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1. Cyprus Problem

UN envoy Jane Holl Lute held meetings between December 15 and 17 with the Turkish Cypriot and Greek Cypriot leaders, Mustafa Akinci and Nicos Anastasiades, respectively. The purpose was based on the UN Secretary General Antonio Guterres' October report aiming to work out an agreement on the terms of reference that would pave the way for the resumption of the Cyprus negotiation process. During this period, Lute met with each leader twice. While no announcements were made on the outcome of the meetings these were generally described as productive. Lute is expected to return to the island in early 2019. The UN envoy also met with Turkish Foreign Minister Mevlut Cavusoglu on December 13 and Greek Alternate Foreign Minister Giorgos Katrougalos on December 12.

On December 27, Anastasiades raised new concerns about the functionality of the state post-solution. The President stated that the Greek Cypriots would be at a disadvantage if the island would become reunited under the current provisions of a federal model. He specifically questioned whether the sides having at least one positive vote in decision-making, would contribute towards a functional solution. This indirectly challenged the Turkish Cypriot demand for political equality within a power sharing arrangement.

Ersin Tatar, the newly elected leader of the main opposition party in the north, the National

Unity Party (UBP), sent a letter to the UN Secretary General Antonio Guterres on the Cyprus issue. The letter which demanded all solution models including a two-state solution to be on the table also underlined the need for determining the international status to be given to the Turkish Cypriot people if the new negotiation process remained inconclusive. Tatar also asked Guterres to start efforts for the lifting of the economic isolation imposed on the Turkish Cypriot people and for the establishment of an ad-hoc committee to tackle the management of the hydrocarbon resources around the island.

Former Turkish Cypriot President¹ Dervis Eroglu called on President Mustafa Akinci to reassess his position in the negotiation process and stop insisting on a federal solution model. Eroglu said that the Turkish Cypriot people had not rejected the notion of a two-state solution or a settlement based on a confederation. *"It is not up to President Akinci to insist on a federation as the only possible solution model at a time when even the Greek Cypriot leader Nicos Anastasiades and his close circle are talking about*

¹ 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 communautaire* is suspended in northern Cyprus pending a political settlement to the Cyprus problem (see Protocol no. 10 of the Accession Treaty).

the possibility of a two-state solution, the Turkish Foreign Minister is highlighting the need for alternative solution models and it is obvious that the majority in the TRNC parliament are in favour of a two-state solution” he said.

The Bi-communal Technical Committee on Cultural Heritage in Cyprus has published a booklet that offers an overview of the work carried out by the committee. The booklet titled ‘2008-2018: Ten Years of Working Together for Our Joint Heritage’ was introduced to the public with an event at the buffer zone. Delivering the opening speech at the event the Turkish Cypriot Co-chairperson of the Committee, Ali Tuncay said that history had shown that unilateral judicial and hostile approaches did not contribute to the protection of the cultural heritage on the island and expressed the belief that if there was more cooperation on the island then more success stories would be heard from the committee. The Greek Cypriot Co-chairperson of the Committee Takis Hadjidemetriou, due to health reasons was unable to attend the event. The UNDP Senior Programme Manager and Head of Office in Cyprus Tiziana Zennaro said that the work carried out by the committee had become a source of inspiration for similar initiatives that were taking place throughout Europe.

While addressing a conference organized by the Sabahattin Zaim University in Istanbul on December 28, Turkish Foreign Minister Mevlut Cavusoglu stated that it would be a waste of time to negotiate for the sake of negotiating, as he reiterated that a timetable should be a

condition for reunification talks. He moreover stressed that the process should be result-oriented. Cavusoglu was also quoted as saying during a speech at the Turkish National Assembly on December 18 that anyone dreaming of zero Turkish guarantees and troops in Cyprus would “*need to wake up*”.

2. Hydrocarbons

According to Turkish Daily Sabah, Turkey is to take delivery of a second drillship to expand its hydrocarbons operations in the Eastern Mediterranean. The second drilling vessel purchased by Turkey is expected to arrive in Mediterranean waters by the end of January 2019.

