



Contents

1.	Cyprus Problem.....	2
2.	Hydrocarbons.....	3
3.	Greek Cypriots	4
	Economic developments	4
	Domestic developments.....	5
4.	Turkish Cypriots	6
	Economic Developments.....	6
	Domestic Developments	7
5.	FES Cyprus Events	8

FES NEWS

- please visit us on -

www.facebook.com/FEScyprus

www.fescyprus.org

1. Cyprus Problem

During the month of November, the UN General's Special Adviser on Cyprus, Espen Barth Eide, continued his efforts to resume the negotiations on the Cyprus Problem. These had broken down in October after a Turkish exploration vessel, the Barbaros Hayrettin Pasa, entered Cyprus' Exclusive Economic Zone (EEZ), following the issuance of a marine advisory (NAVTEX) by Turkey. This in turn led President Nicos Anastasiades to temporarily suspend negotiations.

The Greek Cypriot side has made clear it will not return to the negotiation table unless Turkey withdraws the Barbaros from Cyprus' EEZ and terminates its Navtex. The Greek Cypriots also reject any attempt to link the hydrocarbons issue with the negotiations. Turkey and the Turkish Cypriots stress that the Barbaros will continue and accelerate its activities if the Greek Cypriots continue to unilaterally exploit for natural gas. They also demand that hydrocarbons be introduced into the negotiations. Commenting on the Greek Cypriot side's precondition of the withdrawal of Turkish vessels in the region, Ergun Olgun, the Turkish Cypriot negotiator said 'our message to both the UN and the Greek Cypriot side is; we will withdraw the Barbaros seismic research vessel as and when you stop your activities in the region. We are ready to do this simultaneously. However, do not expect from us to stop our activities unilaterally.'

Meanwhile, the Turkish Cypriot leader, Dervis Eroglu sent a letter to the US Vice President Joe Biden informing him about the Turkish Cypriot side's views regarding the hydrocarbon beds around the island. 'The Turkish research vessel is not in the same drilling area with the Greek Cypriot vessels and the Turkish naval vessels are in international waters. If there is a question

regarding harassment this is being done by the Greek Cypriot side which has excluded the Turkish Cypriot side and is unilaterally drilling the hydrocarbon beds around the island' Eroglu said. The Turkish Cypriot leader also called on Biden to persuade the Greek Cypriot leader to return to the negotiation table without any preconditions.

In search for avenues to overcome the impasse, Eide proposed a twin track process whereby an advisory panel would be set up to discuss the future of hydrocarbons ahead of a settlement, but did not involve negotiations or co-decisions in parallel to the negotiations proper. The panel's ideas would not be part of a settlement but an inspiration for the post settlement management of resources. The proposal, however, was rejected by both sides.

Meanwhile, Socialist party EDEK and the Greens announced on November 26 that they would no longer take part in the regular bi-communal meetings Ledra Palace Hotel between Greek Cypriot and Turkish Cypriot parties. They argued that there is no reason to take part in such meetings since 'the Turkish Cypriot parties insist on not condemning the on-going violation of Cyprus' EEZ.'

On November 13, the European Parliament passed a joint resolution, condemning Turkey for its actions within Cyprus' EEZ and demanding from Ankara to immediately withdraw its vessels from the area. The resolution also urged Turkey to show restraint, to comply with its EU obligation to recognize the RoC and ratify the UN convention on the Law of the Sea (UNCLOS).

A written statement issued by the Turkish Cypriot foreign ministry said that the decision of the European Parliament was unacceptable and has no validity. The statement, which also noted that the ministry had made attempts on many

levels for the rectification of one sided statements and mistakes taking part on the draft resolution, stressed that it was significant that the resolution noted that there is a need more than ever to reach a comprehensive solution in Cyprus.

The Cyprus Problem was among the issues discussed between the UN General Ban Ki-moon and the Prime Minister of Turkey, Ahmet Davutoglu, on the sidelines of the G20 Summit in Brisbane.

