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1. Cyprus Problem

In the absence of direct talks in the Cyprus Problem, the UN and the Cypriot sides worked through technical committees for nearly a year, ultimately leading to breakthrough on the restoration of the Apostolos Andres Monastery in the Karpasia peninsula. It was announced that on 31 January that separate agreements were signed. Given the recognition dilemmas between the sides, parallel agreements were signed between the Turkish Vakf and the UNDP Partnership for the Future program (UNDP-PFF) and the Greek Orthodox Church and UNDP-PFF. Restoration work had been delayed for years because of disagreements over whose plans should be adopted, and concerns stemming from Archbishop Chrysostomos over who would pay and be in charge of the work. However, the agreement signed by the UNDP with the Church and the EVKAF respectively, left the Archbishop satisfied.

The monastery will be restored in three phases, with the first phase costing € 2,5 million. The total cost is estimated at € 6 million. Once the € 2.5 million required for the first phase are raised international tenders will be invited. The US and the Cyprus Church are among those planning to contribute to the funding of the restoration.

The signing of the agreements marked a major breakthrough with credit being attributed to the technical committee for cultural heritage comprised of Greek and Turkish Cypriots. The

committee has undertaken minor works so far on 15 monuments across the island and has six restoration projects underway on churches and mosques north and south of the divide.

2. Hydrocarbons

In January, the Natural Gas Company (DEFA) had sent tender documents to 14 companies which are interested in supplying Cyprus with limited quantities of natural gas as an interim solution, until the island may bring ashore its own gas.

Following the deadline of February 4th for the submission of their proposals, DEFA received eight proposals for the supply of gas, which will begin no later than 2015 and last until September 2018. The details of the bids are unknown given a confidentiality agreement between DEFA and the interested parties.

On February 6th, the government signed a deal with French energy giant Total, granting concessions to explore and drill for oil and gas in blocks 10 and 11, as part of the second licensing round that was initiated last year. The deal follows agreements in January with a consortium of Italy's ENI and South Korea's KOGAS for blocks 2, 3 and 9. Cyprus will receive € 24 million as a signature bonus. Total is expected to begin drillings in 2014. Cyprus has bids for 5 more of its 13 blocks.

In a further development, the government signed an agreement on the 11th, transferring 30% of Noble Energy's gas exploitation rights on block 12 to Israeli Avner Oil & Gas and Delek Drilling, a request that was approved by the Cabinet a week earlier. The consortium comprising Noble, Delek and Avner possesses the majority of shares in Israel's Leviathan field. The agreement is seen to inaugurate a new era for a strategic political and economic partnership between Cyprus and Israel. Cyprus intends to broaden synergies with Israel aspiring to transfer Cypriot as well as Israeli natural gas via its own Liquefied Natural Gas (LNG) terminal to European and international markets and yield benefits to the region. The construction of the terminal is estimated to begin in late 2014 in order to be functional by 2019. There are, however, serious concerns regarding the costs of an LNG plant, which is considerably higher than a pipeline through Turkey, which is the option favoured by Europe. A floating LNG plant is even more expensive (by 30%).

Nicosia expects Noble to carry out a follow up drilling in block 12 by October. The appraisal drilling will assign an economic value to the gas estimates.

Meantime Turkish companies have expressed an interest in purchasing gas from Israel's Leviathan field while Turkish conglomerate Zorlu Group is said to be lobbying Israel to approve energy exports to Turkey. Zorlu is planning to lay an undersea pipeline from the Leviathan field to Turkey's south coast. Israel's

energy cooperation with Cyprus however, would stand in the way of any proposed Israel – Turkey natural gas pipeline, according to Turkish officials. On the other hand, Israel's Haaretz reported that any pipeline from Israel to Turkey would run through Cyprus's Exclusive Economic Zone.

The state hydrocarbons company KRETYK rejected a proposal made by Dubai based Royal Investment Bank interested in the advance purchase of natural gas. This type of deal had been suggested by presidential candidate Lillikas as an alternative to a loan within the framework of a EU bailout.

