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1. Cyprus Problem

On April 26, Mustafa Akinci a moderate leftist, was elected President of the internationally non-recognised Turkish Republic of Northern Cyprus (TRNC)¹. Though only Turkey recognises him as President of the TRNC, the Greek Cypriots and the international community respect the outcome of presidential elections in the north and consider the winner the legitimate representative of the Turkish Cypriot community. Considering his pledged commitment and willingness towards a compromised solution of the Cyprus Problem, Akinci's victory is viewed as a positive development, presumably creating the prospects for a promising dialogue between Greek and Turkish Cypriots in view of the resumption of the negotiations, expected in early May and possible reunification of the island.

Akinci won in the second round by a landslide by garnering 60,5% of the votes compared to 39,5% of the outgoing president Dervis Eroglu.

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

The 67-year-old former mayor of northern Nicosia, also served a short stint as deputy prime minister. Akinci won the election with a platform consisting of four main dimensions envisaging (1) solution-oriented policies in the Cyprus negotiations; (2) a new kind of relationship with Turkey based on mutual respect; (3) policies responsive to social issues; and (4) a truly independent and impartial presidency towards all political parties in domestic affairs. What basically distinguished Akinci from other candidates regarding the Cyprus problem was his positive approach to the confidence building measures (CBMs). "Parallel to efforts for a comprehensive solution, we will place special importance on various CBMs that would improve the daily lives of both communities," his manifesto said, adding that "we will seek an agreement that would enable the opening of the fenced area of Varosha to settlement under the supervision of the United Nations, and the simultaneous opening of the Famagusta Port and Ercan Airport to direct trade and flights in an effort to overcome the deadlock Turkish Cypriots face in the fields of trade and tourism. We believe that besides benefitting all stakeholders, this would also contribute to efforts for a comprehensive solution". Akinci's manifesto in English can be accessed via the following link:

http://www.mustafaakinci.com/download/brochure_en/AKINCI-BROCHURE-EN.pdf

In the first round of the election, which was held on 19 April, independent candidate and incumbent Dervis Eroglu (supported by the

main opposition National Unity Party (UBP) and the junior coalition partner Democratic Party-National Forces (DP-UG)) received 28,15%, independent candidate Mustafa Akinci (supported by the Social Democratic Party (TDP) and United Cyprus Party (BKP)) 26,94%, the senior coalition partner Republican Turkish Party-United Forces (CTP-BG) candidate Sibel Siber 22,53%, and independent candidate Kudret Ozersay (supported by his social movement "Toparlaniyoruz") 21,25% of the votes. The other three candidates received less than 0,5% each. The turnout was 62,34%, the lowest ever in a presidential election. In the 2010 presidential election, the turnout was 76,37%.

In the second round of the election, the CTP-BG endorsed Akinci and actively supported him, while Ozersay, who did surprisingly well in the first round, remained neutral. "The reason why the CTP-BG is supporting Akinci in the election is [his commitment to] peace and a solution in Cyprus, social justice and because he supports democracy and European values," Ozkan Yorgancioglu, the leader of the CTP-BG said.

On 30 April, Akinci officially took office following an oath-taking ceremony held at the parliament and the handover ceremony at the presidential palace. Turkish Deputy Prime Minister Bulent Arinc, who is also in charge of Cypriot affairs, attended the ceremonies.

Upon his election, Akinci received a congratulatory letter from the Turkish President, Recep Tayip Erdogan, which stated that Turkey would not accept an approach for a solution "that

would come at any cost". Akinci's election pledge envisaging a new type of relationship based on equal terms with Turkey, signalling his desire to end the subordinate position of the Turkish Cypriots (i.e. mother-baby/child) in relation to Ankara provoked an angry reaction by Erdogan who bluntly reminded Akinci that the north is economically dependent on Turkey. Furthermore, Erdogan told Akinci to watch his language and wondered how it was possible for the Turkish Cypriots to forget that Turkey was and still is the "motherland" that had always taken care of her children on the island. "For Turkey, northern Cyprus is our baby. We will continue to look at it the way a mother looks at her baby," he added. Akinci returned fire and asked why Erdogan did not want the Turkish Cypriots to "grow up". In the meantime, the main opposition Republican People's Party (CHP) chairman Kemal Kilicdaroglu joined the spat and said "it's not appropriate to present the TRNC as a state which is under the command and tutelage of Turkey," even though Ankara has provided economic support. When asked if the CHP considers the TRNC as a "babyland," Kilicdaroglu said the TRNC was an independent state. Eventually, the crisis came to an end when Erdogan personally called Akinci over the telephone congratulating him on his victory. "The two counterparts smoothed the air by exchanging jokes and agreeing to meet in Ankara," the public broadcaster BRT commented.

