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1. Cyprus Problem

December began with the leaders of the Greek Cypriot and Turkish Cypriot communities, Nicos Anastasiades and Mustafa Akinci meeting on the 1st of the month, following the disruption of the negotiations on November 22 in Mont Pelerin, Switzerland. The two sides had then failed to reach agreement on the criteria of territorial adjustment, which resulted in the deadlock of the process.

The meeting resulted in the two leaders agreeing to immediately resume intensified negotiations with a summit being set for January 9, 10 and 11, in Geneva with a focus on outstanding issues. On January 11, the leaders will present maps on the territorial aspect of the solution, which will be followed by a crucial conference on guarantees and security involving the guarantor powers (Greece, Turkey and the UK) as well as "other relevant parties" on January 12.

In an interview with Al Jazeera Akinci said: "I believe it is possible to set a date for a referendum in Geneva. While it is not certain whether we will reach that stage, if we do end up setting a date it will most likely be for the middle of 2017". He added that there would be no new effort to reach a settlement in Cyprus if the talks in Geneva failed to achieve the desired results.

The issue of security and guarantees finds the two sides in disagreement as the Greek Cypriot side insists that no third-party guarantees and

troops are required in a reunified Cyprus, an EU-member state, whereas the Turkish Cypriots demand amendments, not abolition, to Turkey's guarantees and the presence of a "deterrent force", citing fears of Greek Cypriot aggression. Another sticking point is the make-up of the conference on Cyprus, with Greek Cypriots pushing for an expanded conference with the active participation of the UN Security Council's individual members and the European Union, whereas Akinci has made the point that increasing the number of participants was likely to complicate matters unnecessarily.

On December 5, the Greek and Turkish Cypriot negotiators, Andreas Mavroyiannis and Ozdil Nami respectively, agreed to meet three times a week as part of the renewed round of reunification talks in a bid to achieve further progress on all outstanding issues. It was also agreed that the leaders would intervene when necessary to fill in the blanks. Direct negotiations between Anastasiades and Akinci resumed on December 13, with the leaders aiming to reach as many convergences as possible ahead of the Geneva talks. The two leaders also met on December 22, where they agreed to meet on January 4, and most probably on January 7, just ahead of the Geneva talks.

Meanwhile, French President Francois Hollande arrived in Cyprus for a short visit on December 9, where he was received by President Anastasiadis for a working dinner. Hollande's visit was linked with efforts underway to encourage the participation of all permanent members of the

UN Security Council at the conference on security and guarantees for Cyprus in Geneva, on January 12. In relation to this, AKEL leader Andros Kyprianou stated that his party had asked China, a permanent member of the UN Security Council, to participate in the conference. According to the Cyprus Mail, the President of the European Commission, Jean Claude Juncker and the High Representative of the EU for Foreign Affairs and Foreign Policy, Federica Mogherini, will be attending the conference while the President of the European Council, Donald Tusk, and German Chancellor, Angela Merkel, have also expressed their readiness to attend. Along with the European Union (EU), the US (United States) have also expressed willingness to attend if invited by the UN (United Nations).

In a statement issued after the meeting between Akinci and the President of the European Commission Jean Claude Juncker that took place in Brussels on December 7, the European Commission has expressed its readiness to provide financial support for the solution of the Cyprus problem.

During a meeting held on December 14, President Nicos Anastasiades and Greek Prime Minister Alexis Tsipras discussed the issue of security and guarantees and defined the strategy to be followed during talks in Geneva. A similar meeting, attended by the Greek Cypriot and Greek Foreign Ministers, Ioannis Kasoulides and Nicos Kotzias, took place on December 30, in Athens. On another front, the Permanent

Secretaries of the foreign ministries of Greece and Turkey met in Ankara on December 28, to discuss a possible meeting between the Turkish President Recep Tayyip Erdogan and the Greek Prime Minister Alexis Tsipras.

An initiative by trade unions and peace platforms across the divide aims at attracting people in a new gathering in the Nicosia buffer zone on January 10, to express their support for the peace talks in Geneva. According to an announcement, the organisers include the Pancyprian Federation of Labour (PEO), the bi-communal peace initiative “United Cyprus” and the Turkish Cypriot “Solution and Peace Platform”, who aim to send a message in favour of the peace process and “demand from the leaders to return with good news for the cause of peace”.