3. Greek Cypriots

Economic Developments

Also during the month of February, Cyprus' request for a bailout has been caught in limbo, mainly because of this month's presidential elections, but also due to disagreements between EU members over allegations that the island is a hub for money laundering. Therefore the island will have to undergo an external audit in order to answer this question. Additionally, there are doubts whether the debt will be sustainable and Cyprus in a position to pay off its liabilities. Furthermore, the German finance minister Schäuble questioned whether Cyprus is systemically relevant and consequently whether it should be bailed out.

On top of the remaining issues related to debt sustainability and systemic relevance, the island is challenged to face a money laundry audit and the risk of bank depositors bearing part of the cost for restructuring the banking system through a haircut. All eyes are now on March's Eurogroup meeting, the earliest date at which a possible aid for Cyprus can be discussed.

Pimco, the firm that concluded a due diligence review on banks to determine their recapitalisation needs came up with a worst-case scenario of 10.1 billion, which deems the island's debt being considered as unsustainable. Although the figure is unofficial it sparked reactions with regards to the methodology used by the firm and the inputs given by the steering committee. The criticism being that the assessment is made on the basis of a worst case scenario and therefore the figures are too high. The findings of the reports will be made public upon the signing of the final loan agreement.

On the 11th of February the outgoing government rejected a proposal by Eurogroup president, Jeroen Dijsselbloem for the appointment of a private firm to carry out a money laundering audit of the Cypriot banking system. The government feared for the privacy of the accounts of foreign investors and suggested an audit by a team made up of the IMF or Moneyval of the Council of Europe or the FATF (Financial Action Task Force) instead. Meanwhile, The Financial Times reported that a proposal had been made to bail-in investors and depositors of Cypriot Banks, a move that might

reduce the amount of financial assistance required for the banks' recapitalisation. Nevertheless, Moody's credit agency warned of the consequences which such a move could inflict on European Banks.

Nicos Anastasiades, the newly elected President also opposed the notion of bailing in depositors. Instead, he indicated a willingness to study the privatization of state assets. To ensure the island stays afloat until securing a bailout, Anastasiades claimed he was in negotiating for a bridge loan. Anastasiades' election brought optimism within European circles hoping for improved relations between Cyprus and the EU.

During a meeting held on the 15th with Central Bank Governor Panikos Demetriades, Russian Finance Minister Anton Siluanov assured that Russia is prepared to contribute towards resolving the island's economic problems as part of an agreed support package. Demetriades also visited London seeking for potential investors willing to take a stake in Cypriot banks.

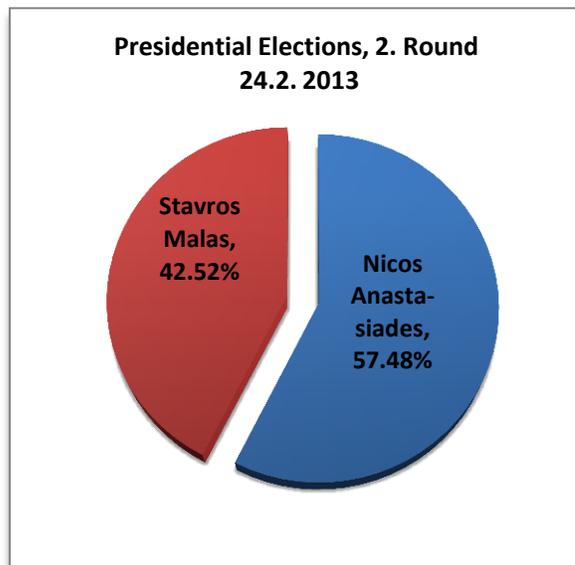
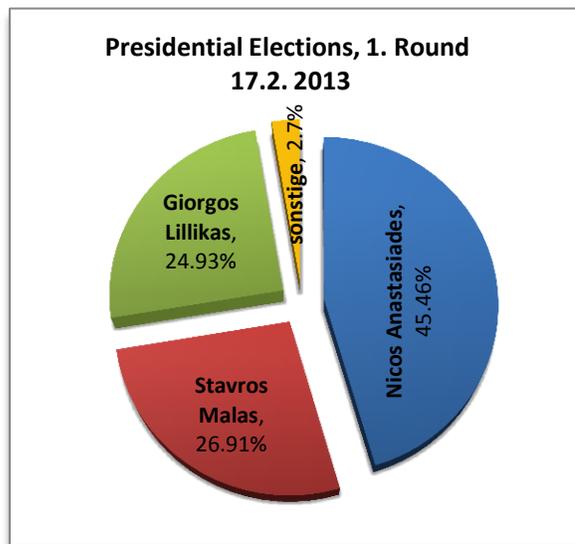
In its economic forecast, the European Commission stated that the economy will contract by 3.5% this year, while unemployment is set to worsen further to an average of 13.7% in 2013 and 14.2% in 2014. The jobless rate jumped to 14.7% in December. Standard & Poors stressed that Cyprus faces a material and rising risk of defaulting if a bailout is not concluded soon.

