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1. Cyprus Problem

In February, a disruption in the peace negotiations for a settlement of the Cyprus problem occurred following the decision passed by the Greek Cypriot parliament to commemorate the January 1950 'Enosis' (Union) referendum. This historic event was significant to the Greek Cypriot majority who voted their preference for the island to be annexed to Greece. The decision was considered unacceptable to the Turkish Cypriot side, subsequently leading to the breakdown of the leaders' meeting on February 16. The development occurred amid crucial efforts to reach further convergences on the internal issues around the Cyprus problem and ahead of a new International Summit on Cyprus concerning the issue of securities and guarantees, expected to take place in March.

On February 10, a proposal submitted by far-right party ELAM, which would entail public schools to include a short annual commemoration of the 1950 plebiscite about the union of the island with Greece in the curriculum, was approved by the Greek Cypriot parliament with 19 votes. All opposition parties with hard-line views on the Cyprus question voted in favour. Ruling party DISY abstained the voting while main opposition party AKEL opposed the proposal. The vote caused a strong reaction by Turkish Cypriot leader, Mustafa Akinci who immediately cancelled the Greek Cypriot and Turkish Cypriot negotiators meeting, between Andreas Mavroyiannis and Ozdil Nami scheduled for February 14. In addition, Akinci criticised

Anastasiades and DISY, the party the latter formerly led, for abstaining from the vote which effectively allowed for the proposal to pass. Anastasiades in response to the criticism condemned the Turkish Cypriot reaction describing it as an exaggeration over "a mere reference to a historical fact".

In the Turkish Cypriot narrative, Enosis – the Island's union with Greece – was considered as a major security threat to the survival of the Turkish Cypriot community. The desire for the union of the Island with Greece developed during the British Colonial Period (1878-1960) and culminated in a violent anti-colonial struggle, which also led to intercommunal violence from 1955 to 1959. The demand for the partition of the island namely "Taksim" and the unification of one part of the island with Turkey while originally accepting the unification of the southern part with Greece, represented the official Turkish Cypriot response to the Enosis demands of the Greek Cypriots after 1956. Both desires for Enosis and Taksim respectively led to the breakdown of the independent bicomunal Republic of Cyprus established in 1960 and ultimately to the division of the island in 1974. Today neither unification with Greece nor the unification of the northern part of the island with Turkey are supported by significant groups within the respective Cypriot communities on both sides of the divide. However, a great number of Turkish Cypriots is convinced that many Greek Cypriots still want Enosis, and this misperception is kept alive by Turkish and Turkish Cypriot media and hard-line politicians for

propaganda purposes. This forms the background to the strong reaction within the Turkish Cypriot community.

On February 16, the scheduled leaders meeting between Anastasiades and Akinci ended abruptly due to disagreement among the two over the Greek Cypriot Parliament's controversial decision. According to reports the meeting ended when Akinci walked out of the building after a frustrated Anastasiades left the room, slamming the door behind him to take a break. Since then, the matter of which of the two leaders left the negotiations table first has become another contested issue of the Cyprus problem despite the fact that UN Special Adviser, Espen Barth Eide is known to have backed the Greek Cypriot leader.

Akinci denied reports in the Greek Cypriot press that he had walked out of the meeting: "Once we exchanged our views on the issue ... the UN Secretary General's Special Advisor tried to wrap up the discussion, stating that steps were required to address the demands of the Turkish Cypriot side. The Greek Cypriot leader angrily stated that he had nothing else to say before walking out of the meeting". Akinci added: "We have had instances in the past when Mr. Anastasiades lost his temper. But no matter what our differences may be, we have always maintained our respect. Under the current circumstances, it was not possible to ignore his actions". Furthermore, Akinci said that he started to question his trust in the UN Special Adviser Espen Barth Eide after his statements

about the meeting. "The UN Envoy described the incident at yesterday's leaders meeting by editing out all the facts and this has raised questions about his trustworthiness" said Akinci, adding that what Eide had left out was that the Greek Cypriot leader had left the table and had not returned.

Following the controversial vote and the unsuccessful outcome of the leaders meeting, Akinci set two preconditions in order to return to the negotiations table. These included Anastasiades to publicly admit that the vote was wrong and action to be taken by the Greek Cypriot leader to annul the decision. In a bid to salvage the situation, DISY tabled a legislative amendment on February 17, removing the power to determine public school commemorations from the House and bestowing it to the Ministry of Education, thus opening the way for the government to repeal the decision. Meanwhile, Anastasiades conceded on February 18 that the vote was indeed a mistake but stressed that he could not compel an independent legislature to reverse it. He also reiterated that the Turkish Cypriot side was overreacting.

