

AN ECONOMIC VISION FOR CYPRUS: THE GREEK CYPRIOT EXPERIENCE

In the last four years, the world's major powers and the UN aspired to a final solution to one of the most intractable problems of our times, the Cyprus Problem. The effort culminated in disappointment as both Greek Cypriot and Turkish Cypriot communities went their separate ways in the referendum. Despite political talk of a solution, economics is carving a different course for the Island's communities. Two disengaged economies have grown up separately and are getting used to it. If this is allowed to continue a political solution will not be possible. The challenge for the Greek Cypriot community is to include in its visions the economy of the Turkish Cypriot community without overshadowing it but allow it to grow under one federal umbrella in the EU 'independently together'. Greek Cypriots and Cyprus as a whole urgently needs new political minds fresh and free from the heavy hand of history

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When the Republic of Cyprus achieved full membership in the EU on May 1st 2004, barriers to trade and previous ways of handling economic affairs with the outside world disappeared. Since the Island gained its independence from the disintegrating British Empire in 1960, Cyprus has done well even in the midst of occasional political and military crises that would interrupt its steady economic growth. It has, over the years, used various protectionist policies that benefited producers of various goods, as it allowed favorable terms of trade for the small island economy. The ensuing prosperity, financed largely by consumers paying higher prices, allowed a reaction-free climate and thus kept the various policies intact. As of May 1st 2004, however, this equation changed overnight.

The Weight of History:

The 1963-64 events that resulted from the effort by the President of the Republic of Cyprus, Archbishop Makarios, to amend the Constitution, brought the withdrawal of the Turkish Cypriot community from a 'partnership government' to their own enclaves scattered throughout the Island within which they set about constructing the basic rudiments of their own separate administrative structure. The Turkish Cypriot 'enclaves' were not set up as enclaves until the collapse of the 'partnership government' in December 1963. The UN was involved in the effort to quickly fix the problem and UN Security Council Resolution 186 of March 3rd, 1964 stated that, "The Turkish Cypriots applied to the Secretary General asking to return to the Constitutional order of 1960." In the same Report the Secretary General stated that he did not have the mandate to enforce such a request. During a meeting between Turkish Cypriot members of the House of Representatives and the President of the House, Glafcos Clerides, the Turkish Cypriot Parliamentarians were told that they had to accept the changes that were made (as per Constitutional amendments submitted by President Makarios in 1963) otherwise they would not have a place in the House. These details are important in order to demonstrate that in the Cyprus Problem, any change away from the status quo, quickly generates new problems. Rarely, if ever, were unilateral changes rectified.

This placed Turkish Cypriots in dire economic straits and, in effect, left Greek Cypriots under the cloak of the Republic of Cyprus, in charge of all formal economic activity with the outside world. Thus, the framework for a separate Turkish Cypriot administration that was put together after the split was only effective within its own community and could not plan nor conduct any meaningful economic activity with the outside world. The 1974 intervention in Cyprus by Turkish forces brought economic devastation to the Greek Cypriot community which lost its dominion over the whole Island and was restricted to only 60 percent of its territory. The ensuing exchange of populations cemented the division and set the stage for the development of two economies totally disengaged from each other. The still recognized Republic of Cyprus, the only internationally legitimate authority on the Island, did enviably well in rebuilding on the rubble the war left behind.

The economic costs of the war were horrifying. 80 percent of the tourism infrastructure of the Island was lost, 70 percent of the tillable land was gone, no airports were available,

80 percent of sea freighted cargoes were lost due to the loss of Famagusta Port, 180,000 Greek Cypriot refugees¹ lost everything and had to be housed, fed, schooled and gainfully employed. Foreign aid made a difference as it swiftly trickled in but the big breaks for the Greek Cypriot economy came soon after. The Lebanese Civil War that broke out in 1976 and lasted for fifteen years forced thousands (mostly wealthy) Lebanese to seek refuge in nearby Cyprus, thus bringing a much needed economic boost to the beleaguered economy. Around the same time, the markets of the opulent Arab Gulf were opening to new construction projects and imports of food products. Tens of thousands of Greek Cypriots (and large numbers of Turkish Cypriots as well) sought work there with Cypriot companies that became global players on the construction map thanks to the massive and lucrative business projects they enjoyed in the Gulf. At one point the leading company, J & P was employing close to 40,000 workers and 27 percent of Cyprus' GDP relied on the company's activities. Workers' remittances from overseas were important for the economy until the Gulf States started restructuring their development plans and Cypriots started to return home in increasing numbers.

