Reactions to the Second Cypriot Bailout Deal from across the European Press

Eurocrisis in the Press

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Jeroen Dijsselbloem's mixed messages on Monday in the aftermath of the bailout were widely reported, along with the national and international economic implications of the new deal, while the run-up to the negotiations on Sunday evening saw politicians across Europe attempt to shift the blame for the previous bailout deal's most controversial dimension, the penalisation of small Cypriot savers, to Cypriot leaders.

Greek Press

"Painful" and "destructive" for Cyprus is the way the Greek press has described the Eurogroup deal over the economic fate of the island in Europe. The negotiations have monopolised the front pages of Greek newspapers as well as discussions on social media for the last ten days. After a momentary celebration of the "strength" and "bravery" of the Cypriot parliament in not accepting the initial bailout terms last week, the current coverage focuses once more on the harsh conditions of the final agreement as well as the German role in the negotiations and its subsequent increasing dominance over Europe.

Centre-left *Eleftherotypia* described the bailout deal as the "execution of Cyprus", which at the same time constitutes a message of warning for the other countries of the European South, on a front page with the headline "ÜBER ALLES: German dominance threatens Europe". In a similar vein, *To Vima* talks about a "New Yalta", with Greece and Cyprus being at the mercy of the global superpowers of the US, Russia and Germany – the dominance of the latter being covered under the "euphemistic label" of Europe.

Centre-right *Kathimerini* focuses more on the implications of the Cyprus bailout for Greece. Despite his later attempt to retract his words, Dijsselbloem's hints that the Cyprus deal might set a new model for Eurozone bailouts is interpreted as a threat that a "haircut" on savings is a possibility for Greek banks. Furthermore, the paper addresses the details of the buyout of the Greek branches of Cypriot banks by the Greek Piraeus Bank. *Eleftheros Typos* also focuses on the market implications of turning the case of Cyprus to a template for other bailouts and on the "shock and awe" caused on the island because of the Eurogroup deal.

In short, the Cyprus bailout has reignited new fears for the domestic economy in the Greek press. At the same time, the anti-German discourse has never been so prominent. Wolfgang Schäuble's statements that criticism against Germany is an expression of jealousy of its European counterparts, covered by all Greek press, will probably not do much to change this sentiment.

French Press

With the bailout agreed, the difficult economic challenges ahead for Cyprus are coming to the fore. "Cyprus helped but not saved", was the title of one piece in *Le Monde.* The vocal reactions of young Cypriots to the bailout are also receiving attention. As elsewhere, Jeroen Dijsselbloem's mixed messages on the implications of the bailout for the rest of Europe on Monday came under close scrutiny in the French Press. Beyond the theatre of that particular communications mishap, one possible implication of the deal was taken up in a front page *Le Monde* editorial entitled "faster towards a banking union".

The run up to the negotiations on Sunday evening contained some interesting public positioning. There was little discernible sympathy for Cyprus' political class, but in places a sense of solidarity with its people was apparent. Ahead of Sunday evening's negotiations, French Finance Minister Pierre Moscovici (who came under sometimes controversial attack from the French far left in recent days) was at pains in an interview to adjust the narrative about who had the average Cypriot's best interests at heart. He was scathing about the character of the Cypriot economy, describing it as a "casino economy". While reassuring French savers of the safety of their deposits and talking down the risks of contagion, he was at pains to emphasise that France's priority was not to penalise small Cypriot depositors. Rather, he pointed out that in the previous round of negotiations Cypriot leaders had protected larger depositors at the expense of small savers, who had taken to the streets and now deserved to be listened to.

Moscovici's "casino" characterisation, which was widely taken up across the press, was preceded on Saturday by an analysis in *Le Monde* by Philippe Ricard describing Cyprus as a "confetti state" (a label also used in a *Libération* piece), a pawn in a geopolitical game of chess between the EU and Russia (the penetration in the Cypriot banking system of Russian funds of dubious origin being another frequent trope), one or other of which stood to gain an increased degree of control over the Cypriot polity depending on the outcome of the crisis. It would seem then that Europe looks like coming out on top at least in that respect.

