



Contents

1.	Cyprus Problem.....	2
2.	Hydrocarbons.....	3
3.	Greek Cypriots	4
	Economic Developments	4
	Domestic Developments.....	5
	Labour Relations and Trade Unions:.....	5
4.	Turkish Cypriots	7
	Economic Developments	7
	Relations with Turkey	7
	Domestic Developments.....	8
	Labour Relations and Trade Unions.....	9
5.	FES Cyprus Events	9

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1. Cyprus Problem

On July 3, UN Secretary General Antonio Guterres, assigned Jane Holl Lute as his special envoy in Cyprus. Lute's mandate included to assess prospects for a resumption of the reunification talks by liaising with all the participants at the Conference of Cyprus (Greek Cypriots, Turkish Cypriots, United Kingdom, Greece and Turkey), after these collapsed in July 2017 in Crans-Montana. Reportedly, Ankara which was the only party delaying Lute's appointment due to the elections in Turkey, gave the green light after a meeting held in New York between a Turkish representative and UN officials.

On July 23, Lute held separate meetings with the Turkish Cypriot and Greek Cypriot leaders, Mustafa Akinci and Nicos Anastasiades respectively. She also met with Special Representative of the UN Secretary General in Cyprus, Elizabeth Spehar. Lute will carry out a series of contacts in Brussels, Athens, Ankara and London before submitting her report in early September to Guterres. According to UN Secretary-General Spokesman, Stephane Dujarric, Guterres will then decide on the next steps on the Cyprus problem.

On July 26, the UN Security Council renewed UNFICYP's mandate in Cyprus until January 31, 2019. According to the mandate renewal text, the Security Council called on the two leaders to foster positive public rhetoric, and clearly explain the benefits of a Cyprus settlement. The resolution also stressed the need for "increased

flexibility and compromise" and called on all parties concerned to demonstrate the necessary political will and to engage in a constructive spirit in the ongoing deliberations under UN auspices, so that reunification talks could recommence. It also called on the parties to cease and desist from any actions which may damage the prospects for success including by "refraining from rhetoric that could make a successful process more difficult to accomplish". For the first time, the mandate also included a gender socio-economic impact assessment to be conducted by both sides. The purpose is to ensure transformative legislation policies and clearly defining gender equality objectives keeping in line with international humanitarian gender minimum standards.

On July 24, Turkish Foreign Minister Mevlut Cavusoglu, met with Akinci in the north¹. Speaking to the Turkish Aksam news outlet, Cavusoglu warned that if the Greek Cypriots start drilling in autumn so will Turkey.

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).

July 20, marked the 44rd anniversary of the 1974 Turkish invasion which resulted in the occupation of the island's northern third following a military coup engineered by the Greek military junta that toppled the government of the Republic. A series of memorial services and other events were held in the south. In the north, events were held to commemorate the 44rd anniversary of what Turkey calls the "Cyprus Peace Operation". The Turkish Vice-President Fuat Oktay attended the ceremonies too.

Four Turkish Cypriot and Greek Cypriot journalists prepared a glossary of acceptable and offensive terms that could be used or should be avoided in media coverage of the Cyprus Problem by both sides. This is not the first time terminology in the press was addressed. Several projects over the years have sought to address this issue however the results remain the same: the journalists remain divided in the set of 'trigger' words used in their reports. The glossary, called 'Words That Matter: A Glossary for Journalism in Cyprus' was a joint undertaking between two Greek Cypriot and two Turkish Cypriot journalists – Maria Siakalli, Christos Christofides, Esra Aygin and Bekir Azgin. The glossary was supported and funded under the auspices of the Representative on Freedom of the Media, Organisation for Security and Cooperation in Europe (OSCE). The majority of journalists working in the Republic of Cyprus did not endorse the glossary and have taken their complaints to the European Commission considering it a violation of the freedom of speech.

The senior coalition partner Republican Turkish Party (CTP) launched a solidarity campaign for the victims of the wildfires in Greece. A CTP spokesman said "we wanted to act alongside civil organizations and municipalities in the south to send aid to those who were affected by this tragedy".

2. Hydrocarbons

According to Reuters, Greek oil and gas company ENERGEAN is seeking approval from the Cyprus government for a proposal submitted in July to build a pipeline from Israeli offshore gas fields for the import of 0.5 -1 billion cubic metres (bcm) of gas per year to the island. Such an agreement would help Cyprus meet its obligations to switch to cleaner energy, such as natural gas and renewables by 2020 if it is to avoid hefty fines by the European Commission. The gas will be transported to Cyprus from the Tanin and Karish gas-fields in Israel by building a 200 km pipeline. Experts assess that ENERGEAN's offer is worth considering as gas can be delivered to Cyprus at less than \$6.50 per million btu with all costs added. This is substantially lower than the cost of the proposed LNG imports which may reach \$8-10 per million btu.

