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## 1. Cyprus Problem

In July the Turkish Cypriot leader Mustafa Akinci's visited Brussels. Following his meeting with Akinci, in a brief statement to the press, the President of the European Parliament (EP), Martin Schulz stated that the EP would do "whatever is possible" and the "utmost" to contribute to a successful solution of the Cyprus Problem while Akinci reiterated the Turkish Cypriots' will to be "part and parcel of Europe". Evaluating his meeting with the President of the EU Commission Jean-Claude Juncker to the press, Akinci called for relations with all EU institutions to be further developed in order to assist the Turkish Cypriot community to prepare for post-solution conditions. "I also emphasized the need for the solution to be found in Cyprus to be recognised as part of EU primary law so that no problems arise at EU courts" Akinci said.

During his visit to Brussels, Akinci met with journalists from a variety of news agencies including Reuters, the Wall Street Journal and the Economist at a working breakfast. During his meeting with the journalists, the president said that he had found the opportunity to emphasize the need to find a solution to the Cyprus problem. Specifically, one that took into consideration the interest of both the Turkish Cypriots and Greek Cypriots on the island. Explaining that if the negotiations continue at its current speed the president reiterated that it would be possible to reach a solution to the Cyprus problem "in a matter of months".

On July 8, President Nicos Anastasiades and Mustafa Akinci attended an event co-organized by the respective Turkish Cypriot and Greek Cypriot Chambers of Commerce. Addressing an audience of business people and diplomats, the two leaders shared their common vision for a post-settlement Cyprus, stressing that the financial cost of the status quo was greater than the short-term cost of implementing a solution. Moreover, Anastasiades and Akinci outlined the benefits that reunification would bring to the future of Cyprus.

Following the commencement of substantive negotiations on the core issues of the Cyprus Problem in June, Akinci and Anastasiades discussed EU matters, Confidence Building Measures (CBM's) and the economy during the 5<sup>th</sup> leaders meeting on July 10.

On July 15, the President of the European Commission (EC), Jean Claude Juncker, arrived in Cyprus for a two-day visit. Juncker held bilateral meetings with Anastasiades and Akinci and attended a working lunch with both leaders at the Home for Cooperation, which provides a shared space for intercommunal cooperation and dialogue located in the UN buffer zone. In the presence of Juncker an agreement was reached between the two leaders to end the long standing Halloumi/Hellim cheese dispute. According to the agreement, the international certification body Bureau Veritas will be tasked with inspecting the Halloumi/Hellim production throughout the island and action will be taken to facilitate Turkish Cypriot producers to export

cheese via the south. The Commission will furthermore adopt a proposal to modify the Green Line regulation to facilitate trade across the line. Additionally, on July 28 the Commission proceeded with publishing Cyprus' application in the official journal of the EU to register Halloumi/Hellim as a product of Protected Designation of Origin (PDO).

Moreover, during his visit the EC President announced the reappointment of Pieter Van Nuffel as his Personal Representative for Cyprus, a move signalling a more active EU involvement in the reunification process. Van Nuffel will act as a liaison between the UN Good Offices Mission and the EC. He will also be assisting the parties with technical and legal expertise securing that a solution will be compatible with EU laws and values. Van Nuffel was first appointed to the post in July 2012. Juncker also met with the UN Special Adviser in Cyprus, Espen Barth Eide and addressed the Greek Cypriot Parliament.

July 15 marked the 41<sup>st</sup> anniversary of the coup orchestrated by the Greek military junta against Archbishop Makarios which eventually led to the Turkish invasion of July 20, 1974. In a written statement Anastasiades called on Cypriots to put aside internal disputes and to move forward "by consensus and with respect for history".

On July 17, British Foreign Secretary, Phillip Hammond, arrived in Cyprus as part of a one day visit. In relation to Britain's potential role in

a post-solution Cyprus and the status of its guarantor powers, Hammond stated that Britain is not seeking any special role unless it is asked to perform one. Referring to the British sovereign bases, Hammond stressed that in the context of a settlement Britain was willing to surrender a significant proportion of the land bases to allow development.

