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1. Cyprus Problem

January marked the first phase of the Geneva talks, following the agreement of December 1 2016 between the two Cypriot leaders, Mustafa Akinci and Nicos Anastasiades to resume intensified negotiations.

The first phase held between January 9-11 focused on all pending internal issues of the Cyprus peace talks namely property, governance, economy, EU, financing-implementation of a solution and lastly territory. Day one of the conference was dedicated to the issue of property and a brief brainstorming on the issue of security and guarantees. On January 10, the two sides focused on the issue of governance including the competencies of the central government where some progress was noted. The last day of the Cypriot led phase found the two sides discussing EU, financing and implementation of a solution, economy and governance where an agreement was reached on how to proceed with constitutional amendments. Disagreement still remains on the rotating presidency, as well as the Turkish Cypriot demand to give Turkish nationals coming to Cyprus the same rights as other EU citizens (freedom of movement of capital, people, goods and services) after a solution; a demand which was outright rejected by the EU and the Greek Cypriots. The issue of territory was also discussed with the two leaders submitting maps within the agreed range of the territory volume for the Turkish Cypriot constituent state, ranging between 28.2% (on the Greek Cypriot map) and 29.2% (on the Turk-

ish Cypriot map). The exchange of maps was a development characterized as a milestone in the history of the Cyprus problem and allowed the process to proceed to the second phase of the Geneva talks, a conference on Cyprus concerning security and guarantees including representatives of the three guarantor powers Greece, Turkey and Great Britain.

On January 12, the conference started under the chairmanship of UN Secretary General Antonio Guterres. Although an agreement could not be reached the participants decided that the discussions should continue at a technical level before re-convening at a political level. The participants were namely the Foreign Ministers of Turkey, Greece and Britain respectively, Mevlut Cavusoglu, Nicos Kotzias and Boris Johnson, the Greek Cypriot leader Nicos Anastasiades and Turkish Cypriot leader Mustafa Akinci, with the EU playing an observer role, represented by the President of the European Commission, Jean Claude Juncker. Reports blamed Kotzias for the premature ending of the conference who unexpectedly announced that discussions would continue only on a technical level between high level civil servants from all sides. According to the announcement released by the UN, the participants agreed to establish a working group at the technocratic level. The "Working Group of Deputies on Security and Guarantees" as it was named, would commence work on January 18. The working group was tasked with identifying specific questions and the instruments needed to address them. Once the technocrats completed their task, the

Cyprus talks would reconvene at a political level to review the outcome of the working group's discussions.

At the same time, negotiations on outstanding issues in the other chapters concerning internal aspects of a solution would continue between the two sides in Cyprus. The statement went on to say that the discussion underscored the participants' intention to find mutually acceptable solutions that address the concerns of both communities. The participants "recognised that the security of one community cannot come at the expense of the security of the other". At the same time, the leaders acknowledged the need to address the traditional security concerns of the two communities while also developing a security vision for a future united federal Cyprus. In line with this statement in an interview with *CNN Turk*, Akinci stated that he is ready to discuss the adaptation of the 1960 structure for security and guarantees to fit the situation in 2017 so that both sides feel secure. A reasonable number of Turkish troops should remain on the island and some territory should be given back to Greek Cypriot administration the Turkish Cypriot leader stressed.

On January 18-19, the second session of the Cyprus talks was held in Mont Pelerin Switzerland at the level of deputies and experts as agreed. The working group successfully completed the mandate, namely identifying specific questions related to the issue of security and guarantees and the instruments needed to address them. The participants agreed not to

disclose details about their discussions as the proceedings of the conference had not been concluded at that stage.

On January 26 Akinci and Anastasiades met for the first time since the Geneva talks and their continuation in Mont Pelerin, to assess the outcome of the negotiations and agree on the procedure and methodology to be engaged in the continuation of the dialogue on internal and external issues. They agreed to meet again on February 1.

On January 28, Turkish President Recep Tayyip Erdogan met in Ankara with Prime Minister Theresa May of the UK, where they discussed bilateral relations and the Cyprus problem. They particularly discussed the Geneva talks and the issue of security and guarantees.

