



Contents

1.	Cyprus Problem.....	2
2.	Hydrocarbons.....	5
3.	Greek Cypriots	5
	Economic Developments.....	5
	Domestic Developments	6
	Labour relations and trade unions	7
4.	Turkish Cypriots	8
	Economic developments	8
	Domestic Developments	8
	Labor Relations and Trade Unions	10
	Foreign Policy	10
5.	FES Cyprus Events	11

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1. Cyprus Problem

In April, negotiations for a settlement of the Cyprus problem continued under a new coalition government emerging in the TRNC¹ and with the May parliamentary elections looming in the south.

The first leaders meeting for April took place on the 19th under the auspices of the Special Adviser to the UN Secretary General (SASG) on Cyprus, Espen Barth Eide, and Deputy SASG Lisa Buitenhuis with Turkish Cypriot leader Mustafa Akinci and President Nicos Anastasiades, discussing the topics of government and property. Following their meeting Anastasiades commented that progress and some convergences had been made. Property and governance were further discussed during their second meeting held on April 25. Commenting on the meeting, which he described as “productive”, Anastasiades stated that a bridging of gaps and a better understanding of issues was achieved without implying, however, that convergences were in

¹ The Turkish Republic of Northern Cyprus (TRNC) is only recognised by the Republic of Turkey. While for Turkey and the Turkish Cypriots, Mustafa Akinci serves as President of the TRNC, the international community considers him the communal leader of the Turkish Cypriots. As the government of the Republic of Cyprus remains internationally recognised as the government of the whole of the island, the entire island is now considered to be a member of the European Union. However, the *acquis communautaire* is suspended in northern Cyprus pending a political settlement to the Cyprus problem (see Protocol no. 10 of the Accession Treaty).

fact achieved. From his end, Akinci dismissed the notion that the new coalition in the north would cause him to backtrack in the Cyprus talks. The next leaders meeting is expected to take place on May 6. A further meeting is not anticipated to take place prior May 22, when parliamentary elections in the south will be held.

On April 19, US Assistant Secretary of State for European and Eurasian Affairs, Victoria Nuland, visited Cyprus and met with the two leaders. The visit is reportedly related to the government reshuffle in the north which may have caused some concern in Washington. The US repeatedly expressed its support towards a solution and thus has been investing in the positive chemistry between Anastasiades and Akinci.

On April 12, Mustafa Akinci was received by German Foreign Minister (FM) Frank-Walter Steinmeier in Berlin. Following the meeting, the German FM encouraged further progress in the ongoing negotiations. Making a statement after the meeting Akinci said “we found the opportunity to discuss the latest phase reached at the negotiation process. It is the first time Germany that is one of the leading countries of the European Union has shown so much interest in the Cyprus issue”. Explaining that the election in the south has in fact slowed things down, Akinci said that if everyone wanted the year 2016 to be the year of a solution, then as of the end of May the negotiation process needed to gain momentum and added that the Turkish Cypriot

side was prepared to follow the process through to the end.

During his visit to Berlin, Akinci took part in a panel discussion organised by the Friedrich-Ebert-Stiftung and answered questions regarding the latest developments on the island. Answering a question about the possible effects of the new coalition government on the negotiation process, the leader said that the new coalition government between the UBP and DP, which were known to be hardliners on the Cyprus issue, would have less support compared to the previous CTP-led coalition but expressed the belief that this would not affect the negotiation process. He also added, "all the parties in the parliament have openly given their support to the 11 February 2014 Joint Statement," which forms the basis for the reunification talks.

On a different occasion, in response to a question regarding the speculations that the government will grant citizenship to some 26.000 Turkish citizens, Akinci said that it "is out of the question. Such a thing does not exist on our agenda. It is also out of the question to have any approach which could blow up the negotiations in any way". Noting that he acts in the negotiations according to the data provided by the Ministry of Interior regarding citizenship, Akinci added that he did not back step from any position and he did not intend to do so, because he wants a solution.

In an interview with the Associated Press, Akinci

criticized the Greek Cypriot side for launching a third round for offshore gas drilling licenses despite an "understanding" by both sides that there's "no urgency on drilling". He reminded that exploratory drilling in waters off Cyprus' southern coastline in 2014 had led the peace talks to break off and added that "my understanding was that when we started the negotiation this was not going to create trouble for our process. Now I see the potential danger."

