

FES CYPRUS NEWSLETTER

EDITOR'S NOTE

The Friedrich-Ebert-Stiftung in Cyprus celebrates its 10th anniversary. To mark the occasion the FES newsletter has a new design and we hope you share our excitement over the new look. We hope that the pandemic will allow for an appropriate celebration later this year. In the meantime, we wish you good health and hope you enjoy our "new" newsletter.

Newsletter No. 111 AUGUST 21







FES CYPRUS NEWSLETTER

CONTENT

EVENTS, PODCASTS, PUBLICATIONS	3
CYPRUS PROBLEM	4
HYDROCARBONS	5
GREEK CYPRIOTS Economic Developments Domestic Developments Labour Relations and Trade Unions	6
TURKISH CYPRIOTS Economic Developments Relations with Turkey Domestic Developments	8

Labour Relations and Trade Unions

Newsletter No.111 AUGUST 21





FRIEDRICH EBERT STIFTUNG



ES CYPRUS NEWSLETTER

PODCASTS in SEPTEMBER: No podcasts in September



PODCASTS in OCTOBER: Hubert Faustmann, Hrishab Sandilya and Andrew Connelly Migration 2.0 Podcast Episode 6 - Afghanistan, Lebanon, EU Migration policy and Cyprus (In English)

PUBLICATIONS in SEPTEMBER: No puplications in September



PUBLICATIONS in OCTOBER: No publications in October



EVENTS in SEPTEMBER: German Embassy, Friedrich-Ebert-Stiftung Cyprus and

Goethe-Institut **Election for the 20th Bundestag (Federal Parliament) Election Party** Sunday, 26th September, 18:00 at the Goethe-Institut Registration required at <u>ku-10@niko.diplo.de</u> EVENTS in OCTOBER: No events planned so far

Newsletter No.111 AUGUST 21



10th

FRIEDRICH EBERT STIFTUNG



FES CYPRUS NEWSLETTER

CYPRUS PROBLEM

The basis of the negotiations of the Cyprus problem was again a subject of discussion during the month, after a row which initially began between the Greek and Turkish Cypriot leadership over the revoking of Republic of Cyprus passports spilled into the Cyprus issue.

On August 2, the Turkish Cypriot cabinet¹ appointed a committee to oversee works at the fenced area of Varosha that has been demilitarised and slated to open for settlement, which has been announced by the Turkish Cypriot leadership in July 2021.

On August 23, the Greek Cypriot cabinet decided to rescind the passports of 14 Turkish Cypriots, including Turkish Cypriot leader Ersin Tatar, who were in violation of UN resolutions following last month's announcement by Tatar to open an area of Varosha for resettlement. The Greek Cypriot cabinet's decision concerned 10 members of the Turkish Cypriot's cabinet and four members of the committee to open Varosha. The rescission of the passports did not entail removal of citizenship. It is estimated that more than 100,000 Turkish Cypriots hold either a Republic of Cyprus ID card or passport, as is their birth right based on the common state established with Greek Cypriots in 1960. The move prompted Tatar's reaction describing it as racist, anachronistic and in violation of the rights of Turkish Cypriots derived by the Republic of Cyprus, a common republic of "two peoples". The Turkish Cypriot opposition parties also condemned the passport decision by the Anastasiades government. Leader of the main opposition Republican Turkish Party (CTP) Tufan Erhurman said the decision on the passports was 'legal nonsense' and that the leaderships on both sides continued to focus their energies on unneces-

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 sary matters. The People's Party (HP) leader Kudret Ozersay described the decision as a 'cheap political maneuver', and a PR stunt in an attempt to deflect growing public discontent over Greek Cypriot side's failure to adopt an effective counter-strategy against the Turkish Cypriot side's moves on Varosha. Social Democratic Party (TDP) leader Cemal Ozyigit said that the two sides are politicizing the issue of citizenship to the detriment of the members of the two communities and 'making the partition permanent'.

