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Dialectic and the State of Exception [Greek] (Athens: Savalas, 2010).
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Introduction

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Cyprus in Europe: (In)-dependence and In-debtedness

Barbara Karatsioli*

> 'The connection between integration in the global economy and warfare is not generally recognized because globalization today (...), presents itself primarily as an economic program. Its first and most visible weapons are structural adjustment programs, trade liberalization, privatization, and intellectual property rights.
>
> All these policies are responsible for an immense transfer of wealth from the Third World to the metropoles, but they do not require territorial conquest, and thus are assumed to work by purely peaceful means (...).'
>
> Federici, S. (2000) 'War, Globalization and Reproduction', in *Peace and Change*, Vol. 25, No. 2, p. 153.

> 'We are more and more free,
> it's no longer a dream
> and we're no longer alone,
> we are uniting more and more (...)
> Our stars, one single flag, we're stronger and stronger
> Together, unite unite Europe.'
>
> 'Insieme:1992',
> Toto Cutugno, *Eurovision Contest 1990.*

Toto Cutugno won the 1990 Eurovision contest with 'Insieme: 1992', a hymn to the upcoming transition from the European Economic Community (EEC) to the European Union (EU) which, as the song indicates, represented a promise of 'peace', hope and development for all

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Europeans. The Iron Curtain was lifted and capitalism had triumphed with the successor states to the erstwhile Soviet bloc transitioning to free market economies and experiencing a radical *neoliberal system transformation* practically overnight (Jessop, 2013). With the fall of the Berlin wall, German reunification began. In this context of transition, the Republic of Cyprus (RoC) applied for membership hoping to end the country's conflict through indirect political pressure on Turkey, economic liberalisation and the development of a single market. The transition to the EU in 1992 signalled the start of a new era with the Maastricht Treaty (1991) furthering institutional integration, regional consolidation of capital and the creation of an independent European Central Bank (ECB), setting thus the bases for the monetary union.

At the onset of the twenty-first century, and despite the rise of a strong anti-globalisation movement and workers' strikes, Europe still symbolised peace, stability and human rights, even more so when the United States (US) declared its war on terror. While Europeans marched against war, Turkish Cypriots held protests asking for a European solution to the Cyprus problem. However, euro-criticism progressively intensified with the Constitution's ratification despite rejection by a majority of voters in 2005, along with the budgetary quarrels and the rise of unemployment – the first signs of economic decline.

The global war on terror was the first crisis of the century, pointing to a US 'military activism' built on the new imperialism sustained by the Bush administrations (Harvey, 2005). It accentuated what war researchers had shown much earlier under the banner of critical development studies, explicitly, the connections between capital accumulation in the centre and warfare in the periphery (Nordstrom, 1997; Bourgois and Scheper-Hughes, 2003). The global war foregrounded a 'mode of warfare' which had emerged with industrial capitalism – currently linked to neoliberalism, extending beyond the military organisation to forge a 'form of life' inside a nation and managing internal social divisions in the capitalist centre (Lutz, 2002). US imperialism, global militarisation and the cultural politics that made war sound necessary were now becoming visible from the capitalist centre. And 'with the growing transnationalism of corporate operations and the search for labour overseas, violence has increasingly been from the fist inside the glove of neoliberal trade policies and foreign loans, which together have provided the means and rationale for the flow of resources and wealth from the south to the north, the brown to the white areas of the globe' (*ibid*., p. 730).

More significantly, the 2007 financial crisis and the 2008 recession puts the negative side of decades of financial capitalism into the spotlight connecting warfare and the economy, often under the name of neoliberalism. At the European level, it suggested the weaknesses of the euro and integration; moreover, it indicated that the burden of sovereign debt was much heavier for southern European countries. But foremost, economic forces seemed to rise over political-democratic ones.

Indeed, the ECB took control of the crisis by reinforcing economic restructuring across default countries, plunging Europe and its peoples in a deeper crisis. The successive austerity

measures gave way to upheaval, protest, fragmentation, and well-justified scepticism about European integration and the euro. This only confirms that 'democratic states of the capitalist world have not one sovereign but two: below, their people and above the "international markets". Globalization, financialisation and European integration fragilised the first and reinforced the second' (Streeck, 2012, p. 64). Centrifugal forces were thus pre-emptively contained through the intensification of the process of European integration. When the RoC, in sovereign debt crisis since 2010, turned to 'peaceful' Europe for a bailout of its economy, it became an experimental site for European fiscal consolidation in 2013.

Europe, with Germany at the wheel, imposed a fierce restructuring, recreating itself as a European economic-political hegemon. Meanwhile, at the borders of Europe, Russia rose as another hegemonic power reminding through the Crimean invasion its military strength but also its economic power – and control over natural resources.

In the current conjunctures where the violence of capital is expressed through war and financial extraction, as war and economy appear increasingly interlinked, Cyprus in structural adjustment asks: how can *our peace* fit into the current global process? Progressively, notes Chandler (2006), the EU rises above politics, also in peace, a phenomenon however disregarded in the enthusiastic climate of the 1990s. Also, if as François Mitterand said, we had to abandon the dream of social justice for European integration to occur, to what point can we today, at a time of crisis, rethink European integration – or the state – through social justice? On which principles can we build a new state?

This issue marks an attempt to understand the current Cyprus crisis in the bigger European, and to a lesser degree, global crisis. It aims to explore the relation between capital accumulation, 'state formations' and social claims at times of crises, first through the debate on institutional transformation and social justice at the heart of European integration and then through the analysis of the Cypriot experience(s) of the structural adjustment and capital reproduction. Finally, we focus on the way radical social movements in Cyprus address both peace and economic crises. Simply stated, the crisis in Europe on the 'state', not only forces us to retrospectively think about Europe and integration but also about the prospect of state-building through peace in Cyprus. Both the European and the Cyprus scale offer cases to rethink peace, social justice and (beyond) the federal state.

Harvey's analysis of the current crisis guides many – but not all – of our works in this issue as we set out to capture the violence of the forces of accumulation. However, we superficially scratch the surface on notions of class, hegemony and most importantly on neoliberalism's relation to the state, whether on the European or the Cypriot scale. In our analyses, the definition of neoliberalism in its relation to the state has proven a difficult task. This is both due to the chaotic definition of the neoliberalism itself but also to the difficulties stemming from the Cyprus division and unsettled sovereignties (Constantinou, 2010).

1. Global Crisis, Eurozone Crisis and European Integration: The Institutional Debate

Theorists agree: the current crisis is the most important since 1929 and is a crucial test for theories of capitalism. It is a *systemic crisis*, with *financialisation* as the key to it. Admittedly, finance is consubstantial to capital; thus, the present crisis causes some theorists to suggest a more general crisis of monopole capitalism (Duménil and Lévy, 2001) or the ends of capitalism (Wallerstein, 1979). More specifically, financialisation is characteristic of the current phase of capitalist development, neoliberalism. During this phase, finance becomes the new means of exploitation, progressively dissociating from production, with profit drawn directly from financial activities, the latest example being subprime loans (Lapavitsas, 2013). This direct extraction of profit from the poorest and most at risk triggered the subprime, only to lead to the global crisis. The bursting of the housing bubble, followed by the collapse of the banking system and the accumulation of sovereign debts is reproduced at different scales and times.

Sahlins (cited in Ortner, 2011) notes the shift from late capitalism to neoliberalism at the onset of the twenty-first century as a change in narratives. It corresponds to the moment when finance also becomes the specificity of neoliberalism and once it directly affects people's lives in the centres of capital accumulation, namely through subprime borrowing. The 'name change', part of a greater obsession to label reality rather than to understand its process and genealogy, terms are often used as causal and definitive. They also acquire moral connotations and even call for 'a Rambo of the Left' (Friedman, 2014). In this, neoliberalism 'is a socially constructed term of struggle that frames criticism and resistance [rather] than a rigorously defined concept that can guide research' (Jessop, 2013, p. 65).

Neoliberalism is now a dominant albeit chaotic concept, with numerous narratives addressing the dark side of globalisation and the dictate of ordinary people by the elites (Ortner, 2011). At its most general, it refers to the current global 'economic restructuring', polarisation of wealth (*ibid.*) and geographical change in the patterns and modes of expropriation. In most definitions neoliberalism and crisis have converged. Neoliberalism's predatory character is captured in Harvey's theory of capital in which *accumulation by dispossession* guides privatisation and commodification of public goods, financialisation, management of crises, state redistribution, and increasing social inequality, neoliberalism's main manifestations. Extra-economic forms of accumulation coexist with wage labour exploitation. Its violence is manifest through economic restructuring in the semi-periphery (Europe), the rise of anti-globalisation movements and a military activism related to war on the fringe.

Against Harvey's view of the predatory nature of this new phase of capitalism, Arrighi argues that it is only the normal regime of capital as it re-emerges after a phase of state regulation – Keynesianism (Arrighi, 1994). Notwithstanding the theoretical correctness of Arrighi's position, Harvey's theory offers a privileged view on the way accumulation currently affects people's lives, a view on accumulation and socio-political struggles at the same time. Whether a political, an

ideological, a national or transnational project, neoliberalism is also a class project. And it is a cover term for a set of transformations in governance that accompany declining hegemony, not of financial hegemony itself (as claimed by Duménil and Lévy, 2011) but of the political process organising it.

Overall, in his theory, Harvey views 'neo-liberalism' as a historically specific structural adaptation to the declining profitability of a former corporate structure of accumulation (Friedman 2014). Other theorists have long considered falling profitability to be at the basis of the capitalist crisis, occurring since 1970. In this theory (not explored in this issue), investments in the financial sector or in the army are the result of declining profitability induced by an accelerated process of accumulation – similar arguments also made by Harvey. Indeed, the complexities of the relationship between the rate of profit and the rate of accumulation shed welcome light on how the crisis spread beyond the financial markets, on waning hegemonies and class power.

The Eurozone Crisis

Put simply, the European crisis is part of a bigger capitalist crisis. Most of the analyses agree on the centrality of macro-economic imbalances between North and South as these are accentuated by the euro. The accumulation of deficits contracted by the South during the 1990s when financial resources moved to the periphery resulted in an imbalance of payment once Germany returned to its structural surplus position. The balance of payments crisis between surplus and deficit economies led to a sovereign debt crisis, pointing to the unequal distribution of monetary power in the zone and to the absence of creditworthiness in the South. Analyses, however, disagree on the nature of the European crisis. Is it a crisis of the euro within the greater capitalist crisis, as Durand suggests, or is it a crisis of capitalism, with falling profitability at its basis, as Georgiou has it? The three points separating these two articles offer a privileged view on the current Eurozone crisis, its nature and its relation to European integration – from its inception to its future. Does the crisis call for a solution 'outside' or beyond Europe, a return to the nation-state or for further institutional integration?

For Durand, the single currency has not only failed to live up to its promise of better allocation of resources but is a class project endorsing benefits for European elites at the global scene of accumulation. It facilitates the reorganisation of corporations and financial flux and accentuates the unequal macro-economic vulnerability of national economies, especially of the South, affirming Germany as a hegemonic power. Georgiou takes a less dominant position by pointing out that even following the reinvestment and trust in the South after 2013, a fundamental structural imbalance remained due to the centralisation of monetary policy versus decentralised fiscal policy. Their analyses reflect two fundamental positions: abandoning the euro, for Durand, and returning to national economies, or following in the path of institutional innovation to address the imbalance, for Georgiou.

The Eurozone crisis' entanglement with European integration, the future of Europe and its people, inevitably takes research back to the post-war project of European integration. Europe is a

project of pacification in which fiscal union is the key to prevent wars, avert economic decline and unite enemy states in the 'US of Europe' – a federation of states. But the project, suggests Durand, is dissociated from the people, with federal power preventing a socialist planning of the economy; a postulate he owes to Hayek.

This leads the author to explore the 'kind' of social and political Europe produced at the process of reorganising capital at the supranational level. He builds on and extends the dominant opposing approaches of Mandel and Poulantzas, which analyse the internationalisation of European capital in relation to the US. Mandel suggests that the reorganisation and amalgamation that will follow the fusion of European capitals (based on and using US capital) will lead to the emergence of a state. Further, until amalgamation is realised, the struggle can be pursued at the national level. Conversely, Poulantzas suggests that US capital is imbricated in European capital, creating an inherent dependence. Economic unification holds no promise for political unification; the struggle will be waged at the level of the production of capital because of the internationalisation of capital.

Durand revisits the two theories conjointly through contemporary transformations in international accumulation. Influenced by Harvey and the neo-Gramscians, he contributes to both theories by pointing to the way in which the creation of the euro as a world currency leads to the *amalgamation of European property under financial hegemony*. The liberalisation of capital circulation associated with the European Monetary Union (EMU) extends to operations around the world and the European insertion into the US project of global capitalism is accompanied by the penetration of US capital into Europe, leading to the disarticulation of the structures of national property. As institutions take precedence over shareholders and performance requirements become uniform, Europe's financial trajectory will inevitably alter its course. Finance, Durand suggests, 'becomes a globalised institutional apparatus to consolidate the power of capital over labour' (this volume).

Neither Poulantzas nor Mandel could, however, predict what happened at the political level: the counter-revolutionary nature of European integration as it pre-emptively addresses the threats posed by social and political movements to the capitalist order. The progressive construction of European integration on the ordoliberal line (originally at the level of the Federal Republic of Germany), at the centre of which lies the *social economy of the market*, not only leads to a divorce from the social state; it also subordinates social order to free competition and the logic of the market. The result is a *government of society* where social policy allows everyone to take part in competition, without the need for political unification. Competition becomes the norm for both market and inter-individual relations. The independence of the ECB and the freeing of monetary politics from democratic deliberation institutionally will sustain this order; with the EMU further depoliticising financial and monetary questions.

Georgiou also revisits the process of European integration but through the macro-economic dispute between France and Germany. The present institutional imbalance, he suggests, stems

from what is *not* implemented, and here he points to France's ambiguity towards federal institutions. The adoption of the European Monetary System (EMS) in 1979 and liberalisation of capital by 1992 represent French concessions to Germany – the country with monetary primacy within Europe. Competitive disinflation, a mechanism allowing adjustment of the economy through austerity and the creation of the ECB were French late concessions to achieve a more symmetrical EMS, and they progressively shaped Europe on the German model. Again, the adoption of a monetary union without a federal treasury and fiscal union – which reflected the German position – became problematic when Germany, after a decade of deficit due to reunification, resumed its structural fiscal position, leading to the balance of payment crisis, accentuated by the euro quandary.

Georgiou's argument for institutional innovation is not less revolutionary or strategic than Durand's. It is based on the idea that the workers' movement cannot oppose the fundamental tendency of historical development but can struggle to give it a progressive form (Georgiou, 2014). Did restrictive European economic politics not constitute the economic basis for two world wars? Could European unification not signify the defeat of protectionist imperialism and militarism by the proletariat? Today, the crisis has certainly destabilised but it has not menaced the political future of Europe. Admittedly, the process of European integration has transformed, with monetary policies sustaining the trans-nationalisation of productive processes; at the same time, the absence of fiscal policies has aggravated the euro's impact on the crisis. Political unification is already underway, but with economic development already exceeding the structures of the nation, it is essential to enforce the EU's socialist bases. Investing in rising productivity in the least competitive countries, for example, the South, would be a step in this direction, especially as retrenchment in the national state does not necessarily entail an escape from unemployment or an amelioration of productivity.

People have a duty to shape the institutional transformations already occurring, suggests Georgiou, opposing Durand who points to the way the creation of the European Financial Stability Facility (EFSF) in 2010–2011, succeeded by the European Stability Mechanism (ESM), and its 2012 imposition of austerity measures plunged the periphery into deeper depression and degraded the general European economy. Durand and Keucheyan (2012) stress the negative dynamics of the institutional measures, causing the EU's political credibility to be questioned from both the inside and the outside. In their Gramscian analysis of the crisis, they note the rise of a bureaucratic Caesarism, a new type of European governance where a single economic power takes over, affecting the political marginalisation and de-democratisation of institutions. They construct on Harvey's theory to argue that the ECB's interventions and institutional innovations are animated by the logic of accumulation by dispossession, thus serving the political agenda of financial capital. Austerity measures only lead to the dispossession of sovereignties and rapid decline and pauperisation. For Durand, in particular, Europe's monetary union, the existence of the euro, the impossible devaluation of the single currency, and the class character of the project are central to the crisis.

Duménil and Lévy (2011) have long indicated the existence of a third class, a managerial class, which, without possessing the means of production, controls it. Can this class be stimulated to create popular emancipation through *bifurcation*, by acting against the dominant managerial class supporting the financial sector?

Many questions follow from these analyses. Should we discount the dream of a political Europe? To what point would a return to the national state be sustainable? How can we intervene to transform the current neoliberal form and the dominance of the economic institutions? Georgiou at the European level and Ker-Lindsay, Faustmann and Mullen (2011) at the Cypriot level, call attention to the way people seem disinterested in European integration, perhaps seeing it as a project of the elites. If Europe, that is to say, the federation, is to come about, how can it be rebuilt on social justice? The same question can be posed for Cyprus. How can we reinforce democratic forces when collective expressions of discontent are criminalised, police rule is increasing, and neo-Nazi groups are gaining ascendancy? Europe is now a place where conflict is dominant, making these questions more urgent and the struggle more intense. How can we build an alternative privileging of social justice in the macro-economic framework to lead our way out of the crisis and to build a sustainable alternative?

2. Global Economic Restructuring and Capital Reproduction: A View from Divided Cyprus

Shifting from the centre of Europe to the Cyprus periphery, we acquire a privileged view of the institutional debate by seeing how the crisis manifests itself and austerity is applied in a particular country. If some things only occur or are solely visible at 'borders', Cyprus' multiple 'borders' are particularly relevant: Divided Cyprus points to two different scales of globalisation, two diverse rhythms of structural adjustment, a global and a European restructuring. It suggests that neoliberalism does not need an independent political structure: though much attention is paid to the current economic restructuring imposed on the RoC, the unrecognised 'TRNC' despite its existence as an invalid state, is also submitted to economic restructuring via Turkey. In both parts of Cyprus, suggests Bozkurt, the burden of the debt is carried by the people. Neoliberal restructuring is not an outside phenomenon coerced on a society but builds on the local forces progressively dismantling state power. Bozkurt's intervention is significant in understanding the global restructuring starting in the 1980s – for 'developing countries' and now taking an accelerated form since the crisis applying to the European centre. Austerity or structural adjustment is accompanied by capital's desperate efforts and intra-class national or transnational struggles to raise profitability through destruction of value and most importantly from aggressive expropriation. Ioannou's paper provides a clear account of the way the measures applied in Cyprus swiftly dismantled the working class and its rights in the Republic, as precarity takes over. However, Constantinou suggests that exploitation is not new. Capitalist violence is not new – although this time it strikes the middle classes now confronted with the same conditions of the

'invisible' and unprotected. Behind the success story of the Cyprus service sector lie the invisibilities of hard industrial labour.