On another front, the EU Parliament welcomed in its Progress Report on Turkey the "considerable progress" in the Cyprus reunification talks and stressed that a non-settlement of the Cyprus problem would affect the development of EU-Turkey relations. It moreover pledged its support for the "evolution of the Republic of Cyprus into a bi-communal, bi-zonal federation with political equality between the two communities and equal opportunities for all its citizens". A resolution of the report was passed by 375 to 133 votes, with 87 abstentions. Nevertheless, the report was rejected by Ankara's European Union Affairs Minister, Volkan Bozkir. According to the Anadolu Agency, the Turkish state-run press agency, "Three key sticking points for the Turkish government were the definition of the mass killings of Armenians in 1915 as "genocide", declassifying the outlawed Kurdistan Workers' Party (PKK) as a terror group and any suggestion of an end to the EU's economic contributions to Turkey".

On April 20, Foreign Minister Ioannis Kasoulides met with British Foreign Secretary Philip

Hammond as part of a two-day visit to the British capital. The two men discussed the current status of the talks, the issue of settlers and the need to start considering ways of seeking financial resources for a solution. Hammond was the latest counterpart Kasoulides met after talks with Frank-Walter Steinmeier and Jean-Marc Ayrault were held in Berlin and Paris respectively.

According to the Economist, “the Eurasia Group, a consultancy, puts” the likelihood of a settlement this year “at 60%”.

UN SASG on Cyprus, Espen Barth Eide, met in Paris with the French Minister of Foreign Affairs Jean-Marc Ayrault and briefed the minister on the progress made so far as well as on current challenges in the negotiation process. According to a statement issued by Eide’s office, “they discussed how best to maximize international support for the reunification of Cyprus and encouraged the two communities to continue their efforts to reach a comprehensive settlement as soon as possible in order not to allow a unique opportunity to slip away”. “They also discussed the role of the UN Security Council in supporting the implementation of a potential settlement between the communities in Cyprus, as well as the support of the European Union to the financing of the settlement”.

The trade unions called everyone to take part in this year’s joint celebration of Labour Day, which would take place, opposite Ledra Palace hotel in the UN-controlled buffer zone in Nico-

sia. In a joint declaration, read by Pancyprrian Federation of Labour (PEO) Secretary General Pambis Kyritsis in Greek and by Dev-Is President Hasan Felek in Turkish, trade unions called on the leaders of the island’s two communities “to work with good will on all the issues on which convergences have been achieved, so that we can reach a just, mutually acceptable solution, based on political equality as defined by UN decisions and resolutions.” A solution, which will reunify Cyprus and the people who live in it, the declaration adds. Furthermore, they said that neoliberal policies were forcing the working class towards poverty and slavery, adding that they were against the Troika’s impositions, Turkey’s policies in the northern part of the island, deductions in education and the health sector, privatization, ecological destruction, racism, sexism and all kinds of ethnic division.

Members of the Cultural Heritage Technical Committee carried out an on the spot inspection at the Agios Panteleimonas Monastery at the Kalo Chorio (Camlibel) village where restoration works are continuing. The Turkish Cypriot member of the committee Ali Tuncay said that the committee had been realizing projects since 2011 with funds provided by the European Union.

Okan Dagli, an activist from the bi-communal Famagusta Initiative, said that it was wrong to wait for the comprehensive settlement of the Cyprus problem to open the fenced off city of Varosha, and that it should be opened immediately in the framework of Confidence Building

Measures (CBMs). This will not only revive the economy of the Famagusta region but also contribute to the peace process, he added.

In an exclusive interview with In-Cyprus website, the Greek Cypriot football player Stelios Kittos who had made a dramatic decision about his career some two years ago by accepting an offer from a Turkish Cypriot football club Degirmenlik (Kythrea), said “in the beginning I had a lot of issues, they called me ‘pro-Turkish,’ but now people congratulate me because this shouldn’t be politicised.” “I see that attitudes have changed in the past two years, people’s stance changed very quickly,” he added. Saying that the approach shown to him in the north by Turkish Cypriots is very good, the experienced player said, “they see me as a footballer. They respect and appreciate me and I can see that. I have started to learn Turkish. I can easily understand the basic things. I’ve created lots of friendships there and I can say that they are true friendships”.

