



Contents

1.	Cyprus Problem	2
2.	Hydrocarbons	4
3.	Greek Cypriots	5
	Economic Developments	5
	Domestic Developments.....	7
	Foreign Policy	7
4.	Turkish Cypriots	8
	Economic Developments	8
	Domestic Developments.....	9
	Foreign Policy	9
5.	FES Cyprus Events	11

FES NEWS

- please visit us on -

www.facebook.com/FEScyprus

www.fescyprus.org

1. Cyprus Problem

In early September the newly elected Turkish President, Recep Tayip Erdogan, paid a visit to the 'TRNC'¹. Erdogan encouraged a settlement involving two founding states and political equality, offered continuous support towards the 'TRNC' and made clear that Turkey would not accept any amendments to its guarantor status. Furthermore, Erdogan called for greater involvement of Greece as a guarantor country and denied having received any letter from President Nicos Anastasiades. The letter, which was said to be delivered by Greek Foreign Minister, Evangelos Venizelos, congratulated Erdogan for his election and expressed hope for the personal contribution of the Turkish President in achieving a solution of the Cyprus Problem. Erdogan also mentioned the water and electricity projects, which are underway linking Turkey with northern Cyprus. Although officially being presented as peace projects for the benefit of both communities, both the water and electricity development initiatives increase

¹ The Turkish Republic of Northern Cyprus (TRNC) is only recognised by the Republic of Turkey. While for Turkey and the Turkish Cypriots, Dervis Eroglu 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).

Ankara's influence in Cyprus. The government and Greek Cypriot political parties condemned Erdogan's comments, which were interpreted as leaning towards a confederation rather than a federation.

Erdogan's visit was followed by Ahmet Davutoglu's visit on September 16, the first since his election as Turkish Prime Minister. Davutoglu stated that his visit was of highly symbolic importance and an expression of support to the independence of the 'TRNC'. The visit took place ahead of a dinner between the leaders of the Greek Cypriot and Turkish Cypriot communities, Nicos Anastasiades and Dervis Eroglu respectively and a day ahead of the resumption of peace talks under the UN's Special Envoy, Espen Barth Eide who is tasked with bridging the gap after the talks fell into another deadlock.

In particular, the two sides disagree on how to proceed in a 'give and take' phase after having recorded their positions on all main aspects of the Cyprus Problem. Anastasiades requests the two sides to record and clarify where they agree and disagree so efforts are focused in a more efficient manner. Eroglu, however would like the bargaining to begin despite differing interpretations of convergences and divergences recorded to date. At the meeting on September 17, Anastasiades and Eroglu decided to accelerate the talks by moving into a next phase of structured negotiations and agreed to meet twice a month. This marked the completion of the tabling positions phase.

On September 19-26, Anastasiades attended the 69th UN General Assembly (UNGA) at the UN Secretariat in New York. Anastasiades reaffirmed his commitment towards a settlement of the Cyprus Problem calling on Turkey to show genuine political will by adopting his proposed package of confidence building measures (CBM's). Additionally, the President argued that the status quo is unacceptable and that a solution would benefit all parties involved.

While in New York, Anastasiades held a series of meetings with state officials from a number of countries including the five permanent members of the Security Council and Egyptian President Abdel Fattah el Sissi. The President met on the 22nd with UN Secretary General Ban Ki-moon to discuss the progress made in the negotiations since the adoption of the Joint Declaration. The Secretary General urged the leaders in Cyprus to work without any delay and bridge the remaining differences and expressed his determination and readiness to contribute and assist, initially through his new Special Adviser, and later if there is progress through personal involvement. Earlier in the month Ban Ki-moon had issued a strongly worded message referring to the solution of the Cyprus problem as a strategic priority for the UN and the international community given the turmoil in the region. The Cyprus Problem was also among the issues discussed between the Secretary General in separate meetings with Turkish President Erdogan and Turkish Cypriot leader Eroglu, on the side-lines of the UN Assembly.

On similar lines, during a meeting with the Greek Cypriot President, the US Secretary of State, John Kerry, expressed his intention to become personally involved in the process and to visit the island in the following months if deemed necessary. This illustrates the increased interest of the U.S. in Cyprus following Vice President Joe Biden's visit to the island in May. Biden and Anastasiades agreed to further strengthen the strategic partnership between the U.S. and Cyprus during a meeting held on September 26.

