



EDITOR'S NOTE

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

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

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AUGUST 22

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FES CYPRUS NEWSLETTER

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PODCASTS in SEPTEMBER:
No podcasts in September



PODCASTS in OCTOBER:
No podcasts in October

PUBLICATIONS in SEPTEMBER:
Susana Elisa Pavlou
Covid and Gender
2022 Report



PUBLICATIONS in OCTOBER:
No publications in October

EVENTS in SEPTEMBER:
No events in September



EVENTS in OCTOBER:
*Friedrich-Ebert-Stiftung Cyprus, Department of Politics
and Governance, University of Nicosia*
Right Wing Populism in Europe and Cyprus
Date: tba
Time: tba
Location: M203, University of Nicosia
Open to the Public

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CYPRUS PROBLEM

In an interview with the Cyprus News Agency, European Commission President Ursula von der Leyen stated on August 4 that the European Commission has been promoting the idea of creating a bicomunal solar power plant which would contribute to meet the energy needs of both the Greek and Turkish Cypriot communities. She also announced that the Commission has prepared the ground for the development of a pre-feasibility study.

On August 20, the Greek Cypriot and Turkish Cypriot negotiators, Menelaos Menelaou and Ergun Olgun respectively, resumed online meetings in ongoing efforts to kick-start negotiations. The online meetings were being held at the invitation and with the participation of the Special Representative of the United Nations Secretary-General (SRSG) and Head of the United Nations Peacekeeping Force in Cyprus (UNFICYP), Colin Stewart. Discussions focused on the technical committees and their role to improve the daily life of the communities. Olgun stated that Cyprus problem negotiations cannot start without the necessary common ground.

On August 23, Turkish Cypriot leader Ersin Tatar stated that he does not plan to meet President Nicos Anastasiades at the sidelines of the UN General Assembly in September.

On August 23, a confidence building measure was proposed by the Turkish Cypriot institution for the protection of the environment (Cekova). The proposal was to establish a bicomunal response fire brigade team across the island under the auspices of the EU and/or the UN.

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

On August 29, a Greek Cypriot farmer in Denia village was harassed by armed Turkish soldiers while he was grazing his sheep in the buffer zone. UNFICYP is investigating the incident while the Cypriot Foreign Ministry has started proceedings with the United Nations.

On August 31, Finance Minister Constantinos Petrides informed cabinet that the State aid to Turkish Cypriots increased by €1.4m in 2021 to reach €40.4m for that year. Noting that the total aid to Turkish Cypriots during the past five years totaled €199.4m. Petrides explained that last year's budget saw €16.1m for pensions, €6.1m for the support and renovation of mosques and other sites, €1.6m to provide drinking water, €1.5m for minimum income, €1.3m for Gesy coverage and €1m to cover education.

According to the Turkish Cypriot Economy and Energy Minister Olgun Amcaoglu, cash is flowing into the TRNC¹ thanks to motorists from the southern part of the island who benefit from cheaper fuel prices. In an exclusive interview with daily Kibris, Amcaoglu said that demand for fuel has risen from around 20-25 million liters a month to more than 30 million liters as a result, generating some 600 million TL (€32.6 million) a month in total revenue. According to the Greek Cypriot media, the Greek Cypriot Petrol Station Owners Association is planning to "take the matter to the EU" claiming that the purchase of fuel across the "Green Line" amounts to "illegal trade" costing the union's members millions of euros in lost business.

According to reports from the Turkish Cypriot press the TRNC is bolstering its efforts to reduce queues

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).





at the checkpoints as it renewed its calls for more crossings to open. According to Resmiye Canaltay, head of the committee handling the checkpoints, part of the north's efforts to make crossings easier will see a further 27 staff being hired, while the computers and infrastructure at Ledra Street has also been improved, with more works in the pipeline. Approximately 3.5 million people crossed from the Republic to the north during the period between January and July, while close to one million crossings took place from the north.

The bones believed to be the human remains of three Turkish Cypriots missing since 1963, have been found in a well in Troulli of the Republic. According to the Turkish Cypriot representative from the committee on missing persons ("CMP"), the bones were uncovered by their team and will be further analysed. It is reportedly the first such discovery in the Republic of remains believed to belong to Turkish Cypriots in seven years.

