, quoted in the *Financial Mirror* (in an article written by co-author Fiona Mullen): ‘Van der Meer said that this regulation would “overcome the ruling of the European Court of Justice of 1994.”’ *Financial Mirror*, 14 July 2004.

²⁰ Direct trade regulation, Explanatory Memorandum, second paragraph.

²¹ “Products that ... originate in the Areas and are transported directly there from, may be released for free circulation...”, direct trade regulation, Article 1(1).

²² Act 265 of 1974, <http://www.cpa.gov.cy>.

²³ Direct trade regulation, Explanatory Memorandum, final paragraph.

²⁴ “Proposal for a Council Regulation establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community”, Brussels, 7.7.2004, COM(2004) 465 final, 2004/0145 (CNS).

Implementation of the regulation was threatened by a number of cases brought by the Republic of Cyprus against the European Commission both in February and March 2008 (six in the last days of the government of Tassos Papadopoulos and two in the first weeks of the government of Demetris Christofias). However, after the European Court of Justice rejected a request for interim measures that would have effectively suspended many programmes under the financial aid regulation, the Republic of Cyprus withdrew the court case in May 2008. Since then, the financial aid regulation has been fully operational.

The regulatory framework for intra-island trade

Current intra-island trade in goods and services

Although much of the focus of discussion on intra-island trade is on the EU-regulated Green Line regulation, intra-island trade in goods and services falls into many different categories. Trade across the Green Line is regulated differently depending on its direction.

- Business-to-business goods sold from north to south, either regulated under the EU Green Line regulation or not regulated (smuggling).
- Business-to-business goods sold from south to north, either under Turkish Cypriot regulations intended to reciprocate the Green Line regulation or bypassing such rules (smuggling).
- Business-to-consumer goods or services purchased by inhabitants residing in the north from businesses in the south (mainly shopping). These are technically regulated by the same regulations that apply for goods.
- Business-to-consumer goods or services purchased by inhabitants residing in the south from businesses in the north (mainly casinos but also eating out, hair styling services, etc). These are also technically regulated by the same regulations that apply for goods.
- Business-to-business services across the Green Line (eg, subcontracting, translations, editorial services).

Regulation of north-south trade: the Green Line regulation

Trade from the northern part of Cyprus to the southern part of Cyprus is regulated by an EU legal instrument, namely Council Regulation (EC) 866/2004 of 29 April 2004, commonly known as the Green Line regulation. It entered into force on 1 May 2004 and became fully operational in August 2004, when the first product was traded. In official terms, this regulation “defines the terms under which the provisions of EU law apply to the line between the areas of the Republic of Cyprus in which the Government of the Republic of Cyprus exercises effective control and the areas in which it does not.”²⁵

²⁵ Communication from the Commission - Report on the implementation of Council Regulation (EC) 866/2004 of 29 April 2004 and the situation resulting from its application, 2005 Report, Introduction.

The regulation essentially gets round the problem that the Republic of Cyprus normally does not recognize as legal anything at all that was established or produced north of the Green Line by making use of the Turkish Cypriot Chamber of Commerce (KTTO). As mentioned above the KTTO was established in 1958, thus well before the division of the island, and was recognized by the then British rulers in 1959.²⁶ Commission Decision 2004/604/EC of 7 July 2004 authorized the KTTO as the body which would issue the requisite accompanying documents and thereby determine the origin of products.

The Green Line's implementing legislation has been amended several times, notably to add new crossing points and new products that may be traded, such as citrus fruits in 2005 and honey and freshwater (but not farmed) fish in 2007. The Green Line regulation itself was amended in 2008, to allow for the "temporary introduction of goods".²⁷ However the general principle has remained the same, namely that only goods (and services) wholly or substantially produced in the northern part of Cyprus may be traded. Depending on the product and the extremely complex EU rules governing rules of origin, qualifying goods may include goods whose raw materials have been imported from elsewhere.²⁸ However, animals and animal products (eg meat, cheese, chocolate) have been banned from the beginning, primarily since they do not yet meet EU hygiene rules. For these reasons, as well as the various obstacles examined in this report, only a narrow range of goods is sold to the south. The main goods traded are vegetables, wood products and furniture.

Exports through ports in the south

Although the Greek Cypriot leadership had hoped that the Green Line regulation could act as an alternative to the abovementioned 2004 draft direct trade regulation as regards exports from the island, to date there have been only five cases of exports from the north to the rest of the EU via the Green Line regulation: "Cyprus delights" (normally known as Turkish delight/loukoumi) in December 2005, aluminium scrap in April 2007, two sets of copper and aluminium scrap in May 2007 and a small consignment of citrus fruit for a trade fair in Germany in February 2008.²⁹

The statute on south-north trade

Trade in the other direction, from the south to the north, is regulated by the "Statute Regulating the Movement of Commercial Goods from South Cyprus" (Güney Kıbrıs'tan Ticari Mal Hareketlerini Düzenleyen Yönetmenlik), under the "Law to Regulate Foreign Trade", nos.

²⁶ KTTO website, <http://www.ktto.net/english/about.html>.

²⁷ This allows for the entry of goods for the provision of services (musician's guitar, interpreter's booth, plumber's tools); products for repair that are returned to the north; and products to be exhibited at trade fairs.

²⁸ A European Commission official told us that an entire department in the European Commission is dedicated to establishing the country of origin of manufactured goods.

²⁹ Commission report 2008, paragraph 4.2.

12/1983, 46/1990 and 22/196. The fundamental principle of this regulation has been reciprocity to the Green Line regulation rules that apply to the movement of goods from the north to the south. Thus, any goods traded from the south to north must be either wholly obtained in the south or must contain substantially improved materials. Animal products are forbidden, as they are from north to south. Agricultural products must be accompanied by a certificate from the Cyprus Chamber of Commerce and Industry (KEBE, pronounced KEVE in English) verifying their health. Since goods entering the north are counted as imports, they are also subject to import taxes. There are also seasonal bans on the import of certain goods. This regulation has not been amended since 2005.

The joint venture programme

In an effort to promote intra-island trade, the Republic of Cyprus government announced in May 2007 that it would launch a programme in which it would subsidize joint ventures between Greek Cypriots and Turkish Cypriots, run by the Republic of Cyprus Ministry of Finance. After around six months of EU vetting, preparing translations, talking to the chambers of commerce and industry in both parts of the island, the programmes were posted on the (Greek part of the) finance ministry website in Greek and Turkish (only) in late December and the ministry opened for applications in April. The eligible joint ventures must involve at least 30% of share capital from a Turkish Cypriot company or individual and the remainder either "Cypriot" (ie Republic of Cyprus) or EU, and must be registered as a limited liability company in the south. A contract would be signed between the government and the applicants. There are two schemes.

- Scheme 1, with a budget of EUR 7 million, is aimed at newly created small joint ventures. They are eligible for up to EUR 200,000 in set-up costs, which must be no more than 25% of total costs in the first three years and 15% for the next two years.
- Scheme 2, with a budget of EUR 23 million, is aimed at upgrading the technologies of established enterprises in eligible regions of Cyprus. These joint ventures are eligible for up to EUR 500,000 for capital investment, such as technology upgrades. Aid intensity varies according to the type of enterprise.

Since the programme involves subsidies, the programme must be in accordance with EU state aid rules and must be invested in eligible regions under the regional aid map of Cyprus 2007-13. This means that companies in central Nicosia are not eligible but companies in industrial areas such as Latsia and Lakatamia are eligible. The scheme officially ended at the end of September 2008, by which time the ministry had received four applications. However, ministry officials told us that another five to six applications are pending and the scheme has now been extended until the end of 2008. If the EUR 30 million has not been spent by the end of the year, it could be extended into 2009.

The value of intra-island transactions

Business to business sales from north to south

Sales from the north to the south under the Green Line regulation have risen fairly sharply from a low base in August 2004, when the first product was traded. From total sales of CYP 275,559 (EUR 473,631) in August to December 2004, sales reached almost CYP 1 million in 2005 and were just over CYP 2.4 million (EUR 4.1 million) by 2007.³⁰

Green line sales north to south (CYP)	2004* Year	2005 Year	2006 Year	2007 Year	Aug 04 to Dec-07
Aluminium/PVC products	7,765	49,268	149,183	59,408	265,624
Building stone/articles of stone	22,121	121,289	164,833	335,779	644,022
Ceramic products/refractory goods	0	0	0	10,700	10,700
Charcoal	1,796	1,794	700	0	4,290
Chemical products	15,880	26,618	55,050	156,388	253,936
Clothing	9,114	16,498	3,428	5,898	34,938
Earth/stone	13,207	3,614	29,207	2,946	48,974
Electrical products	0	27,012	141,333	1,500	169,845
Electronic equipment	0	8,198	0	0	8,198
Food/drink	405	1,622	1,324	0	3,351
Fruit	4,310	0	0	0	4,310
Glass and glassware	0	0	0	7,549	7,549
Handicraft products	3,786	13,837	29,446	21,505	68,574
Industrial kitchen equipment	0	0	9,750	0	9,750
Iron/steel	4,755	23,469	3,035	13,354	44,613
Paper products	43,417	138,319	81,054	92,621	355,412
Plastering machine and material	0	0	1,000	5,430	6,430
Plastic products	3,082	102,049	194,991	224,753	524,874
Pre-fabricated buildings	0	35,966	0	23,000	58,966
Printed books/newspapers	0	6,860	0	0	6,860
Raw metal	16,432	55,508	148,633	318,122	538,695
Saddlery and harness	0	1,342	357	1,431	3,130
Sanitation products	0	0	0	5,499	5,499
Textiles	0	0	0	0	0
Vegetables	103,003	165,293	545,414	694,253	1,507,964
Water storage/heating	0	1,300	2,808	1,597	5,705
Wooden products/furniture	26,486	179,575	327,920	433,623	967,604
Total	275,559	979,432	1,889,465	2,414,576	5,559,033
% change	n/a	255.4	92.9	27.8	n/a

³⁰ We began our analysis with figures provided by the European Commission in euros in its annual report on Green Line trade. However, a number of typographical errors in the originals forced us to switch to Turkish Cypriot Chamber of Commerce data, which are reported in Cypriot pounds.

Memorandum items					
Total in EUR	473,631	1,698,042	3,278,222	4,144,378	9,594,523
Total in EUR (European Commission data)	477,099	1,702,109	4,082,825	4,781,057	11,043,090
Exports from north to rest of world** (CYP m)	29.0	31.6	31.2	34.5	126.3
Green line sales to south as % of north's exports	0.9	3.1	6.1	7.0	4.4

*Trade began in August 2004. **Converted from USD.

Source: Turkish Cypriot Chamber of Commerce (KTTO), "spread of value of sales" data.

However, as a proportion of Turkish Cypriot sales from the north to the rest of the world, Green Line trade remains small, reaching only 7% of exports in 2007.³¹ Moreover, the range of goods remains concentrated among only around 20 products each year. This is partly because, owing to EU health requirements, animal products, such as cheese, chocolate and processed meat, are not allowed across the Green Line. With the exception of the one Cyprus delight case, no processed foods have been sold over the Green Line to date, partly because of the health requirements and partly because until the latest amendment of the Green Line regulation, they were subject to taxation when they entered the EU customs area, ie when they crossed south over the Green Line.

North-south sales accelerated in the first half of 2008

While sales from north to south have increased every year, the pace of growth of sales accelerated in the first half of 2008. Having risen by 28% over the previous year in 2007, Green Line trade rose by 65% over the same period of the previous year in January-June 2008. Trade picked up particularly strongly after April, the month in which preparatory talks for the solution of the Cyprus problem began. In January-April, the average increase of trade compared with the same period of 2007 was an impressive 46%; in May-June the increase was 99%. The main increase was vegetables (the bulk of which are potatoes). Vegetable sales rose from EUR 313,493 in the first half of 2007 to EUR 1,328,677 in the first half of 2008, an increase of 324%. In May-June alone, the percentage increase of vegetables was in the thousands. European Commission sources also report a pick-up in citrus fruit trade in the second half of 2008.

Special reasons for potato increase

However, for potatoes, at least, the reason for the increase does not seem to be politically related. When asked if the February 2008 change of government in the south had affected their sales, producers replied that their sales were not affected, because they had reached their agreements with wholesalers a year earlier. The increase in potato sales was owing to a number of factors. Potato demand from the south increased after Turkish Cypriot growers agreed to buy potato seeds from the south to sow in the north. In addition, the Turkish Cypriot

³¹ Green Line sales are not included in export/import figures compiled by the State Planning Organization.

authorities allowed Greek Cypriot trucks from the south to carry the potatoes from the north (despite resentment and pressure from truck owners in the north), in response to restrictions placed by the south on trucks from the north. Potato producers in the north also claim that potato production in the south has been on the decline in 2007 owing to drought (the south has been affected more than the north), therefore wholesalers looked for "Cyprus potatoes" elsewhere (on the other side of Cyprus) in order to meet both local and international demand. Finally, one of the potato producers said that he had cut his prices to one-third of that asked by producers in the south, thereby increasing the desirability of his product for wholesalers.

Green line sales north to south, Jan-Jun 2008 (EUR)	2007 Jan-Jun	2008 Jan-Jun	% change H1 08/H1 07	Abs. change H1 08-H1 07
Aluminium/PVC doors and windows	32,008	134,878	321.4	102,871
Building stone, articles of stone	365,885	250,098	-31.6	-115,786
Ceramic products/refractory goods	0	6,880	-	6,880
Charcoal	0	0	-	0
Chemical products	133,754	182,729	36.6	48,974
Clothing	5,038	2,691	-46.6	-2,347
Cut flowers	0	4,000	-	4,000
Earth/stone	5,087	20,000	293.2	14,913
Electrical equipment	0	1,252	-	1,252
Electronic equipment	0	0	-	0
Food/drink	0	0	-	0
Fresh fish	0	8,855	-	8,855
Fruit	0	0	-	0
Glass and glassware	86	30,922	35,956.7	30,836
Handicraft goods	17,788	9,524	-46.5	-8,264
Industrial kitchen equipment	0	0	-	0
Iron/steel goods	7,934	93,054	1,072.9	85,120
Paper goods/kitchen towels, etc	83,372	24,689	-70.4	-58,682
Plastering machines and material	9,353	0	-	-9,353
Plastic products	193,708	420,737	117.2	227,029
Pre-fabricated buildings	7,770	14,000	80.2	6,230
Printed books/newspapers	0	1,250	-	1,250
Raw metal	305,611	234,428	-23.3	-71,183
Saddlery and harness	0	1,832	-	1,832
Sanitation products	2,681	217	-91.9	-2,464
Textiles	0	0	-	0
Vegetables	313,436	1,328,677	323.9	1,015,241
Water storage/heating	346	0	-	-346
Wooden goods, furniture	399,634	340,322	-14.8	-59,312
TOTAL	1,883,489	3,111,035	65.2	1,227,546

Source: Turkish Cypriot Chamber of Commerce (KTTO), "spread of value of sales" data.

Main products traded north to south

The main products sold south across the Green Line are vegetables, particularly potatoes. Vegetables have been the top seller every year except for 2005, when they were narrowly beaten by wooden products and furniture. Fruit, on the other hand was absent until the second half of 2008, since citrus fruits gained their phytosanitary certificates only in late 2007 after years of EU inspections. The first sample product was transported over the Green Line in February 2008 and shipped from Limassol for a trade fair. However, since it was a sample it has not been included in the figures as a trade. The other top ten products have been consistently the same: essentially input materials. Few, if any, branded products are sold south across the Green Line.

Top 10 products traded north to south (CYP)	Total Aug 2004 to Dec 2007
Vegetables	1,507,964
Wooden products/furniture	967,604
Building stone/articles of stone	644,022
Raw metal	538,695
Plastic products	524,874
Paper products	355,412
Aluminium/PVC products	265,624
Chemical products	253,936
Electrical products	169,845
Handicraft products	68,574

Source: Calculated from Turkish Cypriot Chamber of Commerce (KTTO) data.

Business-to-business sales from south to north

The first sale from south to north took place only in May 2005, almost a year after the first trade the other way round. Since sales from Greek Cypriots to Turkish Cypriots are not conducted as part of an EU regulation, statistics on business-to-business (B2B) sales from south to north are less detailed. However, the figures that are available show that B2B sales from Greek Cypriots to Turkish Cypriots are much lower than the other way round. Sales reached only CYP 415,075 in 2007, compared with CYP 2.4 million the other way round, and were equivalent to only 0.14% of domestically produced sales to the rest of the world. As one interviewee put it, “the balance is against the Greek Cypriots”.

Green line sales south to north	2005 Year	2006 Year	2007 Year	May 05 to Dec 2007*
Total in CYP	146,055	597,011	415,075	1,158,141
Total in EUR	253,216	1,035,814	712,435	2,001,644
Memorandum item				
Domestically produced exports from south to rest of world (CYP m)	238	261	296	795
Green Line sales as % of domestic exports	0.06	0.23	0.14	0.14

Source: Cyprus Chamber of Commerce and Industry (KEVE).

South-north sales accelerated in the first eight months of 2008

However, just as sales from the north to the south accelerated in 2008, so did sales from the south to the north. After falling by 32.1% in 2007, sales in January to August 2008 rose by 157.4% compared with the same period of 2006. However, there is no discernible monthly trend before and after the presidential election.

Green line sales south to north, Jan-Aug 2008 (EUR)	2007 Jan-Aug	2008 Jan-Aug	% change 2008/2007	Abs. change 2008-2007
Total sales	431,196	1,109,827	157.4	678,631

Source: Calculations from Cyprus Chamber of Commerce and Industry (KEVE) data.

Main products sold south to north

The main products sold from south to north are: building materials, light machinery, animal fodder, alcoholic drinks, agricultural products (including certified seed potatoes) and various industrial products including cosmetics. Thus, unlike Turkish Cypriot products sold to the south, many Greek Cypriot products sold to the north are branded, finished products.

Products traded south to north (CYP)	Total May 2004 to Dec 2007
Building materials	475,048
Machinery	246,224
Animal fodder	166,980
Agricultural products	78,465
Wines and spirits	75,568
Industrial products	34,178
Toiletries/cosmetics	33,211
Foodstuffs	17,346
Plastic products	13,172
Newspapers	12,833
Furniture	7,979
Manufactured products	3,979
Charcoal	1,157
Total	1,166,140

Source: Cyprus Chamber of Commerce and Industry (KEVE).

