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## 1. Cyprus Problem

In June, the UN Secretary-General Antonio Guterres prepared a preliminary draft report on the Good Offices Mission in Cyprus. According to the report, Guterres intends to appoint a senior UN official in the coming weeks to conduct consultations with all the parties interested in the Cyprus problem. Guterres furthermore encourages the parties to “recognise the importance of this exercise and to seize the opportunity accordingly.” He reiterated that should each side jointly decide to resume talks, the six-point framework that he had introduced in Crans-Montana on June 30, 2017 could form the basis for negotiations aimed at reaching a strategic agreement and potentially pave the way for a comprehensive settlement.

On June 21, commenting via a written statement on the report, Turkish Cypriot spokesman Baris Burcu, noted that Guterres pointed out: the importance of developing relations between the two communities; achieving a climate of trust and cooperation; the exploitation of natural wealth for the benefit of the two communities; and the achievement of a comprehensive solution. Burcu underlined, that the framework included the UN SG’s views on six issues and was given to both sides in Crans Montana dated, June 30, 2017. On the other hand, Greek Cypriot spokesman Prodromos Prodromou repeated the Greek Cypriot’s side readiness to resume negotiations. The Greek Cypriots refer to framework of ‘July 4 2017 which included changes suggested by the Greek

Cypriot side but were neither accepted by the Turkish side nor adopted by the UN Secretary General himself.

With the occasion of assuming the Presidency of the EU Council, Austria extended an invitation to host Cyprus reunification negotiations via its Ambassador Eva Maria Ziegler if agreed upon by all interested parties.

Assessing the outcome of the Turkish elections held on June 24 and the prevalence of Turkish President Recep Tayip Erdogan, some analysts note that a change in Turkey’s position over Cyprus is not expected as Turkish officials have been declaring in the last year that Turkey will be seeking for a solution outside UN parameters setting their Plan B into motion. What remains to be seen, is whether Turkey consents to the appointment of a new UN Special Envoy, reportedly Jane Holl Lute, for the resumption of negotiations. Lute’s appointment has been blocked by Turkey until at least after the completion of the Turkish elections. Erdogan is expected to visit the north<sup>1</sup> on July 10.

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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, 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).

According to the report of the Turkish Cypriot weekly Cyprus Today, a backlash has forced the Greek Cypriot authorities to backtrack on plans to penalise people for purchasing fuel in the northern part of Cyprus. The Greek Cypriot customs department had announced on June 27 that it would be stepping up checks on vehicles returning from north at the check points. It warned that officials would seize fuel and even impound vehicles found to be running on petrol or diesel bought in the north. The order was based on the claims that the fuel did not meet “EU standards” on sulphur levels, assertions vehemently denied by Turkish Cypriot side. The new measure appeared to be a response to increasing number of Greek Cypriots filling up at petrol stations close to the crossing points, where they can benefit from pump prices which are around 35 to 40% cheaper than in the south thanks to the devaluation of the Turkish Lira. The next day, however, Greek Cypriot government spokesperson Prodromos Prodromou intervened after an uproar over the issue, stressing that inspections would only target illicit commercial trade. He said in a written statement that there was “no intention” to prevent the “movement of ordinary citizens” throughout the island and that the aim of the policy was to ensure that the “stipulations of the special Green Line Regulation” were being adhered to.

A delegation from the bi-communal Peace Initiative–United Cyprus met with the UN Secretary General’s Special Representative in Cyprus Elizabeth Spehar. The delegation handed the

UN Special Representative a joint letter, asking all actors, particularly the UN, to play a more active role for the solution of the Cyprus problem and implementation of confidence building measures: “We, the civil society groups ... are extremely alarmed about the future of Cyprus. The island is drifting towards partition and the international community stands silent. It is time for bold moves by all actors”. The initiative also conveyed their demand to the UN Secretary General “to do his best and take on a new initiative for bringing both sides to the negotiating table under the main objective of uniting Cyprus under a bi-communal, bi-zonal federal roof.”

Conservation and reinforcement work at the Ravelin Bastion, known also as Akkule, an essential part of the historic walls of Famagusta, has been completed and marked with a ceremony on June 19. The project was an initiative by the bi-communal Technical Committee on Cultural Heritage and funded and carried out by UNDP and the EU.

