



Contents

1.	Cyprus Problem	2
2.	Hydrocarbons	3
3.	GreekCypriots	4
	Economic Developments	4
	Domestic Developments.....	5
	European Parliament elections	6
4.	TurkishCypriots	7
5.	FES Cyprus Events	9

FES NEWS

!!! NOW ON Facebook

www.facebook.com/FEScyprus !!!

1. Cyprus Problem

Diplomatic flurry occurred during the month of May as US Vice President Joe Biden arrived in Cyprus on the 21st for a two day visit. Biden's delegation included National Security Adviser Jake Sullivan and US Deputy Assistant Secretary for Energy Diplomacy Amos Hochstein. Not surprisingly, the Cyprus Problem and energy were among the top issues of the agenda.

It was the first time such a senior US Official visited Cyprus since Lyndon Johnson's last visit in 1962. A series of recent developments have strengthened the strategic role of Cyprus in the region. These include the Syrian and Ukrainian Crises and energy exploration activities in the Eastern Mediterranean which have subsequently enhanced the US interest in the settlement of the Cyprus Problem. This interest is not irrelevant to the Western orientation pledge of the Anastasiades government. Biden called Cyprus during his visit a strategic partner of the US.

On May 22, Biden hosted a dinner for the two leaders, President Nicos Anastasiades and Turkish Cypriot leader, Dervis Eroğlu, UN Special Representative, Lisa Bittenheim and the two negotiators, Andreas Mavroyiannis and Kudret Özersay. Biden reaffirmed the commitment of the two leaders to the Joint Declaration of February 11 and announced the speeding up of the process with the leaders consenting to meet at least twice a month. The next meeting is due to take place on June 2. Reports were rife that the American Vice President would announce some 'small' confidence building measures (CBMs) on the ghost town of Varosha where the US would fund a team of experts to develop a plan for the rejuvenation of the area. However, no breakthrough was announced. Nevertheless, Biden did confirm US support on the package. The return of Varosha is suggested by the Greek

Cypriots as a CBM, running in parallel with the negotiations for a comprehensive settlement. The Turkish Cypriots, however, view Varosha as an integral part of a comprehensive settlement.

With regards to the ongoing peace negotiations, the second phase began in early May, following the completion of the screening process in April. Mavroyiannis and Özersay entered into substantive negotiations on federal public service, federal competences and property.

Biden's meeting with Turkish Cypriot leader Derviş Eroğlu in the north caused some reaction by the majority of the Greek Cypriot political parties, except DISY, despite Biden's affirmation of the Republic of Cyprus (RoC) as the sole legitimate government on the island. Overall, the visit was considered a historic milestone in US-Cyprus relations and a renewed American commitment to finding a speedy solution to the Cyprus Problem.

Turkish Foreign Minister Ahmet Davutoğlu referred to the visit as a positive and important development that could lead to a momentum in the ongoing reunification talks. Davutoğlu visited the north just days before Biden's visit, where he met with Derviş Eroğlu and Foreign Minister, Özdil Nami, to align the positions of Ankara and the Turkish Cypriots. The visit was criticized by the opposition party CHP, for allegedly not serving Turkish Cypriots' interests.

Earlier in the month, President Anastasiades met with Chancellor Angela Merkel, as part of a four day visit in Germany. EU involvement in the Cyprus settlement process, energy, the economy and EU sanctions against Russia were discussed. It was the first official visit of a Cypriot President to Germany in 24 years.

Furthermore, the United Nations Under Secretary General for Political Affairs, Jeffrey Feltman, was received by President Anastasiades at

the Presidential palace on May 5. Feltman reiterated the UN support in the efforts of the two sides to reach a comprehensive settlement.

Under the shadow of Biden's visit, Russian Deputy Foreign Minister, Aleksey Yu. Meshkov, arrived in Cyprus on May 28, where he held meetings with President Anastasiades and Foreign Minister Ioannis Kasoulides. The Cyprus Problem, bilateral affairs and the crises in the Ukraine were on the agenda.

Meanwhile on May 12, the European Court of Human Rights (ECHR) issued its heaviest judgment ever against any country, ruling that Turkey has to pay €90 million (\$123 million) as compensation to relatives of missing Greek Cypriots and the enclaved residents of the Karpasia Peninsula, due to violations against the European Convention on Human Rights as a result of the 1974 Turkish invasion. According to the ruling, €30 million are to be distributed to the relatives of the missing persons and €60 million to the enclaved Greek Cypriot residents of the Karpasia peninsula. Turkey is requested to comply with the ruling within 18 months while a penalty will be added for every day that passes after the 18-month mark. The Cyprus vs Turkey lawsuit was filed in 1999. In 2001, after ruling that the Turkish government had violated numerous articles of the European Convention on Human Rights, the ECHR postponed making a determination of the penalty to be assessed on Turkey.

