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## **FES NEWS**

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## 1. Cyprus Problem

November began with the worsening of relations between the UN and Greek Cypriots as the UN Secretary-General called on both sides to set a date for a leaders' meeting while the two parties had been making efforts to reach agreement on a joint declaration.

In particular, a number of statements by Ban-Ki moon were interpreted by the Greek Cypriot side as an ultimatum. He expressed his concern regarding the continuing deadlock over a joint communiqué, hampering the resumption of the peace talks. He also stated that the impasse should be overcome before UN Special Advisor Alexander Downer departed on the 8<sup>th</sup> November. The initiative of President Anastasiades to invite Turkish Cypriot leader Dervis Eroglu to an informal meeting, without the presence of the UN, raised expectations that the current deadlock might be overcome, paving the way for the resumption of the peace talks. However, the meeting which took place on the 25<sup>th</sup> in the UN controlled buffer zone did not bring any substantial progress. The two positions remained apart.

The Turkish Cypriot side demands that the federated states are considered 'founding states' in a new, reunited Cyprus, giving them sovereignty and residual powers to decide on matters like citizenship. The Greek Cypriot side is keen on seeing a federal state being born through the transformation of the existing Republic of Cyprus into a new entity and

consequently insist on the concepts of "single sovereignty" and "single citizenship". Eroglu proposed skipping the joint declaration and entering into direct talks on the governance and power sharing chapter. On the other side, the Greek Cypriot negotiating team which had made agreement on a joint statement a precondition before the two leaders can meet does not wish to engage in peace talks chapter by chapter, but by crossing through them. The joint statement is supposed to lay out the basis for talks, the process to be followed and the desired outcome. A failure to reach an agreement, therefore, keeps the process up in air. Meanwhile, Anastasiades secured the support for the joint statement by the President of the European Commission, Jose Manuel Barosso, during their meeting in Brussels on the 27<sup>th</sup>.

The Cyprus Problem was also discussed between US Secretary of State, John Kerry, and Turkish Foreign Minister, Ahmet Davutoglu at their meeting on November 18. Turkey continues playing up the potential for a quick resolution. Davutoglu called on the Greek Cypriots to take advantage of the 'window of opportunity', while Turkish President Abdullah Gul reiterated that Turkey's involvement in a pipeline transferring Israeli and Cypriot gas would contribute to the resolution of regional issues, including the Cyprus problem.

Meanwhile, Turkish Prime Minister Tayyip Erdogan described the provisional agreement to unify football on the island signed in Zurich earlier in the month between the Cyprus

Football Association (CFA) and the Turkish Cypriot Football Federation (TCFA) as a positive step into the right direction.

The mandate of the Immoveable Property Commission (IPC) set up by Turkey in the 'TRNC'<sup>1</sup> was extended for a further two years. Greek Cypriots will now have another 24 months to apply for remedies against the continued loss of use of their properties. The remedies include restitution of property, exchange of property with Turkish Cypriot property in the south and compensation for loss of use.

While the island's political leaders remained unable to achieve common ground on a joint statement, Greek and Turkish Cypriot civil society activists announced the creation of the Bi-communal Famagusta Initiative (BFI), laying the groundwork for reviving the region. The aim of the BFI is the restoration, revitalization and reopening of the fended-off city of Varosha.

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<sup>1</sup> 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).

## 2. Hydrocarbons

Cyprus and French energy giant, Total, signed on November 7 a preliminary agreement for the development of a natural gas liquefaction (LNG) facility. Under the memorandum of understanding (MoU), which is non-binding, Cyprus and Total agreed to exchange data and views on the development of the LNG plant to be built at Vasilikos. The MoU records Total's support for the monetisation of potential natural gas reserves in blocks 10 and 11 through a variety of options with priority given to liquefaction and LNG export to European and Asian markets. Total was awarded exploration and production sharing contracts for blocks 10 and 11 in February. Exploratory drilling in its two prospects is expected to be carried out in late 2014 or early 2015.

