



Contents

1.	FES Cyprus Events	2
2.	Cyprus Problem.....	2
3.	Hydrocarbons.....	4
4.	Greek Cypriots	5
	Economic Developments	5
	Domestic Developments.....	6
5.	Turkish Cypriots.....	9
	Economic Developments	9
	Relations with Turkey	9
	Domestic Developments.....	10
	Labour Relations and Trade Unions.....	11

FES NEWS

- - please follow and visit us on -

[Twitter.com/FESCyprus](https://twitter.com/FESCyprus) - www.FEScyprus.org - www.facebook.com/FEScyprus

For subscription to this free newsletter please find the form
here www.fescyprus.org/newsletter/

1. FES Cyprus Events

September

Thursday, 19th - Friday, 20th September 2019

EMSI/ University of Nicosia School of Law / FES
et al. Conference

**4th Annual Eastern Mediterranean Studies
Initiative (EMSI) Conference**

Thursday, 19th September, 6 pm - 8 pm
Friday, 20th September, 9:15 am - 6 pm

Cine Studio Amphitheatre
University of Nicosia, Nicosia

Open to the Public



October

Friday, 25th – Sunday, 27nd October 2019

IKME / BILBAN / FES
Workshop

Cypriot Citizen Assembly – a Decisive Necessity

Place tba, Cyprus

Not open to the public



October

Thursday, 31th October 2019, tba

PRIO / FES
Conference

**(Re)boarding the nations: citizenship, politics
and social inclusion in the "new" eastern Med-
iterranean**

Fulbright Center, next to Ledra Palaca, Nicosia

Open to the Public



2. Cyprus Problem

August began with the Turkish Cypriot and Greek Cypriot leaders, Mustafa Akinci and Nicos Anastasiades, holding their first meeting since February 2019 as announced in July.

The leaders met on August 9 and agreed to pursue efforts to restart reunification talks. According to a UN statement issued after the meeting, the leaders said they had a constructive exchange of views and decided to continue to work with UN envoy Jane Holl Lute to finalize the terms of reference in order to kick-start a new round of negotiations that could lead to a

settlement with a “sense of urgency”. The leaders also agreed to hold a tripartite meeting with the UN Secretary-General in September to plan the way forward leading to negotiations.

The hydrocarbons issue was among the key matters discussed during the meeting where Anastasiades verbally suggested the participation of the Turkish Cypriots in the revenue sharing of the natural gas in exchange for Turkey to delaminate its EEZ with Cyprus. In particular, through a non-paper sent to Akinci following the meeting Anastasiades proposed for the creation of an escrow account that would safeguard the Turkish Cypriots share of the natural gas proceeds. According to the proposal the Turkish Cypriot community will be able to immediately reap a 30% share once revenue starts flowing into the fund, estimated to be around 2022. The proposal carried the condition that Turkey would adopt the UN Convention on the Law of Sea and agrees to delineate its EEZ with Cyprus a move aiming to deescalate tension and terminate Turkish drillings off Cyprus but also to recognize the RoC. In addition to the escrow account Anastasiades’ proposal included the creation of a mechanism allowing Turkish Cypriots to remain informed of decisions and developments regarding the management of natural gas. The non-paper was reportedly forwarded to Turkey which has yet to comment on the matter. Akinci had proposed in July the creation of a joint committee which was rejected by the Greek Cypriot side on the grounds that only sovereign states can make decisions concerning their exclusive economic zones (EEZ).

The fenced town of Varosha which its Greek Cypriot inhabitants abandoned in August 1974 ahead of the advancing Turkish army and used by the Turkish side as a bargaining chip, was also discussed during the meeting. The Turkish Cypriots rejected a Greek Cypriot proposal for the creation of a joint committee on the city.

Regarding confidence-building measures, the two leaders welcomed the implementation of the confidence-building measures they formerly announced, including the electricity interconnectivity and mobile phone interoperability, that would facilitate greater interaction between the two communities. The two leaders also reaffirmed their commitment to intensify the work of the Technical Committees. Akinci also submitted a proposal for a common car insurance framework. Currently, insurance purchased on the one side of the island is not valid on the other side.

