



Contents

1.	Cyprus Problem.....	2
2.	Hydrocarbons.....	6
3.	Greek Cypriots	6
	Economic Developments.....	6
	Domestic Developments	7
	Labour Relations and Trade Unions	8
4.	Turkish Cypriots	10
	Economic Developments.....	10
	Domestic Developments	11
	Labour Relations and Trade Unions	11
	Foreign Policy	11
5.	FES Cyprus Events	12

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1. Cyprus Problem

In March, talks for a settlement of the Cyprus problem continued though in the shadow of negotiations held between Turkey and the EU to address the refugee crises and the migrant flow to Europe. The island's veto over the opening of 6 chapters of Turkey's stalled accession process could have potentially jeopardised an agreement between Turkey and the EU.

Following an EU summit held between EU head of states and Turkish Prime Minister Ahmet Davutoglu on March 7, the 28 leaders agreed as part of a tentative deal: for every Syrian migrant readmitted by Turkey from the Greek islands another Syrian would be allowed from Turkey to the EU Member States. They also agreed to speed up the disbursement of €3 billion to Turkey for aiding Syrian refugees as well as "to prepare for the decision on the opening of new chapters in the accession negotiations as soon as possible". This decision caused alarm in Cyprus, leading President Anastasiades to convey to EU Council President Donald Tusk during their meeting held in Nicosia on March 15, that he would not consent to the opening of chapters frozen by Cyprus in Turkey's EU accession process unless Ankara met its obligation to open Turkish ports and airports to Cypriot traffic as stipulated in the Ankara Protocol.

Eventually, the crucial EU – Turkey summit held on March 18, aiming at finalizing the arrangement of March 7, found the EU states in agree-

ment to open chapter 33 of Turkey's accession process relating to budget policy. This chapter is not blocked by Cyprus. Moreover, it was decided that preparations would begin for opening other chapters including those frozen by Cyprus. The outcome of the crucial summit left Anastasiades satisfied since it took on board Cypriot concerns while and at the same time, it provided a feeling of momentum for Turkey. Commenting on the outcome of the EU-Turkey summit, Turkey's Minister for Europe stated that Ankara agreed to open chapter 33 in order to avoid a negative impact on the Cyprus talks. He also stressed that he expected the five chapters blocked by Cyprus to be opened in the second half of 2016.

On March 11, the first leaders meeting of the month between Mustafa Akinci and Nicos Anastasiades took place. According to Akinci, new convergences on issues from various chapters were sought except territory, security and guarantees, which are expected to be discussed at a later stage. Furthermore, the work by the respective Turkish Cypriot and Greek Cypriot negotiators, Ozdil Nami and Andreas Mavroyiannis during the previous weeks was reviewed. The meeting was generally described as positive and constructive. Additionally, Akinci raised the issue of leaks from the Greek Cypriot side referring to the decision of EDEK's leader Marinos Sizopoulos to disclose confidential minutes of the National Council meeting as an effort to undermine the negotiations. During the second leaders meeting on March 28, a wide range of issues was discussed where the

two sides agreed to decide how these could be turned into convergences. Anastasiades stated that, even regarding issues where there was understanding, there were some problems, which the leaders would try to resolve during the next meeting. The president noted that the problems did not concern the basic principles of a settlement. In a similar vein, stating that despite continuing differences on a wide range of issues, Akinci said that convergences too had been reached and they were striving to take these convergences a step further. The leaders are to meet again on April 18 and 25 and on May 9.