Moreover, the government has invited the Italian-South Korean consortium ENI-KOGAS to launch negotiations on awarding gas and oil exploration concessions for offshore blocks 5 and 6 in Cyprus' Exclusive Economic Zone (EEZ). As part of the second licensing round, which was launched in 2012 and closes in December 2013, the government signed contracts with ENI-KOGAS for blocks 2, 3 and 9. Should ENI-KOGAS respond positively, the government indicated that the licensing would be extended by another six months, but only for blocks 5 and 6. The two blocks lie southwest of the island and are within the area which Turkey claims to fall within its own continental shelf. Such a move would further escalate the situation.

Turkey has made it clear that any exploration and exploitation in territories claimed by Ankara would meet a harsher response than activities in areas exclusively claimed by the Republic of Cyprus. As a response, Turkey sent on the 22<sup>nd</sup> of November 3 research vessels to carry out seismic surveys northeast of the island in areas that include the territorial waters of the Republic, near the southern coasts of the Karpas Peninsula and the Gulf of Famagusta and in a part adjacent to Cyprus' EEZ.

Energy minister Giorgos Lakkotrypis and his Lebanese counterpart Gebran Bassil met on November 8 and agreed to start negotiations on a unitisation agreement which would regulate the management of hydrocarbons if they are found in the area between the two countries' exclusive economic zones. Lebanon argues that the EEZ agreement signed between Israel and Cyprus includes disputed waters which Lebanon also claims and Israel has included in its own EEZ. The Lebanese parliament has not yet ratified its EEZ agreement with Cyprus because of this issue.

Gas Strategies, a London based consultancy hired by the government, suggested Cyprus should consider leaving a mooted gas liquefaction terminal exclusively in the hands of private investors. Until now the government's position has been that the state must retain a controlling stake in the LNG project, for both financial and national security reasons. The consultants, who approached the matter from an investment angle, highlighted the difficulties

for Cyprus in financing a multibillion project estimated between €6-8 billion. A preliminary report released by the Massachusetts Institute of Technology (MIT) and the Cyprus institute (Cyl) concluded that building an LNG plant at Vassilikos is the best option for Cyprus as it offers greater flexibility to adjust production to changing natural gas prices and market supplies even though it would be more expensive than a pipeline.

### 3. Greek Cypriots

#### Economic Developments

During the month of November the Troika<sup>2</sup> delegation completed a second review of the Cyprus bailout program. The island passed its second review with positive comments, but observers warned of tougher times ahead as the thorny issue of privatizations must be addressed by the end of the year.

The updated MoU, revised after the Troika's evaluation, indicates that Cyprus needs to proceed with privatizing state enterprises, reforms in public administration and the welfare system as well as implement a national health scheme.

According to the terms of the bailout, Cyprus needs to raise at least €1,4 billion through

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<sup>2</sup> The Troika is comprised by the International Monetary Fund (IMF), the European Commission and the European Central Bank (ECB).

privatizations by 2018. By December, the island must have a privatization roadmap of semi-governmental enterprises ready, a condition for the release of the next tranche of bailout cash from its international lenders. The MoU specifically referred to the telecoms utility (CyTA), the Electricity Authority of Cyprus and the Ports Authority. Trade unions threatened to respond with mass rallies and combative mobilizations, while DIKO and AKEL stressed that privatizations cross a red line. Regarding the health care reform, a national health system (NHS) must be in place by the end of 2015. The government must present a detailed plan by January 2014.

The decline in Cyprus' economy slowed in the third quarter of the year as tourism gave the island a brief respite and seasonal lift. Preliminary data showed the economy contracted by 0.8% for the July-September period. Fitch rating agency expects the recession in Cyprus to be deeper than the international lenders forecast, with the island returning to growth in 2017 and not 2015. In its evaluation, Fitch expected GDP in 2013 to contract by 7.0% compared to its earlier forecast of nearly 9.0%. The Troika's initial forecast for 2013 estimated GDP will contract by 8.7% but this was eased in the revised MoU to 7.7%. Nevertheless, recession forecasts by the Troika for 2014 were increased to 4.8% from earlier calculations of 3.9%.