A meeting hosted by DIKO on September 24 at the Ledra Palace hotel under the auspices of the Slovak Embassy between Greek Cypriot and Turkish Cypriot political parties revealed diverging views on the need for third party guarantees following a settlement of the Cyprus Problem. Despite diverging views, the parties acknowledged the importance of staying in contact.

In late September restoration began at the Apostolos Andreas monastery in the Karpaz Peninsula. The restoration is funded by the Church of Cyprus and the Evkaf Administration and is scheduled to be completed by April 30, 2016. Meanwhile Archbishop Chrysostomos hosted Turkish Cypriot Mufti Talip Atalay in Paphos who visited a number of Muslim monuments and mosques.

2. Hydrocarbons

The Italian-South Korean consortium of ENI-KOGAS deep water drillship the 'Saipem 10000' started drilling on September 25, at a reservoir dubbed 'Onasagoras' in offshore block 9 of Cyprus' Exclusive Economic Zone (EEZ). The drilling is expected to last 80 days. ENI-KOGAS, which holds concessions in blocks 2, 3 and 9, is contractually obligated to drill a minimum of 4 wells during the next 12 to 18 months. Despite not being the largest reservoir in block 9, ENI decided to go ahead with 'Onasagoras' because it is the site that contains the most accurate data. The first results will likely be available in early 2015. The drilling process was monitored by the Turkish warship 'Bafra'.

The drilling will primarily determine whether the construction of a Liquefied Natural Gas (LNG) plant at Vasilikos is economically viable. Meanwhile, the potential of financing the LNG terminal was discussed between European Investment Bank (EIB) President, Werner Hoyer and President Anastasiades on the 20th of the month.

Despite recent discussions on the potential of selling Cypriot gas to neighbouring Jordan and Egypt the construction of a LNG terminal still remains the main goal of the government provided that adequate quantities of recoverable gas are found in Cyprus' EEZ. According to the chairperson of the Cyprus Hydrocarbons Company, Toulia Onoufriou, Cyprus could begin exporting LNG by 2022. Energy expert Charles

Ellinas argues that Egypt needs to buy gas in the short term over the next five years which Cyprus will be unable to serve, since even without an LNG the island is unlikely to be able to deliver any gas to Egypt before 2021 or 2022. Jordan, in the meantime, has already signed a preliminary deal to buy gas from Israel satisfying most of its energy demands. Subsequently, regional alternative clients to Turkey might not need the Cypriot gas once the island is ready to export since they have other suppliers who can meet their needs.

Egyptian President Abdel Fattah el-Sisi issued a presidential decree which approved the ratification of the framework agreement with Cyprus on the joint exploitation of hydrocarbon reserves signed in December 2013. The agreement concerns the exploitation of reserves straddling the median line between the EEZs of the two countries. Earlier in the month Energy Minister Giorgos Lakkotrypis held a series of meetings in Jordan on energy issues.

Addressing the UN General Assembly in New York, President Anastasiades highlighted his vision for broader cooperation aided by the discovery of fossil fuels. Furthermore, Cyprus could play a constructive and stabilizing role in the Eastern Mediterranean, including efforts to mediate between energy producing and energy consuming countries.

3. Greek Cypriots

Economic Developments

On September 6, the controversial foreclosure bill was passed by the House of Representatives. The bill aims to speed up foreclosure proceedings and help banks recover from non-performing loans (NPL's), amounting to almost €29 billion Euro. Even though the bill may have put an end to three weeks of intense deliberations between the parties and the government it also led to a new crisis as it was passed along with a number of amendments and additional bills, intending to protect borrowers against foreclosures. The Troika², however, did not approve the bills.

The controversial bill was passed by 47 votes those of AKEL, DISY and DIKO. A total of 7, EDEK, the Green Party and independent Zacharias Koulias voted against it. EVROKO leader Demetris Syllouris abstained. The plenum approved a resolution, making the implementation of the foreclosure bill conditional on the implementation of the insolvency framework to be approved by January 1, 2015 when the foreclosures bill is expected to be put into effect.

Passing the additional bills along with the foreclosures bill required by the Troika was regarded as a face saving move for MP's and

² The troika is comprised by the International Monetary Fund (IMF), the European Central Bank (ECB) and the European Commission.

opposition parties. Four out of the six contentious bills were found to be unconstitutional by the Attorney General and were therefore referred to the Supreme Court while the other two were sent back to Parliament by the President after he refused to sign them into law³. From these, one was rejected and one was passed during a House plenum on September 23.

