COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 21.9.2007
COM(2007) 553 final

COMMUNICATION FROM THE COMMISSION

Annual Report on the implementation of Council Regulation (EC) 866/2004 of 29 April 2004 and the situation resulting from its application

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Introduction

Council Regulation (EC) 866/2004 of 29 April on a regime under Article 2 of Protocol 10 to the Act of Accession[1] (hereafter: Green Line Regulation, GLR) provides in Article 11 (1) that *"the Commission shall report to the Council on an annual basis, starting not later than one year after the date of entry into force of this Regulation, on the implementation of the Regulation and the situation resulting from its application, attaching to this report suitable proposals for amendment if necessary"*.

The Green Line Regulation has been operational since 1 May 2004. It defines the terms under which the provisions of the EU law apply to the movement of goods and persons across the line between the areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control and the areas in which it does.

This report covers the period 1 May 2006 - 30 April 2007.

1. IMPLEMENTING MEASURES

On 4 May 2007, just after the period covered by the report, the Commission adopted a Decision lifting prohibitions on the movement of certain animal products on the island of Cyprus under Council Regulation (EC) No 866/2004 and laying down conditions for the movement of those products. This Commission Decision determines conditions for trade in honey and fresh fish across the Green Line.[2]

2. CROSSING OF PERSONS

According to Art 2 of the Green Line Regulation the Republic of Cyprus "*shall carry out checks on all persons crossing the line with the aim to combat illegal immigration of third country nationals and to detect and prevent any threat to public security and public policy. Such checks shall also be carried out on vehicles and objects in the possession of persons crossing the [Green] Line*" whereas Art 3 states that *"effective surveillance shall be carried out by the Republic of Cyprus all along the Line, in such a way as to discourage people from circumventing checks at the crossing points."*

2.1. Crossing at crossing points

The Regulation provides for a stable legal framework for the free movement of Cypriots, other EU citizens and third country nationals who cross the Green Line at the crossing points. According to the available data, 788,823 Greek Cypriots crossed from the government-controlled areas to the northern part of Cyprus and 1,348,215 Turkish Cypriots crossed from the northern part of Cyprus to the government-controlled area during the reporting period. In the first six months of the reporting period, in total 812,756 Turkish Cypriots crossed the

[1] OJ L 161, 30.4.2004, p. 128. Regulation as last amended by Commission Regulation (EC) No 1283/2005 (OJ L 203, 4.8.2005, p. 8).

[2] Commission Decision 2007/330/EC of 4 May 2007, OJ L 123, 12.5.2007, p. 30.

Green Line, in the second half of the reporting period this number fell to 535,459, a decrease of more than 30 %.[3] [4] The number of Cyprus Police personnel working directly at the crossing points was raised from 54 (2005) to 61 (2006).

No major incidents were reported as regards the daily crossing of people at the check points. The Commission received sporadic complaints from EU-citizens regarding intrusive checks on persons and confiscation of personal documents at the crossing points. The Customs Code of the Republic of Cyprus allows customs officials to, *inter alia*, search persons, detain or seize goods and arrest without a judicial warrant any person whom the customs officer finds committing, or attempting to commit, any offence provided by the customs or other legislation punishable with imprisonment including the case of suspicion of illegal purchase or use of Greek Cypriot property in the northern part of Cyprus.

In October 2006, the Parliament of the Republic of Cyprus adopted an amendment to the Penal Code which penalises any illegal use (including rent) of property with a sentence of seven years of imprisonment.[5] Given that some 78% of the private property in the northern part of Cyprus is Greek Cypriot property, this amendment caused concern in the Turkish Cypriot community. The authorities of the Republic of Cyprus seem to follow a policy of not applying the amendment to ordinary Turkish Cypriot citizens resulting in a lack of legal certainty. The impact of this legislation on the crossings of Turkish Cypriots will have to be closely monitored.

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[3] See Annex VII

[4] According to the authorities of the Republic of Cyprus, no records are kept for the return of Greek Cypriots to the government-controlled areas and for the return of Turkish Cypriots to the northern part of Cyprus. See Annex VII

[5] The "Law for the Amendment of the Criminal Code" was published in the Official Gazette on 20 October 2006.

Section 303A in its now amended form reads:

"(1) Any person who with intent to defraud, deals in immovable property belonging to another is guilty of a felony and is liable to imprisonment for seven years.

(2) For the purposes of the present section a person shall be deemed to be dealing in immovable property where

(a) [that person] sells to another, or rents to another, or mortgages to another or encumbers in any way, or makes available for use by another immovable property, or

(b) advertises or otherwise promotes the sale or renting out or mortgaging or charging in any way to another of immovable property or the use thereof by another, or

(c) concludes an agreement for the sale to another, or the renting out to another, or the mortgaging to another, or the charging in any way to the benefit of another, or the use by another of immovable property, or

(d) accepts the immovable property which is the object of the dealing as this is defined in the present subsection.

(3) For the purpose of the present section, a person acts with intent to defraud if, when committing any of the acts set out in subsection (2), that person knows or, under the circumstances, should reasonable have known, that he does not have the consent of the registered owner of the immovable property, or of any other person who has the lawful authority to grant such consent."

2.2. Illegal migration across the Green Line

The number of third country nationals crossing the Green Line illegally remains an area of serious concern. The analysis of figures from the Republic of Cyprus Police indicates that, of all those who crossed the Green Line illegally, 36.4 %[6] had evidently a Turkish visa in their passport[7]. The Republic of Cyprus Police reported the following main countries of origin of illegal immigrants: Syria (46.3 %) and Iran (9.2 %).

