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FES NEWS

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1. Cyprus Problem

In September UN Secretary Representative for Cyprus, Jane Holl Lute resumed her contacts with the relevant parties involved in the negotiations of the Cyprus problem to determine whether a prospect for their resumption exists. Meanwhile, a series of meetings held on the side-lines of the UN General Assembly in New York created expectations for a new dynamic on the Cyprus problem.

On September 10, Lute met with Greek Foreign Minister, Nicos Kotzias in Athens. The Greek FM informed Lute about Athens' opinion on the Cyprus problem. Reportedly Kotzias conveyed to Lute that "the Treaty of Alliance and the Treaty of Guarantee, must be abolished". Lute also met with British Minister for Europe, Sir Alan Duncan, in London on September 12. Duncan described the meeting with Lute as "productive".

Lute also met on September 13 with EU High Representative and Commission Vice President, Federica Mogherini to discuss the EU's role in resolving the Cyprus problem. Lute's meeting with Mogherini concluded the UN envoy's series of international meetings with the main actors involved in the negotiations. Lute is expected to inform the UN Secretary-General about the results of her meetings.

On September 20, UN Secretary-General Antonio Guterres stated that he was 'eager' to review Lute's report which will determine the

international organisation's next steps on the Cyprus issue. The report was not yet presented to the UNSG by the month's end.

On September 17, Turkish President Recep Tayip Erdogan denied that Turkey was planning to establish a sovereign naval base in the north of Cyprus as per Turkish media reported in August. Erdogan however stated that the number of troops stationed in the north will increase.

The Cyprus problem was among the issues discussed in an hour-long meeting held between Greece's Prime Minister, Alexis Tsipras and Turkey's President, Recep Tayyip Erdogan, in New York. Meanwhile an informal guarantor's¹ meeting between British Foreign Secretary, Jeremy Hunt, Greek Foreign Minister, Nicos Kotzias and Turkish Foreign Minister, Mevlut Cavusoglu, was also held in New York. The meeting focused on the external aspect of the Cyprus problem, namely the issues of guarantees and security.

On September 26, Turkish Cypriot leader, Mustafa Akinci and Federica Mogherini discussed the Cyprus problem during a meeting held in New York on the side-lines of the UN General Assembly. Reportedly, Akinci informed the EU diplomat of the Turkish Cypriot side's determination to resolve the Cyprus problem, as well as their concerns and expectations.

¹ Greece, Turkey, and the UK are guarantor powers of the Republic of Cyprus, according to the 1960 Treaty of Guarantee.

Akinci and Mogherini also discussed EU relations with the Turkish Cypriot community.

On September 28, President Nicos Anastasiades held a 20-minute meeting with Guterres on the side-lines of the UN General Assembly. Anastasiades conveyed to Guterres that the Greek Cypriot side was ready to work with the UN to restart negotiations with a goal to achieve a solution as soon as possible, which will be based on the UN resolutions and the EU acquis. Anastasiades had met on September 27 with the five permanent members of the UN Security Council² after speaking to the UN General Assembly. Anastasiades stressed to the five permanent members, that he is ready to engage in a dialogue for a solution to the Cyprus problem (which was left off in July 2017 at Crans Montana) provided that there will be adequate preparation. The President stated that a solution should be based on the UN Resolutions and the Guterres Framework as it was tabled in Crans Montana. In his address to the General Assembly, Anastasiades said that he was concerned about the lapse of time since the last round of talks.

Guterres also met with Turkish Cypriot leader, Mustafa Akinci on September 28, with whom he exchanged views on the prospects for the resumption of negotiations. Akinci conveyed to

the UNSG that there was no question of seeking a settlement outside the UN parameters, but a new process with a clear objective and timeframe should be established in the negotiations.

During his address to the 73rd session of the UN General Assembly Greek Prime Minister, Alexis Tsipras expressed his country's full support to a just and viable solution to the Cyprus problem, based on UN decisions. Tsipras noted that the solution should be based on the UN Secretary-General's framework, and placed the Cyprus issue in the framework of the geostrategic developments in the region.

The Dherynia crossing between the two parts of Cyprus is expected to open on October 1st while the Lefka/Apliki crossing is expected to open within early October. The opening of the two crossings was agreed by the two leaders as a confidence-building measure in 2015.