2. Hydrocarbons

On November 8, President Nicos Anastasiades, Egyptian President, Abdel Fattah al-Sisi, and Prime Minister of Greece, Antonis Samaras, held a trilateral summit meeting in Cairo. They discussed issues relating to regional developments including Turkish actions within Cyprus' EEZ and ways to deepen cooperation in areas of mutual interest. The summit resulted in signing the Cairo Declaration, envisioned as an outline agreement between the three countries, which could lead to a commercial deal on hydrocarbons. According to Government Spokesman, Nicos Christodoulides, a new tripartite meeting, this time between Cyprus, Israel and Greece is also being prepared.

Meanwhile, Noble Energy announced that it is leaning towards regional pipelines as its favoured option for monetizing the Cypriot

natural gas within the Aphrodite field of block 12 instead of an onshore liquefied natural gas (LNG) terminal, which is the government's declared strategic priority. According to general manager of Noble Energy in Cyprus, John Tomich, the company is considering the option of a pipeline running from Israel's Tamar gas field, linking up with another pipeline at the Aphrodite field which will then go on to Egypt. Meanwhile the Tamar partners, US based Noble and Israeli Delek have already struck a preliminary deal with Spanish company Fenosa to supply gas to the latter's LNG plant in Egypt. The British BG Group is also in advanced talks with Israel to import gas supplies into Egypt and recently began similar discussions with the Cyprus Hydrocarbons Company with the aim to restore output at its LNG plant in Idku near Alexandria. Within this context Egypt and Cyprus agreed on November 25 to speed up talks to export Cypriot gas to Egypt via an underwater pipeline. According to energy minister Giorgos Lakkotrypis Cyprus may start selling natural gas to Egypt by as early as 2018.

During a two-day visit in Cyprus starting on November 5, Israeli foreign minister Avigdor Lieberman met with his Cypriot counterpart Ioannis Kasoulides. Amongst others, they discussed bilateral relations, energy issues and the Cyprus Problem in light of recent developments within Cyprus' EEZ. On November 26, Kasoulides also met with his Lebanese counterpart, Gebran Bassil. They agreed to strengthen their relations in the energy sector as well as in

areas such as search and rescue, tourism and defence.

3. Greek Cypriots

Economic developments

Following the decision of the Supreme Court in October which declared a number of legislative amendments to the Troika¹ proposed fore-closures law as unconstitutional, Eurozone finance ministers approved at the Eurogroup meeting on November 6 the release of the next tranche of €350 million for Cyprus.

On November 10, a delegation of the Troika established contacts to prepare the ground for the sixth evaluation programme of Cyprus due in January. The delegation remained on the island until November 14. At this stage of the programme efforts are expected to focus on initiating an insolvency framework, which, according to the bailout agreement, must be enacted by year's end. The National Health Plan, the privatization of semi-governmental organizations and the complete elimination of capital controls are also issues expected to be raised.

Bank of Cyprus (BoC) shareholders elected former Deutsche Bank's CEO Josef Ackermann, US

billionaire, Wilbur Ross and Russian Vladimir Strzhalkovskiy to the new board of directors of the bank. The board represents a new shareholder structure following a €1 billion capital increase in August. Moreover, Moody's ratings agency upgraded BoC long-term deposit ratings to Caa3 from Ca with a stable outlook, warning, however, that the bank still faces challenges.

By late November, the rift between Chrystalla Georgghadji and President Anastasiades seemed to be leading to an end after the latter offered a new contract to the CBC governor, which includes the original provisions of her contract. Georgadji had altered two clauses in her contract allowing her daughter, a lawyer working at the law office of Georghadji's former husband to represent ex-Laiki Bank CEO Andreas Vgenopoulos whom the CBC had taken to court. Furthermore, Georghadji raised her annual salary by €10.000, which is in line with pay increases given to CBC permanent staff. Georgadji admitted to having made the changes herself and that she had attached a note to the altered contract before returning it to the Presidential Palace for President Anastasiades, informing him of the changes. Mysteriously, the note has since vanished. To ease tensions the government admitted to shortcomings in the inner workings of the Presidential Palace.