According to the data submitted by the authorities of the Republic of Cyprus the number of illegal immigrants detained after crossing the Green Line increased from 725 in 2002 to 3796 in 2003 and 5287 in 2004 before decreasing again to a level of 5191 in 2005 and 3778 in 2006. In the reporting period 2844 illegal immigrants (more than 97 % of all illegal immigrants detained) are reported by the Cypriot Police to have entered the government-controlled areas across the Green Line, whereas about 2% are reported to have entered via the Eastern Sovereign Base Area and less than 1 % directly into the government-controlled areas.[8] The assessment of the entry route into the government-controlled areas by the Cyprus Police is based on:

- documents;
- statements by the immigrants themselves;
- presumption based on country of origin (it is presumed by Cyprus Police that all immigrants from certain countries (e.g. Pakistan and Syria) enter the government-controlled areas through the northern part of Cyprus due to what are considered to be close links of these countries with Turkey)[9].

According to the Cyprus Police, the majority of illegal immigrants later apply for asylum (the number of asylum seekers increased from 950 in 2002 to 4410 in 2003 and up to 9860 in 2004 before falling to 7746 in 2005 and 4545 in 2006).

The reasons for this decrease in numbers of both third country nationals illegally crossing the Green Line and individuals applying for asylum include:

- better cooperation between the Police of the Republic of Cyprus with UNPOL and UNFICYP and with the Cypriot National Guard;
- intensified surveillance of the Green Line with helicopters[10] and with the staff of local Police Stations and of the Aliens and Immigration Department of the Police Headquarters;
- good cooperation with the authorities of the Eastern SBA, intensified activities of the latter since November 2006 to reduce illegal immigration and smuggling of goods and the high number of people turned back already at the point of attempted entry;

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6 The figures of the RoC Police received by the Commission related to those illegal immigrants for whom it was in possession of documentation (1513 persons). For the purposes of this report they were brought in relation to the overall figure of 2844 illegal immigrants who crossed the Line illegally according to the RoC Police (see Annex VI).

7 About two thirds of those had according to the RoC Police a Turkish visa which is also valid for the northern part of Cyprus and about one third had a Turkish visa which was accompanied by a 'visa' of the 'TRNC'.

8 See Annex VI

9 Confessions and presumption is relevant in those cases where the Cyprus Police is not in possession of documentation on the illegal immigrant.

10 During the reporting period, two helicopters carried out in total 115 hours of patrol flight, including patrols of the Green Line.

- sharing of intelligence and improved cooperation between the Eastern SBA authorities and the Turkish Cypriot Community.

The latter has now started to accept back significant numbers of illegal immigrants detained in the Eastern SBA near the Green Line. Of the around 100 illegal immigrants detained within the Eastern SBA, about half were taken back by the Turkish Cypriots, the others were handed over to the Republic of Cyprus authorities on the basis of a Memorandum of Understanding.

In view of the still worryingly high numbers of illegal immigrants, the Commission is of the opinion that the surveillance of the Line conducted by the Republic of Cyprus between the crossing points pursuant to Art 3 of the Green Line Regulation needs further strengthening without delay. The Commission has maintained a constructive dialogue with the relevant authorities of the Republic of Cyprus at working level. Several meetings were held in Cyprus and a workshop was organised in Brussels in May 2007 focusing in particular on the problem of illegal migration across the Green Line and offering the opportunity to discuss the measures to be taken in the near future.

On this occasion, the representatives of the Republic of Cyprus updated the Commission on measures taken since the last workshop in December 2005. These included enhancing cooperation with UNFICYP, UNPOL, the SBA authorities and the Cypriot National Guard and using helicopters and the staff of local Police Stations and of the Aliens and Immigration Department of the Police Headquarters for the surveillance of the Green Line, as referred to above. With regard to asylum seekers, the attractiveness of employment possibilities for them was reduced and the examination of their applications for asylum was speeded up.

With regard to surveillance of the Green Line, the Republic of Cyprus is reluctant to take any measure which possibly could lead to the Green Line taking on the appearance of an external border. Thus, no additional equipment for surveillance of the Green Line was purchased or is foreseen and the number of personnel dealing with illegal migratory flows (also police) beside the crossing points was not increased. Contrary to the intentions of the Republic of Cyprus as reported in last year's Green Line Report, more restrictive rules related to the issuance of visas by the Republic of Cyprus were not introduced and a new detention centre for illegal immigrants has not been established.

The Commission recommends that the authorities of the Republic of Cyprus take concrete steps without delay in order to comply with their obligation under the Green Line Regulation, also with a view to the future participation of Cyprus in the Schengen area. While the Green Line does not constitute an external border, the surveillance obligations of the Republic of Cyprus on the government-controlled side of the Green Line should be met effectively while at the same time minimising any hindrance to contacts between the two Communities.

3. CROSSING OF GOODS

3.1. Value of trade

Pursuant to Art 8 of the Commission Regulation (EC) 1480/2004[11], the Turkish Cypriot Chamber of Commerce (hereafter: TCCoC) reported on a monthly basis on the type, volume and value of goods for which it has issued accompanying documents.

[11] Commission Regulation (EC) No 1480/2004 of 10 August 2004, OJ L 272, 20.8.2004, p. 3.

The authorities of the Republic of Cyprus also communicated the type, volume and value of goods that have crossed the Line in monthly reports to the Commission. Those reports included goods that entered the government-controlled areas through the crossing points of *Pergamos* and *Strovilia,* which are under the authority of the Eastern SBA.

