



EDITOR'S NOTE

An EU member state in the Eastern Mediterranean, at the crossroads of Europe, Asia and Africa; this is Cyprus in a nutshell.

The monthly FES Cyprus Newsletter gives you a current overview of the domestic political situation and the external affairs of an island, which is far more than a divided country. Have a pleasant read!

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CONTENT

EVENTS, PODCASTS, PUBLICATIONS 3

CYPRUS PROBLEM 4

HYDROCARBONS 5

GREEK CYPRIOTS 5

Economic Developments

Domestic Developments

Labour Relations and Trade Unions

TURKISH CYPRIOTS 8

Economic Developments

Relations with Turkey

Domestic Developments

Labour Relations and Trade Unions

Newsletter No.117 FEBRUARY 22

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2





FES CYPRUS NEWSLETTER

PODCASTS in MARCH:
No podcasts in March



PODCASTS in APRIL:
No podcasts in April

PUBLICATIONS in MARCH:
Omer Gokcekus & Sertac Sonan
**Corruption Perceptions in North Cyprus:
2020 Report**
(In English, Turkish)



PUBLICATIONS in APRIL:
Dr. Alexandra Novosseloff
**A Comparative Study of Older One-Dimensional
UN Peace Operations**
Is the Future of UN Peacekeeping its Past?
(In English)

EVENTS in MARCH:
No events in March



EVENTS in APRIL:
*Friedrich-Ebert-Stiftung Cyprus and the Effectiveness of
Peace Operations Network (EPON)*
**Report Launch and Panel Discussion:
Is the Future of UN Peacekeeping Its Past?**
Thursday, 7th April 2022
3 PM - 5:30 PM (EEST)
UNESCO Chair Amphitheatre
University of Nicosia

Newsletter No.117 FEBRUARY 22

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CYPRUS PROBLEM

President Anastasiades and Foreign Minister Ioannis Kasoulides announced on February 13 that they will be focusing on confidence building measures (CBM's) with Turkish Cypriots¹ and Turkey instead of pushing for sanctions against Turkey. The initiative was welcomed by several foreign governments including the US and EU. This marks a shift in the Republic of Cyprus's foreign policy on the Cyprus peace process.

Anastasiades' proposals for CBMs with the Turkish Cypriot community are:

- handing over the fenced-off city of Varosha/Maras to the United Nations to open it to resettlement by its legal owners;
- transferring the operation of Tymbou/Ercan airport to the UN to open it to international flights; and
- putting the customs services in the Famagusta port under EU authority to facilitate trade with the outside world.

The last two proposals would reportedly put an end to the Turkish Cypriot's isolation.

In exchange for agreeing to opening up the northern part to international trade and flights, the Greek Cypriots side wants Turkey to implement the additional Ankara protocol, which it had signed with the EU in 2005, by opening its ports and airports to Cyprus-flagged ships and allowing Cyprus planes to enter Turkish airspace.

In response, Turkish Cypriot leader, Ersin Tatar, categorically rejected the opening, saying the equal sovereignty of Turkish Cypriots should be recognized first, adding that a federal solution uniting the

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

two sides is not possible. Tatar also called for the creation of a committee to negotiate the joint management of Cyprus' hydrocarbon deposits.

On February 21, Kasoulides met EU High Representative for Foreign Relations, Josep Borrell, in Brussels, where they discussed Turkey's interventions in the north, in particular regarding the airport of Tymbou/Ercan and the ongoing developments in Varosha/Maras. According to the Cyprus News Agency, the Foreign Minister asked for the help of the EU to address Turkey's provocations. Kasoulides also held bilateral meetings with Italian Foreign Minister, Luigi Di Maio and German Foreign Minister, Annalena Baerbock.

On February 9, a brief statement from the office of the UNFICYP stated that in response to the request of the United Nations Security Council in a 2021 resolution, Anastasiades and Tatar, had agreed to an action plan to ensure women's full, equal and meaningful participation in the peacebuilding process in Cyprus. The action plan was developed by the Technical Committee on Gender Equality.

The administrative court of the Republic of Cyprus has ruled in favour of two plaintiffs who filed cases of administrative negligence against the state after having to wait for years for a response to their Cypriot citizenship applications. According to Murat Metin Hakki, the Turkish Cypriot lawyer representing both plaintiffs born from "mixed marriages" (between Turkish Cypriots and Turks), on June 3 2021 the court ruled that political uncertainty or inter-communal negotiations are not an excuse not to respond to requests. The second ruling, issued in February, said that Greek Cypriot authorities acted in violation of the law by not responding to the requests within a reasonable period of time. Hak-

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).





ki said that the plaintiffs now plan to take the case to local or international courts, with the European Court of Human Rights as their last-ditch effort. It is estimated that about 10,000 children were born from mixed marriages, the lawyer said.

