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## 1. Cyprus Problem

In January, efforts to resume the suspended peace negotiations continued. A window of opportunity appeared in the first days of the month after the expiration of Turkey's marine advisory (Navtex) on December 30. However, since both sides were unable to meet the demands of the other, the talks remain at a deadlock. Meanwhile, the content of the UN Secretary General's report on its operation in Cyprus sparked angry reactions on the Greek Cypriot side.

Early in the month, President Nicos Anastasiades issued a statement insisting that he would not return to the negotiations table 'as long as Turkey continued to violate Cyprus' Exclusive Economic Zone EEZ'. By this, Anastasiades indirectly demanded binding guarantees that Turkey would not violate the Cypriot EEZ again. For the first time, however, he conceded that hydrocarbons could be discussed as part of the final phase of the negotiations, but only after the territorial adjustments are negotiated. The move was considered a major concession by opposition parties with the notable exception of AKEL and DISY. In exchange, Anastasiades set the following preconditions: that Turkey refrains from issuing another Navtex and requested the departure of the Turkish vessel 'Barbaros' from the Cypriot EEZ which was anchored off the Famagusta port.

The Greek Cypriot concession satisfied the first of Turkey's demands relating to the inclusion of

the hydrocarbons issue in the negotiations framework but not the second, notably the suspension of the drilling activities by the Greek Cypriots. Thus, Turkey proceeded with the issuance of a new Navtex, this time valid from January 6 to April 6 since drilling activities have continued. Nevertheless, the 'Barbaros' did not resume explorations.

According to the Turkish Cypriot Foreign minister, Ozdil Nami, the 'Barbaros' was not deployed as a measure of goodwill but might resume its activities in the coming days 'should the Greek Cypriot side maintain its aggressive stance'. Moreover, and demonstrating Turkey's determination on the issue, the Turkish daily 'Sabah' reported that the Turkish President, Recep Tayyip Erdogan, informed the country's National Security Council of plans to purchase a drilling platform or manufacture one in order to protect Turkey's interests in the Eastern Mediterranean adding that all means would be mobilized to safeguard these interests.

On another front, the government expressed great disappointment and dissatisfaction on the content of UN Secretary General's (UNSG) report which covered UN activities in Cyprus between June 21 and December 15, 2014. The report did not include Turkey's incursions in the Cypriot EEZ and instead referred to the isolation of Turkish Cypriot. Since the latter had not come up in years, it was interpreted by the Greek Cypriot side as an indirect way to force President Anastasiades to return to the negotiations table.

As a result, during a televised interview on January 15, Anastasiades publicly accused the UN Secretary General of 'naked blackmail', the members of the international community of 'misleading him', and the US ambassador John Koenig of 'hostility'. Further to this, the President revealed that he had received promises from the international community according to which in October 2014, Turkey was willing to show a constructive stance by lifting its embargo on Cyprus flagged vessels in exchange for his concession to include the Hydrocarbon issue into the talks.

All in all, the UNSG's report was denounced by all Greek Cypriot parties, while the Turkish Cypriot side was not entirely pleased, either. The 'TRNC'<sup>1</sup> foreign ministry issued a statement criticizing the fact that no reference was made to the Turkish Cypriots being equal and natural right holders of the island's natural gas.

In light of these developments, on January 29, the United Nations Security Council unanimously adopted resolution 2197 which

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<sup>1</sup> The Turkish Republic of Northern Cyprus (TRNC) is only recognised by the Republic of Turkey. While for Turkey and the Turkish Cypriots, Dervis Eroglu 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).

renewed the mandate of the UN peacekeeping force in Cyprus (UNFICYP) until the end of July 2015. The text of the resolution avoided any reference to the isolation of the Turkish Cypriots as included in the UNSG's recent report and instead highlighted the importance of having a constructive environment so that negotiations could resume.