On December 20, Cyprus, Greece, and Israel reached an agreement on the EastMed pipeline during the 5th tripartite summit between the three countries that was held in Beer Sheva, Israel. As part of the agreement which is currently pending approval by the European Commission, the three countries will set up a permanent secretariat in Nicosia whose job will be to coordinate the trilateral cooperation scheme. Participating in the tripartite summit for the first time were the United States, represented by the US ambassador to Israel, David Friedman. The US ambassador stated that: “*The United States supports the trilateral partnership between Israel, Greece and Cyprus. This partnership is an anchor of stability in the Eastern Mediterranean and is based on common inter-*

ests and common values that the three countries share together with the USA". The project has received €35m in funding from the European Commission as a Project of Common Interest (PCI). The pipeline is currently designed to initially carry 10 billion cubic meters (bcm) a year from the East Med to Greece, about 1.900km, where it will connect to the Poseidon pipeline to Italy, about 300km. Some industry experts believe the four governments and the EU cannot fund the project, which would require investor participation, and buyers for its gas. Moreover, they expect the costs for this technically challenging project to be too high and most importantly, the project will not be economically viable given the gas prices in Europe. The former Greek Cypriot Minister for Energy, Charles Ellinas, called the project in an article in the Cyprus Mail a *"Pipe Dream"*.

3. Greek Cypriots

Economic Developments

The state budget for 2019 was approved on December 14, with 30 votes in favour and 24 against, with MPs across all parties except DISY voting to temporarily freeze funds amounting to €33m for the implementation of the Estia debt relief scheme. The money is to be released after the written consent of the House Finance Committee once the committee is satisfied that the money will really go to vulnerable borrowers of housing loans. The state budget for 2019 pro-

vides for a surplus of 3% of GDP, with general government revenues of €8.55bn and expenditure of €7.91bn. Primary spending by the central government will amount to €6.27bn. Participating MPs from DISY, DIKO and SOLIDARITY MOVEMENT voted in favour, with main opposition AKEL but also EDEK, the GREENs, the CITIZENS ALLIANCE, ELAM, and independent MP, Anna Theologou voting against, ending a three-day debate in parliament.

According to the third quarter report of the Central Bank of Cyprus (CBC) the economy will continue to grow at an approximate 3% until 2021. The main drivers for growth in the forecast horizon are domestic demand, economic activity and investments. On the banking sector, the CBC report notes the recent sales of Non-Performing Loan (NPL) portfolios such as the sale of €2,7bn of NPLs by the Bank of Cyprus to Apollo Capital have improved their asset quality, boosting investor and depositor confidence. However, like the European Union (EU) and the International Monetary Fund (IMF), the CBC expressed reservations over a government's Estia scheme aiming to subsidise part of the repayment plan for non-performing housing loans. Approved by the EU Directorate General for Competition, the plan is expected to be launched in 2019 and will cost the government €33m annually for the next 25 years.

Cyprus recorded record tourist arrivals in November with a rise of almost 10% compared to November 2017. According to a Cyprus Tourism Organisation (CTO) statement, the perfor-

mance in November marked the best November in the history of tourism in Cyprus. Arrivals in November numbered 158.685 compared with 144.676 in November 2017, an increase of 9,7%.

Cyprus recorded the largest decrease among EU countries in Non-performing Loans (NPLs) notably 8,6% between June 2017 and June 2018, according to a report by the European Banking Authority (EBA).

Domestic Developments

AKEL's Toumazos Tselepis and former attorney-general Alecos Markides withdrew from the Greek Cypriot negotiating team over disagreements with President Anastasiades' handling of the Cyprus problem in recent months. Both men stated they could not be part of the team at a time when Anastasiades appeared to depart from the long-standing Greek Cypriot position of a bizonal bicomunal federal solution. Tselepis and Markides had refused to take part in a meeting of the negotiating team on December 10, with the latter going as far as describing it as a publicity stunt by the President. The rift between AKEL and Anastasiades deepened with AKEL leader Andros Kyprianou accusing the President of adopting Denktash's vision for partition.

On December 27 President, Nicos Anastasiades announced the appointment of Savvas Perdios as the new Deputy Minister for Tourism. Perdios will, as of the beginning of the new year,

start working on the implementation of the national strategy on tourism by implementing the necessary horizontal policies, the planning of tourism development, as well as the overall political supervision of the tourism sector. Perdios was previously Chief Operations Officer of Louis Hotels.

Labour Relations and Trade Unions

A series of general assemblies of the workers in the construction sector in each district of Cyprus took place in December. All general assemblies were characterized by a climate of unity and an intense feeling of anger, indignation and resolve. They sent the message to the Confederation of Building Contractors' Associations to finally respect the collective agreements and invite its members to apply the collective agreement signed by both parties and the reimbursement for all deductions made from construction worker's salaries and of their benefits. All general assemblies, by secret ballot, authorized with an overwhelming majority, the boards of trade unions of construction workers, PEO, SEK, DEOK, to undertake measures, where necessary, for the defence and implementation of agreements and worker's rights.

