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## **FES NEWS**

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## 1. Cyprus Problem

Following five months of stalemate, Greek Cypriot President Nicos Anastasiades and Turkish Cypriot leader Dervis Eroglu announced on February 7 their agreement to the draft joint declaration, which defines the basic parameters for a solution of the Cyprus problem. The agreement paved the way for the resumption of negotiations, after an 18 months hiatus, on February 11.

The agreement was reached after the arrival of US Assistant Secretary of State for European and Eurasian Affairs, Victoria Nuland, in Cyprus. The United States were instrumental by mediating between Ankara and the Greek Cypriots. The replacement of Turkish Cypriot negotiator Osman Ertug, who is considered a hardliner and close associate of Dervis Eroglu, by Kudret Ozersay indicated Ankara's willingness to be a constructive part of the process, thus sidelining Eroglu. There were also changes within the UN with Alexander Downer stepping down from his post as the UN Secretary General's Special Advisor for Cyprus on February 11, a post held since 2008. The resumption of the peace talks was welcomed by the international community, the EU, Turkey, Britain, the US and the UN Security Council.

On the Greek Cypriot domestic front DISY, opposition party AKEL and Archbishop Chrysostomos supported the joint declaration, while government partners DIKO, socialist EDEK, EUROKO, the Greens and the Citizens

Alliance opposed the declaration. The opponents of the declaration claimed that the declaration returned to clauses and phraseology which had been part of the Annan plan. These include in their view the dissolution of the Cyprus Republic and the concept of a 'virgin birth' of the new state, concessions provided to the Turkish Cypriots on governance issues and, generally, the overall ambiguity of the declaration.

This is the text of the Joint Declaration:

"1. The status quo is unacceptable and its prolongation will have negative consequences for the Greek Cypriots and Turkish Cypriots. The leaders affirmed that a settlement would have a positive impact on the entire region, while first and foremost benefiting Turkish Cypriots and Greek Cypriots, respecting democratic principles, human rights and fundamental freedoms, as well as each other's distinct identity and integrity and ensuring their common future in a united Cyprus within the European Union.

2. The leaders expressed their determination to resume structured negotiations in a results-oriented manner. All unresolved core issues will be on the table, and will be discussed interdependently. The leaders will aim to reach a settlement as soon as possible, and hold separate simultaneous referenda thereafter.

3. The settlement will be based on a bi-communal, bi-zonal federation with political equality, as set out in the relevant Security Council Resolutions and the High Level Agreements. The

united Cyprus, as a member of the United Nations and of the European Union, shall have a single international legal personality and a single sovereignty, which is defined as the sovereignty which is enjoyed by all member States of the United Nations under the UN Charter and which emanates equally from Greek Cypriots and Turkish Cypriots. There will be a single united Cyprus citizenship, regulated by federal law. All citizens of the united Cyprus shall also be citizens of either the Greek-Cypriot constituent state or the Turkish-Cypriot constituent state. This status shall be internal and shall complement, and not substitute in any way, the united Cyprus citizenship.

The powers of the federal government, and like matters that are clearly incidental to its specified powers, will be assigned by the constitution. The Federal constitution will also provide for the residual powers to be exercised by the constituent states. The constituent states will exercise fully and irrevocably all their powers, free from encroachment by the federal government. The federal laws will not encroach upon constituent state laws, within the constituent states' area of competences, and the constituent states' laws will not encroach upon the federal laws within the federal government's competences. Any dispute in respect thereof will be adjudicated finally by the Federal Supreme Court. Neither side may claim authority or jurisdiction over the other.

4. The united Cyprus federation shall result from the settlement following the settlement's

approval by separate simultaneous referenda. The Federal constitution shall prescribe that the united Cyprus federation shall be composed of two constituent states of equal status. The bi-zonal, bi-communal nature of the federation and the principles upon which the EU is founded will be safeguarded and respected throughout the island. The Federal constitution shall be the supreme law of the land and will be binding on all the federation's authorities and on the constituent states. Union in whole or in part with any other country or any form of partition or secession or any other unilateral change to the state of affairs will be prohibited.