According to Greek Cypriot newspaper 'Phileleftheros' the Immovable Property Commission (IPC), operating in the north, has so far paid out a total of €240 million in compensation to Greek Cypriots for their properties in the northern part of the island. This amount relates to 619 applications for compensation that have been examined and approved so far and represent 12 million square metres of land. The total number of applications submitted so far is 6091. In short, the applications that have been settled represent 10% of the total claims that have been submitted to the commission. Moreover, 80% of the applications, i.e. 4864, were submitted to the commission in the three-year period of 2011 to 2013. The increase in numbers of Greek Cypriot citizens applying for compensation to the IPC can be perceived as a derivative of the economic crises but it also indicates the broader public's opinion on the prospects of a settlement in the near future. The IPC was set up in 2006 and provides a domestic remedy to Greek Cypriots claiming their properties in the north by offering exchange, restitution and compensation.

In the meantime, during an official visit to Kuwait, Turkish Foreign Minister Mevlut Cavusoglu stressed that the observer status of the Turkish Cypriot State at the Organization of the Islamic Cooperation must continue.

Turkish Cypriot and Greek Cypriot political parties came together at the Ledra Palace hotel as part of their routine meetings. The political parties discussed the cooperation and collaboration work being carried out between the Turkish Cypriot Chamber of Commerce (KTTO) and the Cyprus Chamber of Commerce and Industry (KEVE) in the south. The meeting, which was chaired by the Slovakian Ambassador, was also attended by the chairmen of the two chambers, Fikri Toros and Phidias Pilides.

The Turkish Cypriot member of the Committee on Missing Persons (CMP) Gulden Plumer Kucuk has pointed out that chances of finding the remains of missing persons had dropped from 43% in 2006 to 17% in 2015. She said that the fact that most of the identified burial places had been excavated and that many people who knew information about possible burial sites have passed away were reasons why chances of finding new remains were diminishing. Reminding that the identity of anyone who came forward and provided information about possible burial sites was kept anonymous, she urged anyone with information on possible burial sites to talk to CMP investigators before it was too late. Pointing out that similar excavation and exhumation work was carried out in

many parts of the world, Kucuk added that Cyprus was the only case where operations were being carried out before the resolution of the conflict.

Two Cypriots, journalist Sevgul Uludag and poet Michalis Christofidis received the joint award of the European Citizen's Prize 2014. Uludag, who has helped, through her articles and research, to track down several graves of missing persons, said she was accepting the award in the name of all the missing of Cyprus and all those, Greek and Turkish Cypriots who had helped uncover valuable information. Christofidis, who through his poems promotes the idea of coexistence, said "To act and behave like a citizen in your country, to defend and promote religious and linguistic diversity of your co-citizens can be difficult in the present dark times." The European Citizen's Prize was established in 2008 and is given annually as a reward for outstanding achievements by citizens, groups or organizations that have demonstrated exceptional commitment in the promotion of a better mutual understanding and a closer integration between the citizens of member states.

## 2. Hydrocarbons

On January 21, the government revealed that French energy company Total, has not identified any drillable structures or targets in block 10 and 11 for which it had received a license and was likely to pull its operations out of

Cyprus. The company had informed the government of its intentions in September, 2014. After a series of negotiations with the company, the government managed to convince Total to reconsider its initial decision and eventually postpone its departure. According to Energy minister Giorgos Lakkotrypis, a legal loophole was found which allowed the extension of Total's surveying programme in offshore block 11 until February 16, 2016. A draft agreement revising Total's contract is currently being formulated and is expected to be finalized soon. Keeping Total in Cyprus was of paramount importance for the government as the company's departure was claimed by DIKO to be related to Turkey's incursions into the Cypriot EEZ. Furthermore, the company's departure would not have enhanced the international profile of Cyprus as an energy centre that the government has been promoting. Instead, Total's withdrawal would be perceived as another major setback following the disappointing drilling results of the Onasagoras field in block 9 in December, which failed to identify any commercially exploitable natural gas quantities.

On January 28, the energy ministry began discussions with US-based Noble Energy in order to reach an agreement on the development plan and commercial exploitation of the offshore Aphrodite prospect. Noble and the government are eyeing regional markets for monetising Block 12 gas finds with Egypt and Jordan earmarked as potential buyers.