On December 8 and 9, Paphos remained without public transportation, due to the strike of indefinite duration of the workers of the Paphos Transport Organization (OSYPA), provoked once again by the company's dispute with the Ministry of Transport. On December 10, as part of

stepping up their measures, 100 members of OSYPA staged a peaceful protest demanding payment of their owed wages from the company. The protest took place outside the Presidential Palace and then continued in the House of Representatives and the Ministry of Transport. Upon their arrival at the Presidential Palace, a delegation of workers submitted a memorandum with their demands to the President of Cyprus Republic. Their demands concerned the non-payment of their November salary, the 13th salary and the overall future of 250+ employees of the Company. The OSYPA representative who took part in the meeting with the Director of the President's office in the Presidential Palace, stated that the meeting was productive and that the Director of the President's Office gave them the new terms of the Ministry.

On December 22, a 24-hour strike took place at Limassol Port, with the participation of all dock workers from all trade unions despite the fact the strike wasn't supported by all trade unions. The dockers demand for the violations of their Collective Agreement to come to an end and for the negotiations to continue for its renewal. The agreement expired on 31 December. The strike was supported by PEO, while SEK called on its members to refrain from any strike action. The Federation of Employers and Industrialists (OEB) considered unacceptable the announced strikes at Limassol Port, asking again for the restriction of strike action in essential services. OEB condemned the announced strikes and called for the cancellation of the

announced intention for a strike of indefinite duration and for ensuring smooth and orderly operation at Limassol port. The Cyprus Chamber of Commerce and Industry (CCCI), expressed its opposition to the "tactics" and decisions of the trade union movement as well. CCCI stated that the announced strike creates turbulence and dysfunction in ports and called the government to assume its responsibilities and protect the smooth functioning of ports and, by extension, of trade and the economy.

On December 27, the Cyprus Union of Bank Employees (ETYK)'s organized a two-hour work stoppage at Hellenic Bank which was subsequently cancelled. The suspension of the two-hour work stoppage was the result of consultations between Hellenic Bank's management and ETYK leadership. The two sides decided to begin dialogue in 2019 to find a solution for the two labour disputes. The disputes concern staff members who worked previously in the Cyprus Cooperative Bank, the first about the retention of the contributions to the provident fund and the second about the non-integration in salary scales and, by extension in the organizational chart plan of the bank so that they can have same promotional perspectives accordingly within the organization.

On December 27, the staff of the Cyprus Tourism Organization (CTO), received a voluntary retirement plan, which sets a ceiling cap at €100.000 and provides that the number of retired persons will not exceed 40% of all staff. Beneficiaries of the plan for voluntary early

retirement are most of 230 CTO employees, which since January 2 will be transformed into a Deputy Ministry. According to the plan, the beneficiaries will have a six-month period to respond to this plan. To be qualified to apply for this plan a staff member must have by the deadline of the application, at least 5 years of service in CTO and to have at least 19 remaining months of service until the date of mandatory retirement. The representatives of the trade unions SEK and PEO made it clear that the plan is voluntary and that no one will be forced to leave the organization.

Between December 3 and 17, the Ministry of Labour, Welfare and Social Insurance together with the employers' organizations OEB and CCCI and the trade unions SEK, PEO and DEOK, conducted an awareness campaign regarding the 13th salary. The campaign included the broadcasting of advertisements via radio stations and posts on the internet. The campaign was aimed at informing employers and employees on their legal rights and how the procedure of the 13th salary works. It should be noted that the 13th salary, where it is stipulated in a collective agreement or in a personal contract or constitutes a business practice, is considered as part of the worker's salary, and therefore its non-payment amounts to a violation of the law on the Protection of Wages and Salaries. This, in addition to the rights that the Law grants to the employee for civil claims for its payment, also constitutes a criminal offense and results in the criminal prosecution of the employer. According to the provisions of the above Law, in the event

of conviction of the employer, imprisonment of up to six months or a fine of up to €15.000 or both penalties shall be imposed.

4. Turkish Cypriots

Economic Developments

Finance Minister Serdar Denktas said that since July, the TRNC had not received any funds from Turkey and what was received then had been partly channelled into defence expenditures. *'All other payments have been made from the TRNC's own resources without borrowing'* he said, adding that he and his team had *'worked around the clock'* to balance the country's payment liabilities. According to the quarterly report of the Central Bank, the share of Turkish grants and credits within the budgetary revenues has decreased to 7.1% in the third-quarter of 2018; the figure was 12% in the same period of 2017.

According to the State Planning Organization, in November, the inflation rate has gone down by 1,6% compared to the previous month while 12-month inflation was recorded as 34,2%. Elsewhere, the TRNC Central Bank's quarterly report pointed out that 37,2% inflation rate in the year to September 2018 was the highest rate since 2002.

