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1. Cyprus Problem

In June, the negotiations for the settlement of the Cyprus problem resumed following a temporary disruption in May. Since the leader of the Greek Cypriot community, Nicos Anastasiades, had cancelled his meetings with Special Adviser to the UN Secretary-General on Cyprus (SASG), Espen Barth Eide, and Turkish Cypriot leader, Mustafa Akinci, as a reaction to the latter attending a dinner hosted by Turkish President Recep Tayip Erdogan during the World Humanitarian Summit in Istanbul. Akinci's surprise visit to the summit, which Anastasiadis had attended in his capacity as President of the Republic of Cyprus, was seen by the Greek Cypriot side as an attempt to upgrade the status of Akinci.

On June 2, Anastasiades and Akinci attended an event organized by the bi-communal Technical Committee on Education. The event took place with the participation of 50 pupils aged 11-12 years from each community at the Home for Cooperation, in the UN-controlled buffer zone. The children, who formed small bi-communal groups, took part in different workshops and activities. During the event, the leaders announced the resumption of peace talks with their first meeting taking place on June 8. According to a joint statement issued by the UN, the two leaders agreed to intensify the negotiations by holding meetings twice a week beginning on June 17, in order to resolve the remaining outstanding issues in a structured manner. They also created nine thematic

clusters to be discussed one at a time during their meetings. The discussion during the first meeting focused on the powers of the central government and the constituent states. According to Anastasiades great progress was achieved. Federal government competencies such as the conclusion of international treaties and the issue of cooperation agreements between the federal state and the constituent states were examined during the meeting of June 23. The next meeting is expected to take place on July 1.

On June 15, Anastasiades and Akinci on different occasions, received the newly appointed UN Secretary General's Special Representative in Cyprus, Elizabeth Spehar. Spehar succeeded Lisa Buitenhuis who took the position of Assistant Secretary General for Field Support at UN Headquarters in New York. Meanwhile, Andreas Mavroyiannis also returned to his post as Greek Cypriot negotiator for the Greek Cypriot negotiating team after losing the election for president of the 71st Session of the UN General Assembly.

On June 17, the Technical Committee on Crossings, the European Commission and the United Nations Development Programme (UNDP) announced the launch of tenders for the road works of the crossing points at Dherynia and Lefka. The UNDP will accept offers through to July 1.

The Cyprus problem and the progress achieved in the negotiation process were among the

topics discussed between United Nations Secretary General, Ban Ki-moon, and the Greek Prime Minister, Alexis Tsipras, during a meeting in Athens on June 18. The Cyprus problem was also discussed between US Vice-President Joe Biden, the head of the International Coordinating Committee “Justice for Cyprus” (PSEKA), Philip Christopher, and delegations of other Greek and Cypriot overseas organizations during the 32nd PSEKA congress on June 9, in Washington DC. PSEKA adopted a resolution, which includes four confidence-building measures (CBMs) to ensure a successful Cyprus peace negotiation process. In brief these comprised: the immediate and substantial withdrawal of Turkish troops from the island, the revival of the proposal to survey the fenced off part of Famagusta Varosha, the need for an accelerated process to resolve the issue of the missing persons and the need to lift the restrictions on religious services recently imposed by the Turkish Cypriot authorities.

The Turkish Prime Minister, Binali Yildirim made his first visit to north Cyprus. Underlining the need to find a lasting solution to the Cyprus problem, Yildirim said, “we would be happy to see a lasting, just, sustainable, bi-zonal and bi-communal administrative model to come into force in Cyprus ... This is why we fully support the negotiations. We believe that such an opportunity should not be missed once again. The Turkish Cypriot side is working hard in that direction but a settlement will only be possible if the Greek Cypriot side shows the same

sincerity”. Furthermore, he suggested that the two leaders hold cross-visits to Turkey and Greece i.e. Anastasiades to visit Turkey and Akinci to visit Athens. Yildirim was accompanied by the Deputy Prime Minister Responsible for Cyprus Affairs Tugrul Turkes, Minister of Finance Naci Agbal and the Minister for Forestry and Water Works Veysel Eroglu.

Friedrich-Ebert-Stiftung Cyprus, Cyprus Academic Dialogue and Australian High Commission co-organized an event entitled “Life in a Federal Cyprus” at the buffer zone in Nicosia. The two leaders, Anastasiades and Akinci gave the opening address. In his speech, Anastasiades said that it was not easy to remove the differences that had arisen throughout the years but added that he was hopeful for the conclusion to the negotiation process and a solution. Stating that both sides had been working towards reaching a solution, which would take into consideration the sensitivities and concerns of the Turkish Cypriots and Greek Cypriots and would not create any ‘winners or losers’, Anastasiades said both sides would continue to work towards reaching a solution in 2016. Also addressing the event, Akinci pointed out that Turkish Cypriots and Greek Cypriots should not see each other as enemies but as partners for the future. “We have hurt each other enough for the past half a century. Now it is time to establish a new partnership, which will provide new benefits and opportunities. We are working towards achieving this. This is a debt our generations need to

pay to our children and the future generations. We are acting with this responsibility,” Akinci said.

