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### FES NEWS

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## 1. Cyprus Problem

In October, Greek Cypriot leader Nicos Anastasiades and his Turkish Cypriot counterpart Mustafa Akinci embarked on a new phase of intensive negotiations following their return from New York where they had met with the current Secretary-General of the United Nations Ban Ki-moon in September. This period aimed at bridging remaining differences and achieving convergences in the chapters of governance and power sharing, property, economy and EU matters, in order to allow the negotiations to progress to a crucial phase, the discussion of territorial adjustments.

The leaders held meetings on the 4<sup>th</sup>, 5<sup>th</sup>, 7<sup>th</sup>, 13<sup>th</sup>, 16<sup>th</sup>, 17<sup>th</sup>, 24<sup>th</sup>, and 26<sup>th</sup> of the month. Progress was achieved during the meeting on October 5, where the chapter of external relations of the federal state were discussed. With regards to the power of constituent states to conclude international treaties, Anastasiades stated that the chapter was essentially closed. Moreover, further convergences were achieved on October 13, where issues of effective participation in government, the decision-making processes and the possible future need for constitutional amendments were discussed. Citizenship issues such as legal residence, matters of basic freedoms and voting rights were discussed on October 16, where convergences on most issues appear to exist.

The progress achieved so far allowed the two leaders to agree on October 17, that the talks

should proceed to the next stage with a conference held on the issue of territory at a venue abroad from November 7 to 11. Later it was agreed that the venue would be Mont Pelerin in Switzerland, following the meeting of October 26, where Akinci and Anastasiades announced that they would conduct further talks abroad in order to prevent potentially damaging leaks.

Territorial adjustments comprise a significant part of the Cyprus peace talks. The two sides have hinted at serious differences on the issue with the Greek Cypriots drawing a red line on the return of Morphou under Greek Cypriot administration, something that Turkey and therefore the Turkish Cypriot side oppose. It is understood that the negotiations on territory carry a 'make or break' element in the talks on which success in the final stages hinges.

Meanwhile, security and guarantees were the main subject of discussion during contacts made by US Assistant Secretary of State for European and Eurasian Affairs, Victoria Nuland on October 13. Nuland held separate meetings with Akinci and Anastasiades with the intention to bridge the gaps on this particular issue. Anastasiades, reportedly told Nuland the Greek Cypriot side would not agree to Turkish guarantees in a post-solution federal Cyprus, nor would it accept a Turkish proposal for a military base on the island. Likewise, Akinci conveyed that he would not accept the fact that just because a federal Cyprus would become an EU member state, the need for security and guarantees were still necessary

Responding to a remark by the Greek Prime Minister Alexis Tsipras, Akinci said the number of troops that would remain on the island after a solution would be small though the exact figure had not been agreed yet. "We too do not want forty thousand troops to remain on the island. We will discuss the number and come to an agreement during the talks on security and guarantees, and once an agreement over a figure is reached, only then will the troops gradually leave the island" Akinci said. "Seen from this perspective, it will contribute to the solution process, but if you say zero army, zero guarantees, zero security, then it may not be possible to reach a deal," he added.

The President of the European Parliament, Martin Schultz reiterated that the EU would welcome a reunited Cyprus. Schultz's remarks were made during the opening ceremony of a photographic exhibition "Beneath the Carob Trees: The lost lives of Cyprus" in Brussels. The EU would not be whole until the entire island becomes a part of the bloc "because we believe that the reunification of Cyprus is bringing together those who belong to each other," Schulz said. Also speaking at the ceremony, Jean-Claude Juncker, President of the European Commission, said that he supported the two leaders in reunification talks. "If we lose this chance, we will not get a second one," he said, referring to on-going negotiations.

On October 25, Sir Stelios Hadjioannou handed out 50 cash prizes of €10,000 to Greek and Turkish Cypriots as part of his effort to consoli-

date the island's bi-communal relations. The aim of the charitable work of Sir Stelios is to contribute to establishing a lasting peace on the island. Participation in this year's bi-communal awards exceeded all expectations, as the number of teams who applied doubled to reach 215, which was a new record. Since 2009, when the awards were introduced, €2m has been granted for bi-communal projects.

