THE GREEK ADMINISTRATION OF SOUTHERN CYPRUS (GASC) HAS ALSO BEEN ADDED TO THE BAIL OUT PACKAGE OF THE EUROPEAN UNION

Alev KILIÇ

The GASC, which is admitted as a member to the European Union, with a design to ensure leaving Turkey out, in an untimely manner at the expense of breaching its own principles, has emerged as a new problem for the Euro zone and eventually for the EU. The reason for the GASC facing financial bankruptcy is said to stem from its banks exposure to Greek debt as well as financial undertakings and extension of credits to Greece. Furthermore, like in the Greek example, the existence of no significant competitive production base apart from the two main service sectors of marine transportation and tourism lies at the heart of the serious problem. On the other hand, the banking sector of the GASC possesses a serious support which should be taken into consideration. It is the hosting of a significant portion of Russias monetary assets kept outside of Russia.

The 2.5 billion Euros credit received from Russia last year with lenient conditions has not been enough to prevent the crisis and the additional assistance expected from Russia has not materialized. Hence, the GASC has desperately turned to the EU and has applied for immediate bail out assistance of approximately 15 billion Euros. In a news item published in the German Der Spiegel journal most likely leaked by a German intelligence service, it was reported that the GASC was also the hub for illicit money from Russia reaching an amount of approximately 20 billion Euros. In the same vein, recently a British company has filed a lawsuit before the GASC office of the chief prosecutor for the illicit money to the amount of 24 billion Euros deposited in the GASCs banks.

Notwithstanding, a troika consisting of representatives from the European Commission, the EU Central Bank and the International Monetary Fund (IMF) have paid a visit to the island on November 9 for official contacts. The mere fact of troikas visit to the island as a clear sign to its willingness to actively contribute to the settlement of the problem has created some optimism in the GASC, although the amount of aid, which resources will be used and the conditions required for the GASCs repayment will become clear in the upcoming period. As seen in other examples, the GASC does not look favorably on reducing public expenditure and austerity measures and claims that they could overcome the problem by increasing taxes. Whether this will be enough is doubtful. Moreover, although the issue of deposits of illicit money has played no bearing on the discussions at this stage and although it could be assumed that the EU could overlook principles and issues in order to rescue its member from bankruptcy, it would be correct to expect the IMF, which is a global organization, despite its chairman being European, to adopt a more

principled approach.

About the Author :

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Süleyman Nazif Sok. No: 12/B Daire 3-4 06550 Çankaya-ANKARA / TÜRKİYE
Tel: +90 (312) 438 50 23-24 • **Fax**: +90 (312) 438 50 26
@avimorgtr
https://www.facebook.com/avrasyaincelemelerimerkezi
E-Mail: info@avim.org.tr
http://avim.org.tr

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