Turkish President Recep Tayyip Erdogan arrived in the north in order to attend the celebrations of the events marking the July 20 invasion which according to the Turkish narrative is considered as a "peace operation". Referring to the current peace talks, Erdogan spoke of an opportunity that should not be missed and expressed his hope that the two sides would reach a fair result provided that there is political equality. Akinci in the meantime, referred to the Turkish invasion as a 'war' and not just a 'peace operation' thus challenging the Turkish narrative. In particular Akinci stated: "there is no doubt that what we called a peace operation can also be called a war. And the war's conditions were undoubtedly difficult and challenging. After the great suffering the Turkish Cypriot people experienced in the 1950s and 1960s, the Greek Cypriot community, too, was one of the biggest victims of the 1974 tragedy caused by the Greek junta". According to the Cyprus Mail, this was the first time any Turkish Cypriot leader used the word 'war' when referring to the 1974 invasion or acknowledged the effects it had on the Greek Cypriot population.

The issues of property and criteria on territory were discussed during the leaders' sixth meeting held on July 27. In particular, Akinci and Anastasiades agreed that each individual's right to property would be respected and that disposed owners and current users will be given different choices including compensation, exchange and reinstatement. Moreover, the two leaders agreed on the creation of an independent property commission comprised of an equal number of Turkish and Greek Cypriot members to resolve property claims based on mutually agreed criteria. The leaders are expected to meet again on September 1<sup>st</sup>, following the summer break in August. In the meantime, the two negotiators, Ozdil Nami and Andreas Mavroyiannis, will continue to meet until August 7.

The Othello Castle in Famagusta has been reopened to visitors after the completion of restoration works funded by the European Union and the United Nations. A bi-communal theatre group staged the Othello play by William Shakespeare at the reopening ceremony. Later in the month, Anastasiades and Akinci attended a bi-communal concert at the Othello Castle. The concert was entitled 'Music under the Moonlight' and was performed by a bi-communal group named 'Kyprogeneia'. The two Greek Cypriot political parties the Citizens Alliance and the Greens as well as House President, DIKO's Yiannakis Omirou, criticised Anastasiades for attending the event in the north.

The Cyprus Turkish Businessmen's Association (ISAD) and, the Cyprus Employers and Industrialists Federation (OEB) signed a joint protocol to establish the 'Cyprus Trade Forum' in a bid to contribute to the on-going efforts to reach a comprehensive settlement to the Cyprus problem. The Forum aims at supporting and encouraging business people from both sides of the divide to work together by organizing seminars and conferences, and supporting any other steps aimed at bringing the two communities together.

A delegation of the Democratic Rally (DISY) paid a visit to the CTP-BG on July 29. Making a statement to the press after the meeting, the CTP-BG leader Talat said that the two largest parties on the island had reaffirmed their commitment toward a solution of the Cyprus problem. DISY leader Averof Neofytou, for his part, said that they found the opportunity to discuss thorny and sensitive dimensions of the Cyprus problem. "We shall work hard in cooperation to transform difficulties, threats and concerns into opportunities and hope," he concluded.

On July 29, the UN Security Council unanimously renewed UNFICYP's mandate for another six months until January 31, 2016

## 2. Hydrocarbons

Energy was among the core issues discussed between President Anastasiades and Israeli Prime Minister, Benjamin Netanyahu, during Netanyahu's visit in Cyprus on July 28. The two

leaders agreed to expand their cooperation on energy issues, including the use of pipelines and electricity grids to connect with European markets. Security, the tripartite cooperation between Cyprus, Greece and Israel as well as relations between the EU and Israel were also on the agenda.