In a written statement, the Turkish Cypriot presidential spokesperson, Baris Burcu criticized the Dutch and French Foreign Ministers who have refused to meet with the Turkish Cypriot side during their latest visit to the island. Burcu reminded the international community that the Turkish Cypriot side was one of the two equal sides on the island and that the ministers' bowing down to Greek Cypriot pressure was unacceptable. The timing was a key issue of concern for Burcu since the UN Secretary General was assessing the future of the Cyprus problem as well as the UN Peacekeeping Force on the island.

² The permanent members of the United Nations Security Council, also known as the Permanent Five, include the following five governments: China, France, Russia, the United Kingdom, and the United States.

2. Hydrocarbons

On September 19, Egypt and Cyprus signed an agreement for the construction of an underwater pipeline to export natural gas to Egypt. The deal was signed by Energy Minister Yiorgos Lakkotrypīs and his Egyptian counterpart Tarek el-Molla. The agreement is meant to facilitate the construction of a pipeline from Cyprus' Aphrodite gas field, estimated to contain around 4.5 trillion cubic feet of gas (tcf), to Egyptian shores and then to the Liquefied Natural Gas (LNG) facility in Idku. It can also apply to other gas fields that may be discovered off the island in the future.

On September 21, the Turkish Cypriot side stated that they would take retaliatory steps in consultation with Ankara over Cyprus' gas pipeline deal signed with Egypt. According to Bayrak TV, the TRNC³ foreign ministry in the north issued a statement saying "the agreement signed was a direct usurpation of the rights of the Turkish Cypriot people."

³ 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).

3. Greek Cypriots

Economic Developments

On September 29, a Post-Program Surveillance mission was completed by the European Council, the European Stability Mechanism, the European Central Bank and the International Monetary Fund. In a written statement, the four institutions called on Cyprus to maintain fiscal discipline and accelerate reforms, especially those linked to non-performing loans reduction. It also warned about the fiscal implications related to the sale and orderly winding down of Cyprus Co-operative Bank that may result in a large increase in public debt and also weigh on the budget balance in 2018.

Meanwhile on September 14, Standard & Poor's upgraded Cyprus' sovereign rating to investment grade after rating it junk for more than six years. According to the rating agency assigning a BBB rating placing the outlook of Cyprus on stable, as risks from high private and public debt are offset by strong growth prospects. In its statement explaining the upgrade, S&P noted that the Cypriot authorities, by carving out the bad assets of the Co-op bank had paved the way for a significant reduction in the banking sector's non-performing assets even though it came at a cost of 15% of economic output. On September 27, as a result of the upgrade to the country's credit rating, the European Central Bank restarted buying Cypriot bonds under its stimulus programme.

Domestic Developments

On September 10, AKEL leader, Andros Kyprianou accused Anastasiades for handling the Cyprus problem on his own without any input from the political parties. Kyprianou referred to the fact that there was no scheduled meeting of the National Council.

The Russian embassy in Cyprus accused DISY leader, Averof Neophytou for seeking to drive a wedge between Russia and Cyprus. Neophytou had stated in an interview with daily Phileleftheros that Russia was departing from its long-standing position on the Cyprus problem as it developed its relations with Turkey on Syria and energy.

Foreign Policy

On September 10, Cypriot Foreign Minister Nicos Christodoulides and his German counterpart Heiko Mass met in Berlin. The two discussed bilateral relations, Brexit, the Cyprus issue, the island's energy plans, migration and Turkey's EU accession.

Labour relations and trade unions:

Schools all over Cyprus closed on 18th and 19th of September, as teachers of Primary, Secondary and Technical Education came down on a 48-hour strike, following a vote which authorized their trade union leaderships with around 95% to call for industrial action. Teachers complain, as they say, about the decisions taken by

the government on 4 July 2018 and effectively imposed in the current academic year.

This strike was according to president of POED Filios Fylaktou "the last resort", which the educational organizations have been forced to take and implement. It was provoked by the government, adding that the struggle is for the quality of the public school and not for wage increases and reductions in teaching time. OELMEK's President Yiannos Socratous said Secondary School teachers are on a 48-hour strike protesting for decisions taken unilaterally by the government and without dialogue and that not only do not solve any problems in the public school but cause more. The Ministry of Education and Culture informed parents, in view of the teachers' strike, they would not be able to offer security and protection within the school grounds during the strike.

