

CYPRriot PRESIDENTIAL ELECTIONS

2013

ΑΓΓΕΛΙΚΗ ΝΕΒΣΕΧΙΡΛΙΟΓΛΟΥ (AGGELIKI NEVSEHIRLIOGLOU)

Abstract: The economic crisis of our days is slowly spreading throughout the Eurozone, as more and more member-states, even those with exceptional growth in the past years, face financial difficulties and growing instability that no one had foreseen. It was in this climate that Cyprus, a small state in Eastern Mediterranean and a prime example of the above-mentioned situation, was to go through a critical election process to declare the new President of the Republic, after the previous president's five-year term came to an end.

Keywords: Cyprus, elections, memorandum, rescue package, Eurogroup, Anastasiades, Malas, Lillikas, DISY, AKEL, DIKO, EDEK, EVROKO, KOP, The International Press (*Politis, Fileleftheros, To Vima, I Kathimerini, Ta Nea, NYT, Washington Post, Der Spiegel, Sueddeutsche Zeitung*)

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Introduction

Cyprus' presidential elections of 2013 and their result became an event of major importance in the EU, while many other states from around the world showed interest in the process' outcome. In other times, such attention would have been unheard-of, yet we have lately learned the hard way that even a small part of the structure that is the global economy can bring down the rest of the bigger, more powerful parts, if left unsupported. It was for this reason that a large part of the international press, all the way over to the USA, watched and examined the elections closely. For the local press, that is the Cypriot and Greek newspapers, the election procedure held an even greater significance, not only on a financial but mainly on a political level.

Back in 1974 Cyprus suffered a brutal invasion by Turkey, which took over the northern part of the island, effectively cutting it in half and preventing communication between the two areas. Many Cypriots lost family and fortunes during the invasion, while Greece, being under a military junta at the time, was not in a position to help. To this very day this issue has not been solved on any level; on one hand, we have the Republic of Cyprus on the southern part of the island, which consists of Greek-Cypriot population and is now a part of the EU and accepted internationally as a state entity, and on the other hand there is the northern part, still belonging to Turkey, even though there is will to get it acknowledged as a standalone state, where live the Turkish-Cypriots. The failure to reach an agreement on the issue is due to many reasons, among which are the continued strained relations between Greece and Turkey, Turkey's refusal to acknowledge the Republic of Cyprus (only a few days ago the Turkish side referred to the new president as a "Community leader"), as well as the nationalism that is always at least partially present in Cyprus. These and other factors led to the rejection of the Annan plan back in 2004 by referendum held in both sides, which involved the

reunification of the island as a federation. Since 1974, this major political issue had always been the epicenter of each and every election, contributing immensely in the final results. At least until nowadays.

For one of the greatest characteristics of the 2013 elections for the locals was that the Cyprus question was not, for once, the main subject on which the Cypriot citizens would base their decisions. The danger of looming bankruptcy should no economic assistance be received by the Eurozone was enough to turn the interest of the Cypriots from national matters to economic policy. As Greek newspaper *Kathimerini* pointed out in a relating article, “The shrinkage of the once flourishing economy made the Cyprus question a secondary issue.”¹ Newspaper *Ta Nea* showed this change in numbers: “At a time when the majority is for the memorandum, 70% stated that their vote will be defined by the economy, while 48% will vote based on the candidates’ views on the Cyprus question.”² It was not a matter of ability to negotiate for the national issue; it was about being able to face the great European powers and the EU and get the best terms they had to offer for the memorandum that was to follow. It is another great wonder that in the end the citizens voted for the candidate that was sure to adhere more closely to the memorandum decisions than the others, something we had never seen and may never see again. The factors that possibly led to this result will be examined in greater detail further down.

Part I: The First Round

According to Cyprus’ polity (presidential democracy) the presidential elections are to be held every five years in one or two rounds of voting. All candidates participate in the first round. If the first candidate earns 50% of the votes plus one, he/she is elected President of the Republic. If that is not the case, the two candidates with the greater number of votes go on against each other on a second election round. After the completion of the second election process the candidate with the highest percentage is declared the winner and the new President.