In the meantime rating agency Standard and Poor's raised its long-term sovereign debt rating on Cyprus from CCC+ to B- but state bonds are still in the junk category and the Republic of

Cyprus remains excluded from borrowing from international markets.

Bank of Cyprus (BoC) reported a 1.8 billion net loss for the first half of 2013 impacted by the forced disposal of its Greek operations. Specifically, disposal of Greek operations resulted in a loss of €1.4 billion while impairment of loans was €530 million. Getting to grips with bad loans is seen as the key issue for the bank's new chief executive John Hourican, a former Royal Bank of Scotland (RBS) executive. A second senior RBS banker, Euan Hamilton, joined BoC as a consultant to specifically look at delinquency, restructuring and recovery of loans. Based on new Central bank definitions for non-performing loans the bank had a Non Performing Loan (NPL) ratio of 36% in the first half of the year.

The Cyprus government has to face the possibility of paying a daily penalty of €11,404.80 as the European Commission filed an appeal at the European Court of Justice for the island not integrating the EU Directive 2009/28/EU on renewable energy in national law.

According to data released by the Central Bank of Cyprus the outflow of deposits relatively slowed down for the month of October. In particular, deposits decreased by €163 million from September to October with total deposits accounting for €47.312 billion. From August to September deposits had dropped by €924 million.

### **Domestic Developments**

On 15th November former President Glafcos Clerides died at the age of 94. Clerides who was born in 1919 has been a key figure in Cypriot politics. Born at a time when Cyprus was a British colony, he served during WW II in the British Royal Air Force when in 1942 his plane was shot down over Germany. There he was interned until the end of the war, not without attempting to escape repeatedly. After WW II he went back to London where he studied law at King's College and graduated in 1948. He was called to the bar in 1951. After his return to Cyprus he was part of the EOKA organisation which from 1955 until 1960 was fighting British colonial rule, under the pseudonym "Hyperides". Clerides took part in the 1959 London Conference on Cyprus. During the transitional period to independence he served as Minister of Justice and was Head of the Greek Cypriot delegation in the Joint Constitutional Committee. In 1960 he was elected President of the House of Representatives, a post which he held until 1976. During the first presidential elections Clerides supported Makarios III against the other candidate, who was his father, Ioanis Clerides. After the coup d'état against President Makarios on 15th July 1974 by the Greek Cypriot pro-enosis paramilitary organisation EOKA-B and the subsequent Turkish invasion, Clerides assumed the duties of acting President until President Makarios, who had to flee on 16<sup>th</sup> July, returned to Cyprus in December 1974.

In 1976 Clerides founded the right wing party DISY and stood altogether six times as candidate for the presidency. He served two five-year terms from 1993 until 2003 when he was defeated by Tassos Papadopoulos, also because of his initial support for the Annan Plan.

Clerides has been characterized as an astute statesman with a reputation of being an outstanding negotiator and interlocutor, who defused a number of crises.

The relationship between the long standing Turkish Cypriot leader Rauf Denktaş and Glafcos Clerides went back to their years as lawyers in the UK. Even though there was mutual respect on a personal level, on a political level, Denktaş and Clerides would not see eye to eye.

Having been described by both his friends and political rivals a 'true statesman', Clerides has for many years shaped Cypriot politics with both humour and chutzpa.

In the field of sports the Cyprus Football Association (CFA) and the Cyprus Turkish Football Association (CTFA) signed on 5<sup>th</sup> November an agreement whereby the CTFA becomes a member of the CFA as an association in accordance with the CFA's statutes and regulations. Furthermore, the CFA will continue to be a member of FIFA and UEFA as well as the governing body responsible for organizing, servicing and administering football in Cyprus and for all international football activities in the country. Both parties agreed on the setting up

of a steering committee to work towards implementing the arrangement.

