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1. New and Upcoming Publications (www.FEScyprus.org)

February

**Nayia Kamenou, Enver Ethemmer,
Costa Gavrielides, Okan Bullici**
*The LGBTI Movement in Cyprus
Activism, Law, and Change Across the Divide*
(In English, German, Greek, Turkish)



Nicos Trimikliniotis
*Cyprus as a New Refugee “Hotspot” in Europe?
Challenges for a Divided Country*
(In English, German, Greek, Turkish)



Hubert Faustmann, Gregoris Ioannou, Sertac Sonan
Cyprus, Trade Union Monitor [for 2018]
(In English, German, Greek, Turkish)
<https://www.fes.de/internationale-politikanalyse/internationaler-gewerkschaftsdialog>



April

Hubert Faustmann, Gregoris Ioannou, Sertac Sonan
Cyprus, Trade Union Monitor [for 2019]

(In English, German)



Fiona Mullen, Hubert Faustmann
*The Impact of the Covid-19 Virus on Divided
Cyprus*
(In English, German)



May

Ömer Gökçekuş, Sertac Sonan
*Socio-Economic and Political Impact of
Austerity Policies in North Cyprus:
A Brief Assessment*
(In English, German, Greek, Turkish)



Sertac Sonan, Ebru Küçükşener, Enis Porat
*Politics and Society in North Cyprus: A Survey
Study, 2019 Report*
(In English, German, Greek, Turkish)



Ömer Gökçekuş, Sertac Sonan
*Corruption Perceptions in North Cyprus: 2019
Report*
(In English, German, Greek, Turkish)

2. FES Cyprus Events

All upcoming events have been cancelled until further notice in response to the spread of the corona virus.

3. Cyprus Problem

The Greek Cypriot government's decision to temporarily suspend the operation of four out of nine crossing points in late February as a precautionary measure for the spread of the coronavirus was met by fierce reaction and protests from civil society on both sides of the divide. On March 10, three protests were organized by various demonstrators and groups both Turkish and Greek Cypriots objecting to the closure. On March 7, police used pepper spray aimed at a large group of Turkish Cypriot protesters who were gathered at the check point in northern Nicosia. Protestors had tried to push through the checkpoint to the south, which resulted in police officers and protesters incurring minor injuries. In another occasion, an arrest was made because one Greek Cypriot protestor pushed an officer of the national guard.

The Turkish Cypriot government¹ criticized the Greek Cypriot government's unilateral deci-

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

sion and said that it was *"using the virus as an excuse"*, and aimed at hurting the Turkish Cypriot economy. The Turkish Cypriot leader, Mustafa Akinci also slammed the move, saying that the bicomunal Technical Committee on Health, which had earlier discussed the virus threat, did not recommend closing the checkpoints as a precaution. He also sent a letter to the head of the EU Commission Ursula von der Leyen and the UN Secretary-General (UNSG) Antonio Guterres to draw attention to the Greek Cypriot side's temporary closure the four crossing points. On March 5, UNFICYP stated it was concerned over the *"ongoing disruption caused to people on both sides"* by the government's decision to shut the crossings.

On March 18, the two leaders held a teleconference to discuss the latest developments on both sides of the island concerning efforts to prevent the spread of COVID-19. The conversation focused on the importance of the continuation of the cooperation between the two sides within the framework of the bicomunal Technical Committee on Health in line with an agreement reached between the two leaders earlier. The two also discussed initiatives that needed to be launched with the UN and the EU in procuring medical equipment by the joint committee.

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).

On March 23, the European Commission announced that it has earmarked €5m to support the Turkish Cypriot community's response to the COVID-19 pandemic. The money will be used to fund the provision of medical equipment and material. The EU support will be provided within the framework of an agreement reached with the UNDP in cooperation with an international healthcare professional and in coordination with the co-chair of the bi-communal health committee and relevant local stakeholders.

