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Pretext

July is linked with some of the biggest disasters of modern Cypriot history. A Coup d'état by the Greek Junta on the 15th of July in 1974 was followed by the Turkish invasion nearly a week later, de facto splitting the island in two. On the 11th of July last year an explosion at the Mari Naval Base led to the death of 13 Greek Cypriots, resulting in severe electricity shortages further harming the already ailing economy. Things looked bright for this year's July with the Republic of Cyprus assuming the baton of the EU presidency. But then the government had to request an EU bailout and the EU/IMF Troika arrived on the island, spoiling the good news and marking the beginning of a further round of painful economic and social reforms to come.

1. Cyprus EU Presidency

On the 5th of July, Cyprus launched its six month rotating EU Presidency of the Council, with a symbol-laden inaugural ceremony at the site of the ancient Curium amphitheatre, located within Britain's Sovereign Base Areas (SBA), in Episkopi.

When Cyprus joined in 2004, Britain although an EU member, had ensured that its military bases on the island were excluded from the EU, although they adopted the Euro in 2008. Faced with criticism that the opening ceremony was chosen at the wrong location, President Christofias who once described the SBA's as "*colonial bloodstains*", recently stated that Curium was chosen to send both cultural and political messages: "*Whatever Britain says, the*

amphitheatre is still the territory of the Cyprus Republic".

The island officially took over the presidency on July 1st, only days after becoming the fifth euro area country requesting an EU bailout. Awareness of the tough times ahead permeated the celebratory atmosphere.

The audience numbered a select 500 and included ministers from the presidency trio partners Poland and Denmark, the College of Commissioners, diplomats and local dignitaries. Notable guests included the President of the European Council, Herman Van Rompuy, President of the European Commission, Jose Manuel Barroso and vice President of the European Parliament, Martin Schultz.

During his speech Van Rompuy stated: "*For the coming six months, not only are you in the Union, you are the Union...Cyprus can count on my personal support and on that of the European Union in the efforts to reach a settlement...Overcoming this division is of momentous importance for our Union: as long as Cyprus is divided, in a way Europe will be divided*"

During Barroso's speech, a small group of Turkish Cypriots caused an incident when they unfolded posters reading: "*EU what are you doing about the extinction of the Turkish Cypriots and occupation*". The Turkish Cypriots unionists and fringe party leaders had been invited to the event and had been greeted by President Christofias. In Brussels, some 400 Turkish Cypriot had also been marching through the streets of Brussels wearing masks with no faces and holding signs saying "*Do we exist?*".

On the 4th, the President presented the priorities of the Cyprus Presidency to the European Parliament in Strasbourg. The four priorities set out are:

- A Europe that is more efficient and viable
- A Europe with a more efficient economy; based on growth
- A Europe that means more to its citizens; with solidarity and social cohesion
- Europe in the world and closer to its citizen

Following the President's presentation of the Cyprus Presidency's main priorities, ministers of the Cyprus government outlined the priorities in their related fields and answered questions from MEP's. The 23 different presentations took place between Monday July 9 and Thursday July 12, with a total of nine ministers appearing before 16 committees. Among others, emphasis was given to issues such as the energy policy, the sustainable management of resources, the EU Integrated Maritime Policy, a new enhanced framework of economic governance, the monitoring of the implementation of the Europe 2020 Strategy and the deepening of the internal market.

Finance Minister, Vassos Shiarly, gave his presentation to the Economic and Monetary Affairs committee on July 2, and chaired the Economic and Financial Affairs Council (ECOFIN) held in Brussels on Monday, July 10. The European Union's Economy and Finance Ministers exchanged views and adopted a general position on the issue of the "two pack". The aim of the "two pack" is to complement what has already been agreed under the "six

pack" legislation, mainly through enhancing macroeconomic surveillance for countries under Excessive Deficit Procedure or countries under a Macroeconomic Programme. Two draft regulations on strengthening fiscal surveillance within the euro area were the core issues discussed.

Some of the first achievements of the Cypriot Presidency include:

A compromise agreement within the Permanent Representatives Committee (COREPER II) on July 11th concerning the endorsement of the Council's draft position on the 2013 EU budget. A further agreement was concluded within the Permanent Representatives concerning one of the Common European Asylum System's (CEAS) four legislative acts, one of the main priorities of the Cyprus Presidency.