The first round was set to take place on February 17th. Though all parties had a very active role in the elections, only some of them promoted candidates that belonged to the parties themselves. DISY (Democratic Rally), a major party of the center-right participated with Nikos Anastasiades, the party’s leader and one of the better known political figures of Cyprus. AKEL (Progressive Party of Working People), the party of the former President Dimitris Christofias and the local communist party had no candidate from within. As it was mentioned in Greek newspaper *Ta Nea*, “Many tend to believe that Dimitris Christofias’ party did not choose a candidate directly from the party (like for example AKEL’s general secretary Andros Kiprianou) so they wouldn’t have to shoulder the expected defeat.”³ This may have been the reason AKEL decided to give a vote of confidence to Stavros Malas, a relatively new face in Cyprus’ political scene, though he had served before as Health Minister for about a year. Another candidate that was much discussed was Giorgos Lillikas, an experienced politician who had held in the past the post of Foreign Affairs Minister.

Anastasiades at 66 years of age had gone through a multidimensional political career, having moved from the far-right of nationalism towards the mild approach of the center-right through the years. His support of the Annan plan back in 2004, which was deemed overly anti-national, constituted major evidence of that change in attitude. His popularity suffered profusely over that decision, resulting in him being considered as mostly accepting and evasive of conflict. However, he was able to regain his popularity one step at a time, leading up to the 2013 elections. Early on in the pre-election period, he came up as the favorite for the position, being attributed about 43% of the votes according to the polls that were made public the week before the elections. These results made many journalists believe that Anastasiades could possibly be elected after only one round, and several were all the more pleased for it. In the corresponding article of Greek newspaper *To Vima*, the reporter emphasized the following: “...the best option for Cyprus is [for Anastasiades] to be elected in one round. For two major matters, namely the economy and the national question, a cold political assessment shows Anastasiades as the leader who has the guts as well as the social support to make the critical decisions the country needs and then stay to make them reality.”⁴ Anastasiades himself was of a similar mind and repeatedly asked the people to fully support him in order to save valuable

¹ Κρίσιμες εκλογές με φόντο την οικονομία (Critical elections with the economy on the background), by Yannis Antoniou, *I Kathimerini*, 17th February 2013, Retrieved 17/03/13

² Η Κύπρος ψηφίζει για το Μνημόνιο (Cyprus votes on the Memorandum), by Aristotelia Pelsoni, *Ta Nea*, 16th February 2013, 17/03/13

³ Ένας «λύκος» για το μνημόνιο (A "wolf" for the memorandum), by Aristotelia Pelsoni, *Ta Nea*, 18th February 2013, 17/03/13

⁴ Αναστασιάδης από τον πρώτο γύρο: το ευτυχέστερο σενάριο για την Κύπρο (Anastasiades’ election in one round: the best option for Cyprus), by Chrisostomos Perikleous, *To Vima*, 15th February 2013, 17/03/13

time for the nation throughout the pre-election period. Regarding the memorandum, the leader of DISY promised to alleviate the burdens of the lower parts of the population and right the wrongs the previous leftist government committed on economy and administration.

In this case it appears that blaming the old government does not constitute so much an offensive pre-election tactic, as much as a plain statement of a fact. An obvious example would be the allegations of money-laundering service being offered by the Cypriot banking system to “Russian oligarchs”. Though it was the EU who made the accusation, the situation was probably not entirely unknown in the interior of the country. As it is put in *To Vima*, “Though it is not publicly said, there are many in Cyprus who recognize that a problem exists and that Nicosia had been treading on the bounds of legality in recent years, while Europe was perpetually ignoring the situation.”⁵ Former President Christofias and AKEL in general suffered a huge blow because of this very truth, the product of five years of what is widely considered as deeply flawed government. That is why, as mentioned above, the defeat in the elections was expected.