According to reports from the TCCoC, the total value of goods for which accompanying documents were issued in the reporting period amounted to €4,806,100 whereas the value of goods actually traded was about €3,380,805.[12] With regards to this substantial gap in reported figures, the Commission was informed that accompanying documents were sometimes issued for an estimated and not an exact quantity of goods and that the quantity and therefore also the value of goods which finally crossed the Line was smaller than the figures mentioned in the accompanying documents. Moreover, consignments were sometimes cancelled[13]. Furthermore, the Commission was informed by the TCCoC that the accompanying documents were not always presented or checked when the goods were crossing the Line. Concerning the latter the authorities of the Republic of Cyprus confirmed that every consignment is checked but pointed out that in any case they are not obliged to ask for the accompanying documents as the obligation lies with the trader to present them.

In comparison to the previous reporting period, figures show a large increase in the total value of goods crossing the Green Line. According to the reports provided by the authorities of the Republic of Cyprus, the total trade value of goods which actually crossed the Line almost doubled and was about € 3,380,805 compared to € 1,734,770 in the previous reporting period.

Although not covered by the scope of the GLR, it may be noted that trade from the government-controlled areas to the northern part of Cyprus amounted to a value of € 1,027,688 in the reporting period compared to € 442,408 in the previous one according to figures from the Cyprus Chamber of Commerce and Industry. Trade from the government-controlled areas to the northern part of Cyprus therefore more than doubled but still only amounts to around one third of the trade in the opposite direction. The Turkish Cypriot Community applies a licensing system, which, in principle, "mirrors" the restrictions of the Green Line Regulation. They only accept, for instance, goods originating in the government-controlled areas, ask for accompanying documents to be issued by the Cyprus Chamber of Commerce and Industry and do not allow live animals or animal products to cross the Green Line. Some derogations were permitted on an unclear, ad hoc basis.

3.2. Type of goods

The figures on the types of traded goods show a limited number of new products crossing the Line into the government-controlled areas. The new types of products did not contribute to a significant increase in the trade.

As in the previous reporting period, vegetables, wooden products and furniture constituted the main groups of products traded.[14]

Trade across the Green Line during the reporting period was with one exception solely for the purpose of intra-island trade. On 30 April 2007, a consignment of aluminium scrap crossed the Green Line and was subsequently shipped on to the United Kingdom. Following a consignment of Cyprus Delights (confectionery) in December 2005, this consignment was

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12 See Annexes I and II

13 See Annex III. In July 2006 two major consignments of potatoes destined to be sent through the port of Limassol to EU Member States were cancelled at the last minute after politically motivated pressure had been exerted on the Turkish Cypriot traders. See also point 3.5. below

14 See Annex IV

only the second example where goods crossed the Green Line and were subsequently subject to an intra-community transaction with another Member State.

3.3. Reported irregularities

Since May 2006, six cases of irregularities have been reported in which the goods were not allowed to cross the Green Line. In four of them the product marking was not in line with the requirements and in two of them an accompanying document was not produced.

3.4. Positive developments concerning movement of goods

During the reporting period, some positive developments need to be noted which gradually lifted some barriers which previously used to limit trade across the Line. These developments include:

- Monthly 'Round Table Meetings' of the three chambers (Cyprus Chamber of Commerce and Industry, CCCI, TCCoC, and Cyprus Turkish Chamber of Industry, CTCI) under the auspices of the USAID funded EDGE (Economic Development and Growth for Enterprises) Project in order to try to find technical and practical solutions for existing problems in trade across the Green Line.
- The 'Cyprus Producer Network', a network of TC and GC producers, is currently being established with the aim of increasing cooperation and collaboration and providing technical assistance, training and advice to ease the constraints to Green Line trade. This project, which recently received funding by UNDP-ACT, also aims at improving cooperation and collaboration between the participating chambers (CTCI, TCCoC and CCCI).

3.5. Still existing obstacles and difficulties concerning the movement of goods

Despite these positive developments, many obstacles for trade across the Green Line continue to exist.

Turkish Cypriot commercial vehicles and in particular lorries and buses still cannot move freely through the island. The Republic of Cyprus does not accept roadworthiness certificates of commercial vehicles[15] or professional driving licenses[16] issued by the Turkish Cypriot Community (although it does accept roadworthiness certificates for passenger cars). The Government had proposed legislation aiming at facilitating TC lorries to transport goods across the Green Line. Neither in the previous nor in the present legislative term, Parliament had taken a decision on the issue after protests from the Greek Cypriot truck driver organisation. The authorities of the Republic of Cyprus do provide various forms of help for Turkish Cypriots to make use of the government's own services. The Ministry of Communications and Works, for instance, employs a Turkish Cypriot, who, amongst other tasks, acts as an interpreter for licence examinations and takes care of announcements in Turkish Cypriot newspapers. However, the response of Turkish Cypriot lorry drivers is limited. A more liberal approach on the side of the authorities of the Republic of Cyprus would enhance economic co-operation between both communities across the Green Line.

The Commission received some complaints from Turkish Cypriot traders regarding delays in clearing of goods crossing the Line including particularly consignments of potatoes. These delays were explained by the authorities of the Republic of Cyprus as resulting from the requirement in the Green Line Regulation to examine consignments and, where applicable, to

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[15] Of all Turkish Cypriot lorries with a maximum gross weight exceeding 3.5 tons

[16] In case of all Turkish Cypriot lorries with a maximum gross weight equal to or exceeding 7.5 tons

replace the 'Report of phytosanitary inspection' by a plant passport. Assurance was given to the Commission that these checks will in the future be carried out within two to three working days. In addition, traders are free to transport the potatoes to refrigerated warehouses in the government-controlled areas while the checks continue, although the potatoes remain under surveillance of the customs authorities.