A statement issued by the Committee on Missing Persons in Cyprus (CMP) said “contrary to what is stated in an article published by the Greek Cypriot newspaper Politis on 11 June, the CMP would like to reassure families that no plans exist, or are under discussion, to terminate the operations of the Committee. As has been the case for the past 12 years, the CMP will continue to try to locate and identify the remains of the hundreds of persons that have yet to be returned to their families for a digni-

fied burial” the statement stressed. Elsewhere, the Turkish Cypriot member of the CMP said that to date the remains of 1.215 out of 2.002 missing persons have been located of which 876 have already been identified.

## 2. Hydrocarbons

According to Energy Minister, Giorgos Lakko-trypis the government is expected in July to launch a tender for the purchase of a floating, storage and regasification unit (FSRU) and for related infrastructures at Vasilikos, a project allowing the island to import liquefied natural gas (LNG) and use it for electricity generation. The project, collectively dubbed CyprusGas2EU, comes under the EU’s Cynergy programme, under the Connecting Europe Facility. The project consists of an FSRU permanently anchored at the harbour at Vasilikos. Ships bringing liquefied gas will dock at the dock, and the LNG will be re-gasified on-site so that it can then be transported via onshore pipelines to the nearby power plant. According to the minister, CyprusGas2EU has received €101m in funding from the EU, accounting for 40% of the total cost of the €250m project. The project will aggregate benefits for Cyprus and Greece, who are partners in the mooted Eastmed pipeline project.

TOTAL’s energy programme was discussed during a meeting in Paris on June 30 between President Nicos Anastasiades and the general direc-

tor of the company Patrick Pouyanne, during which he reiterated Total’s interest in increasing its presence in Cyprus.

## 3. Greek Cypriots

### Economic Developments

On June 25, Hellenic Bank signed a business transfer agreement with the Cyprus Cooperative Bank (Co-op) allowing it to acquire the latter’s healthy part and a subscription agreement with Bravo Strategies III, a fund owned by Pacific Investments Management Company LLC (PIMCO). Through the acquisition a total balance sheet of €10.3bn of assets as well as certain business of Cyprus Cooperative Bank will be acquired by Hellenic. Under the terms of the acquisition, the Co-op, which is owned by the government and is under dissolution after failing to sufficiently reduce its stock of non-performing loans to comply with a restructuring plan agreed with the European Commission four years ago, will provide an asset protection scheme, guaranteed by the government. Hellenic agreed to pay €74m to acquire the Co-op’s assets, including €4.6bn in loans, €1.6bn in cash, and €4.1bn in government bonds. It will also assume its liabilities, including €9.7bn in deposits.

On June 28, the cabinet approved a number of bills aimed at helping banks reduce their stock of non-performing loans and address gaps in existing legislation thus complying with the

European Commission's precondition to approve the Hellenic-Co-op deal. Finance Minister Harris Georgiades warned that the parliament should not delay passing the bills and should do so before the summer recess while Yiangos Demetriou, Head of the Central Bank Supervision stated that failure to implement Hellenic Bank's agreement with the Cyprus Cooperative Bank would be "disastrous" for depositors. Demetriou's comment came just after opposition deputies did not declare a clear stance on the matter or stated that they would reject the bills. The bills are expected to be put on vote on July 6. The parliament's approval of the new bills is a condition for the European Commission's sanctioning the deal signed by Hellenic Bank and the Cyprus Cooperative Bank.

### **Domestic Developments**

On June 25, President Anastasiades was criticized by opposition AKEL over an answer he gave to a question about a two-state solution during an interview given with lifo.gr. In particular, AKEL leader, Andros Kyprianou stressed that Anastasiades was not doing enough to combat the perception that he is advocating for a two-state solution. The President, although not mentioning a two-state solution replied the following: "It would be inconceivable at this time that a process is underway given the basis of what has been agreed in the past, namely the reunification of Cyprus through a bizonal-bicommunal federation, to discuss something different...However, considering Turkish claims [on Cyprus' EEZ], the negative consequences of

the prolongation of the deadlock, it would be good for the Greek Cypriot leadership, the government and the political forces to think, given Turkish intransigence and failure to reach a solution, how there will be the necessary peace and stability in Cyprus."

