

## Vassiliou charts EU entry steps

Confidence that Cyprus would join the European Union (EU) in 2004 or 2005 at the latest was expressed by Chief EU Negotiator George Vassiliou in Athens on 21 September on the Government's EU accession course. The certainty of enlargement to include Cyprus, he suggested, faced Turkey with a choice between entering a new era of co-operation or maintaining its present intransigence.

Mr Vassiliou, a former President of Cyprus, was addressing a meeting convened in memory of the late Alternate Foreign Minister, Yannis Kranidiotis, who died in a plane crash in September 1999. He said that 2004 or 2005 would either mark a new era in Cyprus' history—its reunification, accession to the EU and new conditions for harmonious co-operation between Cyprus, Greece and Turkey—or the beginning of a new period of tension involving postponement of accession and an unprecedented regional and EU crisis.

In an earlier address in Washington on 13 September, Cyprus' Chief Negotiator noted that of the 29 negotiating chapters of the EU's *acquis communautaire*, the Cyprus Government had successfully closed 23 and hoped to finalize two more—on justice and home affairs and taxation policy—under the current six-month Belgian Presidency of the EU. This would leave only four chapters for negotiation, covering competition policy, regional policy, budgetary arrangements and agriculture. Subject in particular to the EU side presenting its position on the complex question of agriculture in time, said Mr

Vassiliou, "we hope to complete our negotiations by the middle of next year.

The next step, said the Chief Negotiator, would be the preparation of the Cyprus Accession Treaty, on which the European Commission would issue an opinion and on which the European Parliament would vote. Taking into consideration the previous positions of these bodies, said Mr Vassiliou, both could be expected to give positive responses, leading to approval of the Accession Treaty by the EU Council of Ministers. The final step would be ratification of the Treaty by the Parliaments of each of the 15 existing EU member states.

Some people, said Mr Vassiliou, were worried that one or more member states, "fearing the reaction of Turkey" in the absence of a Cyprus settlement, might refuse to ratify the Treaty. However, he doubted whether that would happen, because the 1999 Helsinki Summit of the EU had agreed unanimously that a solution to the Cyprus problem "is not a precondition for accession".

●The EU's readiness to give financial support to a forthcoming joint conference of Greek Cypriot and Turkish Cypriot trade unionists was confirmed on 20 September by the EU's Chief Negotiator, Leopold Maurer. Speaking after a meeting with the All Cyprus Trade Union Forum (ACTUF) in Nicosia, Herr Maurer said that the funding, for the fourth ACTUF conference, would be part of broader EU assistance for intercommunal trade union activity, which he described as "very promising". □

## Further cuts in interest rates

The Central Bank of Cyprus responded to suddenly darker world economic prospects by announcing a further 0.5 per cent cut in the Lombard interest rate on 19 September, taking it down to 6 per cent. The overnight deposit facility rate was also reduced by 0.5 per cent, to 3 per cent.

The new interest rate reductions came only a month after the previous 0.5 per cent cuts and were made at an extraordinary board meeting of the Bank which assessed the likely economic impact of the terrorist attacks on America on 11 September. The board concluded that the real prospect of world recession had inevitable consequences for the Cyprus economy.

According to a press statement, the Bank also took account of plunging share prices on the Cyprus Stock Exchange (CSE), where the all-share index hit a 30-month low of 113.95 on 20 September. It therefore concluded that the 0.5% cuts in both the Lombard rate—charged on overnight borrowing by commercial banks—and in the deposit rate were "indispensable".

●The Central Bank's annual report for 2000 confirmed the mostly positive economic indicators for that year, including a third successive year of satisfactory real GDP growth of 4.8 per cent in full employment conditions, combined with a reduction of the budget deficit to 2.8 per cent of GDP, "thus meeting the relevant Maastricht Treaty conditions" for participation in the single European currency. □

## Shipping industry excellence is a priority

The Government's determination to maintain and develop Cyprus as a major shipping registry and centre of excellence for maritime services and infrastructure was reiterated by Communications and Works Minister Averof Neophytou on 24 September at the international "Maritime Cyprus 2001" conference held in Limassol.

The three-day biennial conference, the seventh in the series, was attended by some 900 maritime industry leaders, including ship-

owners, insurers, bankers, lawyers and accountants. It focused on the prospects and problems facing the industry in uncertain economic times and was also intended to promote Cyprus as a maritime centre in the framework of prospective accession to the European Union (EU).

Mr Neophytou told the conference that Cyprus had succeeded in becoming a major shipping power in a relatively short period of time and that successive Governments "have attached great importance and high priority to the reputation of the Cyprus flag". He said that efforts to maintain Cyprus' competitiveness included early identification of market trends and the prompt introduction of the necessary legal and administrative regimes, the aim being to maintain and improve on the high standards set by the EU and internationally.

The conference was also addressed by Cyprus' Chief EU Negotiator, George Vassiliou, who noted that Cyprus had been the first applicant country to complete negotiations on the adoption of EU maritime transport policy. He said that the Government's current action plan for harmonization with the EU's *acquis communautaire* included expansion of the network of ship inspectors and improving the safety record of the Cyprus-registered fleet.

●Cyprus Ports Authority Chairman Christos Hadjimanolis told the conference that Limassol was one of the most modern hubs for transit trade and cruises in the Eastern Mediterranean, the port having handled more than 1,200 ships and some 900 cruises in 2000. The Cyprus-registered merchant fleet currently ranks sixth in the world, numbering some 2,700 ships and a gross tonnage of 27 million tons. □

## Budget proposals for 2002 unveiled

A further reduction in the fiscal deficit is a key feature of the draft 2002 budget approved by the Council of Ministers on 20 September, in line with the aim of achieving a balanced budget by 2004 as Cyprus moves towards accession to the European Union (EU).

Subject to scrutiny and approval by the House of Representatives, the draft budget provides for expenditure of €2,725 million and revenue €2,070 million, producing a fiscal deficit of €665 million or 2.4 per cent of anticipated 2002 GDP. The corresponding revised projection for 2001 is a deficit of €704 million, or 2.8 per cent of GDP.

Finance Minister Takis Klerides said that darkening world economic conditions posed a challenge to Cyprus and warned against complacency in the face of increasing international competition and the requirements of EU harmonization. But he stressed that the Cyprus economy was fundamentally strong, with healthy growth, low inflation and full employment.

Budget projections for 2002 envisage GDP growth of 4 per cent, slightly lower than in 2001 but well above anticipated average EU expansion of 2.8 per cent. Inflation is expected to remain at below 2 per cent and unemployment at around the 3 per cent level, representing effective full employment. Development spending in 2002 will total €347 million, up from €235 million in 2001.

●Mr Klerides stated on 26 September that he would meet employers' and trade union leaders to discuss the repercussions of the terrorist attack on the USA and would urge the social partners to show "self-restraint, austerity and serious thinking". □



• "Maritime Cyprus 2001" aims to promote Cyprus as a shipping centre for the European Union.