It was in this quite unwanted position that Stavros Malas began his pre-election campaign. Though he on his own had no particular precedent to be judged positively or negatively for, it was a given that AKEL’s damage would carry through to the candidate it would support. Malas mainly underlined the necessity of a solution to the national question, considering the economic crisis more manageable as long as the correct path was followed. That path, though not identical, agreed in essence with the beliefs of AKEL, a prime example being the opposition to the privatization of semi-public companies as proposed by the EU. Malas also promoted the formation of a national coalition government that would combat the economic crisis, Anastasiades having mentioned something along those lines as well. The last polls before the election showed Malas in second place, though with quite a distance between him and Anastasiades, and with Lillikas close behind.

Lillikas during his pre-election speeches maintained the need for Cyprus to use its natural resources (the recently-discovered hydrocarbon deposits) to escape the crisis. Lillikas namely proposed a selling in advance of the newly-found resources. Though such a course of action was mostly presented in the press as the best bet for the island-state, there were several reporters who were quite doubtful. A journalist of *To Vima* wonders in a related article: “Let’s save [Cyprus] but how? By selling out its natural resources?”⁶ Lillikas was given about 21% in the final polls of the pre-election period. While an independent candidate, he attracted a lot of support from the less powerful parties, such as DIKO (Democratic Party), which was shown as being divided in half in supporting either Lillikas or Anastasiades. While Malas was steadily shown as number two after Anastasiades, it was evident from the polls that the latter would have quite a harder time beating Lillikas in a possible second round rather than Malas.

The rest of the Cypriot parties mainly supported the three major candidates. DIKO’s voters as mentioned before would support either Anastasiades or Lillikas, EDEK (Movement for Social Democracy) seemed to favor Lillikas, but there was no telling what the indecisive of the party would do come election day. The same thing was true for certain voters of DISY, whose allegiance could change at the last moment. EVROKO (European party) in its majority would move towards Lillikas, as his views were similar to the party’s. Finally, KOP (Ecological and Environmental Movement) asked of its voters to vote as they see fit, without leading them to a particular candidate. Other factors that were considered important for the election outcome were the percentage of standalone candidates (DISY hoped for a number of about 3%) and the volume of abstention which was said to be considerably higher than previous elections.

In the early evening of February 17th the first exit polls were made public. At the moment it seemed very possible that Anastasiades’ hope for a one round win would be realized. At the same time the percentages of Malas and Lillikas were shown to be low compared to expectations. However, as soon as the actual results came in, it became obvious that the exit polls had been flawed. The final results were namely: Anastasiades: 45.46%, Malas: 26.91%, Lillikas: 24.93%. The reason behind this failure of the exit polls was explained by Cypriot newspaper *Politis*: “There had been a rumor since Saturday that Lillikas’ staff had asked of the voters to not answer truthfully in the exit polls so as to confuse the rivals, who would have been aware of the exit polls’ results by noon, and as such would feel reassured that Lillikas was a lost cause from early on.”⁷ That would explain Anastasiades’ high initial percentage as well as Lillikas low result, which was shown as lower than 20%, but ended up being an impressive 24.93%. Yet *Politis* indicates another

⁵ Η Κύπρος ψηφίζει για το Μνημόνιο (Cyprus votes on the Memorandum), by Aristotelia Pelsoni, *Ta Nea*, 16th February 2013, 17/03/13

⁶ Κύπρος: Λήξη προεκλογικής περιόδου στη σκιά της τρόικας (Cyprus: Pre-election period over with the troika looking on), by Nikos Chasapopoulos, *To Vima*, 15th February 2013, 17/03/13

⁷ Άλλ’ αντ’ άλλων τα exit polls (Exit polls totally random), by Katia Savva, *Politis*, 18th February 2013, 17/03/13

possibility: “We must at the same time take into account that the balancing used in polls in our country by the Greek agencies which are chosen by the TV channels occurs based on what the person asked voted in the previous elections; that is a practice which, even though reliable in the northern countries, is evidently flawed for the southern ones.”⁸

Part II: The Second Round

The results of the first round made necessary a second round of voting between the two top candidates, Anastasiades and Malas. Even though it had been previously speculated that it would be easy for Anastasiades to beat Malas should a second round take place between the two, it was still uncertain which new alliances would be formed after Lillikas, who had been supported at least partially by a variety of parties, was beaten by Malas.