Tatar's criticism of the decision to revoke the passports and his referral to the RoC as a common Republic of "two peoples" led President Nicos Anastasiades on August 25 to invite Tatar to return to the 1960 constitutional arrangement. Anastasiades stated that if Tatar meant what he claimed, the Greek Cypriot community was "fully prepared to accept the restoration of constitutional order with the return of the Turkish Cypriots to the executive, the legislature, the judiciary, and the rest of the services, based on the provisions of the 1960 constitution, with the simultaneous start of talks to define the areas which each community will be responsible to administer based on UN resolutions". Tatar responded to Anastasiades' proposal by describing it as impossible to implement and describing him as dishonest. He also noted that the proposal showed that Anastasiades had lost all credibility. The main opposition CTP expressed its opposition to the offer and repeated its support for a bizonal, bicommunal federal (BBF) settlement in Cyprus. The party said that unilateral positions adopted, and steps taken by both leaderships in violation of UN Security Council resolutions were causing the political rift on the island to grow.

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).

Newsletter No.111 AUGUST 21



10th

FRIEDRICH EBERT STIFTUNG



FES CYPRUS NEWSLETTER

On August 30, Foreign Minister Nicos Christodoulides stated that Anastasiades' invitation to Turkish Cypriots to return to the 1960 regime was just a response to Tatar's contradictory statements regarding the RoC and was not a serious proposal. "There is no question of changing the basis of the negotiations," Christodoulides noted. The main opposition party AKEL, criticised Anastasiades for the proposal which essentially meant abandoning high-level agreements, UN resolutions, and any convergences agreed between the two sides.

On August 31, Anastasiades convened a meeting with the negotiating team over the Cyprus problem, ahead of a National Council meeting scheduled for September 1 and ahead of his trip to New York where he will attend the UN General Assembly and meet with the Secretary General, António Guterres. Anastasiades briefed participants on the latest developments of the Cyprus problem, as well as the proposal he submitted to Tatar suggesting a return to the 1960 constitution.

A date has yet to be set for UN Special Envoy, Jane Holl Lute, to visit Cyprus. Lute was expected in Cyprus towards the end of August or early September for talks with the Greek and Turkish Cypriot communities. Lute's visit was reportedly derailed by the crisis in Afghanistan as the UNSG shifted his priority to more urgent issues.

The Famagusta for Cyprus initiative has set up a phone line refugees can call for advice regarding their properties in the fenced area of Varosha. The initiative's aim is to establish contact with the people of Famagusta, to inform them and to present them with options based on the research they have done and the advice and opinions they have received from technocrats. Many refugees with property in the fenced area of Varosha are torn about what to do following last month's announcements by the Turkish side that it would gradually open the town, which is now a military area, under Turkish Cypriot administration. A small part, 3.5%, was demilitarised and is to open for settlement, with Turkey and the Turkish Cypriot side calling on refugees to claim their properties through the immovable property commission (IPC). The government has advised refugees against it.

August 14 marked the 46th anniversary of the second phase of the Turkish invasion of the island, in which Turkish troops advanced from the island's north to seize 37% of the island. Turkey first intervened on July 20, 1974, in response to a military coup orchestrated by the military junta then ruling Greece aimed at toppling the Greek Cypriot president Archbishop Makarios III.

HYDROCARBONS

In an interview with daily Politis, Energy Minister, Natasa Pilidou, stated that US based EXXONMOBIL and QATAR PETROLEUM are planning an appraisal drill at the Glaucus (Glafcos) well in block 10 towards the end of November or in early December 2021. Glaucus was the second of a two-well drilling programme in block 10. The first well, Delphyne, did not encounter commercial quantities of hydrocarbons. Based on preliminary interpretation of the well data, the discovery could represent a natural gas resource of approximately 142bn to 227bn cubic metres. EXXONMOBIL holds 60% interest with QATAR PETROLEUM owning the remaining 40% of block 10. Pilidou said the government also expected Italy's ENI and France's TOTAL to start drilling in early 2022 and that in late September, she will be meeting with ENI officials in Italy to discuss the drills scheduled for the future. TOTAL and ENI hold exploration licenses for seven of the 13 blocks of in the Cypriot Exclusive Economic Zone (EEZ). Korea's KOGAS is also a partner in three of those concessions. ENI and TOTAL had notified the government last year that they were postponing their scheduled gas drilling operations for around a year because of the COVID-19 pandemic.