4. Hydrocarbons

According to Foreign Minister Nicos Christodoulides, scheduled gas drills offshore Cyprus will most likely be delayed for an indeterminate amount of time due to the pandemic. For 2020, ENI had been planning an appraisal drill in block 6, EXXONMOBIL an appraisal well in block 10, and NOBLE ENERGY also an appraisal well at Aphrodite in block 12. All companies operating in Cyprus' Exclusive Economic Zone (EEZ) have been forced to re-evaluate their operations and reduced significantly capital and operating expenditures. ENI recently announced that it is reviewing its planned activities in 2020 and 2021, as well as all its energy projects in the Middle East. EXXONMOBIL declared that it is reducing its 2020 spending significantly while its share value dropped by 50%. NOBLE's share value dropped by 75% and the company will be facing many difficulties. According to

Energy analyst, Charles Ellinas, the coronavirus and sliding oil prices will probably push exploration projects back by two or even three years as companies struggle to get back on their feet.

5. Greek Cypriots

Economic Developments

The global coronavirus epidemic has had a devastating impact on the tourism sector with a combination of travel restrictions and fear of being infected prompting cancellations. The Association of Cyprus Travel Agents Association (Acta) reported that March was a complete write-off even before Cyprus had its own confirmed cases. As of early March, losses were already estimated at around €30m from the collapsed sales.

As part of the measures to address the Spread of the pandemic, Finance Minister Constantinos Petrides initially announced on March 15 a financial support package of €700m equivalent to 3% of GDP, of which €450m were fiscal measures and €250m were liquidity support to businesses. This was later revised to €813m equivalent to 3.8% of GDP. The support package aims to limit the longer-term negative economic effects on the economy by supporting affected businesses, so they remain viable, limiting layoffs and maintaining consumption. According to Petrides, the new measures will have serious financial implications. Petrides also underlined that the

economy was experiencing the most significant shock waves and the government had to use all the tools it had to get through the coming months. Among the measures announced were:

- a €100m boost in the health sector to combat the pandemic;
- €11m for the implementation of tourism support from June to September 2020;
- the postponement for two months of the increased GESY (National Health System) contribution scheduled to start on March 31;
- the temporary suspension of VAT payments to provide liquidity to businesses. Arrangements will be made for VAT to be gradually paid off until November 11, 2020;
- a temporary reduction of VAT from 19% to 17% over a two-month period and from 9% to 7% over a three-and-a-half-month period;
- a grant of €750 for overseas students who stay abroad;
- a postponement in the submission of Tax statements until the end of May instead of end of March;
- Regarding the banking sector Cypriot financial institutions will be able to obtain liquidity from the Eurosystem on very favourable terms.

On March 19, Moody's rating agency reported that the government financial support package is expected to help limit the coronavirus-related impact on banks' asset quality. According to Moody's the virus-related econom-

ic slowdown adds to banks' existing asset quality and profitability challenges amid weaker lending activity, fewer fee-generating transactions, and the higher cost of credit. The full extent of the economic costs and effect on banks will be unclear for some time.

On March 20, the state asset management company KEDIPES announced it was suspending foreclosure procedures until June 30, 2020 in line with a government request.

On March 26, the Cabinet approved a bill suspending repayment of loans for 9 months and a €2bn stimulus plan in a bid to boost liquidity in the economy amid the ongoing crisis caused by the coronavirus pandemic. It also approved a bill banning evictions until the end of May 2020 due to a tenant's failure to pay rent. The cabinet also approved a supplementary budget of €360m as direct relief to businesses and individuals affected by the lockdown.

On March 27, the Parliament approved a raft of bills aimed at shoring up the economy to withstand the fallout from the coronavirus crisis. The bills included measures to support vulnerable groups of the population, workers, and businesses. On March 29, the Parliament passed the bill allowing for the suspension of loan repayments and interest for natural persons and businesses. A vote on a second bill, a €2bn fiscal stimulus plan was postponed until April 2.

According to a study published by Nicosia-based research consultancy Sapienta Economics on the impact of COVID-19 on the island's economy, real GDP in Cyprus could decrease

between 3,5% and 9,2% in 2020. However, the study indicates that the tourism and retail sectors' downfalls would be partially offset by an increase in food sales, healthcare and public spending. The Sapienta study reveals the impact on the economy is similar to 2013, when Cyprus suffered a severe banking crisis and real GDP contracted by 6.6%. According to Finance Minister Petrides the economy is heading for a recession and could contract by 5%.