Exports of agricultural products also enjoyed a major boost with the Gulf States as their main clients. These buyers rivaled even their traditional main market in London where more than 250,000 Cypriots lived. Cypriot exporters have managed to sell, through seasonal windows of opportunity, sizeable quantities of fresh vegetables, citrus and potatoes. Due to severe cost differentials though, this quality advantage has been steadily slipping away with dwindling quantities exported. Cyprus' 'champion' potatoes, long a mainstay of Cyprus exports and a steady earner of valuable foreign exchange have experienced a decline from a high of 200,000 tons annually to a projected total of 70,000 tons this year. The Government safety net for producers since 1960, shielding them from international market adversities is not there anymore due to the requirements of EU membership, i.e. no trade distorting measures allowed. Greek Cypriots are beginning to realize that with the privilege of EU membership comes with responsibility and costs.

The collapse of the once mighty Soviet Union in 1989 left the former empire in disarray and benefited Greek Cypriots economically in a direct way. Close to 50,000 quite wealthy Russians moved to Cyprus seeking refuge until the dust settled. As the years passed, many returned to their '*rodina*' (motherland), but the majority, as well as their activities, remain linked to Cyprus. Local statistics indicate that close to 35,000 Russians and/or Russian-owned companies still use the Republic of Cyprus as a home base. The financial impact of this influx has been a blessing for Greek Cypriots.

In 1974 the GDP per capita among Greek Cypriots stood at nearly 4,000 dollars. In 2005, it stands above 23,000 dollars. Not discounting the local populations' intelligence, work ethic and so on, all of the above exogenous forces and events contributed substantially towards making this rise possible. On July 4th, 1990 the Republic of Cyprus formally applied to the EU for full membership and the long accession process was set in motion. This was a monumental event for Cyprus overall, as the Greek Cypriots' strategy concerning the Cyprus Problem was irretrievably linked to the prospect of EU membership in more ways than one. In the meantime, for the Turkish Cypriot

¹ Turkish Cypriot politicians have disputed the refugee figure to be rather at 160,000.

community, economic realities were very different. Stagnation and occasional periods of recession and depression, with per capita income actually falling, led thousands of Turkish Cypriots to emigrate overseas in search of a better economic future.

The international embargo on the Turkish Cypriot community, at the behest of the Republic of Cyprus, removed any possibility of trade the Turkish Cypriots could have with the rest of the world, except with Turkey. Turkey became Turkish Cypriots' lifeline during the long and tranquil but economically difficult period of 1974-2003. In GDP per capita terms, the Turkish Cypriots had in 1974 a low of 1,800 dollars and slowly increased that over almost thirty years to 4,409 dollars in 2002. In 2003 an upward spiral began taking them near the 6,000 dollars mark and they have currently peaked at above 8,000 dollars. The economic reasons for this mini and swift explosion are directly linked to political developments in Cyprus in 2003. Whether this sudden burst of growth is sustainable is another matter that deserves serious economic analysis but it is not the subject of this article.

April 23rd, 2003: St. George's Day... for the Turks?!

After almost thirty years of division and a 'border' less porous than the one on the Korean Peninsula, a move from the Turkish Cypriot side upset the status quo. Until then, matters had been relatively straightforward.

The 1974 coup d'état by a Greek junta in Athens toppling the President of Cyprus Archbishop Makarios gave Turkey, one of the three guarantor powers of the Republic of Cyprus, the legal grounds on which to base its military intervention and come to the 'rescue' of the Turkish Cypriot community. The above position is vehemently disputed by the Greek Cypriots, but that is a matter far and away from the realm of this article. The facts are indeed that the world recognized only one Government on the Island, that of the Republic of Cyprus, which was in essence, comprised of Greek Cypriots. A struggle began that was mostly fought with economic, political and diplomatic instruments, even though occasional flare ups did threaten to bring the Cyprus-Greece-Turkey triangle into direct military confrontation, the most noticeable ones being in 1976, 1987, 1996 and 1999. Turkey was viewed as a villain by insisting on maintaining a tight military grip on the northern part with the presence of a 40,000 plus strong army and the Turkish Cypriots, initially safe and victorious after their 1974 conquests, lived with this reality daily. Turkish Cypriots were unable to be legitimized in the international arena and consequently had no legal documents they could use overseas both for business purposes as well as for simple traveling needs.