A first round of bilateral meetings with all member states concerning the EU budget for 2014-2020 was concluded on Thursday 19th. With aspirations set on finding an agreement on the Multiannual Financial Framework (MFF) negotiations by the end of the year, the conclusion of the Cyprus Presidency-led bilateral meetings, constitutes an important first step towards this target.

The situation in Syria was one of the many issues discussed during the Foreign Affairs Council held on the 23rd, the first such Council during the Cyprus Presidency, presided, as stipulated by the Lisbon Treaty, by the High Representative for Foreign Affairs and Security

Policy (HR), Baroness Ashton, and attended by Cyprus' Minister of Foreign Affairs Dr. Erato Kozakou-Marcoullis.

The Cypriot Foreign Minister stressed that foreign military intervention in Syria should be avoided by all means, as it would have dire repercussions not only for the country, but for the whole region. Furthermore she reiterated that it is essential that the international community continues to hold intensive and close consultations with key players, such as Russia and China on Syria. *“The EU supports the efforts of the UN for a peaceful resolution of the crisis in Syria, in particular the implementation of the six-point Plan drawn up by Special Envoy Kofi Annan. If the need arises for the evacuation of EU or third country citizens from the region, the Republic of Cyprus is ready to provide assistance for their repatriation”* Marcoullis stated.

It is said that Cyprus has drawn up plans to take in up to 200,000 refugees from Syria. While the figures are a worst-case scenario, the number is equivalent to a quarter of the population of the Republic of Cyprus, a possible huge burden at a time of economic crises.

The topics of Immigration and asylum were also discussed during the Informal Justice and Home Affairs (JHA) Council meeting. The discussion focused on how to strengthen international protection. Ministers supported the idea of a Regional Protection Program in the areas to host the majority of those fleeing the political and civil conflict in Syria.

2. Cyprus Problem

An important development took place during the month on one of the thorniest issues of the Cyprus Problem, the property issue. For the first time ever the government has approved the exchange of property between Greek Cypriot and Turkish Cypriot owners, north and south of the island.

Greek Cypriot Mike Tymvios had reached a friendly agreement with Turkey over his occupied property after applying to the European Court of Human Rights in 2003. The Immoveable Property Commission (IPC) in the north agreed in 2007 to exchange land near Tymbou in the north, for Turkish Cypriot land in the south. However, the settlement proved to be a headache for the Greek Cypriot government, as it does not recognise the IPC and Turkish Cypriot property in the south falls under a Guardianship of Turkish Cypriot properties law. The government eventually approved the transfer and that the land should be bought off Tymvios for 13 million euro, a move met by widespread disapproval among political parties.

Attorney General Petros Clerides, highlighted that this was a special case since it had the blessing of the European Court of Human Rights (ECHR) and its implementation was being monitored by the Council of Europe's Committee of Ministers. As an outcome of the Demopoulos case in 2010, the ECHR stopped Greek Cypriot property claims going directly to Strasburg and decided that Greek Cypriot refugees would have to apply to the IPC for an

effective domestic remedy before being able to apply to Strasbourg.

According to the Head of the IPC in the north, Güngör Gürhan, the outcome of the Tymviou case would provide a precedent for other cases, something that will be met by Greek Cypriot disapproval. He also stated that the exchange of properties will strengthen the position of Turkish Cypriot leader D. Eroglu at the negotiations table.

3. Hydrocarbons

Under the current economic crisis that Cyprus is experiencing, the Aphrodite discovery (Block 12) offers a glimpse of hope to the ailing economy. Cyprus' second auctioning for exploration rights has surpassed expectations in attracting some of the big protagonists of the oil and gas industry. Greek Cypriots hope that big names will make it more difficult for Turkey to interfere. Competition is mounting in the Eastern Mediterranean over energy resources while the temperature in the region seems to be rising dramatically, especially in light of recent events following the deterioration of Turco-Syrian Relations.

Cypriot-Israeli relations seem to be at their best. An agreement for cooperation in defence and military programs between the defence ministers of both in January was submitted to the Parliament for ratification last month (29.6.12). But this did not deter the Turkish fleet from undertaking a military exercise near blocs 2, 8,

9, 12 and 13 of the Cypriot Exclusive Economic Zone (EEZ).