5. The negotiations are based on the principle that nothing is agreed until everything is agreed.

6. The appointed representatives are fully empowered to discuss any issue at any time and should enjoy parallel access to all stakeholders and interested parties in the process, as needed. The leaders of the two communities will meet as often as needed. They retain the ultimate decision making power. Only an agreement freely reached by the leaders may be put to separate simultaneous referenda. Any kind of arbitration is excluded.

7. The sides will seek to create a positive atmosphere to ensure the talks succeed. They commit to avoiding blame games or other negative public comments on the negotiations. They also commit to efforts to implement confidence

building measures that will provide a dynamic impetus to the prospect for a united Cyprus.”

Disagreement to the joint declaration was the main reason for DIKO, now led by Nikolas Papadopoulos, to leave the government coalition on February 26 in opposition to Anastasiades’ handling of the Cyprus Problem and for breaking his pre- election pledge, that the basis for the resumption of the talks must be clearly defined. There were speculations that the four DIKO ministers might resign from their posts these included: Energy minister Giorgos Lakko-trypis, Education minister Kyriacos Kenevezos, Petros Petrides minister of Health and minister of Defence Photis Photiou. Supporters of Anastasiades pointed out that such a development could give the President a free hand in the talks.

On February 14, Andreas Mavroyiannis and Kudret Ozersay, the two negotiators, held their first meeting under the auspices of UN Special Representative Lisa Buttenheim, engaging in an exchange of views on how to proceed with the talks. They also agreed to embark on visits to the guarantor powers Turkey and Greece by the end of the month, a component that has never been part of Cyprus talks until now. The historical meetings took place on February 28 within a positive atmosphere. Mavroyiannis met with Turkish foreign ministry undersecretary, Feridun Sinirlioglu in Ankara, while at the same time Ozersay met with the general secretary of the Greek foreign ministry, Anastasis Mitsiallis, in Athens. Political leaderships of both

communities agreed to keep a low profile on the visits therefore no comments were made on the content of the topics covered.

## 2. Hydrocarbons

Woodside Petroleum, a partner of Noble Energy and Delek, identified Cyprus as a possible destination for pipeline gas exports from Israel’s Leviathan gas field. According to Woodside Petroleum CEO, Peter Coleman, 500.000 million cubic feet of gas per day could be delivered to Cyprus. Other destinations included Jordan, Egypt and Turkey. Coleman also confirmed that a floating LNG (FLNG) rather than an onshore LNG was pursued as an export development option for the Leviathan gas field.

In Cyprus, the mooted LNG facility at Vasilikos is considered to have an export capacity of 5 million tonnes of LNG per annum. But so far, discovered gas reserves offshore Cyprus are insufficient to justify a construction of a single train LNG plant. The amount cited by Woodside accounts to approximately 3,8 million tonnes of LNG per annum. This means that if this amount of gas delivered from Israeli fields is combined with discovered amounts in Cyprus’s Aphrodite field it will probably make the single train LNG plant viable. However even in the best case scenario an LNG facility will not be ready before 2020. By that time many experts anticipate that the price of LNG in Europe will start to drop markedly which then could make Cypriot LNG

uncompetitive. Moreover, more LNG plants in various parts of the world are expected to be ready in the years to come so Cyprus has no time to lose if it intends to build an LNG.

It is for this reason that the government needs to act swiftly to convince stakeholders including the Israeli government that it is committed to the construction of an LNG plant. However, talks with Noble and Delek have been stalled since November. Meanwhile Turkish newspapers cited Noble and Delek discussing with four Turkish companies Zorlu, Enka, Turcas and Calik the possibility of piping Israeli gas to Europe via Turkey. At the same, the developments in the Ukraine seem to underline the possibility for Cyprus to present itself as a reliable gas supplier to the EU from within the EU that can contribute to the reduction of dependence from Russian gas.

At the start of the month the Turkish navy expelled a Norwegian vessel searching for hydrocarbons in Cyprus's Exclusive Economic Zone (EEZ) claiming that it had entered an area under Turkish jurisdiction.

Moreover, the Cyprus National Hydrocarbons Company announced that Charles Ellinas has stepped down as its executive chairman.

### 3. Greek Cypriots

#### Economic Developments

During the month of February the Troika completed its third review mission in Cyprus. The initial confidence and optimism which stemmed from the positive assessment of the adjustment program so far turned into uncertainty by the end of the month, as the Cypriot Parliament rejected legislation for the privatization plan.