Domestic Developments

On March 10, the Republic announced its first confirmed coronavirus case. At month's end the confirmed cases rose to 262, of which 9 were in the British Bases, while 8 fatalities were recorded. The majority (57%) of those found positive were men while most of the cases were aged between 25 and 59. The majority of the cases or 143 were due to contact with confirmed cases.

Addressing the people on March 15, the President Nicos Anastasiades announced that the Republic is facing a state of emergency. Along with the respective Ministers of Health, Finance and Labour Constantinos Ioannou, Constantinos Petrides and Zeta Emilianides, they announced a series of strict measures to protect the public, the economy, businesses and workers while effectively imposing a lockdown. In addition to the closure of schools it was announced to suspend operations of private businesses including, cafes, malls, department stores, hotels and other enterprises, with the exception of pharmacies

and food retailers. An entry ban in the country was imposed, only allowing persons with a certified medical clearance who would be sent to a 14-day quarantine upon their arrival in government predetermined spaces. They called on students studying abroad not to travel to Cyprus and urged the public to stay at home, work from home and stop unnecessary movements. Labour Minister Zeta Emilianidou also announced measures including a special leave to parents working in the private sector and an "operation suspension scheme" for businesses to avoid lay-offs. A €10m scheme for the support of small businesses that employ up to 5 persons was also announced.

As cases continued to rise, restriction of movement was announced as the Republic of Cyprus affirmed the Quarantine Law effectively imposing a curfew for 3 weeks until April 13. In doing so, Cyprus joined a long list of countries enforcing lockdown measures. Anyone going outdoors must carry with them a filled-out printed form explaining the reason, or alternatively send an SMS to state authorities requesting for permission to go out for specific reasons. Measures included restrictions in movement and the closure of public places including parks, marinas, beaches and visits to religious venues to stop the spread of the virus. The government banned unnecessary movement unless it concerned work, the purchase of supplies, doctor and pharmacy visits, or going to a bank if an online transaction is impossible. The Easter bonfire tradition was also banned. Initially, offenders breaking the Quarantine orders were faced with a €150 spot fine while cases taken to

court will be facing jail sentence up to six months or a €3k fine. As part of the measures taken from March 21, all incoming passenger flights to Cypriot airports were banned for 14 days resulting in a 91.6% decline in traffic aviation.

On March 30, a day after 35 new confirmed cases were identified, Health Minister, Constantinos Ioannou announced a series of even stricter measures including a curfew on movement between 9pm and 6am. According to the latest measures people were only allowed to leave their homes once a day and only after receiving permission by text message. Retail shops including supermarkets and bakeries were banned from working on Sundays. House visits and gatherings were also forbidden and only three persons were allowed in vehicles, including the driver. Ioannou also announced that stricter controls will be introduced for those diagnosed with coronavirus and that the ministry is exploring ways to monitor those diagnosed. The fine for those found disobeying the ban on movement was also doubled to €300. Between March 24 when the ban on movement was introduced until 30 March, 1,849 persons had been booked for disobeying the curfew.

According to Petros Karayiannis, a virologist and a microbiology professor at the University of Nicosia, Cyprus should be rid of coronavirus by mid-July provided people respect the preventive measures imposed by the government.

Labour Relations and Trade Unions

Following the government's new regulations due to the COVID-19 pandemic, to suspend the operations of private sector companies, the Ministry of Labour, Welfare and Social Insurance announced the following support measures to deal with the effects of the lockdown:

1. Special Sickness Allowance
2. Special Leave for Child Care
3. Special Self-Employed Allowance
4. Special Plan for the Complete Suspension of the Company's Operations
5. Special Plan for the Partial Suspension of the Company's Operations

However, the trade unions are alert to any possible exploitation of the crisis brought to the economy and labour by the pandemic. In an announcement they said that they will not accept deviations from what has been agreed and call on employers to comply with the agreements and encourage employees to report any violations to the Labour Relations Department of the Ministry of Labour or to the trade unions. The latter have already started reporting dismissals of employees, irregular and arbitrary decisions and unilateral actions on the part of employers, and they call on the Ministry of Labour to deal with the phenomenon.