Domestic Developments - Elections

February was characterized by the presidential elections. The main contenders Nicos Anastasiades (DISY), Giorgos Lillikas (independent, but backed by EDEK) and Stavros Malas (independent, but backed by AKEL) did not hesitate to get involved into heavy mudslinging in the wake of election day. Since Cyprus is in danger of defaulting, the economy was the dominant topic during the election campaign and to secure a bailout agreement with the EU troika will be the first task for the new president to avoid state bankruptcy. The usually predominant Cyprus Problem took second place, but was nevertheless an important issue, since Anastasiades and Lillikas in particular held diametrically different positions. Anastasiades, who was a staunch supporter of the Annan Plan in 2004, had to temper his point of view in order to get DIKO on his side and spoke up in favour of a loose federation. Lillikas, on the other hand, rejected any federal solution. Malas favoured a strong federation with a strong central government.

In the first round of the presidential elections on 17th February Anastasiades secured 45.46%, Malas 26.91% and Lillikas 24.93% of the votes, which meant that Anastasiades and Malas were heading for the second round on the 24th February. Anastasiades ultimately got 57.48% and Malas 42.52% of the votes. The high numbers of abstentions (18.42%) and invalid votes (7.36%) are noteworthy. It was suggested that the reason for this might lay in the refusal

of EDEK leaders and Lillikas to give any recommendations for the second round as well as in the fact that for a number of voters neither candidate was electable.



The reasons why Anastasiades gained the second highest result in presidential elections in the history of the Republic of Cyprus might be found in the hope of the majority of the population that he is the most likely candidate to secure the loan from the Troika at favourable conditions due to his pro-European stand and good relations with conservative party leaders in Europe. Moreover, Anastasiades is seen to have a more pragmatic and hands-on approach. Moreover, Malas was identified by many with the previous AKEL government under Christofias, whose governmental record was perceived to be very poor.

In order to tackle the financial crisis Anastasiades appointed Michalis Sarris as finance minister. He also made Christopher Pissarides, who was awarded the 2010 Nobel Prize in Economics, head of an economic policy council which has only advisory functions and would be directly answerable to the President. Other appointees of the all-male cabinet are Ioannis Kassoulides (DISY) as foreign minister (Foreign Minister in the Clerides government 1997-2003), Socratis Hasikos (DISY) as interior minister (Defence Minister in the Clerides government 1999-2003), Fotis Fotiou (DIKO) as defence minister and Haris Georgiades (DISY) as labour minister. Out of the 11 ministries five went to DISY, four to DIKO and one to EVROKO. EDEK is not represented in the new cabinet as it refused to participate in the new government. Given the dire economic situation and the ongoing bailout negotiations, the choice of the new finance minister was considered the most

important appointment. Sarris does not come from any of the political parties but had served as finance minister from 2005 until 2008 under late President Tassos Papadopoulos. During his term as finance minister Cyprus introduced the Euro as its national currency. Sarris was responsible for the implementation of an austerity programme that reduced the fiscal deficit of 6.3% in 2003 and turned it into a surplus of 1.2% in 2008. Sarris started to work for the World Bank in 1975 where he also worked within the field of structural adjustment programmes. More recently, Sarris worked to optimise Cyprus Popular Bank to prepare it for a bailout by the Troika.

The absence of women in the new cabinet is criticised by the Mediterranean Institute of Gender Studies (MIGS) as well as by AKEL as being anachronistic and preventing women from taking part in decision-making processes.