2. Hydrocarbons

According to Transport Minister Marios Demetriades, Total agreed to move its operations from Larnaca to the Limassol port. In addition, the contract with the company providing services to the French energy giant is to be signed in July following a tender competition currently in place. The government has been trying to convince the hydrocarbon companies, interested in drilling for natural gas offshore Cyprus,

ENI, Noble and Total, to relocate to Limassol, after the Larnaca municipal council decided in February not to extend the stay of MedServ, which provides support services to ENI and Total. The operation was opposed by residents who feared the port would be turned into an industrial hub with health and environmental risks.

3. Greek Cypriots

Economic Developments

According to Eurostat the employment rate of people aged 20-64 rose in Cyprus to 68% in 2015 compared to 67.6% in 2014. The figure, however, still remains well below the 75% target of the EU. Meanwhile, Cyprus recorded the largest annual decrease in the seasonally adjusted unemployment rate in the EU. The figure dropped from 16.2% in March 2015 to 12.1% in March 2016, from approximately 70,000 people to 50,000 according to a study published by Eurostat. Unemployment in Cyprus remains however the fourth highest in the European Union despite the shrinking of the workforce due to rising emigration in the last years.

On April 22, Fitch Ratings affirmed Cyprus’ long-term credit rating at B+ with a positive outlook, even as risks continue to weigh heavily on the country’s credit profile. Cyprus’ sovereign debt rating was upgraded by the ratings agency to B+ with a positive outlook last April, following suc-

cessive downgrades that had left it with a B-rating with a negative outlook. The B+ rating, however, is still a short of investment-grade rating by three ratings tiers. According to Fitch, “Cyprus is undergoing a major financial, fiscal, and economic adjustment following the 2013 banking sector crisis and the ensuing EU/IMF bail-out programme” and noted that “the country’s early exit from the macroeconomic adjustment programme in March 2016 reflects a track record of fiscal consolidation, progress in financial sector restructuring and economic recovery”. It added, however, that a number of factors “continue to weigh heavily on Cyprus’ credit profile”.

The International Monetary Fund (IMF) expects that Cyprus will generate a fiscal surplus of 0.1 % in 2016, after generating a 1.7 % budget shortfall in 2015, which excludes the recapitalisation of the cooperative banking sector with €175m in December. The IMF also expects that Cyprus will generate a primary surplus of 2.6% of the economy, compared to 1.4% in 2015. In 2017, the Cypriot government is projected to see its primary deficit rise to 3% and to 3.6 % in 2018. Additionally, the Cypriot economy is projected to grow 1.6 % in 2016, effectively at the same growth rate as in 2015, before growth accelerates to 2% in 2017.

The Cyprus Bar Association appointed a team to investigate the Cyprus branch of the Panamanian law firm Mossack Fonseca in Cyprus. The appointment was a response to reports in the international press regarding the activities of

the law firm on the island. Mossack Fonseca allegedly helped politicians, companies, criminals and celebrities set up offshore companies, launder money and evade taxes. As a result of the reports Deutsche Bank reportedly decided to exit its correspondent banking relationship with Russian Commercial Bank (RCB) following allegations that Cypriot based RCB was involved in offshore transactions of up to €2 billion to associates of Russian President, Vladimir Putin. RCB denied any connection between the Panama Papers affair and the choice of Deutsche Bank to disengage from its clearing business in some regions.

Domestic Developments

Greek Cypriot rejectionist parties DIKO, EDEK, the Greens, EVROKO and the Citizens Alliance expressed their concerns over the formation of a new coalition government in the north and its possible effects on the ongoing negotiations of the Cyprus problem since the new coalition is considered to show a hardline stance on the negotiations table. They also expressed their dissatisfaction with the “upgrading” of Mustafa Akinci, following his visit to Berlin. DIKO called for a meeting of the National Council to discuss both sets of developments.

On April 14, opposition parties passed a bill prohibiting privatisation of state telecom company CyTA and power company EAC until the end of 2017 amid a row with the ruling party DISY. The bill was passed with 32 votes in favour – AKEL, EDEK, DIKO, Green Party, and the Citi-

zens Alliance. DISY's 20 MPs and EVROKO's one voted against, while DIKO MP Athina Kyriakidou abstained. DISY chief Averof Neophytou had requested a postponement of the vote until June, but the rest of the parties insisted on discussing the matter. Neophytou warned that approving the vote jeopardised everything Cyprus had built in the past three years simply because of the parliamentary elections. Following the all-day session, parliament dissolved and formally set May 22 as the date for the legislative elections.