2. Hydrocarbons

According to Energy Minister Giorgos Lakko-trypis, the French oil company Total, will likely commence exploration for natural gas in their offshore Block 11 concession in early 2017. Meanwhile, the government expects to have the bids for the third oil and gas offshore exploration round by July 22. The acreage opened up for bidding in the third licensing round are Blocks 6, 8 and 10.

Meanwhile the normalisation of the political and diplomatic relations between Turkey and Israel might pave the way for lucrative Mediterranean gas agreements. There are concerns that this might side-line Cyprus in regional energy designs. Thus, the Turkish-Israeli rapprochement could rekindle tenders involving the construction of a pipeline from the Israeli Leviathan field to the Turkish shoreline, which would have to pass through Cyprus’ Exclusive Economic Zone (EEZ). Even though the EEZ is not considered sovereign territory, Cyprus and Turkey are members of the Energy Charter Treaty, which establishes a multilateral framework for cross border cooperation in the energy industry. Israel would prefer to have Cyprus’s consent for the pipeline since it does not want to jeopardize its relations with the Greek Cypriots. Cyprus has repeatedly stated that it is

opposed to an Israeli-Turkey pipeline running through its EEZ until a comprehensive settlement of the Cyprus problem is reached. According to government spokesman Nicos Christodoulides, Israeli Prime Minister, Benjamin Netanyahu has reassured that Cyprus-Israel relations will continue to be reinforced on a wide range of bilateral co-operations to the benefit of the two countries.

3. Greek Cypriots

Economic Developments

The result of the Brexit referendum and the decision of 52% of the British population to leave the European Union caused considerable concern over possible repercussions on the Cypriot economy. According to KEVE chairman Phidias Pilides, important sectors of the economy would be affected while Cyprus lost an ally in the EU in relation to negotiations on a unified tax rate, which the island rejects.

The secondary market yields of Cyprus’ government bond maturing in November 2025 rose by 16 basis points to 3.92% on June 27, the day after the Brexit referendum. As regards tourism, an immediate impact to Cyprus from the Brexit will be the fallout from the plunge in the British pound sterling, making holidays in Europe, including Cyprus, more expensive for British tourists and will affect their purchasing power. Tourists from the UK are Cyprus’ largest source of incoming tourism. The income from tourism

amounted to €2.1bn last year. Of 2.7 million arrivals, almost 40% came from the UK, traditionally the island's biggest market. Tourism itself contributes around 25% to the economy. In May, the number of tourist arrivals rose 19% to 364,943 compared with the respective month of 2015.

According to Bank of Cyprus Vice-President, Wilbur Ross, Cyprus' financial sector could take advantage of opportunities created by the decision of British voters. Cypriot authorities should try to compete with Ireland and Frankfurt in attracting London-based financial companies seeking to relocate their services.

The Central Bank of Cyprus expects an expansion of the Cypriot economy by 2.7% this year, half a percentage point above the finance ministry's latest forecast, compared to last year's 1.6% increase in economic output. Meanwhile, the volume of non-performing loans in the Cypriot banking system fell in March by almost €1.1bn to €25.7bn or 48.4% of the overall loan portfolio of banks. This was the first time NPL's dropped below €26 bn.

According to a report issued by the European Stability Mechanism (ESM) on June 16, Cyprus needs to maintain its reform momentum in the public sector, reduce NPL's, and ensure labour market flexibility to strengthen its long-term growth potential as an investment destination.

Domestic Developments

On June 18, one of the biggest fires in recent Cypriot history broke out in the Evrychou area. The fire shortly spread to the Solea region causing untold environmental damage to forests and rural communities, as it burned more than 18 square km, claiming the lives of two firemen and injuring three others. A large airborne fire fighting force from Cyprus, Israel, Greece, Britain, France and Italy battled against the flames on the Troodos mountain range. Turkey offered help but later withdrew its offer when the government announced it would have to work in line with the international operation that was underway, meaning its aircraft would have to land in the Republic first. Assistance was also offered by Turkish Cypriot Leader Mustafa Akinci, but was deemed unnecessary by President Anastasiades.

