

CYPRUS

The President of the Republic of Cyprus, Mr Spyros Kyprianou, will visit the Commission on 20 January 1984 where he will have talks with President Gaston E. Thorn and Vice-President Wilhelm Haferkamp. Among discussion points will be the political situation in Cyprus and its consequences for the Association Agreement and the passage to the second stage of the Agreement.

This meeting takes place in the aftermath of the declaration by the Turkish Cypriot authorities on 15 November 1983 to establish a "Turkish Republic of Northern Cyprus" as an independent state. The Ten meeting in the framework of Political Cooperation and the Commission immediately and publicly regretted and rejected this proclamation and reaffirmed that the Government of the Republic of Cyprus was the only one recognised by the European Community. On 17 November the European Parliament similarly condemned this action. The Ministers of Foreign Affairs of the Ten meeting in Brussels on 22 November restated their categorical refusal to recognise a new Cypriot state.

THE ASSOCIATION AGREEMENT

Cyprus is linked to the European Community by an Association Agreement establishing preferential trade relations which came into force on 1 June 1973. This was the fourth association agreement concluded by the Community with a European country after those with Greece (1962), Turkey (1964) and Malta (1971).

The development of the Association, which should ultimately lead to the establishment of a customs union, cannot be divorced from the political situation in the island particularly since the events of 1974. While emphasising the need for a negotiated settlement between the two communities, the Community's policy under the Association Agreement has consistently been founded on two basic principles: first, the Community recognises the Government of the Republic of Cyprus as the sole legitimate government of the island and, secondly, the advantages provided for under the Association Agreement should benefit the whole of the island's population.

The Agreement, which was concluded on the basis of article 238 of the EEC Treaty, provides for the progressive elimination of obstacles to trade between Cyprus and the EEC and the establishment of a customs union in two stages. The first stage, which was due to expire on 30 June 1977, but has since been extended till the end of 1983, provides for the phased reduction of tariffs on industrial goods. From 1 January 1984, trade has been covered by an autonomous regime adopted by the Community, initially for a period of six months, to allow further work on the preparation of the passage to the second stage; this should provide for the elimination of the remaining obstacles to trade and the adoption by Cyprus of the Community's common customs tariff. The Council of Ministers is currently preparing negotiating directives to allow the negotiations for the passage to the second stage to begin.

- Major Tariff Reductions

The Community grants duty free access for almost all INDUSTRIAL GOODS from Cyprus, the exceptions being petroleum products which are excluded from the agreement and synthetic fibres and men's clothes which enter duty free subject to a ceiling.

In the AGRICULTURAL SECTOR, Cyprus benefits from tariff reductions varying from 40% to 100% on a wide range of fresh fruit and vegetables - often subject to timetable restrictions - and also on fruit juice, dried grapes, table wine and dessert wine (Cyprus sherry). The Community also grants additional tariff reductions in the form of tariff quotas for new potatoes, carrots, peppers, aubergines and table grapes. A trade protocol for 1983 increased the tariff quotas for carrots, table grapes, aubergines and peppers and provided for new concessions for okra and salad beetroot.

For its part, Cyprus grants a 35% tariff reduction on most imports from the Community.

- Financial cooperation

In a Financial Protocol which came into effect at the beginning of 1979 and lasts for 5 years, the Community agreed to provide Cyprus with 20 million units of account in EIB loans, 4 million units of account in loans at low interest rates and 6 million UA in grants. Three projects have since been approved which will be of benefit to both communities in Cyprus. (Extension of the electrical distribution system for the whole island, improvement of the domestic water supply network in Larnaca, Nicosia and Farmagusta and improvement of the drainage and water supply network in Nicosia). Negotiations for a Second Financial Protocol were completed in July 1983. This protocol, which was signed on 20 December 1983, provides for 28 MECU in EIB loans, 6 MECU in loans at low interest rates and 10 MECU in grants.

Trade relations

The Community is Cyprus's main trading partner accounting for 49% of Cyprus's total imports and 30% of her exports. In recent years Cyprus has been diversifying her exports and the Community's share of exports fell from 44% in 1975 to 30% in 1981. Since the Community's share of Cyprus's imports has remained steady the resulting trade balance has moved considerably in the Community's favour rising from 97 MECU in 1976 to 441 MECU in 1982.

Cyprus's exports to the Community are divided roughly equally between agricultural and industrial goods. In the agricultural field, new potatoes, wine, grapes and citrus fruit, all of which are in competition with the Community's mediterranean produce, account for 75% of her exports. The Community is Cyprus's main market for these products taking from 60% of total exports of wine to 84% of total exports of new potatoes. Her main industrial exports are clothing, raw fertiliser and travel goods.

The Community's exports to Cyprus are principally cereals, animal feed and sugar in the agricultural sector and machinery, road vehicles and textiles in the industrial sector.

TRADE BETWEEN CYPRUS AND THE COMMUNITY	Million ECU(+)							
	1976	1977	1978	1979	1980	1981	1982	1983 (7 months)
EC-IMPORTS	123	152	184	197	265	273	297	192
EC-EXPORTS	220	288	363	416	521	696	738	434
BALANCE	97	136	179	219	256	423	441	242

SOURCE EUROSTAT

(+) The exchange rate ECU/dollar varies daily as the various EC currencies, which make up the ECU, vary against the dollar. One ECU was worth US\$ 1.2 in 1973, US\$ 1.37 in 1979 and US\$ 1.39 in 1980, US\$ 1.12 in 1981 and US\$ 0.98 in 1982.