



Anastasiades faces bailout talks after victory in Cyprus elections

Cypriot president-elect Nicos Anastasiades faces weeks of difficult talks with foreign lenders on a financial rescue for the island nation after sweeping to a resounding victory in a run-off election on Sunday.

Eight months of inconclusive talks on a bailout package have turned tiny Cyprus into a big headache for the euro zone, triggering fears of a financial collapse that reignites the bloc's debt crisis.

In his first comments after his victory, Anastasiades pledged to hammer out a quick deal with foreign lenders and bring Cyprus closer to Europe, in a shift from the policies of the outgoing Communist government that first sought aid from Russia before turning to the EU.

«We want Europe on our side. We will be absolutely consistent and meet our promises. Cyprus belongs to Europe,» Anastasiades told jubilant supporters blowing horns. «We will restore the credibility of Cyprus in Europe and internationally. I promise you.»

Anastasiades, who will be sworn in on Thursday and assume power on March 1, will have little time to celebrate.

European officials want a bailout agreed by the end of March, but the 66-year-old lawyer will first have to overcome German fears that Cyprus is a hub for Russian money laundering and worries that it will never be able to pay back its debt.

Known for his no-nonsense style and impressive access to key European policymakers like German Chancellor Angela Merkel, Anastasiades took 57.5 percent of the vote, 15 points ahead of his anti-austerity Communist-backed rival Stavros Malas.

The decisive outcome showed a clear mandate from Cypriots for an aggressive, pro-bailout approach to resolving the nation's financial quagmire, despite growing despondency over austerity measures that will have to accompany any such rescue.

Financial markets had been hoping for an Anastasiades victory to speed up a joint rescue by the European Union and International Monetary Fund before the island runs out of cash and derails the fragile confidence returning to the euro zone.

Talks to rescue Nicosia have dragged on since June, after a Greek sovereign debt restructuring saddled its banks with losses. It is expected to need up to 17 billion euros in aid - about the size of its entire economy.

Virtually all rescue options - from a bailout loan to a debt writedown or slapping losses on bank depositors - are proving unpalatable because they push Cypriot debt to unmanageable levels or risk hurting investor sentiment elsewhere in the bloc.

German misgivings about Cyprus's commitment to fighting money laundering and its strong financial ties with Russia - which has already extended a 2.5 billion euro loan to the nation - have further complicated the negotiations.

Anastasiades takes the reins of a Mediterranean nation ravaged by its worst economic crisis in four decades, with unemployment at a record high of 15 percent. Pay cuts and tax hikes ahead of a bailout have further soured the national mood. His most immediate task will be to appoint a finance minister who can convince Europeans to agree a swift bailout. The favourite for the post is former finance minister Michael Sarris, a respected former World Bank economist.

Anastasiades has stressed his pro-EU credentials make him more likely to seal a bailout deal than the outgoing president, who was the EU's only Communist leader.

EU Commission president Jose Manuel Barroso said he spoke to Anastasiades after the victory and assured him that the bloc was committed to helping Cyprus overcome its problems.

In a clear shift with the policies of his predecessor who objected to any links with NATO, Anastasiades said one of his first tasks would be to apply for Cypriot membership of the NATO-affiliated Partnership for Peace.

Cyprus's Communist government held NATO responsible for what it says was a conspiracy to split the island in 1974, when it was ethnically divided between Greek and Turkish Cypriots.

«We need a government with weight that can talk to (EU) partners, that is cooperative, that can be heard and do what it pledges to do,» Christopher Pissarides, a Cypriot who won the Nobel prize in economics in 2010 told Reuters. «We hadn't been doing this until now.»



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