The Commission also received some complaints from Turkish Cypriot traders that the authorities of the Republic of Cyprus sometimes request the presentation of a commercial invoice in addition to the obligatory accompanying documents. The authorities of the Republic of Cyprus informed the Commission that all customs officials of the Republic of Cyprus received a letter informing them that "*taking into consideration that the presentation of an invoice is not obligatory for the movement of goods, it is confirmed that … the presentation of an invoice is not demanded for goods crossing the Line*". This instruction has been repeated on the occasion of regular training of customs officials of the Republic of Cyprus.

At the end of the reporting period, a major consignment of about 3800 tons of potatoes (almost a quarter of the whole spring harvest in the northern part of Cyprus and comprising the harvest of almost 50 local potato growers) were to cross the Green Line and possibly subsequently to be shipped through the port of Limassol (situated in the government-controlled areas) to other EU Member States. However, following pressure from within the Turkish Cypriot community on the growers and the Turkish Cypriot traders, this Green Line trade was finally cancelled.

Difficulties for Turkish Cypriot traders to stock their products in shelves of supermarkets in the government-controlled areas and to advertise in parts of the press in the government-controlled areas were reported as other examples of barriers which could limit trade across the Line. Additional examples of barriers reported to the Commission included the occasional practice of the authorities of the Eastern SBA of asking for accompanying documents in the case where goods are destined for the traditional supply of the Turkish Cypriot population of the village of *Pyla* located within the Buffer Zone. In this very specific case, in derogation of the standard rules, no accompanying document is needed according to Art 4 (10) of the Regulation.

In addition, representatives of the Turkish Cypriot community also raised concerns about the low ceiling as regards facilities for shopping for persons crossing the Line. Currently, Art 6 (1) of the GLR stipulates that goods purchased in the northern part of Cyprus contained in the personal luggage of persons crossing the Line shall be exempt from turnover tax and excise duty provided they have no commercial character and their total value does not exceed € 135 per person.

Representatives of the UK informed the Commission that the services of the authorities of the Eastern SBA face practical difficulties in handling goods requiring a phytosanitary certificate due to a lack of appropriate technical facilities. The Republic of Cyprus has offered the use of its facilities.

It appears that there is widespread smuggling of goods across the Green Line, notably at illegal "crossing points" used by local residents and farmers (e.g. of the villages of *Pyla* and *Pergamos* within the Buffer Zone) where surveillance is insufficient. According to some observers, the volume of smuggled goods might even exceed that of legal trade.

The problem of smuggling of goods underlines the need for an effective surveillance of the Line by the Government of the Republic of Cyprus.

Finally, it should be noted that the overall scale of Green Line trade remains limited. This is caused – to a considerable degree – by restrictions in the Green Line Regulation itself. It does not allow products brought into the northern part of the island from other EU Member States or Turkey to cross to the government-controlled areas. This might significantly reduce benefits to producers, service providers and consumers north and south of the Green Line, as pointed out in a recent World Bank study[17].

3.6. Temporary crossing of goods

As in the previous reporting period, difficulties were encountered as far as the temporary crossing of goods was concerned. There are four main categories of goods where this issue comes up:

- Temporary crossing of goods needed for the provision of a service (example: music instruments of a Turkish Cypriot rock band performing a concert in the government-controlled areas).
- Temporary crossing of Greek Cypriot goods to the non government-controlled areas (example: piece of furniture being repaired and refurbished in the northern part of Cyprus; due to its origin requirement, the Green Line Regulation does not allow such products to re-enter the government-controlled areas).
- Temporary crossing of Turkish Cypriot goods to be exhibited at a fair in the government-controlled areas (e.g. Turkish Cypriot participation in Cyprus' International Trade Fair is steadily decreasing, from 53 Turkish Cypriot traders in 2005 and 16 in 2006 to only 3 this year). Additionally the crossing of goods to be distributed as free samples is not permitted (as there is no buyer).
- Temporary crossing of Turkish Cypriot technical devices to be repaired in the government-controlled areas.

The Green Line Regulation as it stands does not allow such transactions. The Republic of Cyprus applies a system of ad hoc derogations. On this basis, it is argued that so far all Turkish Cypriot requests have been positively answered and therefore there is no need to legally formalize the procedure. However, the current ad hoc system is not in line with the Regulation and is not transparent and may therefore act as a brake on trade. *De lege ferenda* this issue will be taken up in a planned amendment to the Green Line Regulation.

3.7. Facilitation of trade

In November 2006, the Value Added Tax Committee[18] endorsed a simplified scheme applicable to Turkish Cypriot traders established in the northern part of Cyprus who sell goods directly to end consumers in the government-controlled areas. The scheme allows Turkish Cypriot traders to account for VAT directly at the Line for the goods sold in the government-controlled areas. Consequently, the Turkish Cypriot trader does not have to be registered for VAT purposes in the government-controlled areas.

In February 2007, the Commission organised together with the TCCoC a whole day seminar aiming at raising awareness in particular amongst Turkish Cypriot traders about procedures and requirements of Green Line trade

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[17] Study entitled "Sustainability and Sources of Economic Growth in the northern part of Cyprus", 2006, financed within the framework of EU funded programme "Partnership for the Future" managed by UNDP.

[18] Art 398 of Council Directive 2006/112/EC (prior Art 29(2) of Council Directive 77/388/EEC).