HYDROCARBONS

President Anastasiades called a meeting in early February, that culminated in a revised plan with regards to the LNG project, after he urged all involved government departments to see how it can be expedited and overcome delays and see the issues resolved. With regards to the delays, the contractor blames the pandemic and supply chain problems. The contractor reportedly demanded an extra €100m for the increase in the price of raw materials (steel and so forth) with the government reportedly agreeing to €25m. Following the meeting, Energy Minister, Natasa Pilides, gave strong assurances that the project will be completed by July 31 2023, from Fall 2022 as initially planned, and that the increase in the cost, still pending, will not exceed 10% of the currently contracted amount of €289m.

Experts including Charles Ellinas, have argued that it is doubtful that the project will be completed before 2024 and there is no guarantee that the likely cost overrun, estimated to be nearer €100m, will go away, especially if the project encounters new challenges. Other concerns raised included:

- the lack of transparency that surrounds such an important and high-cost project;
- problematic results produced by the soil and geotechnical investigations regarding the jetty, but also the land-based facilities;
- delays regarding the engineering design of the facilities at Vasiliko;
- new EU methane emission regulations, especially those associated with natural gas/LNG imports.

On February 23, the Energy Ministry denied that buried chemicals would further delay the construction of the LNG terminal at Vasiliko, saying that the area was cleaned up in May 2020 at the cost of €3.8m. The ministry's statement was issued in reply to a report in daily Phileletheros which said that the already-delayed LNG terminal faced further obstacles because of dangerous chemicals that needed to be cleared before construction could start.

Cyprus and a consortium led by China Petroleum Pipeline Engineering Co Ltd had signed a contract in December 2019 for the construction of the nearly €300m infrastructure for the import of LNG for electricity generation.

GREEK CYPRIOTS

Economic Developments

On February 10, the European Commission in its Winter 2022 Economic Forecast predicted a 4.1% increase for the real GDP of Cyprus in 2022 and a 3.5% increase in 2023. Regarding inflation in Cyprus, the Commission forecasts a further increase to 2.65% in 2022, before the inflation rate moderates to 1.2% in 2023.

On February 24, Russian state-owned VTB Bank (PJSC) transferred all its shares in RCB Bank to Cypriot shareholders, making RCB a 100% Cypriot-owned bank. VTB transferred to the Cypriot shareholders the 46.29% stake it held in RCB. The move comes amid the announcement of sanctions against Russia following its invasion in Ukraine.

On February 24, EU leaders responded to the Russian invasion of Ukraine with economic sanctions on Russia. According to Finance Minister Constantinos Petrides, Cyprus did not oppose any EU sanctions against Russia as reported in local and international media, which suggested that Cyprus was among the EU member states that tried to oppose sanctions.

On February 24, the House of Representatives condemned Russia's invasion of Ukraine, calling for an





immediate ceasefire and urging Russian troops to depart from Ukrainian territory. President Nicos Anastasiades condemned “in the strongest possible terms” actions violating the sovereignty and territorial integrity of an independent country.

Meanwhile, the Embassy of Cyprus in Ukraine suspended its operation on February 26 as efforts were expected to be made by Greece for the evacuation of Cypriots and Greek citizens from Ukraine. On February 27, Cyprus joined other EU member states in calling for the implementation of mandatory relocation of Ukrainians from the countries neighbouring Ukraine which received the largest influx of migrants.

In retaliation to an EU ban on Russian flights into the EU’s airspace, Russia closed on February 28 its airspace to airlines from 36 countries, including Cyprus and the 26 other members of the EU. Minister Ioannis Kasoulides stated that the Republic joined the bloc’s unified flight ban but reserved the right to review the policy, should Ankara not join in on the ban amid fears that Turkey would “instrumentalise” the move, potentially sending Russian tourists to the north. Foreign Ministry spokesman, Demetris Demetriou, also stated that Cyprus could go its own way and reopen its airspace to Russian flights should the Republic’s national interests be at stake. The flight ban may shock the tourism sector across the Republic, for whom Russians comprised 40% of all tourist arrivals last year. The Russian Ambassador in Cyprus, Stanislav Osadchiy, stated that Cyprus has “shot itself in the foot” by joining the EU’s ban on Russian aircrafts. Authorities estimate the movement of 1.3m passengers between Cyprus and Russia in 2022, roughly 15% of the island’s total air traffic.

