FINANCIAL CRISIS IN THE CYPRUS REPUBLIC

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Abstract

For long, the inter-communal conflict between Greek Cypriots and Turkish Cypriot as well as the invasion and occupation of North Cyprus by Turkey defined the Cyprus Issue/Problem which has affected both the reality and image of Cyprus. The more recent financial crisis has proved to be a mega event that also has the capacity to redefine both the reality and image of Cyprus. This paper aims to address key political and discursive aspects of the financial crisis and their specific expression in Cyprus. A focal point of the analysis is the displacement of the Cyprus Issue by the financial crisis as the dominant factor affecting domestic politics, political rhetoric and international image of the Cyprus Republic. The paper draws together and builds on insights from a number of separate but complementary research projects addressing different facets of the public communication of the financial crisis in Cyprus. The second part provides an account of the unfolding of the financial crisis in Cyprus and some of its major implications; the third examines the impact of the financial crisis upon Cyprus politics and more particularly the displacement of the Cyprus Issue by the Financial Crisis as key issue in the campaign agenda. The fourth part examines the domestic political rhetoric employed for the crisis in Cyprus and more specifically the rhetoric of fear. The fifth part examines the image of Cyprus constructed by the politics of blame, not least in the German political discourse and the sixth part considers the international image of Cyprus.

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Introduction

Founded in 1960, the Republic of Cyprus is an independent sovereign state. The London-Zurich agreements reached between Britain, Greece and Turkey, offered Cyprus a *sui qeneris* independence status. Cyprus' constitution, formed by those three powers has proved frangible and stillborn. In July 1974, the Greek Junta sponsored a coup d'état against President Makarios' government. This gave Turkey the pretext to respond by an invading and occupying the 37 percent of the island. As a result, 200,000 Greek Cypriots have been displaced while the Turkish Cypriots who used to live in Cyprus' southern part moved to the north. UN peacekeeping forces maintain the buffer zone, known as the Green Line, between the area controlled by the Government of the Republic of Cyprus and the occupied territory. This Government, the only internationally recognised authority on the island, exercises control over the southern two thirds of the island, where the Greek Cypriots – numbering over 730,000 people – live. The intercommunal conflict between Greek Cypriots and Turkish Cypriot as well as the invasion and occupation of North Cyprus by Turkey define the Cyprus Issue/Problem which has affected both the reality and image of Cyprus.

The financial crisis is a mega event that also has the capacity to redefine both the reality and image of Cyprus. This paper aims to address key political and discursive aspects of the financial crisis and their specific expression in Cyprus. A focal point of the analysis is the displacement of the Cyprus Issue by the financial crisis as the dominant factor affecting domestic politics, political rhetoric and international image of the Cyprus Republic.

The paper draws together and builds on insights from a number of separate but complementary research projects addressing different facets of the public communication of the financial crisis in Cyprus. The second part provides an account of the unfolding of the financial crisis in Cyprus and some of its major implications; the third examines the impact of the financial crisis upon Cyprus politics and more particularly the displacement of the Cyprus Issue by the Financial Crisis as key issue in the campaign agenda. The fourth part examines the domestic political rhetoric employed for the crisis in Cyprus and more specifically the rhetoric of fear. The fifth part examines the image of Cyprus constructed by the politics of blame, not least in German political discourse and the sixth part considers the international image of Cyprus.

Financial Crisis in Cyprus

Cyprus became a member of the European Union on May 1, 2004 and joined the Economic and Monetary Union, adopting the Euro as its official currency, on 1 January 2008. During its accession negotiations with the EU, the Republic of Cyprus was proven to have had one of the most prosperous economies in comparison with the other 10 candidate countries (Stajano 2009, 319).

Since the country's independence in 1960, Cyprus has gradually transformed from an agricultural economy to a service-based, export-oriented economy. Since the 1980s, services (tourism, financial services) and entrepreneurship became the main source of economic growth (Athanassiou 2006, 61). The country's banking sector has developed almost entirely through private initiatives, with private banks representing 96 percent of the sector, while the remaining 4 percent consisted of state controlled institutions (Grigoroudis, Politis and Siskos 2002, 601; Athanassiou 2006, 58). The significant expansion of the banking sector, and large domestic banks in particular, has contributed significantly to promoting the island as an international business center (Stephanou 2011, 7). The large banking sector reinforced Cyprus, boosting the country's economic model, which was oriented in providing sophisticated and advanced financial services abroad, and contributed significantly to both output and employment (Stephanou 2011, 17).

