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FES CYPRUS NEWSLETTER

EDITOR'S NOTE

This 115th edition of the monthly newsletter of the Friedrich-Ebert-Stiftung in Cyprus marks the end of its ten-year anniversary.

We wish you a good start for 2022, stay healthy.

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Labour Relations and Trade Unions

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PODCASTS in JANUARY:

Hubert Faustmann, Hrishabh Sandilya, Michael Goecken and Sylvia Chumuru Migration 2.0 Podcast Episode 9 - Project Phoenix's Fellowship Program and Migrant Entrepreneurship (in English)

Hubert Faustmann and Hrishabh Sandilya Migration 2.0 Podcast Episode 10 -The Annual Review (in English)

PUBLICATIONS in FEBRUARY: No publications in February

EVENTS in JANUARY: No events in January



EVENTS in FEBRUARY: No events in February

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PODCASTS in JANUARY:

PUBLICATIONS in JANUARY:

No publications in January

Hubert Faustmann, Hrishabh Sandilya and Katerina Stephanou Migration 2.0 Podcast Episode 8 - Human Trafficking in Cyprus - In Conversation with Katerina Stephanou

(in English)

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CYPRUS PROBLEM

Following the assumption of his duties as the new UNSG Special Representative and head of the UN peacekeeping force (UNFICYP) in Cyprus, Colin Stewart, held his first separate meetings on December 10, with the respective Greek and Turkish Cypriot¹ leaders, Nicos Anastasiades and Ersin Tatar. During the meetings, Anastasiades reportedly reiterated the Greek Cypriot side's will to restart reunification talks. Speaking after his meeting with Tatar, Steward said he had a useful briefing on Tatar's positions, which was reportedly fundamental for him to start understanding where the sides stood.

On December 14, Anastasiades and Tatar attended a reception hosted by the UN at the Ledra Palace Hotel in the buffer zone in Nicosia. Both accepted an invitation by Stewart, who noted that the meeting was an informal social event without an agenda. Speaking at the reception, Stewart, pledged to work towards finding a mutually accepted way forward during his term.

On December 13, the EU Foreign Affairs Council (FAC), consisting of the EU's foreign ministers, asked their countries' permanent representatives committee in Brussels (Coreper) to work on possible legal measures against persons and entities with direct involvement in the opening of part of Varosha in July 2021. The Council also called for confidence-building measures on Famagusta to help bring closer a solution to the Cyprus problem. The announcement sparked criticism by AKEL against the EU over its reluctance of imposing actual measures against Turkey. Both the Turkish and the Turkish Cypriot foreign ministries condemned the conclusion statement. According to an advance copy of the Good Offices Mission report by UN Secretary-General Antonio

¹The Turkish Republic of Northern Cyprus (TRNC) is only recognised by the Republic of Turkey. While for Turkey and the Turkish Cypriots, Ersin Tatar 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 Guterres, covering developments between June and December 2021, the possibility of securing a negotiated settlement in Cyprus has continued to fall from an already low level, and without decisive action, the continuing dynamics in and around Cyprus could render future efforts unattainable. Guterres noted that a continued lack of political progress has significant implications for all Cypriots and called on all parties to refrain from any unhelpful actions and to actively seek solutions through dialogue. He urged the two sides to engage constructively in finding and building common ground with a view towards the resumption of meaningful negotiations. According to Guterres, internal political developments on both sides of the island have also created additional challenges, with the two communities becoming more skeptical that any progress could be achieved. Furthermore, the UNSG stated that certain steps taken, in particular with respect to the fenced-off part of Varosha, had contributed to deepening mistrust, both between the sides and among the two communities. With respect to the regional situation, Guterres noted that the current reporting period was characterized by a renewed uptick of tensions, including hydrocarbons related activity and maritime zone claims in the eastern Mediterranean, and heightened rhetoric between the guarantor powers, Greece and Turkey. Guterres expressed his concern about the rising tensions in and around Cyprus and the broader eastern Mediterranean region and stressed that natural resources in and around Cyprus should benefit both communities and constitute a strong incentive for the parties to find a mutually acceptable and durable solution to the Cyprus problem. He urged restraint by all parties and called for a serious effort to be made to defuse tensions.

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).

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The report is due to be circulated to the Security Council on January 3, 2022.