According to Energy Minister Yiorgos Lakkotrypis, Cyprus is taking all necessary measures to ensure that US energy giant, EXXONMOBIL's exploratory programme in the

island's exclusive economic zone (EEZ) proceeds smoothly. EXXONMOBIL, along with QATAR PETROLEUM have been awarded the exploration licence in block 10. It will carry out two exploration drillings in the fourth quarter 2018.

3. Greek Cypriots

Economic Developments

On July 8, the parliament passed legislation to modernise the foreclosure and insolvency framework to make it easier for banks to pursue strategic defaulters and reduce the €20bn of non-performing loans (NPL's). The approval of the legislation by parliament was a precondition set by the European Commission's competition watchdog for approving the Hellenic – Cyprus Cooperative Bank (CCB) agreement, signed in June 2018. As a consequence, on July 24 the Commission for the Protection of Competition approved the Hellenic-CCB agreement thus removing another obstacle for the acquisition of the latter's operations.

According to Bloomberg, three US financial asset management companies are considering buying up to €5bn in NPL's from Bank of Cyprus as part of the bank's Hellix project. The three companies are Apollo Global Management Pacific Investment Management Co. (Pimco) and Lone Star Funds. Bank of Cyprus in March reduced NPL stock to €8.3bn from €8.8bn in December and is targeting a €2bn decrease by year end. While NPL's in the Cypriot banking

system fell below €20bn in March for the first time since December 2014, they are still considered a major risk for the banking system. Pressure from the European Commission and supervisory authorities led the parliament on July 8 to update foreclosure and insolvency legislation.

According to CyStat the number of tourists arrivals in June rose 8.2% to 511,073 compared to the respective month of 2017. The number of visitors from the UK, traditionally Cyprus's largest source of incoming tourism, rose in June an annual 9.9% to 165,477. Arrivals from Russia, which in recent years developed to Cyprus's second largest market, decreased by 5.1% to 123,327. The number of tourists from Germany and Israel also fell 15% to 23,814 and 11% to 16,289 respectively.

Moody's Investors Service has upgraded Cyprus' long-term issuer rating to Ba2 from Ba3 from positive to stable. According to Moody's, the upgrade is driven by a number of factors, such as the ongoing recovery of the banking system, in the context of which the liquidation of the CCB via the sale of its healthy assets and liabilities has materially reduced systemic risks emanating from the banking sector. The stable outlook on Cyprus's Ba2 ratings, balances Cyprus' strong fiscal dynamics against pressures for higher public expenditure. It also reflects uncertainty around the extent to which new legal tools will enable a material decline in the banking system's NPL ratio.

Domestic Developments

On July 23, Japan opened an embassy in Cyprus marking a historic milestone in the relations of the two countries. A Cypriot embassy in Tokyo is expected to open by year's end. The embassy was inaugurated by Japanese state minister for foreign affairs Kazuyuki Nakane.

Labour Relations and Trade Unions:

A serious dispute emerged in the public education sector as the Ministry of Education proceeded, without prior consultation with the teachers' trade unions, to impose a series of reform measures which among others increase the teaching time. The education trade unions POED, OELMEK and OLTEK reacted threatening with strike action and demanded the resignation of the Minister while they also staged a massive demonstration. The President backed his Education Minister and the General Auditor also joined in issuing a series of statements about the need of cuts in education. The government also managed to secure the support of the Parents' Association and invited them as well to the social dialogue process provoking further reactions from the trade unions. The government posted the leading members of POED to schools far away from Nicosia reducing the time allowed for trade unionism which was seen as a union busting measure. Other trade unions, including the Turkish Cypriot education trade unions, supported the teachers. PEO issued two statements of support referring to both the need to protect the "public school"

and "trade union rights" from a government that "acts arbitrarily and unilaterally ". The dispute is on-going.

After long negotiations and threats of strike action, a scheme for the voluntary redundancy of employees of the Cooperative Cyprus Bank was agreed. The Scheme has a target of 900 employees and offers generous compensation proportional to the years of service of each employee. It was accepted by the assemblies of the trade unions PEO, SEK and PASIDY which negotiated it. ETYK, the banking sector trade union, remained critical throughout the process and clashed with the other three unions.

