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## 1. Cyprus Problem

Following the unsuccessful conclusion of the Cyprus Conference in July, the UN announced a period of reflection for the parties involved. On September 21, the President of the Republic of Cyprus, Nicos Anastasiades addressed the 72<sup>nd</sup> session of the United Nations Assembly at UN Headquarters in New York.

In his speech, Anastasiades expressed his readiness to resume negotiations to solve the decades long division of Cyprus. He urged Turkey and the Turkish Cypriot side to realize that it is only through mutual respect and compromises and not obsolete fixations to failed practices a viable and lasting settlement may be achieved. Despite not wishing to engage in a blame game, Anastasiades said, he attributed the failed talks in Switzerland “exclusively to the intransigent stance of Turkey which, instead of being positively predisposed to establishing a truly independent, sovereign and normal state, through its proposals aimed at reducing Cyprus to a Turkish protectorate”. This was a stark contrast to the “constructive stance” adopted by the Cyprus government at Crans Montana, which was in line with the United Nations Secretary General’s (UNSG) framework proposal. According to Anastasiades, Turkey adopted an inflexible stance by insisting on the maintenance of the Treaty of Guarantee and the right of intervention, as well as a permanent presence of troops in stark contradiction to the framework of the UNSG and the positions of the

other two guarantor powers. In the interim, Anastasiades called on the Turkish side to engage with confidence-building measures. These included returning Varosha and allowing resettlement by its lawful inhabitants in order to create a climate conducive for resuming negotiations with the aim of reaching a comprehensive settlement.

Following his address to the UN Assembly, Anastasiades held a meeting with UNSG Antonio Guterres on September 22. Foreign Minister Ioannis Kasoulides, Government Spokesman Nikos Christodoulides, Greek Cypriot negotiator Andreas Mavroyiannis and Cyprus Permanent Representative at the UN Kornelios Korneliou also attended the meeting. During the meeting Anastasiades raised a number of issues including the Turkish threats and incursions inside the island’s exclusive economic zone (EEZ). The two also discussed the report being prepared by the UN good offices to be presented to the UN security council. Guterres also met with the leader of the Turkish Cypriot community, Mustafa Akinci on September 23. The two exchanged views on the current status of the Cyprus talks as well as on their future. On his return from New York, Akinci stated that the UNSG would be evaluating the possibility of reviving the talks once the elections in the south take place. Moreover, the Turkish Cypriot leader stressed that “an open-ended process which is not solution oriented is not supported by the Turkish Cypriot side,” and that he did not

expect the negotiations to restart any time soon. Akinci also met with Turkish Foreign Minister Mevlut Cavusoglu to evaluate the next steps to be taken after the collapse of the negotiations in Crans Montana.

On September 25, during a Daily Press Briefing, following the separate meetings Guterres held with Anastasiades and Akinci in New York, the United Nations Spokesperson Stéphane Dujarric reiterated that the UNSG remains available when the parties in Cyprus are ready to go to him.

Following his meeting with United Nations Secretary-General Antonio Guterres, Akinci told a press conference at the UN headquarters that it would not be "conducive" to restart peace talks because of upcoming presidential elections in the Republic of Cyprus. Akinci added that any future negotiation process would need to have a deadline and be "result-orientated" because negotiations "cannot continue in an open-ended" way. Akinci said he had "conveyed" to Mr Guterres that the "unwarranted isolation of the Turkish Cypriots" must end. Responding to a question, Akinci stated that any future talks would be doomed to failure unless the Greek Cypriots "accepted the political equality" of Turkish Cypriots. He said this stance was the reason for the lack of success in all previous efforts to forge a solution including the Greek Cypriots' rejection of the Annan Plan. Akinci said that the Greek Cypriot side did not want to share power, having been

regarded as the island's sole government by the international community "for the last 50 years". "Unless we agree on power sharing, unless we digest the idea that there are going to be two politically equal entities, two politically equal constituent states ... that one day a Turkish Cypriot also is going to be the president of a United Cyprus, then we will not be able to move ahead," stressed.

