

Another EU negotiating chapter closed

The environmental policy chapter in Cyprus' European Union (EU) accession negotiations was provisionally closed on 27 July, bringing the number of chapters dealt with to 23 out of 29 and maintaining Cyprus' status as the most advanced towards EU membership among the 12 applicant countries currently in negotiations.

Regarded as one of the most difficult of the remaining negotiating chapters, the environmental policy section was finalized at talks in Brussels attended by Cyprus' Chief EU Negotiator, George Vassiliou. EU officials said that closure of the justice and home affairs chapter was expected at the next negotiating session, which would leave only four to be dealt with.

At a press conference in Nicosia on 18 July, Mr Vassiliou warned that Cyprus had only 16 months, to November 2002, to secure the enactment of bills providing for the implementation of 352 separate EU directives constituting the *acquis communautaire*. He expressed confidence "that we are going to make it", but only if Parliament "does not stall the procedures". He added that the process of harmonization would create many new job opportunities in the public sector.

Replying to questions, Mr Vassiliou said that within the EU Cyprus would be divided into two regions, which would both be eligible

for aid from EU structural funds. He explained that the occupied area would be excluded from this scheme unless a political settlement had been reached which enabled an undivided Cyprus to join the EU.

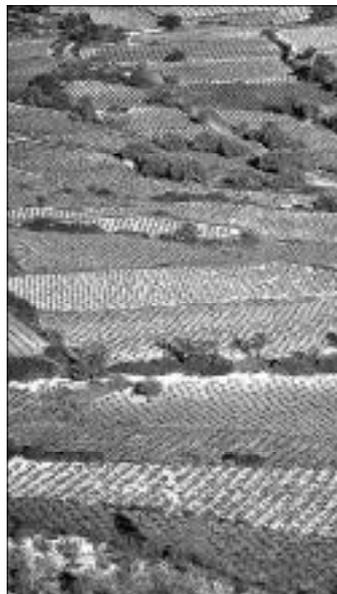
If a settlement was reached, he added, the Turkish Cypriots would receive a great deal of EU money, which was why EU officials had repeatedly stressed that the only way for Turkish Cypriots to have a better life was through a united Cyprus.

Contingency planning on accession

Attorney General Alecos Markides disclosed on 26 July that the Government was working on specific proposals to deal with problems likely to arise if the Republic of Cyprus acceded to the EU prior to a political settlement being reached.

Describing the issue as one of "political realism", Mr Markides said that the Government would be ready to put forward such proposals if the need arose. He expressed confidence that any problems could be solved without any adverse effects on the Republic of Cyprus and with no direct or indirect risk of giving the Turkish Cypriot pseudo-regime any kind of recognition. □

Link: www.cyprus-eu.org.cy
Cyprus-EU Negotiations (three languages)



* Coming under new rules... EU environmental directives will apply in Cyprus at accession.

FT rebutted

Cyprus' Permanent Representative to the European Union (EU), Theophilus Theophilou, strongly denied a report in the London *Financial Times* of 19 July quoting him as saying that after becoming an EU member Cyprus would use its veto to block the future admission of Turkey. A detailed letter of rebuttal by Mr Theophilou was published by the newspaper on 24 July.

Headlined "Divided Cyprus threatens to veto expansion of EU", the article wrongly quoted Mr Theophilou as telling the newspaper that "if no agreement is reached by the time we join, Turkish Cypriots will be deprived of the benefits of enlargement and Turkey will have Cyprus in the EU having a say and a vote". He was further quoted as saying that this included "having a veto over accession of Turkey".

In his rebuttal, Mr Theophilou said: "At no point did I raise the possibility that Cyprus as a future member would use its veto to block a subsequent enlargement of the EU against any other country, including Turkey." He continued that in his interview with the FT "I underlined that Cyprus welcomed the endorsement of Turkey as a candidate" and that "it would be in Cyprus' interest if Turkey were to adopt the *acquis communautaire* and be considered by the other EU members as satisfying the Copenhagen criteria for membership".

To "set the record straight", Mr Theophilou said that the Government of Cyprus "continues and intensifies its efforts...to find a peaceful and negotiated solution". Although a settlement was not a condition for EU accession, the Government believed "that the accession process offers a unique opportunity and will act as a catalyst in the search for a solution". It was "in the interests of the people of Cyprus as a whole and particularly of the Turkish Cypriot community to have a reunited, bizonal and bicommunal Federal Republic of Cyprus join the EU". □

Financial sector prepares for EU entry

Cyprus' aim of participating, as a member of the European Union (EU), in a single European market for financial services was conveyed by Finance Minister Takis Klerides to a delegation of EU financial experts which visited Nicosia on 9-13 July to assess the effectiveness of supervisory authorities in the financial sector.

The experts had meetings with senior Finance Ministry and Central Bank officials as well as with the supervisory authorities. They are expected to produce a report later this year setting out their conclusions and recommendations.

Mr Klerides told the delegation that Cyprus acknowledged that the elements needed to develop a correctly functioning financial sector were an appropriate legal framework and effective supervisory authorities.

The banking sector

Mr Klerides said that in the area of banking Cyprus "is at an advanced stage of harmonization. The Banking Law of 1997, which sets the legal framework within which banking business may be pursued, reflects to a large extent the principles and rules of the EU banking directives."

As far as co-operative credit and savings societies are concerned, the Finance Minister noted that Cyprus has submitted its revised position in the EU accession negotiations, "which is fully aligned with the relevant *acquis communautaire* on credit institutions" and which has been accepted by the European Commission.

The insurance sector

In the insurance sector, Mr Klerides explained that new legislation "is at the final stage of preparation and will be in full compliance with the EU directives". As regards the implementation and enforcement of the *acquis*, "Cyprus acknowledges the

need for a further enhancement of the administrative capacity of the Insurance Companies Central Service".

Investment and securities markets

Mr Klerides said that the laws and regulations of the Cyprus Stock Exchange (CSE) "are virtually aligned with the *acquis*, with only a limited number of exceptions".

Concerning the implementation and enforcement of the *acquis*, "Cyprus acknowledges the need for a further enhancement of the administrative capacity of the supervisory authorities". In this respect, said the Minister, "a law governing supervisory and regulatory aspects as well as the structure of the Securities and Exchange Commission was approved by the House of Representatives in April 2001, with a view to extending further the supervisory powers and the independence of the Commission and ensuring greater effectiveness". □



* Knowing what to do for the financial sector... Finance Minister Takis Klerides.