Smuggling

By its nature smuggling cannot be measured. However, unofficial reports suggest that the value of smuggled goods across the Green Line could be from double to four times the value of the recorded trade. The key products reportedly traded are honey and fish (banned until recently under the Green Line regulation), paper, dairy products and live animals. Items reportedly smuggled from south to north include spare car parts, machinery and electronic parts. It is also alleged by some that a substantial amount of the frozen sea food and specialty items offered in restaurants in the north are smuggled from the south.

Credit card spending by Turkish Cypriots

Of course, trade in goods between businesses is only part of the picture, as a vast amount of business-to-consumer trade takes place across the Green Line. Analysing data provided by the credit card company JCC (a joint venture of commercial banks in the south), Turkish Cypriots spent CYP 9.3 million in credit and debit cards alone in 2007.³² The largest item was supermarkets (CYP 2.2 million), followed by clothing (CYP 1.9 million), other retailers (CYP 1.6 million) and DIY and household stores (CYP 1.1 million). If one assumes that another 20% is spent in cash, the total spending by Turkish Cypriots in the south amounted to CYP 11.1 million (EUR 19.1 million) in 2007.

³² The statistics refer to "use of Turkish credit cards" but since the number of Turkish tourists to the southern part of the island reached only 246 in 2007, it is assumed that the JCC data refer almost entirely to Turkish Cypriot spending.

Turkish Cypriot spending in the south (CYP)	2007
Supermarkets	2,179,577
Clothing	1,949,650
Other retailers	1,625,738
DIY and household stores	1,081,392
Department stores	623,695
Petrol	425,151
Entertainment	282,790
Services	233,783
Motoring	233,684
Health	219,247
Airlines	160,191
Insurance	117,899
Hotels	70,163
Food and drink	69,440
Car hire	8,260
Moto	1,070
Government	819
Charities	747
Total plastic card spending in CYP	9,283,296
Total in EUR	15,933,849
Memorandum item	
Authors' estimate for cash payments	1,856,659
Total including cash in CYP	11,139,955
Total including cash in EUR	19,120,619

Source: JCC Payment Systems Ltd.

Credit card spending by Greek Cypriots

Credit and debit card spending by Greek Cypriots north of the Green Line is less clear, since the JCC figures merge spending by Greek Cypriots north of the Green Line with spending in the holiday resort of what it calls Attaleia (Antalya) in Turkey. However, it is possible to make an informed estimate, based on figures for both outward tourism and crossings over the Green Line. The number of residents (in the south) returning from a trip to Turkey was 1,248 in 2006 and 1,329 in 2007.³³ This is no more than 0.2% of Greek Cypriot crossings

³³ Statistical Service CYSTAT, *Tourism Statistics, January-December 2007*.

over the Green Line whether one takes Greek Cypriot or Turkish Cypriot figures. Thus, we can assume that the vast majority of the CYP 3.8 million in spending reported by JCC figures was spent in northern Cyprus. If one assumes a further 20% is spent in cash, spending by Greek Cypriots rises to CYP 4.5 million (EUR 7.7 million). According to this data, the largest item of spending in 2007 entertainment, at CYP 2.8 million. This presumably relates to casinos, which are popular because they are banned in the south. The second most popular item, at a distant second, is hotels, with CYP 434,465.

Greek Cypriot spending in the north and "Attaleia" (Antalya)* (CYP)	2007
Entertainment	2,792,431
Hotels	434,465
Clothing	142,923
Other retailers	142,098
Moto	63,418
Airlines	46,597
Supermarket	40,312
DIY and household	23,719
Petrol	19,281
Services	17,175
Department stores	12,599
Health	5,982
Food and drink	5,710
Motoring	3,902
Travel	1,898
Car hire	940
Insurance	531
Government	146
Total in CYP	3,754,127
Total in EUR	6,443,584
Memorandum item	
Authors' estimate for cash payments	750,825
Total including cash in CYP	4,504,952
Total including cash in EUR	7,732,300

*Figures on outward tourism suggest Antalya accounts for well under 1% of the total.
Source: JCC Payment Systems Ltd.

Movement of labour

The largest implicit transaction across the Green Line, if one considers its value, is labour. According to preliminary figures from the Department of Social Insurance in the south for 2007, 3,510 Turkish Cypriots were registered as employed south of the Green Line in 2007. This figure has remained more or less steady since 2004.³⁴ Other unofficial estimates put the number of actual Turkish Cypriot workers, including non-registered workers, at between 5,000³⁵ and 7,000³⁶. However, this figure overstates the number of registered Turkish Cypriots who cross south to work every day, since there are approximately 2,000 persons listed as Turkish Cypriot who live in the south. Some of these are people who moved to the south for political reasons before the checkpoints opened, some are those who have attempted to evade economic responsibilities or criminal proceedings in the north, while others moved for personal reasons such as marriage. In addition, some who have found employment in the south have chosen, with the open checkpoints, to live there rather than commute. Of the total, almost 1,000 are Roma/Gurbet who moved from north to south since the late 1990s.³⁷

A lower actual figure for daily crossings is also borne out by figures from the north. According to Turkish Cypriot figures there were an average of 5,971 crossings from north to south per day in 2007. Of these, only 1,800-2,000 used the bar-coded swipe card, suggesting that they are daily workers. If we estimate that there are another 500 temporary workers who do not use the swipe cards, this brings the total number workers crossing each day to 2,300-2,500.

If one assumes that most of these were in construction, one can estimate how much this is worth in money terms from data on wages. Construction workers earned just under CYP 900 per month in 2005 according to Statistical Service data.³⁸ Adding overall wage inflation in 2006 and 2007 brings that to just under CYP 1,000 in 2007. If one assumes that 13 salaries are paid per year, then we estimated that registered Turkish Cypriot workers “carried” between CYP 29.9 million and CYP 32.5 million across the Green Line in 2007, or between EUR 51.3 million and EUR 55.8 million.

³⁴ Even before the checkpoints opened, there were approximately 500-600 workers travelling from north to south via the village of Pyla. After the opening of the checkpoints, these numbers increased to 3,639 in 2004, 3,772 in 2005, 3,470 in 2006 and 3,510 in 2007, according to the Director of Social Insurance.

³⁵ World Bank, *Sustainability and Sources of Economic Growth in the Northern Part of Cyprus*, Vol: Economic Assessment, p. 27.

³⁶ Οι οικονομικές και κοινωνικές επιπτώσεις και προεκτάσεις από τη μερική άρση των περιορισμών στην Ελεύθερη διακίνηση (The Economic and social repercussions and consequences of the partial lifting of restrictions to the freedom of movement), Cyprus Center for European and International Affairs, Nicosia December 2007, cited in Theopanos A., *The political economy of a Cyprus settlement: The examination of four scenarios*, PRIO, 2008.

³⁷ For the Turkish Cypriot electorate in the south see <http://www.robert-schuman.eu/oe.php?num=295>.

³⁸ Drawn from “average normal monthly rates of pay” for bricklayers, carpenters and concrete workers, Statistical Service CYPSTAT, *Labour Statistics 2005*.

Turkish Cypriots with Social Insurance	Jan-Apr 2003*	Apr-Dec 2003	2004	2005	2006	prov 2007
Total insured	598	2,410	3,639	3,772	3,470	3,510

* The first crossing point was opened on 23 April 2003.

* The authors estimate that around 2,000 persons registered as Turkish Cypriots live in the south, of which around 1,000 are Roma/Gurbet.

Source: Ministry of Labour and Social Insurance.

Movement of persons

A by-product of all this commercial activity as well as social contact is the daily movement of persons across the Green Line. Figures produced by the Greek Cypriots and Turkish Cypriots differ but it is likely that the Turkish Cypriot figures are more accurate, given that every person who passes is recorded, whereas the practice on the Greek Cypriot side is much more random.³⁹ What is clear from both sources, however, is that many more Turkish Cypriots cross south than Greek Cypriots cross north. According to Turkish Cypriot figures, there were just over 2.1 million crossings south by Turkish Cypriots in 2007, compared with just over half a million crossings north by Greek Cypriots. Both sources also agree that the number of Greek Cypriot crossings has declined since 2005. Indeed, crossings north by non-Cypriots (tourists and non-Cypriot residents) now exceed those by Greek Cypriots.

Crossings across the Green Line	2003	2004	2005	2006	2007
Turkish Cypriot data					
Greek Cypriots	826,273	896,118	939,811	624,053	567,844
Turkish Cypriots	1,442,859	2,254,997	1,549,648	1,575,158	2,142,971
Others crossing north	269,854	508,647	662,962	644,485	735,708
Greek Cypriot data					
Greek Cypriots	1,123,720	1,173,825	1,319,899	897,044	601,351
Turkish Cypriots	1,371,099	2,159,541	2,222,199	1,638,734	1,116,990
Tourists crossing south	n/a	11,736	45,009	21,059	30,487

Sources: Turkish Cypriot and Greek Cypriot police.

³⁹ The difference in practices reflects whether or not the Green Line is considered as a border.

Trafficking in persons

Of unknown value in financial terms is organized trafficking in persons for the purposes of sexual exploitation or labour. Non-governmental organizations (NGOs) report that the main organized trafficking south across the Green Line these days is for labour, although both parts of Cyprus are considered a destination for trafficking in women for the purposes of sexual exploitation.⁴⁰ This form of trafficking is a subset of irregular migration. According to the Republic of Cyprus police, they identified 7,770 “illegal aliens” in 2007, of whom 5,736 entered from the north.⁴¹ It is unclear how many of these were Turkish nationals already residing in the north, since anyone who arrives on the island from ports or airports in the north is considered an illegal alien by the Republic of Cyprus authorities. Nevertheless, around 46% are said by the Greek Cypriot police to be from Syria and around 9% from Iran.⁴² According to the Turkish Cypriot press, more than 1,000 refugees and irregular migrants have been caught trying to enter the north since 2003.⁴³ In the last three years, more than 30 people have died at sea trying to reach Cyprus’ northern shores.⁴⁴ Moreover, the European Commission in its annual reports on the operation of the Green Line regulation has also consistently pointed out the problem of illegal immigration.⁴⁵

Summary

If we add together officially recorded business-to-business sales across the Green Line, known credit card spending by Turkish Cypriots and Greek Cypriots, as well as our own estimates for cash payments, we reach a total value of EUR 31.7 million for intra-island sales in 2007. From the point of view of sales to businesses and consumers, the balance in terms of value is in favour of Greek Cypriots, who sold EUR 19.8 million worth of goods and services to Turkish Cypriots in 2007 according to our estimates, while Turkish Cypriots sold EUR 11.9 million (including casino spending) to Greek Cypriots. However, when one adds remittances flowing to the north from Turkish Cypriots working in the south, which we estimate at EUR 53.6 million, the flow of money tips decisively in Turkish Cypriots’ favour.

The opening of the Green Line in 2003 has undoubtedly led to an increase in commercial transactions across the Green Line. However, when compared with each community’s transactions with the rest of the world or even within its own community, the volumes remain small. Moreover, for the various reasons we shall examine in the rest of this paper, the benefits of trade have been concentrated on a few key players.

⁴⁰ Cyprus is on the Tier 2 watchlist of the US State Department: *Trafficking in Persons Report*, US State Department, Office to Monitor and Combat Trafficking in Persons, June 12, 2007.

⁴¹ Cyprus News Agency, “Most illegal immigrants come through occupied areas, say police”, 10 April 2008.

⁴² European Commission, Annual Report on the implementation of Council Regulation (EC) 866/2004 of 29 April 2004 and the situation resulting from its application, COM(2007)553, Brussels, 20.9.2007.

⁴³ *Kıbrıs Newspaper*, “İnsan kaçakçılığında çok gelişme 2 polis göz altında” 9 September 2008.

⁴⁴ *Kıbrıslı Newspaper*, “Eski istihbaratçı anlatmaya devam ediyor,” Kartal Harman, 13 February 2008.

⁴⁵ Most recently in paragraph 3.2 of the 2008 report, Brussels, 27.8.2008, COM(2008) 529 final.

Total value of intra-island commerce, 2007	EUR '000
Greek Cypriot sales to Turkish Cypriots	
Green line sales south to north	712
Shopping, eating out by Turkish Cypriots	19,121
Total sales to Turkish Cypriots	19,833
Turkish Cypriot sales to Greek Cypriots	
Green Line sales north to south	4,144
Shopping, eating out, casinos by Greek Cypriots	7,732
Total sales to Greek Cypriots	11,877
Total intra-island sales	31,710
Memorandum item	
Turkish Cypriot labour remittances from working in the south	53,550

Source: Authors' estimates based on official data.

REGULATORY OBSTACLES TO INTRA-ISLAND TRADE

Before addressing psychological attitudes towards Green Line trade it is important to address the many regulatory requirements relating to trade across the Green Line trade, some of which arise from EU rules and some of which are a by-product of the division of the island and the attitudes of the authorities on both sides to each others' documents.

Narrow product range

Since the *acquis communautaire* is suspended north of the Green Line, the EU treats anything entering the south over the Green Line as entering the EU customs union. Products entering the customs union are therefore effectively treated (for health purposes at least) as an import into the EU customs area. The first main obstacle to the free flow of trade from north to south therefore is EU health requirements, which effectively ban a range of dairy and animal-based products such as cheese and processed meat. This has a significant impact on the number of products that can be traded since these products constitute a fairly large proportion of Turkish Cypriot manufactured exports and are thus the main ones that can be considered as competitive. The second requirement, that goods must be wholly produced in the north, not only bans the sale of products made in Turkey, it also slows down the process of selling locally produced goods, since they must go through a vetting process first to be sure that they are not imported. The rules that apply for trade going from south to north are broadly similar: no imported goods and no dairy or animal products are allowed.⁴⁶ More than one interviewee told us that it was easier to sell products from the north to the south via Lebanon than directly across the Green Line. Regulatory obstacles may also explain the reportedly large amount of smuggling. Finally, as will be seen in the interviews in Chapters 6 and 7, both sides accuse each other of uneven application of the rules.

⁴⁶ There is technically an allowance for pork but none had actually been traded as of late May 2008.

Checks on persons and transport

Another obstacle relates to the free movement of persons and transport. Whereas one can travel from Kyrenia to Morphou or from Paphos to Limassol without having to stop, anyone crossing the Green Line has to go through a number of procedures. Turkish Cypriots crossing south either on foot or by vehicle must stop and show their Turkish Cypriot identity card at the crossing point in the north and either their Turkish Cypriot identity card or their Republic of Cyprus identity card at the crossing point in the south. Generally speaking, unless they can show they are married to a Turkish Cypriot, anyone with an ID card that shows he or she was born in Turkey of non-Cypriot parents will not be allowed to cross. Based on the Turkish Cypriot census of April 2006, that means that about half of the population in the north has no access to the south so may find it difficult to trade. EU and other nationals who do not need a visa to reside in the Republic of Cyprus are allowed to cross south. In order to travel north, Greek Cypriots and non-Cypriots crossing north must fill out a visa form and show either a national identity card or a passport. Occasionally they must show their ID on their return south as well.⁴⁷ Many Greek Cypriots report that they are unwilling to travel north as they do not want to have to show ID “in my own country”. According to the 2007 UNFICYP survey, 39% of Greek Cypriots had never crossed north and an additional 49% had crossed infrequently and do not intend to cross again.⁴⁸ The requirement to fill out a form has also been described as an even larger psychological barrier for Greek Cypriots.

The requirements for transport are even more cumbersome. Since insurance companies on either side of the Green Line will not recognize each others’ police reports, all vehicles travelling in both directions must buy insurance, regardless of their usual insurance cover.⁴⁹ While cars, buses and trucks travelling north need no extra papers beyond insurance, all vehicles travelling south need an MOT (roadworthiness certificate), since the MOT issued by the authorities in the north is not recognized. For smaller vehicles, this is done via a simple check at the crossing point. For buses and trucks this is a longer process: the drivers have to pass a professional driver’s licence examination (also held in Turkish) and they must obtain an MOT from a special government-run MOT station in Latsia. In May 2008 the Turkish Cypriot Chamber of Commerce told us that there was considerable uncertainty about whether or not trucks will really be allowed across to obtain the MOT. It noted that even buses with all the documents were only allowed to cross south on special occasions, such as religious holidays. However, we understand that large trucks did start crossing for MOT purposes in late 2008.

⁴⁷ The practices vary according to crossing point. For example, the Greek Cypriot police systematically check identity at the new crossing in Ledra Street.

⁴⁸ UNFICYP, *The UN in Cyprus, An Inter-communal Survey on Public Opinion by UNFICYP*, Slide F.1.

⁴⁹ At least one insurance company in the south used to claim to cover the whole island but rapidly changed its policy in April 2003 as soon as it actually became possible to drive in the north.

Interviewees reported that businesses get round the transport issue by sending Greek Cypriot trucks north, filling them with Turkish Cypriots goods and sending them back. A similar procedure is adopted for boxes and labelling. Boxes pre-labelled by the Greek Cypriot company are sent north, filled with Turkish Cypriot goods and sent back.

Telecommunications

The practices of telecommunications companies operating on the island are also an obstacle to trade and it is not easy to identify whether the obstacles originate from companies operating in only one part of the island or from companies on both parts of the island. The major obstacle is that there is no roaming agreement between the mobile phone companies operating in the north, Turkcell and Telsim, and the companies operating in the south, the Cyprus Telecommunications Authority (CYTA) and MTN (formerly areeba), despite an indication in April 2003 that roaming agreements may be forthcoming.⁵⁰ Such agreements are lacking despite the fact that both Telsim and CYTA are part of the Vodafone network. In practice, this means that one's mobile phone signal becomes either faint or, depending on where one is, non-existent not long after crossing over to the other part of the island. In an era when a business person expects to be always available by mobile, this can be considered a major obstacle to trade. Those who operate frequently on both sides of the island tend to carry two mobile phones, one for the south and one for the north.

While it is possible to make calls from a Telsim/Turkcell phone to a Cyta/areeba one and vice versa, the transaction is charged as a call between Turkey and the Republic of Cyprus and are therefore charged at international rates. This implicit financial obstacle to trade is made all the larger by the fact that it is not possible to send a much cheaper SMS (text) message instead. Messages sent from one side to the other will not be received and the sender will not receive a message that it has not gone through.