Delegations from the Republican Turkish Party (CTP) and AKEL led by party leaders met at the CTP headquarters in northern Nicosia. The two parties reiterated their commitment to the existing UN parameters and said that the best model for a solution in Cyprus was a bi-zonal, bi-communal federal settlement on the basis of political equality. This attracted the criticism of the Turkish Cypriot Foreign Minister Tahsin Ertugruloglu. In a written statement, he said "the Crans-Montana summit was inconclusive and not only did the conference come to an end but the 50-year solution process that was based on UN parameters searching for a federal solution. This reality was also voiced by the President [Akinci]. It is also our government's official view and the view voiced by motherland Turkey ... When the situation is like this, to call for 'hopes to be kept alive' for a new joint federal solution to emerge, is equal to repeating the past 50 years, which has been ... unsuccessful". He added that "From now on [TRNC]<sup>1</sup> will determine its fate together with

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<sup>1</sup> The Turkish Republic of Northern Cyprus (TRNC) is only recognised by the Republic of Turkey. While for

Turkey. The time has come to discuss new things”.

Furthermore, in an interview to the Voice of America in New York, Ertugruloglu said that it was not right for the UN to insist on continuing the Cyprus negotiation process that have been going on for the past 50 years without any successful outcome. Expressing his view that any new negotiation process in Cyprus should be held between two states on the basis of political equality, Ertugruloglu said “the process which recognizes the Greek Cypriots as representatives of a state and Turkish Cypriots as a community will not be brought back to life. Turkish Cypriots have had 50 years of their lives stolen from them...we won't allow another 50 years to be stolen”.

Turkish President Recep Tayyip Erdogan expressed his disappointment over the failure of the Cyprus negotiations process as a result of the Greek Cypriot side's stance. Addressing the 72nd UN General Assembly, Erdogan said that Ankara was doing all it could for a settlement in

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

Cyprus. “We are doing all we can to make sure that the recently discovered natural resources in the Eastern Mediterranean will serve peace, stability and prosperity. We are prepared to make use of solution proposals which will respect the rights of the Turkish Cypriots” he said. According to CNA, which cited diplomatic sources Turkey is not willing to make any moves on Cyprus at the present. This was conveyed by Erdogan to the UNSG when they met in New York on the side-lines of the UN General Assembly. UN circles, according to CNA, estimate that Ankara is waiting for the results of the German and Austrian elections to have a clearer picture of Turkey's relations with the EU before indicating a shift in its positions on Cyprus.

Speaking on CyBC government spokesman Nicos Christodoulides stated on September 25 that a timeframe on the resumption of Cyprus talks has not been made. Although mentioning that negotiations may resume in October or November, Christodoulides argued that the Turkish Cypriot side expects no movement before next January's presidential elections in the south. Furthermore, Christodoulides stressed that from the meetings in New York with the UNSG and additional meetings with the General Assembly, it was clear that Turkey did not want to restart the talks anytime soon.

The TRNC announced that as of October 1 it would start charging customs duties on goods carried by the United Nations to Greek Cypriots

and Maronites living in the northern part of Cyprus. The TRNC Foreign Ministry in a statement on the issue stated that the decision had been taken in a bid to put an end to the political exploitation of this issue and to prevent the illegal sale of these goods: "They are using this issue to create the impression that these people are enclaved and the UN regularly transports daily goods to these people. It has long been determined that the Greek Cypriot and Maronite recipients have in fact been selling these items that they clearly don't need to the Turkish Cypriots" Speaking in New York, on the side-lines of the UN General Assembly, the 'foreign minister' of the TRNC, Tahsin Ertugruloglu, said that the UN peacekeeping force that has been deployed between the two communities since 1964 will have to learn to work with a more assertive Turkish Cypriot administration. The UN said the decision was unfortunate, noting that delivering humanitarian assistance was based on a broad, longstanding agreement between the sides known as Vienna III.

20 political parties and civil society organizations from both sides of the divide issued a joint statement at a press conference to mark World Peace day, where they called on the two leaders to put a stop to their "mutual accusations," stand up against "external pressures and work for the benefit of the Cypriots".