Austerity in the RoC has taken a radical, accelerated and condensed form, as imposed by the Euro Group in the frame of institutional innovation, through the consolidation of EU fiscal integration. Briefly stated, Greek Cypriots conceded to austerity under particular conditions: a banking lockout of the country, which suffocated economy and dispossessed them of their sovereignty.

The RoC joined the EU in 2004, enjoying a rapidly expanding economy after the 1990s and an annual growth rate of 4.1% between 2004 and 2008. Cyprus, like Ireland, had unprecedented growth due to low corporate taxes and the expansion of the banking and financial systems. At the same time, the Eurozone was marked by low competitiveness and growth, combined with high percentages of unemployment and inequality, which was attributed more or less to the vicissitudes of the single currency. When Cyprus entered the Eurozone in 2008, the EU was becoming the epicentre of the world crisis and the subprime collapse was affecting banks in the centre. The risk of a wave of sovereign states in Europe defaulting on their debts was originally avoided through a huge bailout package and ECB's decision to start buying sovereign debt. But, as the crisis progressed, questions concerning the future of the EMU and structural imbalance became matters to address urgently through 'institutional innovation'.

Cyprus had no sovereign debt and featured a 'solid', service-oriented economy until 2008. Thus, it did not fit into the pattern of macro-economic discrepancies between the European South and North. The accumulation of such an important debt in such a short period was initially due to Cypriot bank speculation on the Greek public debt by purchasing the risk from the European centre. In due course, the expansion of credit, the bursting of the real-estate bubble and the exposure to the Greek debt led to a sovereign debt crisis, something seen around the world. The Cypriot banking debt, three times the country's GDP became a public debt issue. Having resisted for over two years, the RoC finally resorted to the newly established ESM in 2012.

From the Irish 'bailout' in 2010 to the Cypriot 'bail-in, bailout' in 2013, the successive austerity plans were accompanied in the economic context by spiralling interest rates and economic depression. Notwithstanding the progressive de-democratisation of the country members, the dispossession of their sovereignty and their subordination to economic supranational decisions, and the aggravation of the economic situation of the people, the initial measures turned into an aggressive polity of consolidation of the fiscal European Union. As poverty or rapid downward mobility was created in the periphery and in the centre, the crisis of the institutions deepened that of Cyprus and Europe. The *bail-in* measure was part of the ongoing fiscal integration aiming to render the banking system more independent of political control, allowing them to cover their debts directly from shareholders, bondholders and large depositors, while avoiding state intervention or debt accumulation on the national level; however, it has no effect on controlling speculation – my interpretation of the Single Resolution Mechanism (SRM).

From Ireland to Greece and then Cyprus, accountability has been a justification for intervention, with new anti-corruption campaigns introduced and politicians and bankers increasingly brought to justice. The Euro Group intervention in Cyprus in 2013, justified by Cyprus' fiscal paradise role in global economy generated fear across Europe. For one, other countries were wary of the 'monetary *blocus*' imposed on Cyprus by the ECB and the lockout of its economy from global transactions forcing the austerity package. For another, due to the attack on EU deposits under €100,000, judged as inviolable by the European Union only a year earlier, widespread fear was triggered in other small European economies servicing financial capital.

Marfin-Laiki, the second most important bank and most exposed to the crisis, was shut down in a country where banking is the second most important sector, with 12,000 employees. In 2012, the tertiary sector contributed 81% of the GDP and employed 76.6% of the working population (Trimikliniotis, 2013). As foreign capital comprises one-third of the country's GNP, its departure along with local capital towards the European centre has been massive since the signature of the 2012 Memorandum of Understanding. Not surprisingly, the *blocus*/lockout furthered decline through the imposition of control on capital flows (Christou, Ioannou, and Shekeris, 2013). It presaged a significant drop in the quality of middle-class life. The EU intervention also compromised a way of life based on easy loans and trust built through social proximity.

Major transformations ensued from the Memorandum of Understanding with the Troika in 2012 and its aftermath. Privatisations of semi-governmental institutions, increased national defence tax and the taxation of loans, decreased salaries and pronounced flexibility. Ioannou notes the extension of precarity to all sectors of employment, along with the annihilation of workers' historical rights and benefits. In Cyprus, as elsewhere in Europe, austerity, more than simply the crisis, contributed to recession and accelerated unemployment rates and exacerbated already existing tendencies of labour market deregulation and trade union marginalisation. In the process of restructuring the 'social economy of the market', workers were left out: austerity accelerated the flexibility and expansion of irregular work that European integration had brought. The reorganisation of the welfare system and the restructuring of industrial relations (with state subsidies extended to employers to ensure a more comprehensive labour market) extended unemployment and restricted workers' rights. Collective bargaining, the key regulatory mechanism in the labour process, was replaced by employer arbitrariness. Unions lost substantial power and became marked by internal fragmentations relating to non-Cypriot workers' rights (Trimikliniotis, 2009, 2013). Ioannou paints a gruesome picture of a new working situation, which evidences the downward mobility of the middle classes, a 'labour aristocracy' but those now most at risk of poverty.

The case of northern Cyprus enhances our understanding of global restructuring: while not financially integrated within the global economy and politically 'unrecognised', it is not exempt from neoliberal reforms or austerity measures. Rather, it is exposed to them through its dependence on Turkey. In fact, Turkey imposed economic restructuring on the 'TRNC', well before the EU

intervened in the RoC in 2012, as it underwent its own 'austerity', furthering integration. The interventions respond to a neoliberal logic, shifting the burden of adjustment onto the people. Bozkurt, talks about 'incomplete neoliberalism', stressing that neoliberalism is not a fixed, uniform project; in northern Cyprus, it takes a particular form through a formation economically and politically dependent on Turkey. The process is not one-sided, however, but needs to be understood within the class struggles and particular class interests of internal and external actors.

Neoliberal transformations have been implemented in northern Cyprus since 1986 and austerity since 2000. The modernising politics of *Adalet ve Kalk›nma Partisi* (AKP) [Justice and Development Party] rely on rapid and aggressive neoliberalisation measures, one example being radical urban transformation. The economic restructuring of the 'TRNC' was intended to facilitate integration and transform northern Cyprus into an investment area. Following the Turkish Cypriot support of the Annan Plan, AKP politics towards northern Cyprus changed, Turkey progressively becoming an IMF-like disciplinary force; the phrase used by Trimikliniotis and Bozkurt (2012), 'dominance without hegemony', captures the transformation through the Turkish Cypriot withdrawal of consent. Yet the imposition of neoliberal policies did not offer a way out of the economic crisis and led to further unemployment. The mounting opposition since 2011 combines both economic and communal concerns, the Cypriotist identity rising in the face of Turkification, and the refusal of Turkey to recognise a federal solution.

The Cyprus shown in documentary films only a few years ago was radically different from today; then, the economic boom was the main feature, with the 'Cyprus problem' only slightly dampening that prosperity: A modern service-oriented economy with a highly educated and specialised middle-class affluent population. Constantinou probes the Cyprus economic miracle and prosperity to draw attention to what remains invisible in capitalist development. *Heterotopic constructions* offer another view of the success story of the service sector. The modern capitalist economy has created heterotopias, with the service sector economy hiding the reality of hard labour. In this way, working-class identity is being eliminated from the social imaginary; to make his point, Constantinou considers a call centre and a fast-food service. His contribution is revealing; he shows that alongside direct expropriation through finance, the industrial mode is gradually being invisibilised. In the structural transformations occurring since the 1970s, hard labour, manufacturing and industry have been spatially relocated to the peripheries of Cyprus. As a result, industrial labourers are invisible in Cyprus, facing increasing unemployment and relocation as global politics transform. Violence is inherent in the normal course of capitalism, the current crisis only exposing middle classes to the realities of that violence. Like Ioannou, Constantinou supports the need for union action to make workers and their hard labour and conditions visible and allow them to organise to claim their rights against the capitalist offensives.

Overall, the crisis and the consequent economic restructuring have radically transformed the condition of labour. Unemployment, social reordering, and union rollback are key words, as is the individualisation of conditions of negotiation. In both parts of Cyprus, protests are organised

against measures that will lead to transformation of particular sectors; bigger movements are organised as restructuring fails to deliver growth and employment. As conditions change, unemployment radically increases as do expressions of discontent and horizontal fragmentation, with nationalism and racism becoming the loudest of these expressions. In short, the economic crisis has become a social and political crisis of the state – European and national state. It is a chronic crisis of which outcome is not yet defined.

3. State, Social Movements and the Idea of Peace

European integration is also based on the ideal of peace and stability, with market and fiscal union progressively building towards the federal state. The Cold War and its ending saw the renewal of classical liberal thinking on free trade and its benefits for peace (Barkawi, 2004). Thus, 'liberal peace' was influential throughout the 1980s and 1990s, years also marked by trust in international institutions such as the United Nations. Accepting this premise, the RoC applied for EU membership in 1990 and Turkish Cypriots supported the creation of a United European Cyprus 14 years later.

When European integration accelerated in the 1990s, neo-Wilsonian idealism emerged, exporting peace and liberal values through European integration and through the Human Rights institutions (Chandler, 2006). This was accompanied by increasing international regulation and intervention in domestic affairs and the marginalisation of domestic politics (*ibid.*), as exemplified in the state and peace building processes in Bosnia-Herzegovina. In the name of new concepts, such as 'responsibility to protect', the EU politically and economically intervened outside and increasingly inside since the 2007 crisis of Europe. The progressive convergence of military (war-for-peace) and economic concepts illustrates the warfare mind-set dominating the practices of the managerial power rising in the centre of Europe. Today, the potential for conflict and war in the semi-periphery, not in the periphery, seem just around the corner. Yet conflict is possible in various forms, as neo-Nazi groups are gaining prominence across Europe or as social inequality rises in post-conflict countries such as Bosnia-Herzegovina leading to both social justice and nationalist movements. Conflict at the 'border' of Europe is another reality, as the case of Crimea signifies.

If the democratisation and liberalisation of conflict zones in the 1980s–1990s were marked by optimism, with economic forces allowing integration in the global expanding market how does the current neo-liberalisation/structural adjustment process impact peace (Karatsioli, forthcoming [b])? Diez, Albert and Stetter (2008) have argued for 'the transformative power' of European integration on border conflicts, but this is far from automatic and is related to factors outside European integration. The Europeanisation of the Cyprus problem precipitated a certain Cypriotisation of EU policies, at the same time policies directed towards Turkey may be instrumental sometimes in influencing the conflict for EU purposes (Demetriou, 2008; Diez and Tocci, 2010). The most noteworthy impact of the transformative power of European integration

was, I suggest, to have encouraged the creation of 'border groups' such as bi-communal groups and to expedite the Turkish Cypriot voice for European peace at the beginning of the twenty-first century (Karatsioli in this volume).

The March 2013 ECB intervention in Cyprus illustrates the marks of the new mind-set. Whereas in most conflict areas a neoliberal restructuring of the economy is grafted on to a peace transition, in Cyprus it has preceded it – in both parts of the island. Indicatively, the destructive forces of capital are already in evidence in the RoC through the ECB intervention: dispossession of sovereignty, destruction of employment and security, privatisation of the semi-government organisations, restructuring of the welfare system and exploitation of natural resources. Bearing this in mind, it is not surprising that Greek Cypriots liken the current economic crisis, specifically the European 'bail-in for bailout' intervention, to the 1974 division of the island, thus graphically equating intervention with violence. Both the plunder of war and the economic spoils have disrupted their lives, dispossessed them of their property and menaced their state (Karatsioli, forthcoming [a]). Most easily understood as extracting from the rich through the introduction of the 'bail-in for bailout' mechanism, it benefits, on the contrary, the interests of factions of the local elites and of global – not necessarily European – capital while stagnating the Cyprus economy. The dependence on Turkey generates a similar situation for Turkish Cypriots engaging in an elite struggle on the 'nationality' of capitals (Turkish Cypriot or Turkish) but developing no radical politics.

If the 'European solution' of the Cyprus problem is associated with freedoms (Richmond, 2006), what are these 'freedoms' with crisis affecting both Europe and Cyprus, teamed with democratic deficits in the centre and in the periphery? Should the island not move beyond the idea of the transformative power of European integration to that of a more general notion of transformative power? In a global situation when sovereignty is threatened/annihilated, Cyprus has a unique opportunity to create a new state. Should it not attempt to establish peace based on social justice and to define a new *state paradigm*? Peace and state building can be a way out of the crisis and into further democracy; a way to transform the EU 'from below' and from the periphery. This requires rethinking the common notions of power to go beyond structural power, merely reproducing the structural paradigm or transitional power allowing for a change in who runs the system. At the current conjuncture, is not revolutionary power that seeks not simply to 'seize power' but to generate that activity within the current *status quo* society seem the most appealing prototype, aiming as it does to create another society? Can we not generate this sense of counter-counter-revolution without frontally attacking the fundamental tendencies of historical development, through the generation of a new state paradigm in which (local) peace could also lead to a social state in Cyprus and Europe – one that does not fall in any Stalinist authoritarian paradigm or the liberal peace exemplar?

As I note later in this volume, the Cyprus government efforts are concentrating on 'peace for the market', with hydrocarbon exploitation portrayed as the means to attract capital and to

collaborate on peace and stability in Cyprus and in the Middle East (Christou and Adamides, 2013). However, the promise of stability through hydrocarbon exploitation is not necessarily susceptible to transform foreign intervention in the Middle East into economic strength as Burgess and Constantinou (2013) suggest; rather, it can subordinate the periphery to the European semi-periphery whose energy needs it aims to fill. Through its border position, Cyprus can assume either a weighty or a subordinate role in this process. The spreading war(s) in the Middle East can also easily compromise the viability of this economic collaboration.

The right-wing Cypriot President, a past supporter of the Annan Plan, sees hydrocarbon exploitation as a route to peace and a way out of the crisis. At the same time, the Left refuses to play an active and radical role (Charalambous and Ioannou, forthcoming). It embraces its traditional position on reunification – entering into conflict with the Right on economic restructuring instead of engaging in a progressive economic and peace strategy. In consequence, the dominant idea relates to capital influx without job creation or a market economy that would provide stability and collaboration to an elevated number of Greek and Turkish Cypriots; there is only a proposed amelioration of the state's GNP.

Should we abandon the federal structure, the dominant form of state agreed upon since the 1977 High Agreements, with a bi-zonal, bi-communal solution with international representation at its heart? Just what kind of state would a shift in paradigm entail? Should the discussion of federalism in the Cyprus context create another set of questions in which power-sharing is the most serious aspect, driven by the 1960 experience of early consociationalism? Kanatli, General Secretary of Yeni Kibris Partisi (YKP) notes how the metaphor of the bicycle – one that should reassure Greek Cypriots – is mobilised to suggest the bi- of the bi-communal, bi-zonal solution is not about mixing – a Greek Cypriot fear – but about putting both wheels in motion: when we extend the metaphor to Cyprus, it suggests that both parties will be equal and recognised.

How can this structure, questioned at the European level, build on rather than against social justice? Why cannot a federal Cyprus, claimed by Greek and Turkish Cypriots together as both a right and defence, be the best way to consolidate their rights on the basis of a new economic planning? Instead of inheriting a sense of sovereignty – a state – Greek and Turkish Cypriots can work together to create a sovereign state to lead them out of the structural adjustment crisis and the conflict, rethink territory, 'return' of the displaced, sovereignty and power-sharing through the notion of social justice.

In this sense, we need to look at the claims of social movements and construct on them. The relationship between crisis, social movements and peace is explored in this issue by Karatsioli and Karathanasis and Iliopoulou. Both articles are categorical: (radical) social movements matter. Karatsioli points to radical transformations in identities initiated by the 2000–2003 Turkish Cypriot protests at the moment of the RoC's European integration. At a time when their sovereignty was threatened by Turkification, Turkish Cypriots managed to gain recognition and equality with Greek Cypriots. Their movement and ensuing transformations induced a crisis of

statocracy amongst Greek Cypriots, with rejectionist identities rising to protect the 'Greek Cypriotness' of the state against Turkish Cypriots and against the Left and Greek Cypriots for peace. From the Turkish Cypriot crisis in 1999 to the Greek Cypriot crisis in 2009 onwards and their 'shared' austerity, Karatsioli aims to understand the ways peace and social justice work to create a new state.

Given the economic crisis and year-long restructuring, what are the prospects for Turkish and Greek Cypriots claiming peace together? Karathanasis and Iliopoulou directly address this in their analysis of the Occupy Buffer Zone (OBZ) movement. Their contribution is crucial for Cypriot studies; it points to the creation of a new space, at the 'borders' of the Cypriot societies, contesting traditional Greek and Turkish Cypriot politics on the conflict and economic politics, and questioning the local societies' subordination to consumerism. Their article makes a significant contribution to Cypriotism and to social movements by pointing to a Cypriotist identity created in relation to global social politics and contestation and in relation to (or as an extension of) the rapprochement movement. Social justice, they argue, lies at the heart of this identity. The quest by OBZ to invest in an 'in between' space, echoes experiences in Berlin before the wall came down, where anarchist experimentations were linked with a strong immigrant presence in an example of non-institutionally-engineered coexistence. Their implication with the peace process 'from below' can introduce new alternatives. If Karatsioli's article points to reformist power struggles, can we not discern a more revolutionary sense of power in the movement analysed by Karathanasis and Iliopoulou's article?

A worthy starting point would be to address European impatience in the face of Cypriot insubordination by pointing to a solution pressed *on* the people and not *of* the people. The process must evolve, not exclude society in the name of 'peaceful change'. The peace process should be an active process involving all levels, hence allowing people to transform their politics and rethink sovereignty. New awareness can only stem from the people's will, but a solution cannot be disengaged from the political process. Rejectionism (Faustmann, 2013) or as Charalambous and Ioannou call it, Greek Cypriot 'preemptive rejectionism', is, I suggest, based on a quasi-automatic predisposition which precludes progress in any solution, not merely the federalist one.