Meanwhile, as these bills limited the scope of the foreclosures framework, they were also found to be incompatible with the bailout terms according to the European Commission. The uncertainty resulting from this matter effectively placed the disbursement of the next tranche in limbo. All in all, Cyprus will not be eligible for the next tranche of financial assistance unless and until it resolves the question of the six contentious pieces of legislation, which the opposition are adamant on pushing

³ From the four sent to the Supreme Court, the first allows distressed borrowers with non-performing housing loans up to €350,000 to apply for court-ordered protection against foreclosure, while the second stipulates that foreclosing properties would relieve small borrowers of any further obligation, even if the property's auctioned value does not cover the outstanding loan. The third relieves guarantors of any obligations after the property is sold, and the fourth links the foreclosures bill with the insolvency framework. The two sent back by the President concern the right of the borrower to report a bank to the Central Bank governor if they think the lender violates the code on loan restructuring and the Central Bank's authority to step in and stop mass foreclosures.

through. The next deadline is the next Eurogroup meeting on October 13.

In a letter to the board of Bank of Cyprus, Central Bank of Cyprus (CBC) Governor, Chrystalla Georghadji, asked the board to step down. She called for a meeting of the general assembly as soon as possible. Georghadji's letter was in response to an application filed by the Bank of Cyprus (BoC) asking for billionaire Wilbur Ross, who has invested more than €400 million and controls 19% of the bank's assets be allowed a seat on the board. In light of these developments the board of BoC announced that the Annual General Meeting (AGM) of its shareholders will take place on November 20.

According to the CBC, deposits in the Cyprus banking system fell by 0.7% in August to just €46 billion compared to July, and 4.3% compared to a year ago as both deposits held by householders and non-financial companies continued their downward trend. Meanwhile, NPL's continued to rise in July recording an increase of approximately €130 million compared to June. In particular, NPL's in July reached 47.17 % counting for €28.88 billion of total loans standing at €61.24 billion. This marked an increase of 46.75 % or €28.75 billion compared to June 2013.

Moody's rating agency, reflecting the continued rise in problem loans over the next 12-18 months, negatively assessed the outlook of the Cypriot banking system. Similarly, the European Bank of Reconstruction and Development

(EBRD) estimates that Cyprus' economy will stagnate in 2015 after shrinking 3.5 % this year despite governmental expectations of exiting the bailout programme by late 2015.

Hellenic Bank was ranked the safest bank in Cyprus in 2014 in a survey conducted by Global Finance Magazine, carried out in more than 100 countries. This coincided with the appointment of Marinos S. Yannopoulos as Chief Executive Officer (CEO) after the resignation of Makis Keravnos earlier this month.

The European Investment Bank signed an agreement with the government on September 19 to provide new loans worth €85 million to small and medium businesses (SME's).

According to JCC more than €7 million in card payments were made in the north and Turkey during the first 8 months of the year. Nearly €4 million were spent in the north and €3.3 million in Turkey. The largest sum was spent in hotels, casinos and on airline tickets. Meanwhile, Turkish Cypriots spent €9.5 million in supermarkets, retail stores as well as clothing and furniture outlets in the south.

According to Eurostat, unemployment in Cyprus for the month of August fell to 15,4% or 67,000 people compared to 15,7% in July and 16,6% or 72,000 compared to August 2013. This was the fourth consecutive drop.

Domestic Developments

The Greek Cypriot footballer, Dimitris Vasiliou, joined the Turkish Cypriot second division side Degirmenlik (Kythrea). Vasiliou was prevented from attending his game debut for his new team as far right fanatics from the south surrounded his home and threatened him. According to a statement released by the club, due to the reactions and speculations created in the south, they did not allow the footballer to play during the match as a precautionary measure. However, Vasiliou will be playing in future matches the statement added.

Foreign Policy

The National Intelligence Agency (KYP) director, Andreas Pentaras, warned that European members of IS (Islamic State) may be crossing from the north to the south of Cyprus. They are entering from Turkey to Syria or Iraq in order to join other IS cells. In June, Middle East expert Husnu Mahalli stated that the IS fighters who are organized in Turkey are closely following Turkey's policy on Cyprus.

Cyprus is willing to contribute to the fight against the Islamic State via the British Akrotiri bases from where RAF warplanes are expected to execute air strike operations against IS militants after securing approval from the British parliament. Until the end of September, British forces had carried out a number of combat sorties with Tornado jets over Iraq and launched an attack on two IS targets. Reports

suggest that France is also aspiring to use the Andreas Papandreou National Guard air force base in Paphos. Apart from enhancing Cyprus geostrategic role in the region this development also raises the prospect of retaliatory attacks on Cypriot soil which could lead to repercussions of tourism revenue.