According to the *Cyprus News Agency*, the European Commission will allocate €3.1 billion in case of a solution of the Cyprus problem, Commission President Jean Claude Juncker remarked at the Cyprus Conference in Geneva. Juncker informed the participating powers that the funds will be drawn from the Multiannual Financial Framework.

Thousands of people from both sides of the divide attended a bicomunal event at the Old Market in the north of Nicosia in support of the negotiations that were about to begin in Geneva, on January 8. The event was organized by local media outlets from both sides, Politis, Yeni Duzen and Kanal Sim. Another bicomunal event organised by around 130 unions,

organizations and groups took place on January 10 in the Nicosia buffer zone, also supporting peaceful coexistence between Turkish and Greek Cypriots. A mob of masked Greek Cypriot extremists dressed in black hurled abuse and insults at participants. The incident sparked calls for an inquiry into why Greek Cypriot police did not stop the group of 20-30 to get so close to the rally. PEO, one of the organizing unions, condemned police's handling of the incident in a letter to the chief of police and demanded "a full inquiry".

On January 26, the UN Security Council extended the mandate of the United Nations Peacekeeping Force in Cyprus (UNFICYP) until July 31, welcoming the good progress of the leaders-led reunification negotiations so far.

In its second year, the "Cross-Community Exchange Internship Programme", jointly implemented by the Greek Cypriot *Cyprus Chamber of Commerce and Industry* and the *Turkish Cypriot Chamber of Commerce*, so far created the opportunity for 40 young professionals (24 in the first round and 16 in the second) to be placed and do a paid internship (€500/month) in the other community, respectively. Interns are working for three months in companies or organizations of the other community i.e. Greek Cypriots work as interns in the north, Turkish Cypriots as interns in the south. The scheme, which was approved by the two Cypriot leaders in 2015 as part of the confidence building measures, aimed at giving "young Cypriots an outstanding work experience within the

other community, gaining valuable professional skills towards their subsequent working lives while mastering the working and cultural environment in the other community". The programme is within the framework of the project "Leading by Example," co-funded by the European Union. According to participants of the scheme – interns and employers – the experience has proved beneficial to all, *The Cyprus Mail* reported.

The *European Bank for Reconstruction and Development* says it is ready to invest in northern part of Cyprus, potentially for years, if a deal to unify the divided island can be reached. The EBRD holds its annual meeting in Cyprus in May, so the situation is likely to be one of the main topics of discussion among the finance ministers and central bankers taking part in the meeting.

The *Nicosia Economic Forum* which is comprised of the Cyprus Turkish Chamber of Commerce, the Cyprus Chamber of Commerce and Industry, the Union of Chambers and Commodity Exchanges of Turkey, and the Union of Hellenic Chambers of Commerce and Industry stressed that "a window of opportunity" to end the Cyprus problem should not be shut with regards to the talks in Geneva. "There are numerous studies on the economic benefits of a solution to the Cyprus issue [, showing that] a settlement will boost economic potential in the region too, through the cooperation of the economic actors of the respective countries. "Furthermore, a functional and viable settlement

would transform the island into a nucleus of stability in the eastern Mediterranean area,” the joint statement added.

A report by *The Economist* on the prospects of reunification of the island concluded: “The first beneficiaries of reunification would be Cypriots themselves. But the gains would spread beyond the island. A deal would ease the troubled EU-Turkey relationship, open up energy potential in Cypriot waters, and—because Turkey would recognise the reunified state—ease co-operation between the EU and NATO. It would also be a welcome piece of good news for an EU buffeted by endless crises.”

2. Hydrocarbons

On January 27, Energy Minister Giorgos Lakkotrypis stated that solving the Cyprus problem was never a prerequisite for the government when deciding whether to move forward with its energy plans. “We have never put the Cyprus problem as a prerequisite in order to move forward with our energy plans and this is evident from all our decisions” Lakkotrypis said. Moreover the Energy Minister stated that the negotiating process for the third licensing round for oil and gas exploration within Cyprus’ Exclusive Economic Zone (EEZ) was going ahead and that *Total’s* drilling in block 11 is due to take place within this year.

