

Two anniversaries and a single currency

by [Andreas Theophanous](#),

Professor of Political Economy and Director General of the Research Center - Intercollege

Ever since the summer of 1974 the month of July marks anniversaries which have defined the modern history of Cyprus. Many people believe that the future of Cyprus has also been determined by diametrically different perspectives that, indeed, may be moving the island closer to a formalized partition. Every year on July 20, in the government controlled areas memorials are held in honor of those who fell fighting against the Turkish invasion. In contrast in the occupied northern part of the island, July 20 is for most people a day of jubilation as it marks the anniversary of the "Turkish Peace Operation". Obviously this divide in perspectives is of great importance.

Yet July 2007 holds exceptional importance for Cyprus. On July 10, this year a decision was taken at a meeting of the Economic and Financial Affairs Council of the European Union by which Cyprus and Malta, which are to adopt the Euro on January 1, 2008, had the exchange rate of their national currencies locked against the Euro. This was the penultimate stage for the adoption of the single currency. Inevitably this is a move of great importance for Cyprus as it entails economic, political and social dimensions. From an economic perspective it is, among others, a significant step toward further integration with the core of the EU. Cyprus must also exhibit fiscal prudence and greater sensitivity about how taxpayers' money is spent, and the country's economic structure must become (even) more competitive.

The introduction of the Euro inevitably calls for a more unified political and economic structure in Cyprus, in case of a solution. This has clear implications: if a unified Cyprus is to meet its obligations as a member of the EMU it must follow uniform and consistent economic policies. This requires coordination and cooperation. Furthermore, besides

obligations one should also consider the rising aspirations on young Cypriots on both sides. Obviously we need a dynamic and integrated economy for more and more jobs and opportunities to be created.

If one goes over the record of bi-communal negotiations in relation to monetary matters they will find out that over time the Turkish-Cypriot side had repeatedly insisted on the issue of separate Central Banks and on a new neutral currency. With the accession of Cyprus to the Eurozone, the Central Bank will effectively be based in Frankfurt. And as of January 1, 2008 the national currency will be the Euro. There is no turning back. As a result this date may come with far reaching social and political repercussions. The Euro has the potential to prove, and the capability to be, in addition to a strong currency, a unifying tool, economically, socially and politically.