### **Labour Relations and Trade Unions**

Negotiations about the redundancy scheme targeting at least 900 employees of the Cooperative Cyprus Bank that is currently under dissolution between the trade unions and the bank's management continued with no agreement reached. The employers' associations have also intervened with public statements stating that any agreement reached should be in line with current practice in the private sectors. The trade unions PEO, SEK and PASIDY have formed a united front in the negotiations while the banking trade union ETYK emphasizes the need to use the voluntary exit schemes of the other banks as the model for the Cooperative Cyprus Bank.

SEK and PEO have reached an agreement with the Ministry of Finance about the gradual lifting of the wage cuts imposed during the crisis. The agreement covers the whole semi-public sector and it is expected that the public sector will follow along the same lines. The lifting of the cuts will be progressively scaled and timed so that the low waged benefit first. By 2023 all cuts will be lifted allowing wages to return to what they were in 2011. The agreement was approved by PEO and SEK members. DEOK also

supported the deal. The employers' associations OEB and CCCI have publically voiced their disagreement stating that the economy remains vulnerable and that the state must save money and postpone any wage issues until after the restructuring of the civil service. The employers' organizations expressed their worry about the burden on state finances and about the prospects of this leading to increased demands from private sector employees as well. PASIDY also opposed the agreement stating that the cuts were illegal and unconstitutional in the first place, that the issue is pending in the court and that it will not negotiate on this before the court issues its verdict. The Minister of Finance has stated that if the court declares that the cuts must be abolished immediately, the government will deal with it but that this would be catastrophic for the economy. The education trade unions OELMEK, POED and OLTEK are also not satisfied with the agreement but they will submit their proposals and are willing to negotiate.

The second part of the agreement between PEO-SEK and the Government concerns the establishment of a new Provident Fund in order to cover all public and semi-public sector employees that are not covered by existing pension schemes or other provident funds (that is those employed after 2010). Entry will be obligatory while the pension benefit will be distributed up to 20% as a lump sum and the rest on a monthly basis until the employee's portion is exhausted. PASIDY and the education

trade unions disagree and demand the return of the previous governmental pension scheme.

PEO issued a complaint to the Ministry of Labour and has asked to be informed about the results of the investigation about a private employment office in Larnaka which supplies workers from abroad, mainly Greece, to hotels in the Paralimni area with €800 gross wage contracts and no other benefits. It also charges €200 for the service and additionally €200 for the first two months as a guarantee, which the employee loses if he/she leaves for a better job. This violates both the collective agreement and existing legislation.

PEO and SEK submitted a common memorandum to the Labour Ministry stating that the majority of hotel owners do not abide by the sectoral collective agreement. They affirmed that wages "have been compressed to unacceptably low levels". The two trade unions call upon the Ministry to intervene to protect the workers and state that the bad employment terms are the reason why hotel owners cannot find staff to work and request permits to employ foreign workers (something which trade unions oppose). PEO and SEK demand the conversion of the collective agreement's pay scales and 13<sup>th</sup> salary from a customary into a statutory legal obligation, the reform of the points system of service to counter employer arbitrariness, making entry into the Provident Fund obligatory after 6 months work or 18 months of seasonal work and increased fines.

SEK complained about the delays in the review and reform of the policy concerning foreign workers as this contributes to the existing deregulation of the labour market.

Cyprus had the second highest proportion after Italy in young persons (18-24) who are neither in the employment sector, nor in Education and Training (NEET) in the EU in 2017. While the EU average is 14.3% in Cyprus the corresponding figure is 22.7% and this remains high (22.1%) even when the 20-24 age group is examined (to control for obligatory male military service). According to the national statistics 18.510 out of the 47.006 registered unemployed are university graduates.

PASIDY nurses' union opposes the government's decision to hire 40 nurses at the First Aid Department on a sale of services basis and claims that these colleagues should be hired as fixed term employees or as employees of indefinite duration.

## 4. Turkish Cypriots

### Economic Developments

The devaluation of the Turkish lira in the April-May period and its impact on the prices of goods and services was felt very strongly in May. The State Planning Organization announced the monthly inflation rate as 3.65% while annual rate was calculated as 16.78%.