On December 15, the chairperson of Turk-Sen, the oldest Turkish Cypriot trade union federation, Arslan Bicakli announced that his union and the Greek Cypriot trade union confederation SEK (Cyprus Workers' Confederation) agreed on a scheme which will enable some 8,000 Turkish Cypriots to find employment in the south. 'Solidarity between the two communities is important,' SEK General Secretary, Andreas Matsas said in an interview published in Turkish Cypriot daily Yeniduzen where he pointed out that the Turkish Cypriots seeking employment in the south will help address shortages faced by the companies in the south and therefore the deal would benefit everyone. Matsas also said that SEK has been collaborating with Turk-Sen since the early 1970s particularly on issues concerning the Cyprus Problem. According to Cyprus Mail, a Greek Cypriot daily, the two unions had multiple meetings with the Greek Cypriot Labour Minister to evaluate what needs must be covered. At the moment, around 2,000 Turkish Cypriots work in the south and even though similar arrangements were made in the past, this is the first time efforts have been this well organised. Turk-Sen forwards applications of Turkish Cypriot job-seekers to SEK that brings them to the attention of interested employers in the south. According to Elissaios Michail, SEK's secretary of international and public relations, as of the end of the month, around 400 Turkish Cypriots already expressed interest in finding jobs in the south, and around 100 Turkish Cypriots were interviewed for jobs in the hotel industry, while procedures continued for the construction sector.

On December 15, the European Commission adopted a €30.7m action program for the Turkish Cypriot community. Commissioner for Cohesion and Reforms, Elisa Ferreira noted that the EU's aid program has consistently proven to bring very tangible benefits to the people of Cyprus. The European Commission's statement also underlined that the

new set of projects seeks to support economic development, reconciliation and confidence-building measures. 'Despite the current political situation, the programme remains as relevant as ever and we will remain steadfast in our support to the reunification of the island,' Ferreira said. Between 2006 and 2021, €623 million has been allocated by the EU for the Turkish Cypriot community. The financial aid is managed by the Commission's DG REFORM which is responsible for the implementation of the EU Aid Programme for the Turkish Cypriot community and for monitoring the Green Line Regulation.

HYDROCARBONS

On December 10, Cyprus signed a natural gas exploration and production sharing contract for an offshore field in block 5 of Cyprus' Exclusive Economic Zone (EEZ) with EXXONMOBIL and QATAR ENERGY. The agreement was signed at the presidential palace by energy minister, Natasa Pilides, Ali Al-Mana, manager of QATAR ENERGY'S INTERNA-TIONAL UPSTREAM AND EXPLORATION and Varnavas Theodossiou, lead country manager for EXX-ONMOBIL in Cyprus. The consortium which has the rights for the adjoining Block 10, will start field work for seismic data acquisition in block 5, in 2022. In response, the Turkish Foreign Ministry accused Cyprus of violating its continental shelf and ignoring the rights of the Turkish Cypriots by awarding the license in block 5 to the consortium, saying that it would not allow unauthorised exploration in its jurisdiction. Cyprus has rebuffed the claim, vowing to continue its exploration program. Commenting on the matter a spokesman from the US state department noted that the US policy on Cyprus's EEZ is long-term and has not changed clarifying that the US recognizes the right of the Republic of Cyprus to develop resources in its EEZ. Meanwhile, Reuters reported that Turkish foreign minister, Mevlut Cavusoglu stated that the US and Qatar have assured Turkey that EXXON MOBIL and QATAR PETROLE-

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UM will stay out of Turkey's continental shelf in the eastern Mediterranean.

The Turkish Cypriot Ministry of Foreign Affairs reacted to the Greek Cypriot side's NAVTEX issued on 14 December 2021 announcing its activities in the Eastern Mediterranean between 17 December 2021 and 1 January 2022 with an Italian flagged vessel named Odin finder. The statement said that this would take place in the area, which also overlaps with the blocks licensed by the TRNC to Turkish Petroleum Corporation (TPAO) and that reciprocal steps together with Turkey would be taken by the TRNC 'in order to protect our legitimate rights and interests, which are under the threat to be usurped'. On December 21, the Ministry of Energy announced that appraisal drilling began at the Glaucus-2 site in offshore block 10 of the island's EEZ by the EXXON MOBIL and OATAR consortium. The consortium announced in 2019 a discovery following the drilling of the Glaucus-1 well, with an estimated 5-8 trillion cubic feet of natural gas. The current appraisal, or follow-up, drilling will give a clearer picture of the reservoir's resource potential. EXXON's drilling program in block 10, which might include more exploratory drilling in 2022, will be conducted in an area neither claimed by Turkey nor licensed by the Turkish Cypriots.

