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1. Cyprus Problem

As part of the intensified phase of the negotiations for the settlement of the Cyprus problem, Greek Cypriot leader Nicos Anastasiades and his Turkish Cypriot counterpart Mustafa Akinci held 5 meetings on July 1, 8, 12, 22, 26 and 29 of the month where they reviewed all chapters on the table.

The property issue was discussed between the two leaders during their first meeting. The meeting was conducted in a positive climate with some progress being achieved in what is considered, one of the thorniest issues, but with substantive differences remaining between the two sides. Citizenship and legal rights were discussed on July 8, with Anastasiades stating that acquisition of Cypriot citizenship and the basic freedoms have been agreed upon. During the meeting of July 12, the two leaders discussed the economic aspects of a settlement, according to preliminary findings and reports carried out by the World Bank and the International Monetary Fund. Significant progress was achieved on the meeting of July 22, where legislative and judiciary chapters were discussed. However, disagreement remains over the rotating presidency with Turkish Cypriots demanding it in contrast to Greek Cypriots who reject it. The meeting of July 26 focused on internal security and administrative powers and was generally described as productive with some convergences being achieved, although these were not made public. On July 29, the last meeting before the August

break, the issues of territory, security and guarantees were discussed in depth for the first time, with both sides reaffirming their differences which will be revisited during the 8 meetings scheduled after the summer break. Akinci stated “we will need to discuss the issues of guarantees and security within the framework of a five party conference depending on the convergences we reach in September, October and November”. The attempted coup in Turkey on July 15 reinforced the Greek Cypriot concerns regarding the post-reunification security. While Greek Cypriots want to scrap the existing system of guarantees and the complete removal of the Turkish army, Turkish Cypriots want the guarantors’ system and a Turkish military presence to remain in place for security reasons.

In an address to the public aired on public broadcaster BRT, Akinci said that the Turkish Cypriot side remained committed to achieving the goal of reaching a settlement by the end of 2016. He warned that pushing the process into 2017 will bring with it new complications such as “the fact that preparations for the next [Greek Cypriot] presidential election will begin as of March next year; the change in the US administration; a new UN Secretary-General and especially the expected developments in the energy sector”. In a similar vein, when asked to evaluate the Turkish Prime Minister Binali Yildirim’s earlier statement that this was the last chance for the solution of the Cyprus issue, Akinci said “I underlined several times that this process is the last attempt of our gen-

eration” and added “12 years have passed since the Annan Plan. Now, if once again agreement is not reached after all of these efforts then there is nothing more we can say but that it is the last chance. [...] Yildirim’s statement that this is a last chance for a federal solution is not a threat but an expression of the realities.”

On a different occasion, referring to the normalization of relations between Turkey and Israel, Akinci said "the gas from Israel and Cyprus can be exported to Turkey and via Turkey to Europe. This is the most practical, logical and most inexpensive way. This issue will be one of the most important consequences of the rapprochement between Turkey and Israel. If we solve the Cyprus problem, all of this will make more sense". Akinci warned that if the Cyprus problem isn't solved, then Cyprus may be left out of this energy equation and this will have negative repercussions for both communities.

The issues of property and governance were discussed between President Nicos Anastasiades and US Assistant Secretary of State for European and Eurasian Affairs Victoria Nuland during a meeting held on July 12. Nuland also met with Turkish Cypriot leader Mustafa Akinci.

The Cyprus problem was discussed on July 10 between Greek Prime Minister Alexis Tsipras and US President Barack Obama on the sidelines of the NATO summit held in Poland. The Greek PM stressed the importance of a just and viable solution to the issue, based on UN

resolutions which should secure the withdrawal of the Turkish army and the abolition of the system of guarantees. The security aspects of a solution were also discussed between Foreign Minister Ioannis Kasoulides and his Greek counterpart Nikos Kotzias during a meeting in Athens on July 22.