### 3. Greek Cypriots

#### **Economic Developments**

A Troika<sup>1</sup> delegation visited Cyprus during July 14-24, in order to conduct the seventh evaluation of Cyprus' adjustment programme. The Troika concluded that Cyprus has made overall good progress but expects further measures on the issues related to the issuance of pending title deeds and loan sales in order for the next tranche of €500 million financial assistance to be released. Parliament must approve the title deeds bill, scheduled for discussion before plenum on September 3, and legislation on the sale of loans. Addressing the excessive level of non-performing loans in the banking system remains the number one priority of Cyprus' adjustment programme. Additionally, three crucial pending issues in the current phase are the reform of the public service and future wage increases, privatisations, especially of the telecommunications authority (CyTA) and the ports, as well as

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<sup>1</sup> The Troika is comprised by the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF).

hospital autonomy. According to finance minister Harris Georgiades, growth for 2015 has been revised upwards to 0.5 % compared with a 0.5% contraction predicted last spring.

The Shacolas Group of companies concluded a €194 million deal with Attenbury Cyprus Limited, a member of the South-African Attenbury Group, involving the sale of the Shacolas Emporium Park and the Mall of Engomi plus adjacent land. The company is intending to use around €60 million in order to reduce its outstanding debt of €378 million.

According to the Central Bank of Cyprus deposits in the Cypriot banking system in June fell by €398.3 million compared to May. Overall deposits account for €45.8 billion. Moreover from January 2014 until March 2015 commercial banks have restructured non-performing loans (NPL's) worth €4.9 billion. The restructured loans correspond to 19.2% of the total of NPL's in the entire banking system which came to €26.5 billion in March. According to the latest figures released by the CBC, NPL's in the banking system dropped in May to below 45.85% from 46.82% in April or by €817.2 million.

#### **Domestic Developments**

Former DIKO leader, Marios Garoyian, attacked current leader of the party, Nicholas Papadopoulos, via an opinion piece published in the local press primarily for his extremist views on the Cyprus Problem. Papadopoulos had previously stated that DIKO's positions on the eco-

conomic reforms and the handling of the Cyprus Problem are two separate issues and unrelated to each other and referred to the risk of a probable breakup of the Republic of Cyprus (RoC) as a result of an unfavourable settlement. As a result, a two camp rift within the party has emerged between a moderate faction led by Garoyian which challenges the traditional hardliners represented by Papadopoulos.

On July 24, lawyer Giorgos Pamborides was appointed Health Minister replacing Philippos Patsalis who resigned earlier in the month. Patsalis cited personal reasons for submitting his resignation.

Andreas Pentaras, the Director of the Cyprus Intelligence Service (KYP) resigned after revelations that KYP had purchased phone and internet connection surveillance technology which apparently had been approved by the Cabinet in 2013. Opposition parties protested against the acquisition of monitoring software that could be used for domestic surveillance while the government denied knowing the software had such capability when it approved its purchase. Pentaras, who was directly appointed by Anastasiades, is believed to have resigned in order to protect the President.

### **Labour Relations and Trade Unions**

According to the last Eurostat data, registered unemployment rose in the first term of 2015, standing now at 17.7% of the labour force as 77.142 people are currently unemployed. The

figures show a slightly higher unemployment rate in men rather than women while youth unemployment stands now at 37.1%. Overall the most important finding is that long term unemployment and youth unemployment seem to stabilise at very high levels.

48% of the currently unemployed have been out of the labour force for more than six months. 83% of the unemployed are Cypriots while out of the non-Cypriots, the majority of the unemployed are people from Greece. The dramatic increase in unemployment levels in the last years is correlated with significant increases of the poverty and poverty risk levels in Cyprus. DEOK, a trade union affiliated with the socialist party EDEK, in a statement commenting on the Eurostat publication, says that the figures belie the government's claims that the economy is on the path of improvement.