Loizides (2014) draws on other divided societies to suggest how to design such a referendum and plan its timing. A referendum would make sense depending on its design, most notably, if it were to allow consequential issues to be addressed rather than dismissed or bypassed. If the Annan Plan can be rethought and voted upon, it should be redesigned using the ideals of social justice and reconsidering the nature of the ready-made-state. Power-sharing, property, and return can be negotiated in a process not pressed by time, but one engaging with expectations of welfare and unification. In short, the peace process should, above all, go beyond the technocratic realisation of a state to include the people.

In guise of conclusion, I simply want to prompt a reminder *vis-à-vis* the transformations of identity during the current European crisis. Social movements such as the *Indignados* have risen

beyond Left-Right divisions to shout loud the dispossessions they are undergoing. Neoliberal managers turn now to question – as their national economies are threatened – the principles of the ideology/or strategy they have always adhered to. Different forms of struggle are born across Europe, some easily silenced or simply shadowed by pre-emptive measures or a scheduled integration increasing police and economic power and in no sense decreasing corruption. Racist and nationalist responses to the crisis seem more organised and dominant through violence. In the ten-year span since the Turkish Cypriot crisis, identities have changed considerably and are susceptible to take different directions. In the Cyprus context, there are forces and situations that can transform the current divisions in positive forces towards peace.

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Articles

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PART I

Global Crisis, Eurozone Crisis and European Integration: The Institutional Debate

What is Europe?

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Abstract

Never before has Europe been so present in public debate. From 2009 onwards, not a month has gone by without new twists in the melodramatic rifts and reconciliations between EU governments and institutions. As the region dips further into recession and social desperation, the showdown between supporters and opponents of austerity renders the macro-economic dispute the central issue, leaving the future of Europe and its people woefully unclear. But exactly what is 'Europe'? The concept is difficult to grasp, as 'Europe' is both multifaceted and unstable. In a bid to break open the 'black box' this article proposes to set aside the events to focus on the crisis behind the events. To engage in such a discussion, one must decipher the deceptively simple question of what Europe is. Which are the forces and the principles, from post-war to the euro crisis, which animate this politico-institutional process?

Keywords: European integration, supra-national institutional transformation, state, ortholiberalism, neoliberalism, internationalisation of capital, financial capitalism, austerity measures, class struggle

The United States: Birth-Givers to Europe?

According to the official history, European construction originated with the determined actions of the 'founders of Europe', Jean Monnet foremost.[1] Without 'the energy and the motivation' of its 'visionary leaders' motivated by the ideal of 'one peaceful, united and prosperous Europe', 'the space for peace and stability that we take for granted would have never seen the day'.[2] This heroic

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1 Since the 1950s and 1960s, associations, such as the Jean Monnet and the Robert Schumann foundations as well as political organisations like the European Movement and Christian democratic parties have worked to establish a history, underlining the nobility of the cause and constructing in a retrospective manner the coherence of the project of the 'fathers of Europe'. The historiographical tradition masks the role of American foundations, also the role of the Alfred Toepfer foundation (Toepfer is a controversial figure for his role in Nazi Germany); see also A. Cohen (2007) 'Le "père" de l'Europe' [The 'Father' of Europe], *Actes de la Recherche en Sciences Sociales*, Vol. 166–167, No. 1, pp. 14–29 and C. Constantin (2011) '"Great friends": Creating Legacies, Networks and Policies that Perpetuate the Memory of the Father of Europe', *International Politics*, Vol. 48, No. 1, pp. 112–128.

2 European Union internet site. Available at: [http://europa.eu/about-eu/eu-history/founding-fathers/index_fr.htm], accessed on 29 March 2014.

narrative is rooted in the trauma of two world conflicts which devastated the continent. However, although the pacification of Europe is a major preoccupation, European integration is not a project rooted in the people; friendship between the founding fathers is celebrated as a symbol of fraternisation of peoples which never really took place. In fact, the post-war impetus behind the process of European integration can be traced to the mobilisation of a very small transnational elite. Moreover, the project owes its success to its convergence with the United States government strategy, thus laying the foundation for global capitalism.

Already in the 1920s, there was a progressive realisation that the fragmentation of the European political space tended to convert economic rivalries into geopolitical conflicts. This is the thesis of Count Coudenhove-Kalergi, the instigator of the pan-European movement: 'Can the various political and economic pieces that comprise Europe assure peace in the face of growing world forces? Or to save its existence will it be constrained to organise a federation of states? Simply asking the question is a response'.[3] Fiscal union becomes the key element of a unification aimed at preventing wars internal to the continent and averting the economic decline. In spite of World War II, this project was not supported by the dominant European classes. Rather, the geopolitical pressure of the Soviet Union and a significant workers' movement led the USA to impose the agenda of European integration. The objective was twofold: secure Federal Germany and force the reorganisation of national bourgeoisies discredited by their collaboration with the Nazi regime.[4] Accordingly, in 1949, Paul Hoffmann, administrator of Economic Cooperation Administration (ECA) responsible for the allocation of the Marshall plan funds, asked Europeans to quickly move towards economic integration: 'The substance of such integration would be the formation of a single large market within which quantitative restrictions on the movement of goods, monetary barriers to the flow of payments and eventually, all tariffs are permanently swept away'. To ensure US-level prosperity, Europe required capital restructuration to be achieved by changing production scales: 'The creation of a permanent freely trading area comprising 270 million consumers in Western Europe would have a multitude of helpful consequences. It would accelerate the development of large-scale, low-cost production industries. It would make the

3 F. Théry (1998) 'Construire l'Europe dans les Années Vingt. L'action de l'Union Paneuropéenne sur la Scène Franco-Allemande, 1924-1932' [Building Europe in the Twenties. The Action of Pan-European Union on the Franco-German Scene, 1924-1932], EURYOPA, Etudes [Studies] 7, Institut Européen de l'Université de Genève, pp. 16–17. Available at: [www.unige.ch/ieug/publications/euryopa/thery.pdf], accessed on 20 March 2014.

4 J-C. Defraigne (2004) *De l'Intégration Nationale à l'Intégration Continentale. Analyse de la Dynamique Supranationale d'Intégration Européenne des Origines à Nos Jours* [From National to Continental Integration: An Analysis of the Dynamics of Supranational European Integration from its Origins to Today], Paris: L'Harmattan, pp. 147–166. G. Carchedi (2001) *For Another Europe. A Class Analysis of European Integration*. London/New York: Verso. For a historic perspective of the European Union, see C. Georgiou (2010) 'The Euro Crisis and the Future of European Integration', *International Socialism* (14 October 2010). Available at: [http://www.isj.org.uk/?id=682], accessed on 29 March 2014.

effective use of all resources easier, the stifling of healthy competition more difficult'.[5] In other words, the majority of economic arguments used to plead for European unification were already present.

Driven by the United States, the European Payments Union (EPU) was established to thwart the dollar liquidity shortage which hampered the development of intra-European commerce. Mainly through Jean Monnet, the USA actively supported the Schumann Declaration of 9 May 1950; this Declaration launched the European Coal and Steel Community (ECSC), the first supranational European institution. Clearly anti-trust, the ECSC followed the Federal Trade Commission; on the one hand, it prohibited the creation of cartels and prevented corporations from establishing a dominant position, and on the other hand, it favoured fusion and acquisitions operations that allowed the costs of production to be decreased through the realisation of scale economies.

The ostensible alternative between national wars and European peace[6] masked a crucial facet of the origins of the process of integration. The American intervention affirmed a new kind of empire, one which needed no territorial conquests and did not fear helping rival industries to emerge since its objective was to promote free trade. And free trade feeds on the construction of states and strong economies.[7] To ensure the success of this long-term project of constructing global capitalism, US leaders and European modernisation functionaries had relative autonomy from domestic capital interests. This explains why Jean Monnet and his group carefully kept steel industrialists who were hostile to all supranational authority that might oppose privately reached agreements out of ECSC discussions.[8] This relative autonomy of the state *vis-à-vis* capital certainly does not imply a disconnection between the state and the capitalist classes; rather, it refers to the state's ability to overcome the partial and short-term point of view of the different sectors of capital to foster the development of the system as a whole.[9]

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5 'Discours de Paul Hoffmann lors de la 75e réunion du Conseil de l'OECE' [Paul Hoffman speech at the 75th Meeting of the Council of OEEC] (31 October 1949), *Centre Virtuel de la Connaissance sur l'Europe*. Available at: [http://www.cvce.eu/viewer/-/content/840d9b55-4d17-4c33-8b09-7ea547b85b40/fr], accessed on 29 March 2014.

6 The argument has generally been mobilised to disqualify critiques. During the debate on the TSCG (Treaty for the Stability, Coordination and Governance), for example, the Socialist Party's representative for economic affairs wrote: 'The euro was not invented for economic reasons. It was set up so that people lose the habit of killing one another. Our priority is thus simple: to make all seventeen members of the Eurozone remain there and continue the march of integration' ['L'euro n'a pas été inventé pour des raisons économiques. Il a été mis en place pour que des peuples perdent l'habitude de s'entretuer. Notre priorité est donc simple: faire que les dix-sept membres de la zone euro y restent et reprendre la marche de l'intégration] K. Berger (2012) 'Il Faut Voter le Traité Budgétaire Européen' [It is Necessary to Vote on EU Fiscal Treaty], *Le Monde*, 20 Septembre 2012.

7 L. Panitch and S. Gindins (2012) *The Making of Global Capitalism*. London/New York: Verso, cf. chapter 3 in particular: 'Planning the New American Empire'.

8 J-C. Defraigne (2004), *op. cit.*, pp. 165–166.

9 L. Panitch and S. Gindins (2012) touch on the Gramscian tradition when they explain: 'In this respect, capitalists

Fusion or Disarticulation: What Political Economy for European Integration?

The subservience of European states to the US project was only just beginning. Once the dollar liquidity shortage receded, industrial, financial and political leaders who continued to define their strategies primarily in national terms abandoned the Payment Union and rejected the European Defence Community that would have led to a federal Europe.[10]

How can we explain the upheavals and the resilience of the process of European integration from the beginning of the 1950s? This is a difficult theoretical problem, and the dominant theories in the field of international relations are hardly satisfactory.[11] Those who underscore institutional imbalances generating a cumulative process of integration draw on a neo-functionalist logic according to which each European crisis produces the conditions which precipitate the following step. Such arguments are, at best, descriptive. Those who put state interests at the heart of European agreements take a rational choice approach, one which does not necessarily account for the economic dynamics. Further, constraining state entities conceals conflicts which cross and go beyond nation-states.

Two striking interpretations were formulated in the 1960s and 1970s by Ernest Mandel and Nicos Poulantzas, both derived from an international analysis of capitalism. According to the Mandelian approach, domination of US capital compels European states' national capitalist classes to reorganise for fear of being eliminated. The nation-state space is too confined to allow the enjoyment of the advantages deriving from scale economies, specifically with the re-composition of the property of large capitalist firms at the continental level. This amalgamation leads to the supranationalisation of several state functions. Mandel says:

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are less likely to be able to see the forest for the trees than officials and politicians whose responsibilities are of a different order from that of turning a profit for a firm. But what these states can autonomously do, or do in response to societal pressures, is ultimately limited by their dependence on the success of capital accumulation. It is above all in this sense that their autonomy is only relative'; see *The Making of Global Capitalism*, *op. cit.*, p. 4.

10 J-C. Defraigne (2004), *op.cit.*, pp. 167–169: 'La Communauté Européenne de Défense a été Rejetée par les Parlementaires Français' [The European Defence Community was rejected by the French Parliament]. On the intra- and anti-integrationists inside the French bourgeoisie; see C. Parsons (2006) *A Certain Idea of Europe*. Ithaca, New York: Cornell University Press.

11 For a critical presentation, see P. Anderson (2011) *Le Nouveau Vieux Monde. Sur le Destin d'un Auxiliaire de l'Ordre Américain* [The New Old World. The Fate of an Auxiliary of the American Order], Marseille: Agone Publisher. Magnus Ryner (2012) points to the ways academics adopt an instrumental approach to European construction in which general scientific pretension is abandoned for the logic of knowledge oriented towards a predetermined objective: integration. They pose a simplistic cleavage distinguishing between, on the one hand, a rational option maximising economic wellbeing of the agents by going beyond the nations, and on the other hand, emotive-affective nationalist reactions. This literature is anchored in the modernising ideology that largely takes the USA as a model and relies on the neoclassical economic synthesis. See 'Financial Crisis, Orthodoxy and the Production of Knowledge about the EU', *Millenium*, Vol. 40, No. 3, pp. 651–653.

> 'The growth of capital interpenetration inside the Common Market, the appearance of large amalgamated banking and industrial units which are not mainly the property of any national capitalist class, represent the material infra-structure for the emergence of supra-national state-power organs in the Common Market. The larger the growth of capital interpenetration, the stronger the pull for transferring certain given powers from the national states of the six countries towards the Common Market supra-national units.'[12]

According to Mandel, the expanded reproduction of capital and rivalry with the USA should generate the formation of a sociopolitical European bloc. Poulantzas violently rejects this interpretation, accusing Mandel of 'going along with all the current bourgeois propaganda about the "United Europe"'.[13] The disagreement is constructed around notions closely intertwined with imperialism and the state. To Poulantzas, the simple distinction between inter-imperialistic competition and centre-periphery polarisation is no longer applicable. He highlights the 'establishment of a new line of demarcation in the metropoles' camp between the USA and the other metropoles of imperialism, in particular Europe, on the other. The structure of domination and dependence of the imperialist chain organizes the relations of uneven formations of the centre'.[14]

The new line of demarcation implies that there is no inherent contradiction between the national bourgeoisie and US capital and, thus, no automatic rivalry between Europe and the USA. Dependence on the USA dismantles autochthonous capitals in the diverse European economies; the resulting labour processes integrate elements of US capital at the level of production (machines, technologies, inputs), forms of work organisation, relations of competition (concurrence) and sub-contracting. Put otherwise, the political and ideological conditions of American imperialism are consubstantial to European societies. This entails that 'the currently dominant form of interimperialistic contradiction is not that between "international capital" and "national capital" or between imperialist bourgeoisies understood as juxtaposed *entities*'.[15] Because of this imbrication of US capital and the disarticulation of domestic capital, there can be no systematic opposition between the two.

The second element of the controversy, according to Poulantzas, is that there is not necessarily a correspondence between forms of capital organisation and state forms:

> 'The state is not a mere tool or instrument of the dominant classes, to be manipulated at will, with the entire stage of the internationalization of capital automatically provoking a "supranationalisation" of states. The state, the apparatus of cohesion, the apparatus of unity of a

12 E. Mandel (1967) 'International Capitalism and 'Supra-Nationality', *Socialist Register*, Vol. 4, p. 31. Available at: [https://jps.library.utoronto.ca/index.php/srv/article/download/5368/2268], accessed on 29 March 2014.

13 N. Poulantzas (1973) 'L'internationalisation des Rapports Capitalistes et l'État-Nation' [Internationalisation of Capitalist Relations and the Nation-State], *Les Temps Modernes*, No. 319 (February), p. 1489.

14 *Ibid.*, p. 1465.

15 *Ibid.*, p. 1487.

> formation and of reproduction of its social relations, concentrates and epitomizes the class contradictions of the *social formation as a whole*, by sanctioning and legitimizing the interests of the dominant classes and fractions in the face of the *other classes* of the formation, at the same time as assuming world class contradictions It follows that the problem we are concerned with does not, moreover, reduce to a simple contradiction of mechanistic composition between the base (internationalization of production) and a superstructural envelope no longer "corresponding" to it.'[16]

In short, a new scale of organisation of capitalist economic activity does not entail the formation of a political apparatus at that level.

Poulantzas notes the economic and political processes associated with the internationalisation of capital, without indicating the specific logic behind European integration. Mandel, on the other hand, proposes a simple but poignant hypothesis: the inter-imperialist rivalry *vis-à-vis* the United States leads to the European amalgamation of national capitals, an economic reorganisation which leads to the reordering of the political.

Despite their disagreements, the two authors underscore the difficulties of the situation from the point of view of revolutionary strategies. Mandel does not fetishise the European scale. He anticipates that in the short or medium term, there will not be parallel economic, social and political development in European countries. Historic differences between social structures and labour movements are translated by power relations between classes which vary from country to country, leading to different possibilities for the conquest of power by the working classes. Mandel insists that internationalism does not consist of waiting for conditions to be mature simultaneously in different countries before taking over; instead, 'socialists should continue to work for the overthrow of capitalism within the boundaries of "their" own country inside the Common Market, as long as this is *objectively possible*'.[17] Meanwhile, when the process reaches the point 'where the workers of the six countries face the new "European" employers' class, the whole struggle for socialism will have to be lifted to the new international dimension'. At the same time, however, 'one should not underestimate the tremendous difficulties on the road to the practical, international coordination in a struggle for political power, if only because of the differences in language and the levels of centralisation needed for such a struggle'.[18]

The internationalisation of productive processes within global chains of commodities has grown significantly in recent decades. Already in the 1970s, however, Poulantzas noticed this trend and commented on the accompanying problems:

> 'Whilst the struggles of the popular masses are developing more than ever on a world *foundation* determining the concrete conjunctures, and whilst the establishment of world relations of

16 *Ibid.*, p. 1491.
17 E. Mandel (1967), *op. cit.*, p. 38.
18 *Ibid.*, p. 39.

> production and the socialization of labour *objectively* reinforce the international solidarity of workers, it is the national form that prevails in their essentially international struggle.'[19]

A number of factors contribute to this paradox: the specificities of each social formation, the particularities of forms of organisation of the working classes, the petite bourgeoisie and peasantry nationalisms that stem from their unique relations to the state, and the social categories of state apparatuses whose role is derived directly from the national state. He draws the following political conclusion:

> 'In this uninterrupted revolutionary process, there cannot be an individual stage of "national" liberation or of "new democracy" based on forms of alliance with a "national bourgeoisie" against "foreign" imperialism and its "agents". Indeed, dependence of the national capital vis-à-vis the USA capital is such that "the rupture of the imperialist chain in one of its links becomes terribly difficult", and it can only be carried out by making a direct attack on, among other things, the labour process itself and on the forms of social division of labour in the processes of production.'[20]

Interestingly, from the point of view of the analysis of European construction, what we now call globalisation and its strategico-political problems, the controversy between these two authors remains valid. They leave unexplored however, the hypothesis of a counter-revolutionary nature to the process of European integration. Lenin's penetrating intuition that 'the US of Europe is, in capitalist regime, either impossible, or reactionary'[21] captures this aspect. Such a construction would not only inscribe in a logic of geopolitical competition aiming to 'contain the more rapid development of America' and to 'protect in common the struck colonies against Japan and America' but also 'aim to stifle in common the socialism in Europe'.