Around 600 pilgrims from the north travelled to the Hala Sultan Tekke in Larnaca during the

feast of sacrifice (Eid Ul Adha) celebrations. The pilgrimage was organised by Turkish Cypriot Mufti Talip Atalay (i.e. Director of Department of Religious Affairs) with the support of Archbishop Chrysostomos as part of the Religious Track of the Cyprus Peace Process under the auspices of the Embassy of Sweden (RTCYPP). The religious leaders had earlier agreed to support and organise three such special pilgrimages to Hala Sultan annually for Eid Al Fitr, Eid Ul Adha and Mawlid ul-Nabi on dates mutually discussed and decided. Within the framework of the visit, Turkish and other nationals who are normally not allowed to cross to the southern part of the island were also given a chance to visit the shrine.

A team from the Committee of Missing Persons in Cyprus visited London to hold meetings with officials from the Foreign and Commonwealth Office, the Ministry of Defence and the National Archives as well as with British Members of Parliament with an interest in Cyprus. The visit was part of the overall CMP strategy to seek additional information on possible burial sites from archives of twelve countries and two international organisations who were involved in Cyprus from 1963-64 and 1974.

The Greek Cypriot Foreign Ministry has started to enforce a directive, which authorizes the immigration officers at the airports to turn away non-EU nationals arriving at Larnaca and Paphos airports if they intended to stay at hotels in the north. The reason for the enforcement is due to the fact that some hotels

after the Turkish invasion were built on Greek Cypriot-owned properties. The Greek Cypriot Foreign Ministry includes 206 hotels. In September, 15 Lebanese tourists had been sent back home after stating they planned to stay at such a hotel in the north.

In a statement to The Associated Press on September 27, the World Bank stated that integrating Turkish Cypriot financial institutions into a single banking system, in case the island is reunified, is unlikely to increase risks in the sector because of their relatively small size. Total assets of the banking sector in the TRNC amount to €5 billion (\$5.89 billion) which accounts to less than 6% of banking assets in the Republic of Cyprus (RoC) estimated at €95 billion (\$112 billion). The largest lender in the north accounts for 20% of the TRNC banking sector which is less than 2% of the entire sector in the RoC. The World Bank said that the benefits of reunification would outweigh any costs. Moreover, the World Bank argued that work to connect the island's separate, water, energy and transport systems would create €1.1 billion (\$1.3 billion) worth of investment opportunities within 2-3 years after reunification. The health of troubled Turkish Cypriot banks had been an important component of talks to reunify the island, which collapsed in July.

According to a report issued on September 28, by Business Monitor International (BMI) Research, the 2018 presidential elections are unlikely to be followed by a breakthrough in the

Cyprus peace talks. The collapse of the Cypriot peace talks in July 2017 have reduced the chances of a permanent reunification deal in the near term from slim to extremely remote the leading financial research body concluded. Business Monitor International (BMI) Research, is part of the Fitch group and provides macroeconomic, industry and financial market analysis, covering 24 industries and 200 global markets.

In his much-awaited report on his good offices mission in Cyprus, UNSG Antonio Guterres concluded that a historic opportunity was missed at the Cyprus conference in Crans-Montana, noting that a strategic agreement for a solution to the Cyprus Problem had largely been agreed, but a breakthrough was not possible due to mistrust and a lack of political will. The report, dated September 28 and covering the period from May 2015 to August 2017, was advanced to members of the UN Security Council late on September 29. In his observations, Guterres stated that "The parties had come close to reaching a strategic understanding on security and guarantees as well as on all other outstanding core elements of a comprehensive settlement". Guterres reiterated his call to the leaders to reflect on the way forward "to determine if and when conditions will mature again for a meaningful process in the near future". On the way forward, Guterres suggested that in the future a strategic-level agreement on key outstanding issues should be pursued, with details to be worked out at the tech-

nical level later. In the chapter entitled 'Status of the process', Guterres described the progress accomplished in all six chapters of the negotiations, including convergences and remaining open issues. Guterres stated regret over the fact that no additional crossing points have opened and the sides' failure to implement earlier agreements on interconnectivity of electricity grids and the interoperability of mobile telephones, while urging the continuation of technical committee meetings. In his extensive presentation of the events at Crans Montana, which included an outline of his proposals, Guterres generally avoided recording details of what happened during the final dinner of the Conference and in his private meetings with the parties involved. The report notes that despite a positive mood and constructive statements made during the opening day of the Conference, real progress quickly became hampered by the parties at one 'table' being reluctant to make compromises unless progress had been made at the other 'table', and vice versa. According to Guterres "In an effort to resolve this dilemma, on 30 June, I presented the parties with a framework for simultaneously resolving six major outstanding issues at both 'tables' as elements of a final package that, in my view, would lead to a comprehensive settlement," referring to the famous 'Guterres framework'. He added that "by the end of the Conference, the sides had reached practically full agreement on the federal executive and effective participation", while minor differences remained on equivalent

