



Contents

1.	Cyprus Problem.....	2
2.	Hydrocarbons.....	4
3.	Greek Cypriots	5
	Economic Developments.....	5
	Domestic Developments	6
4.	Turkish Cypriots	6
	Economic Developments.....	6
	Domestic Developments	7
5.	FES Cyprus Events	8

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1. Cyprus Problem

In December the resumption of the Cyprus peace talks was discussed during a number of meetings. Despite the inability of the political elites to resume negotiations, members of the civil society from both sides of the island demonstrated their willingness and determination for reconciliation and reunification.

On December 16, the UN Secretary General's Special Adviser on Cyprus, Espen Barth Eide, arrived in Cyprus to hold separate meetings with the respective Turkish Cypriot and Greek Cypriot negotiators, Ergun Olgun and Andreas Mavroyiannis. The purpose of the visit was to take stock of the current situation in the Cyprus peace talks after its suspension by President Nicos Anastasiades in October. The Greek Cypriot side left the talks in response to the issuance of a maritime notice or Navtex and the dispatch of the vessel 'Barbaros' by Turkey into the Cypriot Exclusive Economic Zone (EEZ).

The Turkish Navtex expired on December 30 and the Barbaros' anchored off the port of Famagusta. As of December 31, Turkey did not renew the existing Navtex or issue a new one. The Greek Cypriot side is still unwilling to return to the negotiating table since its second precondition, namely guarantees against a future return of the Barbaros, has not been met. Meanwhile, the relocation of the ENIKOGAS drilling activities to the Amathusa site was criticised by the Turkish Cypriot side, who demand the exploitation program be put on

hold or the hydrocarbons issue be included in the peace negotiations. This, however, is adamantly rejected by the Greek Cypriots.

The Turkish Minister of EU Affairs and Chief Negotiator Volkan Bozkir visited the northern part of Cyprus. Touching upon the issue of hydrocarbons, Bozkir stated that the Turkish Cypriots had an equal share over natural resources surrounding the island and that ongoing offshore gas explorations by the Greek Cypriots were contrary to international law since the Greek Cypriot administration did not take into account the rights of Turkish Cypriots. "The Barbaros will stay there as long as the Greek Cypriots continue their explorations," Bozkir added.

Furthermore, the Turkish president Erdogan stressed that "Our research vessel is now continuing its drilling activities. We will continue to be there as long as the Greek Cypriot administration and Greece continue to ignore our warnings on the issue".

The Turkish Cypriot Foreign Ministry has issued a statement reiterating the Turkish Cypriot side's expectation for the speedy resumption of the peace negotiation process without any preconditions. The statement expressed the view that the best option regarding the hydrocarbons was to conduct exploration activities with the participation of both communities as proposed by the Turkish Cypriot side in 2011 and 2012.

The Cyprus Problem was also discussed between Greek Prime Minister Antonis Samaras and his Turkish counterpart Ahmet Davutoglu during the 3rd Turkey-Greece High Level Cooperation Council, which took place in Athens on December 6. After the conclusion of the Council, Davutoglu stated at a joint press conference that Turkey was willing to resume the negotiations as soon as possible. He also linked a settlement of the Cyprus Problem with the question of energy cooperation between Greece and Turkey. Moreover, Turkish Foreign Minister Mevlut Cavusoglu proposed that he and his Greek counterpart Evangelos Venizelos could visit Cyprus together and hold separate meetings with Nicos Anastasiades and Turkish Cypriot leader Dervis Eroglu in both parts of the island. This proposal was rejected by acting President Yiannakis Omirou, who stood in for Anastasiades. President Anastasiades was still in New York following heart surgery.

On December 24, in contrast to the prevailing negative climate on the island, the Federal Cyprus Movement (FCM) was launched at Ayios Sozomenos village along with a tree planting event in memory of all the victims of the Cyprus Problem. The FCM is comprised of Greek and Turkish Cypriots who consider the development of a federal conscience among all Cypriots a prerequisite to reaching a settlement of the Cyprus Problem. The movement does not have a political agenda or affiliation and plans in the long term to create an academy that will organize events and lectures on federal issues.