The new cabinet is comprised by:

- Ioannis Kasoulides (DISY) as Foreign Minister
- Michalis Sarris (independent) as Finance Minister
- Socratis Hasikos (DISY) as Interior Minister
- Fotis Fotiou (DIKO) as Defence Minister
- Kyriacos Kenevezos (DIKO) as Education Minister
- Tasos Mitsopoulos (DISY) as Communications Minister
- Giorgos Lakkotrypis (DIKO) as Commerce Minister

- Nicos Kouyialis (EVROKO) as Agriculture Minister
- Haris Georgiadis (DISY) as Labour Minister
- Ionas Nicolaou (DISY) as Justice Minister
- Petros Petrides (DIKO) as Health Minister
- Christos Stylianides (DISY) was appointed as Government Spokesman. Constantinos Petrides (DISY) was appointed as undersecretary to the President, Katy Clerides (DISY) as Presidential Commissioner and Ioanna Panayiotou (Greens) Environment Commissioner. Also, Emanuella Moushioutta Lambrianidou (Independent) was appointed as Commissioner for Civil Service Reform and Panayiotis Antoniou (DISY) as Director of the President's Office.

The court case of Hossam Taleb Yaacoub, a 24-year-old Lebanese-Swedish dual citizen who was arrested on 7th July 2012 after a tip-off by Mossad has wider implications especially with regards to the question whether Hezbollah is to be classified a terrorist organisation by a number of European countries, in particular Germany, France and Sweden. Yaacoub's admission in court of being a Hezbollah operative is seen as a significant piece of evidence for Hezbollah's alleged terrorist activities outside Israel. Furthermore, Yaacoub's activities in Cyprus as a courier for Hezbollah who also staked out locations Israelis were frequenting (including the Limassol general hospital) is seen in connection with the bombing of a bus with Israeli tourists in Burgas, Bulgaria, last summer. A verdict is expected mid-March.

4. Turkish Cypriots

Economic Developments

During the month of February media reported progress on the water pipeline project, dubbed the 'project of the century'. The Alakopru dam in is being constructed in southern Turkey and will hold a volume of 130 million cubic meters of water to be transferred over a distance of 80 kilometres to north Cyprus via state of the art underwater pipeline technology. Demonstrating Turkey's commitment to complete the project on time, it was announced that the opening ceremony for the pipeline will be held on 7 March 2014 at 1pm in the afternoon.

Meanwhile other infrastructural projects were inaugurated and roads opened during ceremonies held in Cyprus. Turkey's Minister for Cyprus Affairs and the Minister for Transportation paid a visit to the island in mid-February, just one week prior to the second round of voting in the party congress of the ruling National Unity Party (UBP) giving rise to speculation that Turkey was intervening in the domestic political affairs of Turkish Cypriots in overtly supporting the incumbent Prime Minister, Irsen Küçük, who stood to benefit from being associated with new roads and infrastructure in the 'Turkish Republic of Northern Cyprus'.

Turkish Cypriot halloumi (or hellim in Turkish) cheese producers submitted formal objections to the Republic of Cyprus' Ministry of Agriculture consultative committee regarding the

patenting of cheese production. The Republic of Cyprus was to incorporate the Turkish spelling into the formal name of the cheese, maintaining that this was favourable to Turkish Cypriot producers. Against this, Turkish Cypriot cheese producers claimed that health and quality inspections could not be carried out in the Turkish Cypriot north by Republic of Cyprus authorities, so they argued that the patent should allow for inspections and certification to be carried out through the Turkish Cypriot Chamber of Commerce, the same body authorized through the EU's Green Line Regulation overseeing trade between the communities in Cyprus across the de facto border.

The Green Line Regulation itself was amended in February to incorporate the export of Turkish Cypriot produced honey. This development coincided with a thawing in relations between the EU and Turkey following the suspension of direct accession negotiations during the Cyprus presidency of the second half of 2012. In mid-February France announced its willingness to permit the Irish Presidency of the Council to open negotiations with Turkey on Chapter 22 that covers regional politics and coordination of structural instruments. European Commission representatives hailed this as a positive development stemming from the 'positive agenda' that continued despite the aforementioned Cyprus presidency. Against this, many critical chapters remained blocked and in some instances linked to developments in the Cyprus negotiations.