Within a deteriorating climate the scheduled leaders meeting of February 23 was cancelled following Akinci's refusal to attend as his preconditions were not met by Anastasiades. On the one hand, Akinci reiterated that he will return to the negotiations table as soon as the vote was annulled. Anastasiades on the other hand professed his readiness to resume negotiations. The month ended with Anastasiades

sending a letter to UN Secretary General, Antonio Guterres on February 28, explaining the reasons behind the derailment of the negotiations process, thus placing responsibility on the Turkish side. Anastasiades was not the only one who wrote a letter to the Secretary General. In a letter to Antonio Guterres, Akinci described the Greek Cypriot parliament's decision as a major blow in the attempts made by the Turkish Cypriot side to foster trust between the two communities in Cyprus and called for the UN to interject so that the bill is revoked. "Enosis was the main reason for the Cyprus problem, and this aspiration has brought nothing but pain and sorrow to Cyprus... Sadder still, is the fact Anastasiades' party assisted in the bill being passed," the Turkish Cypriot leader said.

The Enosis vote provided an opportunity for each side to embark on a blame game. The Greek Cypriot side claimed that the Turkish side had been seeking for a pretext to stall the talks pending the April 16 referendum in Turkey, implying that Turkish President Recep Tayip Erdogan is playing the nationalist card in order to pass constitutional amendments domestically and has no interest in progress in the talks before the referendum. Furthermore, according to Anastasiades the derailment in the talks was owed to Turkey's reluctance to budge on the issue of security and guarantees before the April 16 referendum. The demand for Turkish nationals to receive the same four freedoms as EU citizens was characterized by government

spokesman, Nicos Christodoulides as an excuse for the Turkish side to scupper the process.

The Turkish side in turn accused Anastasiades of being more focused on the presidential elections of February 2018. Moreover, Akinci stated that the Greek Cypriot side was not consenting to fill in the details on the subject of Turkish Cypriots' effective participation in the decision making bodies comprising a federal state and Anastasiades' reluctance to make compromises on the issue of the rotating presidency.

The Bi-communal teachers' platform "United Cyprus" held a demonstration in front of the Greek Cypriot parliament to protest its resolution to mark the Enosis plebiscite in schools. Speaking on behalf of the platform, Costis Achniotis said that the resolution did not bring any substantial change to the existing practice in the Greek Cypriot schools, nor was it significant with respect to the educational process itself. "It does however have political significance amidst the negotiations for a Cyprus settlement, sending very negative signals to the Turkish Cypriot community through a symbolic reference to the genesis of intercommunal conflict", he added.

In early February, before the collapse of negotiations, the two chief negotiators Nami and Mavroyiannis along with their teams of experts, attended an event in London where possible ways of funding the settlement were discussed. The European Commission and other international bodies, such as the IMF and the World Bank, have been also exploring how to

fund a solution and participated as observers in the talks in Geneva in January.

2. Greek Cypriots

Economic Developments

Moody's Investors Service maintained its positive outlook on the Cypriot banking system citing an expected improvement in the banks' funding and a drop of non-performing loans ratio to 42% by the end of the year. "We expect improving loan quality to translate into modest profits for the Cypriot banks in 2017, for the second consecutive year," Melina Skouridou, an assistant vice president at the rating company was cited as saying in an emailed statement. "We also expect further improvements in funding conditions for banks as depositor confidence strengthens and money that left the banking system during the financial downturn in 2013 returns". The credibility of Cypriot banks, which reported a 49% of non-performing loans in September, will also improve over the next 12 to 18 months, Moody's said citing a report headlined "Banking System Outlook – Cyprus; Stronger Funding and Gradual Improvements in Asset Quality Drive Our Positive Outlook" available to subscribers on Moody's website.