The government came to an agreement with PASYDY with respect to the on-going attempt of the restructuring of the public sector involving a new system of recruitment and promotions, new means of evaluating the performance of civil servants and mobility within the civil service. Exams are instituted for the promotion to the higher positions of the civil service, the evaluation system is updated and reformed, and the transfer of civil servants from one ministry to another becomes easier. The new system is expected to begin in about one year. An agreement was not reached on the issue of the state payroll,

The government proposals on the public sector wages, to be enforced after the end of Memorandum at the end of 2016, have been received with serious reservations by the trade unions as they stipulate that the existing wage cuts become permanent and that all future wage raises (including yearly ones, COLA and general raises) should be below the GDP rate increase. This is in line with the employers' association OEB's position which has stated that the economy is now going well and that the state payroll needs to be "restrained". In a meeting held on 28<sup>th</sup> of July all the unions have rejected the proposals while the PEO stated that beyond the substantive stipulations, these proposals seriously undermine collective bargaining and collective agreements and that it is certain that this undermining will be extended to the private sector. "We cannot accept an automated process" stated the leader of PEO, whereby employment aspects such as wages, wage raises, COLA and benefits are legislated without consultation with the workers. However, there are also signs that subject to modifications which will include consultation processes and union participation in the monitoring body, the unions are ready to accept the logic of tying wages raises to GDP growth rates. The final agreement if it is reached will be submitted to the unions' bodies for approval in September.

The planned strike in the ports in mid-July was eventually called off and the unions have entered discussions regarding "voluntary exit schemes".

After a court decision, the government was eventually forced to convert about 300 "temporary" public sector employees, employed for many years consecutively into employees of indefinite duration.

OEB has suggested a decrease of the minimum wage, provoking the reaction of PEO which stated that Cyprus had the biggest decrease in salaries in the whole EU and despite all the talk of competitiveness, there was no improvement in that field but simply a rise in the profits of some big companies. Moreover, PEO accused the employers of using the crisis as a tool with which to undermine the living standards of workers, even the most vulnerable ones on the minimum wage and called upon the government to intensify inspections with respect to the violation of minimum wage legislation.<sup>2</sup>

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<sup>2</sup> Although the regular working time is the same (38-39 hours per week) there is a substantial pay gap between the public and the private sector in Cyprus as a result of historical, political and industrial relations reasons. With the exception of top managerial positions, where pay in the private sector tends to be higher, all the other positions in the public sector are paid considerably higher than their equivalent in the private sector. The gap is even higher with respect to older workers whose accumulated years of service in the better working conditions prevailing in the public and semi-public sectors have allowed them to achieve relatively high salaries. Public and semi-public sector workers have suffered significant wage decreases in the last years in the form of total freezes, special contributions, horizontal as well as scaled cuts amounting to 10 – 15% (and 20 – 25% for all the newcomers as since 2011 new recruits begin at 10% lower wage rates and without the special pension benefits of their predecessors). Moreover, the broader

In the hotel industry committees overseeing the implementation of the sectoral collective agreement have started work. Moreover the unions welcome the changed stance of the hoteliers that are now willing to discuss the possibility of “legally guaranteed basic rights enforcement” and hope that they can reach an agreement on that matter in the on-going discussions taking place at tripartite level between the government, the employers and the trade unions.

### **Foreign Policy**

On July 24, the EU High Representative for Foreign Affairs and Security Policy, Federica Mogherini, paid a one day visit to the island. Speaking after a meeting with President Anastasiades, Mogherini underlined the crucial role Cyprus is playing for the EU’s foreign policy in the Middle Eastern region. Anastasiades and Mogherini shared their views on the wider framework of the region, in light of the recently agreed Iranian deal, relations with Egypt, Israel

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public sector was seen as over-staffed and recruitment has effectively stopped in 2011, while a quota has been fixed in the agreement with the Troika in 2012 stating that there will be one person recruited for every four retiring. However as a result of the depression and the high unemployment as well as the deterioration of the terms of employment in the public sector which acts as a sort of informal comparative framework, wages in the private sector have decreased even further in the last four years. Thus the pay gap between the public and the private sector has remained and in some cases has even widened in the context of the current crisis. Overall it is estimated that the real wages in 2013 dropped around 22% when compared with 2011.

and the regional dimension of the Middle East peace process.