The following additional measures have been taken to facilitate trade in certain products:

Potatoes

After the authorisation had been given in early 2006 by the competent service of the Commission for trade in potatoes over the Green Line, some truck loads of potatoes (in total approximately 290 tons) destined (only) for consumption in the government-controlled areas successfully crossed the Line without major obstacles.[19]

Potatoes are not subject to tariffs but each lorry needs to be accompanied by a Report of phytosanitary inspection, issued by independent phytosanitary experts in accordance with Annex III of Commission Regulation (EC) No 1480/2004[20]. In order to facilitate potato trade across the Line, the Commission ensured the permanent presence of these experts during the main harvest season (mid April until mid June). During other periods, their availability was guaranteed within a few working days (up to now, 100 % of Turkish Cypriot requests for the presence of a phytosanitary expert could be fulfilled).

The Commission is currently in the process of extending the already existing list of appointed independent phytosanitary experts.

Citrus fruits

So far no trade in citrus fruits has taken place.

Independent experts from several Member States appointed by the Commission again carried out an annual pre-harvest inspection in autumn 2006. They confirmed the results of previous checks performed from 2003 to 2005 that relevant harmful organisms were not detected in these surveys and hence are deemed not to occur in the northern part of Cyprus. The Commission envisages continuing survey work as a collateral monitoring activity besides inspections and controls of orchards and of consignments of citrus fruit intended for trade across the Green Line.

Honey and fish

As reported above, on 4 May 2007, the Commission adopted a Decision on lifting prohibitions on the movement of certain animal products on the island of Cyprus under Council Regulation (EC) No 866/2004 and laying down conditions for the movement of fresh fish and honey across the Green Line.[21]

The Commission is currently in the process of appointing independent Member States' experts who, in accordance with Annexes I and II of the Commission Decision, must inspect the Turkish Cypriot fishing vessels from which fresh fish is landed for specific hygiene rules for food of animal origin as well as take 10 samples of honey in the production chain for subsequent analyses in specific EU laboratories.

Wood

In February 2007 for the first time an independent phytosanitary expert issued a Report of phytosanitary inspection for the crossing of a specific wooden pre-fabricated house. According to Art 4(4) of Council Regulation (EC) No 866/2004 and Art 3(1) of Commission Regulation (EC) No 1480/2004, which both refer to Council Directive 2000/29/EC, such a procedure became necessary as this specific pre-fabricated house was made up of conifer wood originating in Turkey.

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19 For problems in trade in potatoes not destined for consumption in the RoC see point 3.5. above

20 Commission Regulation (EC) No 1480/2004 of 10 August 2004, OJ L 272, 20.8.2004, p. 3.

21 Commission Decision 2007/330/EC of 4 May 2007, OJ L 123, 12.5.2007, p. 30.

3.8. Proposals of the Republic of Cyprus concerning enhanced Green Line Trade

At the end of March 2007, the authorities of the Republic of Cyprus submitted to the Commission a set of measures aimed at enhancing trade within the framework of the Green Line Regulation. Most of these measures are of a unilateral nature and fall into the competence of the Republic of Cyprus. The package includes also the proposal to open the Green Line for trade in fish and honey as well as milk and milk products. Whereas the Commission Decision on fish and honey has been adopted in the meantime[22], a decision on milk and milk products will have to wait until the EU rules regarding food safety will be met in the northern part of Cyprus. Assistance to the Turkish Cypriot community in this regard has already started.

Finally, Cyprus renewed its proposal to introduce a zero-VAT rate for goods crossing from the government-controlled areas to the northern part of Cyprus. As the Commission stated already in last year's report such zero-rating supplies could only be justified if those were to be treated as exports. This is the case irrespective of whether these supplies are called exports. If goods leaving for the northern part of Cyprus are treated as exports, goods coming from there must equally be treated as imports. Only under these circumstances would the proposed change be acceptable.

Overall, it remains to be seen whether the set of measures will indeed foster Green Line trade and economic interaction on the island which would be a positive development. These measures, however, cannot be considered as a substitute for the Commission proposal for a Council Regulation on special conditions for trade with the areas of the Republic of Cyrus in which the Government of the Republic of Cyprus does not exercise effective control (so called Direct Trade Regulation) which is still pending in the Council.

4. CONCLUSIONS

The Green Line Regulation continues to provide a stable legal framework for the free movement of Cypriots and other EU citizens who daily cross the Line at the crossing points.

However, the still high number of persons crossing the Green Line illegally gives reason for concern. The Commission is of the opinion that the surveillance conducted by the Republic of Cyprus pursuant to Art 3 of the Green Line Regulation needs to be strengthened substantially. The Republic of Cyprus is reluctant to meet its surveillance obligation in full as any measure which possibly could lead to the Green Line taking on the appearance of an external border is politically unacceptable.

As regards goods crossing the Green Line, in comparison to the previous reporting period, reported figures show a large increase in total value. According to reports provided by the authorities of the Republic of Cyprus, the total value of goods which actually crossed the Line almost doubled and was about € 3.3 million. However, the overall scale of Green Line trade still remains rather limited. In the current reporting period, very few new products were introduced, and they did not contribute to a significant increase in the monthly value of trade. Only in one single case, goods crossed the Green Line and were subsequently subject to an intra-community transaction with another Member State. The limitation to the volume of trade is also due to the restrictions in the Green Line Regulation itself, which only allows goods to cross the Line that were wholly obtained in the northern part of Cyprus or have undergone their last, substantial, economically justified processing or working there.