Vice-president of the European Parliament Ramon Luis Valcarcel asked on October 26, the European Commission to share its estimates on the cost of a comprehensive solution to the Cyprus problem. He also inquired about any practical changes that could be made to the European Union's strategy towards the return of occupied properties, in order to make it more effective as the Commission assumed a special role, closely following the negotiation process and discreetly providing technical and political support. The cost of a solution to the Cyprus problem remains one of the unknowns, as a study by the International Monetary Fund and the World Bank seems to stumble on the Turkish Cypriot side's refusal to allow inspection of the financial state of the banks in the north<sup>1</sup>.

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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 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

Complicating matters further, disagreements remain at the negotiating table between president Anastasiades and Turkish Cypriot leader, Akinci with regard to the real value of properties to be returned, exchanged, or compensated for, following a solution. The Greek Cypriot team argues that current market values should be used, while the Turkish Cypriot side claims the 1974 values are the appropriate measure.

EU High Commissioner for Foreign Affairs and Security, Federica Mogherini, touched on the issues of security and guarantees during an official visit to the island on October 27, stating that being a member of the EU is the best security and guarantee for a state. Mogherini arrived on the island for high level meetings relating to the ongoing talks and met separately with both leaders.

The Cyprus problem was among the issues discussed between Foreign Minister, Ioannis Kasoulides and his Russian counterpart, Sergei Lavrov during a one-day official visit of the former in Moscow. Lavrov warned against attempts by the UN and the US to deliberately appoint artificial timeframes and imposing solutions that may be rejected by any of the parties involved. Furthermore, the Russian FM reiterated his country's commitment to the UN Security Council resolutions on Cyprus on the basis of the agreements between the two communi-

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communautaire is suspended in northern Cyprus pending a political settlement to the Cyprus problem (see Protocol no. 10 of the Accession Treaty).

ties. Touching on the issue of security, Lavrov stated that it was up to the Cypriot sides to be solved and that Russia would respect any agreement or position that reached.

The European Commission has approved a new €33-million financial assistance program for the Turkish Cypriot community. This renewed funding is the continuation of a successful EU-funded programme with particular emphasis on the economic and social integration of the Turkish Cypriot community into the EU. Thirty-three civil society organisations, which support a federal solution in Cyprus, have joined forces to form the 'Solution and Peace Platform'. According to a statement made on behalf of the platform by Okan Dagli, the platform aims to actively work in both communities on the island to reach a solution and lasting peace and reiterated that there was no alternative to a federal settlement. In less than a week, the number of organizations giving support to the platform has reached 44. Influential trade unions including KTOS (primary school teachers), KTOEOS (high school teachers) KTAMS (civil servants), Turk-Sen (workers) and Dev-Is (workers) are among the supporters of the platform.

On 16 October, the 'We Won't Give an Inch of Land Platform' held a protest action at the Zodia (Bostanci) region to express their view that the Morphou region should not be returned to the Greek Cypriot side in case of a settlement. Speaking on behalf of the Platform, Mustafa Caluda said that it was their aim to make the Greek Cypriot Church and the Greek

Cypriot leadership, which claim rights over the north of the island, understand that they did not accept giving any piece of land. Caluda called on Akinci to display a clear stance at the talks and make sure that the Morphou area would remain under Turkish Cypriot administration. More than 100 people took part in the protest, with others coming out of their homes to applaud them. The group was backed by 21 other organizations and were joined by former finance minister and senior coalition partner National Unity Party (UBP) MP Ersin Tatar and UBP MP Zorlu Tore.

## 2. Hydrocarbons

On October 6, French energy company Total and EDT, an oil and gas services company, signed an agreement where the latter will provide the former onshore logistics services out of the port of Limassol, supporting Total's drilling programme. Total, who holds a concession on offshore Block 11, plans to carry out its first exploratory drilling for hydrocarbons offshore Cyprus around April next year. However, the agreement may not take effect as the services concession at the port of Limassol, which also includes a monopoly clause for those areas of the port have already been granted by the Cyprus Port Authority to a consortium comprising the GAP Vassilopoulos Group and DP World. Given these complications, Total cannot make use of the logistics base at the port of Limassol. In the meantime, Italian ENI and US Noble

Energy have warned that unless they are allowed to use the facilities of Medserv at the Larnaca port they would consider relocating their logistics to Port Said, Egypt, and Haifa, Israel, respectively. Should the government fail to come to an agreement with ENI and Noble, and in the case, that the two companies do transfer their support base elsewhere, it would mean the inevitable loss of business for several Cyprus-based outfits other than Medserv. ENI and Noble Energy have been requested to transfer their facilities to Limassol Port following environmental concerns raised by the Larnaca municipality.