Meanwhile, according to daily Politis, *Total* is planning to push back its planned drilling for

hydrocarbons in the Onisiforos well of Block 11 from April to June. The delay is attributed to the prior uncertainty over the location of the company’s onshore support base. In 2016, *Total* indicated that it was planning to drill in April 2017 however their plans were temporarily thrown in limbo due to disagreements over who was entitled to provide the company with onshore logistical facilities out of the port of Limassol. This was eventually overcome in late December 2016 following an agreement between EDT, an oil and gas services company contracted by *Total*, and the consortium holding the marine services at the port after it was privatised. Nevertheless, the hold-up resulted in setting back *Total’s* drilling date by two more months. Whereas the arrangement does allow the energy company to use the port facilities until the end of 2018 and beyond remains uncertain.

According to a study conducted by EDISON, the EastMed pipeline is commercially viable and technically feasible with its cost estimated at 6 billion dollars. The study was presented in Brussels on January 25, to the EU Directorate-General for Energy and the Director Generals of the Ministries of Energy of Cyprus, Greece, Israel and Italy. According to the presentation of the company, the EastMed pipeline, which would transfer Cyprus and Israeli natural gas, would be starting from the deposits of Levantine and would be headed offshore in Cyprus, where there would be a gas compression station. The pipeline would then go to Crete, where there would also be a compression station, and move

towards Peloponnese and will end at the border with Italy and the IGI pipeline (Italy, Greece Interconnector). Another study carried out by project promoter, IGI Poseidon in early December came to the same conclusions.

3. Greek Cypriots

Economic Developments

On January 19, *Bank of Cyprus* shares were listed on the London Stock Exchange as the bank delisted from the Athens bourse and joined the London market. The listing in London provided a vote of confidence in the LSE despite the looming exit of Britain from the European Union, according to the bank's CEO John Hourican.

According to the Statistical Service the number of tourist visitors rose 20% in 2016, with arrivals from all major markets rising at a double-digit rate. Arrivals from the UK, Cyprus's traditionally largest source of incoming tourism, rose 11%, to 1,157,978 in 2016, the highest since 2008. Tourists from Russia, which in recent years became Cyprus's second major market, rose by 49% in 2016, to a total of 781,634. The number of visitors from Greece, Israel, and Germany, rose by 15%, to 160,254, by 51%, to 148,739, and by 11%, to 124,030, respectively. The increase in arrivals is considered to be driven by a combination of factors, including geopolitical tensions in the area and better connectivity, and also

continued in December, with the number of tourists rising by 12%, to 87,927, compared to the respective month of 2015.

According to a financial statement published on January 11 by the *Central Bank of Cyprus*, the Cypriot banking system has improved its liquidity as there have been two consecutive years of economic expansion but it is still facing risks, stemming mainly from the high non-performing loan portfolio, whose content adds up to roughly half of all loans. Other sources of potential financial instability include the over-indebtedness of the private sector, both non-financial corporations and households and the prolonged low-interest rates environment which suppresses profit generation both for banks and life-insurance companies. Other challenges are the limited amount of new loans injected into the economy, the high unemployment rate which remains in double digits four years after the 2013 banking crisis, and geopolitical developments, both in and outside the European Union, the CBC stated.

According to Eurostat, Cyprus's unemployment rate rose for a second consecutive month in December to 14.3% from a previous 14.2% in November, and from 13.1% when compared to December 2015. Youth unemployment remained very high in December with 38.2%. The number of unemployed rose to 62,000 in December 2016 compared to 54,000 in December 2015. In November 2016 Cyprus recorded the third highest unemployment rate after Greece and Spain.