There are also obstacles in email services. Emails with the address of Cytanet, Cyta's email service, will not be received by users of Superonline, one of the main providers in the north. The same is true the other way round. However, emails from other addresses using Cytanet as an internet service provider will get through.

Taxation

Goods sold across the Green Line are subject to additional taxation when compared with goods sold within one community. For example, a Greek Cypriot product sold north over the Green Line is subject to three different taxes. First, most⁵¹ Greek Cypriot traders must charge value-added tax (VAT) on products or services sold because they are considered by their authorities as a trade within the country, rather than an export, and thus subject to VAT. The

⁵⁰ "As regards mobile telephony, given that roaming agreements are concluded between companies and not states, the Cyprus Telecommunications Authority will be encouraged to conclude roaming agreements with private companies which currently provide services in the occupied area." Republic of Cyprus Press and Information Office, "Measures for Turkish Cypriots", 30 April 2003.

⁵¹ The annual turnover threshold for obligatory value-added tax (VAT) registration is fairly low at EUR 15,500.

VAT issue has led to many complaints from Greek Cypriot traders. Yet ironically, this is a by-product of a deviation from standard EU VAT law requested by Greece on behalf of Cyprus.⁵² The Republic of Cyprus applies three VAT rates but the standard VAT rate in the south is 15%. Second, the product will be subject to duties and VAT amounting in total to around 30%,⁵³ since the Turkish Cypriot authorities consider goods arriving on the Green Line as imports. There are seven VAT rates in the north and the standard rate is 16%. By contrast, when a Turkish Cypriot sells a product to a Greek Cypriot, it is considered as an export. As a result, no VAT is charged.

The main issue here is that under normal circumstances, VAT paid by one business to another can be deducted from one's own bill for VAT received. However, this does not apply to VAT paid across the Green Line since the VAT authorities do not recognize each other. Technically, there may be nothing to stop companies registering for VAT in both parts of the island and claiming back VAT that way, but the transaction costs are high (one must also have an address on each side) and the authors do not know of any instances of this occurring. In practice, therefore, Greek Cypriot products being sold in the north may be as much as 45% higher in price than they would be in the south. This is particularly a problem for goods which are sent part-finished to the north and then sent back again.

One way in which some Greek Cypriot businesses have begun to circumvent the taxation problem is by sending their goods through the duty-free zones in Lebanon and Egypt. There, they pay only transfer fees, and the goods are then sent to the Mersin duty-free zone in Turkey, and from there to the northern part of Cyprus. Because the origin of the goods is the southern part of Cyprus, they are then taxed at the rate applicable for European imports, which is lower than for non-European zones. This has been found to be profitable, especially for liquor and sprits, which sell well in the north. According to one informant, prices for a business in the north buying such products in this fashion are 30% less than buying across the Green Line.

Summary of obstacles to Green Line trade

When taken alone, each of these obstacles to doing business is not that large and, perhaps with the exception of VAT, most of them are surmountable. But when taken together and compared with the ease of trading directly with Greece or Turkey, or via Lebanon, for example, they amount to a considerable obstacle to doing business even before one considers the psychological barriers. It is not surprising, therefore, that interviewees reported that smuggling (which also has the advantage of being done anonymously) was rife.

⁵² When the Green Line regulation was formulated, Greece, on behalf of Cyprus, which had not yet joined the EU, asked that import VAT not be levied on goods entering the EU customs area from the north, since the word import might imply that they were entering from another country. The Commission accepted the deviation, but in order to avoid carousel trade (intra-island trade with no one paying VAT), the Commission insisted that goods being sold from Greek Cypriots to Turkish Cypriots (from inside the customs area to outside the customs area) be subject to VAT instead. This is therefore the reverse of standard EU VAT rules: sales out of the customs area taxed and sales into the area are not taxed.

⁵³ Source: Turkish Cypriot finance ministry.

THE PREVAILING ATMOSPHERE

Communities growing apart

The prevailing atmosphere in which businesses operate is an important factor that determines psychological attitudes towards intra-island trade. The main guiding element is of course the Cyprus problem, which depending on one's historical perspective is now more than three, four or five decades old. Having for decades been the graveyard of many diplomatic attempts, this frozen conflict has shaped the two main communities of Cyprus in very different ways. Separate political systems, economies, educations, histories, memories and lives have developed farther apart from each other and until the opening of the checkpoints in April 2003 each side had almost no contact with the other. Apart from some bi-communal activists who occasionally met in the buffer zone or abroad to get to know each other in workshops usually facilitated by some international actors, no Turkish Cypriots existed in the daily lives of Greek Cypriots and no Greek Cypriots existed in the daily lives of Turkish Cypriots.⁵⁴

The only time the "other" appeared was as a reminder of one's own victimization or trauma emanating from the violent history of Cyprus. Rebecca Bryant claims that "institutions of memory that have permeated life in the south for 30 years have been aimed at the constant reliving of trauma, rather than at overcoming it." She explains that "many refugee organizations, committees of relatives of missing persons and even political parties all develop, sustain or symbolize narratives that produce what historian Dominick LaCapra calls a historical 'acting-out,' or a compulsive repetition of the site of trauma."⁵⁵ This kind of stand was crystallized in the slogan of «Δεν ξεχνώ» ("I do not forget").⁵⁶ On the other hand, Turkish Cypriots took a different path and mostly concentrated on forgetting rather than remembering. For them a new history began with the arrival of the Turkish army in 1974 and subsequent division of the island. There was no going back.⁵⁷

⁵⁴ Olga Demetriou (2007), "To Cross or not to cross? Subjectivization and the absent state in Cyprus," *Journal of the Royal Anthropological Institute (N.S.)* 13, 987-1006.

⁵⁵ Rebecca Bryant, (Summer 2005), "Dangerous trend in Cyprus," *Middle East Report* 235. <http://www.merip.org/mer/mer235/bryant.html>.

⁵⁶ Christalla Yakinthou (Spring 2008), "The Quiet Deflation of Den Xehno? Changes in the Greek Cypriot Communal Narrative on the Missing Persons in Cyprus," *The Cyprus Review: Journal of Social, Economic and Political Issues*, Vol.20, pp. 15-33.

⁵⁷ Yiannis Papadakis (1993), "Perceptions of History and Collective Identity: A Comparison of Greek Cypriot and Turkish Cypriot Perspectives" (unpublished Ph.D. thesis, Cambridge University).

But beginning in 2001, with a financial crisis in Turkey and the announcement in November 2001 of a new UN plan aimed at reuniting the island and allowing Turkish Cypriots to join the EU, a change began in the Turkish Cypriot community.⁵⁸ This resulted in massive protests against long-time leader, Rauf Denktaş, who was perceived as intransigent and unable or unwilling to reach a negotiated solution. These protests resulted in a thorough transformation not only of the political make-up but of society as well. The media sided with the new movement rather than with what they called the “status quo”, thus changing the parameters of what was publicly acceptable. And when a new party came to power in Turkey in late 2002 (AK/Justice and Development party), the groundswell of protest soon resulted in the overturning of Denktaş and his cohort and a new support on the part of Turkey for a negotiated settlement.

As an initial response to protests, the administration in the north suddenly opened the checkpoints that divided the island in April 2003. This was presented in both local and international media as a “honeymoon” period, even though for very many Cypriots visits to their lost homes and villages proved painful rather than joyous.⁵⁹ And while a new movement in favour of solution was under way in the north, the government in the south had changed in a different direction with the election of Tassos Papadopoulos, taking a course that was uncompromising. In addition, the RoC’s response to the opening of the checkpoints both made crossing a matter of individual choice and also created an atmosphere in which many people were reluctant to cross, either because they viewed it as tacit recognition of the government in the north, or because they were persuaded by the media that it would impede the realization of “real return.”⁶⁰

Despite the fact that nationalists on both sides of the divide discouraged crossings and bicomunal interaction, there was considerable mingling, some of which had lasting, positive results. But this initial enthusiasm was soon dampened when the UN reunification plan came to referendum a year after the checkpoints’ opening, in April 2004. Discussions on each side leading up to the referendum were rancorous, and the results were a shock to Europe: while 65% of Turkish Cypriots voted in favour of the plan, 76% of Greek Cypriots rejected it. After the excitement of the previous two years and the radical changes that Turkish Cypriots had undergone, the Greek Cypriot rejection of the plan created a rift between the communities that remains to this day. While Turkish Cypriots felt that they had been betrayed, many Greek Cypriots believed that the plan had favoured Turkey and blamed Turkish Cypriots for not understanding their fears.

⁵⁸ Hannes Lacher and Erol Kaymak (2005), “Transforming Identities: Beyond the Politics of Non-Settlement in Cyprus,” *Mediterranean Politics* 10:2, 147-166.

⁵⁹ Bryant 2005.

⁶⁰ Demetriou 2007.

Turkish Cypriot hopes turn to disappointment

Nevertheless, despite these disappointments, the main opposition party in the north, the Republican Turkish Party (CTP), soon acquired control of the parliament and the presidency. Turkish Cypriots also remained hopeful in this period that they would be “rewarded” by the EU and the international community for the revolution that they had undertaken and for their willingness to accept the UN plan. Indeed, they tried to capitalize on their “yes” vote and sought an easing of restrictions on trade, even hoping for direct flights to the north (see Chapter 2). They were also promised an aid package that was held up for a long period owing to Greek Cypriot objections. Direct trade was never realized, and with each day it was delayed, Turkish Cypriots became more disappointed with the promise of Europe.

Greek Cypriot introversion

In turn, Turkish Cypriot attempts to capitalize on their “yes” vote in Europe resulted in Greek Cypriot introversion, as the general mood in the south seemed to be that no one understood their reasons for rejecting the plan. Even as Turkish Cypriots began to be heard in Europe, the Greek Cypriot government then in power refused to negotiate or even to speak with Turkish Cypriot political leaders, claiming that their only interlocutor was Turkey. Therefore, as Turkish Cypriots complained of their isolation, the Greek Cypriot response soon came to be that if there is isolation in the island, it is one created by Turkey and its Turkish Cypriot collaborators. In addition, there was a significant and visible rise of nationalism in the south, as bicomunal activists were attacked in the media and even questioned in parliament. Many people felt under pressure not to cross to the north, and crossings during this time dwindled (see table in Chapter 2). Hence, the “cold war” taking place at the political level was also felt at the level of society, and even at the level of the individual.

During this same period, a construction boom in the north that had begun in around 2000 considerably accelerated, as contractors built thousands of bungalows and villas on mostly Greek Cypriot property for sale to foreigners. In late 2004, the first lawsuit was filed by Greek Cypriots against a foreigner for use of Greek Cypriot property, and soon these lawsuits multiplied. Several people were arrested at the checkpoints while crossing with building plans. Turkish Cypriots also began to consider how they might sue for their own property in the south.

It was in this atmosphere that the Green Line regulation was initially implemented. Turkish Cypriots at first welcomed it as part of their “reward” for their acceptance of the UN plan. But as will become clear below, as time went by and direct trade still was not realized, the Green Line regulation came to be viewed as a way to control Turkish Cypriot trade and to trap them in a relationship of dependency on the government in the south. While Green Line trade is officially supported by the Republic of Cyprus, real or perceived impediments in the actual implementation of Green Line trade have gradually discouraged Turkish Cypriots from engaging in trade across the line. According to our interviews, there was an official policy that

came from very high up in the south to ban accepting Turkish Cypriot advertisements. And while many Greek Cypriot interest groups, such as producers' unions, have opposed aspects of the regulation's implementation because of what they perceive as "unfair" competition from cheaper prices coming from the north, many Turkish Cypriot importers have viewed the trade as another form of unfair competition, since Greek Cypriot importers may import directly via the ports in the south at cheaper prices. Turkish Cypriot businesspeople have been especially wary of trade across the line since it became clear that Turkish Cypriots spend a considerable amount of money each month shopping in the south.

Media attitudes

As noted above, the Cyprus problem and each community's response to it have affected how each community views (and blames) the other, through the history books,⁶¹ through annual commemorations and memorials and through the descriptions of the other side. Neither community recognizes the other's sovereignty claims, which leads to many descriptions that are offensive to the other, such as "occupied areas"⁶² or "infidel side"⁶³, and so on.

Hostility to the other community is embedded in everyday language. Nowhere does the use of language have a more significant impact on attitudes than in the media. Language is not only a medium of communication and a medium for ideologies, it also defines inter-personal and inter-community relationships. At the broad level, the Green Line is frequently cited as the source of illegal immigration into the south. In November 2007, the then justice minister, Sophoclis Sophocleous, said "it is obvious that the pseudo-state supports and reinforces illegal immigration".⁶⁴ As mentioned above, the Greek Cypriot police reported that the Green Line was the source of most illegal immigration in April 2008,⁶⁵ while in July 2008 the Movement for the Salvation of Cyprus accused the interior minister, Neoclis Sylikiotis, of encouraging illegal immigration through Turkey.⁶⁶

The media have also played quite a significant role in reporting negatively about intra-island trade. South of the Green Line, the main stories have surrounded the origin of tomatoes and potatoes. One notable story was in October 2006, when it was reported that "Turkish" tomatoes were brought across the Green Line under the guise of Turkish Cypriot produce. There were further accusations that tomatoes were being smuggled through the British bases.⁶⁷ The alleged offence was all the greater because the tomatoes were said to be intended for the Greek Cypriot National Guard, which was engaged at the time in a military

⁶¹ For a good comparison of history schoolbooks on each side, see Papadakis (2008).

⁶² Κατεχόμενα..

⁶³ Gavur taraflı.

⁶⁴ «Είναι φανερό ότι το ψευδοκράτος υποθάλπει και ενισχύει την λαθρομετανάστευση», 18 November 2007, in a speech given on 18 November 2007, «Ο κίνδυνος Δημογραφικής Αλλαγής: Μετανάστες, Λαθρομετανάστες», <http://www.mjpo.gov.cy>.

⁶⁵ Cyprus News Agency, "Most illegal immigrants come through occupied areas, say police", 10 April 2008.

⁶⁶ <http://www.sigmalive.com/news/local/44768>. His actions were said to "threaten the foundation of the republic".

⁶⁷ *Cyprus Mail*, "Invasion of the 'killer' tomatoes", Jean Christou, 15 October 2006; "Turkish tomatoes for the National Guard?", Alexia Saoulli, 16 October 2006.

exercise. There were accusations that the tomatoes were full of dangerous chemicals, with speculation that Turkey was somehow deliberately trying to weaken the National Guard.⁶⁸ The *Cyprus Mail* reported that the main person making the accusations had made almost identical accusations in 2005, when he was head of the potato grower's union.

The then Agriculture Minister, Photis Photiou, was reported as saying that no one could verify that the Turkish Cypriot authorities' certification was accurate. He did note that there was nothing illegal about Turkish Cypriot produce: "If these products are from the occupied areas then no one can say that what is going on is illegal". However, by casting doubt on the only body in the north that is authorized to certify products that are traded under the Green Line regulation, the minister together with the media put the whole system into question. In later months, he would accuse the Turkish Cypriot Chamber of Commerce and the British Bases of not enforcing the Green Line regulation properly. Similar doubts had been raised in November 2005, when the just ousted President of the Turkish Cypriot Chamber, Ali Erel, reported that he had come under pressure from the Turkish Cypriot authorities to label Turkish tomatoes as Turkish Cypriot.⁶⁹

Another prominent story relating to Green Line trade was the saga of the overturned lorry carrying potatoes. At first, the lorry was said to be carrying potatoes from the north through the Dhekelia British Base area.⁷⁰ Suspicions that this was more smuggled produce from Turkey were underlined by the Agriculture Minister, Mr Photiou, who visited the site with camera crews⁷¹ and said the large quantity of potatoes discovered, "leads us to believe that they were imported from Turkey". He again cast doubt on the integrity of the Turkish Cypriot Chamber of Commerce by saying "The Turkish Cypriot Chamber of Commerce must ensure the Green Line regulations are being enforced and we ask them to show more co-operation". Mr Photiou also suggested that the British Bases were not doing their job properly. However, only three days later it emerged that the potatoes were more likely to be coming from the south, because the slight difference in harvesting times meant that potatoes fetched a higher price in the north than in the south for a short period.⁷² The story quickly died after that, and to the best of our knowledge, no confirmation was ever given as to the real origin of the potatoes.

Another story about potatoes emerged from *Phileleftheros* in January 2008, in which it was reported that Turkish Cypriot potatoes were exported through the Astromeritis checkpoint to a factory in the south and then exported to Greece under a Cypriot label.⁷³ The accusations again came from Greek Cypriot potato growers. Of course, if this were the case, it would be

⁶⁸ *Mahi*, «Μας δηλητηριάζουν με τούρκικα προϊόντα» ["They are poisoning us with Turkish products"], Pambos Mitides, 11 October 2006.

⁶⁹ *Cyprus Mail*, "A question of tomatoes", Jean Christou, 2 November 2005.

⁷⁰ *Cyprus Mail*, "Probe launched over suspected potato smuggling lorry", Leo Leonidou, 29 November 2006.

⁷¹ *Cyprus Mail*, "Tales from the coffee shop", Patroclus, 3 December 2006.

⁷² *Cyprus Mail*, "Suspect potatoes 'were going from south to north'", Joe Lewis, 2 December 2006.

⁷³ *Cyprus Mail*, "Potato farmers make new claim on north produce", 5 January 2008.

fully in keeping with the Green Line regulation and in line with official policy in the south, which wanted to promote exports through the Green Line as an alternative to the EU direct trade regulation. However, the story was reported as though there were something wrong with Turkish Cypriot potatoes being labelled as origin of Cyprus. The story was again accompanied by suggestions that the authorities had not carried out the proper checks.

