

VANISHING CYPRUS

Icelandic Model to Economic Recovery

By Andreas C Chrysafis
Author – Writer - Painter

In a democracy, true metamorphosis occurs when free-minded individuals refuse to be led by others but act upon their own instincts based on truth, logic, compassion and common sense; the absolute substance of one's own freedom!

In most cases people resist escaping from the perceived security of the fold or to speak their mind, but rather remain followers or spectators. Fearful of social exclusion - imaginary or real - most prefer not to ruffle the feathers of a cozy existence within the sanctuary of structured groupings. Expressing contradictory views or ideas to an established order is considered taboo in a society where it demands blind loyalty to the group; deviation means expulsion from the fold! This becomes even more apparent in political party organizations.

Without a doubt, remembering bad experiences is the measure of things to come, and serve as a stern warning to avoid similar bad situations from happening again; whereas good memories are short-lived and easily forgotten! However, they both form the essential building blocks to a well-structured law-abiding society where truth is paramount but often hidden; it's elusive and one needs to know where to look in order to find it!

In the case of Cyprus, truth comes in small doses and historically it's often being concealed from the public. The liberalization of the Cyprus banking system helped to open up new opportunities but it has also produced a spiral web of Ponzi schemes inundated with dangerous financial traps. Under those terms, truth has become the ultimate victim in a country that failed to forge strong democratic principles!

In the absence of adequate safeguards and controls, "get-rich-quick" schemes soon sprouted like mushrooms and peddled to unsuspecting citizens and investors by bankers, brokers and agents who conveniently concealed the risks lurking behind those plans. The idea was to make maximum profits at the shortest period of time, at the expense of others!

Consequently, in the last ten years, fraudulent investments were systematically touted and the greater the volume sold the bigger the bonuses worth millions were paid out to bank managers, fat cats and finance brokers. Worse, unsecured loans in billions were granted to a plutocratic elite with massive sums written off the books and never to be repaid! It involved politicians, political parties, prominent businesspersons, organisations and people in official capacity and privileged positions. Cash kickbacks in brown envelopes or deposits in foreign banks soon developed into a cunning art in exchange for favouritism. In fact, money was handed out like candy for the asking! When truth finally revealed its true face, it left a bitter after-taste and crumbling dreams build on dirty sand; financial collapse became inevitable!

Cyprus is now trapped! Billions evaporated instantly while thousands of depositors had their money stolen from their accounts by their own government. At the same time financial terrorism was unleashed by the banking system spreading rumors of sure bankruptcy if the government failed to bailout the corrupt banking system.

Hundreds of miles away in the Atlantic another small country, Iceland, was confronted by an exact similar situation, if not worse! Between 2008 and 2011 that ancient nation faced the worst financial crisis in history. Never before had a country amassed so much wealth per capita only to lose it again in a short period of time. Smaller than Cyprus in population

(320.000) it also managed to achieve the fastest recovery on record, proving that all warnings of doom and gloom were nothing but hogwash!

In fact, the same EU-Troika rescue formula and blackmailing tactics was coerced against Iceland as they did against Cyprus. Under pressure, the Icelandic parliament succumb and voted in favour of a bailout but a wise president Mr. Olanfur Rahnar Grimsson, refused to sign the parliamentary decision arguing that: *"banks are a private financial institution and like all other corporations, it is the duty of their own shareholders to save themselves from ruin and its not the responsibility of citizens to pay for their mistakes and bad management."*

Against insurmountable pressure and threats the Icelandic president made a conscientious decision and put the issue to a Referendum. Icelanders responded and voted against bank bailout in two separate referenda. Such a daring decision shocked the entire EU and banking institutions worldwide. Mr. Grimsson, a man who believed in democratic principles fought hard and saved his country from ruin! But most importantly, he sent out a message that Iceland will remain a free nation and it was not for sale.

Compare Mr. Grimsson's honorable and most daring stand to Mr. Anastasiades' decision and one instantly recognizes how ill advised the new Cyprus president was; he signed and surrendered the reign of constitutional powers to a group of bankers overnight without public or political consent on his very first meeting with Troika! This demonstrates that the Rule by Man has once again come to dominate Cyprus politics and certainly not the Rule of Law. Economic colonization of Cyprus has now become a reality!

All considered, there are a number of strong lessons coming out of Iceland. Primarily, there seems to be a resilient Nordic culture and

tradition of cooperation based on strong democratic principles and the rule of law. There are robust convictions in meritocracy, transparency and accountability and also the awareness that: one cannot survive unless one relies on others and others rely on you! Mr. Grimson's advice is self-explanatory: *"one of the many lessons of the Icelandic experience is that if you want your country to be competitive in the twenty-first-century, a big financial sector is fundamentally **bad news**."*

Iceland's rapid return to economic health hinged on a series of well-thought measures, which prompted Paul Krugman, a Nobel laureate on economics to recommend a similar policy for other nations in crisis: *"Allow your ailing banks to collapse; devalue your currency if you have one of your own; introduce capital controls; and try to avoid paying back foreign debts."* Iceland is a perfect example of that!

In fact, both Cyprus and the UK introduced similar measures in the past with excellent results. They did so by stabilizing the nation's currency through devaluation and capital flow controls; increase trade competitiveness; growth in exports and productivity; reduction of imports; drop interest rates to develop new industries; new job creation and equally help to kick start the economy. Those "old-fashioned" measures worked very well for both nations!

However, the outcome of Iceland's radical decision was to isolate that country even further but according to Mr. Grimsson, isolation does not pose a problem at all. Preserving the nation's strong traditions, its economy and culture is of more importance than being governed by foreign banks.

The other astounding decision taken by the Icelandic government was to turn its back on the European Union and put its accession negotiations on ice. It decided they are better off without EU membership – just like

Ukraine did recently! The unexpected decision and humiliating slap on EU integrity has sent out shock waves right across the Eurozone countries.

Cyprus, could have followed the Icelandic model to economic recovery but instead, it chose EU-Troika and state-euthanasia! Now, it's too late to undo the past, not even God can do that! It is important however that Cyprus reconsiders its entire EU relationship and makes a well-organized exit from the euro to regain its own currency back.

Investing in people with proper and meaningful education based on merit and excellence will ultimately produce esteem leaders and citizens with free minds to do the right thing! Add to that: highly skilled technologies in energy; research & development; think tanks; computing and sciences and for sure a New Cyprus will arise out of the ashes of despair to bury the old taboos and dogmatism where they all belong!

It's a long, long road to recovery and there will be many hurdles to overcome. It will also take many years but not impossible! The greatest hurdle of all, is to take the first step on a solid foundation...!