Interestingly, a steady stream of Turkish settlers began arriving in northern Cyprus to fill positions in the small economy left behind by Greek Cypriots who fled the advancing Turkish Army southwards and by the Turkish Cypriots who had emigrated overseas previously during 1963-1974 in search of a better future. Mainland Turks soon became a majority and to this day have not integrated with the local Turkish Cypriot society thus maintaining a big social and economic divide in the North. It should be noted that the topic of the 'settlers' from mainland Turkey is a major source of dispute during the recent

fury of diplomatic efforts to push for a final and overall solution to the Cyprus Problem through the many versions of the Annan Plan. Greek Cypriots state that the settlers permanently living and working in the northern part stand in excess of 100,000 whereas the Turkish Cypriot side argues that it has been unable to verify more than 41,000.

Daily accounts in the Greek Cypriot press of the above realities were painting a picture of absolute desolation thus, maintaining the rather cushioned self assurance that a solution will inevitably come one day for economic reasons as well. Popular opinion among Greek Cypriots could be summarized as ‘the hapless Turkish Cypriots victims of circumstances themselves will realize they cannot do it alone’. This attitude made the prospect of a political solution imminent in Greek Cypriot minds and a return to their ancestral homes assured, thus creating a dangerous syndrome among the wider population that all would return to lives and situations almost similar to the ones before 1974. On April 23rd, 2003 however, (a day which Greek Cypriots point out, with higher meaning, is St. George’s Day ²) the regime in the North decided to open their doors to whoever wanted to visit the area. This was preceded by months of mass protests by the Turkish Cypriots against their leader Rauf Denktaş and his regime mainly out of economic frustration as they were becoming simple witnesses to their compatriot Greek Cypriots’ steady path to accession in May 2004. Their slogans of ‘*Europe and Solution*’ captured their frustrations...The waves of Greek Cypriot refugees who kept the flame of their eventual return to their birthplaces and homes burning all these years, quickly flooded the northern part of the Island. Within a few weeks, myths of old started crumbling. The Turkish Cypriots were indeed poorer than their wealthy compatriots, the Greek Cypriots, but were not destitute. They were bitter about their lives, but not demoralized and certainly nowhere near surrendering their achievements of the last forty years. Rauf Denktaş’s favorite phrase for years, ‘the realities on the ground’ suddenly started hitting home for Greek Cypriots. To this day, Greek Cypriots believe that Denktaş grudgingly and under pressure from Ankara and the 2003 Turkish Cypriot demonstrations, accepted the easing of border restrictions between the North from the South, ensuing an influx of Greek Cypriots. Recent revelations by top Ankara officials suggest that the move was a smart initiative by Denktaş himself and that this idea of his had been on the table for years.³

During their forays into the North, Greek Cypriots came across all elements of an administrative state, i.e. police, customs, and visa officers, ‘state ministries’, a court system and so on, all indicating the existence of a functioning state, illegal to them and to the rest of the outside world who had refused to recognize it but nevertheless...there! Furthermore, a problematic but functioning economy was present with farmers, industrial workers, civil servants, managers entrepreneurs, quite a few of which were settlers from Turkey and of course, large numbers of tourists. Suddenly, the eventual solution in Cyprus and the structure of that solution in economic terms became much more complicated than initially envisioned by the Greek Cypriots. It as an interesting statistic to note that to this day, more than 50 percent of the Greek Cypriots refuse to exhibit their

² St. George's Day is celebrated on April 23rd. The life of St. George, the patron saint of England, is shrouded in legend and fable. Most famously he slew a ‘dragon’ in Libya, and saved a sacrificial maiden.

³ Authors discussions with officials of the Turkish Foreign Ministry

ID or passport to cross over to northern Cyprus. Furthermore, a large segment of the ones who had initially visited once or twice have lost their desire to revisit.

April 24th, 2004: The Annan Plan Referendum

On the day of the Referendum both communities gave their overwhelming responses; the Turkish Cypriots delivered thunderous 'Yes' (65 percent) and the Greek Cypriots a deafening 'No' (76 percent). Urged on by their leader Tassos Papadopoulos, President of the Republic of Cyprus, that they should trust he could deliver eventually something more workable and safe with ample safety mechanisms attached that would guarantee the actual implementation of the Plan, the Greek Cypriots rejected the proposed version of the Annan Plan known as "Annan Plan No.5".

A week later Cyprus was accepted as a full member of the EU and jubilation by Greek Cypriots overcame the disappointment expressed, mainly, by other countries and international organizations. Politically, one could assume that matters can always be discussed but economically matters had taken their own path and had developed their own agenda. In fact these rapid economic developments in northern Cyprus that followed the rejection of the Annan Plan by the Greek Cypriots seem destined to leave their own distinct seal on the ultimate solution to the Cyprus Problem whenever this is finally reached by the two communities.