On the eve of the meeting of the two leaders, the Bi-communal Peace Initiative, United Cyprus organised a meeting on the buffer zone under the slogan ‘Solution, Reunification and Peace’. The participants called on the leaders to restart the negotiation process and work towards a united Cyprus.

On August 26, the Cyprus News Agency reported that Lute was expected on the island on August 31 in an attempt to finalize the terms of reference that would pave the way to resume negotiations. Separate meetings with Anastasiades and Akinci were scheduled for September 1.

On August 29 TRNC¹ foreign minister, Kudret Ozersay gave a group of reporters accredited with the Turkish Cypriot administration a tour into the fenced off town of Varosha. Ozersay stated that the TRNC planned to gradually open Varosha in line with a policy that will ensure the rights of property owners and the Evkaf, a Muslim charitable foundation. Evkaf claims a considerable part of the fenced off town, a demand rejected by the Greek Cypriot side. Foreign Minister Nicos Christodoulides suggested that Turkish Cypriot rhetoric around Varosha were aimed at poisoning the climate and preventing the resumption of reunifications talks.

August 14 marked the 45th anniversary of the second phase of the Turkish invasion during which Turkish troops advanced from the island's north to seize 37% of the island. Turkey first invaded on July 20, 1974 which was exactly five days after the government of Archbishop Makarios was toppled by a military coup or-

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).

chestrated by the military junta then ruling Greece.

3. Hydrocarbons

On August 30, Turkey issued a new navigational warning (Navtex) reserving a sea area off the island's western coast for gas exploration until November 1. Essentially, it is the same area, 36 nautical miles west of Akamas, where its drillship, Fatih, has been carrying out drilling since May 3. The area falls within territory claimed by the Republic of Cyprus as its Exclusive Economic Zone. The previous Navtex expired on September 3.

During the First Energy Ministerial Conference held in Athens on August 7, the respective energy ministers of Greece Israel and Cyprus, Kostis Hatjidakis, Yuval Steinitz and Giorgos Lakkotrypis as well as US Assistant Secretary of State for Energy Resources, Francis Fannon, expressed their full support to Cyprus' sovereign right to exploit its energy resources and to strengthen their cooperation in the energy and environmental fields.

On August 23, Turkish President Recep Tayip Erdogan stated that Turkey is determined to continue exploring for natural gas and oil in the eastern Mediterranean and warned that consequences would befall *'those who refuse to learn their lesson'*. He also argued that it was impossible for a project to be realised if Turkey and

the Turkish Republic of Northern Cyprus were not involved. Meanwhile, speaking in Paris while receiving Greek Prime Minister Kyriakos Mitsotakis, French President, Emmanuel Macron, stated that the European Union would not tolerate Turkey's "illegal actions" within Cyprus' EEZ. The French leader expressed France's solidarity towards Greece and Cyprus with regard to Turkey's actions in the eastern Mediterranean.

A multinational consortium of JV China Petroleum Pipeline Engineering Co Ltd, Aktor S.A. and Metron S.A., with Hudong-Zhonghua Shipbuilding Co. Ltd and Wilhelmsen Ship Management Limited, ranked first in the evaluation for the construction of the infrastructure required for the introduction of natural gas in Cyprus. It followed a lengthy and complex tender process overseen by the state natural gas company, DEFA. The LNG Import terminal to be constructed includes a Floating Storage Regasification Unit (FSRU), a jetty for the mooring of the FSRU, jetty borne and onshore pipelines as well as additional facilities. The LNG Import Project is co-financed by a grant from the EU Connecting Europe Facility (CEF) financing instrument. According to DEFA natural gas for power generation should be expected on the island late in 2021.

4. Greek Cypriots

Economic Developments

According to Eurostat a decline in unemployment was recorded in July 2019 to 7% or 31.000 people, compared to 7.2% or 32.000 people in June 2019 and 8.3% or 36.000 people in July 2018.