In the south, Akinci's victory was welcomed by political parties DISY and AKEL but was met with

reserved optimism by EDEK, the Greens, DIKO and the Citizens Alliance who more or less expressed that the new Turkish Cypriot leader will not be able to stand up against Turkey and that the key to a solution remained in the hands of Ankara. Akinci also received congratulatory calls from President Nikos Anastasiades and UN Special Adviser, Espen Barth Eide. His election was also welcomed by the United States.

On 28 April, in light of the expected resumption of the negotiations, Anastasiades announced a series of unilateral confidence building measures (CBM's). These included:

- Anastasiades personally handing over to Akinci 28 maps identifying minefields on Pentadaktylos mountain range which were left behind in 1974 by the retreating Greek Cypriots;
- The management of Turkish Cypriot places of worship such as mosques to be handed over to the pious foundation of the Turkish Cypriot community Evkaf;
- Turkish speakers to be recruited in the Public Citizens Service Centres;
- Support for the reunification of the Cyprus Football League.

Anastasiades initially announced that he will be meeting Akinci on May 2. This was nevertheless denied by Akinci who announced that he will be visiting Turkey first on May 6. The Anastasiades-Akinci meeting is therefore expected to take place within the second week of May. It is anticipated that they might discuss the resump-

tion of the negotiations but may also touch upon the substance of the Cyprus Problem. UN Special Advisor, Espen Barth Eide, is also expected to arrive in Cyprus on May 4.

Meanwhile, the Head of the Turkish Cypriot Religious Affairs Department Talip Atalay and the Greek Cypriot Archbishop Chrysostomos II held a meeting at the Archbishopric in southern Nicosia. The meeting was followed by a joint press conference where the two religious leaders expressed their support to the upcoming negotiation process, which will resume shortly, and stressed the importance of protecting the holy places. Atalay for his part pointed out that the members of the two religions had lived in peace for thousands of years and said "we can rebuild peace on this island by highlighting good examples from our history." The meeting took place as part of the Religious Track of the Cyprus Peace Process under the Auspices of the Embassy of Sweden, which is a Swedish led peace-building initiative aiming to encourage the religious leaders of the island to engage constructively in the Cyprus peace process.

2. Hydrocarbons

On April 29, a Tripartite Summit held in Nicosia between the governments of Cyprus, Greece, and Egypt led to the adoption of the "Nicosia Declaration" signed by President Nicos Anastasiades, Greek Prime minister, Alexis Tsipras and Egyptian President, Abdel-Fattah Al-

Sisi. The declaration was adopted on the basis of a similar accord signed in Egypt, the “Cairo Declaration” of November 2014. Energy featured prominently during the summit along with other issues including counter terrorism, economic cooperation and stability within the Eastern Mediterranean.

Cyprus, Greece, and Egypt went ahead and agreed that the discovery of hydrocarbon reserves in the Eastern Mediterranean could serve as a catalyst for regional cooperation better served through adherence to international law. Although they did not announce impending agreements on delimitating their respective exclusive economic zones (EEZ), a development that would undoubtedly impact Turkey which has its own claims in the Eastern Mediterranean, they nevertheless agreed that talks between them should continue towards that end. In particular, the declaration notes that the three countries “emphasize the universal character of the UN Convention of the Law of Sea” and their decision “to proceed expeditiously” with negotiations on the delimitations of their maritime zones, where it is not yet done. While Cyprus and Egypt have delineated their respective EEZ’s, Greece has avoided to delineate its EEZ with Egypt and Cyprus, as this is perceived as a “casus belli” by Turkey. Moreover, the Egyptian President reiterated his country’s interest to purchase Cypriot natural gas from the Aphrodite field located in Block 12. Technical committees from both governments are already discussing legal and environmental issues related to the construction of a pipeline

transporting gas to Egypt, although infrastructure plans have not yet been completed.

Commenting on the prospect of a Cyprus-Egypt pipeline, Charles Ellinas, former director of the national gas company (Kretyk), stated that the anticipated price of Cypriot gas expected at \$8 per mmbtu² could not compete with prices that Egypt will potentially be paying local producers like Israel, estimated somewhere between \$3.5 to \$6 per mmbtu. Ellinas also found it implausible that Cyprus would be able to pipe gas to Egypt by 2017. He based his argument on the observation that it takes at least 3 years after a Final Investment Decision (FID) is taken in order to find investors and built a pipeline and a FID has not been taken by Noble yet.