treatment of Greek and Turkish nationals. He also recorded what was agreed on property and territorial issues and his proposals on security and guarantees: "I proposed that the parties identify solutions taking into account that the current system of guarantees, and in particular article four of the Treaty of Guarantee containing the unilateral right of intervention, was 'unsustainable'," Guterres said. "I also suggested that a new system of security was needed for Cyprus, together with a credible framework for monitoring implementation of the agreement in which the current guarantors would play a role. On the question of the presence of Greek and Turkish troops in Cyprus, it was agreed that any outstanding issues regarding troops would best be addressed at the highest political level involving the Prime Ministers of the three guarantor powers." On July 6, Guterres returned to Crans-Montana to help the parties reach a strategic understanding on the six issues. He noted it was only upon his return that some of the most essential elements were considered, but ultimately a strategic agreement seemed within reach. "During confidential bilateral meetings, key positions and indications of possible openings were put forward by relevant parties, particularly on the issues related to security and guarantees," Guterres said. "It was underscored, however, repeatedly by several of the parties that these were to be taken as part of the overall package which I had presented. During a dinner for the heads of delegation, I shared my assessment that there was a broad



understanding of the parameters of the potential strategic agreement. I also presented the parties with a draft of an implementation monitoring framework in the form of a non-paper for their consideration.” But however close it had seemed in substance, a deal proved elusive primarily due to a lack of trust and political will, Guterres concluded. The report also included details on the meetings in Mont Pelerin and the Conference on Cyprus convened in Geneva, on January 12, 2017. On the Mont Pelerin meetings, Guterres said that during the first round the leaders “secured a significant breakthrough” on land percentages in territorial adjustment but in the second round “failed to achieve further progress on territory, returning to the island with a clear perception that the process risked facing a serious stalemate.” Guterres also reported the decision of the Cyprus Parliament on the 1950 Enosis Referendum that caused a two-month hiatus in the talks, which he described as a “setback”.

## 2. Hydrocarbons

On September 6, during a presentation held with Energy Minister Giorgos Lakkotrypis in Nicosia, ExxonMobil’s vice president for Europe, Russia, and the Caspian, Tristan Aspray, announced that two drillings are planned by ExxonMobil in Cyprus’ EEZ in the second half of 2018. He did not rule out the possibility, if the data allows, that the company might participate in the construction of a liquefied natural gas

(LNG) terminal in Cyprus. ExxonMobil and Qatar Petroleum filed the winning bid for block 10 in the island’s third oil and gas round. The successful conclusion of talks with ExxonMobil and Qatar Petroleum, has been perceived as strengthening Cyprus’ access to the US administration given that former ExxonMobil top executive Rex Tillerson is Secretary of State.

Energy Minister Giorgos Lakkotrypis announced on September 12 that the Onisiforos well in Cyprus’ EEZ is estimated to have less than half a trillion cubic feet (tcf) of natural gas. Addressing a press conference, in Nicosia, after the completion of the drilling operation undertaken by Italy’s ENI and France’s Total in block 11, Lakkotrypis stated that according to the outcome, the reserve is commercially not a stand-alone project. The minister added, however, that results are encouraging, in the sense that they confirm the existence of natural gas and a carbonate reservoir within Cyprus’ EEZ, similar to the one discovered in Egypt’s Zohr field.

According to local daily newspaper, Phileleftheros the government is planning to construct a jetty at Vassilikos port to host a floating storage facility for LNG to be used for power production. The plan is for Cyprus to start importing LNG at the end of 2019, with the state-owned electricity authority (EAC) pledging to have modified its generators to burn natural gas as of 2020. The cost of building the jetty, as well as an emergency shelter for the floating storage and regasification unit (FSRU) in case of



adverse weather conditions, has been estimated at €340 million. The state-owned Natural Gas Public Company, which by law will be the sole importer of natural gas into the Republic, has already decided to hire advisors with a view to invite tenders by early 2018 for the supply of natural gas and the construction of the jetty. The project is eligible for co-financing by the European Union's Connecting Europe Facility, up to 75 % of the total cost

