

## **10 YEARS AFTER ACCESSION TO THE EU**

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When Cyprus applied for membership to the EU in 1990 there were high expectations and great euphoria both in relation to the Cyprus question and the socioeconomic prospects of the country. In relation to the Cyprus question the expectation was that the value system of the EU would have influenced its resolution in a just manner. Furthermore, since Ankara was the aggressor, the EU would inevitably promote provisions which would have eventually taken Cyprus off the Turkish hook. The process of harmonization and eventual participation in the EU was also expected to promote the rationalization of the socioeconomic structure of Cyprus.

Cyprus also aspired to become a key asset for its EU partners utilizing its unique geostrategic location. Ten years after accession to the EU and six years after the adoption of the Euro there is deep disappointment in Cyprus about the EU and, not surprisingly, growing Euroscepticism.

Towards the end of the previous decade, Cyprus began facing serious economic problems due to endogenous as well as exogenous factors. But these problems could have been addressed in a way that would indeed have paved the way for the rationalization of the Cypriot economic structure. Instead the decisions of the Eurogroup in March 2013 threw Cyprus into a very deep crisis. What is even worse, Cyprus was used by its partners as a guinea-pig, an experiment, to test policies that could be potentially used for other crisis stricken states. Moreover, these decisions also entailed a punitive dimension.

There is no doubt that today the EU is going through the greatest crisis in its history. The debt crisis and the North-South divide constitute only two dimensions of the problem. Perhaps the greatest challenge is that the EU seems to have lost its *raison d'être*. It is alarming that while issues in relation to the continuing democratic deficit of the EU are being discussed the concept of European solidarity has been eroded and is no longer taken seriously.

Inevitably these problems will influence the outcome of the forthcoming elections for the European Parliament. EU stakeholders are concerned not only with the possibility of the rise of extreme political movements but also for the growing number of European citizens who will turn their back to these forthcoming elections.

It is therefore important to understand what has really taken place. A few years after the launch of the Euro the Eurozone found itself in serious trouble. This was initiated by the international crisis of 2008 which started in the US, where major distortions had not been addressed; one of the outcomes was a domino of failures of several financial institutions with broader repercussions. This was made worse by the fact that several southern European countries had major fiscal problems; so when their banking system needed recapitalization they were not in a position to respond. This must be seen in relation to the fact that the architecture of the Eurozone is inherently faulty. Not only does it not have built-in stabilizers but its overall structure tends to enhance the economic downturn in the specific countries which are facing a recession.

Moreover, the Troika and its philosophy have raised intense debates in Europe as well as bitter feelings among the public. To begin with, there is

no legitimacy for the Troika as well as no accountability. When a particular country faces problems the European Central Bank, the European Commission and the IMF tend to dictate a particular package on that country. Experience has shown that the harshness of the package varies from country to country. Indeed the harshness toward Cyprus and the using of this country as an experiment – pilot study - according to the Minister of Finance of Germany Wolfgang Schaeuble, is indicative.

What has also been challenged is the philosophy of draconian measures and the shock therapy – a philosophy which has been essentially defined by Germany and its own ethical and institutional codes and standards. It is true that the economies of the south had required fiscal rationalization for quite a long time. Furthermore, it is a fact that economic convergence of all members of the Eurozone required much effort. But the policies of the Troika had devastating effects on various countries leading to the deepening of the divide between North and South as well as to social disintegration within the countries of the South. The harshness of the so-called stabilization programmes have led to the questioning of the economic rationale of the policies dictated, with some circles going as far as talking about German economic imperialism.

In the 1990's Margaret Thatcher and Britain were criticized for their concerns which were perceived as anti-European stance given their refusal to accept the idea of a common European currency. Retrospectively, if we assess the way that EU integration has proceeded, there is no doubt that Margaret Thatcher had very serious and legitimate reasons for the stance she adopted.

Both on the Cyprus economic crisis and the broader European malaise it is essential to be pragmatic. The pursued Troika dictated economic policies in Cyprus cannot lead to a positive outcome. On the contrary the crisis will deepen across all fronts with multidimensional negative repercussions. According to The Economist, Cyprus' standard of living has dropped by 13% since 2004. To address this unique situation which has been the outcome of old sins as well as the ill treatment by the Eurogroup in March 2013, Cyprus will have to think outside the box. As far as the EU is concerned it must be realized that the growing divide between North and South as well as the frustrated expectations of millions of Europeans are undermining the European project. Indeed new thinking, economic rationality and social sensitivity will be required if these challenges are to be effectively addressed once and for all.