## 3. Greek Cypriots

### Economic Developments

In a written statement on its website on October 4, the International Monetary Fund said that Cyprus's economy which exited a prolonged recession in 2015 when it grew 1.7% would see its growth rate slow down from 2.8% this year to 2.2% in 2017. The pick-up of economic activity in 2016 is projected to help reduce the average unemployment rate to 13% from 14.9% last year before it drops to 11.6 % in 2017. According to the Cyprus News Agency, Finance minister Harris Georgiades expects the Cypriot economy to expand at a rate of up to 3% this year, after growing a revised 1.7% in 2015, and may continue to grow at a rate ranging between 2.5% and 3% in the medium-term.

Fitch Ratings Agency upgraded Cyprus by one notch from 'B+' to 'BB-' with a positive outlook on continuing strong progress in its adjustment following the 2013 banking crisis. However, according to Fitch, the banks remained fundamentally weak and posed an ongoing risk to economic stability due to the high level of non-performing exposures.

According to the Statistical Service, the government posted a €142.8m budget surplus in January to September on a cash basis compared to a €100.8m surplus in the respective period of 2015. The improvement in the public finances was mainly on increased revenue, which rose by €98m, to below €4.8bn, in the first eight months of the year, compared to the respective period of 2015.

### **Domestic Developments**

On October 26, the cabinet approved an interior ministry proposal to extend the term of elected local officials by two and a half years thus postponing the elections, scheduled for December 18. Interior Minister, Socratis Hasicos said the extension was deemed necessary because the procedure to approve the legislation introducing local authority reforms was at an advanced stage. The changes include reducing municipalities from 30 to 22 within three years. The government bill must be approved by parliament before November 4, when candidates are due to officially submit their candidacies. The previous elections were held in 2011. Shortly after the announcement, main opposi-

tion AKEL and DIKO said they would be rejecting the bill.

As of October 30, Nicosia is the world's only city of its size to have two time zones. Currently, there is a one-hour difference between the north and south of the island with the Turkish Cypriots remaining an hour ahead. President Nicos Anastasiades weighed in on the time difference with the north, tweeting in Greek and Turkish: "We are divided by time but united in hope". He was talking in part to the online social media campaign started by Greek and Turkish Cypriot activists who took to Facebook and Twitter to protest the decision of the north to remain one hour ahead of the south following Turkey in staying on summer time.

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

The employers' federation OEB issued a statement demanding the continuing of the wage freezes in the broader public sector for two more years. The economy is too vulnerable according to OEB and it must be protected from the state payroll.

According to Eurostat figures, income inequality in Cyprus measured by the Gini coefficient remains very high, 33.6% in 2015. Cyprus had the biggest rise of inequality since 2008 in the EU while currently 28.9% of the population is at poverty and social exclusion risk.

The Human Resource Development Authority (HRDA) issued a statement that the goal of 75%-

77% employment rate by 2020 is impossible to reach. The employment rate stands now at 67.9% manifested a very marginal increase compared to 2014. Cyprus also lags behind in terms of further education and training according to HRDA.

PEO's statement during the global day for the eradication of poverty criticized the austerity policies in Cyprus for having produced 234,000 people at the poverty level, 139,000 lacking basic necessities, 30,000 emigrants, for turning the purchasing power of wages 18 years back, for huge unemployment, youth unemployment and long-term unemployment, cuts in health and education spending. PEO also participated in a protest organized by the Movement against foreclosures.

PEO's leader Pambis Kyritsis was re-elected as the vice-president of the World Federation of Trade Unions (WFTU) in the 17th Congress of the Federation held in South Africa. The Turkish Cypriot unions DEV-IS, KTAMS, KTOS and KOOP-SEN which are also members of WFTU also attended the Congress.

The unresolved conflict between the primary school teachers' union POED and the government over the special contracts imposed on the newly hired teachers continued in October with POED implementing its decision of periodic hours of strike in different days and cities. PEO is fully supportive of POED's strike action as "the stance of the government gives the bad example for private sector employers as well".

The unresolved conflict between the nurses' union PASINO and the government continued despite the dialogue between the two. PASINO claims that the dialogue is undermined by the government itself and that it will not tolerate the establishment of multiple work regimes and that it will oppose the autonomisation of hospitals if this is not based on a decent employment relations context. PASINO states that it is not opposed to change in general but demands change in a direction that improves the health and welfare of everybody and respects all health professionals.