Labour relations and trade unions

The legislative proposal made by DISY leader Averof Neofytou, to restrict the right to strike in essential services was eventually withdrawn in order to allow for social dialogue. While there is an agreement between the three largest trade unions and the employers' associations under the auspices of the state since 2004, which has also been incorporated in the Code of Industrial Relations, stipulating a minimum service provision in the case of strikes in designated essential services, the employers' associations OEB and KEBE have repeatedly called for extending that agreement to more services and making it legally binding so that it can be imposed on all trade unions and carry sanctions including imprisonment in case of its violation. All trade unions and some parliamentary parties objected to DISY's legislative proposal forcing DISY to retreat while the Attorney General characterized the government's stance as

rushed and confused and stated that complex issues could not be resolved in one night. PEO and AKEL's objections were particularly intense accusing DISY and the government of aiming to instill fear on the workers and penalize strikes.

The Bank of Cyprus informed ETYK about its existing plans concerning the decrease of its workforce and the limiting of its expenses and clarified that there would be no new voluntary redundancy scheme like the one offered by Alpha Bank.

PASIDY demanded the termination of pay cuts for civil servants. President Anastasiades, speaking in the context of PASIDY annual congress congratulated PASIDY for taking the legal route in reacting to the pay cuts and for being constructive in the process of the public sector reform. He also announced that the 10% pay cut for temporary public sector employees (the new recruits' cut) would be terminated for those that had completed 24 months while the status of those completing 30 months would be converted to "indefinite duration" employees.

The Cyprus Telecommunications Authority (CyTA) trade unions submitted their proposals for the reform of CyTA to the President. The Cyprus Electricity Authority (CEA) trade unions complained against the "arbitrary actions" of the Minister of Energy who was accused of continuing his attempts to undermine the CEA despite the government's statements", as he had secured an exemption for the General Director and Director of Finance posts of CEA

from the new openings in the last meeting of the finance parliamentary committee. The CEA trade unions demanded from the Minister to assure that the two posts would be filled immediately after the convening of the new parliament.

A 24-hour strike took place at the Asylum Seekers' Camp in Kofinou as the workers protested against the plans of the Ministry of Interior to privatize the camp and against the delayed payment of wages. Following the strike, a dialogue was initiated between PEO representing the workers and the Asylum Service and the Camp management.

A series of strike actions and protests took place by the fired employees of the FBME Bank which lost its license to operate. The employees demanded the payment of their unpaid wages and various benefits deriving from labour legislation which they did not enjoy as a result of the way in which the bank's closure was handled. Their criticism is aimed against the Special Manager appointed by the Central Bank to oversee the closure of the bank. The on-going conflict is taking the legal route.

4. Turkish Cypriots

Economic developments

A draft copy of the financial protocol to be signed between Turkey and the Turkish Cypriot government covering the 2016-18 period, was

leaked to the media. According to the document, among other things, the electricity authority will be divided and the distribution will be privatized, the infrastructure and the services in the telecommunications will be transferred to a public-private partnership, the operation of the ports will be transferred to the private sector, it will be easier to give public land to foreign investors in the field of tourism, the price supports on agricultural produce will be abolished, the retirement age will increase to 65, and the fees paid by patients in the public hospitals will increase.

Speaking at a press conference, Ismet Akim, the outgoing chairman of the executive board of the electricity authority (KIB-TEK) informed the public about their performance in the two years that they were in charge and criticized the Ankara's demand to privatize the electricity authority on the grounds that it cannot collect revenue and said that their collection rate is 96,7% while in Turkey where it is private, it could not exceed 70%. "If managed well, KIB-TEK is an economic powerhouse, which can carry the whole country on its shoulders," Akim said.

Fikri Toros has been re-elected as the president of Turkish Cypriot Chamber of Commerce's general congress, which was held on April 2.

Domestic Developments

On April 2, the National Unity Party's (UBP) party assembly decided to withdraw from the

government thus bringing an end to the coalition with the Republican Turkish Party (CTP), which was formed on 15 July 2015. The party leader Huseyin Ozgurgun, said that the inability to pay the March salaries of public servants on time prompted them to question their position within the coalition government. Relations between the two parties had been tense since February because of the disagreement between the two partners over the terms of the agreement between the Turkish Cypriot government and Turkey on the operation of the water utilities. The content of the new financial protocol with Ankara was another sticking point.