Archbishop Chrysostomos, the fourth largest shareholder in Hellenic Bank, revealed that he has no interest in participating in the bank's planned capital increase estimated at €220 million and will be selling the rights that the

¹ The troika is comprised by the International Monetary Fund (IMF), the European Central Bank (ECB) and the European Commission.

Church of Cyprus owns. Meanwhile the Hellenic board of directors appointed Dutch Bert Pijls as the bank's new CEO.

Supervisory authorities granted a license to Ancoria Bank Limited, the first bank to open in Cyprus since the Eurogroup decision of March 2013 which led to the closure of Laiki Bank and the bail-in of unsecured deposits within BoC. Ancoria which is a subsidiary of the Nicosia based Ancoria Insurance is scheduled to commence operations in the second half of 2015.

Domestic developments

On November 29 President Nicos Anastasiades travelled to New York where he will undergo surgery on his heart mitral valve. The operation is scheduled for December 4 at Mount Sinai hospital. He is expected to return to Cyprus before Christmas.

In a string of recent allegations of bribery and corruption on all levels of the Cypriot political class, the latest case involves corruption charges against the mayor of Paphos, Savvas Vergas, in connection with allocating public works contracts. It seems that the mayor is involved in a number of different cases of misconduct. The charges include writing threatening text messages to witnesses in a land zoning dispute, involving one of the island's biggest developers, as well as using public ground to build a private tennis court next to his house. Furthermore, Vergas and three more suspects are accused of conspiracy to commit a felony,

conspiracy to defraud, fraud, bribing a state official, abusing authority, money laundering, acquiring assets through unlawful practices, interfering with a criminal investigation, theft and corruption in connection with the construction of the waste treatment plant in Paphos. On another occasion, the organisers of a charity concert with Greek pop singer Sakis Rouvas had received tax exemption by the municipality, i.e. Vergas. The organising company was run by the husband of one of Vergas' close associates. The exemption was granted on the basis that the company would donate part of the proceeds to charity, which, so far, has not happened. Vergas has so far rejected demands to resign from his post. Meanwhile, interior Minister Socratis Hasikos is seeking a way to removing the mayor of Paphos from authority.

Auditor-General Odysseas Michaelides is probing into another high-level issue, involving the law firm founded by President Anastasiades. The case involves the selling of Cyprus Airways and whether the President had any direct or indirect involvement in the process. Anastasiades' former law firm had initially represented one of the suitors, Ryanair, which is said of having offered a far lower price than the other suitor, Aegean Airlines, whose offer was rejected. Anastasiades pointed out that he left his law firm when he was elected president. Anastasiades' daughters are partners in the firm. According to leaked information from the cabinet meetings, however, Anastasiades was not in favour of selling the airline to Ryanair.

4. Turkish Cypriots

Economic Developments

According to Zeren Mungan, the Minister of Finance, the TRNC's² debt to Turkey has reached USD7.5 billion (€6.16 billion), while domestic debt and the state-guaranteed debt stood at TL3.5 billion (€1.18 billion) and TL1 billion (€338.5 million) respectively (Note: In 2012, the Turkish Cypriot GDP was estimated to be €2.6 billion). Turkey did not demand any repayment so far, "reducing Turkey's aid is not a target. The target is to reduce its contribution to the current expenditures. The contribution to the current budget, which was TL 285 million last year, has been reduced to TL 216 million ... If the budget discipline is preserved, we will meet our current expenditures ourselves within five years," Mungan said in a TV program.

During a joint press conference with his Turkish Cypriot counterpart Ozkan Yorgancioglu, Turkish Prime Minister Ahmet Davutoglu said

² The Turkish Republic of Northern Cyprus (TRNC) is only recognised by the Republic of Turkey. While for Turkey and the Turkish Cypriots, Dervis Eroglu 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).

