

## **CYPRUS' 'BAILOUT PRESIDENCY'**

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At a time when the main concern on the European agenda is none other than the continuous Eurozone debt crisis, Cyprus is taking over the EU's rotating six-month presidency amid bailout turmoil, itself being the fifth Eurozone country to request an EU and IMF financial aid. The request came following a €3 billion loss within the country's banking system that suffered an overall exposure of some €23 billion to Greece after the restructuring of Greek bonds last year. Cyprus is putting among its Presidency priorities the negotiations over the EU's next multi-annual financial framework, the 2014-2020 budget, while also facing the challenge of chairing the drafting of new laws on European banking regulations.

Cyprus currently needs an estimated €20 billion to cover its public debt (which has reached a record high of 75% of its GDP) and to prop up its banking sector, which is further in the limelight following recent scandals. Yet the country still bargains heavily and needs to come to an agreement with the 'men in black' of the troika delegation over the exact amount of the rescue package. It is in this fluid situation that the Cypriot presidency is to carry forward Denmark's achievements on new capital rules for banks, on the regulation of financial market derivatives and credit rating agencies, as well as on the "two-pack" legislation aimed at toughening fiscal oversight in the Eurozone. Not surprisingly it is many who wonder whether Cyprus will in the end prove to be part of the problem or part of the solution.

At the same time, Brussels is increasingly concerned with the current Cypriot government's pro-Russian orientation. Only last year the country secured a low-interest Moscow loan of €2.5 billion to help cover its public finances for 2012. Russians, who see Cyprus as a safe haven of low corporate taxation, have billions parked in Cypriot banks and other investments. It is conceivably these economic ties with Russia that filled the government with the confidence of openly attacking the EU's strict austerity policies, just three days into assuming the EU Presidency and while troika officials are still looking over the country's 'files' trying to decide the size and terms of the rescue deal.

A confirmed Marxist-Leninist, a declared communist and a Vladimir Putin admirer, Demetris Christofias has ruffled diplomatic feathers one too many times in the EU, with statements upholding Russian 'generosity' over the terms of their loans, as opposed to the EU stringent conditions and measures. While Christofias has declared Russia a "strategic partner" of Cyprus, he has openly charged the EU and the IMF with behaving as "colonial forces". Both Christofias' rhetoric and ideology, as well as his

Soviet veteran profile which he projects through statements such as "I won't create a revolution, don't worry", have stung diplomatic and other circles in Europe. The President's determination to seek additional loans from Russia, while also flirting with Beijing, at a time when debates over the IMF rescue package are ongoing, has also been negatively criticized in Cyprus and in Europe. Such behavior raises the question of whether this is the best of times to create doubts in Brussels over the country's allegiance.

It is not a secret that following the huge blast at Mari last August, which annihilated the country's largest power station and subsequently the economy, Christofias has become very unpopular at home. His insistence that a rescue package was not needed while the economy kept shrinking faster than forecast, until its credit rating status was finally junked by rating houses, further fuelled into his unpopularity. SME's are closing down faster than light and the middle class is gradually disappearing in the country, yet the government attributes the blame to neo-liberal philosophy and practice from the other end of the Atlantic. In his speech before the European Parliament, Christofias emphasized that he is proud to represent a party which fought against fascism, characteristically stating: "*Don't worry, communism will not harm the EU, it will try to make the EU a union that is fairer in social aspect*"; arguably not the most suitable comment to make before a Parliament of which most members either fought against communism or suffered from it.

Yet, in all intents and purposes, the inauguration ceremony for the Cypriot Presidency was as spectacular as ever. It took place at the ancient theatre of Curium. Yes, the one that is located on the Akrotiri sovereign British base area – which interestingly enough lies technically outside the EU. It seems hard to arrive at the logic of hosting the Presidency event there. It is thereafter an event that most of the high mandarins of the organization would attend; and yet it was chosen to invite this organization – the same one that that behaves as a "colonial force" – to a theatre located on the main "colonial bloodstain" of the island. A way of conveying a message or a major goof? You can draw your own conclusions.