In his report to the Security Council on the UN operation in Cyprus, UN Secretary General Ban Ki-moon praised the efforts of the two leaders and urged “them to redouble their efforts in the months to come if they are to meet their stated aim of reaching a comprehensive settlement within 2016”. Ban also expressed his concern “about the lack of progress in the implementation of some confidence-building measures, which were previously agreed upon and announced by the leaders as a sign of their mutual commitment on 28 May 2015”. “Mobile phone interoperability, interconnectivity of electricity grids and the opening of the two crossings at Lefka-Aplici/Lefke-Apliç and Derynia/Derinya, despite initial progress, have not materialized,” Ban added and urged “the leaders to implement all agreed measures in good faith and without delay. Such measures can be instrumental in building a conducive environment for the negotiations as they can have a positive and concrete impact on the everyday lives of Cypriots and indicate that an alternative future is possible and within reach”. The present report on his mission of good offices in Cyprus covers developments from 23 December 2015 to 30 June 2016 and is available at the following link:

https://unficyp.unmissions.org/sites/default/files/report_of_the_secretary-general_on_the_united_nations_operation_in_cyprus.pdf

The United Nations Security Council on July 26 voted unanimously to renew the mandate of the UN Peacekeeping Force in Cyprus (UNFICYP) for six more months until January 2017. UN Secretary General's Special Adviser on Cyprus, Espen Barth Eide and the UNSG's Special Representative in Cyprus, Elizabeth Spehar, briefed the members of Council on the course of the UN-led negotiations on the Cyprus problem on July 25.

Speaking in a press conference following the closed session of the UN Security Council on the Cyprus issue, Eide said that the window for a solution was still open in Cyprus though it will not remain open forever. In response to a question on the issue Eide said the latest developments in Turkey following the failed military coup did not affect the support of guarantor powers to the Cyprus issue and the leaders' efforts.

UNSG Ban Ki-moon announced the appointment of Major General Mohammad Humayun Kabir of Bangladesh as UNFICYP Force Commander. Major General Kabir will succeed Major General Kristin Lund of Norway, who completed her tenure on July 29. "The Secretary-General pays tribute to Major General Lund's service with UNFICYP, the first female Force Commander in the United Nations, where

her dedication, professionalism and leadership greatly contributed to the United Nations efforts in Cyprus," said a statement released by Ban's spokesperson.

According to a Bloomberg article published on July 6, political risk consultants Eurasia Group put the chance of reunification at 60 percent and made it its base-case scenario for 2016. "Both leaders are favorably disposed towards a deal and public opinion seems more supportive of an agreement than has previously been the case," Eurasia analyst Mujtaba Rahman said. As for the role of Turkey, while Erdogan remains the "wildcard," he's keen for a foreign-policy success, Rahman added. In the same article, former President George Vassiliou was quoted as saying "It's clear they've gone down a road where there's no return so they must press ahead until they reach an agreement ... If the current talks don't conclude by the end of 2016, the international community will ask if the talks can continue at all."

The number of teams interested in participating in the eighth Stelios bi-communal 2016 awards has doubled in comparison to 2015, reaching a new record of 215 applicants. For the first time, applications were submitted solely online via Facebook and LinkedIn. The awards ceremony will be held in October in Nicosia and Stelios Haji-loannou will be offering €500,000 for the first time, rewarding a total of 50 teams €10,000 each. This brings the total amount awarded since 2009 to two million euros. In 2015, 30 teams won €10,000 each.

Anastasiades extended his wishes for a happy Ramadan in Turkish through his Twitter account. The wishes are on the occasion of the Eid Al-Fitr celebration, which follows the end of the month of Ramadan, during which Muslims undergo a period of fasting.

2. Hydrocarbons

On July 22, the deadline for submission of formal expressions of interest of the companies bidding in the third hydrocarbons licensing round expired. The third round was announced in March and included blocks 6,8 and 10 in the Cypriot Exclusive Economic Zone (EEZ).