The Municipality of Strovolos attempted to push through its plans of privatizing garbage collection through outsourcing of the service. PEO, SEK and DEOK have been opposing this for months and had also had a warning one-day strike last May. The Strovolos Municipality refused to adopt any of the proposals of the trade unions and proceeded to issue a call to buy services from the private sector and thus the trade unions proceeded to a 48-hour strike which then became a strike of indefinite duration. The workers protected their picket lines and did not allow the strike breakers sent to collect the garbage forcing the Strovolos Municipality to retreat, cancel the call (postponing it to the end of October) and engage in dialogue again with the trade unions.

OEB issued a statement after the disputes in education and the Cooperative Cyprus Bank

bringing up again its diachronic position of restricting the right to strike provoking as expected reactions from the trade unions. It also issued a statement against the strike of garbage collectors in Strovolos Municipality and another one complaining about the delays in the privatization of electricity. In another statement after the agreement for the voluntary redundancies in the Cooperative Cyprus Bank it condemned the deal reached as provocative and as setting a very bad example.

SEK and PEO expressed their satisfaction for parliament's approval of the agreement made with government over the gradual cancellation of the wage cuts in the broader public sector. SEK also called on the parliament to support the trade unions' position with respect to the strengthening the legal status of basic employment terms in the hotel and construction industries.

After another deadly work accident and one resulting in a serious injury, PEO raised again the issue of health and safety at work, demanding to be informed about the progress in the investigations.

SEK leadership had meetings with EU and ETUC officials in Bulgaria, which heads the European Council and the European Pillar of Social Rights was discussed along with issues concerning collective bargaining.

SEK complained about the delays in the reform of the local administration and accused the parliament and the municipal authorities of lack

of political will resulting in an uncontrolled sale of services market. Local authorities employ persons without regulated employment terms creating modern "slave markets" whereas as public bodies municipalities should have been model employers abiding by existing collective agreements.

SEK issued a statement with suggestions concerning the employment of foreign workers including the establishment of a tripartite committee monitoring the labour market and identifying sectors with labour shortages. This should be complemented with the training of the unemployed and the regulatory strengthening of existing collective agreements. The Unified Inspection Service should be immediately established, stated SEK which issued yet another complaint about the delay in this, and heavier fines and punishments should be imposed including the "naming and shaming" of employers who break the law. In the long run SEK suggests that planning is needed in order to better connect the education system with the needs of the labour market.

The left-wing Greek Cypriot trade union PEO and the left wing Turkish Cypriot trade unions DEV-IS, KTAMS, KTOS, KTOEOS, BES, DAU-SEN and KOOP-SEN are organizing again a bi-communal event for the 1st of September 2018 in the buffer zone. In addition, in their common statement they call upon the working people and the society in general to intervene in support of the Cyprus negotiation process and for this they intent to work together for a mass bi-

communal rally to be held in October. They also expressed their solidarity to the people of Greece and their willingness to send economic aid those who suffer as a result of the recent deadly fires.

4. Turkish Cypriots

Economic Developments

Prime Minister Tufan Erhurman said only 20% of the people working in the country's tourism sector are citizens of the TRNC. The sector is dominated by Turkish citizens (55%) and migrants from other countries (25%). The statement came during the "North Cyprus Tourism Strategy 2024" workshop held in Kyrenia. Erhurman pointed out that tourism was one of the "two instruments" available to reduce the country's current account deficit, with the other being the higher education sector. He said that data showed that last years' net earnings from tourism totalled \$865 million, a figure that was below the potential. The failure to diversify the sector, encourage year-round tourism and use local products were all factors listed by the PM as holding back growth. Highlighting the migrant labour statistics in the tourism sector and the youth unemployment rate (19%), Erhurman pointed out: "That's what mainly interests me as the Prime Minister."

According to the information from the Turkish Cypriot Central Bank, savers continued to turn their TL bank deposits into foreign currency

because of the high inflation of the Turkish currency. The share of Turkish lira in total deposits dropped to 41%.

An unexpected rise in inflation has left a 120 million TL (€20 million) hole in the state's budget, Erhurman said in a press conference attended by the entire cabinet. The government had based public spending for 2018 on an annual inflation estimate of 5.2% but latest figures showed it had already reached 12.1%, due mainly to the rapid devaluation of the Turkish Lira. Erhurman said that rising exchange rates had delivered a 250 million TL blow to the economy, without considering the indirect impact. Erhurman also denied the speculation that the four-party coalition was on the brink of collapse.

Relations with Turkey

Turkish President, Recep Tayyip Erdogan paid his first official visits to Azerbaijan and the TRNC. During his visit Erdogan reiterated his government's policy 'to double the TRNC's per capita income by turning it into a centre of attraction in the Eastern Mediterranean'.