According to the Public Debt Management Office (PDMO) Cyprus's public debt rose by €357.1m in a year, to €19bn last December. The largest creditor was the European Stability Mechanism

(ESM), which, together with the International Monetary Fund (IMF), financed Cyprus's bailout four years ago with €6.3bn and €1bn respectively. The second largest creditor was the Russian Federation with an outstanding loan of €2.5bn. The public debt also included €4.2bn in European Medium Term Notes traded on the secondary market abroad, €2.1bn in domestic securities, broken down to €1.2bn in government development stock, €566.3m in bonds purchased by individual investors, and €299.9m in treasury bills, the PDMO said. Government debt to the Central Bank of Cyprus was €1.2bn in December, while that to the Cooperative Central Bank was €370.4m. Government debt also includes €229m in guarantees for loans extended through the European Financial Stability Fund to Greece, Ireland, and Portugal. The rest consists of loans mainly from the European Development Bank. The increase in public debt in 2016, a year in which the government balanced its budget, is mainly attributable to the €1bn seven-year government bond issued in July. The government used up €558m to buy back debt over the past months to smooth out future maturities.

Domestic Developments

On February 17 the Nicosia criminal court set March 1 as the day of sentencing, for former attorney-general Rikkos Erotokritou, two other lawyers Andreas Kyprizoglou and Panayiotis Neocleous, and the Andreas Neocleous law firm. These individuals were found guilty on charges

of bribery, conspiracy to defraud, and conspiracy to subvert the course of justice. The four were said to have colluded to arrange for Erotokritou to launch the criminal prosecution of five Russian individuals and one company, at the behest and to the benefit of the Neocleous law firm, which had long been battling them in Cypriot and Russian courts over ownership and control of Providencia, a trust-fund worth millions. In exchange, Erotokritou was rewarded for his troubles with the Neocleous law firm failing to appear in court on the day a lawsuit the former AG filed against legacy Laiki bank – then represented by the Neocleous law firm – demanding that over €500,000 of his personal loans be offset against his ‘haircut’ deposits.

Two DIKO members Yiannis Arneftis and Marinos Cleantous announced their intention of leaving the party following its support of far-right Elam’s proposal to introduce an annual commemoration in public schools of the January 1950 Enosis (Union) plebiscite. EDEK too fell subject to criticism from some of its members as some of its MPs upvoted Elam’s proposal. EDEK MEP Demetris Papadakis stated after the vote that the move was upvoted by some out of fear of being accused of not being Greek enough. Former House speaker and former EDEK leader Yiannakis Omirou, too condemned the upvote of the proposal as parliament allowed a “bigoted entity ELAM, affiliated with neo-fascist, neo-Nazi Golden Dawn”, to present its legislative initiative as “politically legitimate”. DISY leader Averof Neophytou conceded that the parliament’s approval was “untimely” but stressed that the

Turkish Cypriot’s reaction was “unacceptable” while AKEL leader, Andros Kyprianou characterized the move to commemorate the Enosis Plebiscite in public schools as “political schizophrenia”. For its part, Nicolas Papadopoulos of DIKO described Akinci’s demand to annul the parliamentary decision as “unwarranted and ludicrous” and said it was indicative of his overall intransigent stance. Likewise denouncing Akinci, Giorgos Lilikas of the Citizens Alliance stressed that this was an opportunity for the Greek Cypriot side to undertake “a campaign to inform the international community on the real reasons for the deadlock in the talks.” Greens MP George Perdakis blasted Akinci for his “unacceptable and provocative behaviour.”

Labour Relations and Trade Unions

A framework agreement was made in the public sector between PASIDY and the government, instituting a mechanism whereby a ceiling will be enforced in the percentile salary increases at the level of the nominal GDP. This agreement is along the same lines with the one made in the semi-public sector in January covering the period 2015-2018. It also stipulates the de-freezing of positions that have been frozen since 2013. There is some improvement in the remuneration of over-time and shift work pay and it also opens the road for the creation of a Provident Fund for those hired after 2011 and who are not covered by any pension fund. 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. The rest of the trade unions of the public sector (the smaller trade union ASDIK, the nurses' union PASINO and the education unions) are opposed to the agreement made by the government and PASIDY stated that this is unfair and unbalanced and complained that they were excluded from the negotiations. They have also stated that they are in contact with their lawyers as to the form of their reaction.

The Human Resource Development Authority (HRDA) will prioritize schemes targeting recipients of Guaranteed Minimum Income that will allow them to have six months of work experience in the public, semi-public and NGO sectors.

SEK called upon the government to deal with the pressing problems of unemployment and poverty that have driven thousands of fellow citizens into economic and social misery. Social policy needs to be reinforced along with the protection of labour rights through the extension and strengthening of collective agreements, concluded SEK in its statement.