Workers at the Pafos Municipality's garbage collection service carried out a 24-hour strike on March 3 and a 48-hour strike on March 11. The reason for the workers' strike was the decision of the Municipal Council of Pafos to

proceed with the full privatization of the garbage collection service. In a statement, the trade unions pointed out that in similar cases where municipalities granted the activities to a contractor, regulated labour relations were not secured, which led to the exploitation of workers as well as low quality services.

On March 6, workers at the Integrated Waste Management Facility (*IWMF*) in Pentakomo cancelled their announced strike, following assurances that the salary of February will be given to them, which was their main demand.

On 9 March, the Boards of Directors of the Hotel Industry Trade Unions, after a joint meeting, decided to resort to strikes because hoteliers misinterpret important provisions of the renewed collective agreement reached on 18 December 2019.

On March 17, the staff of the Local School Boards announced a 24-hour strike. However, they decided to suspend the strike because of the measures taken to tackle the COVID-19 pandemic. The strike would be carried out for the delay in the completion of the procedures for the renewal of their collective labour agreement which expired on 31/12/2014 by the Ministry of Education, Culture, Sport and Youth.

A strike was announced for the days of 12, 18, 26 and 27 of March 3 by the Electricity Authority of Cyprus (EAC) trade unions, denouncing the administration and management of the organization for withdrawal from the agreements they had in place with the employees. However, the employees, decided

to cancel the announced strikes due to the COVID-19 lockdown.

5. Turkish Cypriots

Economic Developments

According to the TRNC Central Bank's quarterly bulletin, the TRNC ran a budget deficit of 286 million TL (€43 million) in 2019. Total budget expenditures and revenues were 7,7 billion (€1,15 billion) and 7,4 billion TL (€1,11 billion) , respectively. Compared to the year earlier, budget revenues increased by 34,5%, while the increase in budget expenditures was 41%. Some 80% of the government budget was absorbed by current and personnel expenditures. 89% of the budget was covered by domestic revenues in 2019, down from 92% in 2018. According to the same source, the amount of grants and credits transferred from Turkey reached 579 million TL (€86,9 million) in 2019.

According to the data announced by the Department of Trade, compared to the year earlier, the TRNC's exports in 2019 decreased by 13.8% from US\$ 95.4 to 82.2 million, and imports by 12.7% from US\$ 1,816 to 1,585 million.

In order to combat the economic impact of the Prime Minister announced a 33-point economic support package of 1.5 billion TL (€205 million) (the TRNC's GDP in 2018, the latest figure available, was 18.3 billion TL /€3 billion). In line with the measures, all public-

sector salaries and pensions above 5,000TL (€682) will be reduced for a period of three months. Those who receive a salary of 6,000TL (€818) and lower will have a 16% reduction, while the highest public-sector salary and pension will not exceed 8,500 TL (€1160), which means high ranking public servants will experience cuts up to 56%. There will be no cuts in the salaries of public servants who carry out essential services. All state contributions made to public institutions, municipalities and political parties will also be slashed by 25%. All cuts will be reimbursed in an indefinite future.

The state will also be paying all TRNC and Turkish nationals (but not the citizens of the third countries) who are employees of private businesses shut as part of the lockdown, a salary support of 1,500TL (€205) through the Employment Support Fund to ensure that the businesses do not lay-off employees. There will be also various credit schemes for businesses affected from the lockdown as well as deferral of various taxes and payments that should be paid to the government. Taxes levied on tobacco products and alcoholic beverages will also be raised.

Opposition politicians, mayors and trade unionists reacted negatively to the government's economic package. Particularly, the decision to exclude third country nationals from the package was heavily criticized by all segments of the society including the Prime Minister's wife. The government's critics suggested the burden for shouldering the economic cost had been placed on the public servants and the poorest sections of the society. Akinci was

among those who were not satisfied by the package. He said that measures announced by many different countries were aimed at providing the public with reassurance and financial support. *"The package announced by the government has unfortunately created the opposite effect,"* Akinci said. The president, among other things, argued that the economic measures failed to reflect the spirit of social justice. Akinci, while welcoming the decision to cut higher percentages from salaries of high-level government bureaucrats and officials, argued that how the money deducted from public-sector salaries will be used was one of the leading shortcomings of the package.