Dogus Derya, a Turkish Cypriot deputy, who is a member of the Republican Turkish Party-United Forces (CTP-BG) and the FCM delivered a speech in the Turkish Cypriot parliament on a federal solution, supporting reunification through reconciliation. Derya, who spoke of the need to deal with the past, and stated that people from all communities on the island had suffered during the conflict in Cyprus. Derya mentioned the rapes that were committed against Greek Cypriot women, sparking intense reaction by nationalist groups, which included threats for her life. "There were so many women who were raped, the Church allowed abortion for the first time in 1974," she stated. Derya has since filed an official complaint with police regarding insults, threats and slurs made against her on social media following her speech in the parliament.

The Committee on Missing Persons in Cyprus (CMP) has announced that 157 missing persons had been identified in 2014, marking it as the most prolific year to date since operations have begun in 2006. In total the CMP had excavated 934 sites over the past 8 years, including 24 military areas in the north. Out of 2001 missing persons, the remains of a total of 564 persons (430 Greek Cypriots and 134 Turkish Cypriots) have been located and identified. 1078 Greek Cypriots and 359 Turkish Cypriots are still missing. \$4,108,000 has been donated by various donors in the past year to the CMP. 46% of these funds have been used for excavations, 32% for genetic identification and 22% for anthropological analysis. For 2015, the German

government decided to support the efforts of the CMP with a contribution of 100.000 Euro, as it had already done in the years 2005 and 2008. For the German government, the work of the CMP constitutes a vital element in furthering the peace process.

Last but not least, on December 4, the bi-communal Technical Committee on Cultural Heritage completed its restoration work on the Deneia mosque. The mosque was open for prayer for the first time after 50 years. Work at the mosque began in 2012. It was the first site from a list of 40 selected by the Technical Committee to benefit from emergency measures and restoration. The restoration is funded by the United Nations Development Partnership for the Future (UNDP-PFF).

2. Hydrocarbons

On December 19, the Energy Ministry announced that the Italian/South Korean consortium of ENI-KOGAS did not find enough commercially exploitable natural gas reserves in its exploratory drill at the offshore Onasagoras field in block 9. The drilling results came as a shock for the government who had raised expectations regarding block 9 claiming that it was even richer than block 12 in which US based Noble Energy had found considerable quantities of natural gas. The results from the Onasagoras field essentially forces the government to shift its priority from building a

multibillionaire LNG terminal to much less ambitious designs. These may include: supplying Egypt with natural gas via a pipeline, linking the Aphrodite field with its idle LNG terminals; and pursuing the option of Compressed Natural Gas (CNG) to export natural gas to southern Europe.

The joint venture of ENI-KOGAS proceeded to the Amathusa field, which is also located in block 9 of the Cyprus EEZ. The drilling is expected to start in early January.

On December 8, energy minister Giorgos Lakkotrypis met with the European Commissioner for Energy Union, Maros Sefcovic, to propose the inclusion of the East Med Pipeline as part of an EU Project of Common Interest (PCI). Cyprus, Greece and Israel have been pushing for the East Med Project, a subsea gas pipeline, connecting the three countries with Europe, as an alternative source of gas for Europe. The three countries additionally request EU funding and a feasibility study regarding the pipeline in question. Projects considered as PCI's are eligible to request financing from the Connecting Europe Facility which has an allocated budget of nearly €6 billion. The East Med pipeline is expected to face massive financial, logistical as well as geological difficulties and is therefore rejected as a realistic option by most experts. Its cost is expected to vary from \$10 to \$15 billion.