On June 2, Demetris Syllouris of the Solidarity movement and former leader of the EVROKO party, was elected new House Speaker with the support of ruling DISY. Syllouris received 21 votes, followed by Averof Neophytou of DISY (18) Andros Kyprianou of AKEL (16), Marinos Sizopoulos of EDEK (17) and Giorgos Perdikis of the Greens who received 2 votes. MPs were allowed to raise their hand twice during any voting round, meaning that in the third round DISY's MPs voted both for Syllouris, clinching the nomination, and then symbolically voted for their own man, Neophytou. The result prompted the reaction of opposition parties who accused Anastasiades for directly getting

involved in the process in order to avoid a potential election of Sizopoulos.

In a letter dated June 7, Sizopoulos proposed to those parties that supported him for House Presidency, namely DIKO, the Citizens Alliance and the Greens, to extend their cooperation to include the Cyprus problem in order to create a hardline/rejectionist front with regards to the Cyprus problem negotiation process.

Labour Relations and Trade Unions

The dispute at the airports between PEO and SEK on the one hand and LGS and Swissport on the other hand remained unresolved. After the unions rejected the mediation proposal of the Ministry of Labour and threatened with a strike in case the employer side proceeded unilaterally, the Minister of Labour asked for one month of restraint from both sides to which they both consented and a strike was averted.

The vacant work posts in Cyprus stood at 1% in the first term of 2016. This constitutes a 0.1% decrease setting Cyprus along with Greece and Ireland as the only three EU countries with a decrease on this score.

Long-term unemployment is decreasing at a lower rate in relation to total unemployment. Consequently, the Human Resource Development Authority (ANNAD) is focusing on the 20.000 persons that are unemployed for more than six months, constituting about 50% of the total number of those registered as unem-

ployed. The new scheme by ANNAD aims to subsidize employers who hired or intend to hire long-term unemployed persons. The scheme will last six months, from 1st July to 31st December 2016 and aims to reach 420 persons. Employers can apply for this scheme if they have not fired employees at the specific post within the last eight months and may receive up to 80% of eligible costs or 1000€ maximum per month. Employees should be paid according to existing collective agreements or if those do not exist, then the minimum wage law (870€) will apply even if the job is not one of the nine covered by the Minimum Wage Decree. The post should be full time and a permanent position. The employers will be subsidized with four monthly wages at the end of the six-month period.

ETYK expressed its disagreement with the Bank of Cyprus' rejection of 75 applications for the voluntary exit scheme. ETYK stated that it had cooperated closely with management in the design of the plan to make it attractive for many bank employees and thus avert a future labour crisis. ETYK referred to the fact that the Bank's management had pressurized employees in the two previous schemes, and even in this third plan it had threatened with firings if the target was not met, despite ETYK's warnings for strike action in such an eventuality. Therefore, according to ETYK the Bank of Cyprus should have accepted all the applications. Where it did not it should be explicitly written in the personal files of the rejected applicants for future

reference that the Bank considers them “necessary for the Bank’s operation”.

A 24-hour strike took place at the Cyprus Ports Authority with strikers demanding the end of the disciplinary investigation against a trade union leader. The strike was backed by all port unions.

The dispute in the hotel industry, re-ignited after the interpretation the hoteliers gave to the new regulations of the Ministry of Labour concerning the implementation of the “five day week”. The big and underlying issue in the hotel industry is the dual employment regime whereby a section of the workforce is employed by the collective agreement while another section by personal contracts. The latter section has been growing at the expense of the former for more than a decade and the recent Ministry’s statement that the collective agreements are not obligatory has encouraged the head of “PASIXE”, the biggest hoteliers association to openly state that the employers have the right to institute personal contracts with inferior terms than the collective agreement. PEO and SEK reacted and threatened with strike action, accusing the Ministry of undermining the existing system of labour relations. This led to the intervention of the Minister, stating that the new regulations should not be interpreted as giving the right to decrease existing wages or benefits, thus averting the strike.

The Ministry of Labour rewarded 15 organisations and firms for “good employment prac-

tices” while the total number of companies, which implemented at least one good employment practice is more than 30. These are defined as two weeks paternity paid leave, one further month maternity leave paid at 50%, topping up of the social insurance maternity pay during the four months entitled, subsidy for nursery, working mothers’ schemes, first day school leave, codes for averting sexual harassment, equal conditions committees etc. These measures stand above those stipulated by existing legislation and collective agreements, their cost is not too great and they are considered as beneficiary not only to employees but also to society in general and the firms and organizations in particular.