Economic Deliverance for the Turkish Cypriots?

The new found ability of Turkish Cypriots to work in the more prosperous areas under the control of the Republic of Cyprus as construction workers etc (at rates almost five times higher than the ones available in their areas), the ability of tourists coming to Larnaca to legally visit and even stay in the northern part at much lower cost, the reacquired ability by Turkish Cypriots to get their Republic of Cyprus ID cards, pension and social benefits reissued to them, the continuing visits by thousands of Greek Cypriots in the North leaving behind precious millions of Cyprus pounds and thus hard currency exchange all gave an economic breather of monumental proportions to the Turkish Cypriots and made them realize the various options available to them.

The outside world has interpreted the above as the beginning of normalization in Cyprus and an increasing number of foreign pensioners and vacationers are buying into northern Cyprus properties and starting up ventures without worrying too much about the legal status of things. The tourism potential of northern Cyprus, largely untapped, has also been attracting real interest by foreign tour operators and developers. Simple figures here give the picture of what is unraveling; tourism bed capacity in northern Cyprus hovering at around 7,000 units in 2003 is expected to surpass 30,000 by 2007.

By 2010, the next target of 50,000 beds is a realistic one. Greek Cypriots have been developing their own tourism industry in the southern part of Cyprus over the last 31 years since the 1974 events and offer 100,000 plus beds. With huge cost differentials in the Turkish Cypriots' favor it is fully understandable where and why increased flows of

tourists will be diverted. Simultaneously, the construction boom in the northern part of Cyprus is unprecedented. Thousands of apartments, vacation villas and houses have been completed or are in construction as this article is written. The rate of construction is indeed frenetic. Most of them, inevitably, lie on Greek-owned land.

In addition, direct trade by the Turkish Cypriots with the outside world has been a hotly debated issue and is quite stubbornly on the agenda to the detriment of other arguably more immediate benefits, i.e. the disbursement of 259 Million Euros that has been allotted to the Turkish Cypriot community by the EU as a part of the overall accession of the Republic of Cyprus last year. To this date none of this amount has been collected due to political maneuvers by both sides. Part of that amount in the tune of 120 million will be irretrievably lost should the Turkish Cypriots fail to collect it by December 31st, 2005. On the other hand Turkish Cypriot politicians point out that 'ways will be found' to not lose these funds.

It is obvious that direct trade and direct access to international organizations involving financial aid tends to accord legitimacy to the recipient and its institutions.

Thus, the biggest argument the Greek Cypriots had in mind when they were arguing that the Turkish Cypriot community would have to eventually seek a comprehensive settlement, i.e. that economic emancipation would take place, has been chipped away to a great extent by developments during the last two years. As the process seems to be irreversible, the economic futures of both communities on the Island seem to be taking divergent paths. In its development plans, the Republic of Cyprus Government maintains provisions for the case of an overall solution but not real resources due to its recent accession to the EU as a full member on May 1st 2004 and the delegation of its economic policy to Brussels. As Brussels now has to approve all submitted policy plans for allowing access to precious EU programs and funds, Greek Cypriots can only pursue their separate EU course and hope for a political settlement.

Welcome to the EU! Now do this and...only this!

As stated, the Republic of Cyprus joined the EU as a full member on May 1st 2004 and has, currently, three main strategic goals on its agenda with tight and specific timetables:

1. Abide fully by the Lisbon Strategy,
 2. Adopt the Euro as the sole legal tender replacing the Cyprus pound by January 1st 2008,
 3. Achieve the above with the minimum social unrest and reactions by specific citizens' groups, i.e. producers, farmers, etc.
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1. The Lisbon Strategy of the EU defines an efficient framework for the pursuance of structural reforms for the Cyprus economy. These reforms aim at promoting the improvement of the market mechanism and the productive capacity of the Cyprus economy. Despite the relatively good positioning of the economy, as exemplified by the fulfillment of several long term Lisbon targets, efforts to further reform the labor

and product markets in line with the country-specific 'Broad Economic Policy Guidelines' (BEPGs) need to be sustained. In this way, the BEPGs pave the way for reforms pertinent to economic development, in particular, via dictating the implementation of growth and stability-oriented macroeconomic policies, the conduct of economic reforms that raise potential growth and strengthen long term sustainability. The economic vision of Greek Cypriots is now largely shaped by the cumulative obligations they have assumed as members of the EU and the surrendering of long term economic policies to Brussels. The EU funds that were made available to Cyprus in the period of 2004-2006 totaling more than 200 million euros, were mostly allocated to environmental and infrastructure projects.