However, the question still remained as to "whether the growth of the banking sector could continue indefinitely and at what cost – especially taking into consideration elements such as the threat of systemic risk, which could disturb not only the stability of the market and the ability to provide financial services, but might also have serious negative consequences for Cyprus taxpayers and the country's economy in general" (Stephanou 2011, 17–18).

An explanation is required as to why the strong financial sector did not galvanise the economy by shifting funds from the banking sector to the production sector or to other market services sectors. It was a matter of time before the oversized banking sector proved to be extremely fragile and non-durable, especially in a political fragile environment. There were several decisive factors which shaped the Cypriot banking system in the period leading to the eve of the crisis, according to Clerides and Stephanou (2009, 38–39). The first was the credit boom with extensive bank lending to local residents, growing by 20 percent per annum during 2007–2008. The second factor was the introduction of the Euro on January 1st, 2008, which led to an additional large liquidity injection in the banking system. Another factor was the so-called property "bubble" that the country had to face.

The Cyprus economy eventually succumbed to the impact of the financial crisis. With a GDP of 18 billion Euros, amounting to 0.2 percent of the EU economy, Cyprus presented a "perfect depth crisis" one of the most complex of the Eurozone (Zenios 2013). Indeed, the Cyprus crisis evolved in three different phases according to Zenios (2014). The first is the period up to the onset of the international crisis of 2008 when households and corporations accumulated excessive debt. The country's competitiveness eroded but the emerging imbalances were obscured by a banking sector that was overdeveloped with the inflow of foreign deposits. Debt fragility created conditions for the Cyprus economy to suffer a heavy blow when the international crisis erupted.

The second phase is the period 2008–2011 when Cyprus government lost access to capital market and Cypriot banks suffered significant losses due to the Greek government bond haircut. The joint effect of public debt accumulation and deterioration of the bank's balance sheet set in motion the negative feedback loop between banking and public finances (Zenios 2014). Thus Cyprus entered the "crisis zone" and without any policy measures to reduce public debt it was headed for default and only the timing was unknown.

Finally, a third phase comprises the period 2012–2013 which saw Cyprus negotiate an assistance programme with international lenders. During this phase, the financial crisis involved the exposure of Cypriot banks to the Greek debt crisis, the downgrading of the Cypriot economy to junk status by international rating agencies and the loss of access to international credit markets. The Cypriot state was unable to raise liquidity from the markets to support its huge financial sector, as Cyprus' banking sector was now estimated to be seven times the country's GDP. There was a growing expectation that Cyprus would need to apply for an additional bailout loan. On 25 June 2012 the Cypriot government requested a bailout from the European Financial Stability Facility, citing difficulties in protecting its banking sector exposed to the Greek debt. The preliminary agreement terms were made public on 30 November 2012. The resultant austerity measures included cuts in civil service salaries, social benefits, allowances and pensions and increases in value-added tax (Katsourides 2013a; Pashardes 2013; Pashourtidou 2013).

On March 13, 2013 Moody's downgraded the long-term sovereign credit rating of the Republic of Cyprus with a negative outlook. This decision was based on two parameters. Firstly, the added risk that the government of Cyprus had to provide unprecedented support to the country's banking system as a result of the damage caused to the economy from the severe exposure of Cypriot banks to the Greek economy. Secondly, the fact that Cyprus has been locked out of the international capital markets. During the Eurogroup meeting on the 15–16 March 2013, agreement was reached by the Member States of the Eurozone to grant financial assistance to the Republic of Cyprus. Financial assistance amounting to 10 billion euros was granted to cover fiscal needs, the restructuring of the banking system and for the support of the economy in general.

The Eurogroup made the decision to impose levies on depositors' accounts. The Cyprus bailout is the first that involves directly taxing bank depositors.