Domestic Developments

Four out of the five hard-line parties disagreed with the President's handling of the negotiations in Geneva and decided not to attend a reception that was part of the Cyprus conference on January 12. The fifth party, Giorgos Lillikas' *Citizens' Alliance*, stated it would accompany the president to the conference despite its disagreements. The four parties, DIKO, EDEK, Solidarity Movement, and the Greens, said Anastasiades' acceptance of the Turkish demand to convene a five-party conference reversed a long-standing decision that set the Republic's participation as a condition, and ensuring the breakaway state was not upgraded. In a joint written statement, said it was expressed that Anastasiades had also set additional conditions for convening an international conference: an agreement on territory with the submission of maps, and an agreement, or being within reach of an agreement, on all other internal aspects of the problem. The hardliners claimed that the Republic had not been invited to take part in the conference while the participation of Turkish Cypriot leader Mustafa Akinci upgraded the TRNC¹. An agree-

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

ment on the internal aspects of the Cyprus problem was not within reach, they said, while Turkey's intransigence intensified with the unacceptable demand for a rotating presidency. The parties said there was a risk of linking all pending matters with the security and guarantees issue, which must be the only one on the conference agenda.

Labour Relations and Trade Unions

A framework agreement was reached in the semi-public sector between the trade unions and the government, instituting a mechanism whereby a ceiling will be enforced in the percentile salary increases at the level of the nominal GDP. Negotiations will now continue for the renewal of the collective agreements in this sector and the trade unions have stated that they will pay special attention to the low-waged. The framework agreement, and subsequently the collective agreements cover the period 2015-2018. This comes after the failure of the government to push through this mechanism as a permanent and automatic one, in the public sector via law.

PEO has recruited 6,500 new members in 2016. Concerning the General Health Scheme, PEO issued a statement reiterating its position that the employers' demand for a modification of

acquis communautaire is suspended in northern Cyprus pending a political settlement to the Cyprus problem (see Protocol no. 10 of the Accession Treaty).

the agreed proportional contribution of workers and employers is a provocation in the current stage of enhanced social inequalities and deteriorating conditions for the waged and other vulnerable groups.

The *All Trade Unions Forum*, composed of the most prominent Greek Cypriot and Turkish Cypriot unions took place on January 9 and made clear its position for a unified labour and for an unified industrial relations system, a unified social insurance scheme, a unified system of wage determination, full respect for freedom of movement, association and work through the country, prohibition of discrimination and the establishment of an educational system that will catalyze the construction of a climate of tolerance, peaceful coexistence and mutual respect.

The dialogue for the re-institutionalization of COLA (the automatic mechanism adjusting wages according to the inflation rate) continues. The employers' organizations, which in the past have campaigned for its abolition, claim now that if the freeze imposed in the crisis years is lifted, then wages should be cut because of the deflation that occurred. The unions responded that the workers have already had huge reductions in their salaries as a result of the crisis and that a defreeze of the COLA should be agreed upon along with a new start. The Minister of Labour warned the employers not to proceed with any unilateral moves for as long as the dialogue is upheld. This condition was met by the employers, who in

turn refrained from implementing their threat of imposing further salary cuts. In the public sector the COLA has been halved during the crisis and its freeze has been lifted.

The Human Resource Development Authority of Cyprus (HRDA), a semi-government organization, announced the extension of three ongoing schemes focusing on the unemployed and a series of new ones primarily aiming at the training of existing employees

4. Turkish Cypriots

Economic Developments

In the last week of the month, the Turkish Lira continued to depreciate against major currencies ahead of an expected decision by rating agency Fitch to downgrade Turkey's sovereign debt to "junk". At some point 1 euro reached 4.12 TL level though it declined back to below 4 TL. The rising prices of energy and imported goods but also of education have put extra strain on the budgets of private households in a setting where rents and school fees are for most determined in foreign currency while incomes are in TL. Another group who suffers from constant devaluation of TL are those who had borrowed funds in foreign currency.

The Kyrenia municipality has introduced a price hike of 50% to cover the increasing costs, which arose due to undersea water transfer project

from Turkey. A domestic bill payer using the winter average of 15 tonnes of water a month would now pay a total of 86TL compared to 57TL under old prices even though the annual consumer inflation rate is officially around 10%, *Cyprus Today*, a Turkish Cypriot weekly reported.