A Counter-Revolution in Advance

Jan Werner Müller says the following of the 'reconstruction' of Europe:

> 'Insulation from popular pressures and, more broadly, a deep distrust of popular sovereignty, underlay not just the beginnings of European integration, but the political reconstruction of Western Europe after 1945 in general. (...) The European elites in the late 1940s and 1950s consciously opted for a restrictive understanding of democracy – and of the EU, since its origin, functions on this basis.'[22]

19 N. Poulantzas (1973), *op. cit.*, p. 1491.

20 *Ibid.*, p. 1500.

21 Lénine [Lenin] (2002) 'Du Mot d'Ordre des États-Unis d'Europe' [The Slogan of the United States of Europe], *Social-Démocrate*, No. 44 (23 August 1915). Works–XXI (August 1914–December 1915) No. 73. Available at: [http://www.marxists.org/francais/lenin/works/1915/08/vil19150823.htm], accessed on 29 March 2014.

22 J-W. Müller (2012) 'Beyond Militant Democracy', *New Left Review* Vol. 73 (January/February). Available at: [http://newleftreview.org/II/73/jan-werner-muller-beyond-militant-democracy], accessed on 29 March 2014.

The experience of Nazism, the Cold War, totalitarianism and the pre-eminence of a Christian democracy defiant of popular sovereignty are all contributing factors in the establishment of limitative institutions of democracy. The trend towards an insulation from popular pressure participates thus in a general context but it takes a more radical and straightforward form in the course of the EU integration. The change in the spatial scale of the politico-economic organisation was not a neutral phenomenon; rather, the construction of the supranational level was a means to reinforce the freedom of capital.

To Friedrich Hayek, arguably the most significant neoliberal thinker of the twentieth century, the main asset of a federation is its ability to reduce public power over economic politics. As he writes, not without irony, 'If the price we have to pay for an international democratic government is a restriction of power and scope of government, it is surely not too high a price (and all those who genuinely believe in democracy ought to be prepared to pay it)'.[23]

What are the consequences of removing obstacles to the circulation of goods, people and capital, and of monetary integration? First, nation-states are deprived of the possibility for industrial politics since these distort competition. Further, they cannot regulate the quality of products, working conditions or even taxation since free competition renders these instruments inoperative. Nor are unions or professional organisations in a position to impose protections. Finally, by definition, a common monetary politics cannot fluctuate according to the interests of a particular state.

Should we not fear (in Hayek's perspective) the reaffirmation of these political economic tools at the federal level? Simply stated, no. The basic principle of industrial politics is lost once the size of the market becomes such that the main competitors are in the union; protection of or support for a particular sector becomes extremely difficult; and in a vast market, there are not sufficient solidarity relations. Hayek asks: 'Is it likely that the French peasant will be willing to pay more for his fertilizer to help the British chemical industry?'[24] More fundamentally, differences in the level of development are an obstacle to all sorts of interference in the market. In the end, Hayek says, once fundamental economic liberties are established at the federal level:

> 'There seems to be little possible doubt that the scope for the regulation of economic life will be much narrower for the central government of a federation than for national states. And since, as we have seen, the power of the states which comprise the federation will be yet more limited, much of the interference with economic life to which we have become accustomed will be altogether impracticable under a federal organisation.'[25]

23 F. Hayek (1939) 'The Economic Conditions of Interstate Federalism', reprinted (1948) in *Individualism and Economic Order*. Chicago: University of Chicago Press, p. 271.

24 *Ibid*., p. 262.

25 *Ibid*., p. 265.

Federal power consists mainly of preventing the legislators of different entities from hampering the functioning of the free market: 'this means that the federation will have to possess the negative power of preventing individual states from interfering with economic activity in certain ways, although it may not have the positive power of acting in their stead'.[26]

Once the foundations of a capitalist economy are in place, the possibility that people with different cultures and histories will accept a federal power capable of organising production and consumption seems unlikely. And 'yet, at the same time, in a federation these powers could not be left to the national states; therefore, federation would appear to mean that neither government could have powers for socialist economic planning'.[27] The federalist form is, to Hayek, a means of protecting the capitalist order from the socialist threat.

Although the history of European integration cannot be reduced to this negative integration à la Hayek, before the global turn towards neoliberalism had begun in the 1970s, the superiority of a social order founded on free competition was a founding principle of the European project. The treaty of Rome in 1957 set as a primary objective 'the institution of a system ensuring that competition in the common market is not distorted' (part 1, art. 3).[28] The key actors were well aware of the stakes. Some, like Hans von der Groeben, one of the authors of the Treaty for Germany, applaud the change. He says, 'If we bring together fixed objectives in this treaty and given instrument under a form of rules and of institutions (...), it appears that all the essential characteristics of a market economic system are brought together'.[29] Others despair; for example, Pierre Mendès-France denounces a liberal logic in which 'pure and simple competition resolves all problems'. He warns of the risk of a 'race to the bottom' in social and fiscal matters and warns against the 'abdication of a democracy' which can take the form of subservience 'to an external authority, which, in the name of a technicality, will exercise in reality the political power; for in the name of a healthy economy we easily come to dictate a monetary, budgetary, social and finally "a political" politics, in the big sense of the word, national and international'.[30]

The obstacles created by governments to attempts to build a common competition policy are numerous, and implementation will take several decades. For example, the longstanding refusal to sanction/ratify the primacy of the international community law over the national law runs

26 *Ibid.*

27 *Ibid.*, p. 266.

28 Hayek's work influenced the Treaty of Rome through the European Movement. See F. Denord and A. Schwartz (2010) 'L'économie (très) Politique du Traité deRome' [The Economy (very) Policy of the Treaty of Rome], *Politix*, No. 89, pp. 35–56. However, for an Austrian author, John Gillingham, European integration remains clearly inside the radicality of the desired model. See P. Anderson (2011), *op. cit.*

29 Cited by Denord and Schwartz, *op. cit.*

30 Speech by Pierre Mendès France on the risks of the common market at the National Assembly, Paris, 18 January 1957. Centre Virtuel de la Connaissance sur l'Europe. Available at: [http://www.cvce.eu/obj/discours_de_pierre_mendes_france_sur_les_risques_du_marche_commun_paris_18_janvier_1957-fr-c81bfdc2-20a9-4eaa-82ec-c2117fa1f3c2.html], accessed on 29 March 2014.

counter to the principles of such a treaty. Also causing problems are sectorial politics in the agricultural, transport and atomic energy domains.

Meanwhile, on the ideological level, the size of the markets allows the creation of scale economies, the better allocation of resources, and heightened competition. Ultimately, the arguments used to justify a large market, based on the principle of unfettered competition, such as those presented a decade earlier by Hoffman, the US representative, were accepted and the Single European Act in 1986 authorised the creation of a large internal market in the 1980s and 1990s. As noted by Denord and Schwartz, 'the Treaty gives neoliberal ideas sustainability that governments often lack'.[31]

The process of European integration was hampered by the inter-war experience and the persistence of a problem central to the bourgeoisie: 'the intrusion of the masses in a capitalist relation'.[32] In this context, the idea of a social market economy[33] played a key role in thinking the containment of democratic pressures. The concept was popularised in 1946 by Alfred Müller-Armack, an ordoliberal economist[34] who represented Germany in the European negotiations. It figured in the Treaty of Lisbon as one of the main objectives of the European Union.[35]

The notion of the social economy of the market was successful due to the ambiguities of the term 'social'. In Müller Armack's thinking, the social refers, on the one hand, to the political nature of the market economy set against a liberal classical vision of the market as a natural order and, on the other hand, to the benefits society can draw from an undistorted system of competition. The *social economy of the market* is thus opposed to the logic of a social state.[36] It situates the source of prosperity for all in the functioning of the market and seeks to limit as much as possible public intervention in matters of income redistribution and living conditions. As explained by Michel Foucault:

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31 Denord and Schwartz, *op. cit.*, p. 55.

32 W. Bonefeld (2002) 'European Integration: The Market, the Political and Class', *Capital & Class*, Vol. 26, No. 77, p. 125.

33 On this notion and the role of the ordoliberal school in the European construction see P. Dardot and C. Laval (2009) *La Nouvelle Raison du Monde* [Because of the New World], Paris: La Découverte, chapters 7 and 11. On ordoliberalism see Foucault (2004) *Naissance de la Biopolitique* [Birth of Biopolitics], Paris: Gallimard-Seuil, p. 150. For a more general presentation of German ordoliberalism and the controversies raised by its interpretations, see S. Audier (2012) *Néolibéralism(s). Une archéologie intellectuelle* [Neoliberalism(s). Intellectual Archaeology]. Paris: Grasset, especially pp. 401–424.

34 Ordoliberalism is a theoretical thread of neoliberalism which appeared in Germany in the 1930s.

35 The concept was integrated into the German Christian-Democrat doctrine in 1949, then a decade later, adopted by Social-Democrats at the Congress of Bad-Godesberg. In France, it took half a century to be accepted. In June 2008, the French socialist party espoused 'a social and ecological economy of the market' ['une économie sociale et écologique de marché'], and abandoned all revolutionary references.

36 On the notion of social state, see C. Ramaux (2012) *L'État Social. Pour Sortir du Chaos Néolibéral* [The Social State. Out of Neoliberal Chaos], Paris: Mille et une nuits.

> 'The fundamental form of social policy must not be something that works against economic policy and compensates for it; social policy must not follow strong economic growth by becoming more general. Economic growth and only economic growth should enable individuals to achieve a level of income that will allow them insurance, access to private property, and individual or familial capitalization with which to absorb risks.'[37]

The anthropological project of this school of thought has as a fundamental principle the centrality of competition as a mode of inter-individual relation. The social order affirmed through the notion of the social economy of the market opposes Marxism by denying class antagonisms. Foucault shows that such a project, besides rejecting socialism and social politics, is founded on the neutralisation of Keynesian economic politics. Social policy should enable everyone to take part in the competitive order: the government should 'intervene in society so that competitive mechanisms can play a regulatory role at every moment and every point in society and by intervening in this way its objective will become possible, that is to say, a general regulation of society by the market'. In this sense, what this project implicates 'is not an economic government, it is a government of society'.[38]

The elevation of competition to the level of a superior norm in ordoliberalism meets the needs of an economic concern for efficiency and a moral claim of human freedom. It is fulfilled by an institutional hierarchy in which market regulation (i.e. free and undistorted competition) is ensured by extra-democratic authorities. The process of European integration participates in this project. It does not endorse concessions in terms of social rights granted to workers in the post-war full employment context; rather, it counterbalances these achievements in the socialisation of the economy by establishing loci of decision-making that escape popular influence. Thus, the technocratic government, through rules and independent authorities, shelters large segments of the economic politics from discretionary political decisions.

European integration asserts a class power: 'the "national" guarantee of the rights of private properties is conserved due to Europe which protects the law of the market from embattled masses at the national level'.[39] The European bourgeoisie accepts mass democracy; but, rather than resorting to a police state, as Rosa Luxemburg had anticipated, it strives to contain the threat through institutional barriers which constitute the substance of the process of European integration: 'the creation of the European community is thus read as a "preventive counter-revolution" against democratic majorities, that is European working classes'.[40]

37 M. Faucault (2004) *Naissance de la Biopolitique* [Birth of Biopolitics], *op. cit.*, p. 150/145.
38 *Ibid.*, p. 151.
39 Bonefeld (2002), *op. cit.*, p. 132.
40 *Ibid*, p. 130. The concept of '*pre-emptive counter-revolution*' belongs to Johannes Agnoli.

In this perspective, the *European civil war* of 1914–1915, as analysed by Enzo Traverso, is the breeding ground of contemporary Europe.[41] The period's profound crisis of liberal democracy jeopardised the political and legal foundations of capitalism and became the point of negative reference for the post-war institutional architecture.

The European scale, because of its supranational character, remains partly untouched by the relationship with the social forces expressed in the frame of European nation-states. It constitutes a new ground for transnational politico-economic networks and neoliberal ideas. According to Hayek's logic, the rise in power of the federal scale facilitates the reinforcement of free market principles at the expense of the public authority interventions. European construction is a ground-breaking attempt to pre-emptively address the threats posed by social and political movements to the capitalist order.

The Making of a World Currency

Following the Maastricht Treaty signed on 7 February 1992, the euro became the single currency across countries, the culmination of a project sketched out in the aftermath of World War II. The groundwork was laid in the 1970s and supported in the 1980s when the socialists in France agreed, albeit reluctantly, to remain within the frame of the European monetary system. The subsequent prioritisation of decreasing inflation led to budget restrictions and increasing unemployment. Francois Mitterand declared: 'I am torn between two ambitions: constructing Europe and (bringing about) social justice. The EMS (European Monetary System) is necessary to achieve the first, and it limits my ability to (bring about) the second'.[42]

The dilemma was resolved by the adoption of a single currency. As elaborated in the 1989 Delors report and formalised in the Treaty of Maastricht, the project took an ordoliberal line. In one of his first speeches delivered as President of the European Central Bank (ECB), Mario Draghi pays tribute to Ludwig Erhard, Federal Republic of Germany's first Minister of Economy, and his decisive role in the establishment of ordoliberal ideas. He notes Erhard's support of the principle of independence of the central bank and his conviction that the 'social economy of the market cannot be thought without a consequent politics of price stability'.[43]

This new stage in European unification has allowed monetary politics to be freed from democratic deliberation. The freedom of capital to circulate is justified by the premise of financial market efficiency; the struggle against inflation supported by a monetarist syncretism has taken on

41 E. Traverso (2007) *A Feu et à Sang. De la Guerre Civile Européenne 1914–1945* [A Fire and Blood European Civil War 1914–1945], Paris: Stock.

42 François Mitterrand, Saturday, 19 February 1983, in Jacques Attali, *Verbatim* [Verbatum – testimony in three volumes], tome I. Published in Paris by Fayard in 1993.

43 Speech by Mario Draghi, President of ECB, 'The Euro, Monetary Policy and the Design of a Fiscal Compact', Ludwig Erhard Lecture, Berlin, 15 December 2011. Available at: [http://www.ecb.int/press/key/date/2011/html/sp111215.en.html], accessed on 29 March 2014.

a constitutional value. In addition, the complexity of the economic processes redistributing the costs and the advantages amongst the population is intended to limit the desire for contestation: 'the likelihood that groups within Europe will either recognise EMU as the source of their economic difficulties or will mobilise against EMU as the first-best means of redress is very small'.[44] The much desired de-politicisation of financial and monetary questions is crucial to the project. Indeed, with no exchange rates, or any substantial European budget and with a uniform monetary policy, labour remains the only variable through which the various national economies can adjust their differentiated dynamics and absorb any shocks.[45] This logic is plainly anticipated in the Delors Report (1989), which indicates that in the frame of the monetary union, 'wage flexibility and labour mobility are necessary to eliminate the differences in competitiveness in different regions and countries of the Community'.[46]

Currency sharing and the use of a central independent bank – fixed on price stability – raise a whole set of new issues, however. The arguments of economic theory do not come down clearly in favour of a single currency, yet the majority of the major political parties in continental Europe, even the big employers' organisations, supported the creation of the euro. This apparent paradox is explained by the advantages expected from the ability of *a world money* to control competition between capitals and states at the international scale. The passage to a single currency would accelerate the Europeanisation of capital and ensure its extra-European internationalisation at a moment when finance affirmed its hegemony.

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44 E. Jones (2002) *The Politics of Economic and Monetary Union*. Boulder: Rowman & Little, p. 12. Quoted by M. Ryner (2012) 'Financial Crisis, Orthodoxy and the Production of Knowledge about the EU', *op. cit.*, p. 660. Sweden is one of the few countries to have had a profound public debate on the costs and advantages of the euro; as a result of the debate, it did not adopt the single currency. R. Boyer (2012) 'Overcoming the Institutional Mismatch of the Eurozone', Seminar Classes of CEPN-AMPK, 16 November 2012, pp. 25–27. Available at: [http://www.univ-paris13.fr/cepn/IMG/pdf/texte_cepn_ampk _301112.pdf], accessed on 29 March 2014.

45 To substitute for adjustment through exchange rate adjustment via prices, wages and employment is extremely slow and very costly in terms of lost growth and unemployment. See V. Duwicquet, J. Mazier and J. Saadaoui (2013) 'Désajustements de Change, Fédéralisme Budgétaire Etredistribution: Comment s'ajuster en Union Monétaire' [Misalignment of Exchange, Fiscal Federalism and Re-distribution: How to adjust Monetary Union], *Revue de l'OFCE*, Vol. 127, pp. 57–96. Also see O. Chagny, M. Husson and F. Lerais (2012) 'Les Salaires aux Racines de la Crise de la Zone Euro?' [Wages are the Roots of the Crisis in the Euro Zone], *La Revue de l'IRES*, Vol. 73, pp. 69–98. Stockhammer and Sotiropoulos (2012) say that to rebalance the commercial balances of Spain, Portugal, Italy, Ireland and Greece through international devaluation, the PIB [GDP] should be reduced by approximately 23% to 47% in relation to the 2007 level. E. Stockhammer and D. Sotiropoulos (2012) 'The Costs of Rebalancing the Euro Area', Post Keynesian Economics Study Group (PKSG) working paper, PKWP1206, 38 pages. Available at: [http://www.postkeynesian.net/downloads/wpaper/PKWP1206.pdf], accessed on 29 March 2014.

46 The Delors Report (Report on Economic and Monetary Union in the European Community), 17 April 1989. Available on line in the Archive of European Integration (AEI), University of Pittsburgh at: [http://aei.pitt.edu/1007/1/monetary_delors.pdf], accessed on 29 March 2014.

Dubious Benefits of Monetary Union

The European Monetary Union is meant to heighten the benefits of the common market, including better allocation of resources, scale economies and stimulation of competition thanks to the disappearance of uncertainties related to the fluctuations of exchange rates and to the suppression of transaction costs. The freedom of capital circulation should enhance liquidity in the financial markets, encouraging investment and helping to develop new industries by reducing the cost of capital.[47] A single currency would bring rapid growth, increase employment, assist profitability and, in the long run, lead to higher salaries.