Meanwhile, current developments in Israel may potentially increase the competitiveness of

Cypriot gas. In particular, Israel's anti-trust authority decided to break up the monopoly of the country's natural gas reserves by Noble Energy and the Delek Group, which together hold 85% of the Leviathan field. The decision, which was not welcome by Noble which highlighted the uncertain regulatory environment and will thus cause delays in the energy designs of the country. In light of these developments and taking into consideration that Israel and Cyprus are competing over supplying Egypt (and possibly Jordan) with natural gas, Cyprus may appear more attractive towards the latter.

3. Greek Cypriots

Economic Developments

On December 18, the parliament suspended the enforcement of the law on foreclosures. This undermines the country's credibility and sets off track the country's adjustment program.

The decision came after a proposal submitted by EDEK and backed by DIKO to suspend the enforcement of the legislation until the end of January, 2015. It was claimed that this will earn time for the preparation of an insolvency framework, which will provide a safety net to vulnerable groups. Ruling DISY voted against the bill, warning that it will jeopardise the island's bailout program. AKEL had previously proposed to suspend the foreclosure law until the end of June. This proposal was rejected by all parties.

The insolvency framework, comprised of five bills, was meant to come into force at the beginning of 2015 to coincide with the enforcement of the foreclosures law. Until now, only two bills were submitted to parliament.

The suspension of the law came a few days after Cyprus received €350 million by the European Stability Mechanism (ESM), which were withheld in September, after opposition parties passed legislation limiting the scope of the foreclosures law. Following the suspension of the law the International Monetary Fund did not approve the disbursement of another €86 million, which formed a part of the same instalment.

On December 16, after a marathon House session, the 2015 government budget was passed with 29 votes in favour and 26 against. 20 deputies from DISY, 8 from DIKO and 1 from EVROKO voted in favour. Opposition AKEL, EDEK, the Greens and the Citizen's Alliance voted against it. The 2015 budget provides for a state revenue of €5.928 billion compared to €5.952 in 2014 and an expenditure amounting to €6.662 billion compared to €6.622.

On December 5, the Finance Ministry announced that it relaxed restrictions on capital movement concerning domestic banks by doubling the ceiling of transactions for ordinary business activities not subject to approval to €2 million. The amount of money that can be transferred outside the country per month, per person and from each credit institution is

increased from €5.000 to €10.000. Individuals are also allowed to carry abroad €6.000.

The share of the Bank of Cyprus (BoC) which had been suspended for the last 21 months made its official return to Greece and the Cyprus stock exchange on December 16. Meanwhile, Hellenic Bank announced that it raised €201 million in fresh capital and that it might raise additional €20 million before the end of January, 2015.

According to the Central Bank of Cyprus (CBC) the non-performing loans in Cyprus' banking system for the month of October rose to €28.2 billion or almost 49% of total loans compared to 48.5% in September. Additionally, deposits in the Cypriot banking system rose to €45.8 billion in November or 4.4% compared to a year before. It was the first time since May that an increase in deposits was recorded.

Domestic Developments

President Nicos Anastasiades returned to Cyprus on December 21 following open heart surgery at the Mount Sinai Hospital in New York City. According to his cardiac surgeon Dr. David Adams, the President's health problems have been fully addressed and he is ready to return to his duties.

Upon his return to the island, Anastasiades announced his intension to carry out radical changes to the structure of the presidency, implying a government of wider acceptance and

changes to the operation of the Presidential palace. This could be interpreted as an attempt to secure support of other parties, at least DIKO, having in mind the challenges the government will be facing in 2015. These include: implementation of foreclosures law, legislation on the national health scheme and the privatization of semi governmental organisations.

4. Turkish Cypriots

Economic Developments

The European Commission (EC) has approved a new annual financial assistance program for the Turkish Cypriot community worth €32.96 million. The financial assistance is expected to be used for reconciliation efforts in Cyprus. According to a statement released by the EC, the financing will be used to integrate the economies on the island and to improve relations between the two communities. The European Commissioner for Regional Policies, Corina Cretu said that the new funds were a sign and proof of the EU's determination to see a settlement on the island. "At the same time it is a clear expression of our view that an agreement can only be reached by bringing the Turkish Cypriot community close to the EU and through integrating the island's economy" she said. The statement also said that the EC will continue to support the work of the Committee on Missing Persons as well as the Technical Committee for

Cultural Heritage.