Speaking on a TV program, Minister of Labor and Social Security Ersan Saner stated that there were 12,500 unemployed in the northern part of Cyprus. This contradicts with the latest official figures announced in May 2016 for the year 2015, which put the number of unemployed at 9,043, or 7.4%. In comparison with 2014, the situation had actually improved, since unemployment in 2014 had been 8.3%. Youth unemployment according to those figures stood at 19.6% in 2015 and 20.3% in 2014.

According to the latest figures released by the State Planning Organization, the real GDP growth in 2015 was 4%.

Relations with Turkey

Speaking at a conference on the Cyprus issue the Turkish Deputy Prime Minister in charge of Cyprus Affairs, Tugrul Turkes, said that claims that Turkey was only concerned about the Turks living on the island did not reflect the truth: "Even if there wasn't a single Turk living on the island, there would still be a Cyprus Issue for Turkey ...it is not possible for Turkey to abandon Cyprus."

The TRNC parliament has approved the draft law for a cooperation agreement between Turkey and the TRNC in the field of energy. The smallest opposition party TDP (Social Democratic Party) voted against while the main opposition party, CTP (Republican Turkish Party) voted in favour of the bill along with the ruling coalition and independents. The Minister of Economy and Energy, Sunat Atun, said that their main goal was to offer the public sustainable, cheap and environmentally friendly energy. "We shall be integrated with the Turkish energy grid," said Atun.

CTP Central Executive Committee (CEC)'s decision to vote in favour of the cooperation agreement between Turkey and the TRNC in the field of energy brought two resignations from the committee. After voting against the bill in parliament, Nicosia MP Dogus Derya resigned as member of the CEC. Hasan Altiok also resigned as a member of the CEC, citing as a reason the decision to vote in favour of the bill.

After meeting with Turkish Prime Minister and President in Turkey, Turkish Cypriot Prime Minister Ozgurgun said: "We discussed the healthy implementation of the economic and financial protocol. I'm extremely pleased with the meetings. We were once again reassured of Turkey's strong support to the TRNC." Ozgurgun stressed that there were no problems with the implementation of the protocol. There were media reports, however, claiming that the pace of reforms were not acceptable for Ankara.

The leader of the main opposition CTP, Tufan Erhurman held a series of contacts in Ankara where he was received by the Turkish Prime Minister Binali Yildirim. The Turkish Deputy Prime Minister in Charge of Cyprus Affairs Tugrul Turkes was also present at the meeting. As part of his contacts in Ankara, Erhurman met with the Turkish Foreign Minister Mevlut Cavusoglu and the Republican Peoples' Party (CHP) leader Kemal Kilicdaroglu.

Eleven Turkish army officers have been detained in the northern part of Cyprus and transferred to Ankara as part of ongoing operations against the so-called Fethullah Terrorist Organisation (FETO). Among those detained were 3 colonels, 1 lieutenant colonel, 1 major, 2 captains, 2 lieutenants and 2 sergeants.

Domestic Developments

Prime Minister Huseyin Ozgurgun criticized Akinci's handling of the Geneva talks, describing his submission of a map envisaging territorial adjustment as a strategic mistake. Responding to criticisms in a written statement issued on 29 January, Akinci said "a solution in Cyprus is only possible by regaining our political equality stripped from us in 1963 by Greek Cypriots, through a federal framework and by returning land that we took from Greek Cypriots as a result of the war in 1974." He said that it would be ultimately up to the people to decide whether or not they would prefer to live in an entity, which had a higher percentage of land

but was legally challenged at the ECHR or in a place that was recognized by international law and freed of uncertainty. Akinci added "those who will have to relocate will be provided new housing and job opportunities. No one will be forced to move without these being provided".