### 3. Greek Cypriots

#### **Economic Developments**

The cabinet approved on September 13, the government's budget 2018 which provides for more than €7.5billion in spending and in excess of €7.7billion in revenue which take into account accelerated growth rates. According to the proposal submitted to the council of ministers by the Ministry of Finance a 3.4% increase in both revenue and expenditure is registered with an expected fiscal surplus of 1% of gross domestic product". The ministry revised its fiscal forecast for this year from initially a surplus of 0.2% of economic output to a surplus of 0.9% against a 0.4% surplus in 2016. The economy is expected to grow 3.6% in 2017, against a previous forecast of 2.9%, and the growth rate is expected to slow down to 3% in 2018 and to 2.7% in 2019 to 2020, the ministry said. Next year, the inflation rate is expected to decrease to 1.0% from 1.11% this year and

accelerate to 1.5% and 2% in 2019 and 2020 respectively. As a result of growth, inflation and budget results, the government debt is expected to drop to 103% at the end of 2017 from 107.8% in 2016. The unemployment rate is expected to drop to 9.5% in 2018 from 11% this year and drop further to 8% in 2019 before full employment conditions with a jobless rate of 6.5% return in 2020, the ministry stated. Nevertheless, the finance ministry stressed that while the economy, which returned to growth in 2015 after a prolonged period of recession, is in quite a better shape, domestic and external risks may affect growth

On September 16, Standard & Poor's (S&P) maintained Cyprus's BB+ sovereign credit rating – still a notch below investment grade – but upgraded the outlook from stable to positive, citing the consolidation of public finances and the economic growth rate at higher levels than previously expected.

According to the Central Bank of Cyprus (CBC), non-performing loans in the Cypriot banking system for the month of May fell by €127.2million in a month to €23billion or 46.2% of the total mainly on a drop in corporate loans. Moreover, deposits in the Cypriot banking system rose in August to €49.1billion or by €427million in a month with total loans falling by €107million to €52.9billion, reducing the liquidity shortfall in the system to €3.8billion, the smallest since February 2013.

Officials of the Troika<sup>2</sup> arrived in Cyprus as part of its post-programme surveillance. The Troika officials were scheduled to meet with officials of the Ministry of Finance, the Central Bank of Cyprus, commercial banks and other institutions and business groups, including the Cyprus Chamber of Commerce and Industry, the Employers and Industrialists' Federation and the Institute of Certified Public Accountants of Cyprus. The Troika officials reviewed the performance of the Cypriot banking system and obtained information about the non-performing loans. Officials also reviewed the island's progress in reforming the public sector, the healthcare system and the insolvency framework before concluding their mission on September 29. The post-programme surveillance will continue until Cyprus repays 75% of the €7.2 billion of borrowed bailout funds.

According to the European Commission's Statistical Service the unemployment rate in August dropped to 10.7% compared to 13.1% in August 2016 marking the biggest reduction in the EU. The number of unemployed in Cyprus stood at 46,000.

### **Domestic Developments**

During a conference, AKEL'S central committee announced to its members on September 15, the return of the independent candidacy of

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<sup>2</sup> The troika is comprised by the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF).

Stavros Malas in next January's presidential elections. As expected Malas was given the party member's backing in a vote during the party's Pancyprian Congress held on September 17, that saw 955 out of 963 members vote in his favour.

AKEL leader Andros Kyprianou and its presidential nominee Stavros Malas accused President Anastasiades of sabotaging the Cyprus talks in pursuit of re-election. Their remarks followed those made by negotiating team member Toumazos Tsielepis who claimed a real chance for a solution was missed in Crans Montana last July.