'Economic reforms and strengthening the TRNC's economy plays a crucial role in achieving political stability. Serious steps have been taken in that direction in line with the special relations between our two countries'. The Turkish Cypriot government has been implementing austerity measures to comply with the protocols signed with Ankara.

According to the Immovable Property Commission so far 6,007 Greek Cypriots had filed cases at the commission of which almost 590 have been concluded and 131 have been withdrawn. In the first ten months of 2014, the Commission paid some €47 million as compensation to the Greek Cypriot applicants. However, reportedly, the number of applications is in decline. In October 2014, only 29 applications were made whereas in the same month in 2011, there were 273 applications. The commission was set up following the rulings of the European Court of Human Rights in the case of *Xenides-Arestis vs. Turkey* to establish an effective domestic remedy for claims relating to the Greek Cypriot properties in the northern part of Cyprus.

Hakan Dincyurek, the Minister of Environment and natural resources announced that the water transferred via underwater pipelines from Turkey will be managed by a Supreme Board that will be established in the framework of the Effective Water Management Law. The law is being drafted at the moment. Earlier this year, Hamit Bakirci, the predecessor of Dincyurek, had attracted strong criticism by stating that the Turkish Cypriots did not have

the necessary knowledge and infrastructure to manage the water that will come from Turkey.

The Minimum Wage Commission, which consists of government, employee and employer representatives agreed to raise the minimum wage by 115TL to 1,675TL (€574) as of November 1.

Domestic Developments

In a televised address on November 28th, the Turkish Cypriot leader Eroglu has officially announced his decision to run for a second term in office. Eroglu said that he decided to run for a second term following the extensive support and encouragement he had received from the National Unity Party (UBP), the Democratic Party-National Forces (DP-UG) as well as a wide range of civil society organisations. Like Mustafa Akinci and Kudret Ozersay who had earlier announced their candidacy, Eroglu will run as an independent too. The speaker of the parliament, Sibel Siber, on the other hand, will run as the candidate of the Republican Turkish Party-United Forces (CTP-BG). The presidential election will be held in April 2015.

The Social Democratic Party's (TDP) party assembly has decided to support independent candidate Mustafa Akinci in the upcoming presidential election.

Three deputies of the DP-UG, Ahmet Kasif, Ergun Serdaroglu and Hamit Bakirci, resigned

from their party. Menten Gunduz, who also had stated a few days ago that he intended to resign, changed his mind and decided to remain within the party in order to act as internal opposition. Kasif and Serdaroglu had joined the DP after resigning from the UBP in May 2013 and formed the National Forces wing of the party along with six other defectors from the UBP, forcing the UBP to call early election. Kasif and Bakirci had held ministerial posts in the CTP-BG – DP-UG government until the cabinet reshuffle that took place in October. Despite, the resignations, the coalition government retained its majority in the 50-seat parliament with 29 seats.

Three protestors from Conscientious Objection Initiative were detained by the police because of holding a banner, which read 'Our duty is peace, conscientious objection is our right,' during the military parade to mark the 31st anniversary of the establishment of the TRNC. The protestors were violently dragged away from the area by a group of police officers before they had the chance to open the banner. They were kept under custody at a toilet nearby for an hour, threatened, harassed and strip-searched. The Turkish deputy prime minister responsible for Cyprus affairs Bulent Arinc also attended the parade.

January 2015

--- no events ---

Imprint:

Friedrich-Ebert-Stiftung (FES)

Office Cyprus

20, Stasandrou, Apt. 401

CY 1060 Nicosia

Tel. +357 22 377 336

Email: office@fescyprus.org

Web-Seite: www.fescyprus.org

Facebook: www.facebook.com/FEScyprus

Text:

Hubert Faustmann, Sertac Sonan, Yiannis Charalambous, Sophia Papastavrou and Ute Ackermann Boeros

Layout:

Christiane Paparoditi

If you want to subscribe or unsubscribe to this (free) newsletter, please send an email to:

Christiana Paparoditi fespaparoditi@gmail.com