This decision froze Cyprus' economy. Cyprus's banks closed on March 16 and reopened on 28 March 2013. While the banks were closed, a deal was worked out to provide the country with an aid package and avert the complete meltdown of the island's oversized banking and financial sector. The government of Cyprus implemented capital controls and limits. The financial restrictions included limits on withdrawing, exchanging and exporting currency.

The resolution adopted by the first Eurogroup related to the imposition of a one-time tax on deposits. In particular, it called for bank deposits under 100,000 euros to be taxed at a rate of 6.75 percent. Deposits above 100,000 Euros would be taxed at a rate of 9.9 percent, the aim being to use the money raised by this extraordinary tax to recapitalise the banks and service the debt. Those contributing to the recapitalisation would receive stocks of the same value from the banks.

What followed was a public outcry amid widespread protests and the rejection of the proposal by the Cypriot parliament on 19 March 2013. Amidst a widely held perception that the European allies had betrayed Cyprus, President Anastasiades was forced to seek some sort of financial aid from Russia. Following the failure of the attempt to obtain funding from Russia, the government of Cyprus returned to the troika (Katsourides 2013b, 53).

The second meeting of the Eurogroup on 24–25 March 2013 resolved to secure deposits under 100,000 euros, in compliance with the Directive 94/19/EC on Deposit Guarantee Schemes of the European Commission. The bailout deal made with the international lenders would avert Cyprus's exit from the Eurozone. The terms of the deal, required the country's second largest bank, The People's Bank of Cyprus, to be closed down. The holders of stocks, depositors and uninsured clients would contribute to the reorganisation and winding-up of its credit institution and the fiscal consolidation of the bank. The holders and depositors of more than 100,000 euros would not be secured, which meant that they would lose their money. The deposits under 100.000 would be secured and guaranteed by the state, thus protecting the holders of such deposits from loss.

As a consequence, the bailout deal reduced the size of the Cyprus's banking sector. The Bank of Cyprus, the largest bank of the island was restructured, putting a levy of 47.5 percent on shareholders, bondholders, and depositors of uninsured deposits, converted into shares.

Needless to say, the austerity measures that formed part of the bail-out package had sweeping economic consequences. The country's gross domestic product (GDP) declined by 5.9 percent at the end of the second quarter of 2013, while unemployment increased to 16.9 percent.

The Political Impact of the Financial Crisis

The political system in Cyprus is centred on a Presidential Democracy with a powerful President. Elections are held at three levels: presidential, parliamentary, and municipal. A simple majority elects the President every five years, usually in two rounds. Major parties in Cyprus are the communist Progressive Party of the Working People (AKEL) which is the oldest party in Cyprus, the right-wing Democratic Rally (DISY), the centrist Democratic Party (DIKO), and the socialist United Democratic Center Party (EDEK).

In the presidential elections of 2003 challenger Tassos Papadopoulos, leader of DIKO and supported by AKEL, DIKO, EDEK, and the Ecologists Movement, won the elections in the first round with 51.5 percent of the popular vote (Christophorou 2003). During the presidential elections of 2008, Christofias the leader of the communist party AKEL won against the incumbent Papadopoulos at the first round and against also challenger Kasoulides (candidate of DISY) in the second round of the elections (Christophorou 2008; Katsourides 2012).

On April 24th 2004 the two simultaneous referenda took place among the Greek and Turkish Cypriot communities. Greek Cypriots rejected the Plan by a majority of 75.8 percent. The debate of the Annan Plan cut across partisan lines in Cyprus. The debate on previous plans and the interplay of such plans with party politics have led to the emergence of the bipolar "Rejectionists – Concessionists" (Katsis 2002). This bipolarity cuts across the Right-Left divide because the right-wing DISY and the left-wing AKEL both tend toward the "Concessionist" pole, whereas the centrist DIKO, the socialist EDEK, the NEO, and the Ecologist movement tend toward the "Rejectionist" pole. The content of the Annan Plan was the source of much discord amongst the Greek Cypriots and it managed to upset the parties most likely to agree with it. AKEL kept out of this trouble by gradually switching to a "No" position. Anastasiadis, the leader of DISY was a strenuous supporter of the Annan Plan. Right from the beginning, the electoral basis of DISY was "poles apart" with respect to the Annan Plan which subsequently led to the emergence of a splinter party (Samaras and Kentas 2005).