## **4. Turkish Cypriots**

### **Economic Developments**

In a written statement, Undersecretary of the State Planning Organization Odul Muhtaroglu announced the latest balance of payments statistics of the Turkish Cypriot economy. Muhtaroglu pointed out that at USD 11.7 million, the current account deficit for 2014 was the lowest of the last three years. The deficit was USD 125.1 million in 2012 and USD 44.7 in 2013. The figures announced by the state planning organization are as follows:

Exports: USD 122.4 million in 2012, USD 120.7 million in 2013 and 134 million in 2014.

Imports: USD 1,705.3 million in 2012, USD 1,699.4 million in 2013 and 1,784.3 million dollars in 2014.

Foreign trade deficit: USD 1,582.9 million in 2012, USD 1,578.7 million in 2013 and USD 1,650.3 million in 2014.

Net Tourism Revenues: USD 571.9 million in 2012, USD 613.4 million in 2013 and USD 679.4 million in 2014.

Net Higher Education Revenues: USD 412.8 million in 2012, USD 535.6 million in 2013 and USD 589.8 million in 2014.



Turkish Financial Assistance: USD 219.3 million in 2012, USD 225 million in 2013 and USD 227.1 million in 2014.

EU and UNDP Financial Assistance: USD 34.5 million in 2012, USD 41.1 million in 2013 and USD 39 million in 2014.

Other figures can be accessed here: [http://dpo.gov.ct.tr/Odemeler-Dengesi/EN/BP-2011-2014\\_en.pdf](http://dpo.gov.ct.tr/Odemeler-Dengesi/EN/BP-2011-2014_en.pdf)

The outgoing Minister of Finance Zeren Mungan said that he improved the situation of the treasury since taking over two years ago. He explained that though he had inherited a deficit, he left a budget with a surplus. "In June 2013 we inherited a budget with a TL 20 million deficit. A year later, in May 2014, we achieved a budget surplus of TL 5 million followed by a TL 21 million surplus in June 2015," Mungan said. He added that the Ministry of Finance was ready for the reunification of the island.

According to the Turkish Cypriot Hoteliers Union, the average hotel occupancy rate in June was 53 percent; 25 percent less compared to the same period last year and 15 percent down compared to May 2015.

### **Domestic Developments**

Following the leadership change at the Republican Turkish Party-United Forces (CTP-BG), Prime Minister Ozkan Yorgancioglu submitted his resignation to President Mustafa Akinci on July 3. As a result, the coalition government

between CTP-BG and Democratic Party (DP-UG), which was established on 4 September 2013, came to an end.

As CTP-BG's new chairman and former president Mehmet Ali Talat is not a member of the parliament, and therefore cannot serve as the prime minister, upon the CTP-BG's demand, the president appointed CTP-BG Kyrenia deputy Omer Kalyoncu to form the new government. After a round of talks with the delegations of political parties represented in the parliament, the extended party assembly of the CTP-BG decided to form the new coalition government with the National Unity Party (UBP). The CTP-BG has 21 seats while the UBP has 18 seats in the parliament. The CTP-BG/UBP government is the first grand coalition in the Turkish Cypriot political life. "A broad based coalition government will benefit the economy and is important in respect to the Cyprus problem," the CTP-BG leader Talat said.

After receiving a vote of confidence (35 yes; 9 no; 6 absent) from the parliament on July 27, the CTP-UBP coalition government held its first council of ministers meeting on July 29. The cabinet was announced as follows:

Prime Minister – Omer Kalyoncu (CTP-BG)  
Minister of Foreign Affairs – Emine Colak (CTP-BG)  
Minister of Finance – Hasan Basoglu (CTP-BG)  
Minister of Health – Salih Izbul (CTP-BG)  
Minister of Food, Agriculture and Natural Resources – Onder Sennaroglu (CTP-BG)

Minister of Interior and Labour–Aziz Gurpinar (CTP-BG)