[22] Section 3.7 above

Despite some positive developments concerning the movement of goods, several reported cases confirm that there are still many obstacles to the further development of Green Line trade. The Republic of Cyprus, for instance, does not accept roadworthiness certificates of Turkish Cypriot lorries nor professional driving licences in case of heavy goods vehicles issued by the Turkish Cypriot Community. Legislation which was pending in the Parliament of the Republic of Cyprus under its previous legislative term and which might have constituted a step towards the improvement of the current situation was not pursued. In addition, psychological trade barriers are still significant.

Pressure groups on both sides of the Green Line are active to prevent the development of trade across the Line. Particularly regrettable is continued direct pressure on traders from within the Turkish Cypriot community.

The issue of temporary crossing of goods needs to be taken up *de lege ferenda*.

The Commission has carried out various measures aiming at facilitating trade across the Green Line, particularly trade in potatoes, citrus fruits, honey and fish and wood.

The overall conclusion is that the Green Line Regulation continues to provide a workable basis for allowing the passage of goods and people to and from the government-controlled areas of the Republic of Cyprus although the flow of goods remains relatively limited. The Commission will continue to monitor the implementation of the Regulation.

Technical Annexes

Annex I Overview table summarising the monthly reports of the Turkish Cypriot Chamber of Commerce according to Article 8 of Commission Regulation 1480/2004 (EUR)

Traded Products	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	**Total**
Aluminium/ PVC Products	7 773	21190	377 867	6 124	23 190	25 657	4 953	8 595	1 314	2 845	5 871	805	**486 184**
Building/ Articles of Stone	19 965	38 432	23 535	16 976	22 843	40 250	41 066	30 146	32 233	49 724	61 241	71 921	**448 332**
Charcoal	1 206	0	0	0	0	0	0	0	0	0	0	0	**1 206**
Chemical Products	7 888	10 966	8 777	10 194	9 154	14 175	13 246	12 047	10 590	14 192	23 931	25 507	**160 667**
Clothing	1 014	1 242	0	0	109	1 862	776	0	1 800	617	527	0	**7 947**
Earth/Stone	0	707	241	14 548	34 862	7 784	0	0	0	8 871	0	0	**67 013**
Electronic Equipment	38 672	18 339	1 790	0	1 138	0	0	0	0	0	0	0	**59 939**
Food/Drink	862	0	1 007	0	0	0	0	0	0	0	0	0	**1 869**
Handicraft products	5 735	2 069	4 777	5 164	4 293	5 082	12 945	5 376	982	1 367	2 806	5 737	**56 333**
Iron/Steel	517	1 034	862	0	0	603	276	414	0	0	4 647	1 284	**9 637**
Paper Products	16 764	12 598	22 034	7 921	14 946	9 323	12 903	8 399	21 341	11 072	15 061	14 412	**166 774**
Plastering machine and material	0	0	0	0	0	0	1 724	0	0	0	4 655	4 707	**11 086**
Plastic Products	17 811	24 522	41 518	27 525	39 096	25 456	36 906	23 032	21 126	32 417	30 905	31 301	**351 615**
Pre-fabricated buildings	0	0	0	0	0	0	0	0	0	7 759	0	0	**7 759**
Raw metal	12 672	9 052	2 715	34 698	28 103	95 603	38 097	96 840	67 707	79 659	44 190	56 353	**565 689**
Saddlery and Harness	0	615	0	0	0	0	0	0	0	0	0	0	**615**
Vegetables	0	24 588	137 167	158 754	83 610	274 526	387 586	175 426	244 575	122 634	32 069	35 552	**1 676 487**
Water Storage/heating	586	0	0	0	0	0	0	2 759	345	0	0		**3 690**
Wooden products/ furniture	31 166	31 802	39 259	38 581	49 217	71 571	90 484	109 241	51 404	72 079	82 448	56 005	**723 257**
Total	**162 631**	**197 156**	**661 549**	**320 485**	**310 561**	**571 892**	**640 962**	**472 275**	**453 417**	**403 236**	**308 351**	**303 585**	**4 806 100**