Meanwhile, in response to the official announcement of the third licensing round by the Republic of Cyprus on March 25, the Turkish Foreign Ministry issued a statement that the "Greek Cypriot administration" was challenging the Turkish Cypriot side's rights and interests on the island's natural resources and Turkey's continental shelf rights. It went on to say that Turkey would not allow foreign companies to explore hydrocarbons and would take all necessary measures to protect the rights and interests of its continental shelf. Turkey had previously declared to respond to any exploration undertaken in Blocks 1, 4, 5, 6 and 7 which it contests based on the argument that they fall within its continental shelf. The matter of the third licencing round was also raised by Akinci during the leaders meeting on March 28. Akinci warned that the Greek Cypriot side's renewed efforts for natural gas exploration could have a

negative effect on the negotiation process. Speaking to reporters following his meeting with Anastasiades, Akinci said that he had conveyed to the UN and his Greek Cypriot counterpart the Turkish Cypriot side's concerns on the issue. Anastasiades stated that Turkey's reaction over Cyprus' third hydrocarbon exploration round could not affect the reunification talks unless it prevented the Republic from exercising its sovereign rights. He also reiterated that the island's natural resources belonged to all its lawful inhabitants. Turkish Cypriots would have a say after a settlement. In October 2014, Anastasiades suspended his participation in the talks after Turkey dispatched a research vessel to carry out seismic surveys inside the Republic's Exclusive Economic Zone (EEZ). Negotiations resumed in May 2015 following Akinci's victory over hardliner Dervis Eroglu. The Turkish exploration vessel was pulled back by Ankara in the run up to the Turkish Cypriot presidential election.

On March 30, United Nations Secretary-General Ban Ki-moon announced the appointment of Elizabeth Spehar of Canada as his new Special Representative and head of United Nations Peacekeeping force in Cyprus. Spehar will also be performing the function of Deputy to the Secretary General's Special Adviser on Cyprus. In 2008, Spehar briefly served as interim Special Representative of the Secretary-General and Head of UNFICYP. She will succeed Lisa Büttenheim, who will take up the position of Assistant

Secretary-General for Field Support at Headquarters.

The President of the European Parliament, Martin Schulz, arrived in Cyprus on March 29, as part of a two-day visit. During his visit he was received by President Nicos Anastasiades and addressed the House plenary. He also met with Turkish Cypriot leader Mustafa Akinci and party leaders on both sides as well as with UN Special Adviser, Espen Barth Eide. Following his meeting with Eide, Schulz said "I am also optimistic, I belong to that group who are never overoptimistic", adding that "there is now really the possibility of an historical step forward." "We at the European Parliament will support with all our means, also budgetary means, in a moment where this is needed," Schulz said. His visit was perceived as a strong indication of EU interest in the Cyprus negotiation process.

Following his meeting with Turkish Foreign Minister Mevlut Cavusoglu in Washington DC, the US Secretary of State, John Kerry said that his country was involved with the Cyprus issue. Speaking after the meeting, Cavusoglu said, "we have some good news from the Eastern Mediterranean. I mean Cyprus. We hope that a solution will be reached in Cyprus in 2016. The Turkish side is ready. The negotiation process has slowed down due to the elections in the south. However, I hope that we will reach a solution after the elections." Kerry, for his part said "we are very deeply committed to and involved in the talks on Cyprus. I've been to Cyprus personally, Vice President Biden has

been. We have met with the folks on both sides as well as individual countries, and we're going to keep pushing very, very hard towards a resolution in the Cyprus crisis; gone on for too long."

On March 15, the General Secretary of AKEL, Andros Kyprianou participated in a conference in the northern part of Cyprus. During the conference, which was organized by the bi-communal Famagusta Initiative, Kyprianou evaluated the Cyprus issue and provided information about the AKEL delegation's recent visit to Turkey. Stressing that AKEL attached great importance to the solution of the Cyprus problem, Kyprianou said "we don't like using the expression 'last chance' however if the current process fails then the new situation will not be better than it is today." As for the issue of guarantees, he said that Turkish Prime Minister Davutoglu had told him to focus on solving the other issues with Mr. Akinci and that they would take up this issue when the time came. Stating that AKEL will continue to do its best to contribute to the peace process, he highlighted the on-going cooperation with the Republican Turkish Party (CTP), the Communal Democracy Party (TDP) and the United Cyprus Party (BKP) in the north¹.