In a written statement following a bipartisan visit to Cyprus that concluded on August 29, the head of the US House Financial Services committee, Congresswoman Maxine Waters, said she was pleased to see that close cooperation and coordination between the US and Cyprus was beginning to pay off with regards to fighting illicit financial activity. According to a statement, the financial services committee had passed legislation improving the reporting by banks of suspicious activities to law enforcement and closing loopholes involving the sale of real estate, arts and antiquities.

German-based ratings agency Scope has affirmed Cyprus' BBB- sovereign rating with a stable outlook citing the island's continued economic recovery and fiscal consolidation as well as its euro area membership. It did warn however, that a concentrated and externally-dependent economy presents risks to the stability and sustainability of Cyprus' growth model, and subsequently its fiscal performance and financial stability. The high stock of non-performing loans also continues to be a key credit weakness.

According to Eurostat, Cyprus recorded a trade deficit of €2.4bn in the first six months of 2019 compared to €1.8bn in the same period of 2018.

The Ministry of Finance is considering raising the corporate tax rate from the current 12.5% to 15%. The mooted increase is related to problems arising in the area of international services from maintaining an overly low corporate tax relating to double taxation agreements and the country's placement on black lists. The statutory corporate tax rate in Cyprus is among the lowest in the European Union.

Domestic Developments

An August 14, a report issued by the Organised Crime and Corruption Reporting Project (OCCRP) implied a link between the Troika Laundromat and President Anastasiades' law firm. The Troika Laundromat was a network of shell companies operating between 2006 and 2013 moving at least \$4.6bn and enabling its users to hide assets, evade taxes or launder money, mainly for the benefit of senior leaders of politics and business in Russia. Anastasiades remained co-owner of the law firm he established in the 1970s until February 2013 while his two daughters are currently shareholders. Citing the contents from leaked documents of the now-defunct Lithuanian Ukiro Bankas, the report noted that during the period when Anastasiades was a partner at the firm, it facilitated transac-

tions carried out by four companies who were major players in the Troika Laundromat. According to the report two of those shells – Bathern Ventures Ltd. and Matias Co Ltd – had sent more than \$323m into the system for various reasons, mostly unknown. The leaked documents also suggest that Alexander Abramov, a Russian billionaire, was behind both companies, and that he used them to buy a major Russian energy concern at an enormous discount. Abramov reportedly received later a Cypriot EU passport with the help of the Anastasiades law firm. The President came under heavy criticism by opposition party AKEL which demanded for explanations over the report, while MOKAS the anti-money laundering unit asked from the law firm for information with regards to the report accusations. The government branded the report as libellous and devoid of reality.

On August 26, Simos Ioannou, was sworn in as new Famagusta mayor after his predecessor Alexis Galanos passed away in July. Ioannou was backed by AKEL, DIKO the Democratic Front and the Citizens' Alliance securing 48.94% support or 4.697 votes.

New criteria for the citizenship by investment scheme which were approved by the Council of Ministers in February 2019 and will include the carrying out of due diligence on applicants, were finalised in August. Bad press and criticism from the European Commission forced the government to introduce stricter criteria for the scheme which issues a Cyprus passport to individuals that invest more than €2m. These in-

vestments were usually in luxury real estate and were largely responsible for the construction boom of the last few years. Three firms that have not been named, will now carry out due diligence on every applicant. Politically exposed persons and individuals under sanctions will be excluded from the process.