The most important effect is that the referendum campaign transformed the "rejectionist-concessionist" cleavage into a "pro-anti Annan Plan" cleavage. The "pro-anti Plan" split, which was primed into importance by the referendum campaign, posed a challenge to the "Right-Left" cleavage (Samaras and Kentas 2006). Thus, it is important to note how the Cyprus issue had long dominated public and media agenda and that political campaigns in Cyprus have especially revolved around the contrasting positions on this issue (Christophorou 2008, 229; Charalambous 2009, 99).

However, the transformation of Cyprus's economic and social landscape due to financial crisis has shifted concerns to the economy and to a focus on the personal consequences of the crisis rather than on wider politics. As Katsourides, (2013b, 53) observes: "the economic crisis sidelined discussions regarding the Cyprus problem for the first time in Cyprus' electoral history." The time distance from the 1974 events, combined with false hopes and unfulfilled expectations for a solution under Christofias, displaced the Cyprus problem from the top of the political agenda (Katsourides 2013b, 56–7). Still this was not the case of an issue that fades away from the agenda but an active process of issue displacement due to the dynamic of the events.

During the presidential elections of 2012 the most prominent feature of the campaign was the economy. Each candidate focused on persuading the electorate that he could manage the crisis better. All three major candidates and the parties supporting them adjusted their campaigns to target the economic crisis, highlighting the weak points of their fellow candidates (Katsourides 2013b, 60–2). Moreover Kanol and Pirishis (2013) attribute the results of the 2012 elections to economic voting, arguing that a substantial amount of votes lost by AKEL was due to the deteriorating economic situation since it took office in February 2008. The displacement of the Cyprus problem by the financial crisis in the public agenda worked to the benefit of the DISY candidate Anastasidis. During the 2004 referendum campaign, Anastasidis was a proponent of the Anan Plan vis-a-vis the independent candidate Lilikas who, being a minister of Papadopoulos Presidency, was strongly linked to the opposing campaign. Anastasiadis won against Lilikas in the first round and against AKEL candidate Mallas in the second round.

Crisis Discourse and the Rhetoric of Fear

Fear, risk and threat are three rhetorical phenomena intrinsically linked with the politics of the "Memorandum states" (PIGS). A quantitative content analysis of representations of the world system in the British press examined the proportion of the nation image of each state that is presented through the fear frame. States in the core of the European economic crisis take high rates in fear framing: Greece 47 percent of all depictions, Spain 40 percent, Portugal 44 percent, Ireland 31 percent (Iordanidou and Samaras 2012). It is noteworthy that Greece, at the epicenter of the financial crisis, ranked third after Syria (71 percent) and Afghanistan 48 percent. Another content analysis of fear related arguments on the same data identified that while hegemonic states are connected to the argument of threat and to projections of fear through their power, while the "Memorandum states" (PIGS) are connected to the argument of risk, produce fear through their problems and experience fear too (Dogani, Samaras and Iordanidou 2014).

As the aforementioned data suggest, the rhetoric of fear is intrinsically related to the reality of the memorandum. In this part of the paper, we employ qualitative content analysis to examine how fear, risk and threat were rhetorically constructed and politically actualised during the introduction of the bailout plan in Cyprus.

On March 2014 political leaders in Cyprus faced an intense political dilemma: "Should we follow a Memorandum programme or not?" A close examination of the political rhetoric that took place in the week of the decision, furnishes interesting evidence about the representation of the dilemma. Dilemmas in politics may be distinguished from ordinary issues as they tend to be presented in tones of black and white thinking. This bipolarity offers an ideal ground to strategically deploy fear appeal practices. Fear is caused by the realisation of a real or imaginary threat. This realisation is being caused either by a cognitive process that warns us of an impending danger, or an explicit or implicit threat that we addressed (Bauman 2007). Fear is only a natural reaction when confronted with the unknown, when confronted with the possibility of a hostile environment (Siegel 2005, 15). The appeal to fear is a strategically structured attempt to arouse the emotion of fear to the receiver of the message (Rogers 1975, 97).