GREEK CYPRIOTS

Economic Developments

Credit rating agency Fitch Ratings reported on December 15 that it has revised Hellenic Bank's outlook to positive from negative, while also affirming the bank's Long-Term Issuer Default Rating (IDR) at 'B' and Viability Rating (VR) at 'B'. The positive outlook reflected the expectation that asset quality will improve as Hellenic Bank is working to reach an agreement by early 2022 to dispose of €0.7bn gross non-performing exposure in reference to the bank's project entitled Starlight. The agency also revised Bank of Cyprus' outlook to positive from negative and also affirmed the bank's IDR at 'B-' and VR at 'B-'. The agency attributed the outlook revision to the bank's recent agreement to offload €600m in non-performing exposures and €121m in foreclosed real estate assets. The agreement, titled Helix 3, will upgrade Bank of Cyprus' asset quality while decreasing capital encumbrance caused by unreserved problematic assets, including the aforementioned non-performing exposures and seized property assets.

On December 17, following a three-day debate, the parliament approved the state budget for 2022 with 30 votes in favour and 25 against. The bill was voted by ruling DISY, DIKO, DIPA, and independent MP, Andreas Themistokleous. Main opposition AKEL, EDEK, the GREEN party, and far right ELAM, rejected the budget. The budget provides for €9.7bn in revenues and €9.9bn in expenditure, down 4% from 2020. Passing certain reforms was a condition for Cyprus to receive funds from the EU's Resilience and Recovery Fund.

According to a report released on December 29 by the Central Bank of Cyprus ("CBC") deposits in November in Cyprus increased, while loans fell. According to the data, total deposits in November 2021 recorded a net increase of €480.8m, compared with a net increase of €279.6m in October 2021. The annual growth rate stood at 5.8%, compared with 5.3% in October of this year. The outstanding amount of deposits reached €51.2bn in November 2021. Total loans in November 2021 recorded a net decrease of €3.9m, compared with a net decrease of €15.7m in October 2021. The annual growth rate stood at 1.4%, compared with 1.3% in October 2021. The outstanding amount of total loans reached €29.6bn in November 2021.

According to the CBC loan restructurings in the Cypriot banking system edged close to \in 2bn in the first ten months of 2021, marking the highest figure since 2014. According to CBC data, restructured loans by the end of October rose to \in 1.9bn as banks

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accelerated loan restructurings following the termination of the payment suspension at the end of 2020 enforced due to the pandemic. The Cypriot payment suspension was considered the broadest in the Euro area, affecting loans totaling €11.7bn both in the banking system and the credit-acquiring companies. The vast majority of restructured loans concerned corporate loans, both up to and over €1m, which at the end of October amounted to €1.7bn or 85% of total restructurings. Housing credit facilities marked the second highest with restructured loans amounting to €188m by end-of October 2021. Loan restructurings by the end of October 2021 show an increase of 162% compared to 2020.

Tourist arrivals reached 148,973 in November of this year, a massive jump over the 8,952 during the same month in 2020, but still down on the 169,392 tourist arrivals in November of 2019. For the period between January and November of this year, tourist arrivals came up to 1,840,003 in total. This represents a 195.9% year-on-year increase, with 621,927 tourists arriving in Cyprus during the corresponding period of 2020. However, this is 52.4% fewer arrivals than the same period during 2019, when 3,866,447 arrivals were recorded. Arrivals from the United Kingdom were the main source of tourism during November of 2021, with a share of 22.7% (33,829) of total arrivals. This was followed by Germany with 10% (14,945), Russia with 9.6% (14,236), Poland with 8.8% (13,105), Greece with 8.5% (12,629) and Israel with 7.7% (11,474).

Domestic Developments

In December the Covid 19-cases increased from 134,446 to 166,827 cases. The number of deaths attributed to the virus rose from 597 to 638. The Omicron variant which was only first detected in early December, is now part of the community and is expected to further burden the epidemiological picture of the country. By months end, following spikes in four digit numbers for some days in a row, the government announced the further tightening of

restrictions in an attempt to halt the unprecedented spread of the virus. These included: mandatory rapid tests not older than 24 hours for attending weddings and other such events, a 300 cap on people attending eateries, reception, music and dance venues and 40% of business staff to work remotely. A new record of 5048 cases was recorded on December 31, 2021.