August 14, marked the 48th 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

On August 9, Turkey resumed its hydrocarbon drilling operations in the eastern Mediterranean after a two-year hiatus. The Abdulhamid Han, Turkey's fourth drill ship, will operate 55 km off the Gazipasa region in the southern coastal province of Antalya, outside waters also claimed by Cyprus. The launch comes at a time when long-running tensions between Turkey and Greece have risen again, with Ankara accusing Athens of arming islands in the Ae-

gean Sea that have a demilitarised status. Athens rejects this.

On August 29, Italian multinational oil and gas company ENI announced the discovery of a natural gas field in the Cronos-1 within Block 6 of the Cypriot Exclusive Economic Zone ("EEZ"). Preliminary estimates indicate about 2.5 trillion cubic feet ("tcf") of gas in place. Energy Minister Natasa Pilides called the discovery "a very positive development for the country". Block 6 is operated by ENI Cyprus with a 50%, and France's TotalEnergies as a partner.

According to energy expert Charles Ellinas the 2.5 tcf of Cronos-1 is a small discovery and will not make much of an impact in regional or global markets. It is however significant in two respects:

- It increases Cyprus discovered gas reserves to around 13tcf, all in areas not subject to dispute by Turkish claims within its own alleged continental shelf.
- It confirms that the area that includes blocks 5-6-7-10-11 is prolific in gas.

The discovery sparked a reaction from Turkey, with Foreign Minister Mevlut Cavusoglu stating that the country was entitled to a share of the revenues stemming from future drilling. Cavusoglu argued that part of the area exploited by ENI and Total Energies belongs to Turkey and noted that a solution to the issues in the Eastern Mediterranean area depends on fair distribution and sharing of revenues.

Commenting on the discovery, the US State Department reiterated its support for the Republic of Cyprus to develop the resources within its EEZ stressing that these must be shared fairly between the two communities.





GREEK CYPRIOTS

Economic Developments

On August 4, the statistical services announced that inflation increased by 10.9% year on year in July 2022 driven by hikes in electricity, which rose 61.7% and fuel 44.1%.

On August 20, the Finance Ministry welcomed Moody's Investors Service decision to change the outlook on Cyprus' Ba1 ratings to positive from stable, saying this acknowledges the economy's resilience and potential to overcome challenges.

According to a report released by the University of Cyprus Economic Research Centre, external geopolitical uncertainty and soaring inflation continue to impact the Cypriot economy. This is causing a decline across a number of leading economic activity variables for the second month in a row. The report noted that the Economic Sentiment Indicators (ESI), both in the Euro area and Cyprus, worsened in July 2022, compared to the same month in 2021. There is a decline in terms of the consumption sector. The negative ramifications of soaring energy costs are also reflected in the temperature-adjusted volume of electricity production.

On August 19, Bank of Cyprus said that it had received and unanimously rejected "unequivocally" three unsolicited, conditional, non-binding proposals from private equity firm, Lone Star, relating to a possible cash offer for the entire issued, and to be issued, share capital of the company.

The balance of deposits in Cyprus amounted to €51.2 bn, while the balance of loans to €28.6 bn in July 2022, registering a net decrease compared to June, according to a report published on August

²The government no longer publishes daily Coronavirus cases or deaths. Instead, it publishes figures on cases and deaths on a weekly basis. These figures represent the

26 by the Central Bank of Cyprus. According to the report, total deposits in July 2022 recorded a net decrease of €183.9m, compared to a net increase of €352.5m in June 2022. In addition, total loans in July 2022 recorded a net decrease of €162.7m, compared to a net increase of €109.9m in June 2022.

According to a report released on August 29 by the Cyprus Statistical Service, tourism revenue reached €835.7m in the first half of 2022, reflecting a significant increase compared to the €258.8 m in the corresponding period of 2021. According to the report, which used traveler survey data, tourism revenues rose by 115.5% year-on-year in June 2022 and reached €292.7m. This is more than double the revenue generated in June 2021, when revenues were limited to €135.8m.

