Cyprus parliament passes privatisation programme

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The Cyprus parliament voted on March 4 in favour of a large-scale privatisation programme, which had been made a condition for the release of the country's latest tranche of bailout funds from the European Union (EU) and International Monetary Fund (IMF).

The decision was approved at the second time of asking, after a previous vote on February 27 failed due to the abstention of five deputies from the Democratic Party (DIKO), a small, nationalist formation in the coalition. The right-wing government led by the Democratic Rally Party of President Nikkos Anastasiades announced its resignation, warning that if parliament failed to pass the proposal, the entire bailout programme would be called in to question and public servants would not receive their salaries for March.

The plan eventually approved differed little from the original. It details steps to privatise three major semi-state-owned companies; the telecommunications firm CyTA, energy supplier EAC and the Cypriot Port Authority that runs the country's two most important ports at Larnaca and Limassol. The sale of these companies to international investors is anticipated to net the government €1.4 billion [US$1.93 billion] to prop up the island's financial system after its collapse last year.

Anastasiades unveiled a cabinet, replacing those ministers who resigned their posts after the nationalists left the government. He appointed a new head of the central bank following the resignation of Panicos Demetriades on March 10. Demetriades' relations with the president were said to be very poor and Anastasiades had sought to pin much of the blame on him for the crisis last year.

The troika of lenders, the EU, IMF and European Central bank, responded by approving the release of the next tranche of the €10 billion bailout programme, worth around €240 million. EU and IMF officials have praised the government in Nicosia for its determination to carry through the vicious austerity measures contained in the April 2013 agreement, declaring in its latest review in February that the programme was on track.

These measures have deepened the misery for ordinary working people. The economy contracted by close to 6 percent last year, and a drop of a further 4.8 percent is forecast for 2014. The official unemployment rate has risen to 18 percent.

The latest developments confirm the complete subordination of Cyprus to the most powerful sections of European finance capital. Reports noted that the EU and IMF made it clear they would not tolerate any revisions to the privatisation plan after it failed its first vote in parliament. This is in line with the terms of last year's agreement preventing the parliament in Nicosia from taking any decision on domestic policy without the prior approval of the troika.

The significance of the deal internationally was shown a few months later when the EU introduced a new budgetary regime, enabling it to overrule the spending proposals of national governments.

For Cyprus, the deal meant commitments to slash thousands of public sector jobs from a total of just 70,000, to cut pensions, eliminate public spending and sell off state assets. The island's second largest bank, Laiki [Cyprus Popular Bank], was wound up and the Bank of Cyprus only rescued by a raid on savers' bank deposits. The banks continue to be highly unstable, as shown by estimates suggesting that up to 50 percent of their assets are toxic. This equals €19 billion, or 120 percent of Cypriot economic output.

Capital controls limiting customers to cash withdrawals of just €300 per day remain in place, despite initial claims they would last only a few days.

Although Nicosia has been generally praised for its reforms, concerns are growing about the pace of privatisation. As German financial daily *Handelsblatt* wrote in frustration last month, "Most public companies date from the period before 1960, when Cyprus was a British colony. They are considered sacred cows. Many have monopoly positions; employees are practically impossible to lay off."

The full support of the government for the austerity programme was summed up by Finance Minister Harris Giorgiades, who arrogantly declared to protesting CyTA, EAC and port authority workers, "Workers are not the owners of semi-government organisations [SGOs]. They are workers and not owners. The owners are the Cypriot citizens and they bear the right and responsibility of the final decisions through the elected government and parliament."

The privatisation plan thoroughly exposes this claim. The control of the semi-state owned organisations is to be transferred to speculators and investors with the aim of providing a large windfall for the financial elite. As Giorgiades put it, "Unfortunately, there is a surplus of staff. If the desire is to at least keep labour and pension rights then it must be understood that there cannot be excess staff."

The trade unions played a critical role in controlling the widespread opposition among workers at the affected companies and the broader population. Protests and strikes took place repeatedly, with energy workers disrupting power supplies on February 25. On February 27 and March 4, there were protests outside parliament while the bills were discussed, and on both days limited strike action took place at the semi-state companies. Banners prominently displayed by workers on the demonstrations declared "Not for sale!"

The unions agreed to be brought on board with the privatisation drive, in spite of the hostility towards it shown by their members. The government announced in the second bill that a consultation framework would be created to include union officials throughout the privatisation process.

The port authority could prove to be the most profitable of all of the privatisations for investors, since it will play a crucial role in the emerging natural gas sector. Large deposits of gas have been located under the sea off the Cypriot coast and international energy corporations are already undertaking exploratory drilling operations.

The entire political establishment is behind the exploitation of these resources by the financial elite. This was revealed in the decision by Energy Minister Yiorgos Lakkotrypis, of DIKO, to break from the party so that he could keep his job. Lakkotrypis has been central in preparing plans for the offshore gas fields.

The reserves are a major consideration behind the reopening of peace talks with the Turkish Cypriot government. Last month, a first round of negotiations took place, and prospects for progress are said to be positive. The most obvious export route for Cypriot offshore gas would be through a pipeline to the Turkish coast, but before this could be implemented, the four decades-long conflict between Ankara and Nicosia would have to be resolved, which will not be easy given repeated territorial disputes, among other issues.

The Obama administration has played a central role in this. Turkish Cyprus Foreign Minister Özdil Nami, in discussions with senior state department officials, told a *Washington Times* interviewer that Assistant Secretary of State for Europe Victoria Nuland had travelled to Cyprus for the initial talks. He added that her visit was "quite instrumental in putting the final dot on the paper."

Increased engagement in the eastern Mediterranean is part of Washington's aggressive push against Russian influence, the most extreme expression of which is seen in Ukraine. Russian finance had a significant presence in Cyprus prior to the crisis last year, and a major consideration in the bailout programme was to increase the influence of the EU and United States at Russia's expense.