On December 2, Pope Francis' arrived in Cyprus as part of a two-day visit. The Pope met with President Anastasiades where he was briefed on the Cyprus problem and the ongoing migrant crisis on the island. A holy mass was organized at GSP Stadium in Nicosia where thousands of Catholics gathered to pray.

On December 22, DISY leader Averof Neophytou, announced that he will be running in the 2023 presidential elections. The announcement was interpreted as a bid to undercut the foreign minister, Nikos Christodoulides who is also believed to have presidential aspirations. DISY officials have repeatedly stated that two candidates from the same party would be damaging. Reports suggested that Anastasiades has sounded out former foreign minister Ioannis Kasoulides in order to replace Christodoulides. Anastasiades tiptoed around questions on the presidential elections as he reiterated that he would not be seeking a third term. In an official statement, DISY announced that the deadline for candidacies will be January 10, 2022.

The president rejected anew reports that he was involved in setting shell companies abroad for personal enrichment after leaked documents, dubbed the Pandora Papers, implicated the law firm bearing his name and another law practice. Anastasiades was responding to the House ethics committee, which has been discussing the papers in light of Cyprus' involvement in alleged money laundering activities. In a lengthy statement submitted by the director of the president's office, Petros Demetriou, Anastasiades described the claims against him as unfounded and misleading. The allegations concerned involvement in the creation of shell companies, foundations, and

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trust funds with the aim of acquiring wealth, evade and avoid taxes, and money laundering.

Labour Relations and Trade Unions

Members of the Employees' Branch of the Pancyprian Public Employees' Trade Union (PASYDY) in the Ministry of Foreign Affairs went on an all-day strike on December 1. Their requests concern revocation of the decision of the Public Service Committee (EDY) for the appointment to the position of Ambassador of a candidate outside the Diplomatic Service since this did not meet the criteria of a meritocratic choice. Moreover, they demand full implementation of the vision of the Ministry of Foreign Affairs, also adopted by the Council of Ministers, concerning adequate staffing and support of the Ministry of Foreign Affairs and the development of its executives. Additionally, they propose restoration of the cut of 15% -as a result of the 2013 financial crisis- of several allowances for the members of the foreign service in the general context of the restoration of the cuts in various sectors and services.

On December 4, an important statement was made by the European Commission in support of teachers employed by the state as service providers without employee rights. When asked by MPs of AKEL in the European Parliament about the status of teachers in the afternoon and evening programs of the Ministry of Education, the Commissioner for Employment, Social Affairs and Inclusion, Nicolas Schmit, replied that "national courts are to determine whether 'self-employed' contract teachers fall under the EU concept of employee". He then added that if this is the case, they are entitled to the protection that comes from EU law. This statement symbolically vindicates the struggle of the teachers, as it confirms the need for the immediate implementation of the decision of the Administrative Court of Cyprus, which ruled that the conversion of employees into self-employed workers is wrong, as there is a clear employer-employee relationship.

It seems that the new legislation promoted by the

Ministry of Labor on working remotely will be a difficult task, as the social partners are setting their own parameters and asking for the issue to be raised in the context of the wider debate on the labor market. Employers' unions and trade unions agree that it should be implemented after consultation between employer and employee in all cases, based on specific provisions of security and confidentiality. The CCCI (Cyprus Chamber of Commerce and Industry) disagrees with the implementation of remote work by legislation and holds that social partners should examine the provisions of the relevant European agreement in order to find the elements that can be applied in Cyprus.

On December 10, the Ministry of Finance responded to the reports of the Department of Forests for understaffing and the announcement for a threehour work stoppage, noting that it has made every effort to strengthen the Department of Forests in both human resources and firefighting equipment and infrastructure, within the financial capabilities of the state and with a view to protecting the natural wealth of Cyprus.

TURKISH CYPRIOTS

Economic Developments

The 12-month inflation rate has reached 27.4% in November 2021 according to the Statistical Institute. In November alone, prices rose by an average 5.5% compared to the previous month.

According to the results of the research conducted by the Center for Immigration, Identity and Rights Studies (CMIRS), Turkish Cypriots rank the economy as the most important problem of the country: The most important problems are listed as 'economic problems', 'inflation', 'low wages' and 'unemployment'; the Cyprus problem followed them. The CMIRS highlighted the quickly deteriorating economic circumstances and pointed out that expectations have reached their most pessimistic point to

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date: 83.5% of the respondents think that their economic situation will get worse in the next two years. The prospects for the country's future economic situation look even worse: 90.7% of the participants think that 'the economic situation of the country will get worse in the next 2 years'. 81% of the respondents indicated that they were concerned about maintaining their standard of living. This rate was 39.5% in March 2021.