The voluntary redundancy scheme proposed by Hellenic Bank which included a tax free lump sum has been rejected by the Tax Registrar, on the basis that it comes too soon after the previous scheme and because in this period the bank has hired new employees. Hellenic Bank claimed that the new staff was necessary because of the new skills and qualifications needed as a result of the dramatic changes in the banking sector and

will now work upon a new voluntary redundancy scheme to be ready by the summer. Further voluntary redundancy schemes are also being prepared by other banks. All such schemes that have been enforced so far have secured in advance either the consent or the toleration of ETYK, the bank employees' trade union. It is estimated that in the last 5 years 2.000 bank employees in Cyprus have been made redundant while there were also about 800 newly hired with the total sectoral employment falling from 9.000 to 7.800 persons. Most of the newly hired are employed by fixed term contracts, something which is opposed by ETYK.

A 24-hour strike of the customs' office workers took place in the Limassol port contributing further to the chaos created in the first week of its operation under a privatized regime. The workers' strike addressed the inconvenience and hardship as a result of the organizational inefficiency and the indifference of the authorities. The procedures enforced by Eurogate, the firm which now runs the port have caused considerable delays and have provoked reactions from the Chamber of Commerce as well. In the meantime, political parties have accused the government of treating the whole privatization process in a hasty manner. The General Auditor has characterized the deal made with Eurogate problematic while AKEL has proposed the re-nationalisation of the Limassol port.

The Council of Ministers decided to defreeze 64 public sector promotion positions and 6 hourly paid ones in the public sector and a further 94

ones in the broader public and semi-public sector. At the same time it extended the freeze of new hiring converting it into one of indefinite duration. These decisions will need to be approved by the parliament in the coming months.

3. Turkish Cypriots

Economic Developments

In an interview with Turkish Cypriot daily Kibris Postasi, Odul Muhtaroglu, the Undersecretary of the State Planning Organization said that foreign university students' contribution to the economy has been rising, helping the economy to run a current account surplus for the first time in 2015. While the figure was \$535.6 million in 2013, it rose to \$636.2 million in 2015; estimated figure for 2016 is around \$660 million. Muhtaroglu said that the students on average spend 9-10 months on the island every year. Students also contribute to the local economy by spending money in almost all sectors. He also added that currently there were 80,000 foreign students registered in higher education within 15 institutions.

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,

Kemal Durust, the Minister of Public Works and Communication said that the Telecommunications Department will be restructured in line with a model which will involve private-public cooperation – but not privatized. Durust also reassured that the rights and jobs of the current employees will be safeguarded in the transition. “They will experience no problems. The Privatisation Law is quite clear. The main structure and backbone will be state run. The entire fibre optic cable network will belong to the state” he added.

Relations with Turkey

Turkish Cypriot Daily Kibris newspaper reported that over 100,000 Turkish nationals living in the northern part of the island and an additional 50,000 Turkish students studying in the north will be eligible to vote in Turkey's constitutional referendum, which will be held on April 16.

A cooperation agreement on social security has been signed between the “TRNC¹” and Turkey. The agreement updated an earlier one signed in 1987. According to the Minister of Labor and Social Security, Hamza Ersan Saner thanks to the new agreement, among other things, Turkish

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).

Cypriot civil servants who are temporarily based in Turkey and “TRNC” nationals undertaking their education in Turkey will be able to benefit from healthcare services in Turkey.

Domestic Developments

According to a survey conducted by the CMIRS (Center for Migration, Identity, and Rights Studies), the percentage of Turkish Cypriots wanting a solution has dropped by 15 percentage points over the past year from 80.52% in January 2016 to 65.29% in January 2017. Furthermore, 39.16% of the participants said that they would vote “no” in a possible referendum on the solution of the Cyprus problem, with only 25.51% saying that they would vote “yes”, whereas in January 2016, 49.6% replied that they would vote “yes” and 20.2% said they would vote “no”. The study also found out that that in January 2017 only 19.51% of respondents were optimistic about reaching a deal with Greek Cypriots compared to 41.33% just 12 months earlier. The majority of people still viewed Mr Akinci as the TRNC's "most credible and appreciated politician" with an approval rating of 3.29 out of 5, while trust in the government fell from 2.37 in October 2016 to 2.26 in January 2017.