Labour Relations and Trade Unions

On August 2, in a joint announcement, the educational trade unions of the Organization of Greek High School Teachers of Cyprus (OELMEK), the Pancyprian Organization of Greek Elementary School Teachers (POED), and the Cyprus Technical Education Officers Organization (OLTEK) asked the Minister of Finance to reinstate a pension plan based solely on state contributions. They asked the minister to accelerate the procedures for the following: 1) a final settlement of teachers' gratuity for those teachers not integrated into the existing pension plan and 2) a currently proposed law on early retirement of teachers/civil servants without actuarial reductions. They mentioned that the two above issues were raised with the Minister of Finance at a meeting on 16th of July 2019 with no response yet. The labour dispute over the renewal of the collective agreement in the hotel industry between the Cyprus Workers Confederation (SEK), the Pancyprian Federation of Labour (PEO) and the Cyprus Hotels Association (CHE) as well as the Association of Corporate Travel Executives (ACTE) also in August,

was at risk of deadlock. The agreement expired on 31st of December 2018. Following the deadlock in negotiations, the Minister of Labour Zeta Emilianidou, as a mediator, is called upon to manage the labour dispute and prevent the possibility of a strike in the hotel industry. It is worth noting that the representatives of the hotel staff who are members of SEK and PEO have been given the green light by most of their members to take strike action if the negotiations end up deadlocked. According to the Code of Industrial Relations, neither side can show strong action unless a deadlock is formally declared by the ministry's mediating agency. A major thorn in the negotiating deadlock has been the demand for legalization of pay scales. In their arguments, hotel workers explained that the need for legal regulation of minimum wages arose because of the behaviour of certain employers that hire employees on personal rather than collective contracts, thereby reducing their earnings and other provisions of the collective agreement. However, the leaders of the hoteliers' associations have expressed that meeting the wage demands of the employees and any wage regulation will result in a 28% increase in labour costs. It should be noted that the unions, in addition to renewing the collective agreement, are claiming a 4% wage increase per year, revising the articles of the collective agreement that were amended by the special agreement of 2013 -2015, due to the financial crisis and their reinstatement as agreed in the contract that expired on December 31, 2012. However, on August 28, the Min-

ister of Labour, Zeta Emilianidou, after a 21-hour meeting with trade unions and hotel associations spoke of an initial agreement on the renewal of the collective agreement in hotels. In her statement after the meeting and when asked about the negotiations on renewing the collective agreement in the hotel industry, she said: *"It is important that, after a difficult negotiation, we have an initial agreement – which however has to go be validated by the general assemblies of both the employer and the employees - following a mediating proposal I have made. It is a balanced proposal that on the one hand safeguards workers' rights and on the other maintains the competitiveness of the tourism industry"*. Asked about what the agreement provides in principle, she said that *"the key issues were the establishment of a minimum wage for certain categories of employees in the hotel industry to ensure that these employees had a decent salary. There has been a demand for workers to reinstate some of the rights they had granted in 2013 and these have been partially restored. "* She also added that *"the agreement is four years long and we have come to an end to ensure labour peace for a longer period of time."*

After the long-awaited end to the long-running hotel dispute, the Minister of Labour, Zeta Emilianidou, took the lead on renewing the collective agreements of bank employees. Indicatively, the collective agreement of Bank of Cyprus employees has expired since December 2017. Since the beginning of the year the Minister of Labour has kept the process of informal

contacts between bank leaders alive and is expected to formally intervene in September 2019. The big obstacle in the effort to peacefully renew the collective agreements in the banking sector has been the failure to grant bank staff the annual wage increase for 2019 up to date. At her meetings with bankers, Emilianidou has reportedly made it clear that this increase is a contractual obligation on the part of the employer under collective agreements. All banks have raised the issue of changing the way yearly increases are granted, arguing that this practice, which has been in place for decades, has proven to be a disincentive for productive employees and an incentive for non-productive ones. In addition, the employer also considers the need to change the way staff are evaluated for promotion as current practices do not prioritize competence and skills. The members of the Cyprus Union of Bank Employees (ETYK) in the context of renewal of the collective agreement asks also for remuneration for cuts imposed in 2013 due to the banking crisis. The total cost of ETYK's demands for renewal of the expired collective agreements is 5% each year, excluding the cost of the General Healthcare System (GESY) imposed to the bankers since last March. The banks' administrations have insisted and have also provided relevant information to the Minister of Labour that the amount of existing labour costs is excessive and tends to increase, as they say, limiting their profitability prospects.