Media north of the Green Line

North of the Green Line, media attitudes towards Green Line trade are also often negative, but for different reasons. Initially, the new CTP government in 2004 greeted the Green Line regulations positively, in part to show that it had received some benefits for Turkish Cypriots from supporting the “yes” vote in the referendum. Although the prevailing atmosphere after the failure of the referendum was relatively negative toward the Green Line regulation, seeing it as a “second-best” alternative, the media attempted to explain its benefits. For instance, Necdet Ergün, the most widely read economic writer in the north, remarked in *Kıbrıs* newspaper, “I don’t agree with most of the interpretations of the regulation being made by the public. Unfortunately, because most of them don’t know enough about EU law and its mechanisms, they’re interpreting this incorrectly. They’re interpreting it angrily instead of objectively. ... For example, I can’t understand what the Green Line regulation has to do with direct flights.” Instead, the author says, “For me, the regulation, as a beginning and given our existing de facto situation, rests on a good foundation. The dynamic effects of this are more important, that is, if we can use them well.”⁷⁴

But later, as impediments and incidents began to mount, the media began to change its attitude towards the regulation. The same author, only a few months later, began to warn the public about the dangers of the regulation: “Just beware that if we don’t come to a solution soon, the potential dangers posed by the regulation are getting closer. ... Look, Papadopoulos’s intention is to ensure that the ‘external economic relations’ of the north’s economy and its actors are realized through the south and under the south’s authority. ... If we’re left to the good will of Papadopoulos, *işimiz borudur* (we’re done for). Because his intention is to imprison us in the Green Line regulation. ... In the last analysis, I’d like to say for myself, “*Hamama git Papadopoulos*” (a Turkish phrase meaning something equivalent to “On your bike!”).”⁷⁵

Later, with the failure of attempts to implement direct trade, the media began to portray the Green Line regulation and the south’s official attempts to encourage exports to Europe through the southern port of Limassol as a continuation of the policy of isolating Turkish Cypriot producers and preventing direct export of their products through the northern port of Famagusta. Popular resistance to exports through the south also appears to be high. Numerous newspapers reported the protests at the Famagusta port and at crossing points by dock workers and truck drivers who would be affected by the export of citrus fruits through the south.

⁷⁴ Necdet Ergün, “Yeşil Hat Tüzüğü (1),” *Kıbrıs*, 5 May 2004.

⁷⁵ Necdet Ergün, “Yeşil Hat Tüzüğü’nün ‘acı ve tatlı’ tarafları,” *Kıbrıs*, 9 February 2005.

In March 2006, *Kıbrıs* newspaper reported that Ferdi Sabit Soyer⁷⁶ had received a call from the European Commission, asking why Turkish Cypriot businessmen were attempting to export their goods through Limassol. The paper said that because the main products of the north are citrus and milk products, and because these products are already highly subsidized, the export of goods through the Limassol port could benefit only one party, namely the government of the south. "The only benefit will be to support the thesis (of the government in the south) that 'the Cypriot Turk isn't under embargo. Just look, they use the Limassol port whenever they want, so there's no such thing as needing to lift the isolations.'⁷⁷ At the same time, the author of the article asks, "Who are these businessmen and what are they trying to achieve?"

Amendments to the Green Line regulation or its implementing legislation have also been seen in the same light by Turkish Cypriots: as the government in the south using its EU membership to continue the isolation of the north. One recent example concerns a decision by the EU to include honey and fish in the list of products that may be traded across the Green Line. Although trade in fish has recently begun, initial media coverage of this trade was negative, reporting mainly on the restrictions involved. For example, the requirement that fishing boats must be listed with the Turkish Cypriot Chamber of Commerce was represented as creating extra paperwork and fees. In addition, the requirement that the fish could only be sold directly to consumers within 24 hours of being caught has been presented as an extra unnecessary obstacle. Moreover, because the official European Commissioner for Health and Consumer Safety is a Greek Cypriot (Marcos Kyprianou followed by Androulla Vassiliou), such regulations have been perceived in the north as another attempt to use EU regulations to continue the isolations and keep the north's trade under the control of the government in the south. Hasan Erçakıca, spokesman of the Turkish Cypriot leadership, referring to the fishing regulations, remarked that the Greek Cypriot side sees Turkish Cypriots as the "neighbourhood milkman," or a petty trader, and that the government in the south uses regulations to try to prevent development in the north. *Vatan* newspaper presented this news with the title, "The Greek Cypriots are the masters (*efendi*), while we're the neighbourhood milkman."⁷⁸

The media in the north also reports on the capricious way in which many regulations are enforced by customs officers at the checkpoints. Recently, Şener Levent, in his column in *Afrika* newspaper, described an incident in which an acquaintance was crossing one of the checkpoints on foot, carrying an art book in Turkish and English, *Nicosia Step by Step (Adım Adım Lefkoşa)*, in his bag. Customs officials stopped him to check the bag, and upon discovering the book began to mark out every place where "TRNC" appeared. "We don't recognize the TRNC or any such thing," the customs officer apparently said. Levent ridiculed

⁷⁶ Elected prime minister of the unrecognized Turkish Republic of Northern Cyprus.

⁷⁷ Başaran Düzgün, "Kuyruk Acısı Mı?", *Kıbrıs*, 31 Mart 2006. The argument about isolation arises from the fact that Greek Cypriots refer to the "so-called isolation" of the Turkish Cypriots, arguing that it is self-inflicted.

⁷⁸ Levent Özadam, "Rumlar efendi, bız de mahallenin sütçüsü!", *Vatan*, 2007

the incident and asked, “Should one look at the customs officer and laugh or cry?”⁷⁹ The title that Levent chose for the article was, “The Dimensions of Stupidity in Cyprus.”

In addition, articles selected from the Greek Cypriot press for translation and publication in the newspapers of the north usually emphasize the unwillingness of the south to allow trade with the north. For instance, after the new regulations allowing the sale of fish from north to south came into effect, *Phileleftheros* apparently reported that Greek fishermen wanted “transparency” regarding fish from the north. Not only did the fishermen wish to have the fish labelled as coming from the north, but the president of the Organization of Fishing Boat Owners also claimed that any fish coming from north to south outside the summer fishing season must in fact have its origins in Turkey. This particular article was translated and published in *Kıbrıs* newspaper.⁸⁰

One recent news item that created considerable controversy was the claim made in *Kıbrıs* newspaper that the south is cheaper than the north for most consumer goods. With the headline, “The South is rich, the North is expensive,” the newspaper made a comparison of prices on a number of consumer goods.⁸¹ In return, the Association of Supermarket Owners attacked the newspaper and began to attempt to prove that the figures were wrong. Only a year earlier, such scares had caused the Turkish Cypriot authorities to crack down on goods brought into the north (the official limit on personal purchases is EUR 135), increasing their checks of cars at the checkpoints. One journalist, responding to reports that the government had encouraged police to get tough at the checkpoints, remarked, “Isn’t it funny? While at one time we were shouting, ‘We insist on peace (*İnadına barış*)’ to an administration that we saw as an obstacle, today, in the face of an administration that can’t discipline its own economy and brings the police into the matter, one wants to shout, ‘We insist on shopping! (*İnadına alış veriş*)’.”⁸²

Summary of media attitudes

In sum, media attitudes towards trading across the Green Line are hostile on both sides of the divide. In the south, the general attitude is that any trade with the north must really be trade with smuggled goods from Turkey and that they therefore carry health risks. Whether or not the claims about tomatoes or potatoes were true, this and other Green Line stories paint a general picture that Green Line trade is suspect and probably involves illegal activities.

In the north, media portrayals of the political stance of the government in the south towards Green Line trade and the difficulties faced by people attempting to trade reinforce mistrust, resentment and the feeling of inferiority that shall discuss in Chapter 8.

⁷⁹ Şener Levent, “Kıbrıs’ta Aptallığın Boyutları,” *Afrika*, 13 August 2008.

⁸⁰ “Rum balıkçılar, balık konusunda ‘şeffaflık’ istiyorlar,” *Kıbrıs*, 29 June 2008.

⁸¹ “Güney zengin, Kuzey pahalı,” *Kıbrıs*, 5 October 2008.

⁸² Aytuğ Türkkan, ‘İnadına barış . . . İnadına mücadele!’, *Star Kıbrıs*, 30 November 2007.

MAIN RESULTS OF THE CYPRUS PRODUCERS' POLL

Funded by UNDP-ACT and USAID, the Cyprus Producers' Network⁸³ is a joint initiative of KEVE, the Turkish Cypriot Chamber of Industry (KIBSO) and the Turkish Cypriot Chamber of Commerce (KTTO). Through the Network, a survey was conducted in early 2008 among Greek Cypriots and Turkish Cypriots and targeted only sellers on both sides in the manufacturing sector, ie not buyers. Responses were received from 190 Turkish Cypriot enterprises (interviewed directly) and 100 Greek Cypriot enterprises (sampled by a faxed and emailed questionnaire).

One-third of GCs, just under half of TCs are doing business

Less than half of respondents had done business across the divide. Out of those interviewed in the south, 36% of enterprises had conducted business at least once over the Green Line, compared with 49% in the north. For those who had traded, the number of customers is small: the majority of Greek Cypriots (67%) and Turkish Cypriots (64%) have three customers or less. For more than 70% of each community, intra-island trade accounts for less than 5% of total trade (a finding that is in keeping with our figures in Chapter 2).

A large majority Greek Cypriots trade branded products (78%), while only a minority of Turkish Cypriots sell branded products (33.3%). Almost all Turkish Cypriots (95.5%) and a majority of Greek Cypriots (76%) found their buyers through personal contact or buyer's initiation, although both communities relied on the chambers of commerce (76% of Turkish Cypriots and 53% of Greek Cypriots) for information. Less than half of Turkish Cypriots who had ever traded (48.9%) continue to do so, and 40.45% had faced problems with Green Line trade. However, among those who felt they were sufficiently informed, only 34.8% had faced problems. A large majority of Greek Cypriots (82%) and Turkish Cypriots (81%) use cash for transactions.

A significant minority of TCs find trade politically inappropriate

When asked if Green Line trade was inappropriate because there was not yet a solution to the Cyprus problem, the answer was a majority "no" on both sides. However, the proportion

⁸³ The Cyprus Producers' Network website is at <http://www.cpnnet.net>.

of Turkish Cypriots who thought it was inappropriate (41.6%) was significantly higher than Greek Cypriots (28%). Among those who had not traded, the majority (62% of Turkish Cypriots and 77% of Greek Cypriots) had not made any attempt to sell either. When asked why, the two dominant answers among Greek Cypriots were not enough information, specifically on procedural and legal issues, and belief that there was a negative attitude of the Turkish Cypriot authorities to Green Line trade. Only 10% said the reason was because they did not want to trade with Turkish Cypriots. Among Turkish Cypriots the two dominant answers were complicated procedures and not having anything they believed they could sell.

GCs feel better supported in practice than TCs

Interviewees were asked whether their own authorities supported Green Line trade. Among Greek Cypriots the general answer was “mixed feelings”: 25% disagreed but 34% were neutral on the matter. However, among those who had actually traded, the responses were very different: 58% of Greek Cypriots strongly agreed that they were supported by their own authorities and 18% somewhat agreed. A small majority of Turkish Cypriots (50.6%) felt that their own authorities supported Green Line trade in words but not in deeds. Among those who had actually traded, the figure was only slightly higher at 51.7%. A much higher percentage of Turkish Cypriots (69% of all respondents and 71.9% of those who had traded) thought that the leadership of the Greek Cypriot community was opposed to Green Line trade. In the south 53% of all respondents but only 37% of those who had actually traded thought the leadership of the other community did not support trade.

Mixed feelings were reported when it came to knowing what the other community produces or demands. Less than half of Turkish Cypriots knew what products they might sell to or buy from the other community. More than half of Greek Cypriots said they were aware of what the other community might sell to the south but just under a half knew what Greek Cypriot products there might be demand for.

Only a minority of TCs find trade “potentially very profitable”

There was a notable difference in response from each community on whether Green Line trade was considered “potentially very profitable”. Despite the fact that more trade is conducted from north to south, a significant majority of the Greek Cypriot enterprises (61%) felt it was “potentially very profitable”, whereas only 42.1% of Turkish Cypriot enterprises thought the same.

Asked whether they had made an effort to find more companies to sell to, a majority of Greek Cypriots (61%) answered yes, of which 36% had been successfully. Only 28.8% of Turkish Cypriots answered yes and one-third of these had been successful.

There are headaches, but would still recommend it to others

A strong “yes” was given to the statement “The products that can be traded are limited” (65% of Turkish Cypriots; 56% of Greek Cypriots). Bureaucracy was considered a hindrance by 70% of Turkish Cypriots and 62% of Greek Cypriots. Traders on both sides complained

said that customs-related issues at the checkpoints were an obstacle to trade. Greek Cypriots also complained about VAT (see Chapter 3), while Turkish Cypriots complained about procedures, packaging/labelling and payment issues.

Despite the problems reported, a very large majority (81%) of Turkish Cypriots and an even higher majority of Greek Cypriots (90%) who had traded with over the Green Line would recommend it to others.

Strong desire for more facilitation

An overwhelming majority of those who had traded were supportive of further measures to facilitate trade. Those measures which respondents said would be most important (from a suggested list) were:

- a) Information on interested companies to do business with (78% of Turkish Cypriots; 71% of Greek Cypriots)
- b) A strong signal from the authorities in support of Green Line trade (74% of Turkish Cypriots; 66% of Greek Cypriots)
- c) Expansion of the range of products that can be traded (66% of Turkish Cypriots; 54% of Greek Cypriots)
- d) Integrated transport/logistics services for transport and paperwork (76% of Turkish Cypriots; 59% of Greek Cypriots)
- e) For Greek Cypriots: removal of double taxation and clearer tax rules (90%).

Conclusion

The most striking finding of this opinion poll survey is the difference in outlook between Greek Cypriots and Turkish Cypriots (which is also supported in our interviews in Chapters 6 and 7). Although records show that Turkish Cypriot producers sell more to the south than the other way round, they are more negative about their experiences. In particular, they are not sure that it is profitable or even politically correct and they are convinced that the Greek Cypriot leadership does not support such trade. Greek Cypriots who have actually traded are fewer in number but have a more positive experience. They see trade as profitable, they feel supported by their own leadership and are less sceptical about the intentions of the other community's leadership. Both sides complain about red tape and procedures at the checkpoints. Yet perhaps the resilience of the entrepreneur is highlighted in the fact that despite all of these problems an extremely high majority in both communities would recommend Green Line trade to others. Another interesting finding in the south was the difference between those who had traded and those who had not in perceptions about how supportive the authorities were. This suggests that the authorities give out mixed signals about Green Line trade and that a strong message in support of Green Line trade is lacking, even if the officials in charge are helpful. This is perhaps why there was also a strong desire for more help from the authorities, including public support for Green Line trade.

INTERVIEWS SOUTH OF THE GREEN LINE

6.1. Interviews with official bodies

We gleaned a great deal of information from bodies south of the Green Line engaged in facilitating business across the Green Line, most of which is included in Chapter 2. The interviewees included but were not limited to the Cyprus Chamber of Commerce (KEVE), the European Commission (various sources in Cyprus and Brussels) and the Ministry of Finance. In keeping with our pledge of anonymity, the information below is unattributed.

The interviewees of these bodies were in general very responsive as regards *regulatory* obstacles to Green Line trade (see Chapter 3) but it was very difficult to draw them into a discussion about whether there were any *psychological* barriers to Green Line trade and if so, what their causes might be. However, one interviewee noted that it was probably significant that the main products traded from north to south were those that were generic and without labels showing their origin, such as vegetables, paper products and furniture. Another interviewee found it strange that Greek Cypriots would buy goods in the south that were made in Turkey but there appeared to be a problem in accepting goods made by Turkish Cypriots.

When asked about this issue, another interviewee said s/he thought that there would be a regulatory problem in accepting Turkish Cypriot goods that were labelled, since they would presumably have an address that ended in “Mersin 10, Turkey” and would have a Turkish pre-fix (0090) as a telephone number. “And Mersin is not Cyprus, it is Turkey,” s/he said. However, s/he also asked whether “the average Greek Cypriot” would buy a product that was labelled as Turkish Cypriot. “Would a Greek Cypriot trader risk it? Why should he do that if his name goes into the newspaper?”

One interviewee suggested that Turkish Cypriot goods or marketing practices were inferior and that this was why there was not a great deal of trade across the Green Line. “A major factor is the variety and quality of products ... the quality of their products is inferior,” s/he said. The same interviewee had heard that prices were generally higher in the north. “It is a closed economy with all the negative consequences,” s/he said.

When asked whether it would help intra-island business if there were more encouragement from politicians or business leaders, one interviewee said, “In modern times

you cannot really persuade any trader to do business. They will do business if it pays to do businesses. ... Why would a Greek Cypriot sell to Turkish Cypriot if he can sell somewhere else without all these restrictions and at more competitive prices as well?"

One interviewee said some Greek Cypriot traders had reported that licensing procedures in the north could be inconsistent: something that was licensed for sale on one occasion was not licensed on another. In at least one case this was thought to be a result of vested interests: apparently someone had started producing the product⁸⁴ in the north, after which the licence for the producer in the south was no longer granted. "You can't plan your business activity like that," said the interviewee.

As regards advertising, we approached the organization accused of devising and actively implementing a ban on newspapers in the south taking advertisements from Turkish Cypriots. It denied that it had any part, adding that the hostility to Turkish Cypriot advertisements came from "much higher up". As regards the joint venture programme being offered in the south, one interviewee noted that there had been a great deal of interest at the beginning from Turkish Cypriots but no applications had been made. (Since conducting this interview some applications have come forward.) "We heard there could be some pressure not to apply," s/he said. Another interviewee said that no one in the north seems to like the joint venture programme. It was suggested that this was because it was a government-run programme and that therefore Turkish Cypriots were under pressure not to take part. "At the end of the day they are afraid that public opinion may turn against them".

6.2. Interviews with businesses

In order to preserve the anonymity of interviewees we have simply given them numbers. The first number refers to the category and the second number refers to the interview subject. Therefore A.1.1 is a large supermarket or hypermarket south of the Green Line. A.2 refers to the press and A.3 refers to large retailers.

The interview environment

In the case of supermarkets there were certain instances in which the process was time-consuming, taking several attempts, speaking with several people in between, explaining the purpose of the interview each time, until we finally got an appointment (A.1.1 and A.1.4). Most of the interviews were conducted with sales or retail managers and in a few cases the owners of the store. Where the approach was easy the environment and interviews was also friendly (A.1.3, A.1.5, A.1.6). However, here there was also a sensitivity to anonymity. The larger retailers (A.3.1 and A.3.2) were more easily approached and interviews conducted in a friendly environment.

⁸⁴ In the interests of anonymity we have not named the product. However, it is not one of the seasonal products such as potatoes whose import/purchase from the south is temporarily banned at certain times of the year.

For the press, the political affiliation of the newspaper tended to dictate the environment. Thus, those that are more “friendly” towards Turkish Cypriots were more easily approached (A.2.1, A.2.2, A.2.4, A.2.5 and A.2.6). By contrast, there was a quite defensive and suspicious response from other media, for example asking “Who are the people behind the research?” or not responding at all (A.2.3).