This reasoning of the European business community is, however, a source of controversy amongst economists. Robert Mundell's dominant optimal currency zones theory claims that income generated through participation in a particular monetary zone is conditional: countries must have similar economic structures if the impact of the economic shocks they face are to become correlated, labour markets must be flexible to absorb the asymmetric shocks and finally, commercial integration must increase for transaction costs to decrease and present a significant advantage.[48] In the early 1990s, a number of economists considered that these conditions were not met, echoing the conclusion of the European Commission in the 1970s who said only a common budget would allow fiscal transfers and render the single currency viable.[49]

In the early 1990s, freedom of capital circulation brought turmoil to foreign exchange markets through successive waves of speculation, reinforcing the need for a single currency as a means to protect the countries. The monetary union was a logical consequence of capital market integration.

Shortly thereafter, a variant of the optimal currency zones theory was used to justify the choice of the single currency by pointing to the endogeneity of the optimality criteria.[50] The theory had the following logic: the decision to set up a monetary union has a self-fulfilling character. Economies will adapt to this new situation by activating a series of mechanisms: monetary union

47 These arguments are developed in the reports Cecchini, Padoa Schioppa and Sapir sponsored by the European Commission to prepare the single market, the single currency and then the Lisbon agenda. For an approach through regulation theory of the euro trajectory and of the institutional inadequation of the zone, see R. Boyer (2012) 'Overcoming the Institutional Mismatch of the Eurozone', *op. cit.*

48 For a synthesis of the theoretical debates on the Eurozone as an optimal currency zone, see P. De Grauwe (2006) 'What Have we Learnt about Monetary Integration since the Maastricht Treaty?', *Journal of Common Market Studies*, Vol. 44, No. 4 (November), pp. 711–730.

49 D. MacDougall (1977) MacDougall Report, *Report of the Study Group on the Role of Public Finance in European Integration*, Vol. I. Brussels: European Commission. Available at: [http://ec.europa.eu/economy_finance/emu_history/documentation/chapter8/19770401en73macdougallrepvol1.pdf], accessed on 29 March 2014.

50 J.A. Frankel and A.K. Rose (1996) 'The Endogeneity of the Optimum Currency Area Criteria', *NBER Working Paper*, No. 5700, Issued in August 1996. Available at: [http://www.nber.org/papers/w5700], accessed on 29 March 2014.

will increase commercial integration and the benefits from a single currency; financial integration will facilitate the implementation of prevention systems to offset the asymmetric shocks, and the labour markets will be compelled to become flexible.

But since 2000 and increasingly with the economic crisis, there has been serious doubt. Many stress that the flux of financial resources in the peripheral regions, a result of the elimination of exchange risk, can potentially destabilise levels of indebtedness and commercial deficits.[51] They argue that the massive flux of capital, fed by differential inflation rates and the illusion that risks related to international financial operations vanished with the creation of the euro, will nurture unsustainable imbalances and dramatically exacerbate competitiveness gaps.[52] In this sense, the euro crisis is the work of the euro itself; far from creating optimality, the single currency creates the conditions of its own destabilisation.

An Attempt at Global Projection

Since its creation, the single currency has failed to live up to its promises of growth; the Euro-zone is one of the least dynamic of the globe. The crisis has also shown that the euro had nothing to do with speculation, having simply displaced speculation from the exchange market to the public debt market.[53] The attachment to a single currency needs further clarification. The will, already mentioned, to reinforce the position of a class power is clearly present. The other significant factor

51 Some of this work is written by ECB economists. These studies do not explain why the supposedly efficient financial markets provide inadequate capital allocation oriented towards real estate rather than new technologies. For a brief discussion of this work, see M. Ryner (2012) 'Financial Crisis, Orthodoxy and the Production of Knowledge about the EU', *op. cit.*, pp. 657–658. In a post-Keynesian perspective, E. Stockhammer warned of the destabilising effects of commercial imbalance before the outbreak of the European crisis: E. Stockhammer (2007) 'Some Stylized Facts on the Finance-Dominated Accumulation Regime', *Political Economy Research Institute Working Papers*, wp142, University of Massachusetts at Amherst. Available at: [http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_101-150/WP142.pdf], accessed on 29 March 2014.

52 A number of publications have described the mechanisms at work since the Eurozone problems. A good example is the book coordinated by C. Lapavitsas (2013), *Research on Money and Finance*. Available at: [http://www.researchonmoneyandfinance.org/], accessed on 29 March 2014; another (in 2012) is *Crisis in the Eurozone*. London: Verso. See also M. Aglietta (2012) *Zone Euro: Eclatement ou Fédération* [Eurozone: Break Up or Federation]. Paris: Michalon.

53 See also the work of J. Sapir (2012) 'Pour l'Euro, l'Heure du Bilan a Sonné. Quinze Leçons et Six Conclusions' [For the Euro, the Time of Reckoning has Come. Fifteen Lessons and Six Conclusions], 18 June 2012. Available at: [http://halshs.archives-ouvertes.fr/FMSH-WP/halshs-00710375], accessed on 29 March 2014; 'Mythes et Préjugés Entourant la Création et l'Existence de la Monnaie Unique' [Myths and Misconceptions Surrounding the Creation and Existence of the Single Currency], summary analysis, Centre d'Études des Modes d'Industrialisation (CEMI), EHESS, 14 September 2012. Available at: [http://f.hypotheses.org/wp-content/blogs.dir/981/files/2012/09/Mythes-Euro.pdf], accessed on 29 March 2014.

is the European attempt to improve the position of its capital in the global scene of accumulation.[54] In the world market – this particular space where private international capital meets the interstate system the euro aspires to be a common language for capital and states[55] to benefit European entities. This inevitably raises the question of competitiveness *vis-à-vis* the dollar.[56]

Such an attempt to construct what Marx calls a 'world money'[57] is unprecedented. It is not a question of the transformation of an already existing domestic currency, linked to a state economy, but the creation *ex nihilo* of a currency through the monetary union of different countries. To achieve this, the euro should become a *reserve currency*, a secure and accepted means of payment: it also must be recognised as the basis for price fixing. Unlike the dollar whose acceptability relies on institutional and contractual arrangements already in place, as well as on a unique political and military power, the euro needs to build its credibility. The size of the domestic markets supports this, but the political fragmentation of the zone constitutes an intrinsic fragility that requires an irreproachable monetary stability. This is behind the anti-inflationist obsession of the ECB and explains the vigilance over the evolution of the international usage of the euro.[58]

Its function as the means of payment of the international balance is a primary attribute of the world money. The *monetary power* associated with the control of the world money, or 'the exorbitant privilege of America' as denounced by de Gaulle, is measured in terms of the degrees of

54 EU imperialism is not restricted to monetary issues. In the commercial and military sectors, the European construction has an imperialist dimension, partly complementary to national imperialisms. See G. Carchedi (2001) *For Another Europe*, *op. cit.*, pp. 114–117; C. Serfati (2012) 'L'Impérialisme et la Place de l'UE dans le Dispositif Économique et Géopolitique Mondial' [Imperialism and the Role of the EU in the Global Geopolitical and Economic System], symposium *Penser l'Émancipation* [Thinking Emancipation], 27 October 2012 at UNIL, Lausanne. Available at: [http://www.youtube.com/watch?v=7LE7_EngVEw], accessed on 29 March 2014.

55 On the euro as 'a world money' see C. Lapavistas (2013) 'The Eurozone Crisis through the Prism of World Money', in M. Wolfson and G.A. Epstein (eds), *The Handbook of the Political Economy of Financial Crises*. USA: Oxford University Press, pp. 378–394.

56 The possibility of the euro becoming the major international reserve currency, replacing the dollar, along with the resulting difficulties for the funding of the US commercial deficit are discussed by M. Chinn and J. Frankel (2005) 'Will the Euro Eventually Surpass the Dollar as Leading International Reserve Currency?', *NBER Working Paper No. 11510*, August 2005. Available at: [http://www.nber.org/ papers/w11510], accessed on 29 March 2014; see also K. McNamara (2008) 'A Rivalry in the Making? The Euro and International Monetary Power', *Review of International Political Economy*, Vol. 15, No. 3, pp. 439–459.

57 Karl Marx (2009) *Le Capital*, Vol. I. Paris: Quadridge/Press Universities of France (PUF), pp. 160–164.

58 The ECB publishes a yearly report accounting for the euro's value in global foreign exchange reserves (around 25% against 62% for the dollar), the share of debt expressed in euros (around 26% against 50% for the dollar) or the weight of the euro in exchange operations (40% against 90% for the dollar) but also the role of the euro as a parallel currency beyond the zone. For 2011, the report shows that despite the crisis, there is strong resilience in the international use of the euro. See ECB, *The International Role of the Euro* (2012) (July). Available at: [http://www.ecb.int/pub/pdf/other/euro-international-role201207 en.pdf], accessed on 29 March 2014.

autonomy of the national macroeconomic politics at the heart of the global monetary system, essentially, an economy which can escape the costs of adjustment which lead to imbalances in the payment balance.

The EMU is meant to increase the monetary power of country members, on the one hand, by diminishing the external vulnerability of currency fluctuations and on the other hand, by improving the capacity of states to finance their commercial imbalances thanks to the depth of a large, unified financial market.[59] The expected reinforcement of the monetary power should generate additional benefits by increasing the authority of Europe on the global economic and financial scene. The Delors Report sustains that, 'The establishment of the EMU would give *the Community a greater say in international negotiations* and enhance its capacity to influence economic relations',[60] notably in commercial and monetary matters and in the macroeconomic management of the world economy.

But a world currency also provides more direct benefits, which explains the attachment of large financial and non-financial corporations to the euro.[61] The wide acceptance of the euro in international transactions has facilitated the expansion of European banks and favoured acquisitions of industrial firms abroad. The financial costs of international operations (exchange rate, insurance, credit) are thus significantly diminished. As a result, the European share in foreign direct investments (FDI) jumped from 42.6% in 1999 to 55% in 2008. At the same time, in the USA, FDIs fell from 39.3% to 18.9%.[62] Intra-European operations play a role in this outcome, as almost 70% of European FDIs are internal to the EU.[63]

The increased influence of European companies is equally visible in new alliances between management councils in the north-Atlantic heart of globalised capitalism. In the early 1990s, the main links were regroupings around big American companies; in 2005, the big American

59 D.M. Andrews (ed.) (2006) *International Monetary Power*. Ithaca, NY: Cornell University Press. For a brief discussion of the Eurozone see M. Vermeiren (2012) 'Monetary power and the EMU: Macroeconomic Adjustment and Autonomy in the Eurozone', *Review of International Studies*, Vol. 39, No. 3 (November), pp. 1–33.

60 The Delors Report (Report on Economic and Monetary Union in the European Community), *op. cit.*, p. 25.

61 Lapavitsas (2013), 'The Eurozone Crisis through the Prism of World Money', in M. Wolfson and G.A. Epstein (eds), *The Handbook of the Political Economy of Financial Crises*. USA: Oxford University Press, pp. 378–394.

62 United Nations Conference on Trade and Development (UNCTAD), *FDI Statistics* (2012). Available at: [http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx?sRF_ActivePath=P,5,27&sRF_Expanded=,P,5,27], accessed on 29 March 2014.

63 Eurostat, 'European Union Foreign Direct Investment Yearbook' (2008), p. 89; available at: [http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BK-08-001/EN/KS-BK-08-001-EN.PDF], accessed on 29 March 2014. See also: [http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Foreign_direct_investment_statistics#EU27_FDI_stocks_with_moderate_growth_in_2010], accessed on 29 March 2014.

companies and to a lesser extent the French and Swiss were connected to US firms.[64] If the Europeanisation of firms is an essential component of internationalisation, it is not all of it.[65]

Amalgamation under Financial Hegemony

Talk about European capital raises complex empirical and theoretical issues. Is there, as Mandel contemplated, an amalgamation of national capitals at the level of firm ownership? Do the different national capitals in Europe take a subordinate position to American capital as argued by Poulantzas? Addressing these issues goes beyond the scope of this article. It is, however, worth noting two elements: first, the property of capital and second, the firms, the assets they control and the national sociopolitical regularities in which they operate, that is, the technical and institutional arrangements organising the valorisation of capital.

The EMU has accelerated major transformations in the structures of property and governance of large firms, reinforcing the financial grip.[66] From the post-war period to the 1970s, managers played a dominant role in the structure of the governance of large firms and maximised their power by reinvesting the profits; starting in the 1980s, we see a progressive transformation marked by the rise in power of shareholders and the alignment of the managers' behaviour based on the income they distributed. This evolution translates into increased distributed profits in the form of interest, dividends and share repurchasing. Originating in the USA and GB, the norm of value creation for the shareholders became generalised in a developed world, albeit at unequal rhythms depending on countries and sectors, as the integration of financial markets became increasingly organic.

This transformation in Europe has been concomitant with turmoil in shareholding structures. In France, the turning point arrived in the second half of the 1990s.[67] The 1986 and 1993 privatisations, along with those in the period 1997–2001, deprived public authorities of their

64 K. Van der Pijl, O. Holman and O. Raviv (2011) 'The Resurgence of German Capital in Europe: EU Integration and the Restructuring of Atlantic Networks of Interlocking Directorates after 1991', *Review of International Political Economy*, Vol. 18, No. 3, pp. 384–408.

65 M. Dietsch, E. Mathieu and M. Chopra (2003) 'Mondialisation et Recomposition du Capital des Entreprises Européennes' [Globalisation and Capital Re-structuring of European Companies'], General Planning Commission, Paris, December 2003. Available at: [http://www.ladocumentationfrancaise.fr/docfra/rapport_telechargement/var/storage/rapports-publics/044000028/0000.pdf], accessed on 29 March 2014.

66 On this globalisation school, see F. Chesnais (ed.) (2004) *La Finance Mondialisée. Racines Sociales et Politiques, Configuration, Conséquences* [Globalised Finance, Social and Political Roots, Configuration, Consequences], Paris: La Découverte.

67 F. Morin and É. Rigamonti (2002/5) 'Évolution et Structure de l'Actionnariat en France' [Evolution and Structure of Ownership in France], *Revue Française de Gestion*, No. 141, pp. 155–181 and B. Coriat (2008) 'L'Installation de la Finance en France' [Installation of Finance in France], *Revue de la Régulation*, No. 3/4 (Autumn). Available at: [http://regulation.revues.org/6743], accessed on 29 March 2014.

strategic power over most big firms. They initially sought to maintain control of the privatised via cross-shareholdings between large corporations. But since the mid-1990s, shareholders have been split by the pressure of the evolution of European regulations on the freedom of capital circulation. Foreign shareholders and individuals now seek to control corporation managers. Finally, increased competition is driving the internationalisation of corporation strategies.

To accommodate the EMU's desire to accelerate European consolidation, banks and financial firms will be relieved of non-strategic participation and become able to use the capital available to finance expansion. For example, France moved from a situation where big corporations were controlled by a financial heart dominated by six main banking and insurance companies, to a situation where the shareholding structure became dispersed and internationalised with an important role for institutional investments (pension funds, hedge funds, insurance companies and in the second half of 2000, sovereign funds).

In Germany, the toppling took place later but the logic was similar.[68] The starting situation was a shareholding structure controlled by the banks. By controlling by proxy the majority of the small shareholders' votes, they exercised major control over big corporations. They played the role of the white knight fighting back hostile attempts to take control of the industrial firms; they were linked by cross-shareholding and by administrators, thus guaranteeing the stability of the ownership structure. Here as elsewhere, however, the changes in European regulations and the construction of global strategies caused the model to rupture. The critical moment was in 2000, when the Schröder government made the decision to eliminate taxes on capital gains on stakes held for at least one year (against a rate of approximately 50% to date). This reform allowed big German corporations, led by the Deutsche Bank, to finance their expansion projects. The advantageous tax system led to the arrival of new international investors.

Deconcentration of property and the internationalisation of big corporations' capital attest to the remarkable transformation of capitalist structures in France and Germany[69] but the tendency to internationalisation is observed elsewhere in the EU.[70] With the FDIs, the phenomenon is

68 C. Lantenois (2011) 'La Dissolution du Cœur de la *Deutschland AG*' [Dissolution of the Heart of the Deutschland AG], *Revue d'Économie Financière*, No. 104, pp. 91–106.

69 Between 1999 and 2007, the share of the three major shareholders in the firm capital of the CAC 40 –the CAC 40 takes its name from the Paris Bourse's early automation system Cotation Assistée en Continu [*Continuous Assisted Quotation*] – dropped from 42.6% to 24. 9%; for German firms of the Dax 30, it fell from 33% to 17.5%. At the same time, the share of foreign investors in the major five shareholders jumped from 16% to 49.5% and from 7.7% to 61.3%. See C. Lantenois and B. Coriat (2011) 'Investisseurs Institutionnels Non-résidents, *Corporate Governance* et Stratégies d'Entreprise' [Non-Resident Institutional Investors, *Corporate Governance* and Business Strategies], *Revue d'Ééconomie Industrielle*, [online] No. 134, Doc. 3 / 2nd trimester, pp. 51–84. Available at: [http://rei.revues.org/4994], accessed on 29 March 2014.

70 The share of foreign investors in the European stock exchanges varied from 35% to 41% between 1999 and 2007. Federation of European Securities Exchanges (FESE) and Economics and Statistics Committee (ESC), *Share Ownership Structure in Europe*, December 2008, p. 12. Available at: [http://www.fese.be/_lib/files/Share_

mainly intra-European. European stock exchanges, as a whole, are controlled by as much as 80% by European capital. If in the 1990s and 2000s, the entry of US investors was an important phenomenon, the continuous rise in the strength of foreign investors and collective funds marks the result of the growth of European funds and the diversification of their investments from a national to a European space. By 2008, collective funds comprised more than half of the capitalisation in the majority of EU countries, with US money playing a minor role. In sum, the Europeanisation of capital was a reaction to the entry of US funds and was manifested by the rise of collective European funds.[71]

The amalgamation of European property anticipated by Mandel has finally taken place but in relation to modalities that no one would have imagined three decades ago. A decisive element is the fact that the liberalisation of capital circulation accompanying the EMU is not limited to intra-European transactions but extends to operations in the rest of the world. The US played a significant role in this;[72] the EMU represents European insertion into the North American project of global capitalism as described by Panitch and Gindins. The irreversible entry of American investment funds on the continent in the second half of the 1990s was the result. The disarticulation of structures of national property and the pressure of activist shareholders produced the intra-European amalgamation of the 2000s which imitated the forms of dominant property in the Anglo Saxon world. The shift in scale of the property of European capital indicates a qualitative transformation, delivering European products to global financial markets. More than an opposition to the USA, the EMU represents a key moment in Europe's financial trajectory: the force of institutional investors was increased, shareholders were broken apart, and performance requirements were made uniform. In this way, finance became a globalised institutional apparatus to consolidate the power of capital over labour.