The war in Ukraine is expected to negatively affect all European economies due to the price increases in energy and raw materials including oil and wheat. Lower economic growth and inflation are also expected. The Cypriot economy, already struggling with rising prices, is expected to face additional

challenges. A significant part of the services sector relies on the activity of enterprises of Russian interests. Foreign Direct Investment (FDI) flows reflect the high volume of transactions. In 2020, the stock of incoming FDI, representing money that entered the country, reached €389bn of which €102bn came from Russia. At the same time, the stock of outgoing FDI reached €399bn, of which €134bn went to Russia. As far as banks are concerned, the contraction of international clients in recent years has resulted in a significant reduction of direct exposure to Russian clients. Russian deposits in Cyprus are estimated at €1bn.

Meanwhile Cypriot banks have said that the sanctions so far do not pose any particular problem. The Central Bank of Cyprus (CBC) stated on February 26, that all necessary precautionary measures have been taken to minimize any impact of the war in Ukraine on the Cypriot financial system. The CBC stated however that the analysis of the potential impact and any possible risks is continuous. According to the CBC, the Cypriot banking sector is now among the most robust in Europe in terms of liquidity levels with the coverage ratio reaching 345% in January 2022, a level that is almost twice the European average (174%) and more than three times its minimum supervisory requirement of 100%. In addition, the deposit base of the Cypriot banking sector in January 2022 amounted to €51.3bn, one of the highest levels observed since 2014, with the share of domestic residents’ deposits reaching 82%, which significantly strengthens the stability of the sector.

On February 25, during a meeting between the leaderships of left-wing AKEL and of the Cyprus Chamber of Commerce and Industry (Keve), Chamber president, Christodoulos Angastiniotis, argued that developments in the Ukraine were expected to further aggravate the problem of surging prices. Concerns were raised over Cyprus’ adequacy of energy and grains.

On February 26, opposition AKEL and left-wing trade union confederation PEO held island wide





FES CYPRUS NEWSLETTER

protests over the surge in the cost of living including a rise in energy prices, transport costs, steel and construction materials. In response to the protests President Anastasiades argued that rising prices and inflation are a global phenomenon.

According to a preliminary report released on February 28 by the Cyprus Statistical Service (Cystat), Cyprus' government deficit fell to €409.1m or 1.8% of GDP in 2021, primarily due to the impressive 16% increase in revenues. In comparison, government deficit stood at €1.21bn or 5.6% of GDP in 2020. In particular, during the period between January and December 2021, revenues amounted to €9.87bn compared to €8.5bn in the corresponding period of 2020. Total expenses, increased by €560m (5.8%) and amounted to €10.2bn compared to €9.7bn in the corresponding period of 2020.

Domestic Developments

In February, the COVID 19-cases dramatically increased for a second month in a row from 256,746 to 322,516 cases again due to the highly transmissible Omicron variant. The number of deaths attributed to the virus rose from 733 to 856. As part of relaxations to the coronavirus measures, a ban on the entry of unvaccinated people to restaurants, cafés, bars and nightclubs was lifted.

Prominent Nicosia lawyer Achilleas Demetriades officially announced on February 28 his candidacy for the 2023 presidential elections. Demetriades is likely to be an independent candidate. His campaign will be based on the three pillars: a so called "Honest State", a vision for a new Cyprus ("Cyprus 2035") and a Cyprus Solution "in our Interests". His message focused on fighting corruption, a fresh start, and a solution to the Cyprus problem. So far DISY leader Averof Neophytou has declared his candidacy amid widespread speculation over fellow party member and former Foreign Minister Nikos Christodoulides' intentions. Also in the running is former Minister of Communications & Works (1978-80) Marios Eliades. Leader of DIPA, Marios Garoyian announced

that the party will begin negotiations with all other Cyprus parties excluding ELAM in March 2022 over backing a candidate for the upcoming elections. DIPA, a centrist party was founded in 2018 by Garoyian, after his split from center right DIKO.

Labour Relations and Trade Unions

On February 2, hotel employees participated in the protest rally organized by the Union of Hotel Employees and Recreation Centers of PEO (SYXKA-PEO) outside the Ministry of Labor. They requested their inclusion in the decree for the payment of unemployment benefits, due to the suspension of work for the winter season. They also requested speeding up the process for payment of benefits. The crowd held banners with slogans such as "We demand monthly payment of unemployment" (given that the payment is now being made in irregular periods, making financial planning difficult), "It was not our choice not to work, but the conditions of the pandemic forced us". A delegation of the Union met with the General Director of the Ministry and handed him the resolution with the demands of the employees.