On August 31, Bank of Cyprus released its financial results for the first half of 2022, posting a profit after tax of €50m, marking a significant improvement over the €1m loss for the corresponding period of the previous year. This was primarily attributed to the bank generating a higher revenue during this period, combined with having lower impairments.

The island's unemployment rate stood at 6.8% of the labour force in the second quarter of 2022, recording a decrease of 1.6% compared with the corresponding quarter of 2021.

Domestic Developments

In August, the Covid 19-cases² increased from 562,911 to 576,278 cases. The number of deaths attributed to the virus rose from 1,115 to 1,168. Citing an improved epidemiological picture, the Ministry of Health announced on August 31 that face masks will no longer be mandatory while excluding places which are considered high risk, like hospitals and pharmacies.

latest published figures of the month, up until the last week of July.





FES CYPRUS NEWSLETTER

Several presidential candidates slammed the government over the findings of the auditor office report on the citizenship by investment scheme, which was published on August 22. According to the report, the investment scheme remained “fragile until the end” resulting in the loss of millions in public revenue while being implemented in a context of corruption, omission, and illegality. Presidential candidate Andreas Mavroyiannis said that the golden passport scheme “is full of illegalities and abuse of power” and that it was nothing more than a complete sell out of Cypriot and European nationality, indicating “serious political responsibilities for the Anastasiades-DISY government.” Candidate Marios Eliades said the attorney-general should have already acted to investigate possible criminal responsibilities. Another contender, Constantinos Christofides, the former UCY rector also issued a statement saying the passport abuses came from the same corrupt party system “that simultaneously enriches and accumulates for its children and grandchildren”. The candidate Achilleas Demetriades issued a lengthy written statement asking who could carry out a criminal investigation given that the current attorney-general and his deputy were allegedly members of the cabinet which has approved many of the ‘golden passports’.

On August 31 Interior Minister, Nicos Nouris announced that Cyprus is revoking seven more passports that were granted through the Cyprus investment programme, following a decision by the cabinet. Nouris said that the passports were granted to four investors and three of their family members. The cabinet’s decision is based on the findings of the Myron Nikolatos inquiry committee, the sanctions imposed by the EU and the current legislative framework. To date, the cabinet has revoked 45 passports in total based on incriminating evidence arising from investigations carried out after they were issued.

Labour Relations and Trade Unions

On August 2, the Minister of Labor and Social Insurance had consultations with the employers’ organizations and on the 9th with trade union organizations, regarding the determination of a national minimum wage, to submit a proposal to the President of the Republic. On August 31 by decree of the Council of Ministers the national minimum wage was set at just €940 gross after a period of six months of employment, starting from €885. The application of the national minimum wage starts from the 1st of January 2023. The government also accepted employers’ demands for exemptions for large underpaid groups of workers such as farming, domestic workers, and shipping workers. However, the trade unions express their dissatisfaction as the government adopted all the employers’ demands further deregulating the labor market. They argue that in a period of deep recession and with inflation and price increases galloping, the government has set a minimum wage at the same levels as the minimum that was set exactly 10 years ago for certain occupations. At the same time no hourly wage has been set, which means that employers are able to compensate employees who may work more than 38 hours with the newly set national minimum wage. Finally, the decree does not include provisions for the protection of collective agreements.

On August 2, in a session of the Board of Directors of PEO in the Hotel Industry, the ongoing violations of the Collective Agreement were discussed. Specifically, it was reported that such violations have multiplied since the government allowed the provision of work permits for workers from third countries (non-EU). The vast majority of both third country nationals, workers in the hotel industry and the local new entrants to the industry, were not hired according to the salaries determined by the Collective Agreement.

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On August 23, the Pan-Cypriot Federation of Independent Trade Unions (POASO) proposed a wage increase and the full reinstatement of the price index stipend (ATA) to address inflation, the decline in real income and the at-risk-of-poverty rate. According to the Federation, the average annual family income in Cyprus, based on data from the Statistical Service, is €34,229, i.e. €2,633/month. POASO stated that according to a piece in “Politis” newspaper, the economist Stelios Platis argued that a family of four needs a net income of €3,000-€3,500/month in order to ensure a decent living. The Federation states that 17.3% of the population or 154,000 people were on the poverty line, according to the Statistical Service. The pandemic and the war in Ukraine, together with the sanctions imposed on Russia, has caused the rising prices of raw materials for industry, energy, food, as well as transport, resulting in increased inflation, and interest rates, as well as the decrease of the purchasing value of wages, POASO added.