While the inability of Anastasiades to be elected in one round was certainly a letdown for DISY, it was at the same time almost entirely guaranteed that the right-wing candidate would emerge victorious and quite definitively at that. Anastasiades maintained that he would fix the state of the national economy and negotiate with the EU for the best possible terms of the oncoming memorandum. As he stated in the final debate against Malas, he would bring the end of Christofias’ policy that had proved destructive for the country in the long run and form a coalition government for Cyprus’ rescue. His empowered position was of course a product not only of his own actions, but of the existing circumstances; as it is mentioned in *Ta Nea*, “[Anastasiades] is a favorite for the second election round seeing as he signifies the turn of the Cypriot society towards a conservative politician as a reaction to leftist AKEL’s failure to manage the crisis.”⁹ It is no wonder that “Dimitris Christofias is the first President of Cyprus not to run for re-election.”¹⁰ With so much gravity being put on economy rather than the memorandum, not one more president defined by their handling of the Cyprus question.”¹¹ At the given time this may be just as well for the country’s future.

Malas’ percentage, even though quite lower than Anastasiades’, made quite an impression and filled the left wing with hopes for a close call in the second round. AKEL asked for the support of Lillikas’ voters and of the leftist parties in general, pointing out that the true battle would take place in the second round and promoting the stability of Malas’ ideals (in contrast to Anastasiades). What was however certain was that Malas, though being the clear outsider of the second round, would not be a loser at any case. As it is noted in Cypriot newspaper *Politis*, “A face mostly unknown to the masses, who also shouldered the weight of the damage done by Christofias’ government, was thrown in the deep yet he managed to swim. That he owes to the fact that he, despite his inexperience, managed to lift the weight of the pre-election campaign and of the televised debates against his much more experienced opponents, yet he mainly owes it to AKEL which once more proves too tough to perish.”¹²

DIKO decided after many discussions to clearly support Anastasiades, emphasizing that Cyprus was in need of immediate help to get through the crisis, while Giorgos Lillikas and EDEK chose neither of the sides, pointing out that the beliefs of neither candidate coincided with their own. EDEK also went on to accuse DIKO of not supporting Lillikas in the first round and effectively bringing on Anastasiades’ win, and as such weakening the political center in Cyprus to which both parties belong. Finally, EVROKO also agreed to support Anastasiades and KOP asked its voters to decide on their own free will and discretion, as it had done during the first round as well. It must be noted that the vast majority of the Cypriot parties asked of the citizens to vote and to not contribute to a rise of the abstention. During the first round, the percentage of absent voters was 16.86%, slightly higher than previous years.

The pressure on the Cypriots and the two candidates increased immensely during the second round, as the need for a solution to the country’s economic issues became all the more urgent. The Greek newspaper *Kathimerini* presented the voting as “[...] the most critical elections of the past decades for Cyprus, who is searching for a lifejacket against the threatened economic breakdown.”¹³ It was only natural that both candidates based a significant part of their campaign on that very urgency, something that was highlighted in

⁸ Άλλ’ αντ’ άλλων τα exit polls (Exit polls totally random), by Katia Savva, *Politis*, 18th February 2013, 17/03/13

⁹ [Αγιογραφίες] Επετηρίδα (Abstract), by Dimitris Mitropoulos, *Ta Nea*, 19th February 2013, 17/03/13

¹⁰ Κρίσιμες εκλογές με φόντο την οικονομία (Critical elections with the economy on the background), by Yannis Antoniou, *I Kathimerini*, 17th February 2013, 17/03/13

¹¹ [Αγιογραφίες] Επετηρίδα (Abstract), by Dimitris Mitropoulos, *Ta Nea*, 19th February 2013, 17/03/13

¹² Το ΑΚΕΛ είναι εδώ (AKEL is here), *Politis*, 18th February 2013, 17/03/13

¹³ Υπό την πίεση κατάρρευσης ο β’ γύρος (Second round under the pressure of breakdown), *I Kathimerini*, 19th February 2013, 17/03/13

Cypriot newspaper *Politis*, where both men's strategy was portrayed as intended to cause "phobic syndromes."¹⁴

On the evening of the 24th we had the announcement of the pretty much expected results: Nikos Anastasiades was elected 7th President of the Republic of Cyprus with a percentage of 57.48%, the highest result ever recorded in the country's presidential elections. Malas on the other hand got 42.52% of the votes, quite an astounding number given the previously analyzed factors. After some days of meetings between Anastasiades and the other Cypriot parties, a coalition government was formed by DISY, DIKO and EVROKO.