Minister of Economy, Trade and Industry – Sunat Atun (UBP)

Minister of Transport–Tahsin Ertugruloglu (UBP)

Minister of Education – Kemal Durust (UBP)

Minister of Tourism – Faiz Sucuoglu (UBP)

Minister of Public Works and Environment - Kutlu Evren (UBP)

In the meantime, the Democratic Party (DP), now the main opposition party with 8 deputies, announced the draft of its ‘New Political Vision,’ which is made up of four main headings: ‘the Democracy Package’, ‘the Economy Package’, ‘the Cyprus Issue’ and “the Relations with Turkey”. Stating that the project included important reforms, particularly on taxes, the party leader Denktas said that they would continue to hold consultation meetings with various civil society organisations before they finalize the program.

Derya Kanbay who has been appointed as the new Turkish Ambassador to Nicosia presented his letter of credence to President<sup>3</sup> Akinci on

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<sup>3</sup> The Turkish Republic of Northern Cyprus (TRNC) is only recognised by the Republic of Turkey. While for Turkey and the Turkish Cypriots, Mustafa Akinci 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 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

July 28. Before his appointment to Nicosia, Kanbay served as the Turkish Ambassador to Ljubljana and Baghdad.

The Chairman of the Board of Directors of the Cyprus Turkish Electricity Authority Ismet Akim said that work on installing the much awaited emission filter at the Teknecik power plant was continuing. He, however, pointed out that it was highly unlikely this could be completed before 2016. Akim added that they were also trying to improve the quality of the fuel used in the power plant.

### **Foreign Policy**

Turkish Cypriot President Mustafa Akinci received the High Representative of the European Union for Foreign Affairs and Security Policy/Vice-President of the European Commission, Federica Mogherini. In a short statement after his meeting with Mogherini the president discussed the latest stage reached on the Cyprus problem and that Mogherini reaffirmed the EU’s continuing support to the Cyprus negotiation process.

For the first time in Turkish Cypriot history, a woman, Emine Colak, is in charge of the Ministry of Foreign Affairs. Born in Nicosia in 1958, Colak earned a law degree from the University of London (SOAS) in 1979. Between 1994 and 2002, she was a member of the Nicosia Municipality.

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a political settlement to the Cyprus problem (see Protocol no. 10 of the Accession Treaty).

pal Council. She was also the coordinator of a committee which discussed laws during the Annan plan process in 2003-2004. Colak also served as the chairperson of the Turkish Cypriot Human Rights Foundation.

Speaking in an interview Colak said that the political leadership on both sides of the divide was showing a strong stance towards reaching a political settlement on the island. "We are hopeful of achieving a positive result. If not in 2015 I foresee a settlement in 2016," Colak said. Stating that she had personally witnessed how fast the negotiation process was moving forward and how much progress had been achieved after taking office, the minister said "I truly see a chance and opportunity for a solution even though we have all lived with disappointment and failed expectations for the past 50 years".

A delegation from the Social Democratic Party (TDP) headed by its leader Cemal Ozyigit participated at the Council of the Socialist International (SI), which was held at the United Nations Headquarters in New York between 6-7 July after an official invitation by Luis Ayala, SI Secretary General. Ozyigit said that during the council, they had the opportunity to meet with representatives of different countries and added that although there was a consensus on the membership of his party to the SI, it was not ratified due to lack of quorum. The TDP's membership application to the SI will be included in the agenda of next Council meeting.

## 5. FES Cyprus Events

### August

#### **Thursday 13.-24.08.2015**

IKME / FES  
Workshop

#### **German-Cypriot Youth Exchange Program**

Nicosia & Lapta, Cyprus

Not open to the public



### September

#### **Monday 28. and Tuesday 29.09.2015**

PRIO / FES  
Conference and Workshop

#### **International Basic Practices in Combating Human Trafficking**

Nicosia, Chateau Status, UN Buffer Zone, Cyprus

Monday: Conference is open to the public

Tuesday: Workshop is not open to the public



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