Newsletter No.111 AUGUST 21



anniversary <u></u>

FRIEDRICH EBERT STIFTUNG



FES CYPRUS NEWSLETTER

GREEK CYPRIOTS

Economic Developments

The economy is expected to grow by more than 5.5% in 2021, Finance Minister Constantinos Petrides said on August 17, as preliminary estimates showed a 12.9% year-on-year growth in the second quarter of the year. The minister expressed his conviction that the economy's dynamism, the reopening of the market, the fast progress of the vaccination programme, and proper economic management would help achieve this goal.

The European Commission has approved a €1billion Cypriot scheme to support enterprises and self-employed individuals in the context of the coronavirus outbreak. The scheme was approved under the State Aid Temporary Framework. The support will take the form of state guarantees on new loans. The measure will be be open to companies active in all sectors except the financial sector. The aim of the scheme is to provide liquidity for viable companies which experienced business disruption due to the coronavirus outbreak.

Hellenic Bank, RCB Bank and the Bank of Cyprus emerged with good performance on the European Central Bank's 2021 stress tests, according to the statistics released by the Cyprus Central Bank. The aim of the EU-wide stress test was to assess the resilience of EU banks to a common set of adverse economic developments in order to identify potential risks, inform supervisory decisions and increase market discipline.

Six investors have been shortlisted as candidates for the acquisition of a €477m package of non-performing loans belonging to state-owned asset management company KEDIPES. Final binding offers must be submitted by the end of October 2021. Completion of the transactions would pave the way for additional loan sales by KEDIPES and provide the necessary cash reserves for the acquisition of more non-performing loans if the finance ministry receives EU approval to turn KEDIPES into an asset manager for the entire banking system. The organisation was set up in 2018 as the residual entity of the former state-owned Cyprus Cooperative Bank whose performing part was sold to Hellenic Bank. According to data released on August 25 by the Central Bank of Cyprus, non-performing loans (NPLs) in the Cypriot banking system stood at \in 5,134m at the end of May 2021 from \in 5,141m in April indicating a decrease of approximately \notin 7m.

On August 23, the cabinet approved the government's agreement with the European Commission making further progress in its EU recovery and resilience plan. The commission's aim with the plan is to mitigate the economic and social impact of the coronavirus pandemic and make European economies and societies more sustainable, resilient, and better prepared for the challenges and opportunities of the green and digital transitions. The plan provides for $\notin 1.2$ bn in grants and $\notin 0.2$ bn in loans. They include bills to reform the public service, bills to combat corruption, projects upgrading the courts as well as measures that contribute to environmentally sustainable development.

According to the latest travel review decided on August 26 by the British government, Cyprus will remain for another three weeks on the UK's amber list for the coronavirus. The changes to the travel review come into effect from August 30. Although the no-status change for Cyprus was expected, given the high incidence of cases on the island, the decision effectively ended any hopes for an influx of British tourists at the close of the summer season. The amber category means all travelers must take a pre-departure test three days before returning as well as a PCR test on or before day two of their return.

Russian visitors surpassed British ones for the first time, making up 30% of the country's tourist influx this summer. In contrast, British tourists only made up 10%. Hotels in Famagusta saw occupancy rise to over 80% in August, buoyed by Russian tourists, but also Cypriot holidaymakers who opted to stay in

Newsletter No.111 AUGUST 21



10th

FRIEDRICH EBERT STIFTUNG

FES CYPRUS NEWSLETTER

Cyprus rather than travel abroad. In Paphos on the other hand, the island's second main holiday destination, occupancy reached 60% with British tourists staying away.

According to Deputy Tourism minister, Savvas Perdios, Cyprus will most likely not reach 2019 tourist levels until the second half of 2024. The arrivals of tourists reached 297,308 in July 2021, recording an increase of 358% compared with July 2020, during which 64,914 arrivals were recorded. However, this July marked a decrease of 46% compared with July 2019 when there were 550,971 arrivals. For the period of January – July 2021, arrivals of tourists totaled 638,292 compared with 320,589 in the corresponding period of 2020, an increase of 99.1%, and a decrease of 70.7% compared with January -July 2019, when there were 2.18m arrivals. Tourism generated a total revenue of €135.8m for Cyprus during June 2021, despite several travel restrictions still being in place during that period. While this may be considered as an improvement in comparison with the summer of 2020, a period during which severe measures had crippled the global travel industry, it still represents a 61.2% decrease over the corresponding period in 2019. Moreover, according to the Cypriot statistical service, the total revenue generated by the tourism industry between January and June of 2021 is estimated to be around €258.8m a 112.1% increase year-on-year There was a 74.2% decrease when compared to the same period in 2019.