On September 25, a massive salvage operation was set up in order to rescue 350 refugees from Syria after the fishing trawler headed for Italy had fallen adrift southwest of the island. The operation was concluded successfully.

Cypriot MEP of the European People's Party (EPP), Christos Stylianides, was nominated as the Humanitarian Aid and Crisis Management Commissioner.

On September 18, Germany and Cyprus signed a cooperation agreement for the evacuation of German citizens in the event of crises or natural disasters in Cyprus' geographic area. The agreement was signed by visiting German Minister of State for Europe, Michael Roth, and Cypriot Foreign Ministry Permanent Secretary, Alexandros Zenon.

President Anastasiades appointed the members of the New National Geostrategic Council and the Energy Council. Heading the National Geostrategic Council, tasked with assessing regional and international politics and advising the president on matters of foreign policy will be Michalis Attalides, rector of the Nicosia University. The Energy Council will be led by Dr.

Andreas Poullikas, professor of Power Systems at the Cyprus University of Technology (TEPAK).

4. Turkish Cypriots

Economic Developments

On 14 September, the Nicosia Economic Forum made up of the Greek Cypriot Chamber of Commerce and Industry (KEVE), the Turkish Cypriot Chamber of Commerce (KTTO), the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and the Union of Hellenic Chambers of Commerce and Industry (UHCCI), held a meeting in Istanbul. In a joint statement issued at the end of the meeting, the Forum reiterated its determination to support the ongoing negotiation process, adding that no matter how the political process unfolds, it will pursue its primary aim of enhancing trust and confidence building between the two communities on the island. The Forum agreed on a list of projects to enhance cooperation. The list included projects such as the establishment of an arbitration center to resolve disputes between the business sector of the two communities; organizing a start-up weekend to bring together young entrepreneurs from both communities; to promote the establishment of a joint natural disaster management body on the island; and to prepare a feasibility study on the possibility of entrepreneurs from both communities to make joint investments. The Forum will hold its next meeting in Athens in December.

On September 15th, Hamit Bakirci (Democratic Party-National Forces, DP-UG), the Minister of Environment and Natural Resources said that the project that would bring water from Turkey through an undersea pipeline will be completed in 70 working days weather permitting and added that the island would receive water from Turkey towards the end of the year. He also said that the agricultural sector would benefit from the water two years after the arrival of water.

In a different context, Hamit Bakirci also stated that Turkish Cypriots did not have the necessary knowledge and infrastructure to manage water from Turkey. Criticizing the minister for his remarks, Kutlay Erk, general secretary of senior coalition partner, Republican Turkish Party–United Forces (CTP-BG) said that it was inappropriate for someone who held an administrative post to make such comments. “Our party positions are clear. The production, administration and management of water, electricity or telecommunications cannot be privatized,” Erk added. Stating that it was wrong to say that the ‘TRNC’ institutions could not manage the water just because certain municipalities experienced difficulties in collecting water and utility revenues, Erk said that Turkish Cypriots had the necessary infrastructure and knowhow to manage the water.

In the framework of the "2014 Financial Support - Partial Grant Program," Turkey will grant 11 million Turkish Lira to the Turkish Cypriot private sector to be used in the fields of

agriculture and rural development; tourism and strengthening of competitiveness.

Evaluating the one-year performance of the CTP-BG – DP-UG government, Fikri Toros, the KTO president likened the Turkish Cypriot economy to a rudderless ship and demanded better economic management from the government.

After two deadly work accidents in one month alone, Aziz Gurpinar, Labour and Social Security Minister, stated that the current legislation on health and safety at work was insufficient and that the procedure to amend it had been started.

According to the State Planning Organization, the consumer price index increased by 5,77% in the first eight months of the year.

Domestic Developments

The CTP-BG's party assembly decided to nominate Sibel Siber, speaker of the parliament, in next year's presidential election. Siber was the only candidate to submit an application to the party and won the nomination by acclamation. Earlier, Mustafa Akinci former mayor of Nicosia and deputy prime minister had also announced his candidacy. Mehmet Ali Talat, former president, had announced that he would not run last month, while incumbent Dervis Eroglu had said that he would not comment on the issue of his candidacy until November.

