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GRS 1040

CONFIDENTIAL
Feame *Extract*
FM NICOSIA 031600Z DEC 83

DESKBY 050900Z DEC 83
TO IMMEDIATE FCO

TELEGRAM NUMBER 343 OF 03 DECEMBER

INFO IMMEDIATE DESKBY ATHENS 041000Z FOR PRIME MINISTER'S
PARTY AND SECRETARY OF STATE'S PARTY

INFO IMMEDIATE UKREP BRUSSELS ANKARA

INFO PRIORITY ODA (FOR MCCULLOGH)

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN PARIS BONN
LUXEMBOURG

UKREP BRUSSELS TEL 4292: EC/CYPRUS

1. HAFERKAMP DEBRIEFED COMMUNITY HEADS OF MISSION AFTER HIS TALKS
THIS MORNING WITH KYPRIANOU AND IACOVOU. HE SAID THAT HE WOULD BE
MAKING AN IMMEDIATE REPORT TO THORN, AGAINST THE LIKELIHOOD OF
POLITICAL DISCUSSION AT THE EUROPEAN COUNCIL IN ATHENS. BUT
DETAILED CONSIDERATION WOULD NO DOUBT HAVE TO AWAIT THE FOREIGN
AFFAIRS COUNCIL OF 19/29 DECEMBER. THE DISCUSSION HAD BEEN UNDER
THREE HEADS.

CUSTOMS UNION

2. THE CYPRUS GOVERNMENT WISHED TO ACCELERATE THE TECHNICAL
PREPARATION FOR NEGOTIATIONS AND WOULD BE PROVIDING EARLY

2. THE CYPRUS GOVERNMENT WISHED TO ACCELERATE THE TECHNICAL PREPARATION FOR NEGOTIATIONS AND WOULD BE PROVIDING EARLY NEXT WEEK THE ANSWERS TO CERTAIN QUESTIONS ASKED BY THE COMMISSION. HAFERKAMP HAD SUGGESTED THAT THEREAFTER THE TECHNICAL DISCUSSIONS COULD BE CARRIED FORWARD THROUGH THE DESPATCH OF EXPERT MISSIONS IN BOTH DIRECTIONS.

TRADE WITH THE NORTH

3. HAFERKAMP REFERRED TO THE GREEK CYPRIOT NOTE VERBALE OF 28 NOVEMBER WHICH HAD OFFICIALLY TRANSMITTED DETAILS OF THE SOLE GREEK CYPRIOT DOCUMENTS AND STAMPS, AND THE EXCLUSIVE LIST OF LEGAL PORTS AND AIRPORTS, THROUGH WHICH TRADE WITH CYPRUS MIGHT BE CONDUCTED SO AS TO BENEFIT FROM THE EC/CYPRUS PREFERENTIAL ARRANGEMENTS. HAFERKAMP SAID THAT, IN VIEW OF THE COMMUNITY'S RECOGNITION OF THE CYPRUS GOVERNMENT AS THE SOLE LEGAL GOVERNMENT IN CYPRUS, HE HAD POSED THE QUESTION WHETHER THE CYPRUS GOVERNMENT ACCEPTED THEIR OBLIGATIONS IN RESPECT OF THE WHOLE ISLAND TO THE EXTENT OF PERMITTING TRADE WITH THE NORTH TO BE CONDUCTED UNDER THE DOCUMENTATION, AND THROUGH THE LEGAL PORTS AND AIRPORTS, WHICH THEY HAD LAID DOWN. KYPRIANOU HAD FOUND THIS IDEA 'QUITE ATTRACTIVE' AND HAD SAID THAT THE TECHNICAL PROBLEMS IN IT (EG CERTIFICATES OF HEALTH) WOULD BE EXAMINED IMMEDIATELY. THE PROBLEM OF TURKISH CYPRIOT EXPORTS OF AGRICULTURAL PRODUCTS AND MANUFACTURED GOODS FROM 'STOLEN' GREEK CYPRIOT PROPERTY HAD BEEN MENTIONED. HAFERKAMP SAID THAT HE HAD POINTED OUT THAT IF THE GREEK CYPRIOTS OFFERED ARRANGEMENTS FOR TURKISH CYPRIOT TRADE TO PASS THROUGH THE SOUTH, AND THE TURKISH CYPRIOTS REFUSED, THEN THE LATTER WOULD HAVE ONLY THEMSELVES TO BLAME. I ELICITED FROM HAFERKAMP (FOR WHICH HE PRIVATELY THANKED ME AFTERWARDS) CONFIRMATION THAT HIS IDEAS HAD NOT BEEN DISCUSSED, STILL LESS ENDORSED, IN THE COUNCIL AND THAT HE HAD CLEARLY DESCRIBED THEM TO THE CYPRIOTS AS 'HIS OWN PERSONAL CONTRIBUTION'.