2. Hydrocarbons

On December 22, the cabinet decided to enter negotiations with energy giants Exxon-Mobil, Qatar Petroleum, ENI, and Total on hydrocarbon exploration and exploitation in three blocks offshore Cyprus. US-based Exxon-Mobil and Qatar Petroleum will be negotiating for block 10 and Italy’s ENI and France’s Total on the exploration and exploitation rights in block 6. Separate talks will be held with ENI regarding block 8. The companies had submitted bids as part of Cyprus’s third oil and gas licensing round that was announced earlier last year, six

months after Egypt made public a 30 trillion cubic feet gas find in Zohr, an offshore field administered by ENI, renewing interest in the Eastern Mediterranean. ENI, together with South Korea's KoGas, already have permits for blocks 2, 3 and 9. Total has the licence for block 11 and had relinquished the rights for block 10 in 2015. ExxonMobil and Qatar are newcomers to Cyprus's energy scene. According to Energy Minister, Yiorgos Lakkotrypis, "Licences will be issued following successful negotiations and approval of the contract by the cabinet. Otherwise, runners-up will be invited to negotiations." Energy expert Charles Ellinas described the entry of major energy players as a positive development but not as a game changer as gas prices are still low thus discouraging the development of natural gas fields at the moment.

3. Greek Cypriots

Economic Developments

The Eurogroup on December 5, upheld the European Commission's view that Cyprus's budget was at risk of non-compliance with the requirements of the Stability and Growth Pact (SGP). Measures, however, will only be required if a deviation materialised. Eurogroup President Jeroen Dijsselbloem said "these measures will be asked only if the situation of a structural deviation arises. This is an extra condition in the case of Cyprus." After a long discussion on draft

budgetary plans, the Eurogroup took note of the Commission's communication on draft budgetary plans (DBPs) and analysis and concluded that, based on the Commission forecast, the DBPs for Germany, Ireland, Cyprus, the Netherlands, Austria, Slovenia and Malta were consistent with the debt rule compliance, but also adopted the assessment on the deviation from the structural target. The Eurogroup welcomed the island's commitment "in such circumstances" to implement the necessary measures to ensure the 2017 budget will be compliant with the rules of SGP.

On December 7, the Parliament approved the state budget for 2017 with 28 votes in favour and 25 against. Ruling DISY, along with opposition parties DIKO and Solidarity Movement voted in favour, while main opposition party AKEL, EDEK, the Citizens' Alliance, the Green Party, and far right ELAM voted against. The budget provides for €6.96 billion in revenues, up 1.1 % from 2016, €7.06 billion in expenditure, a 2.3 % rise. GDP for 2016 will be €17.7 billion with a growth rate of 2.7 %. The government expects the GDP to rise to €18.3 billion in 2017 with an estimated growth rate of 2.8%. The fiscal deficit for 2016 is estimated at €52.5 million, or 0.3% of the GDP against €105.7 million or 0.6 % in 2017.

In its first post-programme surveillance report the European Commission stated on its website that as economic growth picked up, the pace of structural reforms in Cyprus had slowed and that the island had done little in the way of

addressing macroeconomic imbalances, including implementing existing, or introducing new measures to tackle bad loans. “It is crucial to renew the reform momentum, including by legislating critical, but much delayed reforms,” including the public sector reform as proposed by a bundle of draft bills which the parliament rejected, privatisations, which a parliamentary majority also opposes, and the introduction of a national healthcare scheme (...) To further improve the business environment and attract more investment, progress needs to be achieved in key areas such as setting up a sustainable and efficient title deeds and modernising the justice system”, the report stated.

On December 14, Moody’s Investors Service upgraded, by one notch, the long-term local and foreign currency deposit ratings of Bank of Cyprus to Caa2, and Hellenic Bank to Caa1, and affirmed their not-prime short-term local and foreign currency deposit and commercial paper ratings. Moody’s explained that its action was driven by an improved operating environment, which in turn allowed the banks’ profitability, asset quality, funding, and capitalisation to improve. This was also the case for Cyprus’s “macro profile” assessment, which rose to weak from very weak

According to the CBC (Central Bank of Cyprus), the difference of loans against deposits in the Cypriot banking system fell to €4.9billion in November and for the very first time to below pre-bail-in levels. In particular, compared to

October total deposits increased in November by €358million to €49 billion, the highest since June 2013, the CBC said in a statement on its website on December 29. Total loans dropped by €29million to €53.9billion. Moreover, according to the CBC the amount of non-performing loans fell by €431.6million in September to €24.1billion, the lowest since December 2014.

