

RELEASED IN FULL

Cyprus
(\$ in thousands)

ESF	38,420	13,392	20
NADR-EXBS	400	400	

The United States has a longstanding interest in facilitating a comprehensive settlement on Cyprus. Since Cyprus issues involve Greece and Turkey -- our NATO allies -- these issues affect regional stability for the entire Eastern Mediterranean region.

Cyprus has been divided since the Turkish military intervention of 1974, following a coup d'etat directed from Greece. Since 1974, the southern part of the island has been under the control of the Government of the Republic of Cyprus. The Republic of Cyprus joined the European Union in spring 2004. The northern part of Cyprus is ruled by a Turkish Cypriot administration. In 1983 that administration proclaimed itself the "Turkish Republic of Northern Cyprus" (TRNC). The TRNC is not recognized by the United States or any other country except Turkey. The two parts are separated by a buffer zone patrolled by the United Nations Peacekeeping Force in Cyprus (UNFICYP).

U.S. assistance seeks to reduce tensions and promote a climate that will foster reconciliation and a durable peace settlement for Greek Cypriots and Turkish Cypriots. The U.S. Congress's objectives for Cyprus, as reflected in annual appropriations language, include reunification of the island, reduction of tensions, and promotion of peace and cooperation between the two communities on Cyprus. U.S. assistance supports Congressional objectives by focusing on increasing and strengthening cooperation and mutual tolerance between the two communities, supporting initiatives that encourage a comprehensive settlement.

In FY 2006, Economic Support Fund (ESF) resources will support the peace process and eventual reunification of the island by increasing bicomunal efforts to build support for solution after the failure of the United Nations (UN) settlement plan in referenda in April 2004. The funding will continue to support activities to strengthen the Turkish Cypriot economy and economic integration of the island.

ESF-funded programs include initiatives to reduce economic disparities between the two communities so that the Turkish Cypriot community can shoulder its share of the economic costs of settlement. ESF-funded programs include support for economic development, civil society empowerment, good governance, education, and social and cultural exchange, especially among youth. ESF assistance supporting reconciliation includes technical assistance for sector-specific activities and implementing partners, related training and workshops, sub-grants to non-governmental organizations and commodities including materials, equipment and supplies.

In FY 2006, \$1,600,000 is planned to be apportioned directly to the State Department for the Bicomunal Support Program, managed by the U.S. Embassy in Nicosia for politically sensitive, shorter-term, priority/opportunity programs to support reconciliation. A total of \$4,000,000 is planned for transfer to the State Department for scholarships and short-term training implemented by the Cyprus Fulbright Commission to support reconciliation.

If a political settlement is reached, U.S. assistance will support the terms of the approved peace

REVIEW AUTHORITY: Robert Homme, Senior Reviewer

agreement in strategic areas, facilitate the transition, and be directed to the success and viability of the UN-brokered agreement between the two communities.

Under the Nonproliferation, Antiterrorism, Demining and Related Programs (NADR) account, the Export Control and Related Border Security (EXBS) Assistance Program is helping to establish fully effective transshipment controls in Cyprus. FY 2005 EXBS funding provided first-responder equipment and training to help Cyprus respond to a weapons-of-mass-destruction(WMD)-related event, as well as a product identification tool and associated training to assist in the identification of dual-use goods. EXBS funding also helped provide basic training to individuals working in customs and law enforcement fields in the Turkish Cypriot community. Cyprus has made real progress in the area of export control enforcement, having established a dedicated Cypriot Customs team to inspect transshipment container cargo.