3. Greek Cypriots

Economic Developments

On April 18, after months of heated debates, the Cypriot Parliament approved the insolvency framework, which paved the way for the implementation of the suspended foreclosure law which will consequently allow Cyprus to join the European Central Bank’s (ECB) sovereign bond buying programme.

The framework was passed after the ECB bluntly warned that it may reconsider its decision to continue accepting Cypriot securities as

² One million British Thermal Units.

collateral in exchange for monetary policy operations if the island further delayed implementations of the foreclosures legislation. The warning came after April 2, when the Cypriot Parliament once again voted to extend the suspension of the foreclosures legislation until April 17.

The insolvency framework, considered as a safety net for vulnerable groups against property repossessions by the bank, passed with the 33 votes of ruling DISY, as well as DIKO and EDEK. AKEL, EVROKO, the Green Party and independent MP Zaharias Koulias voted against. A key effect of the insolvency bill is the implementation of a tougher foreclosure legislation, drastically cutting the time it takes to foreclose and auction real estate collateral to 18 months instead of a decade. Adoption of the foreclosure law had been blocked by the Parliament since last October in order for an insolvency framework to be prepared and introduced. According to Moody's, the enactment of the framework was a positive development for Cypriot banks as it "lays the groundwork for large scale loan restructuring and improves the banks' recovery prospects".

Meanwhile the Troika³ arrived in Cyprus on April 26, for the purpose of completing the fifth review of the country's adjustment program and in particular to review the insolvency framework. However, a final assessment of the

³ The Troika is comprised by the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF).

latter did not occur by the end of April. Approval of the insolvency framework by the Troika is expected to pave the way for the release of €86 million for Cyprus.

On April 6, the government abolished the remaining capital controls, imposed since March 2013. Lifting all capital controls was considered as a positive development for the economy and an indication of recovery of the Cypriot banking system. According to the Central Bank of Cyprus, there were no unusual outflows that occurred after the lifting of the capital restrictions.

According to a statement issued on April 24, Fitch Ratings agency has affirmed Cyprus's long term foreign and local currency Issuer Default Ratings (IDRs) at 'B-' with a positive outlook. In addition it upgraded the long term issuer default of BoC and Hellenic Bank by a notch, to "CCC" and "B-" respectively. Most importantly, the agency assumes that Cyprus will not need the full €10 billion aid granted by the Troika.

On April 21, Bank of Cyprus (BoC) chief executive officer, John Hourican, submitted his resignation, citing personal reasons. Hourican joined the bank in October 2013. He is acknowledged to have significantly contributed to the stabilization process of the BoC. Moreover, he played a key role in the bank's €1 billion capital issuance last August, which attracted US investor Wilbur Ross. His resignation fuelled speculation about the bank's future and its prospects of full recovery since the problem of non-perform-

ing loans still looms large and its restructuring process still remains incomplete.

On April 28, Cyprus sold €1 billion in seven year bonds signalling the country's return to international markets and confirming the restoration of confidence by the international investment community in the Cypriot economy.

Domestic Developments

A quarrel erupted between President Anastasiades and Attorney-General Costas Clerides after an independent criminal investigation conducted by Panayiotis Kallis concluded that the Deputy Attorney-General, Rikkos Erotokritou, was accused of bribery.

According to the investigation, Erotokritou was bribed by law firm Andreas Neocleous & Co which was representing the now defunct Laiki Bank. The company allowed Erotokritou to win a case he had brought against Laiki in which he asked that a debt of some €600,000 be offset against an equal amount he had in deposits which were seized as a result of the March 2013 bail in. In exchange Erotokritou would order the prosecution of several Russian nationals who had been in a court battle with the Neocleous firm over the disputed management of Providencia Ltd, a Russian offshore company with holdings of €250-300 million.

Erotokritou denied the accusations and tried to point the finger at Clerides himself, questioning the attorney-general's handling of the case and

airing a number of new allegations against him. A written statement by the President stating that the cabinet will be seeking to appoint investigators to look into Erotokritou's claims, without mentioning the findings of the Kallis report irked Clerides since it appeared to be lending support towards Erotokritou. The statement provoked Clerides' reaction who accused the President of helping the "accused become the accuser". Anastasiades' handling of the incident was generally interpreted as an attempt to interfere into the attorney-general's independence.