According to Bloomberg, Bank of Cyprus vice chairman, US billionaire Wilbur Ross, intends to cut his ties with the lender after being nominated by US president-elect Donald Trump as Commerce Secretary. Meanwhile, Bank of Cyprus announced that it is about to repay its outstanding ELA (Emergency Liquidity Assistance), which it inherited to a large extent from Cyprus Popular Bank in March 2013. On December 14, the bank’s CEO John Hourican stated that its remaining ELA had dropped to €0.4million, half of what it was in August. The CBC confirmed the downward trend in its monthly balance sheet statement, which showed that ELA stood at €0.6million or below at the end of November. Bank of Cyprus’s emergency liquidity peaked in April 2013 at €11.4bn.

Domestic Developments

The agreement between Anastasiades and Akinci to resume intensive negotiations, which will come to a head between January 9-11, in Geneva, to be followed by an international summit on security and guarantees sparked the reaction of the parties who traditionally hold a hard-line stance on the Cyprus Problem. DIKO,

EDEK, the Citizens Alliance, the Green Party and the Solidarity Movement more or less claimed that Anastasiades had broken his pledge to them by conceding to a roadmap with a deadline and agreeing to set a date for an international conference without prior agreement on all other issues. As a result of the President's handling of the Cyprus problem, far right party ELAM announced on December 5, that it was leaving the National Council. All parties issued a joint statement, opposing the ongoing process and claiming that the Republic of Cyprus had to be present at the conference scheduled for Geneva on January 12.

On December 18, local municipal elections were held. Nicos Nicolaides (independent but backed by DISY and the Greens) won in Limassol with 48.31% of the vote, ousting two-term rival Andreas Christou (backed by EDEK, AKEL and DIKO) with 48.27% with a difference of only ten votes. In Famagusta, incumbent Alexis Galanos (backed by DISY) scraped through with 41.73% to 41.54% for his closest rival Simos Ioannou (backed by AKEL, DIKO, EDEK) with a difference of only 23 votes. In Nicosia, Constantinos Yiorkadjis (DIKO) led with 68.86% of the votes to Panayiotis Stavrinides' (Independent) 31.14%. In Paphos, incumbent Phedonos Phedonos (Independent) won with 55.66% to Akis Chrysomilos' (backed by EDEK DIKO and AKEL) 44.34%. In Larnaca Andreas Vyras (AKEL) won with 35.47%. The overall turnout for the municipal elections island-wide was 62.3%, with 37.7% abstentions, which was around 9% higher

than in the 2011 elections. The turnout was down in all districts except Larnaca.

All parties rushed to claim victory following the elections. The spokesman of DISY described the elections day as very good for his party as from a pool of 441.000 voters DISY topped all parties with 37.3%. AKEL leader Andros Kyprianou said his party, which had suffered heavy losses in legislative elections earlier this year, is "resurg-ing", despite its Limassol candidate, incumbent mayor Andreas Christou, also backed by DIKO and EDEK, falling victim to one of the most spectacular upsets of the day, losing by just ten votes to challenger Nicos Nicolaides. DIKO claimed to have contributed to the election of 17 out of 39 mayors and raised its electoral results. Socialist EDEK was perhaps the biggest loser of the election, as not only did the party back the wrong candidate in Limassol, it also lost to one of their own after Nicolaides, a long-time EDEK top official, went rogue after he was deprived of his shot at re-election to parliament so that leader Marinos Sizopoulos could replace him. The Citizens Alliance censured other parties for boasting the election of various mayors, when nearly every candidate had been fielded under an 'independent' banner, but went on to follow suit. In a similar vein, Eleni Theocharous, said parties had no right to claim victory in these elections, because nearly all candidates were independents. The Greens' vice-president Efi Xanthou said the party managed to elect twice as many municipal councillors as it had in 2011 – from four to eight.

Labour Relations and Trade Unions

INEK-PEO's annual Report on the Economy and Employment was published and presented early December. The main conclusion of the report is that social inequalities stand today at dramatic levels as the purchasing power of wages has been driven 20 years back. This places Cyprus at the third worst position in the EU, after Greece and Portugal, lagging far behind the EU average. PEO's leader in his speech mentioned that the union would continue the policy it had decided last year, the reclaiming of the social rights that had been lost during the crisis and that this had already had some positive results.