German Press

The German press coverage at the end of last week and over the weekend, perhaps most notably, signals a shift in the general perception of the way events unfolded. Middle of last week the opposition in the German parliament saw a political opportunity to blame the government for the failure of the first bailout, believing that the levy on small deposits was initiated or at least approved by Wolfgang Schäuble. Towards the end of the week a consensus started to form that it was not Merkel and Schäuble who had sought a levy on small deposits but the Cypriot Government itself. Subsequently the bailout agreement, and the Schäuble's approach in the negotiations seemed to have gained the backing of both government and opposition.

The weekend also saw a fair amount of discussion about anti-German sentiment in Cyprus in particular and in the EU in general. Most of this reporting was quite descriptive, but the question is being raised what can be done to better the German image. The *FAZ* reported that, despite reported capital controls, the amount of transfers out of Cyprus had reached two to three times their normal volume, raising questions about who was allowed to transfer their money out of the country. Overall the German press appears to look approvingly onto the deal that was reached, and on Monday dedicated quite a few column inches to reporting on the social and economic consequences of the bailout for Cyprus and question how the economy could be restructured.

Italian Press

The press in Italy has followed the news from Cyprus in the last few days without excessive emphasis, as Italian media are largely dominated by the developments of the political situation, and now covering the first attempt to create a government after the recent general elections. Nevertheless, the rather dramatic side of this story has been captured in a number of interesting articles, which have concentrated on the one hand on the possibility of replicating the "Cyprus model" of bailout, with a 40% levy on bank deposits over €100,000, for future situations of financial distress in the Eurozone. On the other hand, some articles have attempted more nuanced historical analysis of the difficult situation in Europe and the relevance of this small Mediterranean island for the whole continent.

On the first point, namely the replication of the measures adopted in Cyprus in other countries, it has to be recalled that a 0.6% levy on bank deposits was imposed by the government led by Giuliano Amato in Italy in 1992, right in order to meet the criteria at that time required to join the Eurozone. This has created a precedent which has never been forgotten, and there is growing fear that it will happen again soon. It is therefore no surprise that a major financial information website, *Wall Street Italia*, has immediately reported the words of Swedish MEP Gunnar Hokmark, according to whom the European parliament intends to introduce the principle that deposits in access of €100,000 may be systematically be involved in measures to support the financial stability of Eurozone members.

Repubblica has followed an analogous thread originated by similar words pronounced in an interview by the president of the Euro Group Jeroen Dijsselbloem, but immediately rebuffed by his French colleague Benoit Coeure. *Linkiesta* has recalled the worrying series of faux pas which has characterized so far the beginning of Mr. Dijsselbloem's mandate.

On the second, more analytical point, interesting articles have appeared which try to set the Cypriot story in the context of the European project in its dynamic dimension. Federico Fubini, when still the crisis seemed to be heading towards a chaotic collapse of the state's finances, envisaged for the *Corriere della Sera* an interpretation of Merkel's unwillingness to "pay for the mistakes of the others", but also offering an historical parallel with the 1920s and 1930s, as, in his opinion, today's Germany is as unwilling to take international responsibilities as the US was in the interwar period, against the background of the declining British Empire (in the context of today's Eurozone, France and Italy). Interwar analogies are also at the centre of Salvatore Brigantini's piece for the same newspaper, in which he describes the dangers of the North-South fracture of the continent, largely in order to formulate an anti-austerity argument.

Fabrizio Goria, again for *Linkiesta*, confirms his refined sense for sophisticated financial and political analyses in an article about the inevitable consequences that the Cypriot bailout has for the credibility of the Eurozone, which is, from now onwards, simply "no longer the same as before", as the capital control measures imposed on the island mean the return of policies which the very Eurozone construction was supposed to relegate to history.