### 3. Greek Cypriots

#### Economic developments

On January 27, a Troika<sup>2</sup> technical mission arrived in Cyprus and began contacts to review the implementation of Cyprus' financial assistance programme. The mission is not a fully-fledged review since Cyprus is in breach of its program terms, as on December 18, 2014 the House of Representatives postponed the implementation of a law for the foreclosure of mortgaged property until January 30, 2015 in order to coincide with an insolvency framework.

On January 29, after a heated debate in the House, opposition parties suspended for the second time the enforcement of the foreclosure law, citing the government's delay to submit a draft legislative framework on insolvencies comprised of five laws and regulating bankruptcy. A bill freezing the foreclosures law until March 2 was passed, supported by 27 MP's from EDEK, DIKO, the Greens and AKEL. Enforcement of the foreclosure law is a crucial demand of the fifth review that took place in July, 2014. Therefore, no full review of the program can take place until compliance is restored. The suspension of the foreclosures law for a second time not only dealt a heavy blow to the island's credibility towards its

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<sup>2</sup> The troika is comprised by the European Commission, the International Monetary Fund (IMF) and the European Central Bank (ECB)

international lenders but will negatively affect government payments.

Meanwhile, the European Central Bank announced on January 22 that it will proceed with a €1.1 billion asset purchase program from March 2015 to September 2016 in order to prevent the Euro area from entering a deflation spiral which would further threaten the Eurozone. Purchase of Cyprus' assets is expected to be approximately €130 million on a monthly basis. However, in order for Cyprus to participate in the ECB scheme it must successfully complete its evaluation by the Troika and receive positive reviews from its international lenders. Therefore, and as long as the foreclosures issue is pending, Cyprus satisfies neither of these preconditions.

On another front, authorities further relaxed restrictions on capital movement citing important progress in stabilising the banking system and restoring investor and depositor confidence in the banking system. The relaxations include the abolishment of a €2 million limit for overseas professional transactions. In addition, depositors may transfer up to €20,000 abroad every month from any bank for whatever purpose, instead of €10,000. Individual travellers may carry up to €10,000 for every trip abroad instead of €6,000.

According to Eurostat the unemployment figure in Cyprus for December 2014 dropped to 16.4% compared to 16.6% in November 2014.

### **Domestic developments**

On January 13, President of the Social Democratic party EDEK, Yiannakis Omirou, unexpectedly resigned from his position held since 2001. It is understood that infighting and disagreements led to Omirou's decision to step down. Deputies Marinos Sizopoulos and Giorgos Varnava appear to be the front runners in the party's leadership contest. EDEK was founded by Vasos Lyssarides in 1969 as a socialist party which gradually evolved to a social-democratic party.

### **Foreign Policy**

According to Moscow's ambassador, Stanislav Osadchiv, Russia is interested in securing the use of military facilities in Cyprus and is negotiating with the Foreign Ministry the terms of accessing the Andreas Papandreou military airbase in Paphos for humanitarian purposes and emergency situations. An agreement is expected to be signed during President Anastasiades' visit to Moscow on February 25.

## **4. Turkish Cypriots**

### **Economic developments**

The Livestock Breeders' Association had paralyzed the traffic in the heart of Nicosia, blocking roads and main avenues with their tractors for three days before reaching an agreement with

the government on January 7. Their demands included the payment of overdue milk subsidies, additional participation in agricultural policy making as well as the restructuring of the milk sector. Announcing the agreement at the end of the 3-hour long meeting, prime minister Ozkan Yorgancioglu underlined the importance of finding comprehensive and permanent solutions to problems experienced by the sector. The chairman of the Livestock Breeders' Association explained that they were ending their demonstration but warned that they would be back on the streets with more rigorous protests if their problems remained unresolved.

Meanwhile, a controversy broke out between the government and the Cyprus Turkish Building Contractors Association over the restoration of some properties of Evkaf (Cyprus Muslim Pious Foundations). The Association strongly criticized the protocol signed with Turkey, which envisaged the opening of all tender calls for restoration of historical buildings belonging to the Evkaf administration to be opened in Ankara and not in Nicosia, which will possibly lead to the exclusion of Turkish Cypriot building contractors in the process.