A.1. Large supermarkets and hypermarkets (“supermarkets”)

After the opening of crossing points, especially in Nicosia, there was an inflow of Turkish Cypriots towards the supermarkets, both as customers and as potential sellers. The purpose of the interviews conducted south of the Green Line was therefore twofold.

- Turkish Cypriots as customers. To assess retailers’ psychological attitudes towards Turkish Cypriots as customers. Did they target Turkish Cypriots as a specific group? Did they advertise in the north? Do they have a market plan that involved Turkish Cypriots? Have they done any research on Turkish Cypriot customers? If so, what are their buying habits? Do Turkish Cypriots pay more with cash or with credit/debit cards?
- Turkish Cypriots as suppliers. Do they use Turkish Cypriots as suppliers, either through official channels (Green Line trade) or through unofficial channels (unregistered purchases)? If they do purchase, what do they purchase? What is the price and quality like? How have they incorporated the Green Line regulation into their trading habits and policies?

A.1.1. “I don’t know so it doesn’t bother me!”

The manager declined to offer any information about whether or not the supermarket has any Turkish Cypriot customers. The researchers knew from empirical evidence that the supermarket is popular with many Turkish Cypriots. However, the manager explained that s/he would not give any information because they had a policy of not providing information about any group of their clientele. S/he further explained that, as regards marketing policy, “For us it doesn’t matter if they are Turkish Cypriot or Greek Cypriot”.

The manager was asked if the supermarket has, for its own needs and reference, any market research that analyses various different customer groups or segments and any business plan for attracting more of any particular group. The manager replied that they often conduct their own market research but none of it has been specifically targeted at Turkish Cypriot groups.

When asked by the interviewer if the managers had any intention of using labels or signs in Turkish, the manager replied that there was no intention of doing so, “...because we have all our prices in euros and this is international and everyone can understand it”.

Discussing it further, the manager was asked what s/he thinks of other businesses like his/hers which use trilingual labels and signs (Greek, Turkish and English). The manager professed ignorance, saying “Really? What supermarket is that because perhaps I need to visit and learn something from them, then.” However, the tone of voice was ironic. When s/he

was presented with few examples of the practice in other retailers then s/he replied “Really? Then we have to study the subject and we shall see.”

As the conversation unfolded, the interviewer’s questions became longer with more explanations while the answers given were shorter. When asked for the payment habits of Turkish Cypriots (plastic cards or cash) s/he referred again to the policy of confidentiality. The interviewer’s request to see a copy of the confidentiality policy was declined.

When the interviewer showed some general statistical data to the interviewee from the credit card consortium, JCC Payment Systems (see Chapter 2), s/he reluctantly answered, “Anyway around 80% of clients use Visa [credit or debit cards]”. We asked if this percentage also reflected the habits of Turkish Cypriot clients but the manager professed ignorance about the matter.

When asked whether they could tell from their loyalty cards who their customers were and what was the percentage of Turkish Cypriots who were steady customers the manager replied “I can’t really tell you this”.

Then we moved onto the area of advertisements and whether the supermarket has considered advertising north of the Green Line, described in the interview as “the occupied areas”. The answer was, “No, unless the law changes and it would be allowed and then we can be free to apply any other policy”.⁸⁵

When asked whether, if the media used were “legal”, they would advertise, s/he replied, “Our advertising campaigns are planned with our advisors according to the hour, the circulation, the popularity etc. If those criteria are met why not advertise to Turkish Cypriots?” When we asked if the supermarket had been approached by any of its advertising agencies to publish advertisements either in the north or in places in the south that Turkish Cypriots visit in order to access this market group, s/he answered “No, we never had any such suggestion from our advertisement experts.”

When asked which person or institution⁸⁶ might encourage traders to accept goods from Turkish Cypriots s/he answered “None. We see market researchers and listen to our advisors.”

The interviewer then moved onto questions about the Green Line regulation, noting that some products are legally permitted to be sold. The answer was “I don’t know the regulations and anyway we don’t buy from the occupied areas”.

We asked if s/he was aware that there may be traders who sell products to the supermarket, which they buy from Turkish Cypriots under the Green Line regulation, and in accordance with the law, therefore it was legal to sell it to his/her supermarket. S/He answered, “No I have

⁸⁵ As far as the authors are aware, there is no law against advertising in newspapers north of the Green Line and there are cases of other retailers which do so.

⁸⁶ The questionnaire asked if they would accept advertisements if encouraged to do so by any of the following: the president of the Republic; the Cyprus Chamber of Commerce and Industry (KEVE); the Employers’ and Industrialists Federation (OEB); the political party to which the interviewee is affiliated; their peers in the sector. They were also asked to agree or disagree with the statement “I will never accept goods from Turkish Cypriots”.

no idea". We asked, "Would it bother⁸⁷ you if you knew that this was happening?" She replied, "I don't know so it doesn't bother me!"

A.1.2. Eight managers said that they were "not responsible"

For the second supermarket in question the process of accessing a "responsible" person to take the interview proved to be more interesting than the interview itself. The general manager, the retail manager, the sales manager, three branch managers, and some department managers were all approached twice from the bottom to the top and from the top to the bottom. All attempts were conducted by phone as people said they were too busy to offer a personal appointment. All people approached said they were "not responsible" for addressing such an issue and referred us to another manager or department manager.

Moreover, seven out of eight managerial staff told us that there was no need for an interview since "we don't have Turkish Cypriot clients". One middle-level manager (branch general manager) said that there were customers from the north "but not enough to speak about". Finally the general manager sent a message via the secretary that "we don't consider the issue as important so we don't find any reason to speak about it". However, it is clear from physical evidence that the supermarket serves quite a few Turkish Cypriots every day, and considerably more on Saturdays.

A.1.3. "We don't know but ... the President and a solution..."

In this third case the general manager of a branch of a chain supermarket said that the supermarket had no Turkish Cypriot customers but that "...if there were [Turkish Cypriot customers] or if we had the opportunity to attract them, we wouldn't mind". S/he answered that they had not done anything specific to attract Turkish Cypriot customers.

When we proceeded to the Green Line regulation, s/he said that "there would be no problem in accepting a product if it were legal". The manager did not know that any such regulation existed, nor what products were allowed to be traded. S/he said s/he did not know whether any of the products sold in the supermarket came from a trader using the Green Line regulation nor whether there were sales of specific products to his/her supermarket, although s/he said that it could be considered as a possibility in future. S/he then directed us to the purchasing manager in another town.

Before closing, the interviewer addressed the question about who (peers, chamber, president, etc) might encourage them to trade with Turkish Cypriots. The answer was a generalized, "Yes, yes, yes, we wouldn't mind [trading] if it came from all of them".

The purchasing manager was then approached. S/he said she did not know of the existence of the Green Line regulation nor whether any suppliers used products from the north. S/he continued by saying, "We never had Turkish Cypriot suppliers nor will we ever

⁸⁷ «Θα σας πείραζε αν το γνωρίζατε.» «Δεν το γνωρίζω άρα δεν με πειράζει».

accept any [of their] products”. ... “We need a political decision to be known to us and the law to be explained before accepting any products”.

When asked who would be the person / agency most appropriate to encourage them to accept products, the answer was “The president *and* a solution [to the Cyprus problem]”.

A.1.4. “What do you mean we make announcements in Turkish?”

The person reported that the number of Turkish Cypriot clients is very small. Their labels are in English as well as Greek, can therefore be read by Turkish Cypriots, so there is no need to adjust to tri-lingual labels and signs. When s/he was asked if they had a policy about labelling/signing or attracting Turkish Cypriots as customers, or had put any strategic thought into it at managerial level the person said “no”. All subsequent questions elicited similar responses. For example, advertising in the north is not considered by the supermarket, but not because of the result of any specific research or policy, etc.

However, it became necessary to return to the sales manager shortly after the initial interview, because during another interview with one of the Greek-language newspapers, the interviewee told us that s/he sees Turkish being increasingly used in supermarkets, and referred to this specific supermarket as an example, which s/he visits regularly. S/he added that s/he considers this as a positive sign. S/He said that s/he had heard announcements in Turkish. In order to cross-check, we visited the supermarket ourselves and we also heard an announcement in Turkish.

We therefore approached the sales manager again after two days, reporting that we had heard Turkish in the supermarket and asking if their strategy had recently changed. S/He professed ignorance even though the manager’s duties means that s/he would be working within the supermarket most working hours and would have the opportunity to listen to such announcements too if s/he had not been informed about it from the higher management.

We tried to conclude our interview with the first interviewee with questions regarding the Green Line regulation – whether the supermarket purchases goods such as vegetables traded under the Green Line regulation but s/he was not able to answer us and professed ignorance. The sales manager directed us to the purchasing manager but s/he could not be reached for an interview.

At a later stage of our research we came across information from a person who, as much as two years ago, had helped the owner of the supermarket in question to recruit Turkish Cypriot employees in the administration department with duties such as promotion of the supermarket’s products.

A.1.5. “Ardent longing for cooperation and opening of the gates”

The manager of this supermarket said that the appearance of Turkish Cypriots as customers “happens in waves”. “They appear and then disappear altogether” and s/he could not explain why. There were a few steady clients but the trend was either that many would come all at

once or very few would come. According to this manager, Turkish Cypriots mostly pay in cash.

S/He said “Of course I would advertise in the North. Indeed we did publish advertisements in the past but we had no means of measuring their success.” S/He didn’t believe that the supermarket will lose clients or be badly affected by specifically targeting Turkish Cypriots customers or using advertisements. S/He elaborated, saying “I and my family used to live next to Turkish Cypriot villages. My father knew many Turkish Cypriots and a quarter of our customers at the time [before 1974] were Turkish Cypriots. After the checkpoints opened many Turkish Cypriots came looking for us. Most of our old customers re-appeared either to meet with us or buy from us.”

When asked about the Green Line regulation s/he admitted that little is known about it, mostly what was written in the press, but s/he continued “...I would accept products from the north. Anyway, informally we all know that this is happening right now. And I don’t mind. It is easy to forget the old days because most people didn’t like them but those of us who lived next to Turkish Cypriots we had never any problem for real. Quite the opposite, we liked each other and supported each other.”

S/he continued “... if we were encouraged even, it would be faster now [the process of accepting each other again] because those they know Turkish Cypriots and most of them have been working or living together and had also cooperated with them in the past and they know it is the easiest thing to happen again without any problem”. “We the older people that remember we have an ardent longing for cooperation and the opening of the gates⁸⁸”, s/he added.

The manager added that you will see “made in Turkey” in some of the big brand stores. “In the beginning some people complained. Now they all know that this is a reality and all have accepted it.”

When asked what would encourage people to open up to trade and cooperation with Turkish Cypriots, s/he said “... people are the easiest to convince because we lived together and we were living together like brother and sister. And people start realizing what they have been told if it is true or if it is a lie.”

A.1.6. “Everything is normal ... there has not been even a single complaint, why should there be?”

The manager explained that they have many Turkish Cypriot customers and that their policy is defined by the general policy of the parent company, using Turkish, English and Greek in their signs, and labels, receipts, leaflets, etc. The manager said that they find the labels and signs help their customers and that it is appreciated by them.

S/He informed us that the administration department has Turkish Cypriot employees to help them and that this was in the preparatory stage before even the check points opened.

⁸⁸ Διακαή πόθο για λύση και να ανοίξουν οι θύρες.

The sales manager said that s/he has only very general knowledge about the Green Line regulation provisions. S/he thinks they are quite restrictive and s/he is following the daily press for more information which s/he found not very helpful. S/He mentioned a daily newspaper which s/he said had a “fair attitude”. It was the only article s/he had seen that gave a good picture of the Green Line regulation with interesting facts.

S/he referred us to the General Public Relationship Manager for further practices in attracting Turkish Cypriot customers⁸⁹. When asked if Greek Cypriots or other customers had any problem with their initiatives s/he answered “Everything is normal ... they are accepted as normal, there was not even a single complaint, why should there be? We had no problems approaching Turkish Cypriot customers.”

A.2. Press: all newspapers (Greek- and English-language)

Newspapers were asked if they would accept advertising from Turkish Cypriots, about the Green Line regulation, who or what might encourage them to take advertisements, and any other policies regarding the distribution of their newspaper in the north or other kind of cooperation (like trading in newsprint), exchanges with Turkish Cypriot journalists, editors, etc.

A.2.1. “Of course we won’t accept any Turkish Cypriot advertisements.

What do you mean?”

The advertising manager answered one main question: “Of course we won’t accept any advertisements from the Turkish Cypriots. Are you serious? What do you mean Turkish Cypriots advertising with us!” S/he also said s/he did not understand the aim of the research and asked, “Who are the people behind this research?” Otherwise, s/he gave few answers and after a few questions we were directed to speak with the owner or the general editor of the newspaper, neither of whom was available for interview. A chance meeting with someone who works in the advertising department of the same group revealed that this person was not even aware that there was no law as such against taking Turkish Cypriot advertisements.

A.2.2 “Alimono [Alas] we were never approached”

S/He initially said that they had never been approached for advertising, using the term “*alimono*” [alas]. S/he explained that even if the newspaper had been approached, it would not accept an advertisement “from them” and “this is policy, *alimono*.”⁹⁰ When asked why, s/he said that it was because there was no solution to the Cyprus problem so “we don’t even consider things like that”. S/He added, “We don’t have the right to accept such adverts”.

⁸⁹ Part of another interview.

⁹⁰ Αλίμονο αν δεχόμαστε διαφήμιση από αυτούς! Ναι είναι Πολιτική μας. Αλίμονο!

S/He reported that s/he knew the regulations of the Green Line regulation very well but that she does not accept any trade with Turkish Cypriots because it would be illegal. When the interviewer noted that the regulation was accepted by the Republic of Cyprus government, s/he said, "It is irrelevant".

At a certain point in our conversation, which extended towards different aspects of the Green Line trade regulation, s/he said "they [Turkish Cypriots] asked us many times [to advertise] but we refused them all", thus clearly in contradiction to what had been said earlier. When asked what might encourage the newspaper to take advertisements, s/he said "no encouragement would change anything before there is a solution, even if it came from the President of Cyprus himself." When asked if encouragement from KEVE (the Cyprus Chamber of Commerce and Industry) would have any influence on their decisions s/he replied "only if it would be legal and even then we are not sure".

Finally, we went again through some of the provisions of the Green Line regulation and discovered that most were unknown to her/him.

A.2.4. Commerce is demonized

The managing director reported that the newspaper is not distributed in the north through any agency. Before April 2004 many Turkish Cypriot business had approached the newspaper to advertise. The manager reported that "because there were problems" they did not accept any advertisements from Turkish Cypriots. Since then we have not re-evaluated our stance towards this, s/he said. When asked if placing advertisements by Turkish Cypriot enterprises would have disturbed other readers s/he said "No, I don't think that it would disturb them. But it always depends on the content of the advert".

S/He referred to a Turkish Cypriot partner in the north with which the newspaper is cooperating for news and articles. It is always an exchange of contribution in kind, and there is no money or invoicing involved.

S/he was very critical with the government stance regarding the Green Line regulation. "They never asked anyone to cooperate with anyone! Then, there was an announcement after May 2007 from the governmental institutions about encouraging joint ventures but of course this was nothing important".

S/He went on to say that the newspaper has covered the issue of the Green Line regulation several times and at length but that they have discovered that not many people are really interested in it.

When we discuss with her/him the issue of another newspaper facing discrimination because it is operating north and south of the Green Line, s/he said that "we wrote extensively about [name of newspaper] and we believe that it should be treated as equal with the other newspapers."

Regarding which authority would be the most influential and appropriate for promoting Green Line trade, s/he replied: "Aside of the 'demonization' of the cooperation with Turkish Cypriots we could still find ways to support this effort if the president promoted it and if the political climate changed."

S/He didn't believe that any chamber or union could make a difference and s/he expressed the view that the expression of good will needs to start taking place at a high level for the rest of the people to change their attitudes.

A.2.5 “See what happened to [the newspaper] that accepted advertising from the north”⁹¹

The manager explained that they were approached by many Turkish Cypriots for advertisements but because they did not know if the business being advertised was on Greek Cypriot property or land⁹², and it was difficult to find out, they had to take a commercial decision quite early not to accept advertisements from the north, generally. S/He continued that after a solution it would be possible.

From our conversation we realized that there is some commercial cooperation between north and south as regards newspaper distribution as the manager reported that there is an agency that sells his/her newspaper in the north (in very small quantities). The newspaper distribution agent in the north was known and was operating even before 1974. Around 2003 this agent decided to break from the larger (mainland) Turkish agency and to continue with the support of some enterprises in the south for the distribution of daily press from the southern part of Cyprus and abroad.

Regarding other forms of commercial cooperation, the manager said s/he is aware of trade in paper from south to north.⁹³ Her/his view is that trading between north and south is mainly a political issue. And s/he regretted that there were certain things which the newspaper could not do, such as restaurant reviews.

S/He went on to tell us that encouraging commerce across the Green Line needs a change in specific policies and attitudes, since what they had experienced after 2003 was a hostile environment from the government against any form of trading or cooperation with the north.

S/He referred to the newspaper (see Interview A.2.6) that had taken some advertisements from some hotels in the north. She had heard that it took the newspaper a few years to recover the level of advertisements they had before 2003. This was because advertising companies would “embargo” local advertisements in the newspaper.

A.2.6, “It was like a direct hit”

The editor reported that the newspaper had taken Turkish Cypriot advertisements shortly after the crossing points opened in April 2003. “What we had was a great kind of embargo that started from the advertising agencies because we had advertised the [name] hotel. It is not Greek Cypriot property. It is Turkish Cypriot property. It was a small bazaar in the old

⁹¹ «Κοίτα τι έγινε με [όνομα] που διαφήμιζε τουρκοκύπριους».

⁹² The rationalization for Greek Cypriots here is that if one helps a business that is located on Greek Cypriot land, one is somehow taking part in usurping land.

⁹³ The figures shown in Chapter 2 suggest that official trade at least is the other way round: from north to south.

days.” S/he said that the newspaper had taken the decision to take select advertisements because it wanted to “create a channel between the businessmen on both sides”.

However, the newspaper then began to notice that it was losing advertisers. “It didn’t take more than a month. It was like a direct hit,” s/he said. “I believe that there was an embargo imposed on us by some advertising offices which got an order from, how can I say, those who didn’t want this to happen. It was a political move.”