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

The president of the Democratic Rally (DISY) Averof Neofytou addressed the party assembly of the Republican Turkish Party (CTP) and argued that the time had come for a strong and sustainable solution. Stating that many Greek Cypriots were aware of the fact that the current status quo could not be maintained and that this situation was dangerous for their future, Neofytou stressed that both communities did not have the luxury to lose any more time.

In the framework of “a strategic cooperation between the Greek Cypriot Phileleftheros Group and the Turkish Cypriot Havadis Media Group,” a Cyprus Weekly editorial announced that they joined forces with “Havadis newspaper and ... will be publishing a print and online English-speaking newspaper, covering events in every corner of our country, seeing and treating Cyprus as one.” “It is imperative that Greek Cypriot and Turkish Cypriot media, as well as business people, work jointly together to create a healthy, political and economic environment on both sides of the Green Line, overcoming fears and taboos from our country’s recent past. It is a good time for bi-communal projects and initiatives to reach out and engage all Cypriots in a much broader way.

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).

Working together, setting up new ways of economic cooperation, will help Greek Cypriots and Turkish Cypriots reach a better level of political understanding and will practically promote the idea of sharing administrative power in a federation,” the editorial concluded. Akinci described this cooperation as “a historic step for correct communication,” while Anastasiades applauded this cooperation, noting after the lack of communication and the decades of division, there are still serious problems in the two communities understanding each other.

Journalists came together at a joint event organized by the Cyprus Turkish Journalists Association, the Union of Cyprus Journalists and the Press Workers Union (Basin-Sen). Problems experienced by the media on both sides of the island were the topic of the panel discussion, which took place at the Home for Cooperation located in the UN buffer zone. Journalists from both sides expressed the hope that the event would be the beginning of a series of similar events in the future.

On March 3, the executive boards of the Turkish Cypriot Revolutionary Trade Unions Federation (Dev-Is) and the Greek Cypriot Pancyprian Federation of Labour (PEO) announced that they decided to hold a series of joint events to help the solution process and improve dialogue between the two communities.

The Turkish Cypriot Municipal Theatre of Nicosia and the AntiLogos Theatre group from the

southern part of Cyprus staged plays as part of events to mark International Women's Day. The events were co-hosted by PEO-SIDIKEK and the [Turkish Cypriot] Municipal Workers Union (BES).

The Cyprus Turkish Contractors Association and the Cyprus Recycle Organisation [from the southern part of Cyprus] signed a cooperation protocol, which details the management of the construction wastes and aims to protect the environment.

Speaking during a news conference following a meeting of Cyprus' religious leaders at the residence of the Swedish Ambassador in Nicosia, within the framework of the Religious Track of the Cyprus Peace Process, US Special Representative for Religion and Global Affairs, Shaun Casey said that Cyprus could be a model for coexistence between Muslims and Christians for the entire region.

2. Hydrocarbons

On March 25, via a notice published in the EU's official journal the Republic of Cyprus announced its decision to launch a third oil and gas licensing round inviting bids for exploration of hydrocarbons in offshore blocks 6, 8, and 10 of the Cypriot Exclusive Economic Zone (EEZ). The interest expressed in recent months by energy companies, following the detection of carbonate layers believed to be found in the Eratosthenes seamount off the coast of Cyprus,

was the main reason prompting the government to initiate a new exploration round. Block 6 is among the blocks contested by Turkey as part of its own EEZ.

Meanwhile, the Israeli Supreme Court issued a ruling on March 27, barring the Israeli government from giving a 10-year guarantee for no legislative or taxation changes to Texas-based Noble Energy and their Israeli partners Delek. The court's decision invalidated the stability clause in a deal reached last year between Prime Minister Benjamin Netanyahu and the consortium holding concessions on the massive Leviathan field as well as other gas fields. According to the court's decision, the government is not in the position to make such a long-term concession and gave the parties involved a year to come up with an alternative arrangement for the government to provide stability assurances. The decision could cause further delay to the development of the Leviathan field which was expected to start production by 2019 and could subsequently also delay the development of the Cypriot Aphrodite field by Noble.