5. Turkish Cypriots

Economic Developments

The rise in cost of living for the month of July has been announced at 1.07%; pushing the 12-month inflation reach 23.24%.

According to the official trade statistics, imports fell by almost 25% from \$593 million to 445 million in the first four months of 2019 compared to the year earlier, indicating a sharp slowdown in the economy. The exports also fell from \$48 million to 40.7 million.

In the January-July 2019 period the occupancy rate of the hotels was 45.3%, which is lower than the occupancy rates in 2018 in the same period, which was 49.9%. Turkish Cypriot weekly Cyprus Today reported a sharp decline of tourist arrivals from the UK.

The new minimum wage has been set at 3,400 TL (gross). The net wage after deductions will be 2,958TL (€ 460). Following the Minimum Wage Determination Commission's meeting, the Minister of Labour and Social Security Faiz Sucuoglu said that an 8% increase was agreed upon after a vote. The government and employee sides (represented by right-leaning Hur-Is, the federation with the highest number of members) voted in favor while the employers' representatives abstained. Other unions criticized the decision. Hur-Is representatives defended themselves saying if they did not accept the offer on the table, the minimum wage would have re-

mained the same. The new minimum wage came into effect as of the 1st of August.

Relations with Turkey

On August 23, the Turkish Cypriot Prime Minister, Ersin Tatar was received by the Turkish President Recep Tayyip Erdogan in Ankara. Following the meeting, a joint press conference was held in which Erdogan said that Turkey would "resolutely" continue to explore hydrocarbon resources in the Eastern Mediterranean and warned: "No project ignoring Turkey or the TRNC can be realized in the Eastern Mediterranean." Erdogan went on to say it was a "shame" of the European Union that the bloc sided with the Greek Cypriots, who have not fulfilled any of its promises made to the UN and international community.

On August 6, the Deputy Prime Minister and Foreign Minister Kudret Ozersay took part in the 11th Ambassadors Conference which was held in Ankara. Delivering a speech during the conference, Ozersay said that the conditions needed for a federal partnership in Cyprus did not exist. Ozersay also held a meeting with his Turkish counterpart Mevlut Cavusoglu.

Turkish Minister of Energy and Natural Resources, Fatih Donmez visited the TRNC and met with the President, Prime Minister and the Minister of Energy. Donmez also paid a visit to the Yavuz drilling vessel, which was carrying out drilling activities off the shores of the

Karpasia/Karpaz peninsula. Turkish Cypriot Prime Minister and the Minister of Energy accompanied Donmez.

The Turkish Minister of Defense, Hulusi Akar visited the TRNC. Commanders in Chief of the Turkish Armed Forces (i.e. the Chief of General Staff, the Commander of the Turkish Land Forces, the Commander of the Air Force and the Commander of the Navy) accompanied Akar during the visit. President Akinci hosted a dinner in honour of the guest minister and his accompanying delegation.

Turkish Vice President Fuat Oktay visited with Turkish Cypriots taking part in a youth camp held in Turkey. Speaking with the Turkish Cypriot participants, Oktay said that they wanted to invite and host all Turkish Cypriot youth in camps in Turkey. He added that the Turkish Ministry of Youth and Sports was working hard for this upon instructions from Turkish President Erdogan. The youth camps held in Turkey are a controversial issue, which attracts strong criticism from teachers' unions on the grounds that these camps involved religious and political indoctrination.

The Minister of Finance Olgun Amcaoglu visited Ankara for a series of contacts. The focus of the visit was the Economic and Finance Cooperation Protocol between the two countries. *"I shall be discussing with my Turkish counterparts how to channel the 750 million Turkish Liras in financial support to be released in 2019. We shall also be discussing the next economic protocol which will*

cover the period between 2020 and 2022". Amcaoglu met with Bulent Aksu, the Turkish Deputy Finance Minister, and Naci Agbal, the Chief of Strategy and Budget at the Turkish President's Office.