Under its new presidential system, Turkey no longer has a minister dedicated to "Cyprus Affairs". Matters pertaining to the TRNC and Cyprus issue will now be dealt with by a new unit that will come under the responsibility of the country's Political Affairs General Directorate, which will report directly to Erdogan.

Turkish Foreign Minister Mevlut Cavuşoglu paid his first visit to the TRNC following his reappointment, and came together with Akinci and the leaders of the political parties represented in the parliament to evaluate the possible steps to be taken on the Cyprus problem. The visit coincided with Lute's visit to the island.

The head of the Civil Defence Organization (CDO) has been expelled both from his post and from the Turkish Army under a state of emergency decree issued in Turkey. He was dismissed due to links with what the Turkish government considers to be the Fethullah Terrorist Organization (Feto). He became the third CDO head to be expelled over alleged links with Feto.

Domestic Developments

According to the deputy chairman of the Turkish Cypriot Medical Association, the Ministry of Agriculture is unable to cope with uncontrolled pesticide use, and described the country's facilities for testing food for such contaminants as "shameful". Highlighting a "lack of statistics and data" regarding contamination and food-related illnesses or deaths, he asked: "will we ever have food safety regulations complying with EU standards and how long will we turn a blind eye to our children and elderly becoming ill because of unsafe food production?" according to the report of the weekly, Cyprus Today.

Main opposition National Unity Party (UBP) Nicosia deputy, and former Finance Minister, Ersin Tatar announced that he would run for the

leadership of his party. Tatar is the third UBP MP to announce a leadership challenge to incumbent Huseyin Ozgurgun who will seek re-election at UBP's conference in autumn. Other hopefuls are Faiz Sucuoglu and Hasan Tacoy, both Nicosia MPs and former ministers. Former Minister of Economy Sunat Atun is also expected to run.

According to a report supported by the Friedrich-Ebert-Foundation in Cyprus, 89% of the business people, who took part in the survey conducted as part of the study, said that corruption and bribing existed in the northern part of Cyprus. The report used the Transparency International's methodology to gauge the level of corruption in the northern part of Cyprus. The corruption perception score was calculated as 40, which placed the TRNC in joint 81st position with Turkey whereas with a score of 57, the Republic of Cyprus fares considerably better and is ranked in 42nd place.

The northern part of Cyprus is ranked in the lowest category for efforts to eliminate human trafficking. According to the Mediterranean Institute of Gender Studies, the Republic of Cyprus has climbed up a category to Tier 1 reported by the US State Department's annual Trafficking in Persons Report. The report also identified the north as inadequate in addressing this issue by stating that: 'the Turkish Cypriot-administered area continues to be a zone of impunity for human trafficking. Turkish Cypriot authorities do not fully meet the minimum

standards for the elimination of trafficking and are not making significant efforts to do so.'

On 18 July, a boat carrying migrants capsized off the Yeni Erenköy/Yialousa shore killing at least 19 refugees. A total of 104 victims were rescued in a five-hour operation about 17 nautical miles (30 kilometres) off the coast. The refugees' intended destination was unknown but the route from Turkey to the northern part of Cyprus is known to be used by traffickers bringing refugees to the southern part of the island.

Labour Relations and Trade Unions

The Trade Unions Platform staged a demonstration in front of the Prime Minister's office to urge the government to take measures to help people hit by the melting down of the Turkish Lira. The statement called on the government to index salaries to a 'stable currency' and reflect the cost of living in salaries 'every two months' (rather than every six months) as well as abolishing VAT on basic goods. Meanwhile, the Chamber of Commerce issued a statement calling for structural reforms (including tax, agriculture and public-sector) to make the TRNC more attractive to foreign investors. It also called on the government to bring down the electricity bills.

Workers of one of the two ground handling services companies at Ercan (Tymbou) airport, CAS, continued their demonstrations over unpaid wages and concerns that they would be made redundant. Workers protested on the

Nicosia-Famagusta main road hoping to catch the eye of visiting Turkish Foreign Minister, Mevlut Cavusoglu, after police prevented them from demonstrating at the airport. Workers' leaders vowed to continue protesting in pursuit of their pay and confirmation of their status, if their problems remained unheeded. The workers, who claim they have not been paid for 57 days, say they are unsure whether they were working for the state or a private company.

5. FES Cyprus Events

August

Friday, 10th August – Thursday, 16th August 2018

WINPEACE / FES
Workshop

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

Kyrenia, Cyprus

Not open to the Public



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