Deputy Prime Minister, Serdar Denktas addressed a panel organized by the Ankara Forum Association. Stating that he frequently came across with expressions that the TRNC should be declared the 82nd province of Turkey, Denktash said almost 99.8% of Turkish Cypriots would have said 'yes' to this had this proposal been made to them in 1974. He however underlined that this was out of the question today. "I am a politician who embraces his independent state; the TRNC. ...I never had and never will have the intention to become a patch to the Greek Cypriot side. Similarly, it won't be a right approach to dissolve our state and become a province of Turkey" Denktas said. A recent column article speculating about imminent annexation of the northern part of Cyprus by Turkey sparked a discussion and fear among Turkish Cypriots.

According to Gezici, an Istanbul-based pollster, around 38% of those surveyed said they would vote for the People's Party (HP) if there were a general election today. HP was established by former chief negotiator Kudret Ozersay just over a year ago. The senior coalition partner National Unity Party (UBP) would finish second with 26.7% while the main opposition CTP would come in third with 19.6%. The junior

coalition partner the Democratic Party would see the biggest fall, garnering just 5.5%, which would put the party slightly above the threshold of 5%.

Labour Relations and Trade Unions

"If a general inspection were carried out, all construction sites around the country should be shut down," Minister of Labor and Social Security Ersan Saner, admitted on a TV program. "There is no authority that carries out inspection to make sure the construction is being carried out in a proper manner," Saner stated. The minister also highlighted "legal loopholes" which made it impossible for victims of workplace accidents to seek redress in the courts, and called for a look at these issues. "If we fail to be self-critical we cannot take steps in the right direction," he concluded.

Wardens in Nicosia Central Prison went on strike claiming their lives were at risk because they were greatly outnumbered by inmates. The strike was triggered when two wardens realized that they had been left in sole charge of 435 inmates.

According to a statement from the Ministry of Labor and Social Security, 5,248 workers and 237 businesses benefited from a government amnesty for foreigners living and working in the country illegally.

The Turkish Cypriot medical doctors union (Tip-Is) has warned of industrial action over staff

shortages. "The day that we start losing patients who could be treated is around the corner," the union leader Sila Usar-Incirli said. "We still have staff shortages in intensive care unit, delays in accident and emergency queues at polyclinics and waiting lists for medical examinations and operations". Dr Usar-Incirli said that some specialist physicians were only being paid 3,000-4,000TL (750-1,000€) per month thanks to austerity measures. As a result, many were seeking work abroad. She emphasized that some 20 physicians had quit so far and two cardiologists among the remaining 165 state-employed professionals were expected to follow suit within days. "This country needs doctors," Dr Usar-Incirli said.

5. FES Cyprus Events

February 2017

Friday 24.02.2017 4 – 8 pm

Saturday 25.02.2017 9 am – 5 pm

POST RI/FES

Conference

Conference on the Education for a Culture of Peace

Home for Cooperation, CCMC, Goethe Institut, UN Buffer Zone, Nicosia, Cyprus

Open to the public



March 2017

Friday 24.03.2017 14:00 - 18:00

Saturday 25.03.2017 9:00 – 16:00

Institute for Interdisciplinary Cypriot Studies
(University of Münster)/FES

Conference

When the Cemetery becomes Political – Dealing with the Religious Heritage in Multi-Ethnic Regions: Cyprus, Lebanon, the Balkans ...

Institute for Interdisciplinary Cypriot Studies
(University of Münster)
Münster, Germany

Open to the Public



Imprint:

Friedrich-Ebert-Stiftung (FES)

Office Cyprus
20, Stasandrou, Apt. 401
CY 1060 Nicosia

Tel. +357 22 377 336

Email: office@fescyprus.org

Web-Seite: www.fescyprus.org

Facebook: www.facebook.com/FESCyprus

Twitter : @FESCyprus

Text:

Hubert Faustmann, Yiannis Charalambous,
Sertac Sonan, Grigoris Ioannou, Ute Ackermann-
Boeros and Sophia Papastavrou

Layout:

Christiane Paparoditi

If you want to subscribe or unsubscribe to this (free) monthly newsletter, please send an email to: [Christiana Paparoditi fescyprus.org](mailto:Christiana.Paparoditi@fescyprus.org)