On February 4, the Minister of Labor submitted a mediation proposal for the renewal of the collective agreement of dock workers. The previous agreement expired on December 31, 2020. The proposal however, was not accepted by dock workers. The companies managing the port, DP World Limassol and Eurogate Container Terminal Limassol, have not yet answered whether or not they accept the minister's mediation proposal. A point of contention that provoked the reaction of dock workers is the fact that the ministerial proposal does not provide for the granting of a wage increase for 2021 nor does it include the element of retroactivity. It is noted that the intervention of the minister took place after the impasse that arose in the direct negotiations between the two parties and a labor dispute was referred to the Department of Labor Relations. On the occasion of a strike by the dock workers on February 7, the Minister canceled the mediation meeting she

Newsletter No.117 FEBRUARY 22

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had scheduled with the leaders of the unions on February 10. The Minister had warned the unions that her mediation would take place on the condition that no dynamic measures would be taken either by unions or by employers.

A round of consultations has opened between the Ministry of Labor and employers' organizations, aiming to solve the problem of lack of human resources in the hotel industry. Hoteliers believe that their only option is to bring in workers from third countries and the EU. However, the Minister of Labor insists that before this is done, people from the unemployed persons list maintained by the Ministry of Labor should be hired. On the other hand, PEO states that the intentions of the Hoteliers are not sincere. And that their intention is to use employees from third countries for further deregulation, as well as reducing of wages and benefits.

Labor market issues are in the final stages of regulation by the end of February at the forefront of the agenda of the Labor Advisory Board (ESS). The ESS essentially advises the Minister of Labor and Social Insurance:

- On all labor issues and the promotion of peace in labor relations
- On issues that employers and employees have a common interest
- On ways and means that encourage studying, by both employers and employees, on all issues that affect the progress and prosperity of the industry

The ESS is chaired by the Minister of Labor and Social Insurance and includes representatives from the employers' organizations OEB and KEVE as well as the trade unions PEO, SEK and DEOK. The 5 main issues that will be attempted to resolve are:

1. the introduction of a national minimum wage,
2. the regulation of teleworking,
3. the reform of the pension system,

4. the revision of the employment strategy of foreigners from third countries
5. the modernization of the public employment service

TURKISH CYPRIOTS

Economic Developments

According to the Ministry of Finance figures, the TRNC ran a budget deficit of 954.7 million TL (€61 million) in 2021. The total expenditures reached 10.4 billion TL (€665 million) while the revenues stood at 9.4 billion TL, despite 1.83 billion TL transferred by Turkey. Strikingly, 859 million TL of this came in December just before the early parliamentary election scheduled for 23 January 2022.

According to the Statistical Institute the consumer price index was 53.36% higher in January 2022 compared to January 2021. The consumer prices had risen by 5.48% in January 2022 alone. The biggest month-on-month price rises came in the 'Housing, Water, Electricity, Gas and Other Fuels' category, which went up by 13.94%. Analysts blamed the latest price rises on increased input costs to businesses, including a rise in the gross monthly minimum wage in January.

The Economic Organizations Platform, (which is made up of the Chamber of Commerce, Chamber of Industry, Chamber of Shopkeepers, Hoteliers Association, and Contractors Association), called for the setting up of a regulatory authority for energy under the Prime Minister's office. The platform made a statement where they said: 'The recent experiences in the field of electricity, gas and fuel supply have proven once again that one of our main problems is energy. We cannot do economic activities, continue education, and run health services without energy. The primary task facing us is to make the necessary energy investments and to establish supply security. Establishment of this authority has become an absolute necessity in order to follow the innovations in





FES CYPRUS NEWSLETTER

the field of energy, to take the necessary decisions and to plan the investments’

Data released by the Tourism Planning Department showed that 54,358 non-TRNC citizens arrived by sea and air in January 2022, compared to just 5,295 for the same period of 2021. The increase was largely due to more Turkish citizens travelling to north Cyprus. They made up 45,065 of January 2022’s arrivals while the remaining 9,293 came from other countries. The occupancy rate in touristic facilities was 18.2%.