The Fragility of an Unequal Europe

The question of the nationality of property lost significance at the very moment when the imperial privilege conferred by the creation of the euro reinforced the position of Europe as a space of capital valorisation. But this is not a homogenous space. The EMU intensified the dynamics of unequal development by introducing a semi-colonial logic, something which became clear during the economic crisis. The ensuing polarisation derives from the reorganisation of corporations and the

Ownership_Survey_2007_Final.pdf], accessed on 29 March 2014.

71 T. Auvray and C. Granier (2009) 'La Crise Financière en Europe: Vers une Convergence des Modèles de Détention Actionnariale? [The Financial Crisis in Europe: Towards a Convergence of Activist Shareholder Models]', chapter 5, in C. Dupuy and S. Lavigne (eds), *Les Géographies de la Finance Mondialisée*, La Documentation Française, Paris, pp. 79–95.

72 B. Coriat (2008) 'L'Installation de la Finance en France' [The Installation of Finance in France], *Revue de la Régulation*, *op. cit.*

financial flux; it translates into the differentiated macro-economic vulnerability of national economies and, in particular, the progressive affirmation of Germany as the new hegemon.

In the background of the bubble of trade surpluses and of German profits in the 2000s, we see a two-level capture of the labour liberated by the fall of the socialist regimes. In the internal plan, reunification has meant a considerable economic cost, but it has also provided corporations with millions of workers. The abundance of labour, market reforms drastically reducing the rights of the unemployed, the breakdown of collective conventions, and a majority unionism acquired through the principle of congestion are at the basis of over 15 years of salary stagnation, with salary decreases in the services sector. This class offensive against German workers has increased the profitability of corporations and improved the competitiveness of German exportations at the expense of the rising number of poor workers.[73]

In the external plan, meanwhile, one of the most spectacular aspects was the absorption of the East-European periphery into global chains of commodities. Most of the industrial activity in these countries is now dominated by multinationals, essentially German, who found close-proximity cheap labour.[74]

If the domination of German capital in the East takes the form of integrating this region into the industrial chains, this is not so in the South of Europe. During the 2000s, demand was sustained by the abundance of low cost credit resulting from the establishment of the euro, and salaries rose due to the dynamism of non-exchangeable activities (services, real estate). During the boom, the illusion of 'catching up' was accompanied by the loss of competitiveness and the weakening of the industrial apparatus. This was accompanied by the accumulation of debt to German and French financial institutions.[75]

The euro crisis has revealed the strictly hierarchized structure of European economies. In the economies of the East, of whose financial system is entirely dominated by German, French and Austrian banks, the debts are in euros. The collapse of their currency due to repatriation of capital by investors at the peak of the financial crisis in Autumn 2008 created a crisis typical of developing

73 International Labour Law (ILO) (2014) *Global Employment Trends 2012. Preventing a Deeper Jobs Crisis*, Geneva, p. 46. Available at: [http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_171571.pdf], accessed on 29 March 2014. See also the following article summarising the absence of minimum salary available at: [http://www.reuters.com/article/2012/02/08/us-germany-jobs-idUSTRE8170P120120208], accessed on 30 March 2014.

74 On the expansion to the East of multinational firms see D. Bohle (2006) 'Neoliberal Hegemony, Transnational Capital and the Terms of the EU's Eastward Expansion', *Capital and Class*, Vol. 30, No. 1, pp. 57–86; D. Bohle and B. Greskovits (2007) 'Neoliberalism, Embedded Neoliberalism and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe', *West European Politics*, Vol. 30, No. 3, pp. 443–466; A. Nölke and A. Vliegenthart (2009) 'Enlarging the Varieties of Capitalism: The Emergence of Dependent Market Economies in East Central Europe', *World Politics*, Vol. 61, No. 04 (October), p. 670.

75 F. Chesnais (2011) *Les Dettes Illégitimes: Quand les Banques Font Main Basse sur les Politiques Publiques* [Illegitimate Debts: When Banks are Hands on Public Policy]. Paris: Liber.

countries: it was extremely violent but partly absorbed, in a some cases by an adjustment in the exchange rate. The Southern periphery, however, only had to bear the brunt of the burden when investors realised the German debt in euros was not offering the same guaranties as the Greek debt in euros. The transformation of the imbalances of payment in the crises of public debt has thus rendered visible the extremely unequal distribution of *monetary power* in the zone.

The monetary orthodoxy of the ECB, exclusively focused on price stability, is implicitly associated with a politics biased towards an appreciation of the euro. Such an orientation has been favourable to the development of production in economies whose competitiveness to export depends more on the quality than on the price of goods; mainly, they have managed to keep salaries low, especially in Germany and in a certain number of other economies of the North such as the Netherlands.[76] Conversely, economies adjusting their competitiveness by recurrent devaluations, as on the Southern periphery of Europe, but also in France, have seen their commercial balance degraded. For the weakest amongst them, the crisis of the Eurozone has revealed the brutal implications of the degradation of their relative position: accumulated debts are paid politically; imperialism follows the discontent of creditors.

A fraction of German management, notably around Bundesbank, was initially reluctant to embrace the single currency idea, aware of the long-term economic and political problems it could engender. The regulations imposed in exchange for their agreement favoured domestic companies, allowing them to generate commercial surpluses which now place the government in a position of strength. France has not been so lucky, and, in the absence of a European sovereign democracy, Germany finds itself at the centre of the financial game.[77] Exercise power has nothing *d'aisé* for this new hegemon. As we observe with the adjustment Troika programmes (European commission, ECB, IMF), obtaining a maximum reimbursement of the accumulated debts leads to the dispossession of a large part of the population and violates the sovereignty of the countries concerned. The wave of mobilisations since the 1970s is unprecedented in the region and represents both a class and a socio-economic resistance. But underlying these struggles is an anti-colonial dimension arising from a centre-periphery polarisation in the Euro-zone itself.

This double contradiction undermines the unique currency and threatens to fracture a Europe without legitimacy. The absence of political unification is both the cause and the symptom of the impasse. A supranational construction has been conceived to protect capital from the democratic intervention of the people, but the widespread social unrest and governmental instability remind us of its cost and signal the growing subaltern collective desire for an alternative.

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76 M. Vermeiren (2012) 'Monetary Power and the EMU: Macroeconomic Adjustment and Autonomy in the Eurozone', *op. cit.*

77 B. Mahnkopf (2012) 'The Euro Crisis: German Politics of Blame and Austerity – A Neoliberal Nightmare', *International Critical Thought*, Vol. 2, No. 4, pp. 472–485.

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'Whatever it takes': The Eurozone Crisis as a Catalyst of European Integration

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Abstract

There are two levels to the Eurozone crisis. At a more fundamental level, it is a crisis of capitalism spawned by a secular decline in profitability that has given rise to growing indebtedness in the advanced capitalist countries. But the shape that this crisis takes is determined by the European Union's political configuration, more precisely by the institutional imbalance between a centralised monetary policy and decentralised fiscal policies. This article traces the cause of this imbalance, through a brief examination of the political history of Europe's monetary union, to the strategic ambivalence of France's European policy. It concludes by arguing that the current crisis has created political conditions that should push French elites to reconsider their hostility to a more centralised fiscal policy framework for the Eurozone.

Keywords: political economy, monetary history, European integration

Introduction

The Eurozone crisis has been in abeyance for more than a year now, ever since the president of the European Central Bank, Mario Draghi, pledged to 'do whatever it takes' to save the euro. That statement is part of a broader deal struck sometime during the summer of 2012 between the main players involved in the handling of the Eurozone crisis, that is the German and French governments, the European Commission and the European Central Bank (ECB). The deal involves on the part of the ECB the explicit pledge already mentioned in exchange for a commitment by embattled Eurozone states (including France) to 'do their homework' by imposing fiscal consolidation (austerity) and structural reforms. The ECB's pledge aims to diminish the intensity of financial speculation, thus buying time for governments that have accepted the structural adjustment agenda pushed by Germany and other North European states as the solution to the Eurozone crisis. It is also intended as a clear signal to financial investors that they can invest in South Europe again.

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What has really been in abeyance is speculation on financial markets fuelled by the perceived risk that the Eurozone might not survive the crisis in one piece,[1] namely, that one or more member states might withdraw from the monetary union and reintroduce their own national currency. Once it was made explicit that that risk did not exist, speculators – especially American hedge funds – decided it was safe again to invest in such things as South European sovereign and corporate debt and accordingly ploughed their money back into what has come to be called the Eurozone periphery.[2] But the deep structural features that make up the Eurozone crisis are still present and it will take some time for them to go away.

There are two levels to the Eurozone crisis. One is that the Eurozone crisis, to borrow from economist Michael Roberts, 'is a crisis of capitalism, not the euro'.[3] More precisely, it is a crisis of the advanced capitalist economies (the European Union (EU), North America and Japan) whose root cause is the secular decline in the average rate of profit starting in the seventies. Declining profitability has led to declining rates of investment and hence a slowing down in productivity growth. Firms and governments have attempted to restore profitability by squeezing wages. That strategy has, however, triggered a massive rise in indebtedness, both public and private. Rising indebtedness has, in turn, fuelled a number of speculative bubbles that periodically burst, the worst of which did so in 2007, thus triggering the economic crisis that readers are familiar with.[4] States have had to step in every time, as they did in 2008, to prevent a deep plunge into depression, either through so-called 'automatic stabilisers' or direct interventions to bail out bankrupt firms. The result has been a huge build-up in sovereign debt (in the case of Japan that debt now stands above 210% of GDP). This is the fundamental backdrop to the current 'sovereign debt crisis' that emerged in the wake of the Great Recession of 2008–2009 and that, in different ways, afflicts both the Eurozone and the United States federal government.

The different shapes in which the sovereign debt crisis manifests itself in the United States (US) and the Eurozone points to the second structural feature of the Eurozone crisis. In the US, most public debt is held by the federal government as opposed to the States governments. That

1 I write 'perceived risk' partly because my own analysis is that such a risk never did actually exist. Draghi's pledge merely made explicit a commitment that should never really have been in doubt. For an extended take on the issue arguing this case, see C.F. Bergsten, and J. Kirkegaard (January 2012) 'The Coming Resolution of the European Crisis', Peterson Institute for International Economics policy brief 12-1.

2 R. Atkins, A. Ross, A. and M. Stothard (2013) 'Euro Periphery Draws Back €100bn', *Financial Times*, 28 January 2013 and R Atkins (2013) 'Eurozone Stocks Shed Country Risk Burden', *Financial Times*, 9 September 2013.

3 M. Roberts (2013) 'Workers, Punks and the Euro Crisis', post on Michael Roberts Blog, 16 March. The post is based on a long talk given by the author at the Institute of Labour Studies in Slovenia. The talk can be viewed at: [https://wwwyoutube.com/watch?v=IaWHNaSRzmY].

4 For a few examples of this analysis, see R. Brenner (2009) 'What is Good for Goldman Sachs is Good for America. The Origins of the Current Crisis', Center for Social Theory and Comparative History, University of California, Los Angeles (UCLA); A. Kliman (2011) *The Failure of Capitalist Production*, London: Pluto Press. This is also Roberts' analysis as it applies to the Eurozone in the talk referred to above.

reflects the much greater degree of political centralisation that obtains in the US as opposed to the EU. Accordingly, the sovereign debt crisis in the US has taken the shape of a political crisis in Washington DC, pitting Republicans against Democrats. In the Eurozone, sovereign debt is exclusively held by the member states. Fiscal policy is almost entirely decentralised, despite the fact that monetary policy has for the most part been centralised. Thus, the sovereign debt crisis in Europe has selectively hit the weakest governments and been characterised by a strong polarisation between North European states, perceived to be creditworthy by financial investors, and South European states. Interest rates on the sovereign bonds of the two groups of countries widened dramatically during the crisis and capital fled the South for the safe haven of the North. South European banks, an important part of whose assets is made up of the bonds issued by their own governments, have been weakened accordingly and have found it increasingly difficult and costly to refinance themselves through the capital market. As the cost of refinancing themselves has soared, they have raised interest rates on the loans they provide to their domestic economies. The resulting credit crunch has held back economic recovery in Southern European countries. As a consequence the Eurozone has proven to be much more financially fragile than the US.

What actually separates North from South European Eurozone member states is not geography (Ireland is part of the latter) but external competitiveness. Since the introduction of the euro in the late nineties, macroeconomic imbalances have built up between the two groups of countries.[5] Germany and other North European countries have been accumulating trade surpluses and France and other South European countries deficits. This means that the deficit countries need to borrow from abroad to finance those deficits. When those borrowing needs became concentrated on the sovereign borrowers in those countries[6] in a recessionary context, financial investors started doubting their creditworthiness, thus triggering the Eurozone crisis.

The Eurozone crisis is, then, to a large extent a crisis stemming from the monetary union's *institutional* imbalance. A centralised fiscal policy involving the bigger part of public borrowing done in the Eurozone as well as a policy of permanent and automatic financial transfers from surplus to deficit countries would have prevented financial speculation and diminished the polarisation between North and South European states in the wake of the Great Recession. Macroeconomic imbalances between member states would become much less significant, as is the

5 This has been amply documented and discussed. Some examples are C. Lapavitsas, *et al.* (March 2010) 'Eurozone Crisis: Beggar Thyself and Thy Neighbour', Research on Money and Finance occasional report; lecture by Martin Wolf, *Financial Times* chief economics commentator, at the Foundation for Law, Justice and Society, Oxford, titled 'The Place of Britain in a Future Europe', 5 October 2012, available for viewing at: [https://www.youtube.com/watch?v=FPTK3Nk5cLQ].

6 Before the Great Recession countries like Spain or Ireland (or Cyprus for that matter) were among the best performing Eurozone states in terms of public indebtedness. It was the private sector which was doing the borrowing from abroad, blowing up housing bubbles in the process. That debt found its way onto the public books when the crisis hit, and public debt to GDP ratios soared.

case in the US. The Eurozone would have been much more robust financially and economic recovery would be quicker.

In this article I attempt to analyse the Eurozone's institutional imbalance by looking at the political history of Europe's monetary union. My argument is that this imbalance stems from the ambiguity in France's European policy ever since the early fifties. That ambiguity led France to push for monetary union as a way to curtail Germany's monetary primacy within Europe, while refusing to contemplate steps towards fiscal and political union. I further argue that the way the Eurozone crisis is playing out is pushing France towards accepting such steps, thus laying down the premise for the eventual elimination of the Eurozone's institutional imbalance.

My argument can be traced back to a basic insight by one of the 'founding fathers' of the European Union, who also happened to be the leading figure among the pro-European minority of France's political elites. That figure is Jean Monnet, author of the Schuman plan that in 1950 set in motion the process of European integration. In his memoirs, Monnet argues that 'Europe will be made through crises and will be the sum of the solutions provided to those crises'.[7] In this view, crises act as a kind of catalyst that overcomes political stalemates and leads to a new round of institutional centralisation at the supranational level. The Eurozone crisis should be seen as one such crisis whose result will be institutional innovation at the Eurozone level.

The Strategic Ambivalence of France's European Policy as the Root Cause of the Eurozone's Institutional Imbalance

Monnet and his followers invented the concept of European 'community' institutions as a way of dealing with the American decision to rehabilitate the German economy and to create and arm a federal German state in the late 1940s. Monnet's idea was that binding together France and Germany through supranational institutions would create common interests and render the two countries interdependent, thus preventing a relapse into interstate rivalry in Europe. The end point of the process would be a 'United States of Europe', the model for which was the USA,[8] based on strong federal institutions.

This strategy amounted to a radical departure from France's traditional European policy. Ever since the mid-nineteenth century, French policy sought to prevent the establishment of a unified and centralised German state east of the Rhine. French elites feared, correctly as subsequent developments were to prove, that such a state would come to replace France as the leading power on the continent. After German unification, French policy persisted in its fundamental goal and aimed at the dismemberment of Germany, a goal pursued both during the Versailles peace negotiations in 1919 and at the end of World War Two.

However, Monnet's vision of what France's European policy should be never managed to rally

7 J. Monnet (1976) *Mémoires* [Memoirs], Paris: Fayard, pp. 615–616.

8 Reading through Monnet's memoirs makes this abundantly clear.

decisive support among French political elites.[9] Monnet and his followers only ever had the upper hand in France during the very early years of European integration, from 1950 to 1953. Ever since the failure of the proposed European Defence Community (EDC)[10] in the French parliament in August 1954, and especially since the inception of the Fifth Republic in 1958 and in particular during General de Gaulle's tenure as President of that Republic from 1959 to 1969, France has been on balance suspicious of the EU's federal institutions and very much jealous of her national prerogatives. Although not reverting back to anti-germanism, the general thrust of France's European policy has been to hedge against Germany's potential to re-emerge as the dominant power in Europe by building a European system around a Franco-German interstate axis. The French state has been expected to have the political upper hand in such an arrangement due to France's status as a nuclear power with significant diplomatic clout. The success of this policy has been perceived as hinging on the continued existence of France's centralised state apparatus and the prevention of its dissolution into euro-federal institutions. The French governments' preferred course of action has therefore been to seek intergovernmental cooperation on issues where they plainly cannot go it alone. Only when such intergovernmental cooperation fails to enable France to reach its goals have French governments considered creating or strengthening federal institutions, thus falling back on Monnet's strategic vision.

France's traditional hostility towards the EU's federal institutions has been in particular associated with de Gaulle's political legacy. The Gaullists even campaigned against the Maastricht treaty in 1992 and a good number of them campaigned against the ratification of the European Constitution in 2005. During the 'empty chair' crisis in 1965, when de Gaulle successfully blocked a bid by the first president of the European Commission, Walter Hallstein, to significantly reinforce his institution's powers,[11] the French president laid out his views in a conversation with his associate Alain Peyrefitte:

> 'Hallstein thinks he is the president of a supranational government. He doesn't even hide his game, which consists of wanting to replicate at the European level Germany's federal institutional structure. The Commission would thus become the federal government. The European parliament would become the equivalent of the Bundestag [the German parliament]. The Council of Ministers would become the Bundesrat, that is the Senate! This is madness. But make no mistake about it: this is an institutional drift which would end up being implemented unless we stand in the way. And we are the only ones with the power to do so.'[12]

9 C. Parsons (2003) *A Certain Idea of Europe*, Ithaca: Cornell University Press traces the history of the conflict between pro-Europeans and Euro sceptics in France.