### **Foreign Policy**

Russia's request to rent the Andreas Papadopoulos airfield near Paphos has alarmed the United States and put the Cypriot government between a rock and a hard place. Both Russia and the US are keen to exert their influence on the island and are putting pressure on the government. Attempting to satisfy both sides, defense Minister Fotis Fotiou is quoted of saying that "Cyprus will make the right decision, always taking into account the national interest of the country" and that "what is important is that Cyprus is emerging strategically and geopolitically and its stabilizing role is highlighted". Russia is trying to find a solution in case Russian troops can no longer be stationed in Syria in order to maintain its military presence in the Eastern Mediterranean. For the last year, Russian naval vessels have been using the Limassol port for refueling. At the same time Egypt is trying to rebuild its ties with Russia and is eyeing the purchase of Russian military equipment since the US recently suspended military aid to Egypt.

## **4. Turkish Cypriots**

The month of November was dominated by media reports on the status of the settlement talks to the Cyprus problem. The Turkish side,

including Turkey, repeatedly made statements supportive of a settlement while maintaining that any delays were due to the intransigence of the Greek Cypriot leadership on the phrasing of a joint statement.

High-ranking officials from Turkey expressed their desire to see a settlement. Statements from President Abdullah Gul, Prime Minister Tayyip Erdoğan, Foreign Minister Ahmet Davutoğlu, the Minister responsible for EU affairs, Egemen Bağış and others indicated Turkey's interest throughout November. The messages also entailed a thinly veiled attempt to eventually delink Turkey's accession course from the prerequisite of arriving at a settlement in Cyprus, in light of the difficulty of arriving at a settlement. And November coincided with the opening of the regional political affairs chapter between the EU and Turkey.

Meanwhile the Turkish Cypriot leadership attempted to align itself with the international community's interest in resuming full-fledged talks. Turkish Cypriot President Derviş Eroğlu rode on the coattails of the UN Secretary General's expressions of concern regarding the lapsing time and delays resuming formal talks. At the same time, the Turkish Cypriot leader rejected devolutionary models to arrive at a federation in Cyprus. This stance harked back to debates about the 'virgin birth' (or constructive ambiguity) of the Annan Plan regarding state succession. The Turkish view, that a new 'partnership' would be formed on the basis of two pre-existing states conflicted with the

Greek Cypriot view on devolution from the Republic of Cyprus.

Against this, there were subtle discrepancies within the Turkish side. Turkish Cypriot Foreign Minister Özdil Nami's emphasis on unwavering commitment to federalism was evident. During November, Nami actively engaged civil society and briefed them on developments in the negotiations.

Given the impasse, expectations were high on Turkish Cypriot side regarding the arrival in early November of Ban-Ki Moon's Special Advisor on Cyprus, Alexander Downer. Despite the diplomatic intervention no breakthrough was achieved.

Eroğlu argued that negotiations should recommence from where they broke off (apparently paraphrasing Ban), claiming that agreeing the terminology on a joint statement had become problematic.

Despite Eroğlu's approach, Downer essentially supported Greek Cypriot President Nicos Anastasiades' position that a joint declaration is essential. The Turkish Cypriot side urged the UN Good Offices to move away from the joint declaration model arguing that all that was necessary was a date to be determined by the UN to meet with Anastasiades.

Eroğlu and Anastasiades' representatives, Osman Ertuğ and Andreas Mavroyiannis, respectively, could not agree on a joint declaration in November. This prompted other levels of

engagement. For instance, in November the governing Republican Turkish Party (CTP) met with Anastasiades' Democratic Rally Party (DISY) to discuss the Cyprus issue. Significantly, the Turkish Cypriot Prime Minister, Özkan Yorgancıoğlu, reiterated support for 'single sovereignty' and other elements of a potential joint declaration that Eroğlu and Anastasiades had failed to agree to. Meanwhile, former Turkish Cypriot President Mehmet Ali Talat intervened and claimed that the joint statement had become a practical precondition. While a joint declaration remained elusive there was agreement between Eroğlu and Anastasiades to meet for a dinner on 25 November. The dinner also failed to lead to a breakthrough.

One of the important developments during November was the signing of an agreement between the Greek Cypriot and Turkish Cypriot football federations to incorporate Turkish Cypriot football clubs into international organizations including FIFA and UEFA, subsuming the Turkish Cypriot federation as a member into the Greek Cypriot organization. The agreement was subject to ratification by the respective executive boards.