According to the data from the Ministry of Finance, by the end of April the number of people on the public payroll has increased by 315 people compared to April 2017 and reached 41.005 people in total. The increase was largely due to a rise in the number of pensioners and those receiving social support.

According to the Household Labour Survey conducted by the State Planning Organization in October 2017, the labour force participation rate in the northern part of Cyprus was 51.2%, unemployment rate 5.8% and youth unemployment rate 18.7%. The survey also showed that only 35.6% of those who were employed were women. The labour force participation rate in Nicosia and Kyrenia was higher than average with 54% and 54.6% respectively, while it was significantly lower than average in Morphou (44,2%) and Trikomo (45,3%).

### Relations with Turkey

Mustafa Akinci attended the inauguration of the Trans Anatolian Natural Gas Pipeline Project (TANAP) in Eskisehir on June 12 as guest of Turkish president Recep Tayyip Erdogan. The pipeline project also known as the Energy Silk Road will transport the natural gas produced in Azerbaijan's Shah Deniz-2 gas field in the Caspian Sea and in other fields in the south of the Caspian Sea first to Turkey and then to Europe.

Reportedly around 50% of 106.500 registered Turkish voters residing in the northern part of Cyprus turned up to vote in the Turkish presi-

dential and parliamentary elections held on June 24.

### **Domestic Developments**

A parliamentary committee was established in order to consider a demand by the Attorney-General's Office to lift the parliamentary immunity of a Member of Parliament accused of involvement in the alleged illegal granting of work permits. National Unity Party (UBP) Lefke Deputy, Aytac Caluda is under suspicion from his time as private secretary to the Minister of Labour and Social Security between 2009 and 2013. Caluda took the stand during the debate to demand that the immunity of all members of parliament to be lifted.

Local elections were held on June 24. The senior coalition partner Republican Turkish Party (CTP) won 10 while the main opposition National Unity Party (UBP) won 7 municipalities. Independent candidates, who were in practice supported by one or more parties, won 9 out of 28 municipalities while junior coalition partners Social Democratic Party (TDP) and Democratic Party (DP) won 1 each. According to the Higher Electoral Council (YSK), 71.4% of 191.153 voters cast their votes in 734 ballot boxes. The turnout stood at 58.55% in the capital Nicosia, 70.68% in Famagusta, 68.6% in Kyrenia, 71.9% in Morphou (Guzelyurt), 77.73% in Trikomo (Iskele) and 81% in Lefke. In all 6 major towns, incumbents got re-elected and overall only 5 of them were replaced by challengers.

### **Labour Relations and Trade Unions**

In the workplace inspections conducted in the January-March period by the inspectors from the Labour Department, it was found that there were still a large number of workers who did not have work permits. In the aforementioned period, 867 workplaces were inspected. Of 926 employees working in these workplaces 114 (12.3%) were identified as unregistered workers. 83% (95 out of 114) of the unregistered workers were citizens of Turkey.

Some 140 workers at Erchan (Tymbou) airport ground handling services company, CAS, held demonstrations to voice their concern over the future of their company. It is estimated that soon it is likely to have no customers after one airline stopped its charter flights in late June and another signaled the intention to end its contract with CAS in July. The workers called on the government to take "essential steps" to protect what they claimed was a public enterprise – a view not shared by the Attorney-General.



## 5. FES Cyprus Events

### July

**Wednesday, 11<sup>th</sup> July, 10:00 am – 12:00 pm**

Ömer Gökçekuş, Sertaç Sonan / FES

#### **Launch of the FES Report on Corruption Perception in the north of Cyprus**

Chamber of Commerce, 90 Bedrettin Demirel Caddesi,  
Nicosia (northern part), Cyprus

Open to the public



### August

**Friday, 10<sup>th</sup> August – Thursday, 16<sup>th</sup> August 2018**

WINPEACE / FES

Workshop

#### **SUMMER YOUTH PEACE CAMP: PEACE CULTURE AND GENDER EQUALITY**

Kyrenia, Cyprus

Not open to the Public

#### **Imprint:**

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