The main theoretical model for the analysis of fear appeal messages employed in this section comprises appraisal theory (Lazarus, 1991). Appraisal theory differs from other theories of emotions because of its emphasis on "the interpretations of events rather than the events themselves that cause emotion" (Roseman and Smith 2001, 6). According to the appraisal theory, the representation of an event is considered as fear appealing when: it connects bonds between the threat and the person or group, when postures the values of the person/group etch to be intimated by the threat and when incorporates fear avoiding proposals and information about managing the threat (Lazarus 2001).

A qualitative content analysis was applied on the President's addresses and on the discussion in the Cyprus parliament that were held before (17 March, 25 March) and after (19 April) the Memorandum negotiation, using the analytical instruments of appraisal theory (Dogani, Samaras, Aggelou, Koutsimpogiorgos and Konstantinou 2014).

In the Cyprus case, when the dilemma is crucial and the negotiations in progress (*Memorandum or not?* – 17 and 25 March Presidential address) we observe high levels of fear appeal, supported by strategic communication that highlights the risk possibilities and the disastrous consequences of the "wrong" decision. Fear appeal during this period interconnects the undesirable decision (*"no" to Memorandum*) with the disastrous consequences (*leaving the U.E., collapse of the Banks*).

In the Presidential address of 25th of March, strategic fear appeal is constructed by creating bonds between the Cypriots and the Cypriot state, while agitating them to certain ends. The fear argument is constructed by the rhetoric of "*we*" that strengthens the bonds of the in-group – the Cypriot identity while it creates a collective self-image of the innocent victim. Moreover, by identifying the rescue of the banking sector to the rescue of the Cyprus state, it creates a false generalisation exploiting the essence of the nation feelings (values of the group) in order to fulfil the goal of the banking sector rescue: *"…we went to Brussels just to save our country through the stabilization of the banking sector."*

In contrast, after the Memorandum decision, (*yes to Memorandum* – 19 April) we observe clearly reduced levels of strategic fear appeal and propaganda practices. The limited fear appeals of this period interconnect the desirable decision (*yes to Memorandum*) to the reassuring resolutions (*economic stability, political safety*): *"… We should be stand united in front of our European associates, having a realistic and safe proposal, that will lead us to a stable political environment."*

Indeed, the Presidential address of 19th April de-escalates the levels of fear by promoting hope feelings enhancing the "right" decision: *"for Cyprus, for all of us* *and for each of us, for the future of the new generations."* The rhetoric is more imposing promoting that the threat is now under control.

In the Parliamentary discussions of 19th April the Cypriot President, Anastasiadis, presents himself as the innocent victim of the Eurogroup, who had no option but to agree with the Memorandum terms in order to save the country. Thus the President's responsibilities are presented as limited. This constitutes a post crisis image restoration strategy that aims to shift away the blame to an external force.

The main conclusion of the qualitative content analysis of Cypriot domestic discourse is that when the political options are presented as strictly limited and specific, the political rhetoric intends to argue through emotional appeals instead of logic arguments. In such cases the governmental rhetoric exercises power through the diffusion of fear that is based on managing the ontological instincts of the people (Dogani et al 2014). During crises fear appeals in the political argument are employed as instruments to exert power at the domestic level. At the same time they operate as signs of the state's disempowerment. The incapacitation to manage external realities fuels and legitimises the employment of fear appeals in the home front. This seems to formulate a common theme: the rhetoric of the "Memorandum dilemma" is structured by fear appeals and shifting of the blame to external actors.

The Politics of Blame for Cyprus Financial Crisis in the German Domestic Political Discourse

A central issue for every "memorandum country" is its perception of the country within the political system of the lender countries. The image of the worthy or unworthy victim is critical for the mobilisation of support and the legitimation of the financial support. The so-called Bailout Crisis made the perceptions of the German party political actors critical for Cyprus. Images of foreign countries are domesticated within party political discourse since they are rhetorically employed in domestic political games.