After the strike various attempts were made by the Head of Parliament, Demetris Syllouris, SEK's leadership and the Parents' Associations to mediate between the two sides. Eventually an interim agreement was reached with the trade unions which effectively stipulated a procedure through which social dialogue will continue in the coming months on a series of issues.

Labour costs in Cyprus (which consist of wages and employers' contributions) increased in the second quarter of 2018 at an annual rate of 2,4%, according to Eurostat. According to the statistics, in the euro area, labour costs

increased by 2,2% compared to the corresponding quarter of 2017 and in the EU by 6%. According to data, the largest increase in labour costs was observed in Romania (15,6%), while an increase of 11,7% was also observed in Latvia.

The unemployment rate dropped to 7,3% in the second quarter of 2018 from 10,6% last year, according to data released by the Statistical Service. Based on the results of the Labor Force Survey for the second quarter of 2018, the number of unemployed amounted to 31.888 people and the unemployment rate to 7,3% of the workforce (men 7,2%, women 7,5%) compared with 45.227 individuals (10,6%) in the corresponding quarter of 2017. For young people aged 15-24, the unemployment rate was 17,9% of the labor force of these ages compared to 25,3% in the corresponding quarter of the previous year. With regard to the duration of unemployment, 44,8% of the unemployed were looking for work for a period of less than 6 months, 21,5% for a period of 6-11 months, while 33,7% were long-term unemployed. The corresponding percentages for the second quarter of 2017 were 35,7%, 18,0% and 46,3%.

According to the data on the reconciliation of professional and family life in Cyprus of the Statistical Service (period April - June 2018) 63,5% of the employees do not use professional childcare services, compared to 24% using such services for all children in the family and 12,5% who use such services for some of the children. The main reason for not using professional

childcare services is the fact that the organization of care is done by the parents themselves (40,7%) or because the organization of the care is done with the help of the grandparents or other persons (34,4% %) or because children can take care of themselves (18,5). 4,8% do not use such services due to lack, cost or quality. A percentage of 81,2% of employees do not make any adjustments to their work in order to facilitate childcare responsibilities, while a much lower percentage (12%) has adjusted, for example changing hours of work without change of total working time. Finally, the overwhelming majority of employees, 94,8%, only use maternity leave (and now the newly instituted paternity leave as well) for childcare.

Within a year, labour accidents increased by 9%, while in the last 5 years the increase amounts to 34,6%. In 2017, 2.070 accidents were reported while in 2016 the number registered was 1.905. The main reasons of this rise are the reduction of expenses by employers in issues relevant to security and health in employment as consequence of financial crisis.

The independent trade Union "Isotita" asks for the investigation of context of the death of employee at the Provincial land registry office in the Famagusta area. In its public announcement, the trade union claims that the designer who died lost her senses during work and states that she was experiencing psychological pressure at her workplace.

The Council of Ministers decided to terminate the commercials in CYBC, with the argument

that the role of public radio and television, should not be competing with the rest of private channels. At the same time the Council of Ministers increased the funding of CYBC, in the 2019 budget, as a way of balancing the loss of income from commercials. PEO objected vocally at the decision of the Board of CYBC and the Council of Ministers. The trade unions of CYBC, in a common announcement expressed their clear objections towards this decision of CYBC for terminating commercials. Their position is that the promotion of products and services is part of providing information to the citizens as consumers and this provision of information is included in the role and mission of public radio and television. The trade unions asked for dialogue in order to find the solution to the need of the financial independence of CYBC.

PEO warned that it will take measures if the ministry proceeds with its plans to privatize CYTA. In their announcement workers state that political powers and the civil society would react and fight one more time to prevent the privatization and protecting the public interests.

An agreement was made between PEO and SEK and the Hellenic Bank confirming the recognition by the bank of the two trade unions in the banking sector. Hellenic Bank took over the Cooperative Cyprus Bank, a substantial part of its employees being PEO and SEK members. In the near future intensive dialogue will take place on the basis of the collective agreements that were in place in the Cooperative Cyprus Bank.