According to the Central Bank figures, profitability of the banking sector has risen by 40% in

Dollar terms in November 2017-November 2018 period.

According to the inspections conducted by the Labour Department in January-September 2018 period, almost one in five (19%) of the total number of foreign workers inspected (2.141), were employed without work permits. Around 77% of the workers without legal work permits were Turkish nationals.

Relations with Turkey

According to a report of the Turkish Cypriot weekly Cyprus Today, Ankara has been planning to establish a naval base in Iskele (Trikomo). Reports of a planned base first surfaced in August, however this month news emerged that a November visit by the Turkish Commander of Naval Forces, Admiral Adnan Ozbal, had concluded with a survey of the coastline. Reportedly, the base would host all classes of ships including frigates, corvettes, submarines and helicopter carriers, a radar centre and a large building complex including residential and social facilities. The continuing militarization of the eastern Mediterranean, the RoC's unilateral hydrocarbon exploration, rumours about a US military base in the southern part of Cyprus, the modernization of a Paphos naval base by EU were among reasons cited for the move. Presidential spokesperson Baris Burcu downplayed the reports, saying: *'Our focus is the upcoming meeting with UN special envoy Jane Holl Lute'*.

The leader of the main opposition Republican

People's Party (CHP) in Turkey, Kemal Kilicdaroglu, visited the TRNC where he was received by the President, the Speaker of the Parliament, the Prime Minister, the Deputy Prime Minister-Foreign Minister and Minister of Education. Touching upon the Cyprus problem in his meeting with Akinci, Kilicdaroglu said that his party had remained committed to the Cyprus cause from the very beginning, desired the recognition of the TRNC at the international level and worked at every opportunity to make this happen. *"We bring up the issue of Cyprus almost in all our meetings with EU officials. We continue to ask them why they are not implementing the Direct Trade Regulation despite having promised to do so"* he said.

The President and Secretary General of the main opposition National Unity Party (UBP), Ersin Tatar and Hasan Tacoy visited Ankara where they came together with the Speaker of Parliament Binali Yildirim and the Turkish Foreign Minister Mevlut Cavusoglu, as well as the Vice Chairperson of the Justice and Development Party (AKP) Numan Kurtulmus and the Minister of Defense Hulusi Akar. Evaluating his contacts in Ankara, Tatar said that hydrocarbon resources had led to Cyprus gaining further strategic importance and therefore the TRNC and Turkey's relations had also become more significant.

Turkish Minister of Agriculture and Forestry Bekir Pakdemirli visited the TRNC. Pakdemirli met with the President, the Speaker of Parliament and the Minister of Agriculture and

attended the ground-breaking ceremony for a new water transmission tunnel. With the completion of the tunnel, water imported from Turkey will be transferred to the Morphou and Mesaoria plains for agricultural irrigation. The two sides also signed a cooperation protocol on the areas of agricultural supplies and agricultural credit cooperatives.

Domestic Developments

In the first week of December, torrential rain caused massive flooding in the Kyrenia area claiming four lives, destroying homes, cars and roads. Police, military, firefighters and civil defence teams worked around the clock to clear roads and rescue those trapped in their homes. In a written statement, Prime Minister Erhurman said the inspections had shown that especially the illegally constructed buildings on river beds in many areas were to blame for the extent of the damage. Civil society groups blamed the lack of construction regulation and inadequate infrastructure. According to the report of the weekly Cyprus Today, a wave of criticism of the Ciklos bend section of the newly revamped Nicosia-Kyrenia road, where floodwater swept a car-load of young people to their deaths, included demands for the resignation of Transport and Public Works Minister Tolga Atakan. Greek Cypriot leader Nicos Anastasiades called the Turkish Cypriot leader Mustafa Akinci to express his sympathies over the flood disaster and offered assistance if necessary.

The parliament approved the 2019 fiscal year budget, which stood at 7,7 billion TL (€1,24 billion).

The government is '*constantly on the watch*' for corruption allegations, Deputy Prime Minister and Foreign Minister Kudret Ozersay said in a TV program on BRT. '*We take the issue very seriously and the Attorney-General, who is the legal advisor to the state, is following up cases as they arise,*' he said.

Protest actions planned by building contractors were called off after the government retracted the government decree freezing permits and high-rise construction in Famagusta area. Instead the government promised to finalize the legislation regulating zoning in the area by April with a more inclusive approach.

5. FES Cyprus Events

January 2019

--- no events ---



February

--- no events ---



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