3. Greek Cypriots

Economic Developments

On March 31, Cyprus' three-year bailout programme officially expired. Cyprus was the fourth euro area member state to exit its bailout programme following Ireland, Spain, and Portugal. It used €7.25 billion of the total

€10 earmarked in the bailout. Although Cyprus was generally praised for the completion of its programme, International Monetary Fund (IMF) officials warned that Cyprus still has three pending issues to face. These include reducing bad loans and public debt and completing growth-enhancing reforms. According to Phileleftheros citing figures from the Bank Association, Cyprus saw its Banking sector shrunk by 20% during these three years.

According to the Statistical Service, the average monthly earnings of employees fell to €2,156 from October to December, a 0.9 % drop in relation to the respective quarter of 2014. This is the 12th consecutive term that there is a decrease (3 years in a row) and the special contribution imposed on public and private sector employees and the wage cuts imposed on the public sector are not even included in the calculations as these decreases do not affect the gross wage but the employees' net income.

Meanwhile, tourism arrivals rose 23.9% in the first two months of 2016, amounting to 114,596 compared to 92,508 in the corresponding period of 2015. Based on the results of the passenger survey, arrivals in February numbered 65,988 compared with 50,709 in February 2015, an increase of 30.1%. Arrivals rose 28% from the UK in February, 16.6% from Greece, and 101.1 % from Russia – from 3,659 last February to 7,358 this year.

In January and February the government generated a fiscal surplus of €39.2million on a cash

basis, compared with a surplus of €3.4million in 2015, based mainly on increased revenue. According to the Finance Ministry, total revenue rose from January to February by €12million to €991.1 million compared to the same months in 2015. Government expenditure fell by €10 million to €971million.

Meanwhile, according to figures released by the Central Bank, the overall amount of non-performing loans of non-financial companies in the Cypriot Banking system fell in December 2015 to €13.3 billion which is €400.9 million less than 2014. Over the same period the overall credit extended to companies rose by €590.8m to €26.4bn, while deposits rose by €114.6m to €10.1bn. As a result, the gap between deposits held by companies and loans extended to companies narrowed in December 2015 by €476.2m to €16.2bn compared with December 2014.

On March 28, the government withdrew its five proposed bills for the denationalisation of state telecoms company CyTA, which were being discussed at parliament. According to Finance Minister Harris Georgiades the government decided to withdraw the bills due to objections raised by a majority of parliamentary parties over the CyTA bills.

Domestic Developments

On March 11, center-right Evroko announced it would be merging with MEP Eleni Theocharous' Solidarity Movement for the upcoming parliamentary elections in May. This was announced

by party leader Demetris Syllouris during a news conference. Theocharous, who takes a hard-line stance on the Cyprus problem, broke ranks with ruling DISY in November 2015, citing differences in views on handling the issue.

Leader of EDEK, Marinos Sizopoulos, was criticized by all parties including DIKO, the Greens and the Citizens Alliance for his move to make public the minutes of the two latest National Council meetings on September 5, and December 8. Sizopoulos argued that he was prompted to do so because the public was being misinformed over the true developments in the ongoing negotiations. At the National Council meeting of December, Anastasiades had taken a decision in principle to share documents from the talks with the party leaders. However, one paper – a letter to UN Secretary General Ban Ki-moon – was leaked within hours. As a result, the president decided to reconsider his decision to share documents with the party leaders. Sizopoulos' move was also criticized by the Turkish Cypriot leader Mustafa Akinci as an attempt to undermine the negotiation process.