Domestic Developments

The major political event was the second round of voting in the ruling National Unity Party's (UBP) party convention to determine the next leader. In January the High Court ordered a second round of voting having upheld a decision of the Nicosia District Court. The court had found that the party's bylaws required a majority of delegates to determine the winner and this condition had not been met in the first round held on 21 October 2012.

The second round of voting was held on 24 February resulting in a narrow victory for Prime Minister Irsen Küçük. 708 party delegates cast votes in favour of Küçük against 701 for his rival, Ahmet Kasif. A total of 1427 delegates were registered to vote in the party congress. 6 ballots cast were ruled invalid while 15 delegates failed to vote. Kasif conceded defeat to Küçük and the party's internal crisis that spanned months was potentially overcome. However the tight race demonstrated that the rift in the party remained and could have ramifications as parliamentary elections approach in 2014. Meanwhile comments from the government implied that President Eroğlu's chief negotiator status in the Cyprus peace talks might be challenged although historically the popularly elected presidents have been treated as communal leaders for the purposes of representing Turkish Cypriots in the UN mediated talks. Speculation had been rife that the intention was to further marginalize Eroğlu, but Küçük explained that any changes would be in

response to developments on the Greek Cypriot side where Nicos Anastasiades had been hinting at downgrading the talks by appointing a representative to negotiate on his behalf.

The parliament passed a special law to expedite municipal elections for the vacant mayor position in the Lefkosa Turkish Municipality (LTB). Accordingly, an election was scheduled for 7 April. However, UBP municipal council members failed to resign their posts while vacated seats were open to electoral contestation. The Democrat Party (DP), headed by Serdar Denktaş, was quick to announce its candidate, the relatively popular Mustafa Arabacıoğlu. The DP hopes that Turkish Cypriots will break with the practice of voting for incumbent parties for the municipal elections given UBP's liability in the mismanagement of bankruptcy of the largest municipality. Other candidates include Kadri Fellahoğlu of the Republican Turkish Party (CTP-BG) and Suphi Hudatoğlu of the Communal Democracy Party (TDP). The two left of centre parties failed to agree on a single and common candidate. UBP could only declare a candidate following the Party Convention of 24 February. Hasan Sertoğlu, who the previous week had denied speculations that he would be UBP's candidate, later announced his intention to run as a UBP candidate on 26 February.

In anticipation of the election of Nicos Anastasiades as President of the Republic of Cyprus and consequently a new round of direct peace talks the Turkish Cypriot president, Derviş

Eroğlu, reiterated his basic condition that talks entail deadlines. Prime Minister of Turkey, Tayyip Erdoğan, reiterated the Turkish position that it does not recognize the Republic of Cyprus, maintaining that there is "no state called Cyprus".

5. FES Cyprus Events

16 March 2013: 9.00-13.00

Goethe Institut/AHDR/FES

Lectures and Workshops:

Geschichte Erinnern in Deutschland/Remembering History in Germany

Lectures from Uwe Bader, (KZ-Gedenkstätte Osthofen/Concentration Memorial Osthofen) and Magdalena Scharf (Expert for Regional Cooperation of the Aktion Sühnezeichen Friedensdienste e.V.)

Home for Cooperation H4C, UN Buffer Zone
Nicosia, Cyprus
open to the public



21-22 March 2013

AHDR /FES

Documentary and discussion:

The Other Town

21 March 2013, 7 p.m.

Screening of a Documentary about perceptions and nationalist prejudices between mainland Greeks and Turks.

Followed by a discussion with the directors Nefin Dinc and Hercules Millas)

Home for Cooperation H4C, UN Buffer zone,
Nicosia, Cyprus
open to the public

22 March 2013, 5 p.m.

Lecture from Nevin Dinc: "How to Transform the Images of the "Other" in Education"

Home for Cooperation H4C, UN Buffer zone,
Nicosia, Cyprus
open to the public



26.-28. April 2013

CAD / AHDR / FES

Conference and workshop

Cyprus Peace Process: Alternative Approaches

Nicosia/Troodos-Cyprus
not open to the public

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