2. Adopting the Euro within such a short time - indeed record time!, by the target date of January 1st, 2008, requires strict devotion to satisfying the Maastricht criteria in terms of public deficits, interest rates, total national debt ratios and other stringent parameters. This will require sacrifices by the Government and the people. The freely spending days of Government to correct real problems in the economy are long gone by virtue of the ambition to adopt the Euro as well as the stringent fiscal stabilization requirements that come with it.
3. Minimizing social unrest means either pedaling softly with changes required thus taking longer, at a higher ultimate cost or otherwise powering ahead to meet tight deadlines. To date we have witnessed the Government of Papadopoulos not being able to convince anyone of its ability to handle situations of social unrest emanating from the restructuring imposed by the EU on special interest groups, i.e. farmers, truck drivers, national carrier Cyprus Airways' personnel, etc. The scenario has been to talk tough and refuse any dialogue but when strikes and violent clashes begin, the Government succumbs, pays up and thus buys its way out of trouble. The problem is that the same interest groups will return again and again and again...

With parliamentary elections coming up in May 2006, the incentive of the Government to proceed with serious economic management that will upset certain special interest groups and restructuring is virtually zero. However with Brussels watching, margins for error and frivolous spending are tight. All funds, domestic and EU-hatched, are scarce and earmarked for specific programs and social groups. This is why the recent 'efforts' by the Government to tackle serious economic problems involving well-entrenched interests (and voters!) are all focused on basically embarking on the much celebrated 'Social Dialogue' that will definitely be the excuse of avoiding any actions until election time.

The truth of the matter is that the Republic of Cyprus is no longer in a position to woo its runaway Turkish Cypriot part. A community that has always considered its economic health and superiority its biggest shield for survival is unwilling to take any additional risks in a period when its political successes are not frequent any more. As noted above, its Turkish Cypriot counterparts have fully realized they can actually do it alone economically and have embarked on a massive effort of improving their infrastructures, i.e. transport, communications, power, water supplies on which they will build the next successes of other major industries; tourism and education. Both have known

extraordinary success for years (i.e. colleges and universities) or are promising stellar returns in the future, i.e. tourism.

Inevitably, Greek Cypriot planners are beginning to realize that Turkish Cypriots are more likely to become their competitors in the near future rather than their collaborators in the absence of any dramatic developments towards a solution of the Cyprus Problem. If that comes to pass, economic confrontation will substitute the political one and unfortunately, any attempt to find common ground will fail as economic wars tend to confer upon winners and losers more immediate results than other forms of confrontation. If Cypriots manage to dig themselves into that hole it is unlikely they will ever come out of it and political dialogue will become obsolete and meaningless.

The focus of economic policy in the Republic of Cyprus by Greek Cypriot planners prodded and monitored by the EU is the enhancement of the growth potential of the economy in line with the core objectives of the Lisbon strategy and the tackling of the main challenges facing the economy as identified in the Broad Economic Policy Guidelines (BEPGs) and the EPC (Economic Policy Committee) Annual Report on Structural Reforms. Pertinent to the challenge of increasing the diversification of the Cyprus economy towards higher value-added activities, a three pillar strategy is in place, aiming at the promotion of structural changes in the product, capital and labor markets, the fostering of knowledge-based economy and the amelioration of the constraints to sustainable development by means of a supportive development strategy.

On the fostering of the knowledge-based economy, specific measures aiming at stepping up investment in R&D, innovation and the improvement of human capital are particularly relevant. Among these, one should mention the initiative to establish an international research, education and technology institute in cooperation with Harvard University, increased funding of R&D activities channeled through the programs of the Nicosia-based Governmental Research Promotion Foundation as well as efforts to accelerate the expansion of e-Government and to set the necessary legal and institutional mechanisms for the development of e-Commerce.

