

Both President Nicos Anastasiades and the EU's economy commissioner Olli Rehn have recently referred to 1974 to remind Cypriots of their resilience and how they once overcame adversity to perform an economic miracle, the thinking being that surely they could do it again.

The sheer scale of the current setback has yet to be felt, but politicians obviously feel the crisis is worthy of comparison to the Greek-inspired coup and Turkish invasion, when almost 40 per cent of the island came under occupation, a third of the country's population was displaced and most of the infrastructure for agriculture and tourism was lost.

Businessman and former DISY deputy Dinos Lordos lost everything in 1974 when he was forced to flee Famagusta. He went on to rebuild his business empire, investing in property, construction and hotels.

"It is a totally different situation and cannot be compared. In '74, we had a complete national disaster. It was much worse. People died. We didn't know where our friends and relatives were, who was alive and who dead.

"As refugees, we didn't know where we could stay. In winter, there were queues for clothes. Around 120,000 people lived in camps. Many migrated. They went to Europe and the Arab countries, and came back educated and with technical know-how. Today, it's much easier," he said.

Lordos argued Cypriots were a lot more to blame for the current disaster. "We made bad investments as a state and created this financial monster, which was beyond our size and capabilities. We couldn't support it."

The government expanded the deficit and the banks made massive mistakes and both would have continued doing so if the crisis did not hit, he added. Cyprus needs time to get out of the mess, but also to change the way things are done, he said.

Asked whether Cyprus is worse off now because it doesn't have the international sympathy and aid that poured into Cyprus after the war, or a burgeoning tourism sector to pin hopes on, Lordos was emphatic.

"It's wrong to assume it's worse now. We have sympathy today as well, though it's not tangible. Even while we had aid from Greece, the US and others in 1974, we still had people in camps for many years. It took years to build all those new homes."

One factor that worked in Cyprus' favour at the time was that it had its own currency which it could manipulate while foreign governments turned a blind eye.

"The Bank of Cyprus was more bankrupt then than it is now. We printed more Cyprus pounds and confidence returned quickly. But the scale of disaster today cannot be compared. Let's not exaggerate, it's horrible but it's only money," he said.

"Sure, it's a major disaster for any country, but we have our infrastructure in tact, our assets, cars, tractors, households, hotels. In 1974, all our hotels were in Famagusta and Kyrenia.

"What we need now is to create jobs. That should be the number one objective of the government and the unions."

The successful businessmen was critical of both, noting that the unions in '74 agreed to reduce all salaries and benefits, compared to now.

He called on the government to improve the regulatory environment, curb bureaucracy and encourage businesses to move forward, not fill them with



## It's a crisis, but not 1974

insecurity about the potential for more mistakes in decision-making.

He referred specifically to the fiasco over title deeds in which 130,000 homeowners still don't have legal ownership of their homes, even though they may have paid in full because their title deeds are held by banks as collateral for building developers' mortgages.

"There are 130,000 houses that cannot be transferred to their rightful owners. They need to get on with it, create a temporary legal environment so they can be transferred. Create the conditions so that those who lost the most in deposits now get put ahead in line to receive a loan, providing they have a good business proposition.

"They need to reduce interest rates to let the economy breathe and guide it to new industries so we snatch triumph from the mouth of the lion," he said.

A prominent figure in Cypriot politics who did not wish to be named agreed that the proposed comparison does not work.

"It's simplistic to say if we survived then, we can survive now. It was a different situation, different conditions. The only common element is that both are a crisis. Just because we succeeded then, it doesn't mean we can now unless we do what should be done."

He added that the handling of the current crisis highlighted the shortcomings of politicians who are "not up to the game".

"They don't want to realise we live in different world now and stop being populist," he added.

Lecturer of economics and economic history Alex Apostolides warned against comparing "two very different kinds of disasters".

While the economy was butchered after the invasion as it ate up all the country's capital, the unintended consequence was to take farmers out of the fields and into factories and hotels, increasing their productivity.

"The first shoe factories were found in refugee tents. We had a huge, poor labour force ready to offer cheap labour. We became the China of the Middle East.

"In the current case, the crisis has arbitrarily killed banking and made the economy go from a very modern economy to a cash economy while rapidly reducing the ability of money to circulate quickly, which in turn reduces GDP income."

At the same time, he argues, the government does not have many guns in its arsenal to fight the crisis. It cannot give money or land to invest in tourism as it did after the war. The money from the €10bn troika bailout will go to paying back what the government has already received.

"Here, we have a combination of a banking crisis, a government borrowing too much, and the Greek haircut which blew up part of our economy. It's worse now."

According to Apostolides, the solution is to liberalise the economy fully, open up closed professions, sort out the title deeds fiasco, shrink the public sector, let the private sector take over and aim to put Cyprus in the list of top ten countries for doing business around the world.

"Did you know that there is no pharmacy in the Mall (in Nicosia) because the rules state that pharmacies have to be built using bricks and that 51 per cent of the pharmacy has to be owned by the pharmacist which is why you don't see Boots in Cyprus?"

He added: "The government cannot be the driver here. There are a lot of people who are keen, but need direction. We need to invest in young people and skills and find ways to invest in start-ups. We didn't have venture capitalists before because it was more profitable to put money in banks."

Former foreign and commerce minister Nicos Rolandis also agrees that the Turkish invasion was a "much more serious event",

as was its impact. Businesses lost all their tangible assets, the country lost its airport. However, recovery was made easier by the crisis in Lebanon in the mid-1970s which saw thousands of monied Lebanese move to Limassol.

He notes that society has changed a lot since then. "Society in those years was quite different. There was not so much consumerism as there is today. So people will not adapt easily to the situation as we could adapt back then because their expectations are much higher.

"Also, today we don't have capital to invest, and if we do, it's not easy to decide how to invest and take chances in a very fragile economy," he said.

Rolandis argued there was room for growth in tourism as current levels have dropped from the heyday when he was minister and Cyprus recorded 2.7 million tourists generating €2.2bn.

The former minister notes that continuing to offer financial services to foreigners would be very difficult as the country has lost its credibility.

The only silver lining, said the former minister, is the prospect of exploiting Cyprus' natural gas reserves though this won't be possible for another six to seven years.

However, it will take a massive investment surpassing Cyprus' €10bn bailout, and depend greatly on projected sale prices for 2020-2040

"My last point is the geopolitical factor. Turkey. And this is quite serious. Most leaders don't want to take this factor into account. It's wrong. Look what happened to us in 1974 when we ignored Turkey."

Rolandis said the solution of the Cyprus problem and transportation of gas via Turkey to Europe was the best way to move forward and enjoy the benefits of the island's hydrocarbon reserves.