On August 30, the trade unions discussed through a joint meeting the necessity for immediate passage of the bill for the Pension Benefits Scheme in the Public and Wider Public Sector at PASYDY’s (Pancyprian Trade Union of Public Service Employees) headquarters. The unions expressed concern that there has been a long delay, namely 11 years of waiting and consultation, on the pension issue, and therefore felt that they should come together and see how the pension bill as it stands can proceed as quickly as possible.

TURKISH CYPRIOTS

Economic Developments

According to the Statistical Institute, the consumer price index was 118.2% higher in August 2022 compared to August 2021. The consumer prices had risen by 3.3% in August alone while the inflation rate in the first eight months of the year was 70.4%.

Standard Kibris reported on information compiled by the Ministry of Tourism that three fourths of Turkish Cypriots with British passports prefer to use Larnaca and Paphos airports to enter the TRNC. During the January-July period of 2022, 6,005 Turkish Cypriots arrived via Ercan (Tymbou) airport and seaports in the north, while the number of those who used the airports in the south reached 18,678. The report also said that just before the pandemic, in 2019, 59,760 British-Turkish Cypriots arrived via the airports in the south, while only 15,706 used Ercan. After the bankruptcy of Cyprus Turkish Airlines (KTHY), thousands of Turkish Cypriots living in the UK, started to prefer Larnaca and Paphos airports, due to the astronomically priced plane tickets in the UK-Ercan route.

According to Cyprus Today, eight people, including two lawyers, have reportedly had their assets frozen in a crackdown on money laundering on August 16. The two lawyers represented the recently deported Australian fugitive Mark Douglas Buddle while he was in north Cyprus. Buddle’s case made international news in July when it was discovered that he was living a life of luxury in the TRNC after having fled Australia to avoid prosecution for his alleged part in an armed robbery in his home country. After it was revealed that he was living in north Cyprus, the TRNC government deported him to Turkey. From Turkey, he was extradited to his native Australia where he now awaits trial. The Banks’ Union chairperson Olgun Onal referred to the issue during a meeting with Finance Minister expressing his “regret” that the TRNC is perceived abroad as a place where ill-gained money is laundered, and that work must be done in order to “fight this misconception”.

Relations with Turkey

President Ersin Tatar visited Turkey as guest of Turkish President Recep Tayyip Erdogan. During his visit Tatar attended the 13th Ambassadors Conference and met with representatives of the Ankara Cham-

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ber of Commerce. Tatar also attended the opening ceremony of the Islamic Solidarity Games held in Konya (for more on this see the domestic developments section). During the ceremony, he came together with Erdogan and the Azerbaijani president Ilham Aliyev.

Domestic Developments

On August 25, the government passed the law reducing the number of municipalities from 28 to 18 despite angry demonstrations outside parliament and filibustering by the main opposition CTP deputies. Parliament was recalled from its summer recess to debate and vote on a draft bill to merge a number of municipalities ahead of -the postponed- local elections, which will be held in November; the government had earlier postponed the local elections, which were by constitution required to take place in last June citing its intention to reform the municipalities. The bill was passed following a 17-hour session. Trade unions have vowed to take the matter to the Constitutional Court. Members of the Revolutionary Workers Unions Federation (Dev-Is), the Municipal Workers Union (BES) and the union representing workers of Famagusta municipality, held a “general warning strike and protest” outside Parliament. They requested that the bill be sent back to a committee to be amended, due to job loss fears, a move supported by the Republican Turkish Party (CTP) MPs. The unions blocked some roads in the capital with municipal vehicles. During the protest, tensions broke out when police officers tried to stop the drivers of the vehicles from parking in front of Parliament. The main gate to Parliament was broken during the unrest. BES chairperson Mustafa Yalinkaya and Dev-Is chairperson Koral Asam gave statements to the press during the protest. Yalinkaya argued that abolishing the legal status of 28 municipalities and creating 18 municipalities “would not come to fruition” because such a move would be in “violation of the Constitution” and because “4,500 municipal employees will be left out in the cold”. He said that while his union is “not against reform”,