Davutoğlu warned that the ruling against Turkey would undermine the ongoing negotiations to reach a settlement. Moreover, the Turkish government rejected the verdict and announced its intention not to pay the amount.

A research published by PRIO estimates that a solution of the Cyprus problem could raise per capital incomes by approximately €12.000 over 20 years expanding the size of the economy by around €20 billion compared to just €5 billion without a solution. According to the study the average peace dividend every year would be just over €2 billion in the first five years after a solution, just under €5 billion in the first ten years and just over €10 billion the first 20 years. GDP per capita would rise from €15.500 in 2016 to around €28.500 in 2035 compared to approximately €16.500 without a solution.

2. Hydrocarbons

From an energy perspective, Joe Biden's visit to Cyprus highlighted the growing US interest in the Eastern Mediterranean in relation to the EU's reliance on Russian energy and following the current crises in the Ukraine. Amid the crises, on May 21, China signed a 30-year deal worth \$400 billion with Russia's Gazprom, starting from 2018. This deal might increase competition and therefore natural gas prices in Europe, but, even more importantly, will add new urgency to the search for alternative natural gas supply routes to Europe. Thus, Cyprus in

coordination with its Eastern Mediterranean neighbours, in alignment with US interests, might be able to cater for some of the increased demand.

Noble Energy announced the termination of a non-binding memorandum of understanding with Australia's Woodside Petroleum regarding the latter's acquisition of a stake in the Leviathan field offshore Israel. The Israeli government was lately considering selling 25% of its rights to Woodside. Such a partnership would have favoured a floating liquefied gas plant (FLNG) to export Israeli gas. According to Noble, the decision is not expected to affect exploration and development activities in Cyprus. Moreover, the US-based company expressed its commitment to monetizing Block 12. The options currently under evaluation include an onshore LNG plant at Vasilikos, a floating LNG or exports to regional Mediterranean markets via pipeline or compressed natural gas.

Halliburton and Schlumberger, two of the world's largest oilfield services companies based in the US, will use Cyprus as their base of operations for the Eastern Mediterranean. Halliburton provides drilling services and equipment for companies prospecting for hydrocarbons, while Schlumberger are sub-surface specialists for developing software which are used to analyse seismic data. Meanwhile, space has been allotted at the Larnaca Harbour to Malta-based oil and gas logistics specialists Medserv, which are acting as subcontractors for ENI-KOGAS.

According to Energy Minister Giorgos Lakkotrypīs, exploratory drilling activities are expected to begin in the summer rather than by the end of the year as originally planned. Hydrocarbon exploration was also discussed during the meetings Lakkotrypīs held in Lebanon as part of a one-day visit on May 30.

3. GreekCypriots

Economic Developments

The Troika¹ concluded their fourth review of Cyprus economic adjustment program with positive comments and remarks towards the Cypriot authorities. The Troika however set three preconditions for the disbursement of the fifth tranche of about €680 million: First, the adoption of regulations on the Fiscal Council; Second, approval of a bill on the composition of a Resolution Authority and Third, the submission of a report to the OECD by the end of May on actions taken in relation to money laundering in the past six months.

The delegation started its review on May 7, with Non-performing loans (NPL's) and the implementation of a National Health Scheme (NHS) topping the agenda as the most important items. On May 16, an agreement was reached regarding the basic principles of the

¹ The troika is comprised by the International Monetary Fund (IMF), the European Commission (EC) and the European Central Bank (ECB).

latter. The scheme would be implemented in three stages starting from July 2015. Cyprus' key challenge is to effectively reduce NPL's and maintain public finances on a sustainable path.

On May 14, the European Bank for Reconstruction and Development agreed to finance Cyprus for a limited period to help the island overcome problems caused by the deep economic crises. Until 2020, Cyprus will receive € 700 million.

Demetris Syllouris, the chairman of the House Ethics Committee and candidate for European Parliament, was heavily criticized for publishing on May 8, a list of the companies that transferred money abroad (with the permission of the Central Bank) during a bank lockdown imposed on Cypriot banks following the Euro group decisions of March 2013. In late April it had been decided not to publish the list. Meanwhile, the committee which was carrying out an investigating into the causes of the islands economic failure concluded that there had been a strategy of unloading debt onto Cyprus through Laiki's Greek operations, forcing the bank to increase its exposure to Emergency Liquidity Assistance (ELA) and possibly transferring it to Greece to cover interbank lending. According to the committee, this in combination with the loss of deposits was the main reason for the continuous increase of ELA, eventually causing the collapse of the banking sector. In 42 days, between May 23 and July 3, 2012, Laiki's borrowing ELA increased by €6.2 billion.