The Turkish Minister of Culture and Tourism Mehmet Nuri Ersoy visited the TRNC and met separately with the Turkish Cypriot Ministers of Culture, and Tourism. Ersoy also paid a visit to the childhood home of late Turkish politician Alparslan Turkes which was recently converted into a museum by TIKA, the Turkish [International] Cooperation and Coordination Agency.

The Turkish Justice Minister Abdulhamit Gul also held contacts in the TRNC.

The Turkish Cypriot Minister of Public Works and Communications, Tolga Atakan met with the Turkish Minister of Public Works and Infrastructure Cahit Turhan in Ankara.

Domestic Developments

According to the latest quarterly study by the Centre for Migration, Identity and Rights Studies (CMIRS), Akinci is the most popular of a list of six possible presidential candidates. The survey, based on telephone interviews with a sample of 500 people, showed that 33% of respondents would vote for Akinci should he choose to run for re-election. This was 4 percentage points below the score of the previous quarter. Main opposition Republican Turkish

Party (CTP) leader, Tufan Erhurman, moved up from third to second place as he saw his support increase from 12.4% to 16%. Prime Minister Ersin Tatar, slipped from second to fourth as the proportion of his potential voters fell from 14.2% percent to 10.6% (Tatar has ruled out running for president). Foreign Minister, Kudret Ozersay's, projected vote share was up from 9% to 11.4%, putting him third.

According to the same study, political parties, the parliament, the government and trade unions are the least trusted institutions in the TRNC. They stood as part of the bottom four places of the list of 11 institutions, based on scores out of 5. Political parties' score was 1.81, down from 2.07 in the last survey conducted in March. The parliament's score was 2.23, while the government and trade unions' score were 2.27.

Labour Relations and Trade Unions

A demonstration was staged at Nicosia Public Hospital to back demands for the recruitment of more healthcare personnel to cope with the TRNC's fast-growing population. The urgent call for more staff, made by Civil Servants' Union (KTAMS), Public Officials' Union (Kamu-Sen) and the Nurses and Midwives' Union, came after a meeting between the Physicians' Union (Tip-Is) and Prime Minister, Ersin Tatar. Turkish Cypriot weekly, Cyprus Today reported that during the demonstration, KTAMS head Guven Bengihan

accused the Health Ministry of using threats to force health workers to undertake *"donkey work"*, emphasizing that they were required to work overtime in May, June and July while their overtime rates were reduced by 50%. *"I call on the ministry to employ more staff which would render compulsory overtime necessary,"* he said.

Energy workers will stage a "walkout" if the government fails to purchase new diesel generators, the Electricity Workers' Union (El-Sen) leader Kubilay Ozkirac told Cyprus Today following a meeting with Prime Minister Tatar. *"The previous four-party coalition government passed a Council of Ministers decision [in February] to buy four new diesel generators worth €30 million,"* he said. *"However, during our meeting with Tatar we got a strong impression that this government is not interested in buying new generators, but more in favor of acquiring electricity via a cable from Turkey". "Although we are not against an interconnection system, we are not in favor of switching complete control of our electricity to Turkey and dismantling [state electricity authority] Kib-Tek or rendering it powerless. Kib-Tek should be turned into an autonomous, democratic and professional institution,"* Ozkirac said.

On August 29, El-Sen cut the power supply of the Ministry of Finance. Ozkirac, said the "plug" had been pulled after the government failed to respond to a 48-hour ultimatum issued earlier. El-Sen members also staged a protest in front of the Ministry. The union claims that the Ministry owes over 100 million TL in unpaid bills to elec-

tricity authority Kib-Tek, although this is disputed by the government.

A workplace accident at a construction site in Kyrenia left one builder killed and two injured; the fifth workplace death so far this year.

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

Twitter: @FESCyprus

Text:

Hubert Faustmann, Yiannis Charalambous,
Sertac Sonan, Enis Porat, Gianna Chatzigeorgiou
and Sophia Papastavrou

Layout:

Gaby Hamann

If you want to subscribe to this (free) monthly newsletter, please fill in the form on our website:

www.fescyprus.org/newsletter/

If you want to unsubscribe please click the link in your FES Newsletter mail.