According to Energy minister Yiorgos Lakkotrypīs, Cyprus received three bids for block 10, one from a consortium consisting of the U.S. energy giant ExxonMobil and Qatar Petroleum, one from a consortium comprising Italy's ENI and France's Total, and a third from Norway's Statoil. The ENI-Total consortium was also the only bidder for block 6. In addition, a consortium of Capricorn, a subsidiary of Scotland's energy company Cairn, with Israel's energy companies Delek and Avner, applied for block 8, for which ENI also applied. The participation in the third licensing round was generally described as impressive considering the calibre of the companies expressing their interest. Meanwhile Turkey claims that part of block 6 lies within the Turkish continental shelf. After the announcement of the third licencing round by the RoC in March, the Turkish foreign minis-

try stated that the Greek Cypriots are challenging the right of the Turks on the island at a time when the two sides are negotiating reunification.

3. Greek Cypriots

Economic Developments

According to the Cyprus Statistical Service, the number of tourist arrivals in June rose 23% to 413,114 compared with the respective month of 2015, as the number of visitors from almost all major markets continued to rise. Arrivals from the UK, traditionally Cyprus's largest market of incoming tourists rose 21% in June to 148,812 while those from Russia, Cyprus' second largest market, rose 42% to 127,244. Arrivals from Greece and Israel rose 30% and 59% to 16,559 and 14,864 respectively, while those from Germany dropped 4.1% last month to 9,508.

According to the Finance Ministry the government generated a fiscal deficit of €43.7m on a cash basis in the first six months of the year, compared to a €31.2m deficit in the respective period last year. The deterioration of public finances in January to June was due to less cash transferred to the general government's coffers from other government bodies, including local authorities, and semi-public entities, which fell to €1.6m from €42.1m in the respective period last year. Overall government revenue rose by

€37m to €3bn and overall spending dropped by €24m to below €3.1bn.

According to the Central Bank the gap separating overall loans and deposits in the Cypriot banking system shrank in June to €7,6bn, its smallest value following the March 2013 bail-in, as depositors show increased trust to Cypriot banks, which in turn continue to deleverage. Overall deposits rose in June by €343.4m, to €46,8bn while total outstanding loans dropped by €550.5m, to €54.4bn, the lowest since December 2008.

Domestic Developments

July 11 marked the 5th year of the anniversary of the Mari Naval blast explosion which killed 13 people and took out the islands main power station at Vasiliko after a confiscated shipment of munitions was stored haphazardly outdoors for two years.

July 15 marked the 42nd year of the anniversary of the coup orchestrated by the Greek military junta against Archbishop Makarios which eventually led to the Turkish invasion of July 20, 1974. Memorial services were held across the island for those killed during these events.

The House on July 14 passed legislation cutting mandatory military service from 24 months to 14. The legislation was approved by 48 MPs, with two deputies of the Citizens Coalition abstaining. Earlier this year, the Cabinet issued a decision for the recruitment of 3,000 professional soldiers as part of a scheme to restruc-

ture the National Guard, which also entailed the reduction in mandatory service for conscripts.

Labour Relations and Trade Unions

Port workers in Cyprus have participated in the international one-hour stoppage on July 7 which for the first time was global. The international Council of Port workers (IDC) and the international federation of transport workers have established July 7 as the day of action of port workers in protest against the consequences of lack of health and safety, precarious work, collective agreements and employment rules in multinational corporations.

The dispute in the airports between PEO and SEK on the one hand and LGS and Swissport companies on the other led to strike action in protest against the non-implementation of the existing collective agreement. This provoked the intervention of the Ministry of Labour which suggested a special agreement which was accepted by both sides. According to the trade unions this agreement is positive as it immediately renews the collective agreement in some departments including the seasonal workers and opens up the dialogue for the renewal of the collective agreement in other departments.

320 new low wage jobs in the public sector mostly in the police force will open up now while 213 vacant posts, most of them in the Ministry of Finance will also open as the hiring freeze has been now lifted.