The Central Bank of Cyprus announced that BoC's dependence on ELA fell by more than €100 million during April from €9.5 billion to €9.4 billion. This marked the most significant reduction of the bank's dependence on ELA since December 2013.

In April, private sector deposits at Cypriot banks fell by 0.7 % to €34.3 billion. On May 30, the government abolished the last of the domestic capital controls introduced in March 2013 to prevent a bank run after the Euro group decided to impose a haircut on deposits in BoC and Laiki Bank. As a consequence the ban of opening of bank accounts was lifted.

Domestic Developments

On May 30th the first LGBTI (Lesbian-Gay-Bisexual-Trans/Transgender and Intersex) parade took place in Nicosia. The turnout exceeded the organisers' expectations with an estimated 4.000 participants. Also activists arrived from other countries in order to take part. Also, the Turkish Cypriot LGBTI association, KUIR Cyprus, participated. Costas Gavrielides, the head of ACCEPT-LGBTI, quoted studies according to which 53% of the Cypriot population accepts now the notion of homosexuality. Popular Cypriot singer Anna Vissi attended the event, which was under the auspices of Nicosia mayor Constantinos Yiorakadjis. At the same time, there was vociferous opposition to the parade. A smoke bomb was hurled into the crowd and an anti-Pride demonstration was held at Ochi Square, which was

organised by clerics. On previous occasions, homosexuality was named a 'mortal sin' by the Pancyprrian Christian Orthodox Movement (PACHOK).

European Parliament elections

On May 25, Cyprus elected its European parliament representatives for the 2014-2019 period. There were a total of 61 candidates, five of which were Turkish Cypriots and eight independent. The elections would not only decide the 751 deputies of the European Parliament for the next five years, but also determine who leads the European Commission.

The six newly elected Cypriot Members of the European Parliament (MEP's) are: Eleni Theocharous and Christos Stylianides of DISY, Takis Hadjigergiou and Neoclis Sylikiotis of AKEL, Costas Mavrides of DIKO and Demetris Papadakis of EDEK. Out of 606.916 registered voters, 266.891 casted their votes. The turnout reached 43.97% with abstention scoring record levels. The clear winner of the election was ruling DISY 37.75% (97.732 votes) gaining 2.05%. Since DISY was supported by its coalition partner EVROKO the two together actually lost a bit more than 2% in comparison to their joined 2009 results. Its main rival AKEL, on the other hand, suffered massive losses receiving only 26.98% (69.852), 8% less in comparison to the 2009 elections. Opposition DIKO lost 1.48% and achieved its worst result in any election with only 10.83% (28.044). EDEK, which had joined forces with the small Green party, did

even worse, losing together with its partner 3.76%, reaching only 7.88% (19.894). Benefiting from those losses were mainly the Citizens Alliance led by Giorgos Lilikas, which ran for the first time achieving 6.78% (17,549). But also the extreme right wing party ELAM gained 2.48% reaching 2.69% (6.957).

Although some new candidates were elected the distribution of seats amongst the parties remained unchanged in comparison to 2009 (DISY 2/AKEL 2/DIKO 1/EDEK 1).

Parties	election results in %		+/-	seats 2014
	2009	2014		
DEMOCRATIC RALLY (DISY)*	35.65	37.70	2.05	2
AKEL - LEFT - NEW FORCES	34.90	26.90	-8.00	2
DEMOKRATIC PARTY (DIKO)	12.28	10.80	-1.48	1
EDEK MOVEMENT OF SOCIAL DEMOCRATS**	9.85	7.70	-2.15	1
EUROPEAN PARTY (EVRO.KO)	4.12			
GREEN PARTY**	1.50			
NATIONAL PEOPLE'S FRONT (ELAM)	0.22	2.69	2.47	
CITIZEN'S ALLIANCE	-	6.78		

*Evroko supported DISY

** The Green Party ran together with EDEK

From the 58.637 eligible Turkish Cypriots voters, only 1.869 casted their votes. Nearly 30.000 Turkish Cypriots residing in the north were excluded from the electoral process due

to bureaucratic amendments related to the registered residence address, which prevented Turkish Cypriot voters from participating. Many Turkish Cypriot voters, who turned up to vote, expressed their frustration when they were told they could not vote, and several Turkish Cypriot trade union members refused to leave the polling stations in protest. The Turkish Cypriot Teachers Union (KTÖS) later announced that they would take the issue to the European Court of Human Rights. Five Turkish Cypriot candidates who ran at elections also announced that they would file an official complaint for the cancellation of the elections.