10 See *ibid*., chapter 2. The EDC was another brainchild of Monnet's. It was his solution to the problems spawned by the American decision to rearm West Germany. A European army and defence minister were to be created, thus integrating German divisions in a single command structure.

11 J. Gillingham (2003) *European Integration 1950–2003. Superstate or New Market Economy?*, Cambridge: Cambridge University Press, pp. 55–66 on Hallstein and his federalist scheme.

12 Quoted in A. Peyrefitte (1997) *C'était De Gaulle: Tome 2 La France Reprend sa Place dans le Monde* [This was

France's suspicion of federal institutions applied to the field of macroeconomic policies. This is the important thing to keep in mind when attempting to understand the history of Europe's monetary union and how it came into being as an incomplete set of institutions.

The Origins of the Euro: The Werner Report, the End of the Bretton Woods International Monetary System and the Assertion of German Monetary Primacy during the 1970s

The origins of the process of European monetary unification provide a clear illustration of the fact that the Eurozone's institutional imbalance does not stem from a lack of foresight on the part of the monetary union's architects. The Werner report of 1970[13] envisaged a process whereby the passage to economic and monetary union would entail two key institutional innovations. The first would be a supranational 'centre of decision for economic policy' accountable to the European parliament, that is an institution akin to a federal finance ministry. The second would be a European system of central banks. Moreover, the report clearly took into account the role of fiscal transfers in solidifying the potential monetary and economic union.[14] Finally, the report explicitly stated that 'economic and monetary union thus appears as a leaven for the development of political union, which in the long run it cannot do without'.[15]

The Werner report, however, and in particular the proposal of a 'centre of decision for economic policy', triggered a sharp and hostile reaction on the part of the French government in the name of national sovereignty.[16] The German government, by contrast, was rather enthusiastic about it.[17] The resulting compromise blocked further progress in a federalist direction. The governments of the Six member states agreed on a few insignificant measures of monetary cooperation[18] with the aim of securing a greater measure of exchange rate stability between the currencies of the member states of the common market.

De Gaulle: Volume 2 France's Place in the World Restored], Paris: Editions Fallois/Fayard, p. 286.

13 Council-Commission of the European Communities (1970) *Report to the Council and the Commission on the Realisation by Stages of ECONOMIC AND MONETARY UNION in the Community 'Werner Report'*, Supplement to Bulletin II – 1970 of the European Communities.

14 See the discussion of the Werner Plan in H. James (2012) *Making the European Monetary Union*, Cambridge MA: The Belknap Press of Harvard University Press, pp. 74–85. James discusses the role of fiscal transfers in pp. 77 and 78.

15 *Werner Report*, p. 12.

16 R. Frank (1995) 'Pompidou, le Franc et l'Europe, 1969–1974' [Pompidou, the Franc and Europe, 1969–1974], in Association Georges Pompidou *Georges Pompidou et l'Europe* [Georges Pompidou and Europe], Bruxelles: Editions Complexe.

17 James, *Making the European Monetary Union*, *op. cit.*, pp. 81–82.

18 A European Monetary Cooperation Fund was created with the aim of organising, within a multilateral framework, cooperation among central banks. More specifically, the Fund's role was to create credit lines (swap

But, the end of the international monetary system that had been established in 1944 at the Bretton Woods conference in the United States wreaked havoc in the monetary balance of forces in Europe as soon as this compromise was arrived at. Since the early fifties, the Federal Republic of Germany (FRG) had amassed accumulating trade surpluses and the Deutsche Mark (the FRG's currency) had continued to appreciate in relation to the dollar but also in relation to the other European currencies. France was in the exact opposition situation, with regular trade deficits and a national currency (the French franc) that had become a weak currency and that was dependent on regular devaluations.[19] The Netherlands displayed similar performances to Germany, whereas Italy was closer to France. In other words, the current pattern of macroeconomic imbalances within the Eurozone stretches back to the early fifties. In fact, it could even be said to stretch back to the late nineteenth century and the emergence of Germany as the industrial powerhouse of continental Europe. In any case, the point here is that the split between surplus and deficit countries mentioned in the introduction is not new and closely matches the pre-euro era split between strong and weak currency countries.

In that context, the sharp depreciation of the dollar's value that followed President Nixon's August 1971 decision to renege on the United States' commitment to convert dollars into gold triggered a huge influx of capital into Germany. This phenomenon of monetary speculation (that came to be known as the 'dollar/Deutsche Mark polarisation effect') inflicted chaos in the monetary relations of the countries of the common market and called into question both the Common Agricultural Policy (CAP) and the further pursuit of commercial integration. The Europeans were faced with only two choices. One option was to somehow manage to convince the US government to cooperate by implementing an austerity programme in order to reduce its current account deficit and thus stabilise the dollar. A second choice was to come up with a European response to counter the aggressive exploitation by the Americans of the 'exorbitant privilege'[20] that the dollar's status as the major and unchallenged international reserve currency procured them (and still does). As the first solution was out of reach given the balance of forces between Europe and the US at that point in time, the only viable solution for the Europeans was

agreements) between central banks for the lending of official reserves with the purpose of carrying out operations in the currency markets in order to defend the parities between European currencies.

19 In the autumn of 1949, the dollar/Deutsche Mark exchange rate was set at 1:4.2. In 1998, when the euro was introduced, the dollar was only worth 1.67 Deutsche Marks. On the contrary, the French franc started from a rate of 1:3.5 and ended up at a rate of 1:563 against the dollar. At the same time, the French franc/Deutsche Mark rate passed from 083:1 to 3.3:1. cf. J. Bibow. (2013) 'On the Franco-German Euro Contradiction and Ultimate Euro Battleground', Levy Economics Institute of Bard College working paper no. 762.

20 The term 'exorbitant privilege' was coined by de Gaulle's adviser for economic policy Jacques Rueff, and was used by the French government extensively during the 1960s to attack the dollar's status as the main international reserve currency. B. Eichengreen (2008) *Globalizing Capital: A History of the International Monetary System*, Princeton: Princeton University Press, p. 114.

to progressively organise the concerted floating of European currencies against the dollar (initially this took the shape of the 'snake' system, then starting in 1979 the European Monetary System (EMS) was introduced).

However, this solution established German monetary primacy within Europe. The concerted floating of European currencies against the dollar in essence created a monetary area whose anchor was the Deutsche Mark. For weak currency countries wanting to remain in the system, this entailed regular adjustment of their economies through austerity measures in order to reduce their trade deficits and strengthen their currencies on the currency markets. Their only alternative was to use their accumulated official reserves to defend their currencies. The crux of the matter is that their official reserves were by definition limited whereas the Bundesbank (the German central bank and as such, the most important strong currency country central bank in the system) could print as many Deutsche Mark as it chose in order to intervene in the currency markets in defence of the weak currencies. What is more, this allowed the Bundesbank to accumulate official reserves and thus tended to further reinforce its power. In this context, the German central bank was in a position to determine both the monetary policies of the countries in the system and the margins within which they could conduct their broader macroeconomic policies. Because the Bundesbank was wary of printing more Deutsche Mark than warranted by domestic monetary policy considerations, its default policy preference was to intervene in support of weak currencies as little as possible. In consequence, weak currency countries only really had the option of tightening fiscal and monetary policy if they wanted to stay in the system.

The French Quest for a 'Symmetrical' EMS

French governments reacted as this new reality of monetary power within Europe became established by attempting to impose on Germany a more cooperative attitude in the field of economic and monetary policy. Their aim was to arrive at a compromise that distributed the burden of adjustment in a more balanced way between strong and weak currency countries. This strategy would, in time, push French governing elites to accept what Pompidou had considered to be unacceptable at the time of the Werner report, that is the creation of supranational (or federal if one prefers the term) institutions and rules. At the same time, the German government made a move in France's direction. This was especially so after 1977–1978 when the sharp depreciation of the dollar pushed the Deutsche Mark through the roof, prompting German industrialists with a strong export orientation to demand that measures be taken to ward off the appreciation of the Deutsche Mark.[21] German politicians, high-ranking civil servants and even the Bundesbank's directors were sensitive to these demands all the more so that they were afraid that a permanent

21 Parsons, *A Certain Idea of Europe*, *op. cit.*, p. 167.

appreciation of the German currency might lead to the offshoring of production units and thus to spiking unemployment in Germany.[22]

The agreement to create the EMS illustrates the evolution in French attitudes. France accepted the idea of mutualising part of its official reserves in a potential European Monetary Fund (EMF) and proposed a system based on a new unit of account, the European Currency Unit (ECU). The ECU would be a basket of European currencies and each one of them would have a fixed parity with the ECU. Given that in the past, the currency that tended to diverge was the Deutsche Mark, this new system would rebalance the burden of adjustment by forcing the Bundesbank to intervene much more often than in the past. In other words, the French accepted to limit their own policy autonomy by mutualising part of their official reserves in exchange for taming the Bundesbank.

That, however, was not an agreement the Bundesbank was ready to accept so easily. The German central bank forced the government to reject the system proposed by France (towards which chancellor Helmut Schmidt was favourably inclined) in favour of a system of bilateral parities which strongly resembled the 'snake' and later on expunged the proposed EMF. It even managed to sway the government, through the notorious Emminger letter of November 1978, to agree that it could unilaterally renege on the commitments imposed on it by the EMS in case it would judge the interventions in favour of weak currencies imposed on it by the agreement to be inflationary.[23] In other words, the EMS was still a Deutsche Mark area where the burden of adjustment fell almost entirely on weak currency countries and in which the Bundesbank was the most powerful central bank.[24]

French governments, both of the left and the right, persisted during the decade that followed the setting up of the EMS, namely the eighties, in trying to reform the EMS in a way that rendered it more 'symmetrical'. At the same time, they reluctantly decided to pursue a policy of austerity, alternatively referred to in France as the policy of the 'strong franc' or 'competitive disinflation'. The policy entailed raising interest rates and cutting public spending, in the process inflicting real pain and generating significant industrial restructuring that dramatically improved the competitiveness of French firms, a policy course which during most of the seventies was anathema to French governments. When, for example, in 1976 president Giscard attempted to steer such a course, his Gaullist prime minister and future president of the Republic, Jacques Chirac, resigned his post in fury at having to conform, in his perception of things, to the diktats of foreigners. Both terms indicate that the main objective of French governments was not to tame inflation for its own sake

22 D. Marsh (2011) *The Euro: The Battle for the New Global Currency*, New Haven: Yale University Press, p. 85.

23 James, *Making the European Monetary Union*, *op. cit.*, p. 174.

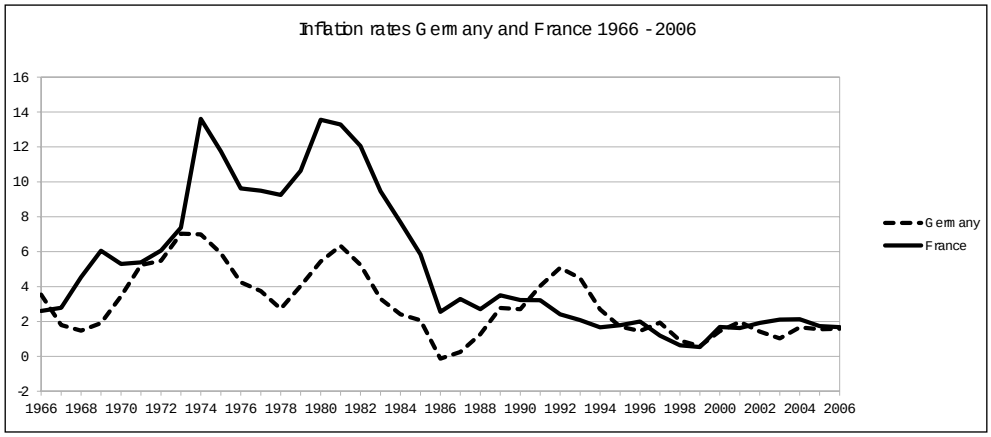
24 Hence the title of David Marsh's famous 1993 book – at the time Europe correspondent for the Financial Times – *The Bank that Rules Europe*, London: Mandarin.

but to eliminate the inflation differential between France and Germany. This did not stop them from hoping to convince the German government to agree to a concerted reflation.[25]

From the 'Symmetrical' EMS to the Euro

The first half of the eighties had seen a respite in the Deutsche Mark/dollar polarisation effect as the 1979 interest rate hike by the Federal Reserve in the US sucked capital into the dollar and led to its appreciation. But the 1985 Plaza accords turned the tide and the dollar plunged once more, setting the polarisation effect in motion again. The EMS was the object of international financial speculation yet again and this was so despite the fact that the inflation differential between France and Germany had almost disappeared (see figure 1). Moreover, the 1986 Single European Act (whereby the Europeans decided to complete the Common Market thus re-launching the process of economic and political integration) included, at Germany's insistence and despite French and Italian scepticism, a provision to liberalise capital movements by 1992. The impact of such a liberalisation would surely be to reinforce speculative pressures stemming from the financial markets. French leaders were worried that the liberalisation of capital movements might further strengthen the power of the Bundesbank and reinforce the Deutsche Mark's position in the EMS by intensifying speculative pressures.

Figure 1: Inflation in France and Germany (Variation over one year in %)



The new French government under Gaullist premier Jacques Chirac (elected in 1986 and staying in office for two years) renewed with greater vigour the French demand that the

25 D. Howarth (2001) *The French Road to European Monetary Union*, London: Palgrave, p. 105. That basically would mean that Germany would agree to increase public spending and/or wages – the similarity between then and now is of course not fortuitous.

Bundesbank behave in a more cooperative fashion, but substantial changes were not forthcoming.[26] Moreover, German trade surpluses reached new heights during the latter part of the eighties (see figure 2). The French government's failure to obtain a more 'symmetrical' EMS despite substantial austerity measures and the prospect of a further deterioration in French monetary power *vis-à-vis* the Bundesbank thus prompted the French finance minister Edouard Balladur – another Gaullist and no federalist enthusiast – to propose in January 1988 the creation of a European central bank.[27] The proposal corresponded perfectly with the preferences of German foreign policy leaders and administrations – the German foreign minister at the time, Hans-Dietrich Genscher was an ardent federalist, and so was the chancellor, Helmut Kohl. Both of them understood that the French proposal opened up the perspective of speeding up the process of political union (which the German government would attempt to accelerate during the Maastricht treaty negotiations, where French and British opposition would keep developments to a minimum).[28]

However, in the negotiations that followed and that led to the Maastricht treaty, the balance of forces meant that the party with the most to gain from an eventual agreement – France – must make major concessions.[29] In other words, the price for eliminating the Bundesbank's primacy in monetary affairs was to agree to the conditions set by Germany. These essentially consisted of applying the Bundesbank model to the future ECB (that is, an independent central bank and the assignment of monetary policy solely to the task of fighting inflation and not of stimulating growth – which, for instance, is part of the mandate of the Federal Reserve). As a side payment to weak currency countries, Germany accepted a Commission proposal to set up a limited system of financial transfers, which became the Structural and Regional Development Funds of the EU budget. These would later on be scaled down to a minimum with the prospect of Eastern enlargement.

To the extent that the negotiation only dealt with issues of monetary policy and did not include discussions on how to move towards a federal Treasury and a fiscal union, the German government imposed two further conditions. The first was the institution of a set of rules aimed at prompting macroeconomic convergence among the member states that wanted to adopt the euro, for it was obvious that persistent inflation differentials within the monetary union would be a source of instability. These were the five Maastricht criteria which in 1997 were turned into the Stability and Growth Pact. The second condition was the *no bail-out* clause stipulating that no

26 Marsh, *The Euro*, *op. cit.*, pp. 117–119.

27 C. Balleix-Banerjee (1999) *La France et la Banque Centrale Européenne* [France and the European Central Bank], Paris: Presses Universitaires de France, p. 21.

28 A. Moravcsik (1998) *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*, Ithaca: Cornell University Press, pp. 317–471.

29 Moravcsik, *Choice for Europe*, *ibid.*, pp. 430–447.

member state could be held liable for the public debts of other states participating in the monetary union. The function of this clause was dual. On the one hand, the German government intended to signal to financial investors that member states' public debts were not interchangeable and that premiums between say German debt and Greek debt should not disappear. Persistent premiums were expected to ensure that the pressure to pursue orthodox fiscal policies would be maintained on weak currency countries. On the other hand, the clause was intended as a safeguard against a 'fiscal union by stealth' situation, where the German government would be made liable for the public debts accumulated by weak currency member countries because of no other viable policy option, without, however, being in a position to control their economic and fiscal policies.

Nonetheless, the federalist logic that was entailed in the Maastricht agreement could not be permanently pushed under the carpet. The decade and a half that followed was thus marked by a quasi-permanent institutional debate. Three treaty revisions, agreed upon in Amsterdam, Nice and Lisbon have been implemented. But even more important for understanding the Eurozone's institutional imbalance are the proposals that were not implemented. As early as 1994, Germany rekindled the institutional debate through the so-called Lamers/Schäuble paper.[30] This document essentially proposed a method for moving towards a federal structure around a hard core of countries made up of the member states that would eventually adopt the euro. The proposal was more or less reiterated in the same terms by the German foreign minister Joschka Fischer in 2000, in a speech delivered at Humboldt University in Berlin.[31] But each time, the French reaction was to elude the debate due to France's ambiguity towards the development of federal institutions.[32] French governments rather chose to champion as of Maastricht the concept of an 'economic government' for the Eurozone, made up of the representatives of Eurozone governments. Their aim was to constrain the independence of the ECB, thus hoping that the Bank would be forced to pursue looser monetary policies.[33]

After the Maastricht treaty was signed, scepticism about the proposed monetary union was very strong among economists, especially in the US.[34] British euro sceptics fulminated against the

30 CDU heavyweights Karl Lamers and Wolfgang Schäuble were its authors. CDU/CSU (1994) 'Überlegungen zur Europäischen Politik' [Reflections on European Policy], available at: [http://www.cducsu.de/upload/schaeublelamers94.PDF], accessed 12 March 2014.

31 'L'Europe Unie Selon Joschka Fischer' [United Europe according to Joschka Fischer], *Le Monde*, 15 June 2000, p. 12.