For almost two months, the German political parties debated on the Cyprus Bailout Crisis. The German domestic political discourse shaped the image of Cyprus. The Cyprus financial crisis was perceived as a continuation of the Greek crisis, which was in its peak, and drew all the negative frames, aspects and stereotypes from it. As a result Cyprus was treated with a very strict way. The construction of the image of Cyprus in the German political discourse was being made through the use of contradicting dipoles, strategies of apology and the operation of the blame game. The induction of these means of strategic communication in the political discourse marked the parties' campaign mode in the domestic and the international political level.

This part of the paper explores the image of Cyprus that was built during the party political debates in Germany on the Cyprus financial crisis. It covers the period from the beginning of the Cypriot financial crisis until the final decision that was taken on the issue (25/02/2013 to 18/04/2013). Parliamentary discussions and political press releases of the German parliamentary parties were examined by using the methodology of qualitative content analysis (Aspriadis et al 2013).

The blame game is a process in which agents associated with negative events aim to deflect or downplay their own responsibility (Knobloch-Westerwick and

Taylor 2008, 724), the attribution of responsibility has the power to build images through the depiction of events as a violation of fundamental public values, as operational coincidences or as a result of systemic problems and as a result that was caused by an actor or group of people (Brändström, Kuipers and Daléus 2008).

By initiating the blame game, the German government aimed to shift the blame away. By blaming the financial and political institutions of Cyprus, the German government manages to build the image of systemic fault transcending the responsibility to an outside actor. The German government put blame for the crisis of the Banks on Cyprus as a State by accusing it for mismanagement, the Cypriot parliament for voting against the memorandum and the financial system for making Cyprus a tax heaven and a center for money laundering. In addition, responsibility was transferred to the Greek financial crisis with the accusation of having a big influence in the Cypriot markets.

In the governmental public and parliamentary discourse, Cyprus is the main culprit and bears most of the blame for the crisis. The image projected is that of the unworthy victim that deserves all that has unfolded. The Greek financial crisis, the stereotypes and the negative frames it produced helped to justify this to the public perception. The German government produced the international political oppositional dipoles of "Cyprus solution vs. German tax payer" and "Cyprus bad management vs. German economic organization."

The opposition parties in Germany, on the other hand, attributed the blame to the Russian mafia, to the Chancellor of Germany, Angela Merkel, for not getting involved in the European Crisis sooner and to Cyprus for its deficient system. After the rejection of the memorandum in Cyprus, the main opposition party (SPD) mainly blamed Merkel and the government for ineffective management and political failure. Finally, the minor opposition party (Die Linke) blamed the Troika and the EU for its hegemonic policy and German manipulation and the government for bad crisis management capabilities (Aspriadis et al 2013).

The main opposition plays in the intra-state level and attributes blame to the government in order to produce an interparty political conflict frame for gaining support by polarisation. In a similar context the minor opposition is trying to reframe the attribution of blame and initiate the interparty political game with the aim of achieving political support. The oppositional narrative constructs the image of the worthy victim for Cyprus since the responsibility returns to the German government. This way, Cyprus returns to its previous image projection, namely that of a victim of imperialism and now bad crisis management of foreign actors.

Inside Germany, however, the government aimed to construct a narrative of the unworthy victim for Cyprus by making strong connections of its governmental, political and financial institutions with the economic failure of the country. The Greek financial crisis helped at making, negative aspects and frames of corruption and bad management better understood in the German public. The interstate conflict frame was better perceived in the domestic audiences and turned to a rally effect against Cyprus.

The oppositional narrative was not so strong thus making reframing less effective. The interparty conflict frame did not work well at that time because of the long term usage of patriotic agenda and metaphors of power used by the German government during the European economic crisis. Finally, the image of Cyprus changed from a victim of the Turkish occupation to a corrupted European member that was worthy of suffering. The image constructed for domestic use in the German political scene affected Cyprus and Europe in general in terms of perception and negotiations.