The editor reported that s/he had difficulties around the time of the referendum of April 2004 too “as a result of the propaganda that came from the official side.” “I cannot tell you who facilitated these things but some of our friends who are advertisers told us they came under great pressure from other advertisers as well.”

Asked if the newspaper would consider taking Turkish Cypriot advertisements again, the editor said that if they didn’t have to face such pressure, they would take advertisements again.

A.2.7. “If I have to spit blood, why bother”

S/he reported that the newspaper had been approached a few times after the crossing points opened in 2003 for advertisements. However, “because they were all casinos, we didn’t touch it”. The newspaper had not been approached since. The manager went on to explain that it is widely known that casinos are owned by Turkish nationals, so for her/him it would not even be an issue of trying to promote business with fellow Cypriots.

The newspaper had a similar attitude towards hotels. “We couldn’t tell if it was on Greek Cypriot land,” s/he said, adding that generally only hotels and casinos had the money to advertise. However, s/he added that they did “allow one advert to go through because we knew it was Turkish Cypriot pure”. This was made as a good will gesture and the newspaper did not actually charge for the advertisement. When asked if the paper had experienced any negative publicity from the advertisement, s/he answered “no”. But after the experience with [the newspaper in A.2.6], they did not take advertisements from Turkish Cypriots again.

Asked what was the most important reason, s/he said s/he would not want to advertise anything that s/he could not guarantee was not on Greek Cypriot land. The second fear was that if the advertiser did not pay, there was no proper mechanism to recover the loss. Asked what would be the most important factor in encouraging her/him to change her/his mind, s/he said, “Only a solution and normalization of relations ... we have to stop calling them illegal illegal illegal.”

S/he said that it would take a long time for trust to be rebuilt: there would need to be success stories, such as a Greek Cypriot and Turkish Cypriot joining forces to penetrate the Turkish market. “The press would have to follow that,” s/he said, noting that the newspaper did not really cover Green Line issues any more. The manager concluded by saying that another obstacle to doing business was the barriers erected by the Turkish Cypriot side. “I know that they provide obstacles. No business can be bothered to go through this hassle for a few thousand pounds. If I have to spit blood to make a small amount of money, why bother.”

A.3. Big retailers

A.3.1 “We could organize special events for Turkish Cypriots”

The marketing manager of the large store, who was part of the central administrative body, reported that they have many Turkish Cypriot customers and they use a trilingual model (Greek, English and Turkish) in all signs and labels. They also publish their information leaflets and shopping guides in three languages and they advertise in the north.

The person was surprised when asked if there was any reaction from other customers about such policies. S/he said, “There was no negative reaction to their approach. It was received “naturally”. There was not a single incident from Greek Cypriots or other people expressing any complaint or hostility towards it.” S/he wondered “Why should we have any reaction like this?” S/He said that the central policy decision to target Turkish Cypriot customers was an early decision and Turkish Cypriots are recruited to assist in the process. S/he continued, saying that they would welcome events in Turkish specifically for Turkish speakers. S/he also mentioned that it would be possible to target specific bank holidays and feast days in the future.

When asked whether the store purchases anything from the north and about the payment habits of Turkish Cypriots s/he referred us to the sales and purchasing managers of different departments. S/he explained that s/he is part of the central administrative body and therefore has no access to the details we wanted.

A.3.2. A larger store with Turkish Cypriot customers but no answer

A product-specific mega store was approached knowing that many Turkish Cypriots like to shop there. We made well over ten attempts to speak with the sales manager, the general manager, the marketing manager over a period of three weeks.

We tried to arrange a telephone appointment with any of the above. We explained in detail the aims of the research, also the confidentiality involved. We also used arguments such as “others have already given us an interview and we would need your input”. There was a definite constraint in telling us why a meeting was not possible. There were no explanations as to why they did want to participate. By the second week the secretaries or receptionists persons were telling us that all the above people were in a business meeting. By the third week the telephones were not answered.

We paid a visit to the store. We saw no signs of targeting Turkish Cypriot customers such as signs in Turkish, or any announcements. When asked the cashier few questions about the shopping habits of Turkish Cypriots the interviewer was approached by the manager and asked to obtain a permission from the administration to question the store’s personnel.

A.3.3. Managing two shops within the larger store (A.3.1)

We had been referred to the sales manager of this large store from the manager in the case of A.3.1. The person explained that most of their Turkish Cypriot customers buy with Visa but they were also keen to use euros well before it became official tender in the south on 1 January 2008. They did not have any estimate about the percentage of Turkish Cypriots using cash but from rough personal estimate s/he said that it should be around 30-35% using cash. S/he said that the shopping habits of Turkish Cypriots were exactly like those of Greek Cypriots, "only they are more polite". S/he said that Turkish Cypriots mostly come during the weekends and late afternoons. They also use the store as a kind of family tour, with entertainment for the family and shopping.

S/he mentioned that there is a language barrier and they are considering employing Turkish Cypriots with bilingual skills as their personnel. The manager said s/he did not have access to any information about whether the store purchased from the north but noted that the company generally sells foreign-label products.

6.3. Case study: A joint venture pushed into failure

Opening a company in the south with GC and TC partners (2004-2007)

The interviewee reported that s/he and his/her colleagues were among the first, if not *the* first company, to register after the regulations for the Green Line trade came into force. They were two Turkish Cypriot businesspeople and one Greek Cypriot. The Turkish Cypriot partners were convinced through a series of market research studies they had conducted and from data they had collected that the mutual trade activity across the Green Line would be very beneficial to both parties. They registered at the Registrar of Companies and Official Receiver and formed a company under the Republic of Cyprus Law of Companies. The firm rented an office in the southern part of Nicosia and also had an initial capital to cover the running and establishment expenses.

The interviewee told us that his/her partners also took the long view that after a possible solution, commercial opportunities would open up with Turkey as a profitable market for trade to and from Cyprus, bringing business opportunities on a much greater scale than at present. At the time the market research was extended locally on both sides. Personal contacts were made with supermarket owners, big retailers and agencies. All of them, in the beginning, showed a great interest and were willing not only to accept Turkish Cypriot products but also to display them on their shelves as Turkish Cypriot products.

Even though the regulations were quite restrictive as to what products can be sold there was a great interest in toys, alcohol, paper, daily cosmetics, food from south to be sold in the north as well as other products from the north to the south. In the case of the north, the products which it seemed there was a market for were honey, fish and food,

and other products such as stone. There was an early prediction that water could also be sold from north to the south.

Even though the interviewer and his/her team estimated that the Greek Cypriot products would mostly be more expensive than others to be sold in the north, they had estimated that there would still have appeal and that there would be a market.

However, the project did not come to fruition. “One by one I saw all potential associates, market managers and owners [Greek Cypriots and Turkish Cypriots] withdrawing their interest, as they all started to sense the turn in the political environment,” said the interviewee. “I am convinced beyond any doubt that this was in response to official guidance. People were very afraid during the Papadopoulos administration to express any interest in cooperation with the other side.”

The interviewer said s/he believed that the information about the company registration was deliberately leaked to the press. “At the time there were many articles, initially from one newspaper, which later gained momentum, reaching a huge level of publicity so that we had to close down the operation before even starting and write off all start-up investment.” “Some of the immense slander I received was things like I [a Greek Cypriot] was ‘doing business with the Turks’⁹⁴ and also ‘being paid by them’, or ‘receiving money’, creating a profile of me as a traitor.”

The interviewer said his/her Turkish Cypriot partners are very successful businesspeople and clearly had a commercial interest in investing at the right time in a “new” market opening up. “But what we realized was that it was very much a mission impossible because the officials in the south were making every effort to undermine any cooperation. They also liked to present the idea that a solution would be a financial burden for the Greek Cypriots and not an opportunity or an ‘economic miracle’⁹⁵, which is the view now slowly gaining momentum.”

After the negative publicity in the south, nationalistic newspapers in the north took up the story and followed exactly the same line. “What we do not understand, living in the Greek Cypriot community, is that there are exactly the same problems with people in the north. My friends and associates became a target in the north for cooperating with ‘the Greeks’⁹⁶.”

After seeing no change for a year the company closed operations. There is an ongoing case against a politician for making untrue claims about the Greek Cypriot partner on a radio show.

The interviewee said, “I have no doubt that there are not ‘psychological barriers’; rather, trading with the Turkish Cypriots is *the* psychological barrier. There was a distance created between the two communities and unless people see an actual turn at a high

⁹⁴ Τούρκους.

⁹⁵ Statement by (Greek Cypriot) Finance Minister Charilaos Stavarakis, Athens, April 2008, <http://www.greekinsight.com>, 4 April 2008.

⁹⁶ “Rum”.

level, from the president and the administration, there will be no change and no possibility of changing.”

“The Green Line regulation itself is generally very restrictive. By itself it is not allowing real commercial development to occur. Also the bureaucratic barriers and ‘moral’ barriers presented from our side created a barrier to any interest having a substantial result.”

The same interviewee referred to the “wounded memory” of attempts to bring Turkish Cypriots to trade fairs. In 2003 there was a big effort to bring Turkish Cypriot companies to the annual state fair in the south. There were 30 Turkish Cypriot exhibitors but the interviewee recalled that they had problems displaying their products because they were labelled as either north Cyprus or TRNC. They also faced some obstacles in bringing their stock to the exhibition. President Papadopoulos visited the state fair, but “they very soon realized that there were no means or ways to establish any trade to and from the Green Line. The following year there was only one exhibitor and there has been none ever since.”

Summary of interviews south of the Green Line

In sum, the majority of the retailers interviewed did not buy any goods directly from Turkish Cypriots had no intention of doing so and were generally hostile to the very idea of it. The majority of retailers had no specific policy for attracting Turkish Cypriot customers and often declared ignorance about whether they had any. Even though some newspapers were favourably inclined towards Turkish Cypriots, not a single one would accept advertisements from Turkish Cypriots under current circumstances.

INTERVIEWS NORTH OF THE GREEN LINE

7.1. Interviews with official bodies

We interviewed officials from governmental and non-governmental bodies whose work directly affects or is affected by the Green Line regulation, including the Turkish Cypriot Chamber of Commerce, the Chamber of Industry, and the European Union Coordination Centre. The officials frequently reminded the interviewer of what they believed to be the origins of the Green Line regulation, ie that it was one of three methods to be used to alleviate the isolation of the north (see Chapter 2), the other two being the direct trade and financial aid regulations. “There were three parts to this package, but unfortunately only one part has been implemented,” one of the officials remarked. “Direct trade hasn’t been realized, and the other one is continuing with delays and difficulties. On its own, the [Green Line] Regulation can’t realize the original aim.”

In addition, s/he noted that the Green Line regulation has itself become an obstacle to reaching the original goal. The regulation specifies that only goods that have been produced in the north may be sold to the south. “But the Turkish Cypriot economy isn’t based on production but on [retail and wholesale] trade,” s/he commented. Thus, the Green Line regulation appears to force Turkish Cypriots into manufacturing, despite its small population, which does not support major production enterprises.

“It is ironic to see people coming from the EU, crossing the line [from north to south], but not the goods,” another official said. “It’s even more ironic that the materials used to make furniture in the north again come from the EU, and the final product can cross the border after substantial improvement. It’s against the nature of the EU, meaning the free movement of goods and services,” s/he said. “The result is that small manufacturers can import wood to make furniture in the north, and they can then sell the final product in the south. But the importers who bring that wood from the EU into the north are unable to sell the unfinished wood to the south, because it is considered to have entered through an illegal port.”

The official recommended that the range of products allowed across the Green Line should be extended to the whole of the EU customs union. “For example, if they would include the custom union goods, Turkish Cypriots could act as middlemen to bring goods from Turkey and sell it to the south. We could be the bridge between Turkey and the Republic of Cyprus,” s/he noted.

Another technical problem listed by one official was transport. As noted in Chapter 3, trucks over a certain tonnage must acquire a roadworthiness certificate in the south, and drivers must get their professional driver's licence in the south. All the documents required to transport goods must be acquired from the south, and s/he said that this is a long and tiring process. S/he also reported that drivers have experienced many problems at the checkpoints, because officials at the checkpoints often suddenly change the rules or come up with new ones. "Suddenly, without anything being written or announced, they can want all sorts of things. They stop the transfer of goods then, not giving a warning, and expect them to correct it the next time." One official remarked that if there are such changes in the regulations, either the truck drivers or the Chamber of Commerce should be informed.

The same official also confessed that there are some problems with the producers, who perceive the Green Line regulation as simply "selling to the other side" and not as selling to an EU country. "It's not just selling it to someplace a hundred metres from here," s/he commented. Turkish Cypriot producers, s/he reported, have trouble with many of the regulations, including recording the transactions of sales. The official said that they had requested a checklist from the EU that lists what is required to sell animal products, but after four years they have still received no answer. "After four years of struggle, we finally managed to have honey and fish included," s/he said. A colleague of this official exclaimed, "European bureaucracy resembles ancient Ottoman bureaucracy!"

Officials reported that initially sales of fish have had their problems that originate partly in the north and partly in the south. "They've been over-sensitive," one official said. "They even demanded a health certificate from the truck driver. And they wanted the certificate from the south!" In one instance that one official reported, officials kept the driver at the border for five hours; in the meantime, the ice in his truck melted, and officials then prevented him from crossing with the fish because there was too little ice.

The official also noted that all the goods sold from north to south are without any kind of wrapping, so their place of origin is unknown. S/he confirmed the figures shown in Chapter 2, namely that the main items sold to the south are vegetables, fruits and scrap metal. As for the import of fish (discussed in the media attitudes in Chapter 4), onion and potato producers in the south also wanted goods coming from the north to be labelled as vegetables from the north.

"It's very important to note that when you look at the supermarkets in the north, there are plenty of products from the south," s/he said. One official noted that there are a number of advertisements in the north for shops and events in the south. "But it seems that [in the south] they're not psychologically prepared to buy from the north."

Despite these obstacles, and although the numbers of sellers to the south has decreased, the value of sales increased in 2007-08. The reason for this, one official believed, is that there is more demand for scrap metal in the world market, and potato producers have become more organized. In addition, there are sudden shifts in market demand, and gradually the first source for meeting those demands is being seen as the north. One of the officials also confessed that Turkish Cypriot marketing is inefficient and that many sales take place when

Greek Cypriots come looking for sellers in the north. Many companies also face a language barrier. Turkish Cypriot businesses often make agreements with one company in the south and then continue with that same company, unable to expand.

Officials noted that one of the other psychological barriers to Turkish Cypriot participation in sales across the Green Line is lack of trust. Some of the companies who are doing business in the south have reached the limits of their sales capacity in the north, but they are fearful of making investments to sell more in the south. In addition, most agreements are verbal, which presents problems when agreements are broken, since it is not clear which court might be able to settle such disputes.

One of the officials said that some Greek businessmen have good intentions but that they are frightened to face the public pressure. This official told us that one of the members of his organization was approached by a Greek Cypriot businessman who wanted to buy socks from the member: "He placed a substantial order after they met, but after a week had passed he phoned back and cancelled his order and claimed that he had enough socks in his stock. The Turkish businessman was surprised with this sudden change. When they later met for a social event, he learned the real reason. Apparently after he told his personnel that he was going to buy some material from the north all his personnel came to his office and told him that if he buys anything from Turkish Cypriots they will all quit their jobs."

7.2. Interviews with businesses

7.2.1 Producers selling south

Most of the producers repeated what the officials said in part 7.1. Their main complaints were a lack of trust in establishing trade and in making additional investments for trade with the other side, as well as the difficulties created for them at the checkpoints. On the latter point, one producer claimed that s/he had to wait for hours for the Greek Cypriot customs officers to come and check his/her papers at the checkpoint. "They are doing this deliberately" s/he commented angrily.

As regards trust, one citrus producer said that s/he had not been able to sell a single orange to the south. S/he complained, "Greek Cypriots think that all the citrus fruits produced in the north are from Morphou area [inhabited by Greek Cypriots prior to 1974] but my family and many other producers have been growing oranges for more than half a century in original Turkish Cypriot lands such as in Lefke, Elye and Gaziveran", both areas situated in the north-west of the island.

Producers also reported pressure from their own authorities. They said that they have been unable to use the Limassol port to export to Europe, because the Turkish Cypriot authorities discouraged them and pressured them in the media. One producer commented that it is difficult for them to compete when they ship via Turkey, because one has to be quick to compete in the European citrus market (therefore exporting via Turkey implies delays). On the other hand, one citrus producer commented, "We didn't really want to use the Limassol ports continuously. We just wanted to expose the Greek Cypriot side, because I'm sure that

they would've stopped us from using the port after a shipment or two, once they realized that they were oranges from the north."

One producer from Morphou also reminded the interviewer that s/he is also a refugee from Paphos and had to flee the south due to security reasons and that s/he left acres of vineyards that are now being taken care of by Greek Cypriots in the south. "It's okay when they sell my grapes but they go mad when we try to sell oranges planted with my own hands and sweat in their land," s/he said. Another commented ironically, "If we don't look after the land they left they complain; if we look after it they complain again."

7.2.2 Potato producers in the island's northwest

The interviewers spoke to a group of potato producers in the fields where their crops are grown in an area west of Morphou. The area is originally Turkish Cypriot and has a long history of vegetable and fruit production, including for export. When the interviewers mentioned that they had come from an international organization to ask about the Green Line regulation, all the producers emphasized their commitment to peace and described their own activism in favour of a peaceful solution to the island's division, especially prior to the Annan Plan referendum.

One of them remarked, "I participated at least fifteen times in meetings and workshops arranged by the EU in the south about how cooperation can be established between the communities. Of course, after that this Green Line regulation came into effect. But my personal view now is that this thing cannot be achieved with regulations and measures like that. Just before you arrived, again on the phone, we were having a discussion. Definitely the producers that we work with in the south don't give us the prices that producers in the south get. They see us as *gariban* (destitute), *çaresiz* (desperate) people, *eli mahkum* (persons without alternative).

"In reality, we are like that; we don't have much alternative. We either have to sell our products to merchants from Turkey or use the Green Line. We need the possibility of direct trade, so that we can establish our own links with buyers in Europe. We attended the agricultural fairs, in Germany and so on, and they were interested, but when there's no direct trade it's not possible. So you have to use the middleman from the south or in Turkey. And we can't establish a company in the south and use the ports there, because our politicians would oppose it. And personally I don't want to do that. So in summary, we're stuck between a rock and a hard place. In other words, we're not opposed to this alternative of the Green Line regulation, but we don't get much out of it."