Defending the measures adopted by the government, the Prime Minister said *"it may be seen as insufficient by some but this is the best we could do with the means at hand"*. Regarding the exclusion of nationals from third-countries, Tatar said he sympathized with them but just did not have the resources to include them in the support package.

Later in the month, the government announced another scheme titled *"support loans for cheques and salary payments,"* created in support of the businesses that have been negatively affected by the lockdown. The scheme which will be worth 1 billion TL (€136 million) in the form of low interest loans will be paid back in 12-months with a six-month grace period before starting to repay the loan. No commission or similar fees will be charged by the banks.

Meanwhile, the TRNC Development Bank has announced a separate 50m TL (€6,82 million)

credit package to help businesses recover from the effects of the coronavirus pandemic.

Relations with Turkey

In a statement to the Turkish press, the Turkish Vice President Fuat Oktay said, *'as our President Recep Tayyip Erdogan stressed during his conversation with the TRNC Prime Minister Ersin Tatar on March 13, Turkey is extending all necessary support to the TRNC in its fight against the spread of Covid-19. Within this framework, an agreement was signed on March 11 between our two governments to donate health equipment to the TRNC.'* He said that the first shipment of supplies were delivered on March 13. *"Despite a ban on exports, our health ministry is also allowing private pharmacy and medical depots in the TRNC to purchase supplies and medicines,"* Oktay added. The Turkish Vice President also pointed out that Turkey's Coronavirus Science Council had been instructed to support the TRNC for any needs it might require.

On March 21, Oktay announced, on Twitter, that Turkey has sent 72 million TL to the TRNC to be used for urgent needs. He added that efforts were underway to prepare an economic package for the TRNC similar to the one unveiled for Turkey.

Domestic Developments

The first case of COVID-19 in the TRNC was confirmed on March 10th. A 65-year-old female tourist from Germany tested positive for

the virus. The cabinet convened for an emergency meeting after the first case of coronavirus was confirmed. The government announced that all public and private schools would be closed for the week and that all charter flights to the country until April 1 were cancelled.

On March 12th, Akinci called for a cabinet meeting where he proposed declaring state of emergency. This was not accepted by the government, which adopted a more incremental approach. The government decided to cancel all sports, cultural and other activities at schools and universities and extended the closure of the schools. All theatres, cinemas, festivals and other similar activities were cancelled too. On 19 March, entry points to the TRNC was closed for all nationals, except for TRNC citizens.

On March 22, the Council of Ministers has announced a partial curfew, which stipulated that with the exception of private sector personnel who are permitted to work towards addressing basic needs as well as public sector personnel who provide essential services will be subjected to the partial curfew. All individuals who do not fall under the category of exempt persons, may only leave their residences to seek goods and services provided by those private and public personnel which - are permitted to work, and must return to their residence as soon as their needs have been met. They shall not leave their premises for any other purpose.

Eventually, on March 31 the government announced night-time curfew between 9pm and 6am.

According to the Turkish Cypriot weekly Cyprus Today, Filiz Besim, the former Health Minister warned that hospitals in the TRNC are ill-equipped to handle any big increase in corona cases: 'If there is a full blown outbreak of Coronavirus, the TRNC health system, including private hospitals will not have sufficient number of ventilators and life support machines to handle the demand'.

As of the end of the month, there were 70 confirmed cases of covid-19 and a loss of life (a German citizen) in the northern part of the island.

Due to the COVID-19 outbreak the TRNC parliament decided to postpone the presidential election originally scheduled for April 26 to October 11. A second round of voting will take place on October 18 if any of the candidates fails to win a simple majority of the votes in the first round. The motion was passed with a majority; 41 in favour and two against by the Rebirth Party (YDP). The incumbent Akinci will continue to serve in office until the election date. The vote in the parliament was held following a consensus reached by political parties and Akinci.

On March 9, the Parliament passed an amendment to a law that makes human trafficking a crime. As reported by Cyprus Today, *'human trafficking has been a chronic problem in the TRNC. Sex trafficking, in particular, has taken place with impunity, and reports from international agencies also say that there has been limited support for victims, as well as insufficient monitoring of these activities'*.

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