The parliament blocked the government's plans for the restructuring of the public sector. Stephanos Stephanou, on behalf of AKEL stated that this was the result of the government's incompetence and authoritarianism since the bill was not sufficiently discussed with the political parties and the social partners, and it was partial and inadequate. Stephanou stated that AKEL believed in the need for a radical reform of the public service but that it should be substantive and comprehensive. Constantinos Petrides, Deputy Minister to the President of the Republic of Cyprus, on behalf of the government accused AKEL and the rest of the political parties of protecting established interests and defended the bill, which was the result of a social dialogue and not simply the government's suggestion. The parliament also effectively blocked the plans for further privatizations as it did not approve the budget of the

Privatizations Unit. The Chamber of Commerce (CCCI) sided with the government and accused the parliament of not standing up to the level of its mission. PEO stated that the parliament saved the labour relations system, referring to a clause in the aborted public service reform, which introduced automatic regulation of wages instead of collective bargaining. Opposition to that clause was unanimous in the trade union movement and it was the combined reaction of all trade unions that averted it, according to PEO. ASDIK, a small public sector union accused the government of negotiating only with PASYDI and after securing PASYDI's collusion that all "unacceptable" clauses remained in the bill, which was inevitably rejected by parliament.

The government plans to indefinitely freeze hiring in the public sector in order to control the rise of the state payroll. This comes after the hiring of 3,000 professional soldiers. From this freezing plan the government intends to exclude the promotion positions, which are also the most highly paid ones, but which are few in number.

The conflict between the bus corporation in Paphos and the government about the financial contribution of the government in the buying of new buses led to a stoppage of the bus services for several days in Paphos.

PEO reacted to a news item in Phileleftheros newspaper, referring to an agreement between workers and employers about their equal

proportional contribution to the General Health Scheme. PEO stated that this was not the case and that the percentile contributions to the Scheme had been decided in 2001 and were part of the relevant law. Furthermore, PEO stated its objection to all “shrewd” attempts to change the agreed proportional contribution and shift the increased burden on the workers, especially now, at a time when the gap between wages and profits had widened further.

The representatives of the Hoteliers stated that there was insufficient supply of skilled workers in the hotel industry and that some people preferred to receive benefits rather than go to work. PEO reacted to this pointing at the low wages offered in combination with the difficult circumstances of work in the industry with the shift system.

According to a Report of the European Central Bank the value of pure wealth in Cyprus has dropped by 40%, constituting the biggest drop in the EU during the crisis. This is seen largely as a result of the drop in the real estate prices and the bail-in agreement. The median household income has also dropped by 34.2%, again the biggest drop in the EU.

The main findings in the Annual Report of the Statistical Service of the Republic of Cyprus is the population decrease from 865,900 in 2012 to 848,300 in 2015, the aging of population with 15.1% of the population being over 65 and the increase of the proportion of people at the risk

of poverty to 29.9%. There is also a decrease in the birth rate and an increase of the death rate.

4. Turkish Cypriots

Economic Developments

Cyprus Today, a Turkish Cypriot weekly paper published in English, reported that local authorities in the northern part of Cyprus are mired in debt with majority needing financial support just to pay employees’ salaries. The article was based on a report titled “2015 TRNC Economic Situation Report,” which was prepared by the Development and Economic Cooperation Office of the Turkish Embassy. Most of the TRNC’s 28 municipalities are spending so much money on salaries that they are unable to properly invest in infrastructure to improve the services they provide.

In the foreword of the report mentioned above, Turkish Ambassador Derya Kanbay wrote that “although improvements in the TRNC’s public finances continued in 2015, with growth being above 4 per cent, the same progress was not seen in realising structural reforms.” He attributed lack of progress to political instability i.e. four governments in three years. Kanbay argued that improvements in public finance had only reduced short-term problems and that policies designed to solve problems of public debt and “an inefficient public sector” had not been implemented, adding that fragility of the

Turkish Cypriot economy was alleviated thanks to higher education and tourism sectors, which continued to grow despite all of these difficulties.

Deputy Prime Minister and Finance Minister, Serdar Denktas said, that Turkish Cypriots were not economically prepared for a settlement and complained that the government was not being properly informed about the negotiation process. Denktas also argued that there was a threat of conflict on the horizon, should a settlement be reached under these circumstances.

Parliament approved the budget put forward by the National Unity Party (UBP)-Democrat Party (DP) minority coalition, with a majority of 27 (out of 50 MPs) thanks to the backing of the independents. The approved budget for 2017 stands at 5.07 billion TL (€1.27 bn.).

Relations with Turkey

Speaking during the plenary session of the Turkish Grand National Assembly, Tugrul Turkes, the Turkish Deputy Prime Minister Responsible for Cyprus Affairs, reiterated Turkey's support to the ongoing negotiation process and Akinci's constructive efforts. He also touched upon Ankara's economic support to the TRNC: "As the motherland, we have provided 10 billion Turkish liras to the TRNC since 2002. Apart from this we have spent an additional 1.6 billion on the water supply project".