The agreement was met with both joy and hesitation. When politicians weighed in with objections the Turkish Cypriot Football Federation (KTFF) president, Hasan Sertoğlu, was pressured to renegotiate some key elements of the deal. Even Özdil Nami expressed the view that some of the articles of the KOP agreement should be subject to renegotiation. In short, the

coalition government was not overtly supportive or had reservations. However, the Greek Cypriot side was not open to renegotiate the terms. This even led to political pressure on the KTFP to reject the agreement.

The wavering ended after Turkish Prime Minister Tayyip Erdoğan's statements favoring the deal. Thereafter Serdar Denktaş, deputy PM and also responsible for the sports portfolio, arrived in Ankara to meet with Turkey's minister of sports. Following Erdoğan's statements the result was a foregone conclusion, although Denktaş remained publicly opposed to the deal. However, the KTFP was now in a position to ratify the agreement.

The 15th of November marked the 30th anniversary of the declaration of the 'TRNC', but ceremonies were relatively low key and not attended by Gul or Erdogan.

In November the mandate of the Turkish Cypriot Property Commission, dealing with Greek Cypriot property owner claims, was extended by two years by the Turkish Cypriot parliament.

On the domestic front, the government faced criticisms for not keeping campaign pledges. The government met pressure from Turkey to implement an austerity package signed by previous governments, and also was confronted with a dilemma in how to deal with debt in the public sector. Significantly the decision to hike electricity rates by nearly 30% led to public uproar. Previous governments had been pondering privatization of the state-owned

electricity company (KIB-TEK) but the CTP-led government preferred to subsidize it through the rate hike.

The decision taken by Prime Minister Yorgancıoğlu led not only to external criticism but also internal dissent within the CTP party rank and file. CTP was to hold a party congress in early December, thus Yorgancıoğlu was to be challenged for the party leadership position by Asim Akansoy, General Secretary of the party. The government's failures would feature as part of the debate. Meanwhile a number of lawyers and experts, including a prominent CTP MP, Tufan Erhurman, maintained that the hike was unconstitutional and should be repealed. Alongside public protests, lawsuits were filed challenging the hike on constitutional grounds.

As a priority the Turkish Cypriot government was obliged to prepare a budget for the fiscal year 2014. Finance Minister Zeren Mungan travelled to Ankara in early November to discuss various aspects of economic cooperation with Turkey. Mungan is seen as a liberal and keen to implement the package as opposed to rank and file supporters of the CTP led government.

Thereafter committee level deliberations on the draft budget commenced among parliamentarians. The Economy, Finance, Budget, and Planning committee discussed a proposed budget of 3,78 billion Turkish Liras for 2014. The committee, headed by Birikim Özgür, son of the late Özker Özgür. Birikim Özgür, unlike his father, is





**Monday 2. December 2013, 4 – 6 pm**

POST RI/FES

Book launch

**Representation of History and Peace Education**

Cyprus Community Media Centre - CCMC

(in the UN Buffer Zone)

Open to the public



**Thursday 19. December 2013, 2 pm**

POST RI/KTOS/FES

Workshop

**Peace Education and Gender Workshop for Women Educators**

KTOS Headquarter, Nicosia

Open to the public



**Saturday 7. December 2013, 3 - 7 pm**

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Conference

**The State We are in**

Hilton Park Hotel, Nicosia

Open to the Public



**January 2014**

**Monday 13. January 2014, 7 pm**

GOETHE INSTITUT CYPRUS-GERMAN-CULTURE-ASSOCIATION / FES

Film

**Remembering Willy Brandt**

Language: German with English subtitles

Hall of Goethe Institut, Nicosia

(in the UN Buffer Zone)

Open to the public

**Monday 16. December 2013, 6 – 7:30 pm**

GAT CYPRUS/PCC/FES

Conference

**Gender & Law: Citizenship Workshop II**

Home for Cooperation, Nicosia

(in the UN Buffer Zone)

Open to the public



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