Part III: First Impressions and Expectations

The results of the Cypriot elections attracted the interest of the German and American media, which were quick to note the implications of the result and the hard path the new president would have to follow. The German news magazine *Der Spiegel* summed up the general feeling quite nicely: "The favorite has won the presidential elections in Cyprus: Nikos Anastasiades got an obvious lead in the voting against Stavros Malas. Now he stands before a task that few of his colleagues would envy."¹⁵ That task is elaborated on further in the same article: "Now [Anastasiades] will have to show his assertive side more often: Anastasiades does not hide the fact that his government must now work fast. In his address towards Brussels and Berlin he reassured them that Cyprus will take up all the necessary measures for the reconstruction of finances."¹⁶

The NYT considered the right-wing leader's success mostly predictable, given the history of AKEL and its candidate: "[AKEL]'s legacy made it all the more difficult for Mr. Malas to chip away at Mr. Anastasiades, who held a substantial lead in opinion polls."¹⁷ Moreover it highlighted the fact that the leader of DISY was elected as a memorandum supporter: "Though frustrated, European voters have tended to hold their noses and vote for pro-bailout candidates, as they did in Greece last year when Antonis Samaras eked out a victory over Alexis Tsipras' radical-left Syriza." Mr. Kulish also makes a note on the possible future of the situation: "[...] political analysts wonder how long [the people's] patience will hold as austerity measures punish the most indebted countries and their pared-back spending pulls down even the Continent's healthier economies."¹⁸

Anastasiades' first actions as president received both positive and negative comments from the local press. Mr. Kallinikou of the Cypriot newspaper *Fileleftheros* painted a very supportive picture of the new President, calling him "a political fighter which is exactly what this country needs"¹⁹ and at the same time pointing out that "the elections are over and so is the celebration. What with the local economy barely surviving, there is not even a minute to waste. The new President must lift up his sleeves and get to work immediately"²⁰ and he maintained that "this fight is Cyprus' fight and not that of any party. AKEL has to give some time to the new President to fight for Cyprus."²¹ Anastasiades was also positively presented by Greek journalist Ilias Kanellis in his article in newspaper *Ta Nea*, where he reproached those who judged Anastasiades just for being a conservative. He wrote that "Mr. Anastasiades managed something that one can't do easily in politics. He was elected while promising to lead his country to the memorandum, in order to guarantee liquidity and not lead Cyprus to a painful bankruptcy. He didn't claim that 'money can be found', or promise that he 'll get them from the Chinese [...] or the oil [...], or come out and pretend to be indignant for his rivals' mistakes."²² This particular article praises Anastasiades' political morals, concluding that "Days like these one would like to live in the South – even if they can't stand the heat"²³, insinuating that the situation in Cyprus is much better than in Greece.

¹⁴ Έπαιξαν ξανά με τον φόβο (Candidates use fear once again), by Katerina Zorba, *Politis*, 23th February 2013, 17/03/13

¹⁵ Zypern: Konservativer Anastasiades ist neuer Präsident (Cyprus: Konservativ Anastasiades is the new President), *Der Spiegel*, 24th February 2013, 17/03/13

¹⁶ Ibid

¹⁷ Cyprus elects conservative as President, by Nicholas Kulish, *NYT*, 24th February 2013, Retrieved 17/03/13

¹⁸ Ahead of Cyprus Election, Gloom and Voter Apathy, by Nicholas Kulish, *NYT*, 23th February 2013, 17/03/13

¹⁹ Από το ναδίρ στο ζενίθ ο μαχητής πολιτικός (The political fighter moves from the nadir to the zenith), by G. Kallinikou, *Fileleftheros*, 26th February 2013, 17/03/13