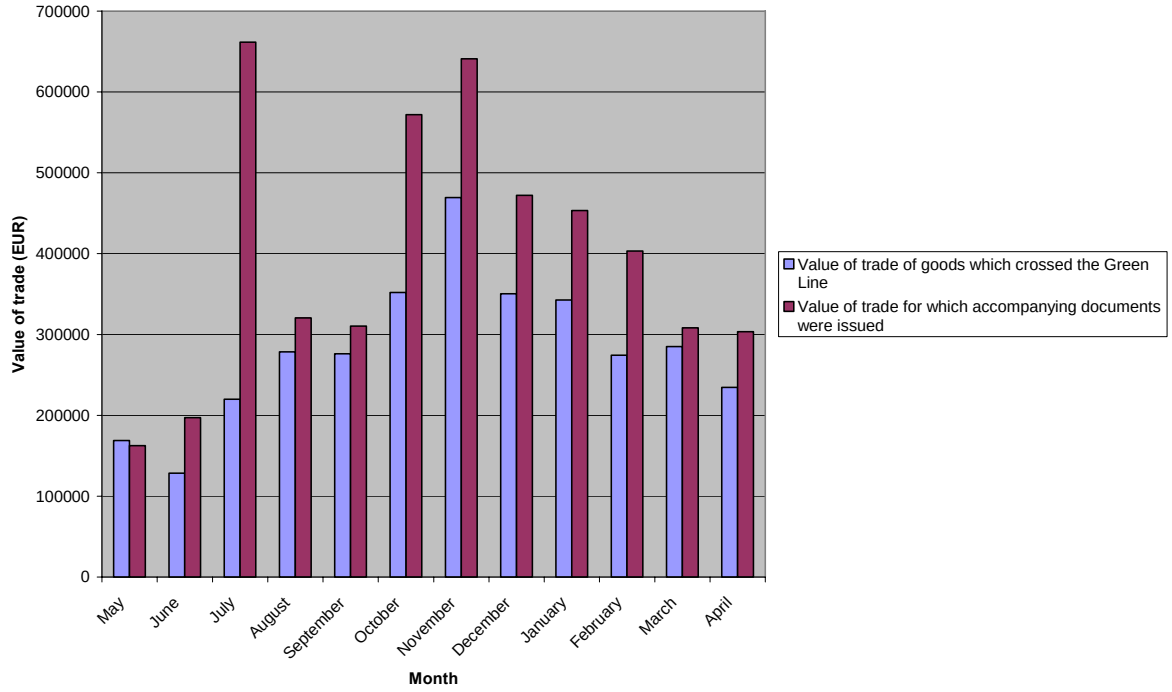
1 EUR = 0,58 CYP

Annex II: Value of goods crossing the Green Line reported by the authorities of the Republic of Cyprus (May 2006-April 2007)

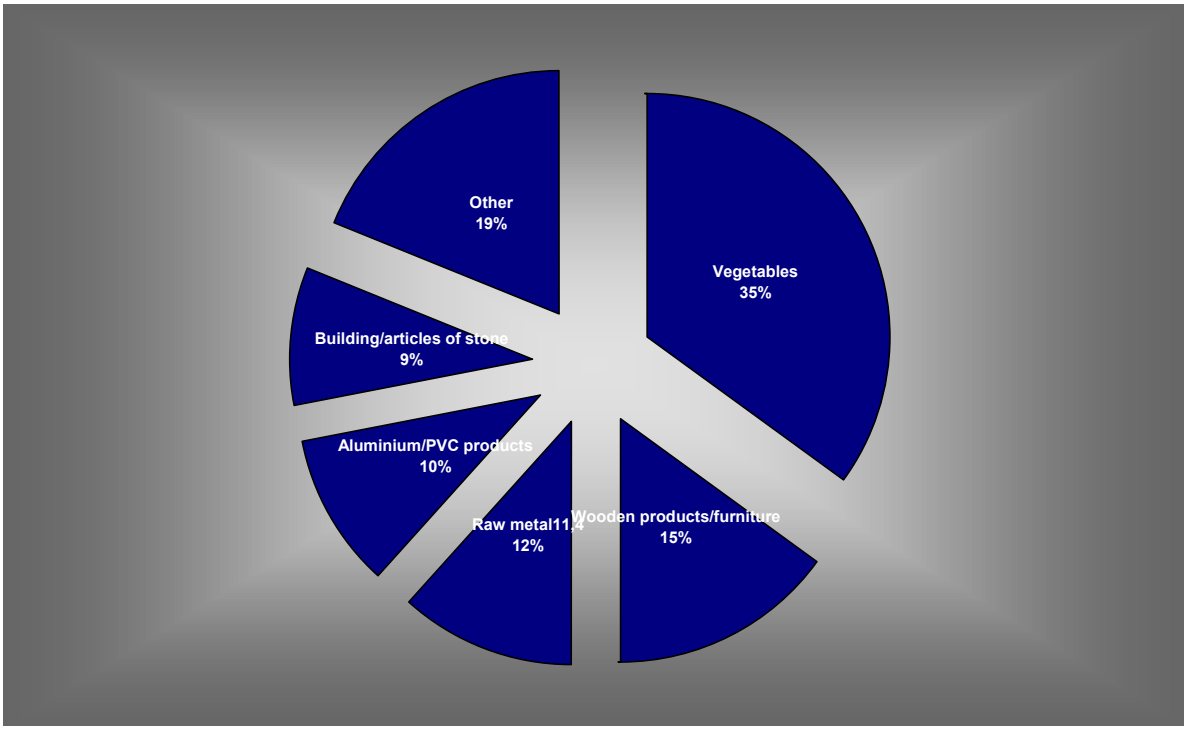
May	€ 168 836
June	€ 128.561
July	€ 219 943
August	€ 278 582
September	€ 276 110
October	€ 352 016
November	€ 469 415
December	€ 350 421
January	€ 342 652
February	€ 274 562
March	€ 285 252
April	€ 234 456
Total	**€ 3 380 805**

1 EUR=0.58 CYP

ANNEX III: Values of goods which crossed the Green Line and value of goods for which accompanying documents were issued by the Turkish Cypriot Chamber of Commerce