Domestic Developments

In August the COVID19 cases increased from 101,946 cases to 113,875. The number of deaths attributed to the virus rose from 421 to 503. According to data released by the health ministry up until August 31, fully vaccinated people accounted for 74.2% of the adult population while 78.6% had received the first dose. Cyprus has ordered additional Moderna and Pfizer booster shots which will most probably be administered to people belonging to vulnerable groups and the elderly. The administration of the booster jab is estimated to start in care homes in the beginning of next month.

Labour Relations and Trade Unions

On August 2, a spontaneous work stoppage of the employees of the general cargo and cruise terminal took place in the port of Limassol. The trade unions are accusing the employers (DP World Limassol) for non-compliance with what was agreed in the first collective agreement, which was to be signed, and for unilateral additions and subtractions in the text of the agreement. According to union statements, "while it was agreed to make this first contract without wage increases, without requests from employees, by simply describing the existing way of working, now that time to sign has come, the company made additions and subtractions within the text of the contract, resulting in this reaction". On August 4, the unions and DP World Limassol finally reached an agreement, proceeding to the signing of the collective agreement, which led to the end of the strike. However, a week after the settlement of the labor dispute, strikes resumed due to the decision of the private investor DP World Limassol to lay off four workers as redundant. Following the mediation of the Department of Labor Relations, the company accepted the suspension of the dismissals in order to follow the procedure provided by the Code of Industrial Relations. In response to this development, the strike was suspended so that on August 23, 2021, in a joint mediation meeting, the mediation service would be given the opportunity to resolve the labor dispute. On August 23, however, the employer's side remained unmoved in its position that the reduction of its turnover, due to the effects of the pandemic crisis, leaves no room for employment of all staff. The trade unions on the other hand responded that the employer's claim is not substantiated by valid arguments, and they added that they will not accept dismissals of staff members.

On August 30, taxi drivers' professional organiza-

Newsletter No.111 AUGUST 21



1 **(**)th

FRIEDRICH EBERT STIFTUNG

FES CYPRUS NEWSLETTER

tions announced country-wide dynamic measures for September 13 and September 27, in protest for the "delay in the implementation of old promises" and the inappropriate and untimely response of regulatory authorities to the implementation of their joined agreements. In a statement, they note that "support and sponsorship of taxi passenger services" businesses remains at zero, despite the promising government announcements for various sponsorship plans". At the same time, they incited "irregularities, illegalities and mistakes, that costed hundreds of thousands of euros", given in contracts for the purchase of taxi services by Ministries "without the proper legal framework and fair distribution of work to tackle underproductivity faced by professional taxi drivers".

Intense processes are underway to achieve key strategic objectives aimed at ensuring the stability of the banking system, which, as estimated by senior bank executives, is going through a vertical reduction of labor and operating costs and restructuring of business plans. This aims at addressing new challenges. It is expected that, by the end of the year, policies and practices will be defined, based on new business plans with the focus on reducing costs, most prominently labour costs. Most banks are preparing a new wave of voluntary exit plans. As a result of this, the banking sector may find itself facing the unions, and ETYK in particular, as a consequence of the voluntary exit plan at the National Bank of Greece - Cyprus (NBG). At the same time, in two banks, Hellenic Bank and Alpha Bank, as well as in the state company KEDIPES, which manages the assets of the former Cooperative Central Bank, the renewal of the collective agreement is pending. KEDIPES has set the acceptance of the voluntary exit plan as a prerequisite for the renewal of collective agreement. At the same time, the management of Hellenic Bank and Alpha Bank may also possibly combine the renewal of the collective agreement with the elaboration of voluntary exit plans.

TURKISH CYPRIOTS

Economic Developments

According to the Statistical Institute, the 12-month inflation at the end of August reached 20.5%.