²⁰ Ibid

²¹ Ibid

²² [Ενστάσεις] Ωστε δεξιός, ε; (So, a conservative?), by Ilias Kanellis, *Ta Nea*, 25th February 2013, 17/03/13

²³ Ibid

Other reporters adopted a more careful stance and attempted to point out the hurdles that Cyprus would have to confront and that Anastasiades should watch out for. Another article in *Fileleftheros* attributed DISY's win to AKEL's damage more than anything else: "In truth the new president was elected [...] mainly because the leaving president and his party blew it in all sectors during their legendary five-year period and set the path for him to pass through"²⁴ and added that "Anastasiades promised groundbreaking decisions, even if he has to collide with the establishment, otherwise there will be no salvation. The first establishment is as such that of the party and the legacy of appointments."²⁵ Some journalists also brought attention to Anastasiades' voters themselves; during the celebration of Anastasiades' win and his speech, many of the people present booed loudly when he mentioned his rivals and he had to calm them down himself and ask them to respect the other candidates. Furthermore there were several who noticed and commented on the fact that the celebratory crowd was mainly holding Greek rather than Cypriot flags. Given these worrying signs, Greek newspaper *To Vima* claimed that "Nikos Anastasiades will be able to play a major role in history only if he educates his voters accordingly."²⁶

However the relative optimism of the first few days after the elections soon gave way to doubt and even disgruntlement as the first minister appointments were made public. The fact that the government consisted mainly of politicians from DISY and DIKO rather than technocrats was considered unforgivable by several Cypriot reporters. A prime example would be the article of G. Kallinikou in *Fileleftheros*; in a show of indignation Mr. Kallinikou stated certain questions that are tough to answer: "Who can accept that the vast majority of the new ministers are members of the party? Thankfully we have the exceptions of the technocrats Sarris, Lakotripis and Petrides. But wasn't there any other able technocrats? Why did all six ministers [...] of DISY have to be core party members?"²⁷ The probably cynical but sadly accurate answer comes from Christalla Chatzidimitriou in the same newspaper: "The situation is like a chessboard. One needs to pay attention. Moving one pawn here means moving the other one over there and so on. [...] There's also the balance inside the party. God forbid we save the homeland and destroy the party."²⁸ Mr. Kallinikou also posed another question that was on the mind of many regarding the new government: "Is there a way to explain the fact that not one woman was found to be appointed in some ministry?"²⁹ To be exact, three women were in the end appointed as Commissioners, but the damage had already been done. Cypriot reporter Stavros Christodoulou lamented the chance that was in his mind wasted by DISY's leader: "[Anastasiades] did not dare to exceed expectations so as to put the best minds of this land to good use, he failed to bypass the establishments of the political parties and, alas, didn't try to break into the foundations of the wretched political morals that have been troubling this country for decades."³⁰

In the midst of the still heated debate one may draw a few conclusions and make some simple political observations. First of all, the election results of both rounds "affirmed the existence of a bipolar system"³¹ in Cyprus' political scene; despite the problematic government of AKEL's Christofias, Malas proved to be a serious candidate and an important antithesis to Anastasiades in the pre-election campaigns. The two poles of DISY and AKEL, the right wing and the left wing, will certainly be at odds for some time to come, in spite of DISY's win this time around. On the other hand, one could say that the actual losers of the second round were EDEK and Giorgos Lillikas, as their attempts to discourage the Cypriots from supporting either of the two candidates proved futile; the percentage of abstention was not particularly significant, while Anastasiades earned the highest percentage in the history of Cyprus' presidential elections. Now that a win was achieved on the national political level, it is time for Anastasiades and his government to show their abilities on the international level, a challenge that will certainly prove much harder.