The Minister of Labour stated that the Ministry is trying to get persons receiving the Minimum Guaranteed Income but are able to work, back into the labour market. This is not “forced labour” the Minister claimed, but an attempt to “help them become active”. The scheme that is being prepared will stipulate four months of work training in the hotel industry without cutting the Minimum Guaranteed Income they receive but then eight months of obligatory work with the Ministry sponsoring 60% of their wages. The Minister explained that the money comes from EU funds and stated that the goal is not to cut the Minimum Guaranteed Income of these persons and have them to work with 400-500€ wages but to help them become employed with decent wages, stressing that “each case will be examined according to its

own circumstances” and again that care is taken so as not to end up instituting “forced labour”.

4. Turkish Cypriots

Economic Developments

Following the ratification by the Turkish Cypriot parliament on June 20, the 3-year economic and financial assistance protocol between Turkey and TRNC came into force. The bill was passed with 26 votes in the 50-seat parliament. The protocol includes a clear timetable for privatization of the ports and the telecommunication authority. It also envisages the unbundling of the services of the electricity authority; a preparation for privatization. A timetable also exists for transferring electricity from Turkey with a cable to the northern part of Cyprus. Tufan Erhurman, General Secretary of the main opposition Republican Turkish Party (CTP), stated that they would not accept privatization and handing over the Turkish Cypriot institutions [to Turkish capital].

Domestic Developments

The Turkish Cypriot parliament ratified a protocol concluded between the governments of TRNC¹ and Turkey, which envisages the estab-

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

ishment of an Overseas Coordination Office of Turkish Youth and Sports Ministry in the northern part of Cyprus. According to the protocol, among other things, “Turkey will provide help to establish youth camps and sports facilities,” which will be operated by the Overseas Coordination Office. Furthermore, all the personnel including local staff, who will work in these facilities will be selected and employed by Turkey. The vote was held in the early hours of June 14 following a marathon session in the parliament. President Akinci’s last minute request to postpone the vote was turned down by the government. Though the treaty had been signed in March 2014 during the coalition government of CTP-DP, and approved by the Council of Ministers of the time, it was not sent to the parliament for ratification then to avoid public reaction. The opposition condemned the agreement on the grounds that it hands over certain authorities/powers to Ankara. Furthermore, the establishment of the office is deemed to be a step towards the assimilation of the Turkish Cypriots by Turkey. A platform called “we reject” (*reddediyoruz*) organized a demonstration against the implementation of the deal on 17 June. After consultations with political

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).

parties represented in the parliament, Akinci sent the bill to the constitutional court for judicial review.

Distribution of the water transferred from Turkey to the towns that signed the subscription agreement began on June 27. Famagusta and Morphou were the first to receive water. During the one-year transition period, Turkey's General Directorate of State Hydraulic Works (DSI) will oversee the process until a final deal is reached on the management, distribution and billing of the water, and a private company takes over. The Nicosia municipal council voted down the motion to join the transitional scheme by 11 to 9. The council is expected to hold another vote.

In the meantime, the transitional price of water, which has been set at 2.3 TL/metric ton, brought with it criticism of the parliamentary opposition. In a written statement, the CTP has called on all municipalities to join their forces under the Cyprus Turkish Municipalities Union to demand an additional protocol to be made for the transitional period and to persuade the state to subsidize the price of the water. CTP stated that the set price would lead to extremely high prices for consumers, and bring with it the risk of pushing municipalities to bankruptcy.

The Republican Turkish Party's General Secretary and Nicosia Deputy Tufan Erhurman announced that he would be running for the party's leadership at the next ordinary congress

of his party. Current CTP leader and former President Mehmet Ali Talat had announced last month that he would not be running for another term as the party's leader. He had also announced that there would only be one candidate running at the next party congress. Announcing his decision in a written statement, Erhurman said that he had decided to run for the party's leadership following deliberations within the CTP. "My goal is to create a CTP that will produce and bring to life just, egalitarian, peace and freedom oriented policies needed by the public with the support of the party's experienced, dynamic and well-endowed cadre. The CTP will continue its struggle by renewing itself on the basis of leftist values" he added.

Labor Relations and Trade Unions

The Minimum Wage Commission, which is comprised of representatives of employers, employees and state, decided to increase the gross minimum wage by 104 Turkish liras (TL) to 1.834 TL (€570). The employers wanted the minimum wage to be 1.762 TL while the employee representatives' demand was 2.450 TL. The trade unions reacted to the decision, and left the meeting refusing to take part in the vote.

5. FES Cyprus Events

July

10.-22. July 2016

ECPR/UCY/FES
Workshop

International Summer School in Peace & Conflict Studies

University of Cyprus among others
Nicosia, Cyprus

Not open to the public



August

10.-16. 8. 2016

WINPEACE / FES
Workshop

PEACE EDUCATION AND CITIZENS' RESPONSIBILITY

Kyrenia, Cyprus
not open to the public



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