Mustafa Arabacioglu (DP-UG), Minister of Education resigned citing the intransigent stance of the teachers' unions and the ministry of finance's reluctance to provide necessary funds to his ministry. The new minister is expected to be appointed in early October.

Suphi Hudaoglu has been elected as the new general secretary of the Social Democratic Party (TDP). The position was vacated by Mehmet Harmanci when he has been elected as mayor of Nicosia in June this year. Commenting on the Cyprus issue in a TV program, Hudaoglu said that both sides were responsible for the slowness of the negotiation process, and pointed out that his party was in favour of the opening of the closed city of Varosha in return for the opening of the Ercan (Tymbou) Airport to international flights; a step which would contribute to efforts to reach a comprehensive settlement as well as the improvement of the economy of the island.

Foreign Policy

Upon the news indicating that the Turkish Cypriot Task Force of the European Commission, which had been under the Directorate-General for Enlargement so far, will be placed under the Directorate-General for Regional Policy, the Turkish Cypriot Ministry of Foreign Affairs issued a statement to express its concern. "While constituting an internal arrangement within the structure of the Commission, this arrangement which is not in

line with the realities on the island is a development which will endanger the continuity of the work that we have been conducting with the European Union as of 2004," the statement said, concluding that this decision "which only serves the concerns of the Greek Cypriot side ... needs to be re-evaluated."

Turkish Cypriot president Dervis Eroglu visited New York for the 69th Session of the UN General Assembly. As part of his contacts in New York, Eroglu met with the UN Secretary General Ban Ki-Moon, Secretary General of the Organization of Islamic Cooperation Iyad bin Amin Madani, Pakistani Foreign Minister Hina Rabbani Khar and Azerbaijani Foreign Minister Elmar Memmedyarov. Eroglu also found the chance to discuss the Cyprus issue with Turkish President Erdogan and Turkish Foreign Minister Mevlut Cavusoglu.

Foreign Minister Ozdil Nami attended the Annual Coordination Meeting of the Foreign Ministers of the Organization for Islamic Cooperation held within the framework of the 69th UN General Assembly in New York.

Earlier in the month, Nami also met with Stefan Füle, the European Commissioner for Enlargement and Neighborhood Policies in Brussels. Nami conveyed to the Commissioner his thoughts regarding the ongoing negotiation process. In particular he expressed that with the appointment of Espen Barth Eide, the UN Secretary-General's new Advisor for Cyprus, new

hope had merged that the negotiation process will gain new momentum.

In September, Nami visited London where he met, among others, David Lidington, Minister of State for Europe as well as Gareth Thomas, the Labour Party shadow Minister for Europe.

In the new Turkish cabinet headed by Ahmet Davutoglu, Bulent Arinc has been appointed as Deputy Prime Minister Responsible for Cyprus Affairs. Arinc is one of the co-founders of the ruling Justice and Development party (AKP), and in his fifth term as a member of parliament, probably the most senior member of the government. He served as the speaker of parliament from 2002 to 2007.

5. FES Cyprus Events

November

October

Thursday 23.10.2014 5:00-8:00 pm

PCC / FES
Conference

**Economic Crisis and Democratic Deficits in
Southern Europe (2009-2014)**

Home for Cooperation,
Nicosia, Cyprus

Open to the Public



Friday-Sunday 31.10.-2.11.2014

FES
Conference, Workshop

Journalist Seminar

Chateau Status,
Nicosia, Cyprus

Not open to the public



Saturday-Sunday 01.11.-2.11.2014

ENORASIS / FES
Open discussion, workshop

**Enorasis' 10th Annual Entertaining Friendship
Weekend and Workshop on our Common
Future**

Droushia Heights Hotel,
Akamas , Paphos

Open to the public



Friday-Saturday 21.11-22.11.2014

Cyprus Association of Political Science / FES
Conference

Politics in Crisis

University of Cyprus,
Nicosia, Cyprus

Open to the public



Saturday 22.11.2014

Eleftheria / FES
Conference

The Establishment

– What is it and how can we change it?

Tba.
Nicosia, Cyprus

Open to the public



Friday –Saturday 28.11.-29.11. 2014

PCC / FES
Conference

**Annual PRIO Conference on
Conflict in Europe – Europe in Conflict**

Chateau Status,
Nicosia, Cyprus

Open to the public



Imprint:

Friedrich-Ebert-Stiftung (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, Sophia Papastavrou 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