²⁴ Το πρώτο στοίχημα και το πρώτο κατεστημένο (The first bet and the first establishment), by A. Michailides, *Fileleftheros*, 26th February 2013, 17/03/13

²⁵ Ibid

²⁶ Ο Νίκος Αναστασιάδης απέναντι στα προβλήματα χωρίς περίοδο χάριτος (Nikos Anastasiades on the problems without a grace period), by Takis Chatzidimitriou, *To Vima*, 1st March 2013, 17/03/13

²⁷ Απόλυτα ευτυχής ο Αναστασιάδης, δυστυχώς όμως, όχι και οι πολίτες (Anastasiades is pleased, yet sadly the citizens are not), by G. Kallinikou, *Fileleftheros*, 28th February 2013, Retrieved 17/03/13

²⁸ Αναμένουμε την έκπληξη (Waiting for the surprise), by Christalla Chatzidimitriou, *Fileleftheros*, 27th February 2013, 17/03/13

²⁹ Απόλυτα ευτυχής ο Αναστασιάδης, δυστυχώς όμως, όχι και οι πολίτες (Anastasiades is pleased, yet sadly the citizens are not), by G. Kallinikou, *Fileleftheros*, 28th February 2013, 17/03/13

³⁰ Η πρώτη κρυάδα (The first letdown), by Stavros Christodoulou, *Fileleftheros*, 3rd March 2013, 17/03/13

³¹ Η κυπριακή επανεκκίνηση (The restart of Cyprus), by Takis Chatzidimitriou, *Ta Nea*, 5th March 2013, 17/03/13

Part IV: Entering the hard path – Cyprus' rescue

This paper was initially supposed to be a simple press review of the recent Cyprus elections and their consequences on the country's future. However, due to the happenings from March 15th onward, it was decided to extend the subject to cover the recent developments. Everything mentioned further down was in effect at the time of writing, the 16th of March. The events after the 16th/17th of March have not been taken into account.

On the 15th of March, about two weeks after Anastasiades' government officially took charge, it was decided to hold an emergency Eurogroup so as to discuss and approve Cyprus' rescue package. A total of 23 different versions of the package would be examined by the finance ministers of the Eurozone, while the managing director of the IMF, Christine Lagarde would also be present in the discussion. As mentioned before, the IMF had been up to that point reluctant to participate in a possible rescue package.

After over ten hours of negotiations, an agreement was finally reached. The rescue plan included financial help of about 10 billion euros coming from the EU and the IMF, the latter having warmed up to the idea of participating. The agreement included among other things the exercise of strict supervision of the Cypriot banks in regards to the allegations of money laundering and the imposition by the Cypriot government itself of stability measures relative to 4.5% of GDP which would serve as a way to decrease the amount of money needed for the rescue.

This particular chain of measures has drawn great attention, from Cypriots and foreigners alike. It has been namely agreed upon that a one-time tax will be imposed on all deposits on Cyprus territory, meaning that the Cypriot banks' subsidiaries in Greece will not be affected. A tax of 9.9% will be imposed on deposits over 100,000 euros and a proportionate tax for the rest of deposits, going up from 6.75%. Moreover, a tax of 20-25% will be imposed on interest rates while the corporate tax will rise to 12.5% from the current 10%. On another note, it is clearly stated to be the intent of the Eurozone leaders to minimize the Cypriot banking sector, which is five to seven times the country's GDP and as such profoundly exposed to damages, such as those originating from the Greek banks. This particular connection may soon cease to exist, as there are plans for the Cypriot banks in Greece to be absorbed by the Greek ones.

The government aspires to get the measures approved through parliamentary vote immediately, exploiting the weekend and national holiday from the 16th to the 18th of March, during which the banks will remain closed, effectively preventing the Cypriots from withdrawing their money. The deposits over 100,000 euros were immediately restricted. The deposits under that amount were initially allowed to move freely, yet as more and more Cypriots ran to the ATMs on the morning of the 16th to make withdrawals, the restriction of deposits became universal. There were cases where the tax amount was restricted by the banks, although the citizens were able to take the rest of the deposited money.

The uproar over that decision has been massive as it "had no precedent in neither European nor international level!"³² as reported by the Cypriot newspaper *Fileleftheros*. It is believed that through this measure the Cypriot government will gain about 5,8 billion euros, yet there are many who doubt the possibility of success of the new measures, fearing that Cypriot banks will lose their appeal and be led to ruin. This extract from the mostly government-friendly newspaper *Politis* is particularly telling of the present climate: "The deal that was made in the Eurogroup in the early morning hours of Saturday is a backstabbing blow for Cyprus and its banking system, as now questions arise over who will ever trust the Cypriot banks ever again"³³.