Criticizing President Akinci, Prime Minister Ozgurgun said that the Turkish Cypriot side had made a grave concession and strategic mistake by presenting a map during the peace talks held in Geneva in January. Ozgurgun argued that with this move, the Turkish Cypriot side had nothing left to bargain with and had revealed its hand at

the negotiating table. Akinci responded that it was up to the people to weigh the statements made by the Prime Minister (and Foreign Minister who has also been critical of Akinci's handling of the negotiations). He however pointed out that the current minority government did not speak on behalf of the people. Akinci added that it would not be possible to reach a settlement by demanding to keep onto 36% of the land nor was it possible for any Turkish Cypriot to accept a map that left only 25% of the land under Turkish Cypriot control in the event of a settlement. “If a settlement is to take place, the percentages will be more or less around this figure [29.2]. I have a responsibility to prepare the people for the truth” he said.

During the foundation laying ceremony of a new hospital in Morphou, Prime Minister Ozgurgun said that such investments were proof that the Turkish Cypriots had deeply embedded roots in Cyprus. He also highlighted the importance of the government attached to the area, whose return to the Greek Cypriot side in the context of territorial adjustment is considered by the Greek Cypriot administration as an indispensable element of a negotiated settlement. “We are all gathered here today to show that the perceptions created and the feelings of uncertainty regarding Guzelyurt (Morphu) are unnecessary” Ozgurgun said.

The Greek Cypriot Parliament's decision to mark the 1950 Plebiscite for Enosis (union with Greece) attracted the criticism of opposition

parties, trade unions and civil society organizations. The Turkish Cypriot parliament issued a joint declaration condemning the decision, which was also sent to the UN Secretary General.

Left wing political parties, which are not represented in the parliament, and Primary School Teachers Trade Union (KTOS) issued a press statement to call on the two leaders to free themselves of the influence of fascist elements. Representatives of the United Cyprus Party (BKP), the Communal Liberation Party-New Forces (TKP-YG), the New Cyprus Party (YKP), and KTOS read out the press statement in front of the Turkish Cypriot president's office.

Labor Relations and Trade Unions

The new gross minimum wage has been set at 2020 TL (€511). The new rate came into force as of the first day of February. Commenting on the minimum wage, Hamza Ersan Saner, the Minister of Labour said "the minimum wage is the salary that should be paid to an unskilled laborer. It should not be perceived as the salary that should be paid to everyone, no matter what line of occupation they are in". Saner also said that it was the first time the rise in the cost of living which was recently announced by the State Planning Organisation, 10.19%, was reflected onto the minimum wage.

The government and trade unions reached an agreement on changing working hours in the public sector. According to the deal, the summer working hours that will be in place for 4 months

will reduce the working week to 35 hours. The public-sector employees will be working a 40-hour week during the remaining 8 months in winter. The new working hours will come into effect on the second Monday of May. Summer working hours were scrapped in 2010 when the UBP was in power.

In February, another worker lost his life in a workplace accident. According to Ugur Ergun, the former head of the Workers' Health and Safety Union, who was interviewed by Kibris/Cyprus Today, the risk of being killed at work in the construction sector in the northern part of Cyprus is 16 times higher than that in the UK. In other sectors, the risk is 4.5 times higher than the Euro-15 average. Ergun held the Ministry of Labor responsible for this high risk as it is not enforcing health and safety regulations. Eight people died and 79 were injured in 83 workplace accidents in the "TRNC" in 2016.

4. FES Cyprus Events

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

**Friday 31.03.2017 10:30 - 12:30**

Rue du Taciturne 38, 1000 Brüssel)/FES

Round Table Discussion

Cyprus at Crossroads. Reunification now or Everlasting Division?

Friedrich-Ebert-Stiftung, EU Büro
Brussels, Belgium

Open to the Public

April**Friday 21.04.2017 14:00 – tba.****Saturday 22.04.2017 9:00 – tba.**

Centre for Dialogue/CAD/FES

Workshop

'Media in Cyprus: Role and Responsibility,' 3rd Cyprus Dialogue

tba.

Larnaca, Cyprus

Not open to the Public

**Friday 25.04.2017 tba.**

FES

Workshop

Good Governance and the Impact of the Economic and Financial Crises in Cyprus

tba.

Nicosia, Cyprus

Not open to the Public

**Friday 28.04.2017 tba.**

World Vision MEERO/FES

Launch

White Book of Best Practices Launch

tba.

Nicosia, Zypern

Open to the Public



Friday 29.04.2017 tba.

Cyprus Academic Dialogue/FES

Workshop

CAD workshop on PEACE PROCESS in Cyprus

tba.

Nicosia, Cyprus

Keine öffentliche Veranstaltung

Imprint:

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