According to the annual report of the ministry of labour and social security, the ministry issued 42,858 work permits in the year to October 2014. 14,529 of these were granted for the first time and 356 were for students. Additionally, 465 permissions to start a business were granted of which 140 were new. According to

the predictions of the State Planning Organization, total employment figure in the northern part of Cyprus for 2014 was 103,297 while unemployment stood at 9.6%.

Data from the Turkish Cypriot Chamber of Commerce displayed a decline in trade in 2014 between the two communities on the island in the framework of the Green Line Regulation. According to the figures, the value of the products sold by Turkish Cypriots was €3,063,923. This is the lowest figure recorded since 2005. The annual trade figures from the north to the south across the Green Line since the entry into force of the regulation in 2004 are as follows:

2004 -	€470.821,11
2005 -	€1.673.459,57
2006 -	€3.228.342,97
2007 -	€4.125.547,85
2008 -	€7.172.115,72
2009 -	€6.006.347,89
2010 -	€5.909.238,15
2011 -	€5.304.725,15
2012 -	€4.195.321,18
2013 -	€3.928.589,61

Regarding the water transfer project from Turkey to the northern part of Cyprus, Turkish Minister for Forestry and Water Works Veysel Eroglu said that construction of on-land facilities in Turkey had been completed and that 55 km of the 80 km pipeline over the sea remained to be installed. The project, once completed,



will be the first of its kind in the world, the minister said. The stretch of pipeline between Turkey and the island will be suspended 250 meters below the surface. Eroglu added that the project, which included water treatment facilities and distribution networks, would cost TL 1.255 billion (€451 million). After several delays, the project is expected to be completed on July 20 this year. There are, however, also critical voices who primarily point out the environmental cost of the project. The Union of Turkish Cypriot Biologists criticizes the fact that there is no water policy in the north and described the project as an irreversible intervention. The management of water has also been a major point of debate. Nicosia mayor Mehmet Harmanci pointed out that all discussions were held behind closed doors and the municipalities were not invited to express their views, despite the fact that the water issue was of vital importance to them.

According to the chairman of the Turkish Cypriot Hoteliers Association Huseyin Aktig 22, mainly small and medium size, hotels in the northern part of Cyprus went out of business due to financial problems and wrong policies of the development bank.

### **Domestic developments**

The Turkish Cypriots will head to the polls on April 19 to elect a new president. According to the Supreme Electoral Board, the official campaign period will begin on March 24, while the deadline for nomination will be March 13. The

candidates so far are incumbent Dervis Eroglu, the speaker of parliament Sibel Siber, former mayor of Nicosia and former deputy prime minister, Mustafa Akinci, former negotiator in the Cyprus talks Kudret Ozersay and Mustafa Onurer of Cyprus Socialist Party.

According to the results of a survey on the political tendencies of the Turkish Cypriots regarding the Cyprus problem and the solution model, the Turkish Cypriots distanced themselves from the solution based on the Annan Plan after the rejection of the plan by the Greek Cypriots in 2004. When asked how they would vote in case of an Annan-plan style settlement, 42.7% said yes, and 57.3% said no. Still, 62.7% of the participants in the survey want a bi-zonal, bi-communal solution as it is generally described by the UN. However, 60.1% believe that such a solution will not be found. The survey was conducted in December 2014 by sociologist Kudret Akay.



## 5. FES Cyprus Events

### February 2015

**Friday 27.2. and Saturday 28.2. 2015**

CAD / FES  
Conference

**Turkey and Cyprus Regional Peace & Stability**

USAK, Ankara, Turkey

Not open to the public



### March 2015

**Friday 27.3. and Saturday 28.3. 2015**

UNIC / FES  
Conference

**60th ANNIVERSARY CONFERENCE ON THE  
HISTORICAL PERIOD OF THE EOKA STRUGGLE  
IN CYPRUS (1955-1959)**

University of Nicosia, Nicosia, Cyprus

Open to the public



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