International Image of Cyprus

In this part of the paper we explore the impact of the news coverage of the Cyprus Bailout Crisis upon the image of Cyprus. The image of a country in the news is produced by the combined operation of the news making process, the strategies of actors and domestic and international events. Negative events have the capacity to make particular topics or aspect of these topics more accessible to the audience (Iyengar 1991). The impact of an event upon the international image of a country is a combined effect of the valence and the volume of the news coverage (Manheim and Albritton 1984). Events with negative valence and high volume tend to undermine nation image. They disassociate a countries image from positive cultural and historical connotations and define it in terms of current financial and socio-political problems (Avraham and Ketter 2008).

Prior to Cyprus Bailout, the international image of Cyprus in news media had been shaped by the vitality of its banking sector and its tourist industry as well as by the "Cyprus Issue" as an issue of invasion and occupation. As it will be demonstrated in this part the Cyprus bailout as a news topic redefined the meaning of the "Cyprus Issue" and affected the overall image of the Republic of Cyprus.

The impact of the financial crisis upon the international image of Cyprus at the early stage was addressed by the intercultural state mapping project of the Open University of Cyprus (Iordanidou and Samaras 2012). The time frame of the analysis was a period of one month (June 2012) and covered the press of three countries: Greece, Turkey and the United Kingdom (UK).

The evaluation of Cyprus is negative (- 0.41) and it becomes more negative in the economic crisis news items (-0.74). The image of Cyprus is negatively affected not only by the news on the financial crisis of Cyprus (-0.83) but also by news on the Greek financial crisis (-0.56) and on the EU financial crisis (-0.67). Even if Cyprus did not experience at the time of the analysis the early stages of its own financial crisis, the Greek/European financial crisis would still undermine its international image. What is also noticeable is that the correlation of Cyprus with the EU in the news items increases the level of negative evaluation for the image in Cyprus.

What is noteworthy in this study is that the two main news topics, the Cyprus issue and the financial crisis result to different framing of Cyprus. Frequently, in the images of states, the conflict frame and the problem frame are interrelated. In such occasions the conflict functions as a basic causal factor for the problem. This is not the case for Cyprus, since in the Cyprus Issue news, the image of the country is framed predominantly in terms of conflict (66.7 percent) and only secondarily in terms of problem (33.3 percent) while in the financial crisis news it is framed predominantly in terms of problem (78.7 percent) and only secondarily in terms of conflict (13.5 percent).

Both news categories exhibit high level of fear frame (The Cyprus Issue 41.7 percent – and the Financial Crisis 28.1 percent) low association with the hope frame and the positive impact frame. As the financial crisis develops the Cyprus Problem

(Turkish occupation) the predominant source of the conflict frame on the image of Cyprus is being displaced by the financial crisis – which shifts the image of Cyprus in terms of the problem frame.

The repercussions of the financial crisis on the image of Cyprus during the peak of the crisis were examined by another state mapping project (Samaras et al 2013). The time period for the analysis was one month (March 2013) and was based on two Greek newspapers.

During this period the journalistically mediated image of Cyprus combines very high visibility with negative evaluation. While in November 2011 Cyprus appeared in 101 news items contributing 1.7 percent of all references to foreign countries (Samaras 2012) and in June 2012 it appeared 144 contributing to 2.0 percent (Iordanidou and Samaras 2013) in March 2013 it appeared in 448 articles contributing to 11.4 percent of all references to foreign countries (Samaras et al 2013). This high visibility is combined with negativity. In 59.2 percent of the news items the image of Cyprus is negative or very negative, in 7.6 percent positive while in 33.2 percent are neutral.

During March 2013 the image of Cyprus is framed in terms of problem (60.7 percent). The uncertainty created by the economic collapse of the financial system of the country initially lead to tension in terms of the approval of economic assistance led to relatively high levels of the conflict frame (28.6 percent). The fluid financial and social environment that is constantly changing has very low percentage of positive effects frames (1.1 percent). The framing of Cyprus in terms of hope is relatively high (12.9 percent) mainly due to expectations that the "No" of the Cypriot parliament created to opponents of the Memorandum in Greece.

What dominates in the references to the image of Cyprus is the fear frame (38.2 percent), which is more intense in the aftermath of its financial system's collapse and the uncertainty of political actors, evidenced by the use of melodramatic frame (23.4 percent). The fear produced impacts the international environment after the banks' closure and the decision to break up to the country's banking sector. The repercussions are wider than the national context and go far beyond it, as a consequence of the depositors' haircut. This situation eventually spreads the uncertainty for the function of the global banking system.