On February 17, the Troika of international lenders, comprised of the International Monetary Fund (IMF) the European Commission and the European Central Bank (ECB), briefed the Eurozone ministers on the main findings of their third review mission in Cyprus, which was concluded in mid-February. The Troika's latest review was very favourable for Cyprus but presented a deadline for the necessary legislative steps towards privatization before the commencement of the next Eurogroup meeting.

As part of its commitments, Cyprus is expected to privatise the Telecommunications Authority (CyTA), the Electricity Authority (EAC) and the Cyprus Ports Authority (CPA) in order to raise €1.4 billion by 2018. However, on February 27, the privatization plan was rejected by Parliament, potentially throwing into disarray the international bailout programme of the island and endangering the next tranche of about € 236 million of the €10 billion loan. The next instalment was due to be disbursed on March 5, when a Eurogroup meeting takes place..

The deal breaker was an amendment brought by DIKO to the government bill that sought to secure the benefits and salaries of SGO employees once the SGOs are turned into private organizations, a clause which was not acceptable by the Troika. The vote in parliament was split evenly, with 25 lawmakers in favour, 25 against, and 5 abstentions from DIKO. AKEL, EDEK and the Greens voted against, which meant that the law was not passed. The 5 DIKO deputies, former party leader Marios Garoyian, Athina Kyriakidou, Angelos Votsis, Antonis Antoniou and Fytos Constantinou chose to abstain, to show their disagreement with Papadopoulos' decision to pull the party out of the coalition government. The remaining 3 DIKO deputies, including Papadopoulos, voted for the bill.

The government was left with no option than to resubmit the bill on February 28 this time amended to accommodate concerns over workers legacy rights making its approval in March a necessity. Employees from the three SGO's heavily protested against the contested plan and took on a three-day strike during the last week of the month.

Moreover, the government unveiled a new unemployment scheme aiming to find jobs for 7500 people. The scheme's budget amounts to €40 million 95% of which will be funded by the European Social Fund.

Furthermore, the Finance ministry announced that it abolished restrictions on fixed term bank

deposits which were introduced along with other capital controls to prevent a bank run in March 2013. The ministry also announced an increase of the current limit for monthly transfers per person within the Republic, regardless of purpose from €15.000 to €20.000.

Private sector deposits in Cypriot Banks slightly declined by 0.6 % to €34.9 billion compared to December.

### **Domestic Developments**

In February the practices of the Cypriot immigration authorities came under scrutiny. The latest case is that of a Bosnian national, who was detained and subsequently rearrested despite a Supreme Court ruling to set him free. The case underscores the practices of the Cypriot immigration authorities, who are accused of not adhering to EU law in cases of political asylum. Human rights associations, deputies and the ombudswoman have been criticising the handling and attitude of the immigration authorities as too harsh and arbitrary for a long time. The root of the problem is said to be the head of the department, who follows a heavy-handed policy, but also the lack of subsequent governments to control the department for the fear of being seen as too soft on immigration. With the onset of the economic crisis and the increase of the number of unemployed the situation of political asylum seekers has become more difficult, also because illegal human

trafficking has been hitting the headlines recently.

The possibility of a LNG terminal in Vassilikos raises concerns amongst the area's population and environmental activists. There are plans to develop the area around the village of Mari into an industrial area. Currently, the Vassilikos power plant, a cement-producing factory and two privately owned oil tank-farms exist in the area. The government is planning to authorise the expansion of the existing tank-farms with the aim to relocate the strategic oil reserves there. Critics point out that from a strategic point of view, electricity-producing facilities should be dispersed over the island rather than being concentrated in one spot. Furthermore, the majority of the affected villages are concerned about emissions and other environmental hazards such as the pollution of ground water. Finally, lessons have to be drawn from the explosion of the ammunition depot at the nearby military camp in 2011, which consequently damaged the power plant and killed a number of people. It appears that the government had not undertaken any environmental impact study prior the drawing up of plans and informing the population.

#### 4. Turkish Cypriots

The section on the developments in the north will be included in the April edition.

### 5. FES Cyprus Events

#### March

--- no events ---

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