reforms were trying to be made “only by maps and numbers”. Asam argued that the bill was a “disaster”. CTP leader Tufan Erhurman, who came out to meet the protesters during a break in parliamentary proceedings, said that if the law is passed “in its current unconstitutional state”, they will “take the matter to the Constitutional Court”. Inside Parliament, UBP MP Ozdemir Berova said that “statements that municipality workers or personnel will lose their personal rights or be fired” were “wrong and unwarranted”.

The former Electricity Authority (Kib-Tek) general manager Gurcan Erdogan (and his driver) was sentenced to 18 months in prison for “abuse of authority” and “causing losses” to Kib-Tek through “illegal payments”. The case centered on 522 counts of Erdogan authorizing fraudulent payments to his driver for a total of 379 days of “extra work” between June 2016 and January 2018 which amounted to 100% the driver’s salary; the law allows only up to 25% of the salary in overtime. The prosecution also showed that some of the overtime claims was made when one or the other was abroad or on leave. Lately, Kib-Tek has been in the center of many other more serious corruption allegations.

Meanwhile, the government continued buying oil for Kib-Tek bypassing the central tender commission. In the early month, the government decided to buy 60,000 tonnes of fuel oil for Kib-Tek without going through procurement procedures due to “urgent needs”. According to the report of Cyprus Today, “experts state that so far, Kib-Tek has incurred a loss of approximately 140 million TL (€ 7.6 million) due to fuel oil purchased without a tender ... The public’s main concern is that the price increases caused by non-tender fuel oil purchases bring additional costs and losses to Kib-Tek, which are then passed on to the public and the economy as a price hike. The institution’s debt burden is increasing day by day and is reaching an unsustainable point.”





FES CYPRUS NEWSLETTER

A war of words erupted between President Ersin Tatar and the head of the Cyprus Turkish Football Association (KTFF), Hasan Sertoglu, over Tatar's decision to attend the Islamic Solidarity Games held in Konya, even though Turkish Cypriot athletes were not invited to compete. Tatar was in attendance for the opening ceremony as a guest of Turkish President Erdogan. The contrast of Tatar attending the opening ceremony while Turkish Cypriot athletes had to stay at home attracted a strong backlash. Sertoglu went on to say that "the President does not represent my [football] community in any way" and that it is "disrespectful to the sports and athletes of this country that he is not by our side, not solving our problems, and prefers to be in Konya". Tatar reacted angrily to Sertoglu's statement, and referring to a FIFA-UEFA-brokered provisional arrangement reached by the two football associations of Cyprus in 2013, said Sertoglu's past attempts to "patch the KTFF, which was established by our martyrs, to the Greek Cypriot [Football] Federation" constitute "the greatest dishonor".

Labour Relations and Trade Unions

Although the gross monthly minimum wage was increased in July, income tax brackets were not adjusted accordingly and as a result, minimum wage earners had income tax deducted from their July earnings. On August 23, the government issued a decree that would make the new minimum wage exempt from income tax. It was also announced that minimum wage earners who paid income tax on their earnings in July can apply to the Ministry of Finance for a rebate.

The Cyprus Turkish Public Officials Union (KTAMS) announced that despite the increase introduced in July, the minimum wage is still below the hunger limit. KTAMS also called for legal arrangements, which will (1) increase the minimum wage parallel to the cost of living, (2) update the criteria for the determination of minimum wage, and (3) change the struc-

ture of the Minimum Wage Determination Commission.

On August 2, teachers from the Cyprus Turkish Primary School Teachers' Union (KTOS) and the Cyprus Turkish Secondary Education Teachers' Union (KTQEOS) held a protest outside the National Education Ministry, during which they broke police lines and made their way inside the ministry building. The protest was aimed at halting proposed changes to legislation regarding teachers' contracts, with a large crowd outside the ministry.

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