SECOND FINANCIAL PROTOCOL

4. HAFERKAMP ENQUIRED WHETHER THE CYPRUS GOVERNMENT REMAINED PREPARED TO PUT FORWARD PROJECTS TO THE BENEFIT OF THE WHOLE ISLAND OF WHICH THEY WERE THE SOLE LEGAL GOVERNMENT. THE CYPRIOTS HAD REPLIED AFFIRMATIVELY IN PRINCIPLE BUT HAD SAID THEY WERE NOT READY TO MAKE A DECLARATION TO THIS EFFECT AS THEY HAD DONE FOR THE FIRST FINANCIAL PROTOCOL. HAFERKAMP HAD SUGGESTED THAT IF THERE WAS A FIRM UNDERSTANDING ON THIS PRINCIPLE, NO DECLARATION MIGHT BE NECESSARY. BUT IT WOULD

PRINCIPLE, NO DECLARATION MIGHT BE NECESSARY. BUT IT WOULD HAVE TO BE ESTABLISHED THAT THE STATEMENT IN THE GREEK CYPRIOT AIDE MEMOIRE OF 28 NOVEMBER THAT THERE WOULD BE 'NO POLITICAL CONSTRAINTS AS TO THE UTILISATION OF FUNDS', WAS NOT TO BE TREATED AS A DEROGATION FROM THE PRINCIPLE. ON THE QUESTION OF COMMISSION CONTACTS WITH TURKISH CYPRIOT OFFICES ON THE IMPLEMENTATION OF PROJECTS, IT WAS LEFT THAT THIS WOULD BE CONSIDERED AND DISCUSSED WITH THE CYPRUS GOVERNMENT ON A CASE BY CASE BASIS AS AND WHEN THE NEED AROSE (WHICH THE COMMISSION DO NOT EXPECT TO HAPPEN FOR SIX MONTHS). THE QUESTION OF FURTHER IMPLEMENTATION OF THE NICOSIA SEWERAGE PROJECT WAS NOT RAISED.

COMMENT

5. THE GREEK CYPRIOTS SEEMED PLEASED BOTH BY THE SPEED WITH WHICH HAFERKAMP'S VISIT HAD BEEN MOUNTED AND BY ITS CONTENT - AS WELL THEY MIGHT BE, ESPECIALLY PARA 3 ABOVE. ONE OF HAFERKAMP'S STAFF TOLD ME PRIVATELY THAT THE CALCULATION HAD BEEN THAT THE GREEK CYPRIOTS WOULD REFUSE TO ALLOW TURKISH CYPRIOT TRADE TO BE CHANNELLED THROUGH THE SOUTH, AND THAT IF THEY DID SO THE COMMUNITY WOULD THEN BE ABLE TO MAINTAIN THE STATUS QUO IN TRADING RELATIONS. I SAID (ALSO PRIVATELY) THAT I THOUGHT THIS WAS A SERIOUS MISCALCULATION. THE GREEK CYPRIOTS WOULD JUMP AT HAFERKAMP'S IDEA BOTH ON POLITICAL GROUNDS (AS ENDORSING THEIR CLAIM TO EXERCISE CONTROL OVER THE WHOLE OF THE ISLAND AND ITS RESOURCES, PREJUDGING THE NATURE OF A FINAL SETTLEMENT) AND ON PRACTICAL GROUNDS (AS PERMITTING THEM TO TIGHTEN THEIR ECONOMIC EMBARGO ON THE NORTH EG BY SECURING THE EXCLUSION OF ALL CITRUS EXPORTS FROM FORMER GREEK CYPRIOT PROPERTY). CONVERSELY, THE TURKISH CYPRIOTS WOULD NEVER TOLERATE THE IDEA BUT WOULD REGARD IT AS A DEADLY ONE-SIDED BLOW AGAINST THEIR INTERESTS. THIS WOULD THROW THEM YET FURTHER INTO THE ARMS OF TURKEY AND WOULD DESTROY THE INFLUENCE WHICH WE NEEDED TO RETAIN ON THE TURKISH SIDE (AS WELL AS ON THE GREEK SIDE) IF DIPLOMATIC EFFORTS WERE TO RESCUE ANYTHING FROM THE PRESENT CRISIS.

FCO PLEASE PASS ALL

WILBERFORCE

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