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FES NEWS

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1. Cyprus Problem

Following the failure to yield a solution to the Cyprus Problem, during the Crans-Montana Conference in July, the UN Special Adviser to the Secretary General on Cyprus, Espen Barth Eide made an official request in order to be released as of August 15 from his responsibilities in order to run in the upcoming legislative elections in his home country of Norway.

Eide assumed the post of Special Advisor in August 2014. Under Eide's watch, two rounds of talks in Switzerland took place, two conferences on Cyprus (in January and July of 2017), as well as three meetings between the two leaders and the UN Secretary General in New York. The Office of the Special Adviser will be headed by the Deputy Special Adviser, Elizabeth Spehar, who also serves as the head of UNFICYP.

On August 16, UNSG spokesperson Stephane Dujarric stated that following the collapse of the latest round of reunification talks, the parties in Cyprus were in a period of reflection. The statement came a day after the Greek Cypriot leader Nicos Anastasiades had stated that he would probe the possibility over a new initiative for a Cyprus settlement during the upcoming UN General Assembly to be held in September in New York. Meanwhile, on August 17, according to the Anadolu news agency, following a meeting held in Turkey with UK's Minister of State for Europe, Sir Alan Duncan, Turkey's EU Minister, Omer Celik stressed that the Cyprus

settlement talks were "not suspended, nor frozen", but "over".

On another front, Turkish Cypriot leader, Mustafa Akinci sent a letter to the President of the European Commission, Jean-Claude Juncker, stating that the north's harmonisation with the EU acquis should move ahead without interruption. The letter came in response to one sent to the leaders by Juncker following the failure to reach a settlement in July. In his letter, Juncker said that the EU provided a strong framework "through which the historical bonds between the two communities must be strengthened further" and that "any solution to the Cyprus problem should be a European solution because the EU affords the best prospects for a lasting peace and prosperity for the two communities and the country, but also for stability in the region". It also reaffirmed the EU's readiness to continue to support Cyprus. According to reports in the north on August 30, Akinci responded that the efforts by Turkish Cypriots to increase their contacts with the EU as well as the preparation for harmonisation with EU laws should continue without interruption. Akinci was quoted as saying that these efforts should not become victim to the "obstacles" imposed by the Greek Cypriot side. In the meantime, Akinci sent a letter to the presidents of member countries of the Organisation of Islamic Cooperation where Turkish Cypriots have observer status as "Turkish Cypriot State". In his letter, Akinci called on the leaders to support the efforts to remove the isolation and embargoes imposed on the Turkish Cypriots as

they clearly showed that they supported a solution to the Cyprus problem. Akinci said that since he had come to office, the Turkish Cypriot side had always displayed a constructive and result oriented position at the Cyprus talks and blamed the Greek Cypriot leader for not showing the necessary political will during the Crans-Montana summit to solve the Cyprus problem.

Speaking to the Turkish public broadcaster, Turkish Foreign Minister Mevlut Cavusoglu said that everyone had seen how constructive they were during the talks at Crans-Montana and added that the Greek Cypriot administration and Greece were not ready to come to a compromise within the current parameters “because they think that they have an EU member status. Therefore, they do not want to share governance and power. Security and guarantees is just an excuse”.

Following the conclusion of the Conference on Cyprus the Greek Cypriot presidential office instructed the heads of technical committees not to run any new actions by the government, in order to ensure that they wouldn't be exploited by the Turkish Cypriot side as a “substitute to a solution”. However, already-scheduled actions, including those of the committee on cultural heritage, crossing points, and crisis-management, are to continue as normal. Initially, the instruction had been interpreted as suspension of all technical committee works.

A taxi with Turkish Cypriot registration plates

was once again attacked by a mob of Greek Cypriot football hooligans celebrating their team's qualification for the Champions League near the head office of Apoel Nicosia football team. The [Turkish Cypriot] Nicosia Taxi Drivers Association issued a written statement condemning the attack. “We would clearly like to state that the lives of Turkish Cypriot taxi drivers which are subject to attacks in different parts of south Cyprus, are under threat while carrying out their jobs. It is with grave concern that we observe an increase in such attacks every passing day and that officials on both sides remain silent over this issue” the statement read. The statement pointed out that unlike Turkish Cypriot taxi drivers in the south, Greek Cypriot bus and taxi drivers were operating freely and safely in the north. “We call on the authorities to launch an initiative with the United Nations and the Greek Cypriot administration regarding these incidents” the statement added.

Turkish Cypriot Ministry of Foreign Affairs declined permission for a church service at Ayios Mamas Church in Morphou (Guzelyurt) citing security reasons because it coincides with a Turkish Cypriot religious holiday. The main opposition Republican Turkish Party (CTP) called on the government to reverse its decision to no avail. This was the first time since 2003 that the service could not be held at Ayios Mamas church. The Greek Cypriot state and religious officials condemned the Ministry of Foreign Affairs' decision.

August 14 marked the 43rd anniversary of the second phase of the Turkish invasion during which Turkish troops advanced from the island's north to seize 37% of the island. Turkey had first invaded on July 20, 1974, five days after the government of Archbishop Makarios was toppled by a military coup orchestrated by the military junta then ruling Greece.