Anastasiades came under fire in the aftermath of the failed Conference on Cyprus, when foreign diplomats blamed him for dismissing a "great deal" outlined by UNSG Antonio Guterres, which included the abolition of guarantees and intervention rights and a sharp decrease in the number of troop levels on the island. Anastasiades has summarily dismissed such claims, insisting on his narrative that the so-called opportunity stumbled on Turkey's intransigent insistence for guarantees, intervention rights and 1,800 troops to remain stationed at a permanent military base on the island. However, revelations that a document submitted by Guterres at a working dinner on the last day of the Switzerland summit, which could serve as a vehicle to the abolition of the 1960 Treaty of Guarantee, was "not extensively discussed" because of the tension in the discus-

sion already underway revived the suspicion that Anastasiades may have missed an historic chance. Guterres' document described a mechanism for the implementation of an agreed solution, which gave the United Nations peace mission in Cyprus monitoring responsibilities, reporting to the UNSG, and reduced the guarantor powers – Turkey, Greece, and the United Kingdom – to an advisory capacity, with no executive power. Speaking on Politis radio on September 26, Tsielepis argued that the Guterres document was positive for the Greek Cypriot side: “The view of the UNSG, the European Union, the British, the Greeks, and our own, was crystal clear: no more guarantees and intervention rights, which should be replaced by a mechanism for the implementation of a solution,” Tsielepis explained. Countering the government's argument that the document could not have been discussed at the Crans Montana dinner on the final night because no solution to implement had been reached yet, Tsielepis said Guterres' framework for a solution, which had been submitted days earlier, had been clear on security and guarantees: “The framework had come earlier, and it was crystal clear on security and guarantees. It said that the Treaty of Guarantee and intervention rights are being discontinued and replaced by a mechanism for the implementation of a solution. And we were presented with the mechanism, which reflected the international community's views. So both the framework and the proposed mechanism were very close to our arguments.” Greek

Cypriot chief negotiator Andreas Mavroyiannis acknowledged the existence of the document and explained that it was never discussed at length – besides a few brief comments – due to the increasingly heated discussion over guarantees, intervention rights and troop levels. According to the Greek Cypriot negotiator, Turkey did not accept the document as it ignored its major demand of having the guarantor powers involved in an executive role in the monitoring of implementation of a solution. Anastasiades also claimed that the document was not discussed because of the “intense dialogue on guarantees, intervention rights and troop levels” and that “There was brief, superficial discussion of the document”. AKEL leader Andros Kyprianou stated that he was greatly surprised when he learned about the existence of this document. DIKO leader and presidential candidate Nicolas Papadopoulos also claimed opposition parties were not informed of this document, but pointed out that Turkey rejected it anyway. DISY leader Averof Neophytou dismissed the claims that the president did not inform the parties of the document's contents. Neophytou argued that the National Council was informed of the existence and contents of the document on three separate occasions.

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

The Labour Inspection Department conducted a campaign of inspection in the food and drinks industry in September focusing on the causes of work accidents and diseases, aiming in parallel

to raise awareness of the necessary precautionary measures and to ensure compliance with legislation.

Accidents at work rose from 1.596 in 2015 to 1.905 in 2016 with most of them taking place in the hospitality and food industries. PEO commenting on the figures for the first semester of 2017, standing at 1.053 (compared to 865 for the first semester of 2016) considers labour market deregulation as a key factor in this. The intensification of work imposed by the hunting of profit lead to the sacrifice of precautionary measures and health and safety measures in general, says PEO. In its announcement PEO also states that information campaigns are inadequate measures to combat the problem and that the Ministry needs to proceed to a comprehensive plan including the imposing of heavy fines to employers who violate the safety regulations.

The Minister of Finance commented that the minimum wage in Cyprus (covering only nine occupations) is high, adopting that is the position of the Employers' Associations and provoked thus considerable reactions from all the trade unions, something which the Minister of Labour has avoided doing since the beginning of the term of the current government. PEO's response was the harshest of the reactions, commenting that Cyprus is the EU champion in wage cuts and in rising social inequality, and that if the government proceeds to cuts in the minimum wage this should be interpreted as a new general attack on the living standards of

workers. In such case, the trade union movement will be opposed and confrontational, ends PEO's announcement.

The Minister of Finance also stated that the priority of the government is to achieve a balanced budget and this might lead to no wage raises in the semi-public sector. PEO and SEK responded that is a violation of the agreement made in last January. Trade union leaders have asked for a meeting "to resolve the issue smoothly" while they have already secured their members' consent for strike action.

The hourly labour cost has risen by 0.4% in Cyprus in the second term of 2017 compared to 1.8% rise in the Eurozone and 2.2% in the EU.

The unfreezing of promotion positions in the civil service continues as dozens of new requests arrive every week to parliament by the various departments.