Hourly paid workers in the public sector will stop having the 10% cut imposed on new recruits once they complete 24 months of service after a decision of the government council.

The employer organizations OEB and CCCI expressed their disagreement with the General Health Scheme bills which they call “inadequate” and ask for the recognition of the role of the private sector and their various private funds and their inclusion in the planning process.

PEO has issued an announcement on unemployment quoting the EU Employment Commissioner who “has validated INEK-PEO’s analysis in that the decrease of unemployment is a consequence of emigration and non-search of work of the long term unemployed”. PEO claims that the fact that Cyprus is now the 1st in inequality, the 1st in emigration, the 1st in long term unemployment, the 4th in unemployment and the 6th in youth unemployment in the EU, constitutes evidence of the failure of austerity policies which need to be abandoned and replaced with developmental policies.

OEB in a meeting with the Labour Minister expressed again its opposition to the COLA system (the cost of living automatic adjustment, linking wages to prices) and stated that it will not back down in the coming negotiations. OEB also asked for the halving of employer contributions to the Redundancy Fund and other public funds in the cases of insolvent firms.

A spontaneous two-hour strike took place on July 25 at Vasiliko cement factory in protest of the management’s decision to fire workers without prior consultation with the trade unions. The general assembly of the workers decided to send a letter of complaint to the firm.

A two-day strike took place at the bed making factory Aphrostrom on July 26 and 27, with workers demanding the return of their wage rates and benefits to the levels existing before the crisis in the context of the renewal of the collective agreement. The mediating proposal of the Ministry of Labour was accepted by both sides with the agreement ending the strike stipulating a 3% rise of the current wages in 2016, 3% in 2017 and 2% in 2018 and 1:1.5 over time remuneration rate and 1:2 for weekends and public holidays. For the remaining provisions of the collective agreements, dialogue will resume.

The Chamber of Commerce (CCCI) has brought up again the diachronic demand of employers to reduce the minimum wage by 20% provoking reaction by all trade unions and some political parties, leading the Minister of Labour to publicly reject the demand again.

PEO leader Pambis Kyritsis has stated in an interview that PEO opposes any legal regulation in the broader public sector payroll as this will undermine collective bargaining and that PEO will oppose this in the semi-public sector where it is involved. The PEO leader also stated that

the bogus self-employment phenomenon needs to be eradicated, and that the trade unions will not tolerate this indefinitely, that under no circumstances will trade unions accept further wage reductions and that collective agreements should be strengthened with legal means. Moreover, he expressed satisfaction with the process of the renewal of collective agreements and stated that the trade union movement is now slowly trying to recover that which was lost during the crisis and is ready to clash with employers.

4. Turkish Cypriots

Economic Developments

The state of emergency, which was declared in Turkey following the failed coup attempt on July 15, dealt a heavy blow to the tourism sector in the northern part of Cyprus with around 80% of hotel reservations and 50% of flights cancelled. Turkish tourists account for 70% of the Turkish Cypriot tourism market. The number of cancellation of hotel reservations by European tourists has also reached to 10%. Indeed, there were reports in the local media even before the failed coup attempt in Turkey that the number of arrivals from Western countries as well as Russia was in decline due to terror attacks in Turkey. The number of German visitors, for instance, declined from 31,000 in 2015 to 18,000 in 2016.

Domestic Developments

Turkish officers stationed in the northern part of Cyprus did not take part in the failed coup attempt, which took place in Turkey on July 15. The ensuing crackdown did not affect them either; no one was detained or arrested though there were rumours particularly in social media that there were sympathizers of the Gulen movement, which the Turkish government holds responsible, in Cyprus too.

Evaluating the attempted coup in Turkey and its repercussions for the Turkish Cypriot community, Akinci said that in the past, coups had taken place in Turkey and they had not helped in Turkey's progress: 'The only exit route is through democracy, through elections' Akinci said. Akinci also informed the Turkish Cypriot community that in the TRNC¹ there were no problems therefore people should not be concerned. He added that no effects of the coup attempt had been felt in the northern part of Cyprus.