2. Hydrocarbons

On August 21, Bloomberg news reported that Royal Dutch Shell Plc is considering buying natural gas from Israel's Leviathan field and to combine it with output from Cyprus' Aphrodite field in which it owns a 35% stake and pump it to liquefaction plants in Idku Egypt, while some Cypriot gas could also be sold locally. Combining output from the fields, which share some major investors, could potentially improve the economics of the projects. According to Bloomberg, Houston-based Noble Energy Inc., and its Israeli partner Delek Drilling LP, are estimated to need up to \$3.8bn (€3.2bn) to develop the required shipment infrastructure. Shell's involvement in Aphrodite is a result of the acquisition of British Gas (BG). Shell is now considering buying about 5 billion cubic meters of gas a year from the field according to Bloomberg.

3. Greek Cypriots

Economic Developments

According to Moody's Investors Service the record-high tourist arrivals, which rose to an annual 15% over the past 7-month period edging 2 million is a credit positive for Cypriot lenders. According to an email statement on August 21, the increase in tourist arrivals this year, accompanied by a 22% rise in revenue in January to May, helps Cypriot banks, plagued with a mountain of non-performing loans, improve their asset quality and find new lending opportunities. Moody's also said it expects the volume of new loans in Cyprus in 2017 to be the highest since 2013, pointing out that an increase while maintaining strong underwriting standards and best practices, will be credit positive for banks. The rating agency cited the quarterly bank lending survey issued last August 1 by the Central Bank of Cyprus, which forecasted increased loan demand in third quarter 2017, mainly in mortgage and business loans. According to the CBC, the increase is being driven by accelerating economic growth, an improving labour market that increased business and consumer confidence and a gradual recovery of the property market.

Meanwhile, according to a statement on the CBC website on August 4, the level of non-performing loans dropped on a monthly basis in April by €48.4m, to below €23.2bn, or 46.1% of the total, on a decline in corporate bad loans. Non-performing loans extended to non-finan-

cial corporations dropped in April by €57.1m, to €10.7bn. The figure includes a €58.5m drop in delinquent loans of small and medium size enterprises to €9.3bn.

According to a statement issued on its website on August 31, the unemployment rate in Cyprus remained unchanged in July at 10.8% or 46.000 for the third consecutive month marking the fourth highest in the Euro area.

Domestic Developments

The Presidential elections will take place on January 28 and February 4 of 2018.

Labour Relations and Trade Unions

All the main trade unions and employer organizations have signed the agreement concerning the COLA for the three-year period 2018-2020.

PASYDY and the doctors' trade union PASIKI have signed a framework agreement concerning the hospital reform in the context of the General Health Scheme that is currently being prepared and scheduled to be operative within two years. This includes among other things commitment to the expansion of the hospitals' operation time, wage raises and promotions.

PEO participated in a protest organized by the "Movement against foreclosures" opposing the agreement made between the Cooperative Central Bank and the Spanish loan management company, seen as a stepping stone in the pro-

cess towards mass evictions that are considered to be under way.

SEK views positively the paternity leave offered for the first time in Cyprus. In an interview given by the secretary of SEK's working women department, Despo Isaia stated that it was expected to gradually challenge the stereotype that the mother was the exclusive care provider. She also claimed that the reconciliation of family and work life remained important but could not be realized without qualitative support services. Concerning the gendered wage and pension gap, Ms Isaia called for a stronger political will to enforce the existing anti-discriminatory legislation.

PEO commenting on a European Parliament report concerning gender inequality in pensions, in which Cyprus ranks first in the EU28 with a 48.8% gap in an average of 40.2% suggested the need for a study in order to enforce correcting measures in the existing Cyprus pension system. It also argued in favor of support services and incentives as well as schemes to bring inactive women into the labour market and into regulated employment.

The Fiscal Council stated their disagreement with the policy announced by the government for the partial compensation of provident funds that suffered major losses during the bail-in. Since 2013 government has been promising that the haircut of the provident funds (around 50%) implemented in 2013 was to be partially covered by the government so that this drops

to 25%. Some further terms and conditions restricting and limiting the government's compensations were appended unilaterally by the government and not through social dialogue procedures. According to the Fiscal Council, beyond the short term fiscal cost, there is the danger of medium and longer-term destabilization as this might also open the way for other claims.

4. Turkish Cypriots

Economic Developments

In 2016, exports fell by 11,67% while imports grew by 3,77% compared to a year earlier. The exports in 2016 were valued at US\$ 105.5 million, while the imports in the same period were valued at US\$ 1.55 billion. Both figures include the intra-island trade with the southern part of Cyprus. The biggest exports market was Turkey with 62,5% followed by the Islamic countries with 22,7% and the EU countries with 10,1%. 60% of imports came from Turkey; 21% from the EU countries and 9% from the Far East. The goods sold to the south was valued at US\$ 4.26 million while purchases were valued at US\$ 1.5 million. According to a different set of statistics, the trade volume between Turkey and the northern part of Cyprus increased by 9,88% in the first six months of 2017 compared to the same period of 2016 and reached US\$ 519.8million. This increase was largely due to increasing imports from Turkey, which rose by

10,94% in the period concerned; Turkish Cypriot exports fell by 0,95%.