A further development accounts for the creation of a so called Cy Stream Consortium which will undertake the construction of the underwater pipeline transporting natural gas from the Aphrodite field in Block 12 to Cypriot shore. Founding members of the consortium include Lanitis Group and Contempo Energy Ltd. The Electricity Authority (EAC) of the Republic of Cyprus retains the right to become a full founding member at a later stage.

The government has also appointed a Cypriot negotiating team to conduct formal negotiations with Noble Energy. The team consists of the Director of the Office of Energy in the Ministry of Commerce, Solon Kassinis, and the Assistant Accountant General of the Republic, Theo Kontos. Issues currently discussed concern the transportation of the natural gas from block 12 of the Cypriot EEZ, and the construction of the Liquefaction Terminal in Cyprus.

Apparently an issue has been raised between the two sides as Noble Energy has proposed two natural gas delivery points one at the end of the pipeline, transferring gas from the bore to Vasilikos station, which is planned to facilitate the local market and another point at the LNG (Liquefied Natural Gas) export pier, which will possibly be indented for external markets. Noble's proposals raised concerns within the Government which opts for only one delivery point. The government insists that the natural gas must be delivered by Noble in its natural

form and any processing will be undertaken by Cy Stream Consortium.

4. Economic Developments

Greek Cypriots

The assumption of the EU Presidency was not the main topic in the daily evening news. What drew attention was the economy's bad condition and the agony regarding developments about the Troika's final evaluation, speculations about a potential Russian interstate loan and its terms, and a scandal that emerged with Banks misleading depositors to invest their savings.

Following Cyprus' application for financial assistance for its budget deficit and banking sector from the EU bailout mechanism, the Troika delegation (EU Commission, European Central Bank, International Monetary Fund) arrived in Cyprus in the beginning of July on a fact-finding mission collecting data, and conducting talks with the authorities. The delegation returned to the island on July 23rd for a second round of negotiations in order to discuss financial and restructuring needs of the economy including "hot issues" like the six – monthly index linked cost of living allowance (CoLA), pensions, age of retirement and maybe the Corporate Tax Rate.

According to Finance minister Vasos Shiarly, the state needs 4.5 billion and at least a further 2.3 billion to help recapitalize its two largest lenders, Bank of Cyprus and the now-state controlled Popular Bank, which have suffered

big losses as a result of their exposure to Greece. But the recent Standard and Poor's estimate a total need of 15 billion. Furthermore, the state's case that the EU bailout was forced by the banks, suffered a severe blow after the publication of two letters of the finance ministry's dept management department, who warned of the risk of liquidity problems, due to the way public debt was managed. Meantime with bilateral lending unclear and the prospects of troika inspired austerity measures looming on the horizon, pressure on short-term financing seems to be increasing.

The state intends to use short term domestic borrowing to refinance its 500 million debt which has become harder after its sovereign rating was cut to "junk" by all three major rating agencies. In July the government turned to the semi-state sector for loans. Telecommunication's CyTA stumped up 101 million euro, the Ports' Authority 50 million and the Human Resource Development Authority 24 million. It even appealed – unsuccessfully – to the Electricity Authority for a further 200 million euro from its pension fund. These moves were criticised by the opposition as they were assured that the state had covered its financial needs for 2012, through last year's 2.5 billion loan from Russia.

Moreover, nearly 8000 depositors claim that they were deceived by banks which encouraged them to invest their savings in securities without having an authorised professional properly explaining the risks involved. As a result of their request for recapitalization, Cypriot Banks had to suspend the 7% interest payments on

high-return investment products, causing their value to plummet and leaving people with only a fraction of their initial investments. The Bank of Cyprus and Cyprus Popular Bank accumulated €1.4 billion in securities (€600m and €800m respectively) on which they are currently not paying interest.

Turkish Cypriots

While the south seems to be entering deeper into recession, Turkey appears determined to reposition the “TRNC” internationally and to render it economically viable in the coming years. Hence, although the “TRNC” remains dependent on Turkey, emphasis is given to productivity with Turkish infrastructural investments increasing lately.