Relations with Turkey

Turkey denied entry to a former Turkish Cypriot member of parliament (CTP) and peace activist Okan Dagli, who arrived in Izmir airport with his wife, over ‘national security reasons’. Dagli is a member of a group supporting the opening of the fenced-off city of Famagusta under UN control. Dagli has become the fourth Turkish Cypriot citizen who has been denied entry to Turkey. Last year, the Turkish authorities denied entry to three other Turkish Cypriots, all known for their pro-reunification stances.

Domestic Developments

In February, the number of Covid-19 cases increased from 54,803 to 68,088 while the number of deaths attributed to the virus increased from 172 to 195.

On February 21, the Prime Minister-designate Faiz Sucuoglu announced that a new coalition government has been established between the National Unity Party (UBP), the Democratic Party (DP) and the Rebirth Party (YDP). The coalition government has 29 seats in the 50-seat parliament.

The new cabinet is as follows:

Faiz Sucuoglu (UBP): Prime Minister;

Fikri Ataoglu (DP): Deputy Prime Minister and Minister of Tourism, Culture, Youth & Environment;

Unal Ustel (UBP): Minister of Interior;

Hasan Tacyo (UBP): Minister of Foreign Affairs;

Kutlu Evren (UBP): Minister of Economy and Energy;

Sunat Atun (UBP): Minister of Finance;

Erhan Arikli (YBP): Minister of Public Works and Transport;

Nazim Cavusoglu (UBP): Minister of Education;

Ali Pilli (UBP): Minister of Health;

Dursun Oguz (UBP): Minister of Agriculture and Natural Resources;

Oguzhan Hasipoglu (UBP): Minister of Labour and Social Security.

On February 8, a well-known Turkish Cypriot businessman with alleged links to the underworld was killed in crossfire by gunmen near his home in Kyrenia. According to the report of Esra Aygin for Cyprus Mail, ‘hotelier, betting and casino tycoon Halil Falyali, had very close ties with many Turkish Cypriot politicians and was known as the main sponsor of the campaigns of Ersin Tatar’s National Unity Party (UBP)’. He faced criminal charges in the United States for money laundering.

Newsletter No.117 FEBRUARY 22

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Labour Relations and Trade Unions

In early February, the Cyprus Turkish Trade Unions Federation (Turk-Sen) announced that of 130 Turkish Cypriots who applied to Turk-Sen in December, to work in tourism sector in the south, 60 had started work, with another 40 due to start their new jobs 'in the coming days'. Another 70 applicants were called for interviews in January, the Turk-Sen chairperson added, while a further 180 will be invited to interviews in February. The initiative was formed by Turk-Sen and SEK, a Greek Cypriot trade union federation, to facilitate Turkish Cypriots' employment in the tourism, restaurant and construction sectors in the south. Following the sharp fall in the value of the Turkish Lira, jobs in the south – paid in euros – has become more attractive to Turkish Cypriots. Turk-Sen also announced that Turkish Cypriots under the age of 50 who have Republic of Cyprus ID cards can also apply for jobs in supermarkets and dry cleaners, and as tailors and drivers, via Turk-Sen. Uncollected garbage piled up on the streets of Famagusta after municipality workers launched a strike over nearly 4 million TL (€256,000) in unpaid wages and overtime payments on February 18. The union, which called the strike, said salaries and over-time payments have not been paid 'in full and on time' while claiming that 32 new employees have been hired 'when there is no need for them'. According to the union, workers were owed a total of 3,913,000TL, including 850,000TL for January wages and 14 months' worth of over-time payments. On February 23, the union called off the strike after announcing that their 'monetary problems have been solved'.

According to the report of Cyprus Today, Ali Yeltekin, the Secretary General of the Hur-Is federation who represents the federation in the board of directors of the Social Security Department, said that the finances of the Department were 'unsustainable' and its revenues did not cover the monthly pension payments. In late January, the government had author-

ized the Social Security Department to borrow up to 70 million TL (€4.5 million) from two private banks to 'avoid any problems' in paying January pensions. Yeltekin pointed out that the deficit was due to the Covid-19 pandemic; before the pandemic there were 130,000 'active employees' registered with the Social Security Department, but this number has decreased to 76,000. Yeltekin also noted that the Finance Ministry's allocation of additional funds for social security spending in this year's public budget is a 'positive development'.

According to Kubilay Ozkirac, the head of the Cyprus Turkish Electricity Authority Workers Union (El-Sen), public and semi-public institutions owe around 900 million TL (€57.5) in unpaid electricity bills. The union threatened to cut off the energy supply to government offices that do not pay up.





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