The government took the first step for the privatization of ports by instructing a committee to prepare a preliminary report on the state of the ports. The report will assess the financial structure of the ports as well as the cost of new investments required to improve them.

The State Planning Organization announced the annual inflation rate as 15.95% as of end of July.

Relations with Turkey

The Minister of Economy and Energy Sunat Atun said that plans were underway to start the implementation of the project to interconnect the northern part of Cyprus with Turkey via an undersea electrical cable. The project is expected to be completed in 2-2.5 years. Atun added that the project would not only meet the energy needs of the "TRNC"¹, but it would also supply electricity to the entire region including the southern part of the island if needed.

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).

Speaking on the issue of hydrocarbon exploration, Turkish Cypriot Minister of Energy Sunat Atun reminded that an energy deal existed with the Turkish Petroleum Corporation for exploring, drilling and acquiring revenues from any resources to be discovered off the coast of the TRNC. "We have data pointing in the direction of energy reserves" Atun said, adding that a drilling platform would be sent to the area following an analysis of the data collected by the Barbaros seismic vessel.

The newly appointed Turkish Deputy Prime Minister in Charge of Cyprus Affairs Recep Akdag paid an official visit to the TRNC. During his first visit in his new capacity he met separately with the president, speaker of the parliament and Prime Minister.

The e-tax automation system that will allow for taxes to be collected more easily and for taxpayers to be able to pay their taxes online was inaugurated with a ceremony attended by Turkish Finance Minister Naci Agbal. During the ceremony Agbal said "there are a variety of projects that are being carried out in full cooperation between Turkey and the TRNC and thanks to these projects the TRNC is developing".

Brigadier General Tevfik Algan has been appointed as the new commander of the Cyprus Turkish Security Forces.

Domestic Developments

Turkish Cypriot primary school teachers' union

(KTOS) organized a press conference to point out problems in education as well as growing influence of religion. Emel Tel, chairperson of KTOS urged the Turkish Cypriot community to act together to defend their secular way of life and institutions. KTOS lambasted the government for finding money for mosques and theology schools while ignoring the maintenance of public schools. According to KTOS officials 46 new mosques were built in the last 17 years yet only 15 new schools were built since 1974. Mebure Diren, a KTOS official said: "Mosques, houses whose rent is paid by the Turkish embassy and the presidency of religious affairs [of Turkey], and associations with unknown sources of income, have been turned into centres of religious doctrine and social engineering. Efforts are being made for imams to have a say in the community including several politicians taking orders from imams. The main reason for building more mosques is the further spreading of faith-based leadership and ensuring that they carry out religious doctrine. Economic aid from Turkish resources is given to some families in return for directing children and young people to activities and tours [in Turkey]".

Prime Minister Huseyin Ozgurgun asked President Akinci to dismiss the Mufti Talip Atalay, officially called the head of religious affairs department. Reportedly, he gave no reason. Atalay was arrested in Turkey earlier this summer over suspected links to FETO, which is considered by the Turkish government as the terrorist organization behind the last year's

failed coup attempt. Atalay came back to the island after being released on bail in Turkey.

On the last day of the month, it was revealed that fifty-three police officers, including three of senior rank were under investigation over suspected links to FETO. They remained in their posts, however, while the senior prosecutor conducted a second investigation. Weekly newspaper Cyprus Today quoted “unnamed sources” saying there is existing evidence that some of the 53 met FETO members who came to the TRNC and that “large sums of money” were discovered in the bank accounts of some.

Labour Relations and Trade Unions

During a meeting with the Social Democratic Party’s (TDP) leader, Hur-Is trade union federation’s general secretary Ali Yeltekin stated that of those 92.000 employees who work in the private sector 45-50.000 are foreigners. He urged the government not give work permit to foreign labour force in sectors, where enough qualified domestic labour force exists. Yeltekin described subcontracting as one of the most important problems and pointed out the importance of unionization in the private sector – where unionization is extremely low. For his part, TDP leader Cemal Ozyigit said that his party will take the necessary steps for unionization in the private sector when it comes to power.

5. FES Cyprus Events

September

Monday, 11.09.2017, 7:30 pm

Austrian Embassy Nicosia / Federal Chancellery of Austria / FES

Book presentation

Green Line - Evocative of an Archeology of Desperation and Desire

CVAR, 285 Ermou Street,
Nicosia, Cyprus

Open to the Public



Friday, 29th September 9:30 am -6:00 pm

PRIO Cyprus Centre / Symviosis / FES
Konferenz

Gender, Migration and Trafficking in Europe

CVAR, 285 Ermou Street,
Nicosia, Cyprus

Open to the Public



October

Monday, 2nd October, 9:00 am – 4:30 pm

PRIO Cyprus centre / Atlantic Council / IAI / FES
Conference

**Eastern Mediterranean Energy:
Moving Forward**

Goethe Institut - UN Buffer Zone
Nicosia, Cyprus

Open to the Public



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