Labour Relations and Trade Unions

On March 15, the nurses organized in PASINO begun their strike of indefinite duration. They had previously staged two 12-hour warning strikes in February, but the government refused to discuss their main demands such as the recognition of their formal qualification for the purposes of pay scales, the discontinuation of

the arbitrary treatment of consecutively re-employed persons as newly hired ones and thus paid at a 10% lower rate, new recruitment and promotions issues etc. PASIDY, which also represents one section of the nurses, refused to join the strike and its leadership attempted to resist the increasing pressure from its rank and file members to support the strike waged by PASINO. Many nurses organized in PASIDY have resigned and joined PASINO in order to participate in the strike. The government adopted a very firm stance, stating that it will not negotiate under pressure and that there is no chance to concede the nurses' main demand – that is their recognition of formal qualifications and their transfer to the university graduate public sector scale of A8 and that the nurses' employment status will be decided after the reform of the health sector and the autonomisation of the hospitals. PASINO rejected this and demanded that the government commits itself that the formal recognition of the qualification, which the nurses became obliged to acquire a decade ago and is pending since 2010, must take place now while the corresponding wage raises may take place later and gradually.

All the political parties except DISY, most trade unions and student organizations directly or indirectly supported the nurses' claim in principle and asked the government to moderate its stance and negotiate with PASINO. The government announced that it would fulfill its obligation to end the multiply repeated fixed term contracts and pledged that this would end the 10% decrease for those that are employed for

more than 24 months and also promised that some of the frozen promotion positions would be opened. PASIDY considered these enough gains and refused to join the strike, despite the resulting significant loss of members it suffered. The strike attracted considerable domestic and international support and the government was eventually forced to negotiate while at the same time it announced on the March 30, that it would break the strike through buying nursing services from the private sector. The public doctors' union PASIKY which had throughout the strike called upon the government to moderate its stance warned on March 31, that it would not tolerate strike breaking measures in the hospitals. Eventually, a preliminary compromise agreement was reached on the 31st stipulating that dialogue would take place about the status of nurses and a decision be reached before August in the context of the broader restructuring of the public service and not necessarily in the context of the autonomisation of the hospitals. The agreement was accepted by PASINO members on April 1, ending their 17-day strike.

The workers at the Limassol port staged another strike, this time of indefinite duration as they considered the offer made in the context of the privatization of port services overtly biased towards private interests and against the public interest. The strike began on March 21, but SEK withdrew its support for the strike on the 22nd as it claimed that the voluntary redundancy scheme was satisfactory and that the only pending issue was the organizational struc-

ture of the new port authority which requires more time to be finalized. The strike ended on the 25th as the rest of the unions asked their members to do resume work a parliamentary majority approved the regulations for the privatization of the commercial port services on the evening of March 24.

The employers' associations OEB and KEBE strongly criticized both the strikes of the nurses and especially the strike of the port workers and called yet again upon the government and parliament to legislate a new regulation that would restrict the right to strike in "essential services". PEO and the other unions again stated their objections. The DISY leader submitted a bill proposal along these lines on March 31.

PEO and SEK members, along with the hotel sector employer associations, approved the compromise agreement reached by their leaderships with the hoteliers concerning the renewal of the sectorial collective agreement. DEOK, which was not part of the negotiations as its small size allows the bigger unions and employers to exclude it, rejected the agreement and claimed that it did not meet the basic demands of the hotel employees.

Alpha Bank surpassed the goal of 170 it had set for its voluntary redundancies scheme with more than 200 opting for it. Bank of Cyprus, on the other hand, failed as only 75 out of the originally planned 250 employees took up the offer. Thus, in the context of the Bank of Cyprus re-organization scheme, compulsory redundan-

cies will be on the agenda with the banking sector union ETYK stating that it will not tolerate any unilateral measures on this. Since 2013, around 2.000 bank employees have already left the banking sector.

The government announced a plan to sponsor private employment agencies in the context of supporting employment. The plan, expected to be co-funded by EU and the Republic is expected to employ 1.000 unemployed persons in the next three years. It will offer 500€ to the private employment agency for every unemployed person that gains a work placement and it is targeting recipients of Minimum Guaranteed Income. PEO leader, Pampis Kyritsis, addressed a protest letter to the Minister of Labour, complaining that not only a public function was thus being privatized but that it was also subsidized with public money, that no social dialogue had preceded this, that there were no control mechanisms to prevent the waste of public money, the exploitation of workers and to ensure finding suitable jobs for unemployed persons.