180 nurses, members of PASINO have filed cases to the court so that they become recognized as employees of indefinite duration, after a court decision of May 2016 that recognized a PASINO member retrospectively as an employee of indefinite duration. PASINO members also claim the return of the 10% of wage cuts they are entitled to after 24 months of service but were not granted to them.

83 workers will voluntarily exit the Ports Authority in the context of the privatization process. These will be compensated at the end of January 2017 when they will stop their work.

The moderate de-freezing of public sector employment after many years in conjunction with the high unemployment and the very low private sector wages, led to the further increase of competition for public sector post despite the substantial deterioration of terms and conditions of employment in the aftermath of

austerity and the MoU. The last 20 positions that opened were contested by 7,336 candidates.

There have been 128 hires in the Cooperative Banking network replacing those that left with voluntary exit schemes. The wages of these newly hired employees are on average 30% higher in comparison with the old staff. The General Auditor began investigating the matter.

## 4. Turkish Cypriots

### Economic Developments

According to a special report in daily Kibris, petrol prices at gas stations in the north have risen by more than two-thirds over the last six years while global oil prices have risen by only 36 per cent. The latest government-imposed increase, in the face of falling global oil prices, attracted strong criticism from consumers.

### Relations with Turkey

The month of October was full of visits from and to Turkey marking the increasing influence of Ankara on almost every aspect of life in the northern part of Cyprus.

The Turkish Cypriots and Turkey have signed an energy deal to construct an undersea electricity cable linking the two countries enabling Turkey to export electricity to the northern part of the island. The framework agreement was signed

on the side-lines of the 23rd World Energy Congress in Istanbul. In a statement on the issue, the Turkish Cypriot Minister of Economy and Energy Sunat Atun said that the agreement would interconnect the TRNC with Turkey not only through electricity but through natural gas as well. While the Cyprus Turkish Chamber of Industry and Turkish Cypriot Chamber of Commerce expressed support to the deal, the opposition parties and trade unions were sceptical, reminding the mistakes made over water transfer project.

Akinci visited Istanbul to attend the 23rd World Energy Congress and the Energy Summit of the Head of States and Governments as a guest of the Turkish President Recep T. Erdogan. The two presidents held a one-hour meeting, which was closed to the press. Akinci who addressed the congress also came together with the heads of state of Russia, Venezuela and Azerbaijan who were also present at the congress.

The Minister of Health, Faiz Sucuoglu visited Ankara where he met with Turkish Deputy Prime Minister Responsible for Cyprus Affairs Tugrul Turkes and Turkish Health Minister Recep Akdag. Sucuoglu announced that Turkes and Akdag would be visiting the TRNC in the near future for further discussions on the health system and a new hospital, which will be built in Nicosia. He also said that a delegation from the Turkish Health Ministry would arrive in early October for preparatory work on the hospitals planned to be built in Morphou and Trikomo/Iskele.

The Turkish Deputy Prime Minister Veysi Kaynak held a one-day visit to the northern part of Cyprus to attend the opening of the Hala Sultan Symposium and to meet Turkish Cypriot officials including President Akinci and Prime Minister Ozgurgun.

The Turkish Minister of Transportation, Maritime and Communication Ahmet Arslan visited the northern part of Cyprus to sign a memorandum of understanding with his Turkish Cypriot counterpart covering cooperation in various projects as well as attending ceremonies to start various construction works including a new terminal building at Ercan/Tymbou airport. The terminal building, which is expected to be finished in 20 months, will be able to serve 5 million passengers a year. The project will be realized by the Turkish company, T&T Airport Management and Construction, which operates the airport.

Tugrul Turkes held a three-day working visit to Nicosia between 18 and 20 October. Turkes visited various officials including Akinci as well as PM Ozgurgun and deputy PM Denktas. After his meeting with Akinci, Turkes reiterated his country's support to Akinci's on-going efforts to reach a comprehensive solution to the Cyprus problem. On the last day of his contacts, Turkes, Ozgurgun and Denktas held a joint press conference. In his speech, Denktas said that they had discussed with the visiting delegation a variety of issues concerning 7-8 ministries over the past three days and added that the visit had been extremely fruitful in terms of accelerating

cooperation between the two countries, to speeding up steps to be taken and in removing bureaucratic obstacles. For his part Turkes said "there were almost no disagreements. We cannot say that there are any controversial issues".