On April 5, prime minister Omer Kalyoncu handed his government's resignation to president Akinci and on April 8, Akinci gave the mandate to form a new government to the UBP leader Ozgurgun. 'After my discussions I have understood that the UBP together with the DP and support from the independent candidates will be able to form a majority government at the parliament therefore I have given the UBP leader the mandate to form the next government'. On April 15, UBP and DP signed the coalition protocol, and on April 17, Akinci approved the new cabinet. The new cabinet will be made up of 8 Ministers (including Prime Minister) from the UBP and 3 ministers from the DP. Ozgurgun will be serving as the Prime Minister of the country's 39th government, while DP leader Serdar Denktas will be serving as Deputy Prime Minister and Minister of Finance. The final step of the procedure came on April 27,

when the coalition government received a vote of confidence in parliament. While 27 deputies voted in favour of the new government, 22 deputies voted against it. The UBP's 18, and the DP's 5 deputies as well as the 4 independents voted in favour, while all CTP and TDP deputies present, voted against.

The Turkish Cypriot parliament unanimously passed the elections and referendum (amendment) bill, which will turn the entire northern part of the island into a single electoral district, replacing the current one, with five districts. The candidates will be included in a single list and the voters will be able to vote for all candidates regardless of their district of residence. The number of the deputies will remain the same (50) and they will be distributed according to the population of the existing districts i.e. Nicosia 16, Famagusta 13, Kyrenia 10, Morphou (Guzelyurt) 6 and Trikomo (Yeni Iskele) 5. In other words, each town will still have a quota. As in the earlier system, the voters will have three choices: (a) Voting for a single party's list without making any preference vote for individual candidates; (b) voting for a single party list and making preferences for individual candidates from that party; (c) splitting the vote among candidates from different party lists. What is novel about the new system is that those who choose to make preferences or split their votes will have the option to vote for candidates from all five districts. The rationale behind the amendment is to make parties nominate candidates who can appeal to voters

beyond their constituency, and to discourage petty politicking and patronage at district level by extending the size of the constituency. The new system has been criticized for making it more complicated to make preference or to split vote because it requires the voter to do so for each district. For example, a voter resident in Famagusta who would like to split her vote among candidates from different party lists will have the chance to choose minimum 24 and maximum 50 candidates but should do so in such a way that in each district she will vote for at least half of the district quota i.e. 8 candidates from Nicosia district, 5 candidates from Kyrenia district etc.

According to a survey conducted by the Gezici Research Company between 26 and 27 March with the participation of 2,057 persons living in the northern part of Cyprus, with 33,1% the newly-established People's Party (HP) headed by former negotiator Kudret Ozersay would receive the most votes, while UBP, CTP, DP and TDP would receive 19%, 16,8%, 11,6% and 5,1% respectively.

The inhabitants of Agios Georgios (Karaoglano-glu) village in Kyrenia, organized a protest in order to express their concern over the UBP proposal to lease a plot in their village to a Turkish tourism company, which has hotel investments also in the Karpasia region.

Labor Relations and Trade Unions

The acting president of Revolutionary Trade Unions Federation (Dev-Is), Hasan Felek has been elected unopposed as the president of Dev-Is in the 12th ordinary general assembly of the union. In his speech, Felek criticized the austerity packages imposed by Ankara, pointed out the difficulties that should be tackled with such as lack unionization in the private sector, outsourcing and precarious employment, insufficiency of minimum wage and lack of labor safety, and expressed the union's determination to oppose the privatization of the operation of water utilities.

The Social Democratic Party (TDP) deputy Zeki Celer proposed a draft law, which will make unionization compulsory at the workplaces with more than 10 employees. Currently, unionization in the private sector is at a negligible level in the northern part of Cyprus.

Foreign Policy

On April 15, Akinci addressed the 13th Islamic Summit conference of the Organisation of Islamic Cooperation, which was held in Istanbul, and expressed the Turkish Cypriot side's desire to find a solution to the Cyprus problem in 2016, noting that this will bring much needed peace and stability to the region.

5. FES Cyprus Events

May

Thursday 28.05. – Friday 29.05.2016

IKME/BILBAN/FES
Workshop

Cypriot Voice

Queens Bay Hotel
Paphos, Cyprus
Not open to the public



June

Friday 24.05.2016

Post RI/FES
Workshop

International Day Against Homophobia, Transphobia and Biphobia

t.b.a.
Nicosia, Cyprus
Open to the public



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