4. Turkish Cypriots

Economic Developments

Prime Minister, Tufan Erhurman warned that there was 'no light at the end of the tunnel yet' following his visit to Ankara where he held talks on economic crisis with Turkish President Erdogan. 'A comparison of inflation rates between Turkey and the TRNC revealed that the TRNC has been experiencing a much higher rate of inflation. It exhibits the impact of the crisis that has been felt significantly in the TRNC. Last month's [August] inflation rate, which was 8,42% was the highest recorded in the past 22 years. We conveyed all these ... [to] Turkish officials ... Despite Erdogan's busy schedule we met for two hours and following that meeting I had a working dinner with the vice president' Erhurman said. He also pointed out that as always Turkey expressed its full support to the TRNC and the Turkish Cypriot people.

On September 11, the Cyprus Turkish Livestock Breeders and Producers have reached a tentative agreement with the government over the price of animal feed, raw milk and subsidies, ending 6 days of protests, which they had been staging in Nicosia. At some point during the protests, police used pepper spray to disperse protesters, hospitalizing seven protesters and journalists. Later in the week, Erhurman announced that he had ordered the head of police not to use pepper spray in the future.

The drastic devaluation of TL against Euro has

resulted in an increase of the number of Greek Cypriot consumers purchasing groceries and other perishable and non-perishable items in the north and particularly on petrol, cigarettes and pharmaceuticals. While the ordinary flow was from the north to the south, in the last couple of months the flow has started to shift in the opposite direction, and Greek Cypriots started to form long queues at the checkpoints. The number of Greek Cypriots passing to the north has increased by 22,4%, while Turkish Cypriots passing to the south has decreased by 14%. The Turkish Cypriot side opened a third lane at the Ayios Dometios (Kermiya/Metehan) crossing point to ease congestion at the checkpoint plagued by long waits.

Meanwhile, the Turkish Cypriot Chamber of Commerce's (KTTO) research revealed that in average the prices of a basket of 46 daily essential goods in south Cyprus are 48% higher compared to the prices in the north.

Soaring exchange rates have brought a fresh hike of up to 1TL in the price of fuel – taking the cost of petrol to more than 6TL (€0,87)/litre for the first time.

According to the Central Bank, there has been 31% rise in the 'non-performing loans' compared to the previous year. Consumer loans and credit card debt constitute the highest share with 20% followed by tourism sector (15,8%) and construction sector (14,5%).

Relations with Turkey

Turkish Cypriot Prime Minister, Tufan Erhurman came together with the Turkish President Erdogan in Ankara. The Turkish Vice-President Fuat Oktay, Deputy Prime Minister-Foreign Minister, Kudret Ozersay and Turkish Foreign Minister, Mevlut Cavusoglu were also present at the meeting. Erhurman said, that the meeting had focused on the economic crisis and what could be done to minimize its impact on the Turkish Cypriot people.

Ozersay visited Ankara as the guest of Turkish Foreign, Minister Mevlut Cavusoglu, where he also came together with the President of the Foreign Affairs Committee of the Turkish Grand National Assembly (TBMM), Volkan Bozkir and Turkish Defence Minister, Hulusi Akar.

Later in the month, Bozkir visited the northern part of Cyprus where he met with the president, prime minister, deputy prime minister and the speaker of the parliament.

Ali Murat Basceri has been appointed as the new Turkish Ambassador to Nicosia. Basceri had previously served in the Turkish embassy in Nicosia as an Undersecretary before returning to Ankara in 2013. Since 2015 he has been working as the Deputy Director General for the Northeastern Mediterranean. It's not been announced when he will officially take over the post from current ambassador, Derya Kanbay.

The Minister of National Education and Culture, Cemal Ozyigit met with the Turkish Minister of

Culture and Tourism Mehmet Nuri Ersoy in Ankara. Ozyigit stated that an appointment with Turkish National Education Minister had to be postponed, however, following a request from the Turkish side. Reportedly, the appointment was cancelled and not postponed because the Turkish Cypriot Ministry of Education downgraded religion courses at secondary schools to elective status.