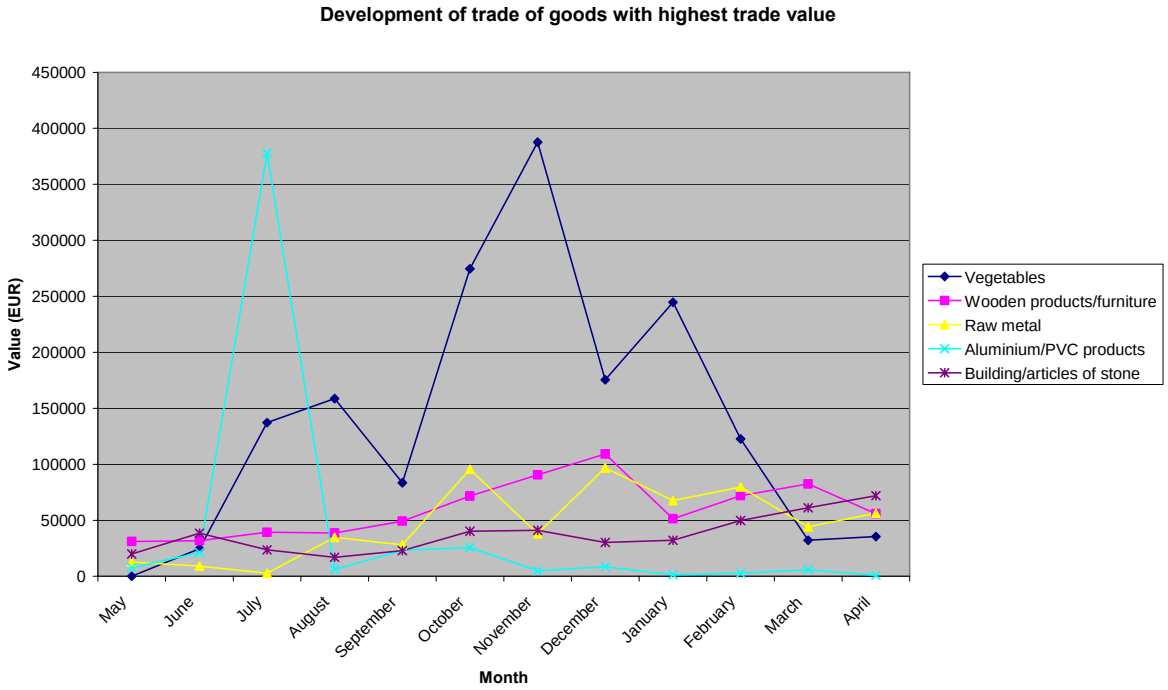


Annex IV: Most traded goods



Vegetables	1 676 487
Wooden products/furniture	723 257
Raw metal	565 689
Aluminium/PVC products	486 184
Building/articles of stone	448 332
Other:	906 151
Total:	**4 806 100**

ANNEX V: Development of most traded goods



ANNEX VI Illegal immigration for the period 01/05/2006 - 30/04/2007

MONTH /YEAR	ILLEGAL IMMIGRATION (total number) (1+3+5)	ILLEGAL IMMIGRATION / ASYLUM SEEKERS via the Green Line		ILLEGAL IMMIGRATION / ASYLUM SEEKERS directly to the government-controlled areas (not via the Green Line)		ILLEGAL IMMIGRATION via the British Sovereign Base Areas* (5)
		ILLEGAL IMMIGRANTS (1)	ASYLUM SEEKERS (2)	ILLEGAL IMMIGRANTS (3)	ASYLUM SEEKERS (4)	
May 2006	176	176	143	0	0	0
June 2006	218	189	139	1	0	28
July 2006	223	211	151	2	0	10
August 2006	255	251	183	1	1	3
September 2006	217	210	168	0	0	7
October 2006	236	226	178	8	0	2
November 2006	262	262	235	0	0	0
December 2006	219	219	188	0	0	0
TOTAL	**1806**	**1744**	**1385**	**12**	**1**	**50**
January 2007	152	150	101	1	1	1
February 2007	210	201	157	6	6	3
March 2007	504	502	465	2	2	0
April 2007	247	247	205	0	0	0
TOTAL	**1113**	**1100**	**928**	**9**	**9**	**4**
TOTAL (5/2006-4/2007)	**2919**	**2844 (97.43%)**	2313 (81.32%)	**21 (0.72%)**	10 (47.61%)	**54* (1.85%)**

* None of the illegal immigrants who entered from the British Sovereign Base Areas, applied for asylum.

Source: Republic of Cyprus, Police Headquarters, 18/5/2007

ANNEX VII

CHECKS ON PERSONS AND VEHICLES AT OFFICIAL CROSSING POINTS OF THE GREEN LINE FOR THE PERIOD 1/5/2006-30/4/2007

MONTH/ YEAR	PERSONS			VEHICLES		
	Greek Cypriots entering the northern part of Cyprus	Turkish Cypriots leaving the northern part of Cyprus and entering the government-controlled areas	TOTAL (entries and exits)	Greek Cypriot vehicles entering the northern part of Cyprus)	Turkish Cypriot vehicles leaving the northern part of Cyprus and entering the government-controlled areas	TOTAL (entries and exits)
05 / 2006	**88945**	166285	***255230***	**31266**	57114	***88380***
06 / 2006	**94965**	153747	***248712***	**33665**	54996	***88661***
07 / 2006	**96478**	154126	***250604***	**34219**	53453	***87672***
08 / 2006	**110284**	139202	***249486***	**36588**	52104	***88692***
09 / 2006	**60986**	98676	***159662***	**25427**	49020	***74447***
10 / 2006	**56755**	100720	***157475***	**26793**	50477	***77270***
11 / 2006	**49483**	87754	***137237***	**22220**	46142	***68362***
12 / 2006	**47694**	85959	***133653***	**17053**	33652	***50705***
01 / 2007	**43670**	89064	***132734***	**18465**	38663	***57128***
02 / 2007	**36729**	89786	***126515***	**16660**	43796	***60456***
03 / 2007	**46417**	98177	***144594***	**22434**	53145	***75579***
04 / 2007	**56417**	84719	***141136***	**27133**	47191	***74324***
TOTAL	**788823**	1348215	***2137038***	**311923**	579753	***891676***

Note: According to the authorities of the Republic of Cyprus no records are kept for the return of Greek Cypriots to the government-controlled areas and for the return of Turkish Cypriots to the northern part of Cyprus

SOURCE of data: Republic of Cyprus, Operation Office, Police Headquarters, 01/06/2007