



Cyprus Openly Defies the EU

Four days into the worst crisis to hit the island nation since the 1974 invasion by Turkey, Cyprus' lawmakers did the unthinkable and the unprecedented Tuesday: In voting unanimously to reject the levy on bank savings mandated by EU authorities in Brussels to pay for a bailout, Cyprus has become the first country to openly defy the will of EU financial Powers That Be and the international banking cartel that they serve.



The crisis in Cyprus is rapidly evolving into a financial confrontation between Russia and the EU, since Cypriot banks are major repositories for Russia's wealthy nomenklatura (and not a few Russian gangsters, it is alleged). Moscow is now working feverishly with the government of Cyprus to reach an alternative deal whereby Russia would extend a needed loan to keep banks in Nicosia afloat, in exchange, perhaps, for access to Cyprus' newly discovered offshore gas fields. Cypriot authorities, meanwhile, have extended the "bank holiday" through next Tuesday, warning of calamitous consequences if no bailout is forthcoming.

Newly elected president of Cyprus Nicos Anastasiades remains adamant that some sort of austerity must be imposed on Cypriots to secure an EU bailout. Options under discussion include imposing the controversial levy on savings at slightly lower rates to make the confiscation more palatable, especially for small account holders, and raiding the country's pension funds (another tried and true target for government looters when there's no more money to pay creditors).

Whatever the short-term outcome in Cyprus, the larger impact of the dramatic events in this tiny player in the EU's epochal debt crisis is only beginning to play out. Tellingly, the courage of Cypriots and of their legislature in openly defying Brussels bureaucrats is being touted continent-wide as an example for cowed and bullied populaces in the likes of Greece, Spain, and elsewhere, whose governments up until now have bristled at Brussels, but ultimately done the bidding of EU mandarins.

"The Cypriots set an example to follow," opined the Greek newspaper *Eleftherotypia* in an editorial. And the Greek television channel Antenna wondered, "How can the Cypriots say 'no' and we can't even reject a single property tax?"

"The Cypriot parliament shows the way of real negotiation, which no pro-bailout government in Greece even considered," ran an official statement by Greece's most popular political party, Syriza. Tweeted one Syriza deputy, "And just like that, we found out that another way is possible."

The crisis in Cyprus has exposed what world markets are reluctant to believe — that the Eurozone is now skating on extremely thin financial ice, lurching as it has been for several years from crisis to debilitating crisis, keeping the euro and various member states afloat by the monetary equivalent of chewing gum and baling wire. The survival of the Eurozone has been dependent on member states continuing to accept the onerous terms imposed on their populaces in exchange for bailouts — terms that have always depended in turn on governments voting the right way. There have been many close calls — last summer in Greece, for example, when the aforementioned Syriza party, which was bitterly



Written by [Charles Scaliger](#) on March 21, 2013

opposed to accommodating Brussels and Germany (the EU's chief remaining financial sugar daddy), lost a narrow election to the accommodationist New Democracy party. Every other vote in Greece, so far, has favored austerity by a narrow margin. Tiny Slovenia has also come close to rejecting austerity measures, while Spain and Italy — the financial elephants in the room — continue to be pliant, barely.

But now the unthinkable has transpired, and talk of international repercussions, in the form of a crisis of confidence in the longer-term ability of EU authorities to continue to sell austerities to the peoples of the EU, is roiling global markets. Should Cyprus default in the next few days and exit the Eurozone, it will set a precedent that — depending on the consequences — could embolden Greece and other states to do the same.

The prospects for accommodation by the EU are not good. Cyprus' legislature has signaled an unmistakable will to defy the terms of any EU bailout that imposes hardship on bank depositors, while the German government is equally unwilling to underwrite any EU loan that does not impose harsh conditions of repayment.

The Cypriot mouse has roared, and the future of the Eurozone may hang in the balance.

Photo of Cypriot parliament voting against levy on bank savings: AP Images



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