The same producers explained what they see as double standards implemented by the EU between north and south. Only one kilometre from their own fields lie the fields of Greek Cypriot producers, on the other side of the Green Line. "Let's say, Yianni, who's just over there, brings his seeds from Scotland. I bring my seeds from Scotland. They have their 'passport,' their health certificate, and I'll plant them on the north of the barbed wire, and he'll plant them on the south of the barbed wire. We get our potatoes registered by the EU experts so that we can sell them to Europe. On the other side, they don't do any of this.

“We then take the little ‘babies’ from the potatoes [seed potatoes], what we call *iskarta*, and we make seeds, and we store them in cold rooms. And we plant these, but because we do this, the EU won’t give us registration a second time. Why? Because they supposedly can’t control it, the seeds may come from Turkey. I’m not crazy enough to bring potatoes and seeds from Turkey, because I know it’s in the ‘red bulletin,’ to pollute my land. We definitely don’t bring potatoes from Turkey, because it would be like shooting myself in the foot.

“I can’t sell my potatoes that I’ve planted from these seeds, because I can’t get a registration. But I send the same potatoes to the south, and they plant them, and they sell them! The EU doesn’t say anything! Once we tried to plant them here, and the EU expert comes and asks, ‘Where are their passports?’ Every time we want to plant potatoes, we have to bring new seeds from Europe. But this isn’t true for the south.”⁹⁷

One of these producers asked, “Am I an EU citizen, or am I not? If I’m going around with an EU identity card in my pocket, and if I can use Larnaca airport and fly to Europe, and if there I get the same treatment as any other EU citizen, why is it that here in Cyprus there’s this difference between EU citizens in the north and the south? Why is there this double standard?”

The producers told the interviewers that they had explained their difficulties many times to EU representatives and that they always receive the same answers. “They always say, ‘We’re technicians. The politicians have to decide on these matters’.” Although they say that last year they bought some seed from the south, for the reasons outlined above they say that they haven’t done that this year. As a result, they anticipate that after the autumn harvest “we won’t send even one kilo of potatoes to the south.”

Apart from the problem of certification, they complained about the excessive costs of transportation created by various regulations, as well as the impediments that they encounter at the checkpoints, especially the lack of officials at regular hours to check shipments. One remarked, “I don’t believe that we deserve all these difficulties. As someone who contributed to the struggle for peace and the EU cause, as someone who was one of the leaders, as someone who lit the peace fire, as someone who was at the head of the struggle against the Denktaş regime, I’ve started looking at the situation differently. We engaged in this struggle to have freedom and human rights, and to be part of the rest of the world. And don’t misunderstand me, but after all this, the EU didn’t keep any of its promises to us. ... After this, we expect some kind of radical solutions to our problems. We’re tired of selling our products as though we’re selling stolen goods.”

When we asked if there were psychological barriers to Greek Cypriots buying from the north, one of them answered, “They’re under psychological pressure from birth! The church and so on, they put a lot of pressure on people who try to do business with the north.” Another remarked, “They don’t want us even to breathe.”

⁹⁷ According to our information the European Commission was prepared to let Turkish Cypriot potato producers use the seeds twice, as in the south, but ran into issues of “traceability”, which is taken to mean that they could not verify that all seed potatoes were from Cyprus rather than Turkey.

7.2.3 Tourist enterprises cooperating with the south

Most of the hotel owners complained about the way in which they were listed in official web pages of the embassies of the Republic of Cyprus (RoC).⁹⁸ They say that RoC disseminates this blacklist to all travel companies dealing with the region so that they do not sell rooms in any of the hotels situated in the north. One hotelier said that her/his hotel was built on original Turkish title deed property but the hotel's car park is situated on a disputed property, so as a result RoC included her/his property in the blacklist too. "If the car park is situated on Greek Cypriot property, Larnaca airport is situated on original Turkish Cypriot property," s/he commented. Even though the majority of hoteliers confessed that their hotels are built on disputed properties, they also repeatedly emphasized the amount of money they invested in building these hotels. "If the land belongs to them, the hotel belongs to me," said one.

The Turkish Cypriot Tour Guides association representative noted that there was cooperation with tourism companies in the south. However, s/he complained that most of the travel agents from the south bring their own tour guides with them when they bring tourist groups from the south. The Turkish Cypriot authorities insisted that they should use Turkish Cypriot travel guides to accompany the tours, but what usually happens in practice, s/he reported, is that "our guides are not allow to speak and they just sit and listen to the Greek Cypriot guide giving his version of the history to tourists." Most of the Turkish Cypriot guides confessed that they accept this situation for financial reasons but also they add that they feel humiliated. "We call them 'silent guides'," said one of the travel agents.

Some of the caterers and travel agents reported that the companies from the RoC try to keep tourists from spending money in the north. They also said that most of the Greek Cypriots who come to north to visit their ancestral or religious places bring their own catering with them and "don't even buy a bottle of water from Turkish Cypriots."

7.3 Case study: A crossborder newspaper that struggles

Trilingual newspaper

The Turkish Cypriot owner of this newspaper reported that they were, from the beginning, registered with the Press and Information Office (PIO) in the south, and so they did not experience distribution problems. S/He has a Greek Cypriot distributor in the south, rather than going indirectly through Turkish Cypriot distributors. However, in some regions, such as Paphos, they began to notice that the distributor was not, in fact, distributing their newspaper because they were afraid of fanatics in the community. As a result, they have no distribution in the Paphos region, and they have only three or four distribution points in both the Limassol and Larnaca areas. The paper is therefore mainly distributed in Nicosia.

⁹⁸ For the full 14-page list produced by the foreign affairs ministry, see "Ownership status of hotels and other accommodation facilities in the occupied part of the Republic of Cyprus", <http://www.mfa.gov.cy>

“We were disappointed, because the newspaper doesn’t have any hostile language, and we have writers from both sides,” s/he said.

“On the subject of advertisement, we really haven’t been at all successful,” s/he remarked. “In the beginning, with the help of my Greek Cypriot writers, there were three or four institutions who advertised with us. But after the second month, they stopped advertising. The interesting thing is that most of these advertisement agencies and public relations companies know our emails and send us announcements for festivals, concerts, and other events, which are usually advertised in other newspapers in the south. And they themselves say that we give more room in our paper to these events than the newspapers in the south do. They give advertisements to those newspapers in the south, but not to us.”

According to the laws of the Republic of Cyprus, prior to elections, daily newspapers registered in the south receive 75,000 euro and weekly newspapers half that amount as a subsidy for the publication of the various parties’ manifestoes, as prepared by the PIO. “Even an irregular, copy-and-paste magazine which isn’t even a regular weekly, receives this payment. But we didn’t get a penny. When I complained, they said that the elections are not for the Turkish Cypriots. I may be Turkish Cypriot, but this newspaper is for all of Cyprus. They said they would look into it and try to redress the situation, but again the elections for president happened, and again they didn’t give us anything.” When asked if s/he received any support from the Turkish Cypriot administration, s/he admitted that they do give him some subsidies in line with the scheme for support of other English-language newspapers published in the north.

S/He says that it is very difficult for him/her to continue to publish the newspaper, because their advertising income has decreased. Gradually, s/he says, the number of Turkish Cypriot advertisers has also fallen, because, as s/he puts it, “They say, ‘Greek Cypriots don’t buy from us anyway, so why should we put an advertisement in your paper?’” When I say to them that this newspaper is sold in the north, as well, for the Turkish Cypriots, they say, ‘But your newspaper is really for the Greek Cypriots.’” S/He says that as a matter of principle s/he has refused advertisements for developments on Greek Cypriot property, and as a result s/he has now very little advertising income.

S/He also reported that s/he gets no funding from the EU or other international agencies and that, in addition, they do not receive the announcements of calls for proposals or tenders that international agencies place in other newspapers in both the north and the south. S/He says that although s/he has received encouragement to apply for funding from bicomunal aid programmes, s/he believes that this could hinder his/her freedom as a journalist. However, s/he says, these agencies could support his/her effort by placing their announcements in his/her paper, as well.

Summary of interviews north of the Green Line

In sum, it may be said that most interviewees began to seek trade with the south with some enthusiasm and used the Green Line regulation with good intentions. But because of real or perceived difficulties encountered either at the checkpoints or with the bureaucracy, and real or perceived obstacles to selling their goods in the south, most of these same producers and businesspeople have become resentful of the conditions surrounding Green Line trade and reluctant to deal with partners in the south. In addition, public reaction in the south to Turkish Cypriot advertisements or to goods stamped as produced in the north have given Turkish Cypriots an even greater sense of being excluded and delegitimized. One particularly pertinent example, which was also highlighted in Chapter 6, Section 6.3, is the yearly Cyprus Trade Fair, held in the south, which in 2004 saw the participation of many Turkish Cypriot producers but which in 2008 had only one Turkish Cypriot participant.

ANALYSIS OF THE INTERVIEWS

The challenge of analysing the psychology of individuals,⁹⁹ while at the same time bearing in mind the prevailing atmosphere in which an individual lives and operates,¹⁰⁰ is immense. On the one hand, the individual is responsible for his/her behaviour, acts and decisions and thereby influences the environment. On the other hand, as seen in Chapter 4, the prevailing environment directs public opinion, groups of people, and defines the individual responses that are deeply psychologically rooted, using their fears, lack of proper information and insecurities to name a few.¹⁰¹ Especially when nationalism is high on the political agenda, governments can use the psychological barriers within society in a negative way, for the achievement of their own political ends.¹⁰² As noted by Jerome Valluy¹⁰³ we cannot burden the public with the sole responsibility of forming an independent or well informed view on a matter, especially within the framework of our political systems in Europe, where so much of what the public has access to is controlled by the elites of the government, media and other opinion-formers.

There is also the actual trauma and re-traumatization. And although not all people who experience a potentially traumatic event will actually become psychologically traumatized, the prevailing atmosphere in Cyprus, reinforced by political leaders and media (see Chapter 4), is one of continued agony, insecurity, often verbal abuse, hatred speech and suspicion. With these traumas come certain expectations, demands and emotional burdens. Emotional burdens can include flat emotions (such as indifference) or extreme emotions, a reluctance to associate, resentment, fear, loss of self-esteem, lack of trust, anger, frustration, flash-back memories, stress, and a feeling of being let down.¹⁰⁴ This, in turn, leads to overwhelming psychological defences, which were manifest in our interviews in both communities. Not

⁹⁹ "A scientific interpretation of the concept of "individual responsibility" in psychology", Shaw, Blair W., *Canadian Psychologist/Psychologie canadienne*, Vol 11(2), Apr 1970, 146-151.

¹⁰⁰ Stavros Tombazos, *Ευρώπη, Ποιά Ευρώπη?*; [Europe, which Europe?], εκδόσεις Πολύτροπο, 2008, chapter on Jerome Valluy.

¹⁰¹ *Public Opinion*, by Walter Lippmann, Transaction Publishers, reissued edition, 1997

¹⁰² *Public Opinion*, by Walter Lippmann, Transaction Publishers, reissued edition, 1997.

¹⁰³ Stavros Tombazos, *Ευρώπη, Ποια Ευρώπη* [Europe, which Europe?]; εκδόσεις Πολύτροπο, 2008.

¹⁰⁴ *Trauma and Recovery*, Judith Herman, M.D. New York, 1992

surprisingly, therefore, we did find psychological barriers to intra-island trade in both communities. As will be explained below, the dominant psychological barrier or trend in the interviews south of the Green Line was denial, while the dominant trend north of the Green Line was fear of inferiority.

8.1. Main psychological approach among Greek Cypriots

We focus below on one of most prominent/dominant trends among Greek Cypriots, namely denial.¹⁰⁵ While denial has many forms, it can be argued that in the Cypriot context all of forms of denial we encountered have a common source, supported by the prevailing atmosphere outlined in Chapter 4, namely the idea that any dealings with Turkish Cypriots however, small, are somehow not legitimate and may be considered as some form of “recognition of the pseudo-state”.

According to the literature denial has many faces: *simple denial*; *hostility* (angry or unpleasantly irritable); *rationalizing* (making excuses or giving reasons to justify our behaviour); *intellectualizing* or *generalizing* (avoiding emotional and personal awareness); *blaming/projecting* (the responsibility for the behaviour lies somewhere else, not with us); *diversion* (changing the subject to avoid a subject that is felt to be threatening); *bargaining* (cutting deals or setting conditions for when circumstance will be right to deal with the problem); *minimizing* (minimizing the significance of the matter); and *passivity* (ignoring the situation, or being its victim).

We found many of these faces in our interviews. Thus, we found simple denial in the form of retail or newspaper managers who did not want to talk about the subject and refused to conduct an interview (Interviews A.1.2 and A.2.3). We also found simple denial in the form of lying, with retailers who denied knowledge of having any Turkish Cypriot customers at all (A.1.1, A.1.2, A.1.3), or only few (A.1.4), even though physical evidence strongly suggested the opposite to be the case. Although in some cases there was genuine ignorance about the rules we found simple denial in the form of a professed lack of knowledge about the rules (A.1.1, A.1.3, A.2.1).

We found denial in the form of hostility, with the interviewee targets who did not answer and in A.2.1: “Who are the people behind the research?” Denial in the form of hostility was found in the absence of any attempt to research Turkish Cypriot customers as a market segment (A.1.1), which could also be seen as a case of minimizing. We found denial in the form of rationalization in the case of A.2.5 (not knowing whether the business was on Greek

¹⁰⁵ Denial is a psychological process and a defence mechanism through which human beings protect themselves from that which threatens them by blocking knowledge of it from their consciousness. Schafer (1968). It is thus a form of defence that distorts reality; it keeps us from feeling the pain and the uncomfortable truth about things we do not want to face. If we cannot feel or see the consequences of our actions, then everything is fine and we can continue to live without making any changes. Fonagy and Target (2003); Freud, A. (1937); Niolon (1999).

Cypriot land). We found denial in the form of blaming/projecting in the case of A.2.2, where at first the manager said s/he had not taken Turkish Cypriot advertisements because “alas” the newspaper had not been approached by Turkish Cypriots to advertise. This case also involved denial in the form of lying, as in the same interview s/he reported that they had had many requests for advertisements in the past. We also found shifting responsibility in A.1.1 (“No, unless the law changes”).

Denial in the form of diversion was found where we were passed onto other managers (A.1.2, A.1.3, A.1.4, A.2.1). Partly as a result of one our questions, we also found denial in the form of bargaining, with many interviewees setting conditions for trading with Turkish Cypriots, mainly relating to the need for political encouragement first (A.1.3, A.2.4) or a solution to the Cyprus problem (A.1.3, A.2.2). Denial in the form of minimizing was found in cases such as A.1.1: “I don’t know so it doesn’t bother me” and A.1.2: “We don’t consider the issue as important so we don’t find any reason to talk about it”.

8.2. Main psychological approach among Turkish Cypriots

The dominant psychological trend that was identified among Turkish Cypriots is what we have termed “The fear of inferiority”. As with denial, it is a complex trend with several elements,¹⁰⁶ which will be explained below. The fear of inferiority among Turkish Cypriots has of course has many causes. This includes being fewer in number than the Greek Cypriots, the events of 1963-64 and 1967 and the subsequent severe drop in incomes,¹⁰⁷ and from that decade a long period in which Turkish Cypriots have for various reasons been cut off from political and economic engagement with the rest of the world,¹⁰⁸ with only a small easing from 2003. This has led in many different ways to lack of opportunities for Turkish Cypriots, which in turn bolsters the fear of inferiority. There is also an egoism of victimization that results in denial of Greek Cypriot suffering in 1974. Within the context of intra-island business, Turkish Cypriots have often found doing Green Line trade to be a humiliating experience.

One aspect of the fear of inferiority is the “inferiority feeling”: a feeling that one is inferior to others in some way.¹⁰⁹ The feeling can arise from imagined or actual inferiority and it is often subconscious. A feeling of inferiority and the fear of being inferior, or being treated as inferior, can develop into an inferiority complex. An inferiority complex is defined as “a persistent sense of inadequacy or a tendency to self-diminishment, sometimes resulting in

¹⁰⁶ Socialization of Emotions, [Research Agendas in the Sociology of Emotions By Theodore D. Kemper, American Psychological Association Convention, by SUNY Press, 1990]

¹⁰⁷ Noë and Watson (2005), p. 1, Platis, Orphanides and Mullen (2006), p. 23.

¹⁰⁸ This is what the Turkish Cypriots call “the isolations” and the Greek Cypriots call “the so-called isolation”. Each community blames the other for the situation.

¹⁰⁹ According to Adlerian psychology, there is a distinction between primary and secondary inferiority feelings. Here we speak clearly of secondary inferiority feelings.

excessive aggressiveness through over-compensation¹¹⁰ or extreme shyness.”¹¹¹ Unlike a normal feeling of inferiority, which can act as an incentive for achievement, an inferiority complex is an advanced state of discouragement, often resulting in a retreat from difficulties.

We found strong evidence of the fear of inferiority in the attitudes of the Turkish Cypriot media and in our interviews. As we noted in Chapter 4, the media often portray Greek Cypriot encouragement to trade through the southern port of Limassol as attempts, in essence, to keep Turkish Cypriots down by preventing Turkish Cypriots from exporting products directly to EU countries. The articles translated from the Greek that emphasize the unwillingness of the authorities to allow trade is seen as more evidence of the Greek Cypriots keeping the Turkish Cypriots down. This feeling came out very strongly from one producer: “They are doing this deliberately” (Chapter 7, Section 7.2.1), while a tourist operator reported feeling “humiliated” at having to have a guide who is not allowed to speak and having to listen to a Greek Cypriot version of history (7.2.3). In our interviews with official bodies, it is stated that the Greek Cypriots (and the EU) allow people to come south “but not the goods” (7.1). There was a feeling of not being fairly and equally treated: “I’m sure that they would’ve stopped us from using the port after a shipment or two” (7.2.1). There was a feeling of dependency on either Greek Cypriots or Turkey (“We either have to sell our products to Turkey or use the Green Line” (7.2.2). We also found acute sensitivity among Turkish Cypriots about their acceptance: “Greek Cypriots don’t buy from us anyway” (7.3) and resentment about how they are treated (“We’re tired of selling products as though we’re selling stolen goods” (7.2.1).