Ibrahim Kalin, spokesperson of the Turkish president Erdogan, announced that Erdogan would be attending the Cyprus Conference that will be held in Geneva. "On the Cyprus issue, since the Annan Plan, we have always been one step ahead ... This policy also continues today," Kalin added.

Turkey's Prime Minister Binali Yildirim said that Turkey's stance on the Cyprus issue was very clear: "A solution in Cyprus must entail a just administration, rotating presidency, respect to the two sides' laws, territory and property rights, and safeguards to Turkey's active and effective guarantees".

The Turkish Deputy Prime Minister Numan Kurtulmus said that Turkey was hopeful that a settlement could be reached in Cyprus and pointed out "Turkey will neither abandon the idea of a bi-communal, bi-zonal federation on the basis of political equality of the two peoples nor will it give up its status as a guarantor power in Cyprus".

Turkish Cypriot Foreign Minister Tahsin Ertugruloglu visited Ankara where he met with Erdogan, Turkes and Cavusoglu.

Referring to the state hospital that will be built in Nicosia, the Health Minister said that nine projects had come from Turkey and that they were working on these projects.

Domestic Developments

On the first day of December, the Trade Union Platform called a snap half-day general strike to protest the government, which they held responsible for a horrific school bus crash that killed three people two of them teenage girls, and left six injured, in the last week of November. A second general strike followed, on December 6, causing disruption at schools, hospitals, airport and other public offices. At least 2,500 passengers were affected by the strike at the airport. Angry crowds of high school students and trade unionists demanded the resignation of the Prime Minister, Transport and Education Ministers, and a return to Daylight Saving Time (DST). Seven protesters and police officers were injured and there were temporary arrests as stones, eggs and plastic bottles were hurled at the Prime Minister's office, breaking windows. A third and more peaceful protest and general strike, was staged on December 16. Any impact on flights at airport was averted as the government imposed a 60-day ban on strikes in civil aviation.

The government remained adamant with both Prime Minister Huseyin Ozgurgun and Deputy PM and Finance Minister, Serdar Denktas insisting it was "impossible" to reverse the government's decision. Mr Denktas said that the decision not to take the clocks back an hour was due to the fact that communication, banking and financial systems were in line with Turkey, which had decided not to implement DST. Denktas added that the real issue that needed

to be discussed in the country was that a large portion of state revenues deriving from road taxes and traffic fines, was being used to pay salaries of state employees and that the TRNC was in no state to carry out infrastructure investments without funds from Turkey.

Members of 13 organizations, which have joined forces under the Gender Equality Platform organized a rally to mark the International Day for the Elimination of Violence against Women. The platform members protested the government's inability to protect victims of domestic violence and pointed out that women were facing violence and abuse in "every aspect of their lives". They added that bullying at work, homophobia, social pressure on lesbian, gay, bisexual and transgender people, along with rape, people trafficking, murder and "slavery in night clubs" were all occurring in the northern part of Cyprus.

Separately, a new, partly European Union-funded shelter for women suffering from violence or threats opened its doors. The refuge aims to provide safe haven for up to seven women and 14 children who have experienced or are at risk of domestic violence, or who have "socio-economic problems" and nowhere else to turn. Help will also be available to victims of human trafficking.

The junior coalition partner Democratic Party (DP) held its 10th ordinary congress on December 24; its current leader Serdar Denktas was re-elected unopposed.

Labour Relations and Trade Unions

Cyprus Aviation Services (CAS), a semi-public airport ground handling company sacked 31 of its workers arguing that they were "inadequate". According to Emek-Is, a member of Revolutionary Trade Unions Federation (Dev-Is), the real reason was different; workers were sacked because they had joined Dev-Is and attended one of its meetings. "This ruthless, illegal and unethical move is unacceptable," Emek-Is leader Koral Asam said, adding that the workers had been subjected to "pressure, threat and blackmail" and told to quit the union in order to get their jobs back.

The Minimum Wage Commission could not agree on the minimum wage pay figure for the first half of 2017. The meeting was attended by five representatives of the government, employers and trade unions who decided to meet again but did not specify the date. The present minimum wage, which was set in June as 1,834TL (€570) is now only €467, after the recent plunge in the value of Turkish Lira.

5. FES Cyprus Events**January 2017**

--- no events ---

February 2017

Friday 24.02.2017 4 – 8 pm

Saturday 25.02.2017 9 am – 5 pm

POST RI/FES

Conference

Conference on the Education for a Culture of Peace

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