The Turkish Cypriot parliament has approved the 2015 budget, which stands at 4.96 billion Turkish Liras (€1.8 billion). The head of the parliament's Economy, Finance, Budget and Planning Committee, the CTP-BG deputy Birikim Ozgur said, it was essential to focus on structural problems in 2015 and introduce a series of reforms. He said that 2015 must be a year where the state "must undergo surgery" and current budget disciplinary actions must be continued. Ozgur also underlined the importance of using public funds efficiently. Pointing out that it was important to prepare for the eventuality of a settlement on the island, Ozgur said that it was vital to transform the Turkish Cypriot economy into an economy, which can stand on its own feet. He said that curbing excessive, wasteful and unnecessary public spending was one way of achieving this.

The government suspended the cost of the living adjustment payment for public sector employees and pensioners for 2015. Instead, the funds saved by this measure will be used to raise the salaries and pensions equally. The minister of finance Zeren Mungan said that the government's intention is to improve the welfare of lower income groups.

Unemployment in the last quarter of 2014 was 17,8% higher when compared to the same period in 2013. According to the data released by the ministry of labour, 62% of the unemployed are women. The unemployment rate for

the northern part of Cyprus is 9.6%, according to the minister of labour.

According to the Turkish Cypriot Real Estate Agents' Union, 17.000 foreigners have purchased immovable property in the northern part of Cyprus in the last three years. The majority of these foreigners are Russian and German citizens.

Domestic Developments

Ahmet Kasif, Hamit Bakirci and Ergun Serdaroglu, who had resigned from the Democratic Party-National Forces (DP-UG) in November, joined the National Unity Party (UBP) in December. Kasif and Serdaroglu were among the 8 defectors from the UBP, who had forced the then ruling party to call early elections in 2013. Because of this reason, not everybody in the UBP welcomed their return to the party. The new distribution of seats at the parliament is as follows: CTP-BG: 21, UBP: 18, DP-UG: 8 and Social Democratic Party (TDP): 3. The defection of three deputies did not only change the parliamentary arithmetic but also had financial repercussions for the DP-UG. Political parties receive 8.475 Turkish Lira (€3.070) per month as subsidy for every deputy of the party in the assembly. In other words, losing 3 of its deputies will cost some €110.000 a year to the DP-UG. In the absence of fee-paying members, state subsidies are vital in the financing of political parties in the northern part of Cyprus.

Following the Turkish Ministry of Environment's decision to approve the environmental assessment report of a nuclear power plant to be built in Akkuyu (Mersin) on Turkey's Mediterranean coast, which is less than 150 km away from the Karpas peninsula, various Turkish Cypriot environmentalists and politicians expressed their concerns. Furthermore, twenty-two civil society organizations, unions and three political parties have announced the foundation of the "No to Nuclear Platform". According to scientific research conducted by the Turkish Chamber of Environmental Engineers, Cyprus is among the first places that will be affected by a possible radioactive leak in the nuclear plant. The reactor's construction is estimated to begin in 2016 and is expected to be fully operational by 2023. Russian state-run, Rosatom will construct the nuclear power plant.

Conscientious objector Haluk Selam Tufanli was imprisoned for 10 days after the military court found him guilty of "non-compliance with the mobilization call" as a result of his refusal to take part in a one-day military training in 2011. Earlier in 2014, Murat Kanatli had been also imprisoned on the same grounds.

5. FES Cyprus Events

January 2015

--- no events ---



February 2015



Friday 27.2. and Saturday 28.2. 2015

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Conference

Turkey and Cyprus Regional Peace & Stability

USAK, Ankara, Turkey

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