4. Turkish Cypriots

On May 9th, the Turkish Cypriot leader Derviş Eroğlu briefed the Parliamentary Platform, which is made up of representatives of political parties represented in the parliament on the new stage of the Cyprus negotiations process. Speaking to the press after the meeting, “no matter how positive and hopeful the messages given to the public are, I do not share this level of optimism,” said Serdar Denktaş, the leader of the Democratic Party-National Forces (DP-UG) and deputy Prime Minister. In a similar vein, the leader of the main opposition National Unity Party (UBP) Hüseyin Özgürgün criticized the Greek Cypriot side for resorting to delaying tactics despite the bridging and constructive proposals made by the Turkish Cypriot side.

Upon his return from the dinner with US Vice President Joe Biden and Greek Cypriot leader Nicos Anastasiades, Mr Eroğlu said “during the dinner we made it clear that the CBMs were important, however we stressed that before CBMs, it was necessary to concentrate on the comprehensive solution”. Later, Mr Eroğlu also stated that the issue of Varosha had not come up during his meeting with the US Vice President Joe Biden though confidence building measures in general had been discussed.

The Turkish Cypriot Foreign Ministry issued a statement evaluating the US Vice President’s visit to the island. According to the statement, the visit which came “at a time when efforts to reach a comprehensive solution to the Cyprus Problem have intensified clearly demonstrates that a settlement is amongst the international community’s priorities.” It is also stated that the agreements announced by the US Vice-President about the revitalization of the bi-communal technical committees and speeding up of the negotiation process, were welcomed by the Turkish Cypriot side.

On the last week of the month, a package of constitutional amendments has been submitted to the Turkish Cypriot parliament by the relevant ad hoc parliamentary committee. For the approval of the package in the parliament a two-thirds majority (34 out of 50 members) is required. Then, the president will have 15 days to approve the amendments. Following his approval, a referendum will be held along with the local elections on June 29th. The proposed

package consists of changes to 19 existing articles as well as 4 new articles. The amendments aim to strengthen the fundamental rights of the citizens, increase the effectiveness of parliament, and strengthen control and accountability mechanisms.

Speaking to the reporters about the constitutional amendments, “there are concerns by some circles that the proposed amendments were rushed and should have been more widely discussed. I too want to further discuss the issue therefore once the amendments are forwarded to the presidency, together with our lawyers we will evaluate the issue before giving the final approval” Eroğlu said.

Nicosia deputy Zorlu Töre who resigned from the DP-UG in April has joined the UBP. Töre had left the UBP last year to join the Democratic Party. He cited the UBP’s credibility as the reason for his transfer stating, “the UBP is the most trustable party when it comes to the national cause. It has never stepped out of its line.”

The Turkish Cypriot leader of the Sufi Naqshbandi–Haqqani Order, Sheikh Nazım al Qubrusi, has passed away at the age of 92. The Larnaca born Sufi Sheikh, popularly known as Sheikh Nazım had been receiving treatment at the intensive care unit since mid-April with heart and respiratory problems as well as kidney and liver conditions combined with old age. Reportedly, he had millions of followers worldwide including members of royal families and statesmen.

Former Turkish Cypriot leader Mehmet Ali Talat and the Greek Cypriot leader Nicos Anastasiades came together for an informal lunch in the UN Buffer zone. The President of the Turkish Cypriot Chamber of Commerce (TCCC) Fikri Toros and the former Greek Cypriot Agriculture Minister Kostas Themistokleus were also present at the lunch.

President of TCCC Fikri Toros and President of Cyprus Turkish Chamber of Industry Ali Çıralı said that they would support opening of the fenced-off area of Varosha provided that the Turkish Cypriot community receives something in return.

5. FES Cyprus Events

June

Friday 13. June 2014, 17:30 – 20:30
POLITEIA / FES

Workshop

Immediate Goodwill Gestures

TBA

Nicosia

Not open to the public



Saturday 28. Juni 2014, TBA
POLITEIA / FES

Workshop

'Piece-Meal Model and Institutional Religious Freedoms'

Home for Cooperation (in the UN Buffer Zone),
Nicosia

Not open to the public



July

Friday- Sunday 4.7. - 6.7. 2014
IKME / BILBAN / FES

Conference

Cypriots' Voice Conference

Flamingo Beach Hotel, Larnaca
Not open to the public

Imprint:

Friedrich Ebert Foundation(FES)

Office Cyprus

20, Stasandrou , Apt. 401

CY 1060 Nicosia

Tel. +357 22 377 336

Email: office@fescyprus.org

Web-Seite: www.fescyprus.org

Facebook: www.facebook.com/FEScyprus

Text:

Hubert Faustmann, Sertac Sonan,

Yiannis Charalambous and Ute Ackermann Boeros

Layout:

Christiane Paparoditi

If you want to subscribe or unsubscribe to this (free) newsletter, please send an email to:

Christiana Paparoditi fespaparoditi@gmail.com