The expression of such a fear of inferiority can take different forms such as the refugee growing oranges: “It’s okay when they sell my grapes” (7.2.1); and the hotelier whose entire hotel is labelled as Greek Cypriot land: “If the car park is situated on Greek Cypriot property, Larnaca airport is situated on original Turkish Cypriot property” (7.2.3). Exposure to the denial of the Greek Cypriot side can also be manifested in withdrawal, such as the absence of Turkish Cypriots at the state fair in the south. It can also lead to anger, such as the producer whose consignment of fish was considered unfit because the ice melted while the customs officials kept him waiting (7.1).

It is interesting to note that these feelings are not only directed at Greek Cypriots but at the EU as well. Whatever the actual history of the Green Line regulation, it is considered by Turkish Cypriots as part of a package together with the direct trade regulation: “There were three parts to this package” (7.1). The EU’s failure to implement the whole package (largely because of Greek Cypriot resistance) is seen as a failed promise on the part of the EU.¹¹²

¹¹⁰ *American Heritage Dictionary of the English Language*, Houghton Mifflin Company, 4th ed., 2000, updated 2003.

¹¹¹ *Collins Essential English Dictionary (Psychiatry)*, Harper Collins, 2nd ed., 2004 and 2006. In that context it may be significant that Turkish Cypriot customers were described as more polite in one interview (Chapter 6, interview A.3.3).

¹¹² In an interview with the Greek newspaper, *Eleftheros Typos*, the Turkish Cypriot leader Mehmet Ali Talat said “The isolation of the TRNC is still continuing and the EU is still a strong supporter of this isolation. The Union has not fulfilled its promise of easing the Turkish Cypriot side’s isolation”. *Eleftheros Typos*, 9 September 2008, <http://www.e-tipos.com/newsitem?id=50939>.

8.3. Interaction of the psychological trends of the two communities

A different experience for Green Line trade

The experience of Green Line trade has reinforced the psychological tendencies and in some cases strengthened them. Our findings suggest that the two communities' experience of Green Line trade was very different. Whereas Greek Cypriots began from a position of being negatively inclined towards Green Line trade¹¹³, those who traded became more positive as experience developed.¹¹⁴ The Cyprus Producer's poll and our interviews north of the Green Line suggest that it was the opposite for Turkish Cypriots. They began more positively inclined but often became disappointed on the way.¹¹⁵

How one approach re-enforces the other

The interaction of the main psychological trends of denial on the part of Greek Cypriots and inferiority complex/fear of inferiority on the part of Turkish Cypriots, leads to a strong resistance to trade. Greek Cypriots fear that if they trade, they will be identified and pilloried by their own community, since the produce could involve Greek Cypriot land, which reminds them of the trauma of 1974. Even those who do conduct business feel compelled to deny the existence of their clients or hide their identity by trading only in non-labelled goods. Turkish Cypriots, meanwhile, do not trust that the Greek Cypriots are really serious about trade. Turkish Cypriots believe that for Greek Cypriots, Green Line trade is a necessary evil, imposed by the European Commission days before Cyprus joined the EU in order to protect EU consumers, and now tolerated by the Greek Cypriot leadership because it wards off the greater horror of direct trade. And the actual experience of Green Line trade has been humiliating, reminding Turkish Cypriots of the traumas of the 1960s, when restrictions, checks and requests for documents made it very difficult for Turkish Cypriots to do business and was associated with economic hardship. In addition, there is a feeling that the Greek Cypriots control Turkish Cypriots' access to markets, which reinforces a feeling of dependency, both on Greek Cypriots and on Turkey. Moreover, the knowledge of these resistances in the hands of political leaders can be used for better or for worse.

Yet despite these psychological barriers and other challenges, a small group of Cypriots continues to do business and would recommend it to others. Their experience suggests that there are more areas in which the two communities can benefit than lose. In the next chapter, we shall make a number of suggestions of how to help reduce the psychological and practical barriers to trade.

¹¹³ "Trading with Turkish Cypriots is *the* psychological barrier", Chapter 6, Section 6.3, Case Study.

¹¹⁴ See especially Cyprus Producers' poll results in Chapter 5 and Chapter 6, interview A.1.5.

¹¹⁵ See Chapter 7, Section 7.3, Case Study and Chapter 7, Section 7.2, Producers.

CONCLUSIONS AND SUGGESTIONS FOR THE WAY FORWARD

9.1. The main psychological barriers

As we have seen in Chapters 6 to 8, the two key psychological barriers to trade are denial on the part of Greek Cypriots and a fear of being treated as inferior on the part of Turkish Cypriots. One of the most striking findings of our research was the widespread reluctance among Greek Cypriots to discuss doing business with Turkish Cypriots at all, even when it was difficult for them to deny that Turkish Cypriots were significant customers. That we had to switch interviewers in order to obtain any interviews at all in the south; that some subjects refused to be interviewed on the subject; that other subjects gave little or sometimes false information; and that many subjects were clearly uncomfortable about being questioned, all suggest that trading with Turkish Cypriots is a taboo subject, or as one interviewee said, it is *the* psychological barrier. This, as suggested by one interviewer, is linked to the general attitude that everything north of the Green Line is “illegal”.

North of the Green Line, psychological barriers among ordinary Turkish Cypriot consumers and businesspeople appear at first sight to be lower, since in practice more Turkish Cypriots buy goods in the south than the other way round and more goods are sold from north to south than the other way round. However, as the interviews showed, there are psychological barriers here too. Indeed, attempts to help Turkish Cypriots trade across the Green Line appear to have been counter-productive, since their encounters with Green Line trade have undermined the initial goodwill with which these producers and businesspeople approached it. The Green Line regulation appears to have had a polarizing effect, damaging much of the goodwill felt towards the EU in the immediate post-Annan Plan period. At that time, Turkish Cypriots believed that the EU would help them to overcome their economic isolation. Instead, they feel that the EU has allowed itself to be constrained by the Republic of Cyprus’s claims of legitimacy and its demands that all economic aid be funnelled through the south. Instead, as a result of the open checkpoints and the wide variety of goods available in the south, there is a feeling that businesses in the south have benefited from Turkish Cypriot business while Turkish Cypriot businesses in the north have suffered.

9.2. The need to create the right environment

How can such deep-seated psychological barriers be overcome? By its very nature, a strong psychological barrier cannot be overcome directly, since this would lead to a hostile response. However, it can be addressed indirectly, especially if the political will to do so exists. At the broad level, this means creating the right environment that will indirectly address the fear, denial, mistrust and inferiority complexes of Cypriots.

Our interviews suggest that the most effective means is to solve the Cyprus problem. Indeed, it may be significant that there has been a noticeable acceleration of trade growth in both directions since renewed efforts to solving the Cyprus problem began in earnest in April 2008. A general change in attitude towards one of respect—notably abolition of offensive and demeaning language—would also be highly effective in addressing the psychological barriers.

However, these changes take time. In the meantime, there are other practical measures that can be taken. We believe that the political leaders, business leaders and the European Commission can help reduce the psychological barriers with three important principles.

- By openly encouraging trade
- By tackling the practical obstacles to trade
- By improving the dissemination of information

Below are some practical suggestions under these three themes. While they will help the process of a solution to the Cyprus problem, they do not depend on it and can be implemented now.

9.3. Some practical suggestions

1. Open encouragement from political and business leaders

If the political and business leaders on both sides openly, publicly and repeatedly encouraged people to do business across the divide it would have a strong impact on both Greek Cypriot and Turkish Cypriot businesses, by lifting the taboo. Businesses would know that they were sanctioned from the very top. Under these circumstances it would be harder for the media to hound those who do trade across the divide. It could also bring much of the black market trade into the open, and therefore show that intra-island trade is higher in practice than officially recorded. So far, despite a considerable improvement in the political atmosphere, we have not noted any specific encouragement to do business by the political leaders on either side.

One positive sign, however, is that the Cyprus Chamber of Commerce and Industry (KEVE) in the south now appears more willing actively to encourage trade with Turkish Cypriots than it was in the past. “Trade links between the two communities can create a better business climate which in turn could help improve further ties between the two sides and ultimately the peace effort,” the KEVE President, Manthos Mavromatis, was reported as saying on 9 July 2008.¹¹⁶ Previously, while KEVE was the main force in the south behind

¹¹⁶ Cyprus News Agency, “Bicomunal trade helps peace effort, says Chamber”, 7 July 2008.

attempts to *facilitate* intra-island trade, by giving information and trying to overcome blockages, it was more reluctant actively to *promote* trade with one specific partner over another, arguing that it could not promote trade with Turkish Cypriots any more than it could promote trade with Russians or Britons. But one can argue that trade with Turkish Cypriots is a special case. Businesses do not need to overcome psychological barriers in order to trade with Russia or Britain. But they *do* need to overcome barriers to trade with their island neighbours.

2. An annual “Business for Peace” Award

One practical and very visible way in which political and business leaders can help lift the taboo of intra-island business is to reward those who are already doing it successfully. We recommend an annual “Business for Peace Award”, decided by the two chambers, rewarded by the leaders of the Greek Cypriot and Turkish Cypriot communities to one Turkish Cypriot and one Greek Cypriot business that have done most to promote intra-island commerce, and which includes a strong financial incentive. One could have just one award, or several focusing on different sectors: manufacturing, construction, tourism, retail and so on. There could be a special category for joint ventures (not just the state-aided ones discussed in Chapter 2, which because they are state aided are subject to many restrictions). Reward for joint ventures would address Turkish Cypriot fears of being treated as inferior. A Business for Peace Award would also generate more media attention towards Green Line trade. As one interviewee south of the Green Line noted, their readers are not that interested in Green Line trade. Positive media attention would also help address Greek Cypriot fears about being seen to trade with the other side. Within this context, perhaps the Cyprus Broadcasting Corporation’s “Biz/ΕΜΕΙΣ” bilingual programme in the south could be persuaded to move away from “folkloric” tales to real stories about Greek Cypriot-Turkish Cypriot business cooperation.

3. Lift the restrictions on telecommunications

Communication is at the heart of business. Across the divide, it is not possible to send text messages nor, depending on your provider, emails. Phone calls are charged at international rates and go out of range depending on where you are on the island. If a business person has to make an internationally charged phone call instead of sending a text message to tell someone s/he is running late, this in itself creates a psychological barrier to doing business. If his/her mobile phone goes out of range beyond a certain point on the island, the business person cannot call his/her client, and no longer feels in touch with home, so is less secure. We recommend that the companies responsible for phone and email communications lift all barriers to emails and text messages and implement roaming agreements, which the Republic of Cyprus government appeared willing to encourage in April 2003.¹¹⁷

¹¹⁷ Republic of Cyprus Press and Information Office, Measures for Turkish Cypriots, 30 April 2003.

4. Make the crossing points more business-friendly

Both communities complain of arbitrary treatment at the crossing points from the police and customs. Sometimes this is the result of changes in rules at the local or EU level and sometimes it is the result of deliberate obstruction on the part of officials. Either way, it creates a considerable amount of mistrust among business people about whether the authorities in the other community are really committed to allowing them to trade. Given the psychologies outlined in Chapter 8, it creates particular resentment among Turkish Cypriots, further reinforcing the barriers to commerce.

We make two practical recommendations. First, a Green Line information hotline, linked to the chambers, that businesses can call when they run into difficulties at the crossing points. This will send a strong signal to businesses, police and customs that the authorities on both sides are committed to facilitating trade. Second, an information board on the crossing points listing the main rules and regulations and any recent changes to those rules. The Turkish Cypriot Chamber of Commerce (KTTO) has already erected one for consumers at Ledra Palace. More generally, the authorities could encourage equal treatment of all those who cross by punishing those found guilty of discrimination

5. Support payments and contract resolution

Systems need to be put in place, perhaps using the chambers, for contract resolution. The authorities should also encourage banks to make use of existing payment systems across the divide.¹¹⁸

6. Reconsider rules on taxation

The rules on taxation currently discourage trade. The Republic of Cyprus should reconsider the request made on its behalf to the European Commission for what amounts to inverse VAT charging (see Chapter 3). At the same time, the European Commission could consider Cyprus a special case as regards taxation, in order to avoid the double taxation that would still take place even if VAT were imposed “the right way round”. The Turkish Cypriot administration could give Greek Cypriots most-favoured treatment and cut or abolish taxation of Greek Cypriot goods.

7. Support Turkish Cypriots aiming for EU standards

It is in the interests of a reunified island that Turkish Cypriot goods meet EU standards. All parties should move quickly to bring Turkish Cypriot production up to EU standards so that the range of goods that can be traded can be expanded, notably to include dairy products.¹¹⁹

¹¹⁸ One bank in the south does have permission from the Central Bank of Cyprus to make transactions across the Green Line. However, even the bank itself is not yet ready to publicize this.

¹¹⁹ We were told privately by someone involved in HACCP certification that they were “impressed” at the level of hygiene in some of the larger dairy producers in the north.

Indeed, we recommend that the Green Line regulation be amended to be “default inclusive”: any products of Turkish Cypriot origin, be they live animals or dairy products, should be tradeable as soon as they meet EU health and safety standards.

8. Improve website information

Information can help address the fear and denial we encountered in our interviews. One of the most notable findings of our research was that those who did “break out” of the stereotype, who overcame the psychological barriers of their own community and who began to trade, did so on the basis of information.

While it is clear that the chambers and other official bodies have done a huge amount of work to promote trade, and our research would not have been possible without their considerable help, we would like to be bold enough to make a number of recommendations on how information dissemination can be improved.

- **Publish the Cyprus Producers’ Network results.** This was funded by UNDP, therefore ultimately by the taxpayers, therefore it should be disseminated on all the chamber websites. This will allow other businesses to assess, using valid information, the experience of other businesses in intra-island trade.
- **Improve and disseminate the information booklet.** The KEVE website¹²⁰ has a banner in English on its home page entitled “Trade between Greek Cypriots and Turkish Cypriots”. The banner leads to a very useful booklet in English and Greek. We recommend that this booklet should also be in Turkish, in case a Turkish Cypriot trader finds the KEVE website first. On a practical note, we recommend re-doing the PDF file as one slide per page so that it can be read more easily. This booklet also has the logos of KTTO and the Turkish Cypriot Chamber of Industry (KIBSO) and should appear on these sites too.
- **Information on south-north trade on the KTTO and KIBSO sites.** A link to information on the Green Line regulation is prominently displayed in both the Turkish and English home pages of the KTTO website¹²¹. As well as adding the abovementioned booklet, we recommend adding information (or a link to information) on rules governing trade from south to north in three languages. We make the same recommendation for the KIBSO site¹²², where there is some, but limited information on Green Line trade.
- **A fuller list of products that may and may not be traded.** KEVE, KTTO and KIBSO should list the main products that may and may not be traded in order to help traders understand quickly whether their product is worth the effort. KTTO produces a short list governing north to south trade (only).

¹²⁰ <http://www.ccci.org.cy/index.shtm>.

¹²¹ <http://www.ktto.net/english/index.asp>.

¹²² <http://www.kktcsanayiodasi.org>.

- **The joint venture programme on the KEVE website.** At present, in order to find out details of the programme, one first has to know that it is under the auspices of the Ministry of Finance in the south, and that information on it is only in Greek on the Greek home page (not the English home page) of the website.¹²³ We recommend a banner on the English home page in Greek, Turkish and English, a link called “How the joint venture programme works” with information in three languages and prominent contact details. This banner (or a link to it) should also be on the KEVE website.

7. Include annual data in the European Commission report

Currently the European Commission’s annual reports on the Green Line regulation include only data on the period under review (May to April), and unfortunately also contain typographical errors. We recommend that annual data also be included in each annual report so that the annual rise in north-south trade is more easily made public.

9.4. Concluding remarks

While these recommended remedies are put in place at the practical level, they need to be accompanied by a parallel process of trust-building, which includes measures for reconciliation, forgiveness and revisiting historical narratives. This cannot be possible without the strong and active political will to do so.

Trade involves give and take and planning a common future together. Within the context of Cyprus it can be seen as using the profits of trade to create a common prosperity for the future. The history of the European Union, founded after centuries of wars on European soil and two world wars, has shown that the best way to overcome the psychological barriers of dealing with the former enemy is to create an environment for economic co-operation. Businesses on this island need to be allowed to do what they do best, without fear and without hindrance. Only in this kind of environment can the wounds carried by so many on this island slowly disappear.

¹²³ http://www.mof.gov.cy/mof/MOF.nsf/DMLindex_gr/DMLindex_gr?OpenDocument.

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Intra-island trade in Cyprus

Sales of goods across the Green Line have risen from just under EUR 475,000 in 2004 to EUR 4.9 million in 2007, while total transactions across the Green Line including shopping and casino spending amounted to an estimated EUR 31.7 million in 2007. In terms of value, the flow of money is in favour of Greek Cypriots but it tips in favour of Turkish Cypriots when estimated remittances of those working in the south are included. With this included, the value of total intra-island business including salaries is estimated at EUR 85.3 million.

There has been some acceleration in trade growth in both directions in 2008. Yet intra-island trade remains only a very small proportion of trade within the Greek Cypriot and Turkish Cypriot communities and trade by each side with the rest of the world. Taking as its cue the low level of trade and the European Commission's reference to psychological barriers to Green Line trade in its 2007 report, the aim of this research was to ascertain whether there were psychological barriers to intra-island commerce and to suggest practical steps to help address these and other barriers to trade which were identified during our research.

A review of the literature, such as previous reports on the Green Line regulation, media reports and the prevailing atmosphere in which trade is conducted, showed that apart from political and structural impediments to trade, there were also other impediments that might be described as "psychological." In order to investigate these, the authors held interviews with businesses, business representatives, official bodies and opinion-formers on both sides of the island. In the south, they focused on potential purchases of Turkish Cypriot goods and services, while in the north, they focused on those selling goods to the south.

The authors found that psychological barriers do indeed exist and are reinforced by political leaders and the media. Tackling the psychological barriers to trade requires a multi-layered approach that touches all parts of society and needs political will and time to implement. However, the process also needs a tangible basis. The authors therefore make some practical suggestions that, by addressing some of the structural issues, can also help address the psychological barriers. They are: openly to encourage trade; to tackle the practical obstacles to trade; and to improve the dissemination of information. Within these abovementioned headings, the authors make a number of practical suggestions.

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