Finally, one other research project (Samaras et al 2014) examined the impact of the financial crisis on the international image of Cyprus for the post crisis period in three channels CNN News, FOX News (USA) and BBC (UK). Every news item containing reference to Cyprus was analysed for a period of six months (28 March–30 September 2013). Cyprus appeared in 243 news items in BBC, 242 in Fox news and 47 at CNN. The economic crisis is the dominant news category contributing to the image of Cyprus. The economic crisis shapes the image of Cyprus as the vast majority of the articles referring to Cyprus are connected to the economic crisis. The evaluation aspect of Cyprus image is still negative but more moderately: in 39.3 percent of the news items the image of Cyprus is negative, in 2.1 percent very negative, in 1.1 percent positive while in 57.5 percent is neutral.

Negativity has been fuelled by the financial crisis problem, the collapse of its banking system, the uncertainty of the economy's path as well as the aftermath of the crisis in the international environment. In particular, the closure of the banks and the subsequent "haircut" of deposits influenced the international economic system by affecting foreign investors, mainly Russian. At the same time, the efforts of the Cypriot government and the strategies followed in order to handle the crisis produce negative evaluations.

The interpretative frames that form Cyprus' image describe a typical case of a country that has faced a hard hit, in the form of crisis, on its image. The more often employed schema of interpretation is the problem frame (51.7 percent of all depictions of Cyprus). The cost frame receives 27.8 percent, the strategy frame 24.4 percent while the fear frame 19.7 percent.

In contrast, the positive frames have very low frequency distribution: benefit frame is rated at 2.6 percent and hope frame at 4.2 percent. The combined appearance of the three frames: strategy, problem and cost could be explained by the conditions that are created during a crisis (Samaras et al 2014).

The framing of Cyprus in terms of problem during the Cyprus bailout news items interferes with the pre-existing definition of the Cyprus Issue/Problem. Three alternative definitions of the terms Cyprus Issue/Problem were examined: (a) the issue of Invasion and occupation of Cyprus by Turkey as well as of intercommunity conflict; (b) the economic problem of Cyprus and (c) internal social and political problems. Of the 532 news items coded in the three channels 306 (57 percent) incorporated some short of working definition of the Cyprus problem. In 91.5 percent (280 out of 306 items) the Cyprus problem was defined as the economic problem of Cyprus while in only 5.6 percent of the cases (17 of 306) the terms still referred to the invasion and occupation of Cyprus while in 1.7 percent (9) to social and political problems (Samaras et al. 2014). This is a process of extensive redefinition with serious repercussions for Cyprus.

Conclusions

This paper addressed key political and discursive aspects of the Cyprus Bailout Crisis. At the core of the analysis stands the process of displacement of the Cyprus Problem as an issue of invasions and occupation with the rise of the financial crisis as the dominant factor affecting domestic politics, political rhetoric and international image. In terms of domestic politics the early stages of the financial crisis affected the result of the 2012 presidential election: retrospective voting due to negative economic performance handicap the candidate of the left, while the displacement of the Cyprus Issue by the Financial Crisis from voters' agenda worked to the benefit of the elected president Anastasiades.

In terms of political rhetoric, the "memorandum dilemma" and the strategic communication supporting the imposition of the memorandum is structured by fear appeals and shifting of the blame to external actors. The processes surrounding the Bailout Crisis rendered the perceptions of German party political actors critical of Cyprus. The image constructed for domestic use in the German political scene was that of an unworthy victim. This was further elaborated in the analysis of Cyprus image in the news.

The Cyprus Problem news and Financial Crisis news result in two distinctively different images of Cyprus. The displacement of the former by the latter in the news agenda indicates a change in the international image of Cyprus. The dominant image has shifted from that of a victim of the Turkish occupation to that of a corrupted European member that is worthy of suffering. This is further enhanced by the shift of the meaning of the term "Cyprus Issue/Problem" in international media from an issue of invasions and occupation to one of financial problems and mismanagement.

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