

GRS 360

CONFIDENTIAL

CONFIDENTIAL  
UK COMMS ONLY  
FM NICOSIA  
TO PRIORITY FCO  
TELNO 253  
OF 240925Z JUN 86

INFO PRIORITY UKMIS NEW YORK, ATHENS, ANKARA, WASHINGTON, PARIS  
INFO PRIORITY BONN, ROME, UKREP BRUSSELS  
INFO ROUTINE UKDEL NATO, MODUK (SEC OC), CBFC

UKMIS NEW YORK TELNO 631 PARA 4: CYPRIS:  
OZAL'S VISIT

1. I THINK WE CAN DISCOUNT ANY RISK OF THE TURKISH GOVERNMENT DOING ANYTHING SO STUPIDLY PROVOCATIVE AT THIS JUNCTURE AS PERMITTING SOME TURKISH CYPRIOT SETTLEMENT OF VAROSHA. THE ARGUMENTS IN FAVOUR OF SHOWING RESTRAINT AT THE PRESENT TIME SEEM WELL UNDERSTOOD ON THE TURKISH SIDE, AND THE TURKISH AMBASSADOR CONFIRMED TO ME ON 20 JUNE THAT HE HAD BEEN URGING THIS ON DENKTASH.
2. ALL THE EVIDENCE HERE IS THAT THE FOCUS OF OZAL'S VISIT WILL BE ECONOMIC, WITH THE OBJECT OF LAYING A FIRMER BASIS FOR THE DEVELOPMENT OF THE TRNC AND OF CURING THE CONSTANT DIFFICULTIES OVER TURKISH BUDGETARY ASSISTANCE WHICH HAVE LONG PLAGUED RELATIONS BETWEEN THE TRNC AND ANKARA. I AM VERY SCEPTICAL ABOUT THE NOTION OF AN INDEPENDENT TRNC CURRENCY, AND RUMOURS OF THIS ARE NOT PARTICULARLY PROMINENT AT THE MOMENT. ONE SPECIFIC PLAN WHICH THE TURKISH AMBASSADOR MENTIONED TO ME ON 20 JUNE IN THE CONTEXT OF OZAL'S VISIT WAS FOR THE ABOLITION OF CUSTOMS DUTIES IN THE NORTH AND THE INTRODUCTION INSTEAD OF A FORM OF VAT OR SALES TAX. (TUNABAS DID NOT APPEAR TO HAVE CONSIDERED HOW THIS WOULD SQUARE WITH THE APPROACH TOWARDS THE NORTH'S INCLUSION IN CUSTOMS UNION WITH THE COMMUNITY).
3. I HAVE DISCUSSED THE PROSPECTS WITH HOLGER. WE AGREED THAT IT WOULD BE UNPROFITABLE TO TRY TO ADVISE THE TURKISH GOVERNMENT AGAINST TAKING THE PRACTICAL MEASURES WHICH THEY JUDGED NECESSARY FOR THE GOOD OF THE TRNC ECONOMY. WE AGREED ALSO, HOWEVER, THAT THE GREEK CYPRIOTS, IN THEIR PRESENT EMBITTERED MOOD, WOULD BE LIABLE TO SEIZE ON ALMOST ANY MEASURES ANNOUNCED DURING OZAL'S VISIT AS A PRETEXT FOR A FRESH WAVE OF INTERNATIONALISATION OF THE CYPRUS PROBLEM, WHICH KYPRIANOU IS RUMOURED TO HAVE BEEN PREPARING WITH PAPANDEOU. THIS COULD INVOLVE NOT ONLY RECOURSE TO THE UN BUT ALSO PERHPAS A FRESH ATTEMPT TO TIGHTEN THE ECONOMIC EMBARGO ON THE NORTH BY UPSETTING THE PRESENT ARRANGEMENTS

CONFIDENTIAL

JFOR

CONFIDENTIAL

FOR THE TREATMENT OF TURKISH CYPRIOT TRADE WITH THE COMMUNITY.  
AS SEEN FROM HERE, THEREFORE, THE MESSAGE OF RESTIS RAINI MAY NEED  
PUTTING ACROSS AS MUCH TO THE GREEK SIDE AS TO THE TURKISH SIDE.

WILBERFORCE

CYPRUS  
LIMITED  
SED  
UND  
CCD  
LEGAL ADVISERS  
DEF D  
CONS D  
ECD(E)  
CLAIMS D  
WED  
INFO D  
NAD  
NEWS D  
PUSD  
PLANNING STAFF  
SOVIET D

PS  
PS/LADY YOUNG  
PS/MR EGGAR  
PS/MR RENTON  
PS/PUS  
MR DEREK THOMAS  
MR GOODALL  
MR DAUNT  
MR RENWICK  
MR RATFORD  
MR MACINNES  
MR BRAITHWAITE  
SIR W HARDING  
MR FERGUSSON  
MR BUIST(ODA)  
BUCKINGHAM PALACE

ADDITIONAL DISTRIBUTION  
CYPRUS