On 20 October, a protocol for the construction of a new central prison was signed in Ankara by the Turkish Cypriot Minister of Interior Kutlu Evren and Turkey's Minister for Justice Bekir Bozdog. Speaking during the ceremony, Bozdog said that an open and closed prison would be constructed in the TRNC. Upon his arrival back in Cyprus, Evren said that in order to increase public security, a citywide surveillance camera system would be installed in Nicosia and Kyrenia by February 2017. Evren added that in addition to the 16 vehicles that had been previously secured for the municipalities, new vehicles and machines had also been acquired for the municipalities, and further support and cooperation had also been agreed upon.

### **Domestic Developments**

The main opposition Republican Turkish Party (CTP) will hold its 26<sup>th</sup> party congress on 13 November. The only candidate running for the leadership is the current secretary general Tufan Erhurman. A total of 109 candidates will run for the 75-seat party assembly. After the latest amendments in the party constitution, a 40 per cent gender quota will be implemented in filling the party assembly seats. A new political party, Rebirth Party, has been established. A big majority of the founding members of the

party are of mainland Turkey origin.

The Clean Society Association, which is known as Toparlaniyoruz (We are Pulling Ourselves Together) instigated legal action against the government, which purchased 17 Mercedes to renew the fleet of official cars on the grounds that an open procurement process had not been followed. Deputy Prime Minister Serdar Denktas told the court that the government had the authority to buy the cars without issuing a tender adding that “I could have purchased Porsches”.

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

A four-day “warning” strike over staff shortage at Nicosia and Kyrenia district courts has brought the judicial process to a halt, with union leaders warning of an all-out stoppage if no action is taken. The unions claimed four extra ushers were needed to keep the courts functioning, and that although they had alerted the government to the problem “a long time ago”, promises to address the issue were still “elusive”. Kamu-Is chairmen Sami Dilek told reporters: “The court ushers are unable to keep with requests of the judges . . . The judges cannot get proper services.” KTAMS secretary Devrim Barcin commented at a joint union press conference: “For four days [the courts] have been halted ... [and] not one official has got in touch” adding that “In 1992, the courts dealt with 3,000 cases. Today, with the same number of staff they are trying to deal with 23,000.”

## **5. FES Cyprus Events**

### **November**

**Thursday 03.11.2016, 9:45-17:45**

PCC/FES  
Conference

**Cyprus-Greece Relations:  
A Beyond-the-Stereotype Overview**

Centre for Visual Arts and Research (CVAR)  
Nicosia, Cyprus

Open to public



**Thursday 03.11.2016 12:00-17:00**

**Friday 04.11.2016, 8:45-13:00**

World Vision/FES  
Workshop, Conference

**Paths Towards Sustainable Peace Building  
United Nations Security Council Resolution  
(UNSCR) 1325 into the Cyprus context**

**Thursday:** Home for Cooperation, CCMC, Ledra  
Palace, UN Buffer Zone, Nicosia, Cyprus  
Not open to the public

**Friday:** EU House  
Nicosia, Cyprus  
Open to the public



**Friday 11.11.2015 until Sunday 13.11.2016**

FES

Seminar

**Journalist Seminar**

CCMC, UN Buffer Zone

Nicosia, Cyprus

Not open to the public



**Saturday 19.11.2016 and Sunday 20.11.2016**

Enorasis/ FES

workshop

**12th Annual Friendship Weekend**

Forest Park Hotel, Platres, Cyprus

Open to the public



**Monday 21.11.2016**

PRIO Cyprus Centre/Atlantic Council/FES

Conference

**Energy Conference**

Chateau Status, UN Buffer Zone

Nicosia, Cyprus

Open to the public



**Saturday 26.11.2016**

PRIO Cyprus Centre/FES

Conference

**Return, Remembering, Reconciliation.**

**Lessons to be Learned**

Home for Cooperation, UN Buffer Zone

Nicosia, Cyprus

Open to the public



**Friday 25.11. – Sunday 27.11.2016**

IKME / BILBAN / FES

Workshop

**A practical Guide to implement Federal Cyprus**

Aqua Mare Hotel

Paphos, Cyprus

Not open to the public

December

--- no events ---

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