The supportive overall development strategy is largely based on two priority pillars explicitly put forward in the new Strategic Development Plan, namely the expansion and upgrading of basic infrastructures and the development of human capital – promotion of equal opportunities and strengthening social cohesion. Measures implemented in this perspective aim at expanding and upgrading the infrastructure in the sectors of energy, telecommunications and transport linking Cyprus with the Trans-European Networks (in line also with the Growth Initiative of the EU) and utilizing, to the extent possible, the opportunities offered via the PPP initiative (Public Private Partnerships). The utilities sectors have also recently liberalized even though the limited size of the domestic market is indeed a prohibitive factor for any major player from overseas to attempt to enter. The Lebanese mobile telephony company ‘Areeba’ is still trying to make their investments pay off. As far as the development of human capital is concerned, the relevant measures have started being implemented. The Greek Cypriot economy is indeed on automatic pilot. The Turkish Cypriot economy on the other hand is fully engaged in an awakening

of its capacities and limitations and in an outward search for how to integrate again with the world.

Conclusions:

The fact that the two communities in Cyprus have different economic visions for the future should be recognized and not buried under the carpet. Every time that was attempted it did not work. Just talking of the common wish to bring both economies at par with each other within a logical and reasonable time framework is simple. Engineering it is another story; it will take painstaking planning and diligent execution as well as a single minded devotion to the goal of an operationally unified economy that leaves no one behind but also rejects permanent free riders.

It is only natural that long disengaged economies operated by two different ethnic communities would be at different crossroads. Using financial formulas it would be rather easy to demonstrate to both sides why economic integration, as the Greek Cypriots insist on, (when it comes to modifying the current version of the Annan Plan No.5) would eventually offer the biggest benefits to a unified country. The problem is not with numbers though but with mentalities. The Turkish Cypriots have been running their own affairs for so long they have to come to attach a very high premium to independence of actions and thus arguments of a 'bigger pie for all' are of limited interest.

Occasionally, the delay in securing promised benefits like direct trade with the outside world, more direct aid from the EU and other widely publicized perks by friends and allies of the Turkish Cypriots make the Turkish Cypriots glance over the barricades southwards to the Greek Cypriot side where a well-functioning economy fully-integrated with the world is powering ahead despite its own structural problems.

Ironically politics, the poisonous thread that has run amok throughout both communities, is the main centripetal force keeping the romantic prospect of some form of reunification intact. Economics, if left free at this stage to operate without hindrances, will most probably lead to a centrifugal spree towards permanent partition. Unfortunately, everything else can change but sharing a common geographical area will not. This means the two economies will continue producing across various sectors similar products with vastly different cost structures that will then create and sustain competitive advantages of one economy versus the other, i.e. Cyprus potatoes of the same seed, same soil and climatic conditions sold in the same EU markets with price differentials of 30 percent, tourist packages from the same Island destination, same beaches, same sights and sunshine offered to the same EU markets with price differentials as high as 40 percent and the list goes on. The Greek Cypriot argument that the Turkish Cypriot economy will lose this cost advantage rather quickly is mostly wishful thinking and turns economics on its head as it assumes that no planning will be involved and *laissez faire* market forces will rule the day. It is very difficult to envision any Turkish Cypriot administration that will idly stand by and let things happen. Using one's competitive advantage is a natural human endeavor and will surely lead to non-stop confrontation that will subsequently

poison attempts to continue talking about how to put an end to the cancerous Cyprus Problem.

The Greek Cypriot EU-sponsored economic vision for the future takes them to a stage of economic development where the less advanced Turkish Cypriot economy could supplement it, but again this will be suspect to Turkish Cypriots as an attempt to camouflage policies of economic subjugation. Breaking the mould of this 'Catch 22' situation will not require economic planners but new, open minded politicians who can think 'out of the box' in a comprehensive way and not in pieces that deliver a decipherable and practical *modus vivendi* in Cyprus. A new Taiwan in the Mediterranean, i.e. freely trading but not recognized by other states is not a desirable solution. Neither is the pretension that the last forty years did not really happen and that the Turkish Cypriots can be fully absorbed by its larger brethren, the Greek Cypriots.

The recent historic commencement of accession talks with Turkey on October 3rd and its expected long path towards membership, along with the Greek Cypriot economy tightly scheduled towards full monetary integration into Euroland will keep these two sides fully engaged for the foreseeable future. In between stand the Turkish Cypriots stranded between the benefits of full EU membership as part of Cyprus and the deep seated desire to be safe in conditions of self-government...

All sides have been successful up to now in their vastly different quests.

But herein lies the trap; nothing fails like success because it does not teach us anything. An urgent call to attention is needed by Greek Cypriot political planners to their fellow Turkish Cypriots' hopes and fears to sanction substantive and intelligent economic planning not based on handouts but on joint development policies that will remove the nightmarish prospect of a two-track economy well into the next decades.