Besir Atalay, Turkish Minister for Cyprus Affairs, recently outlined future economic plans and investments that will take place in the north. Plans for water and electricity transportation from Turkey via pipelines, privatization policies, as well as road constructions funded by Turkey were among those mentioned. Merit, a travel company based in the north, is the first Turkish Cypriot company ever to enter the Istanbul Stock Exchange market marking an historical event in the area of tourism for the “TRNC”. A symbolic development marks the approval by the Turkish President Abdullah Gul of law 6.344 for the agreement signed between Turkish Prime Minister Tayip Erdogan and Turkish Cypriot leader Dervish Eroglu in September 2011, regarding the continental shelf delimitation. Eroglu also stated that there are 14.000 students learning in the 6 Universities located in the

north. He also claimed that the per capital income in the north is approximately 13-15.000 dollars.

As plans are made to economically upgrade the north, employees of Nicosia’s Municipality who had not been paid for more than two months went on a strike leaving the garbage uncollected. The mayor, Cemal Bulutogullari, and all members of the Municipal Council were sent by the Ministerial Council on mandatory vacations for 90 days, in order to bring in a caretaker authority to restructure the Municipality and deal with its insolvency. The goal is to cut expenditures and save money for the payment of employees and overcome economical problems. The decision raised tensions within the ruling National Unity Party and the opposition parties. However, a recent poll showed that the National Unity Party although losing ground, still remains the strongest party in the north.

5. Domestic Developments

Both Sides

Paradoxically, July awakes different memories and feelings among the two communities of the island: Memorials and sad anniversaries for some, cause for festive ceremonies and parades for others.

The first anniversary of the Mari Naval base tragedy was marked with a sombre ceremony on a hillside near the naval base in memory of the 13 sailors and firemen who lost their lives in the explosion on July 11, 2011. Two to three

thousand people gathered outside the Presidential Palace in Nicosia to protest, demanding answers to why 98 containers of confiscated munitions had been improperly stored and left dangerously exposed to sun and fire for more than two years.

Another event, the 20th of July is indicative in how the two communities perceive history differently and consequently how different narratives are built.

For the Greek Cypriots the 20th of July marks the anniversary of the Turkish invasion and occupation of Cyprus' northern third. A Greek military engineered junta coup had proceeded on the 15th. Ruling AKEL condemned the "fascist coup, denounced and condemned the Turkish invasion as well as Turkey's Policy and the Turkish Cypriot leadership for perpetuating the Cyprus Problem and consolidating partition".

On the other side of the island, 20th of July is perceived as "a Peace Operation" undertaken by mother-Turkey in order to save the Turkish Cypriot community which was threatened by Greek and Greek Cypriot unionist ambitions and oppression. Turkish Cypriot leader Dervish Eroglu presented the 20th of July as "*the most important day of the Turkish Cypriot Community which is an integral part of the Turkish Nation*" and criticized the Greek Cypriots for the embargo imposed on the "TRNC" and for the non- solution of the Cyprus Problem.

Greek Cypriots

The political collaborations emerging in light of next year's presidential elections have been marking the recent daily news. In particular as regards the presidential candidates it appears that the Socialist party EDEK is willing to put its support behind independent Giorgos Lillikas. DIKO is currently negotiating with main opposition party DISY and ruled out any collaboration with AKEL. DISY is also in negotiations with EVROKO, which is believed to be split between supporting the leader of DISY Nikos Anastasiades and independent candidate Lillikas. Anastasiadis hopes to get the support of the Green party as well. Meanwhile current Health Minister Stavros Malas has officially been backed by ruling AKEL following President Demetris Christofias decision not to run for a re-election. So far AKEL has not managed to secure the support of any of the other parties represented in parliament.

A recent poll showed that Nicos Anastasiadis remains the top choice in the public opinion and the support of DIKO significantly boosted his chances of being elected. However a lot will be decided by how votes of the so called in-between space parties are allocated. These parties consist of DIKO, EDEK, EVROKO and the Greens.

6. FES Events – August 2012

Deutsch-Zypriotisches

Jugendaustauschprogramm

(German-Cypriot Youth Exchange programme)

(co-organised with IKME/BILBAN)

2. – 13. August 2012

Germany– Berlin/Hannover

Summer Youth Peace camp

(co-organised with WINPEACE)

20. – 30. August 2012

Cyprus

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