Also on *Linkiesta*, Alessandro Manzo Magno has written a very entertaining piece on the history of Cyprus from a Western perspective, more precisely from a Venetian viewpoint, as the island was part of the Serenissima for about a century between 1473 and 1570, when it was captured by the Ottomans. Magno links the loss of Cyprus to the unifying moment of the battle of Lepanto (1571), which failed however to restore the Western sovereignty on the island. His point is however that Cyprus rarely enters the stage of European politics, but when it does, this has historically signaled a turning point.

Finnish Press

Finnish media reporting on the Cypriot crisis in the past week has been dominated by reminders that the levy on deposits was the brainchild of Cypriot politicians rather than Eurozone members. While acknowledging the fury of Cypriot depositors, newspaper editorials and pundits alike have underlined the importance of shifting at least some of the burden from Euro zone tax payers to investors and wealthy depositors.

As the details of the initial Cypriot package emerged, the Helsinki daily, *Helsingin Sanomat*, ran a commentary outlining the risks involved in levying a tax on the deposits and pondered why the Euro zone members opted for such radical measures. In echoing the view expressed frequently in the Finnish media during the past week, the commentary suggested that the terms of the bailout were not dictated by the Euro zone members but the Cypriot government in a bid to continue attracting foreign investment and deposits. The northern paper, *Kaleva*, and the Turku daily, *Turun Sanomat*, gave their support to the investor haircut arguing that Euro zone tax payers have born unacceptable brunt in the previous rescue packages. Editorials in both papers noted that while the outrage of Cypriot depositors is understandable, protesters blaming Brussels are barking at the wrong tree. Culprits are those who failed to regulate the banking industry, according to the papers.

The business daily *Taloussanomat* reported on the possible negative ramifications of the Cypriot crisis to the struggling Finnish economy. If the crisis leads to the deepening of the Euro crisis, reaching the projected 1,5% of growth in the next three years is unlikely, the paper warns. Another business daily, *Kauppalehti*, took a critical stance on the package arguing that its only purpose was to alleviate the concerns of voters in Euro zone member states rather than being credible attempt to deal with the crisis. It highlights the detrimental effects of the levy on small deposits to trust in the Euro zone banking sector.

The final rescue package has been received favourably in the Finnish media. Much of the media sees the levy on large deposits as the optimal solution from the point of view of the Finnish taxpayer, while expressing concern over the damage caused by the initial package.

Spanish Press

The discourse in the Spanish press concerning the Cypriot bailout has evolved vis-à-vis last week. Now most newspapers are clearly attributing the responsibility for the poor management of the Crisis mainly to the Eurogroup but suggesting that Germany is behind the questionable decisions. The idea of Cyprus being a case of "exemplary punishment" come across strongly in most media. Yesterday, a picture with Merkel knitting and smiling was on the front page of several newspapers (*El País*, *La Vanguardia*, *El Correo*). This image tries to convey Merkel's satisfaction in having secured Germany's preferred type of bailout. For instance in *El País* the image is accompanied with a text expressing that Merkel celebrates that those that contributed to cause the problem are forced to assume the cost.

Harsh criticisms are directed at the president of the Eurogroup, the Dutch Finance Minister Dijsselbloem for his declarations on Monday that prompted a sharp fall in European stock markets (-2.23% for the Spanish Ibex). Centre-right El Mundo on the front page headline says "Merkel's pawn sees possible (further) levies on savings" accusing Dijsselbloem's "deadly message" of being the cause of an increase in the bond yields and fall in the stock markets in Italy and Spain. The economic newspaper *Cinco Dias* opens with "Dijsselbloem blunders" (la pifia). "The culprit must pay" argues the influential *El País's* columnist Vidal-Folch suggesting that Dijsselbloem should face consequences for publicly defending an illegality. Centre-left *El Periodico de Catalunya*'s one-word front page headline, "Irresponsible", blames the Eurogroup for the crisis of credibility in the Eurozone. Similarly the online newspaper *ElDiario.es* claims that "Brussels continues generating confusion about the solution of the Cypriot crisis".