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## **Collateral Damages: The Impact of Turkish Lira's Crisis on North Cyprus**

The devaluation of the Turkish lira (about 40% against the dollar), triggered by the United States' tariffs on Turkish steel and aluminium, has already generated a negative impact on the economy of the "Turkish Republic of Northern Cyprus" (TRNC), totally dependent from Ankara's one. In the medium-long term, this variable could engender, if not timely managed, unpredictable consequences on Turkish-Cypriot balances.

The "TRNC" adopts the Turkish lira for daily business. However, items such as cars, electronic goods and also property costs are priced in foreign currencies (euro or dollars), as importations from Turkey, which represent almost the total of North Cyprus' import [Andrew Wilks, "Northern Cyprus looks to Ankara as Turkish lira's woes bite, *Al-Jazeera*, 18 August 2018].

As food prices continue to grow and hundreds of citizens joined street protests against inflation [Menelaos Hadjicostis, "Turkish Cypriots protest price hikes from Turkish lira woes", *Associated Press*, 6 September 2018], the 4-party left coalition government of the "TRNC" introduced a series of measures to cope with financial fluctuations, first of all subsidies on petrol and cigarettes and spending cuts. Moreover, ministers and lawmakers agreed to a 20% pay cut for six months, while the public sector unions accepted a reduction in overtime payments of the 15%.

Notwithstanding the introduction of new austerity measures, Northern Cyprus can't directly deal with this crisis, since it depends on Ankara's strategy. This means that the "TRNC's collateral financial crisis" will likely offer to Turkey new room for manoeuvre in the North of the island, allowing it to decide which economic direction (and maybe currency) the Turkish-Cypriots will adopt in the future. Therefore, the

current critical financial passage will shape not only how North Cyprus' economy will look like, but it will also impact on the reunification process fostering, or downplaying, inter-communal talks with the Greek-Cypriots. As a matter of fact, a "TRNC" in economic crisis could further undermine the Republic of Cyprus' willingness to find a negotiated settlement, since it would have to face with a sensitive financial bargain in case of federal reunification.

In such a critical juncture, president Recep Tayyip Erdogan, sent two messages to North Cyprus, travelling back from Azerbaijan: "we will increase" the number of troops in the north of the divided island and "if we felt the need, we could establish a base" [*Al-Araby*, "Erdogan says he will bolster Turkish military presence in Northern Cyprus", 17 September 2018]. These declarations can be framed not only in the middle of the Turkish lira's crisis, but also in Russia-Turkey negotiations for a demilitarized zone in Idlib, in North West Syria, foreseeing a long-time Turkish effort in the Levant, thus implicating the need for enhanced military facilities in the neighbourhood.

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