PEO issued a statement against the subcontracting practices of the municipal authorities after the prohibition of new hiring issued by the Ministry of Finance.

The nurses union PASINO, the nurses' department of PASYDY and the doctors' union PASYKY staged a two hour strike in the First Aid Departments of all public hospitals on September 28, in protest against the assault on two nurses. This sort of incidents are frequent according to the health professionals who demand that the state assumes its responsibilities and take all necessary measures to protect its employees.

PEO and SEK expressed their displeasure with the draft policy paper given to them by the government regarding the terms of employment of fixed term and non-fixed term employees in the semi-public sector. The unions stated that whereas the draft effectively increases the restrictions, duties and responsibilities of employees equating them with civil servants, it does not offer them civil servant status in terms of rights and benefits (holidays, sick leave, pension etc).

## 4. Turkish Cypriots

### Economic Developments

Prime Minister Huseyin Ozgurgun said that the government had taken numerous steps and initiatives regarding work life and that much had improved during his party's term in government regarding payments made by the ministry of finance to the private sector for the goods and services they provided. He added that the budget had been balanced for the first time, which had reflected positively on the economy. The Minister of Labour and Social Security Hamza Ersan Saner said that the Department of Social Insurance which had experienced financial problems in the past, under the UBP-DP coalition government had succeeded in paying pensioners without having to borrow from banks.

In contrast, according to a poll carried out by the Center for Migration, Identity and Rights Studies (CMIRS) in July 2017, almost 90% of people interviewed think "things are going wrong in the TRNC", while some 70% believe the country's economy "has gone from bad to worse" over the last two years. "Those who were interviewed again cited the economy as their biggest concern, as they did in our April poll," said CMIRS director Mine Yucel, who highlighted that respondents were slightly more optimistic about their personal prospects but remained pessimistic about the economic future of the country. She said 43.49% believed their own prospects would worsen over the next two years while 46.48% felt things would "remain the same" for them.

### Relations with Turkey

The Turkish Deputy Prime Minister Responsible for Cyprus Affairs Recep Akdag visited the TRNC to attend the closing session of the Structural Transformation Program Reviewing process. Addressing the session, Akdag criticized the slow pace of progress: "Out of 78 activities, we have completed only 10. There is some progress in 22 but not enough in 46. This is not something we want. ... We need to act faster and in a more efficient manner." Stating that it was pleasing to see important success achieved in public finance, Akdag said that the financial discipline exercised by TRNC authorities was exemplary and that the same dedication should be shown in other areas of public reform.

The Minister of Labour and Social Security Hamza Ersan Saner visited his Turkish counterpart in Ankara. “We came to an important stage in our bilateral contacts regarding the preparation of new regulation on occupational health and safety, information sharing between the two countries as well as the work conducted on preparing a general health insurance scheme and integrating the current social security law to the general health insurance,” Saner said. He also added that the technical regulations for bringing together young jobseekers with employers and the fund to be formed before the implementation of the general health insurance were also discussed during the meeting.

The Minister of Interior Kutlu Evren visited Ankara. Speaking to the BRT in Ankara, Evren announced that amongst other things, a cooperation protocol had been signed with the Turkish Minister of Interior for the instalment of a city security management system in the TRNC consisting of 544 CCTV cameras in 169 locations. “Just as in other parts of the world, our country needs such an investment for internal and external security. The cost of this entire project [52 million TL (€12 million)] will be covered by Turkey” he said. Evren also said that a protocol had been signed during his meeting with the Turkish Deputy Prime Minister Bekir Bozdag for the construction of a new central prison which has been pending for the past 8-10 years.

Speaking to the Anatolian News Agency the Turkish Minister of Forestry and Water Works Veysel Eroglu announced that the contract for the construction of a tunnel has been signed. The tunnel, which is estimated to cost 101 million TL (€23.5 million) will make it possible to irrigate the Mesaoria plain and Morphou with the water transferred from Turkey.

Deputy Prime Minister and the Minister of Finance Serdar Denktas visited Ankara to hold meetings with Turkish Finance Minister Naci Agbal, Minister of Youth and Sports Osman Askin Bak and Deputy Prime Minister responsible for Cyprus Affairs Recep Akdag. The aim of his visit was to hold preliminary meetings before the new fiscal year and to discuss the areas within the economic cooperation protocol which needed to be revised.