4. Turkish Cypriots

Domestic Developments

Following the defeat of his party's candidacy in the presidential election, Prime Minister and the leader of the Republican Turkish Party-United Forces Ozkan Yorgancioglu said that he would not seek re-election in the upcoming congress scheduled for October or November of this year. Furthermore, he said that the party congress could be moved forward by several months. Yet Yorgancioglu ruled out an early general election. He said that he did not think that the people wanted another election, adding that besides their burden on the economy, elections caused tensions within the society. An early parliamentary election was held in July 2013.

After Yorgancioglu's statements, the CTP-BG Party Assembly decided to move forward the party congress and to hold an extraordinary congress on 14 June. In the meantime, with a written statement, the CTP-BG Central Executive Board took the political responsibility of the failure in the presidential election but said they would be in charge until the extraordinary congress of the party. Furthermore, the Youth Branch's members of the Central Executive Board and Assembly as well as the branch chairmen and executive board members in Fama-gusta, Kyrenia and Nicosia districts resigned.

The main opposition National Unity Party (UBP) decided to hold a charter congress on June 6 and its ordinary party congress on October 31. The decision was taken unanimously at the meeting of the UBP's General Executive Committee and the Party Assembly. Addressing the party members after the meeting, the leader of the UBP Huseyin Ozgurgun highlighted the importance of amending the party's charter, which, he said no longer addressed the needs of the party. He also said that he had not decided whether he would be seeking re-election at the party's ordinary congress in October.

Responding to a question regarding the performance of the coalition government and the cabinet on the public broadcaster BRT, the Prime Minister Ozkan Yorgancioglu said "I cannot say we have been successful in everything or we have done everything we set out to do but we have done a lot. There are things which weren't in the government program

which we did and things which were in the program which we could not". He also said that the 2016-2018 economic program would be prepared following consultations with representatives of civil society organisations, ensuring that the program would have the support of the public. As for the reunification of football, expressing his support to the chairman of the Cyprus Turkish Football Association Hasan Sertoglu, Yorgancioglu said that he had serious disagreements over the issue with his coalition partner Serdar Denktas, yet added that such differences in opinion were normal and that this did not mean the coalition would be dissolved.

The chairman of the Cyprus Turkish Municipalities Union Ahmet Benli has announced that work on a project for the management of the water to arrive from Turkey by local authorities was underway. The project involves setting up a new company under the partnership of 28 municipalities.

The Turkish Cypriot government banned the strike of air traffic controllers at Ercan (Tymbou) Airport for 60 days. The Air Traffic Controllers Trade Union's strike resulted in the delays of over a dozen flights before it was banned. The chairman of the union said that the strike was due to the government's failure to honour an earlier protocol it had signed regarding the rights of staff in charge of air traffic control at Ercan Airport.

The New Cyprus Party (YKP) and the Greens Party (Greek Cypriot) co-organized a rally

against the Mersin Akkuyu nuclear power plant in Turkey, whose construction has started recently. “Don’t forget nuclear power is very dangerous. We have seen what could happen if there was a leakage. We saw this at Chernobyl and at Fukushima. Akkuyu is right next to Kyrenia and of course this scenario can be repeated so say no to nuclear energy,” read the statement issued by the YKP.

Foreign Policy

The European Union has opened an information center in the northern part of Nicosia. The ‘Info Point’ aims to bring the Turkish Cypriot community closer to the EU, to raise the Turkish Cypriot people’s awareness and knowledge of the EU, and to develop European awareness amongst Turkish Cypriots. Foreign Minister Ozdil Nami who attended the opening ceremony reminded that the Turkish Cypriot community had voted in favour of the island’s reunification and EU membership in 2004, and underlined that they still remained committed to that goal.

5. FES Cyprus Events

May

Saturday 16.05. 2015

ECI / European Commission / FES
Conference

Conference on the Outcomes of the ECI Invest in Education – Cyprus: ‘Lessons from the Success of the European Citizen’s Initiative in Cyprus Invest in Education’

University of Cyprus,
Nicosia, Cyprus
Open to the public



Saturday 16.05. 2015 and Sunday 17.05. 2015

IKME / BILBAN / FES
Conference

Cypriot’s Voice Conference

Queen’s Bay Hotel,
Paphos, Cyprus
Not open to the public



Friday 15.05. 2015 until **Sunday 24.05. 2015**

POST RI / FES
Workshop

**Education for a Culture of Peace as Vehicle for
Reconciliation in Cyprus – SDDP Training**

Atatürk Cultural Centre
and
Home for Coporation (Buffer Zone)
Nicosia, Cyprus

Not open to the public

June

Monday 22.06.2015

FES
Conference

**Trade Unions in Cyprus, Common Challenges
Ahead**

Chateau Status (Buffer Zone)
Nicosia, Cyprus

Open to the public

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