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WELCOMING ADDRESS

SPECIAL EVENT ON THE 25TH ANNIVERSARY OF THE CENTER

THE EUROZONE CRISIS AND THE FUTURE OF THE EU

Andreas Theophanous

Excellencies

Mr Jeroen Dijsselbloem

Distinguished Guests

Ladies and Gentlemen

Dear Friends

On behalf of the Cyprus Center for European and International Affairs, which is affiliated with the University of Nicosia, I warmly welcome you to this special event in order to celebrate its 25 years of constructive public engagement. I want to thank you all for your presence. I also want to warmly thank our Guest, the Former President of the Eurogroup and Former Minister of Finance of the Netherlands, Mr Jeroen Dijsselbloem for accepting to be our Keynote Speaker this evening.

The Center's journey has been long and interesting. Much has been achieved, much more remains to be done.

We have acted as a forum of free exchange of ideas. We have been engaged with academic research and, with policy-oriented analysis on issues that affect Cyprus, the Eastern Mediterranean, the EU and the international community in general. These include addressing economic, social and political challenges, issues of security and cooperation as well as the politics of biethnic and multiethnic societies.

A lot has changed since the beginning of the Eurozone crisis. There are new security threats as well as challenges. These include instability, uncertainty, increasing inequality, illegal migration, climate change, populism and

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growing democratic deficits. I believe that closer cooperation and indeed greater solidarity within the EU are all the more necessary. I would add that I agree with Mr Jeroen Dijsselbloem when he stresses in his book that solidarity goes hand in hand with responsibility and respect for obligations.

The topic that our distinguished Guest will address this evening is titled "The Eurozone Crisis and the Future of the EU". When the Euro was created its implications were not fully realized. There had been leading economists, above all, Professor Martin Feldstein of Harvard University and Former Chairman of the White House Council of Economic Advisers who had warned since the nineties of the faulty aspects of the architecture of the Eurozone and pointed to the prerequisites for its success. He also stressed that the Eurozone architecture did not have the tools to deal effectively with a major crisis and with serious asymmetric business cycles. Several analysts pointed out that instead of automatic stabilizers the system has embedded automatic destabilizers. There was a hidden assumption in the Eurozone structure that - more or less - the markets could be self-regulating. This was not a valid assumption.

It should be also noted that there were countries which fulfilled the criteria for participating in the Eurozone, like Britain, but opted to stay out. There were also countries that did not fully meet the criteria such as Greece, but were accepted. It is tragic that Greece is in a protracted crisis with a very high socioeconomic and demographic cost; some economists have described it as the depression of the century.

Closer to home, Cyprus had very high expectations from the EU especially in relation to the Cyprus problem. The main hypothesis was that the EU and its value system would contribute in various ways to the resolution of the Cyprus problem. Within this framework Cypriot policymakers also thought that the adoption of the Euro would entail economic as well as political implications.

When Cyprus found itself in a deep economic crisis the Troika recipe was harsh. Cypriots knew that to a great extent the structural problems were of endogenous nature but it was clear that there was an exogenous dimension of the crisis as well. These included the Greek crisis and expediencies arising from the German elections of September 2013 which influenced the way Cyprus was handled. In March 2013 Cypriots felt that the package they received was extremely harsh; that their punishment was much greater than their sins. Cypriots have been also convinced that what was enforced upon them would never have been enforced on, for example, Italy or Luxembourg. The prescriptions given to Cyprus deepened the crisis. In addition, prudent Greek Cypriot institutions and citizens not responsible for the crisis were penalized. The recovery was not made possible because of the Troika's prescriptions alone but mostly because of the resilience of the Greek Cypriot people. I would even argue that we recovered despite the

Troika's prescriptions. Be that as it may, and despite some degree of Euroscepticism, Cyprus remains committed to the European Project.

Five and a half years after the economic collapse of March 2013 we must make a pragmatic assessment of the situation and see how we move forward in the most effective way. Cyprus is still in search of a new economic paradigm. This should include the creation and/or the enhancement of new engines of economic growth. We also need to address effectively the problem of non-performing loans, to overcome the challenge of structural unemployment, especially for young educated people, and to have after all a comprehensive narrative which regains the moral high ground for Cyprus in all aspects. Moreover, a major objective for Cyprus is to have a creative role in the region and in European affairs.

The Cyprus Center of European and International Affairs aspires to enhance its contribution to a policy agenda which will enable Cyprus to achieve these objectives. As the leading think tank in Cyprus we also aspire to making a contribution to the debate for the future of Europe. Indeed, the EU needs a new paradigm and vision as well as a geopolitical agenda. We also want to convey the message that Cyprus should be supported and utilized accordingly as the southeastern frontier of the EU to project the Union's value-system and interests in the broader area. We also think that there will be multiple benefits if the State comes true on its promises and provide incentives for Cyprus to become an important regional academic centre.

These tasks acquire greater weight if we take into consideration that rarely in history has the range of the best and the worse possible outcomes for a country been so large, like in the case of Cyprus.

I take this opportunity to thank the Ministry of Finance for its support to this event as well as the Euro - Gulf Center of Information and KPMG for their sponsorships. I also want to thank the members of the Advisory Board of the Center for their deep commitment and voluntary contribution. Many thanks also to the personnel and associates of the Center for their dedication. Last but not least I also express my gratitude to the University of Nicosia for its sustained support to the Center. I promise that we will remain engaged and forward looking.

I am, as I am sure you are as well, looking forward to listening to Mr Dijsselbloem's address. During his term as President of the Eurogroup Mr Jeroen Dijsselbloem worked hard to improve the effective functioning of the Eurozone. The implementation of the decision for the creation of the Banking Union is indicative of his contribution. I am very pleased that a personality that enjoys such respect and prominence in the core of the EU is with us here tonight.

Thank you very much!