The Turkish Cypriot Minister of Interior, Aysegul Baybars, visited Ankara where she met with her Turkish counterpart Suleyman Soylu and the Turkish Minister of Justice, Abdulhamit Gul. Cooperation in the field of justice, the technical aspects of the new prison being constructed and the creation of a forensics institute and a cybercrime unit as well as an online system to run checks at entries and exits to the country were amongst the issues discussed during the meetings.

The Turkish Cypriot Minister of Tourism and Environment Fikri Ataoglu visited Ankara to meet the Turkish Minister of Culture and Tourism.

Domestic Developments

Addressing the opening ceremony to mark the new judicial year, the Chief Justice Narin Ferdi Sefik said that there was 51,3% increase in crime last year. According to Sefik problems in the TRNC could be attributed to two main, interconnected problems: 'our country has no effective public sector and most of the popula-

tion are not aware of their responsibilities. The main problems in the public sector include unqualified staff, their poor control and supervision, personnel being paid despite repeated absences and lack of a merit-based system. Even though these deficiencies have long been known, no effective steps have so far been taken to find remedies.' Sefik added: 'Another problem is that members of the public pay no attention to rules.'

Speaking at the same event, Turkish Cypriot leader, Akinci referred to the findings of a recent study published by FES on corruption perceptions in north Cyprus, and said that corruption should be combatted. He also pointed out that 'importantly respondents in the study expressed suspicion regarding the independence and effectiveness of the judiciary'.

The number of students enrolled in public schools has increased by 20%. According to the minister of education, the sharp increase was mainly due to a rise in immigration and the devaluation of Turkish lira making private education unaffordable for many parents.

Labour relations and trade unions

The Trade Unions Platform, which is comprised of left-leaning trade unions organized a march ('communal existence against imported crises march'). The unions argued that the only way out of the economic crisis triggered by the depreciation of the Turkish lira was 'a united federal Cyprus'.

The right-leaning, Hur-Is Federation held a demonstration in front of the Prime Minister's office to protest the price hikes. The head of the union criticized the government for not taking necessary steps to prevent the rise in foreign currency rates or preventing the price hikes that this has caused.

The Electricity Authority Workers Union (El-Sen) staged a warning strike to protest the recent price hikes and the lack of investment in the authority. Members of El-Sen marched to the Ministry of Economy and Energy and laid a black wreath at the ministry's doorstep. The Minister of Economy, Ozdil Nami, who is in favour of importing electricity from Turkey via an underwater cable, is held responsible for underinvestment in the authority.

5. FES Cyprus Events

October

Wednesday, 10. October 2018, 6.45 pm

IKME / BILBAN / FES

Cypriots' Voice Symposium

Agios Georgios Tavern
Nicosia, Cyprus

Not open to the Public



November

Thursday, 08th November 2018, tba

Unite Cyprus Now / FES
Campaign

“What were you doing...?”

tba

Open to the public



Friday 9th – Saturday 10th November 2018

PRIO / FES
Conference

BREXIT and Cyprus

Friday, 09th November, Nicosia,
Goethe-Institut, Nicosia, Cyprus

Saturday, 10th November, Paphos, tba

Open to the public



Thursday, 15th November 2018, 10:30 am – 1:00 pm

Cyprus International University / FES
Launch

Corruption Perception Index for the Northern Part of Cyprus

Home for Cooperation, Nicosia, Cyprus

Open to the public



Friday, 16th November 2018, tba

PRIO / FES
Conference

China and the South-East Mediterranean

Goethe-Institut, Nicosia, Cyprus
Open to the public



Saturday, 17th – Sunday, 18th November 2018

ENORASIS / FES
Workshop

14th Friendship Weekend of the Enorasis Social Cultural Clubs

Chateau Lambousa Hotel, Kyrenia/Girne
Not open to the public

Thursday 22th – Friday 23th November 2018

Civil Society Advocates / FES
Presentations in English

The New Law on Associations and Foundations

Thursday, 22th November, Nicosia, 5 – 7 pm
Friday, 23th November, Limassol, 4 – 6 pm

Open to the public



Thursday, 29th November 2018, tba

FES
Seminar

Code of Conduct for Civil Service

European Institute for Management & Finance
Open to the public



Friday, 30th November – Sunday, 2nd December 2018

IKME / BILBAN / FES
Workshop

Cyprus Solution: A European Challenge

Aquamare hotel, Paphos, Cyprus
Not open to the public

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