### **Domestic Developments**

The Speaker of the Parliament Sibel Siber said that one of the biggest problems in the country was the lack of auditing and absence of authority and that the public’s trust and confidence in government institutions has diminished as a result of this. Siber’s comments came during a visit paid to her by the Ombudsperson Emine Dizdarli. Speaking during the visit, Dizdarli said that applications to her institution had soared over the past few years which was proof that the public’s confidence in her office had grown. Dizdarli also said that the complaints quickly revealed which government

office or department was not functioning properly. Ombudsperson's office dealt with 59 complaints in the first six months of 2017, according to a mid-year report – comparable to 114 received during 2016. However, there were 33 complaints in 2015, just two in 2014, four in 2013 and 17 in 2012. Attracting the most complaints was the Interior Ministry, with 16 applications for arbitration chiefly on Land Registry and title deed issues, said the report.

Assistant-Attorney General Ergul Kizilokgil announced that as many as 300 civilians in the northern part of Cyprus are suspected of having links to FETO, which is blamed by Ankara for last year's failed coup attempt in Turkey.

A statement released by the president Akinci's office said that the government needed to set out strong reasons before seeking to relieve officials of their duties. This was a response to the letter written by the Prime Minister to the President asking the dismissal of Talip Atalay, the head of the Religious Affairs Department. The statement added that Akinci had not received any proof from the government but only allegations.

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

Members of the Cyprus Turkish Civil Servants' Trade Union (KTAMS) staged a one-day strike over working conditions at the Vehicle Registration and Licensing Office in Nicosia. KTAMS chairman Ahmet Kaptan said industrial action would continue "until the problems were

solved". He also accused the minister of transportation of "threatening staff with dismissal or sending them to work elsewhere instead of trying to solve the problems". Kibris newspaper said that the department was being neglected, even though it brought in some half a million TL a day for the state. Disgruntled motorists told the paper that they had to wait over two hours at a time to complete paperwork in an "inadequate" and "neglected" building where files are "haphazardly stuck on shelves". Employees, meanwhile, complained of struggling to maintain a database of around 200,000 vehicles and their owners on an "outdated" computer system.

## **5. FES Cyprus Events**

### **October**

**Monday, 2<sup>nd</sup> October, 9:00 am – 4:30 pm**

PRIO Cyprus Centre / Atlantic Council / IAI / FES Conference

**Eastern Mediterranean Energy:  
Moving Forward**

Goethe Institut - UN Buffer Zone  
Nicosia, Cyprus

Open to the Public





## November

**Wednesday, 1<sup>st</sup> November, 6:00 am – 8:00 pm**

Cyprus NGO Initiative on Law Reform / NGO Support Centre / FES  
Presentation legislative amendment

**New Law on Associations and Foundations**

The Classic Hotel  
Nicosia, Cyprus

Open to the public



**Thursday, 9<sup>th</sup> November, 9:00 am – 6:00 pm**

PRIO Cyprus Centre / FES  
Conference

**Turkish Settlers**

Home for Cooperation – UN Bufferzone  
Nicosia, Cyprus

Open to the public



**Thursday, 16<sup>th</sup> November, 9:00 am – 6:00 pm**

PRIO Cyprus Centre / FES  
Conference

**National, International and Human security in the Eastern Mediterranean**

Home for Cooperation – UN Bufferzone  
Nicosia, Cyprus

Open to the public



**Thursday, 23<sup>rd</sup> November, 3:00 pm – 5:00 pm**

Cyprus NGO Initiative on Law Reform / NGO Support Centre / FES

Presentation legislative amendment

**Presentation of the New Legislation for Associations and Foundations**

The United Kingdom Citizens Association Social Club  
Chlorakas Avenue, Paphos 8220, Cyprus

Open to the public



**Thursday, 23<sup>rd</sup> November, 6:00 pm – 8:00 pm**

Cyprus NGO Initiative on Law Reform / NGO  
Support Centre / FES

Presentation legislative amendment

**Presentation of the New Legislation for  
Associations and Foundations**

Amphitheater of the University of Neapolis,  
Paphos  
2 Danais Avenue, Paphos 8042, Cyprus

Open to the public



**Imprint:**

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