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).

Referring to reports that after the failed coup attempt in Turkey some of the putschists had escaped to the northern part of Cyprus, Ozgurgun said that the Turkish government had not provided any names that are believed to be in the TRNC.

The Turkish Ambassador to Nicosia, Derya Kanbay reassured the Turkish Cypriot community that all necessary measures had been taken to ensure that the northern part of Cyprus would not be affected by the state of emergency declared in Turkey. In the meantime, three Turkish Cypriot students who had been arrested at one of the military high schools in Istanbul during the coup attempt were released on July 27.

Addressing the members of the senior coalition partner, National Unity Party (UBP), Huseyin Ozgurgun, the prime minister and UBP leader, said "the moment we enter into 2017, the elections are close, around the corner," and urged the party members to be prepared for elections and coming to power without a coalition partner. Having said that, in a different context, he praised the first 100-day performance of the coalition government between UBP and Democratic Party, and said that the government had been working in harmony.

In a meeting with the representatives of the Turkish Cypriot Teachers' Trade Union (KTOS) and the Turkish Cypriot Secondary School Teachers' Union (KTOEOS), the leader of the Republican Turkish Party (CTP) and former

Turkish Cypriot leader, Mehmet Ali Talat said that they observed an increase in the efforts to gradually creating an Islamic community in the northern part of Cyprus. Stating that education should remain secular, Talat added that opening the theological school in the Nicosia suburb of Mia Milia (Haspolat) was an anomaly.

Nicosia Municipality Council has annulled its previous decision regarding the water from Turkey and gave the Mayor Mehmet Harmanci authority to sign the subscription agreement for the transitional phase, which will be managed by Turkey's General Directorate of Hydraulic Works. Accordingly, Nicosia has started to receive Turkish water as of July 23.

Labour Relations and Trade Unions

According to Hamza Ersan Saner, Minister of Labor and Social Security, of 85,000 contributors to the social security system in the northern part of Cyprus, 45,000 are foreigners. Saner added that the institution had accumulated a debt of 246 million Turkish Lira (€74.5 million) over time yet argued that there would be no problem in the social security system in the case of a solution to the Cyprus problem and EU membership.

According to a study conducted by the Centre for Migration, Identity and Rights Studies (CMIRS) on the seasonal agricultural workers, these workers are heavily exploited; though they are promised a decent place to accommo-

date and workplace safety, these are not fulfilled by the employers once they come to the island. Some migrant workers are made to work without a work permit, are exploited and often have difficulty to enrol their children into local schools because of delays in the issuing of their work permits.

5. FES Cyprus Events

August

10.-16. 8. 2016

WINPEACE / FES

Workshop

**PEACE EDUCATION AND CITIZENS'
RESPONSIBILITY**

Kyrenia, Cyprus

not open to the public



Thursday 15.09.2016

PRIO Cyprus Centre/FES
Conference

Educational Practices in Federal Systems

Home for Cooperation, UN Buffer Zone
Nicosia, Cyprus

Open to the public



September

Thursday 08.09.2016

(date to be confirmed)

German Embassy/Goethe Institut/FES
Lecture & Discussion

United in Diversity

Goethe Institute, UN Buffer Zone
Nicosia, Cyprus

Open to the public

Monday 19.09.2016

Goethe Institut/FES
Lecture & Discussion

**Whose Cheese is it Anyway?
European Union Regulation, Economic
Competition, and the Patrimony of Cyprus**

Goethe Institute, UN Buffer Zone
Nicosia, Cyprus

Open to the public



Thursday 29.09.2016

PRIO Cyprus Centre/FES
Conference

Woman Peace and Security

Home for Cooperation, UN Buffer Zone
Nicosia, Cyprus

Open to the public



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