Based on data provided by Labour Department, the TRNC Central Bank's (Third) guarterly report showed that the number of registered employees, which was 119,568 before the Covid-19 pandemic in January 2020, decreased by 13.6% to 105,945 in January 2021. During the same period, the total number of work permit holders, i.e. workers from abroad, decreased by 23.7% from 50,271 to 38,340, while the number of insured TRNC citizen workers went down from 69,297 to 67,605. The report noted that the main reason for the fall in registered workers with work permits was a decline in the number of work-permit-holders from Turkey. The number Turkish citizens working in north Cyprus, which was 33,767 at the beginning of 2020, decreased by 26.8% to 24,711 in 2021.

The Central Bank bulletin also showed that in the third quarter of the 2021 fiscal year, budget revenues and budget expenditures stood at 2,261.1 million TL and 2,415.7 million TL respectively and that public finances had a deficit of 154.6 million TL.

Prime Minister, Faiz Sucuoglu, announced that the validity of the Decree on the Restructuring of Loans will be extended until March 31, 2022. The scheme allows the credit repayment amount to be reduced by extending the maturity for those who have difficulty in paying back their credits.

Relations with Turkey

There were no significant developments in December.

Domestic Developments

In December, the number of Covid-19 cases increased from 28,871 to 35,011 while the number of deaths attributed to the virus increased from 101 to 138. The Communicable Diseases Committee recommended not to make home visits as much as possible, and gathering of more than 10 people in a house is prohibited. It was also decided that only vaccinated people could participate in New Year's Eve parties. Vaccinated people who will participate in the events were required to submit a 72-hour negative PCR test or a 48-hour negative antigen test. New Year's Eve parties in schools, offices and government offices were also cancelled.

The Higher Electoral Board (YSK) announced that the campaigning period for parties will begin on December 28. The YSK also announced that the final list of candidates following eligibility assessment, would be announced on December 26. The electoral board also reminded that the election restrictions period was in force and would last until the day after the general election which would be held on January 23. During the period of election restrictions, it is banned to recruit or employ anyone nor the authorities can promote or give any sort of increments to anyone. Granting new "TRNC" citizenships are also prohibited during this period. Officials are not allowed to distribute, allocate or lease any stateowned or private properties during this period. The law on election prohibitions also prohibits the candidates from attending any type of ceremony, including inaugurations.

Labour Relations and Trade Unions

On December 22, the new minimum wage, which will enter into force from January 1 onwards, was set as 7,000 TL (\in 515) gross and 6,090 TL (\in 449) net. The new amount is 40% higher than the previous one, which was set on September 15. The minimum wage determination commission had agreed on an increase of 12.95% setting the minimum wage as

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4,970 TL (€498) gross and 4,324 TL (€434) net. The commission, which is made of five representatives of the government, five representatives of employers' and five representatives from the biggest trade union federation, had met three times since late July before finally coming to a consensus on September 15. This time the decision was made at the first meeting but in the absence of the employers' side's representatives who left the meeting in protest. The employers announced that they would take the decision to the court. Turkish Cypriot Chamber of Shopkeepers and Artisans (KTEZO) argued that the new amount was decided given the upcoming elections and to win votes for the National Unity Party (UBP). 'The decision on the minimum wage will deal a blow to businesses and threaten their survival, the KTE-ZO said.

On December 23, the Trade Union Platform staged a protest outside the parliament. The trade unions urged the government to implement measures to protect the purchasing power of the people against the depreciation of the Turkish lira and the price hikes introduced as a result. The trade unions also demanded the retail prices to be decreased after the Turkish lira recovered some of its losses against foreign currencies. The trade unions also condemned the business community's reaction to the 40% increase in the minimum wage.

On December 28, the Trade Union Platform held a mass demonstration, with the slogan 'no to impoverishment', outside the parliament. Four of the unions (primary school teachers' union, high school teachers' union, customs employees' union and tax office employees' union), gave mass support to the protest by going on a full-day or hourly strike in their workplaces. Other unions participated at their administration level. Some political parties including the main opposition CTP supported the demonstration too. The unions called for 'protection of the purchasing power of the people against price hikes, and for a fair distribution of welfare and social rights'.

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