On August 26, the Ministry of Energy announced that the price of a household-type 10kg gas bottle went up from 90TL to 107TL (\in 10.8); an increase of 19%. Just before the announcement, some retailers stopped selling gas bottles creating a temporary shortage in supply.

On August 5, the Electricity Authority (Kib-Tek) asked the government to increase the price of electricity by at least 30%. The Kib-Tek officials said that the price increase will ensure that the authority, which is facing a financial crisis, will not incur losses anymore and that the government 'needs to work out how much of this amount will be reflected to the subscribers and how much will be should ered by the treasury'. It was also stated that there has been no price regulation for electricity since April 2019, which is against the law. One day later, Economy and Energy Minister, Erhan Arikli, said that the figure determined by Kib-Tek was too high and that he expected the board of directors to decrease this request to more reasonable levels by consulting with the government. Eventually no price hike took place. In the meantime, the country suffered intermittent power cuts for a week due to 'production problems' at the Teknecik (Trapeza) power plant, which was triggered by a surge in demand. Part of the problem stems from the Ministers reluctance to follow the tender process in purchasing fuel (please see also the Labour Relations and Trade Unions section).

The government issued a decree entitled Financial Regulation on Cash Assets which aimed to take 'unregistered money in the country or abroad' under record in return for a tax of 2.5%. The decree attracted strong criticism from the opposition parties, which claimed that this would pave the way for money laundering; CTP and TDP took the decree to

Newsletter No.111 AUGUST 21



FRIEDRICH EBERT STIFTUNG

FES CYPRUS NEWSLETTER

the court. A statement issued by the Finance Ministry said that by paying a reduced tax, 'the aim of this decree is to have cash assets that are kept inside or outside the country, that are not included in balance sheets can enter into the economy.' Expressing that there is a significant amount of 'off the books' activity in the country, the statement said that the decree's target is 'unregistered revenue'.

The "Corruption Perceptions in North Cyprus: 2020 Report", published by the Friedrich-Ebert-Stiftung (FES), showed that 88% of business executives think that there is bribery and corruption in the TRNC while 58% think that corruption is a 'very serious problem'. According to the survey results, corruption occurs mostly in the leasing of public land/buildings, with 55% of the respondents saying that bribery is very common in the 'allocation and lease of public land and buildings' transactions, followed by the allocation of 'incentives' (46%), and 'public contracts and permits' (45%).

On August 19, the Cyprus Turkish Chamber of Shopkeepers and Artisans (KTEZO), the Cyprus Turkish Subcontractors Union, and Furniture Manufacturers Association organised a demonstration in front of the Prime Minister's office. The protesters announced that they had stopped making all payments to the state, particularly social security contributions and road tax fees. Stating that they have been carrying out protests in front of the Prime Minister's office and making suggestions for the last 17 months, KTEZO chairperson said: 'The government has turned its back on shopkeepers and society.' He added that during the pandemic they have lost '50 to 70% of their income and 90% of their customers' and that 'tens of thousands of people became unemployed and thousands of workplaces closed'.

Relations with Turkey

The TRNC donated 17m TL (≤ 1.7 m) to Turkey to help those in Turkey affected by the forest fires and floods.

Domestic Developments

In August, the number of Covid-19 cases increased from 11,562 to 16,421 while the number of deaths attributed to the virus increased from 40 to 62.

Cyprus Today reported that the Cyprus Turkish Medical Association (KTTB) accused the government of trying to manage the Covid-19 pandemic 'without a system' and failing to properly monitor Covid-positive patients who have been told they do not need hospital treatment. The KTTB argued that the number of cases reported and the daily number of patients admitted to the Emergency Hospital 'don't match up'. 'While the uncontrolled rise in the number of cases continues, if appropriate oversight and measures are not implemented, pandemic conditions will become even more severe with the approaching winter months,' the KTTB warned: 'This cannot be pandemic management if the solution is to impose the burden of the pandemic and the increase in cases only on the public without any inspection or oversight.