The government announced a plan to subsidize student placements in firms in the context of connecting universities with the market. Students are expected to earn up to 150€ per month and firms that assign a mentor to them would also have a symbolic subsidy.

All the unions of the Cyprus Electricity Authority (CEA) decided to stage a major strike of indefinite duration beginning on April 6, as a result of

the government insisting on the partition of the CEA as a first step towards its privatization. The unions were called into dialogue by the President, and were assured that the partition of the CEA would not proceed in the coming years and thus the strike was called off.

The Supreme Court did not reach a decision on the operation time in retail trade and now there is a legal gap, as there are no valid regulations whatsoever. The parliamentary majority stated that it would attempt again to reach a compromise with the government on this issue.

4. Turkish Cypriots

Economic Developments

After months of negotiations and disputes between the Turkish Cypriot government and Ankara over the operation of water utilities, the two Prime Ministers finally signed the deal on March 2 in Ankara. Yet, the signing did not solve all problems between the two sides.

On the last day of March, the Ministry of Finance announced that it did not have enough resources to pay all salaries for March 2016 and that it would pay some of the salaries in two instalments. Accordingly, those whose net salaries were higher than four thousand Turkish liras (€1232), received only 60% of their salary. Kalyoncu announced that the rest of the salaries would be paid within a few days. Others received their full salaries. The shortage

stemmed from the disagreement between Ankara and Turkish Cypriot government over the financial and economic cooperation protocol for 2016-2018. As the previous protocol expired, Ankara stopped transferring funds. One of the sticking points seems to involve the privatization of other utilities. Reportedly, the junior coalition partner National Unity Party (UBP) was furious about the delay and started to consider forming a coalition without the Republican Turkish Party (CTP) i.e. with the DP.

According to the competitiveness report commissioned by the Turkish Cypriot Chamber of Commerce for the 2015-2016 period, the Turkish Cypriot economy is at the 121st place out of 141 countries. In the previous report it was ranked 114th out of 145 countries.

In 2015, 1,483,244 tourists visited the northern part of Cyprus of whom 1,110,795 were Turkish citizens. According to the figures provided by the Central Bank bulletin, there was an 8.6% increase in the number of visitors in 2015 compared to 2014.

Domestic Developments

In March, the parliamentary arithmetic has changed after the resignation of three deputies from the Democratic Party (DP) including Hasan Tacoy, the Secretary General of the party and one from CTP. After the resignations, the number of DP deputies has fallen to 5 and the CTP deputies to 20. The UBP has 18, and the TDP has 3 members of parliament. The four inde-

pendent deputies are by law forbidden to officially join any party until the next election.

Labour Relations and Trade Unions

According to Dev-Is, workplace accidents claimed the lives of three workers in the first three months of 2016. The union attributed frequent workplace accidents and loss of lives to lack of unionization in the private sector as well as problems in the enforcement of labour, and labour health and safety regulations. Last year 13 workers lost their lives due to workplace accidents.

Foreign Policy

President Akinci received the German Minister of State for Europe, Michael Roth. The latest developments in the Cyprus negotiation process as well as ongoing work to prepare the Turkish Cypriots for the EU Acquis Communautaire were discussed at the meeting.

Akinci denied the request made by the European Commission Vice President for the Euro and Social Dialogue, Valdis Dombrovski, to pay a 15-minute courtesy visit. Akinci reminded that Dombrovski had been charged with preparing the Turkish Cypriot side for the European Union and warned that 'If the Commissioner is only going to pay a courtesy visit to the north then he shouldn't bother coming at all'. 'They should come here and see the sensitivities of the Turkish Cypriot people; this is what they have been tasked to do. We will not accept anything less' said Akinci.

5. FES Cyprus Events

April

Friday 15.04.2016, 5.30 p.m.

PRIO Cyprus Centre / FES
Launch of Publication

Post-Annan Youth Study

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



May

Tuesday 17.05.2016

Post RI/FES
Workshop

International Day Against Homophobia, Transphobia and Biphobia

t.b.a.
Nicosia, Cyprus

Open to the public



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