Many politicians such as Stavros Malas and Giorgos Lillikas strongly opposed the decision, accusing Anastasiades and his government of bowing down to the demands of the Europeans without a fight, and some even proposed a return to the Cypriot pound, Cyprus' previous currency. The finance minister of Cyprus himself, Mr. Sarris, stated that the deal was the best option for Cyprus, as the alternative would be total bankruptcy. Mr. Stilianides, the government representative spoke along the same lines and accused the opposition in return of not understanding the political repercussions their proposals would have.

The international press was also taken by surprise regarding the new measures. The corresponding news article of the Greek newspaper *Kathimerini* is entitled: "Eurogroup's unheard-of decision"³⁴, while the NYT described them as a "surprise policy"³⁵.

³² Πισώπλατο χτύπημα στην Κύπρο (Backstabbing blow to Cyprus), *Politis online*, 16th March 2013, Retrieved 16/03/13

³³ Σοκ και δέος στην Κύπρο από την απόφαση του Eurogroup (Shock and fear in Cyprus after Eurogroup's decision), *Fileleftheros*, 16th March 2013, 16/03/13

³⁴ Η πρωτοφανής απόφαση του Eurogroup (Eurogroup's unheard-of decision), by Michalis Persianis, Yannis Seitanides, Nikos Chrisoloras, *I Kathimerini*, 16th March 2013, 16/03/13

Conclusion

The Cypriot elections were completed in two rounds of voting. In the first round, the right-wing leader Anastasiades retained over leftist Malas and independent candidate Lillikas, yet failed to accumulate the 50%+1 of votes needed to immediately win the elections. He and Malas came face to face on February 24th, after a heated pre-election campaign during which the implementation of new economic policies and the national issue were discussed in equal measure, for the first time since the Turkish invasion in 1974. In the end it was Anastasiades who got the expected win over Malas, who however admittedly did quite well considering AKEL's damage that carried through. Anastasiades' success marked the first time (and perhaps the last) that a pro-memorandum politician was steadily supported by the majority of parties and the Cypriot population. The initial excitement over DISY's leader's election was cut short as the government members that were announced did not meet the public's expectations. The situation became even more complicated when the emergency Eurogroup of February 16th decided the imposition of a one-time tax on all deposits on Cyprus territory.

As more and more protests arise regarding the tax on deposits, it remains to be seen whether this measure will be implemented in its current form or if it will prove necessary to change some of its elements. It is also doubtful that the Cypriot MPs will support it. On the other hand, many talk about a possible deal with Russia, regarding a more direct contribution of the country to Cyprus' rescue. Furthermore, one can only guess the reactions of the EU to such a prospect, especially Germany's. However, the reactions of the world media must be taken equally into account, as their influence in time of an economic crisis can be truly decisive; we must not forget that, for example, just one off-hand statement of a lowly politician or economist has proven enough to cause worldwide worry and uncertainty that tend to linger despite any higher-up statements that may follow. Such an unexpected and unheard-of plan has already and will certainly attract more statements of this kind.

Indeed, many a means have been employed over the past few years to creatively combat the crisis in the Eurozone, with varied results and consequences. Some of those had an effect on the political landscape of the member-states, while others were themselves affected by the political developments. As such, one cannot simply support one path or condemn another without giving them time. We are certainly still a long way from figuring out the results of this new approach, yet the path is clearing out, and soon it will be open to interpretation and debate.

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Αγγελική Νεβσεχιρλιόγλου (Aggeliki Nevsehirlioglou): Cypriot Presidential Elections 2013. *Délkelet Európa – South-East Europe International Relations Quarterly*, Vol. 4. No.1. (Spring 2013) σελ. 8.

Thank you for your kind collaboration. *Editor-in-Chief*

³⁵ Facing Bailout Tax, Cypriots Try to Get Cash Out of Banks, by Liz Alderman, *NYT*, 16th March 2013, 16/03/13