On August 11, 40,000 doses of AstraZeneca vaccines were received by the TRNC. The vaccines were delivered by the UN authorities at the Ayios Dometios/Metehan crossing point. According to information provided by the co-chair of the Bi-communal Technical Committee on Health, the latest shipment brings the total number of COVID-19 vaccines delivered to 158,850. In total 21,050 doses of Pfizer-BioNTech, 108,700 doses of AstraZeneca and 29,000 doses of the Johnson & Johnson vaccine have been delivered by the RoC. Turkey on the other hand, has sent a total of 350,530 doses of vaccine to date.

The Minister of National Education and Culture Olgun Amcaoglu, announced that primary school students will return to their classrooms for in-class education on September 13th.Secondary and vocational high schools are set to reopen on September 14th. Furthermore, Amcaoglu announced that universities in the TRNC will resume in-class education for the fall semester of the 2021-2022 academic year.

Newsletter No.111 AUGUST 21



FRIEDRICH EBERT STIFTUNG



FES CYPRUS NEWSLETTER

The Minister also stated that in-class education was set to resume through a model whereby the number of students in each class will be reduced to effectively implement social distancing rules. Elsewhere, the Prime Minister said that students coming from third world countries for educational purposes will also be vaccinated and that 45,000 doses had been set aside for this purpose.

Labour Relations and Trade Unions

The Minimum Wage Determination Commission had held an inconclusive meeting in July to determine the second minimum wage of the year. In August, even a meeting could not be held and therefore the minimum wage remained the same.

According to Cyprus Today's report, the head of the electricity workers' union (El-Sen) said that the Cyprus Turkish Electricity Authority (Kib-Tek) is on the 'verge of bankruptcy' and the energy supply of debtors should be cut off. Kubilay Ozkirac called on the Minister of Economy and Energy, Erhan Arikli, to give instructions to 'cut off the electricity of those who owe' money to Kib-Tek. 'If the order is not given, we will do what is necessary,' Ozkirac said. Regarding the proposal made by the Kib-Tek board to the Council of Ministers for a 30% price hike, Ozkirac stated that he believed that the issue was raised only to 'keep the agenda busy' and that a hike decision would not be made by the Council of Ministers.

Later in the month, El-Sen and other 'This Country is Ours Platform' member trade unions and political parties gathered in front of the Kib-Tek headquarters and marched to the Ministry of Economy and Energy. During the demonstration, black wreaths were laid at the doors of the ministry building. It was argued that no investments had been made in Kib-Tek and that there would be a fight against its 'privatisation'. The representatives of the opposition political parties including Social Democratic Party (TDP) chairman, the Republican Turkish Party (CTP) secretary general, some MPs, unions and non-governmental organizations also participated in support of the demonstration. The police took extensive security measures during the protest, where people waved placards bearing slogans such as 'We will win by resisting, not begging', 'No to privatisation', 'The solution is investment, not price hikes', 'We won't stay silent, We aren't afraid, We stand up for our institutions', and 'The last fortress is Kib-Tek, Our war for its survival won't end'.

Earlier in the month, the Telecommunication Department Workers' Union (Tel-Sen) held a two-hour warning strike in protest over speculations that the department will be privatised. Other member unions of the Cyprus Turkish Trade Unions Federation (Turk-Sen), of which Tel-Sen is a member, also supported the strike. The Tel-Sen chairperson, Tamay Soysan, said that privatising telecommunications in small-scale countries is not in the interest of the public.

Newsletter No.111 AUGUST 21



FRIEDRICH EBERT STIFTUNG



FES CYPRUS NEWSLETTER

IMPRINT Friedrich-Ebert-Stiftung

Office Cyprus 20, Stasandrou, Apt. 401 CY 1060 Nicosia

Tel. +357 22 377 336 Email: office@fescyprus.org Web-Site: www.fescyprus.org Facebook: www.facebook.com/FEScyprus Twitter: @fescyprus

Text: Hubert Faustmann, Yiannis Charalambous, Sertac Sonan, Enis Porat, Gianna Chatzigeorgiou and Sophia Papastavrou

Layout: Stadtformat Einig & Kazmierczak GbR

If you want to subscribe to this (free) monthly newsletter, please fill in the form on our website: www.fescyprus.org/newsletter/ If you want to unsubscribe please click the link in your FES Newsletter mail.

Newsletter No.111 AUGUST 21