32 Alain Juppé, French foreign minister at the time of the Lamers/Schäuble paper's publication, stated in reaction to it that 'federalism is not France's philosophy' (A. Leparmentier (2013) *Ces Français Fossoyeurs de l'Euro* [The French Grave Diggers of the Euro], Paris: Plon, p. 46, and pp. 41–48 more broadly on the French reaction to the paper). On the debate that followed Joschka Fischer's speech at Humboldt, see issue 3 of the journal Dokumente/Documents, published in 2000.

33 D. Howarth (2007) 'Making and Breaking the Rules: French Policy on EU "Gouvernement Economique"', *Journal of European Public Policy*, Vol. 14, No. 7, pp. 1061–1078.

34 L. Jonung and E. Drea (2009) 'The Euro: It Can't Happen. It's a Bad Idea. It Won't Last. US Economists on the EMU, 1989–2002', European Economy economic papers 395.

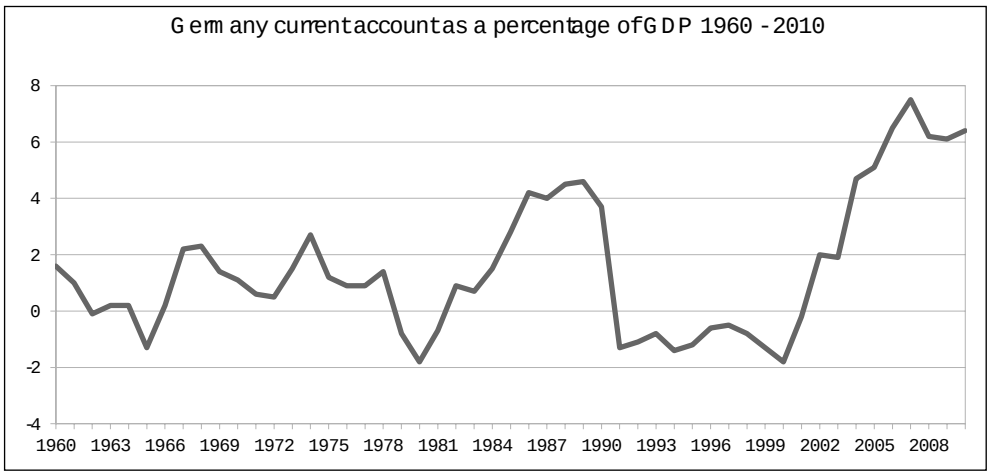
euro and predicted that its institutional imbalance would give at some point the opportunity for 'eurocrats' to argue that a fiscal union was necessary to complement monetary union.[35]

When the first Greek bail-out was agreed upon in May 2010, after months of pressure exerted on the German government to step in, including public criticism of Germany's trade surplus by then French finance minister Christine Lagarde,[36] Wolfgang Schäuble, now finance minister, retorted by pointing out France's contradictions. In an interview with the *Financial Times* he said that 'When we introduced the euro in the 1990s, Germany wanted a political union and France did not. That is why we have an economic union without a political union ... If you want to create a federal organisation, you must be ready to have a certain amount of redistribution within it. You can dismiss that by rudely calling it a "transfer union". But strong and weaker states both have their responsibility.'[37]

The Current Crisis Lays Bare the Institutional Imbalance and Poses Anew the Question of Political Union and Federalism

The burden of German reunification during the nineties meant that the process leading up to the introduction of the euro took place under exceptional historical circumstances, since the German current account was in deficit throughout the entire decade (see figure 2).

Figure 2: Germany Current Account (Current account EUR Million)



35 See in particular, B. Connolly (1995) *The Rotten Heart of Europe*, London: Faber and Faber. Connolly, apart from a staunch Thatcherite, had also been one such 'eurocrat' and was responsible for monetary policy at the European Commission, until the publication of his book led to his sacking. A milder version of his arguments was also echoed by Martin Wolf at the *Financial Times*.

36 B. Hall (2010) 'Lagarde Criticises Berlin Policy', *Financial Times*, 14 March 2010.

37 Q. Peel (2010) 'Schäuble Interview: Berlin's Strictures', *Financial Times*, 19 May 2010.

This reversal of fortunes dampened the functional logic that entails the creation of a fiscal union to accompany monetary union. Moreover, it lent credibility to the analysis according to which current account imbalances do not really matter in a monetary union.[38]

In addition, financial investors did not really understand the message that the *no bail-out* clause was meant to convey. Sovereign spreads between Eurozone member states disappeared. Furthermore, the fall in nominal interest rates in weak currency countries entailed by the passage to a single monetary policy reduced real interest rates in those countries. All the ingredients for the development of credit bubbles were in place. Worse than that, as of 2000 the German current account returned to a structural surplus position. Only this time German surpluses were far bigger than anything that went before since the integration of European financial markets had created a single financial market that is much deeper and that allows for the financing of ever bigger current account deficits.[39] When these credit bubbles burst before[40] and after the Great Recession of 2008–2009, it slowly became obvious that a classic balance of payments crisis was in the making, only instead of provoking exchange rate crises (as in Asia in 1997 for example) in this case it triggered a sovereign solvency crisis. The problem was no longer one between weak and strong currencies that could be solved through interest rate hikes by weak currency country central banks. It became a fiscal problem and the immediate issue at hand was to prevent sovereign defaults. Doing so meant that Germany had to give up on the idea of preventing a drift to fiscal union. After some hesitation in late 2009 and early 2010, and as the Greek crisis threatened to categorically get out of hand, the German government resolved to play the game. Conversely, that meant that it would be setting the rules once again.

The response that was gradually assembled in 2010–2012 involves rudimentary institutional innovation (the European Financial Stability Facility (EFSF) – then the permanent European Stability Mechanism (ESM)) that is akin to the beginnings of a fiscal union. In effect, these institutions are mechanisms for organising limited fiscal transfers from surplus to deficit countries in the form of loans between governments and the limited pooling of liability.[41] A version of Eurobonds has even been introduced, in the form of the bonds issued by the ESM. The recently agreed upon banking union, quite apart from its huge significance in terms of public control over

38 Marsh, *The Euro*, *op. cit.*, pp. 240–241.

39 James, in *Making the European Monetary Union*, points out that the imbalances between European countries tend to grow bigger (as a percentage of GDP) during the entire period stretching from the early sixties to today due to the increasing integration of financial markets.

40 The Irish housing bubble burst in 2006.

41 The loans can be said to constitute fiscal transfers to the extent that they are provided at a rate that is much lower than market rates. In the case of Greece, the repeated 'reschedulings' of the loans (whereby maturities have been extended and interest rates cut) constitute additional transfers. The pooling of liability is not formal but none the less real. The EFSF or ESM lend to embattled states so that they can pay off their debts. If those states then default on their debt towards the European lending institutions, then the latter will be footing the bill for those states' previous debts.

national banking systems, also entails an element of fiscal union. The Single Resolution Fund, that will be used in the case that European authorities decide that a bank has to be wound down or recovered, will be funded by contributions levied on Eurozone banks. These contributions are nothing other than the proceeds of a special European tax.

In exchange for this, the surplus countries have obtained the right to control the economic policies of assisted countries through the conditionality attached to the loans and the role played by 'Troika' officials. Those conditions, in turn, are broadly in line with the German government's preferences. They very much resemble the structural adjustment programmes championed by the International Monetary Fund (IMF) in the 1980s and 1990s in developing countries requiring assistance. A more permanent mechanism for exercising such control comes in the shape of the new powers granted to the European Commission to review member-States' annual budgets and to hand out fines to those deviating from the updated criteria contained in the Fiscal Compact agreed upon in December 2012.[42] The Compact also includes provisions for the introduction of so-called 'Golden Rules', that is to say laws mandating nearly balanced budgets. All told, the new rules strengthen the pressure on deficit countries to implement structural adjustment policies.

The parallel between the current situation and the EMS is striking. For the system to hold together, an adjustment must take place so that macroeconomic imbalances are reduced. Germany can contribute to this by cooperative policies – monetary in the past, fiscal today (in the shape of public spending increases and fiscal transfers). The political alternative that deficit countries face is between a system of fiscal transfers that is organised on an *ad-hoc* and intergovernmental basis (as is the case with the European Stability Mechanism) where Germany has *de facto* veto powers over the operation of the system (just like the Bundesbank did in the EMS); and the gradual setting up of a federal system, where fiscal transfers would be automatic and administered through a supranational Treasury, collectively controlled by the member states of the new fiscal union and within which surplus countries could potentially even find themselves in the minority (as has been the case within the ECB governing council where the German representatives and the Bundesbank have strongly disagreed with the policies pursued since the start of the Eurozone crisis in May 2010).[43] In such a situation the amount of fiscal transfers from surplus to deficit countries might also increase.

42 The Compact is formally the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union.

43 Both former Bundesbank president Axel Weber and former member of the ECB's board of directors Jürgen Stark resigned their posts in 2011 due to their disagreement with the ECB's policies towards deficit countries. Since then, the Bundesbank has continued to publicly express its opposition to the ECB's policies. Its two targets are on the one hand the ECB's policy for providing liquidity to banks and on the other the OMT programme announced in September 2012 (soon after Draghi's 'whatever it takes' statement). The ECB has, since the beginning of the crisis, lowered significantly the rating criteria for the collateral it accepts from commercial banks for refinancing operations. Then, in early 2012, it launched the LTRO programme of providing very cheap credit on long-term

This presents France with another tough choice. Essentially, it means that the debate about fiscal and political union that was eluded in the nineties has certainly to take place now and result in new institutions at the Eurozone level. That process has already started. On the one hand, some of the staunchest supporters of national sovereignty seem to be reconsidering their positions. One such 'sovereignist' is former Prime Minister François Fillon. Fillon was a close collaborator of Philippe Séguin in the nineties, the leading Gaullist detractor of the Maastricht treaty on national sovereignty grounds. Fillon is now in favour of political union and a European finance minister.[44] On the other, the French bureaucracy has started drafting proposals for a first move towards a federal fiscal union through a small Eurozone budget.[45] Finance Minister Pierre Moscovici has also raised the idea of a Eurozone unemployment insurance scheme. Additionally, he has advocated the swift setting up of the banking union and the extension of the Single Resolution Fund's mandate to include the capacity to borrow on the markets.

It is difficult to predict in detail how things will play out but for the moment, the innovations envisaged (contracts between member states and the Commission on economic policy and a small Eurozone budget with some involvement from Eurozone MEPs) are quite limited, although they are pointing in the direction of a federal fiscal union. This is probably associated with the fact that the EU is not as popular in the broader public opinion as it used to be in a number of key places, not least France. The memory of the 2005 referendum is at the back of every mainstream French politician's mind. This partly explains why the German chancellor has cooled on the idea of pushing for Treaty revision and political union,[46] whereas in 2011 and 2012 she openly campaigned for that.[47] What is certain, though, is that the Eurozone crisis has once again set in motion the process of European integration.

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maturities to banks. These moves were intended to prop up banks in South Europe. Finally, both Chancellor Angela Merkel and the Bundesbank have recently stated their preference for higher interest rates. Despite that, the ECB moved in the autumn of 2013 to further lower interest rates, in a move opposed by most North European members of its governing council.

44 F. Lemaître (2013) 'François Fillon, Désormais Européen Convaincu' [François Fillon, Henceforth a Convinced European], *Le Monde*, 26 April 2013. When the journalist pointed out to him the apparent contradiction between his earlier position and the current one, Fillon's reaction was to say that he was 'against the single currency because I thought it entailed a single economic policy. Since we can't do away with the euro, we need to further deepen European integration'.

45 P. Ricard (2013) 'Quand Moscovici Tente de Faire Vivre l'Idée d'un Budget de la Zone Euro' [Moscovici Attempts to Rally Support in Favour of a Eurozone Budget], *Le Monde*, 24 October 2013.

46 M. Amann, P. Müller, R. Pfister and C. Schult (2013) 'Chancellor Merkel Cools on European Integration', *Spiegel Online*, 25 June 2013.

47 Q. Peel (2011) 'Merkel Urges Stronger Union to Back Euro', *Financial Times*, 14 November 2011.

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PART II

Global Economic Restructuring and Capital Reproduction: A View on Crises, Austerity and Employment from Divided Cyprus

Turkey: From the 'Motherland' to the 'IMF of Northern Cyprus'?

Umut Bozkurt*

Abstract

The key argument of this article is that in the aftermath of the failure of the Annan Plan, Turkey assumed the role of the 'IMF of northern Cyprus', aiming to effect a deeper transformation in the economy and politics of the Turkish Cypriot community. Turkey imposed economic programmes that included austerity measures and the privatisation of state owned enterprises in order to tame the 'cumbersome' state in the north of Cyprus. Furthermore, AKP (Adalet ve Kalkınma Partisi [Justice and Development Party]) opted for a strategy that defines northern Cyprus as an investment area. As a result of the deliberate attempts of the AKP government, Turkish capital has significantly increased its presence in state enterprises through privatisation along with infrastructure, education, construction and tourism sectors and commercial centres. The paper argues for an analysis that would locate this neoliberal restructuring in Cyprus in a global context as well as grasping the peculiarity of the state formation and the actual agency of local dynamics in the north of Cyprus.

Keywords: economic crisis, neoliberalism, austerity, privatisation, 'TRNC', AKP

The year 2013 placed the Republic of Cyprus (RoC) in the international spotlight due to a severe economic crisis which eventually forced Cyprus to seek a bailout. The rather novel 'bailout' and 'bail-in' experiment included haircut levies on large depositors together with the closure of the second largest bank in the RoC; Laiki Bank. The 'remedies' recommended by the Troika also comprised austerity measures such as salary cuts and pay rise freezes in the public sector, and an increase in the retirement age and the increase in working hours.

Meanwhile, the economy of the 'Turkish Republic of Northern Cyprus' (hereafter 'TRNC'), began to experience a downturn from as early as the end of 2007, and before the greatest impact of the global financial crisis had been sensed. The economy entered a recession during 2008 when its growth rate decreased from 15.4% in 2004 to -3.4% in 2008.[1] In this period the affiliation between

* The author would like to thank Barbara Karatsioli and two anonymous reviewers for their insightful comments on an earlier version of this article. The usual disclaimer applies.

1 E. Guryay (2011) 'The Economy of the Turkish Republic of Northern Cyprus', in S. Tkachenko and M.T. Ozsaglam (eds), *Isolated Part of Cyprus*, St. Petersburg: VVM Publishing, p. 81.

Turkey and the Turkish Cypriot community, which had traditionally been explained as a 'motherland–infant-land' relationship, transformed with Turkey assuming the role of a disciplining external force with aims to effect a deeper transformation in the economy and politics of the Turkish Cypriot community.[2] In its quest to tame the 'cumbersome' state in the 'TRNC', Turkey imposed economic programmes that included austerity measures, slashing salaries and the privatisation of state enterprises.

This paper discusses the recent economic restructuring of the Turkish Cypriot community. In order to conceptualise the relationship between political economy and state-formations, it broadly draws on Marxist approaches which anchor the analysis of the state in terms of its structural association to capitalism as a system of class relations. In his critique of the state in capitalism, Marx focused on the role of authority in embedding the reproduction and accumulation of capital in lived social relations. Even though it was wide open to reductionist interpretations, 'the old chestnut of the executive committee of the bourgeoisie' actually summed this up rather well.[3] This does not, however, mean that states will duly serve the interests of the dominant classes. In all class societies, conflicting interests continuously struggle to influence the state to gain the upper hand and state decisions that are taken at any particular moment in history reflect a particular solution to conflicting class interests and the interests of other *internal* and *external* actors at that particular conjuncture. Adopting this perspective enables room to manoeuvre beyond the political analyses that are based on the unitary interest of the Turkish Cypriot community. In addition it may facilitate the deconstruction of unitary actors in order to reveal the domestic origins of the drastic policy shifts of the recent past in Cyprus. Moreover, it provides a valuable contribution towards understanding the context in northern Cyprus. Foremost, this perspective allows us to move beyond the state conceptualisation of liberalism that becomes the embodiment of the general interest of society and the neutral arbiter of all particularistic claims. Radice notes how 'The ideology of liberalism promoted a reconstitution of the state as a public realm separate from the private realm of civil society' and that 'explicit class relations are banished from the public sphere, as all citizens are recognised for political purposes to be formally equal individuals'.[4] According to Radice, neoliberalism should be perceived as a new formulation of liberal theory in the 1990s which aims to deflect 'the citizen from class identification in favour of a contractual relationship with the state' with an emphasis on concepts such as governance and civil society.[5]

2 This tendency was made evident in an interview given to the Turkish Edition of *Fortune* magazine by Halil Ibrahim Akca, Turkey's Ambassador to the 'TRNC', who, during his dialogue, defined Turkey as the 'IMF of northern Cyprus' (*Fortune*, February 2011).

3 H. Radice (2008) 'The Developmental State under Global Neoliberalism', *Third World Quarterly*, Vol. 29, No. 6, p. 1161.

4 *Ibid.*, p. 1157.

5 *Ibid.*

In this article, neoliberalism is defined as an ideology that is 'regarded as a modern variant of classical economic liberalism, that aims to restrict the scope of action of the state and promote the self-regulating capacity of the market'.[6] Talking about neoliberalism in the 'TRNC' might seem contradictory due to its international isolation which prevents its financial integration with a global economy. Notwithstanding the peculiar position of the 'TRNC' because of this isolationism, there seems to be 'no *Urtext* of neoliberalism and that this poses problems for contrasting Neoliberalism with actually existing neoliberalisms'.[7] Jessop underlines how 'the USA is far from the originary or "pure" form of neoliberalism or, again, the singular basis for constructing an ideal type with which other "actually existing" cases can be compared in terms of their difference, deviation or derogation there from'.[8] Perhaps for these reasons, it is argued that neoliberalism should be understood as a diverse pattern of (always incomplete) neoliberalisation rather than assuming that neoliberalism has an unchanging, context-free essence. 'Without a foundational document or "pure" exemplar against which to measure deviations in actual cases, one must study local lived realities in which people and states work out their own theories, critiques and discourses about the worlds they inhabit and how it should be organised.'[9] In this frame, the recent restructuring of the 'TRNC' economy is explained in terms of an 'incomplete neoliberalism'.

This incomplete neoliberalism means that the crisis in northern Cyprus should be viewed as an instance of a specificity that is simultaneously reflective of a broader regional and global reality, yet such an assessment should be coupled with an analysis that properly grasps the specificity of the situation in the 'TRNC' due to its dependence on Turkey. Locating economic strategies – implemented in the northern part of the island – in a global context is significant as Cyprus is often taken as a *sui generis* case which makes it impossible to compare it to anything else. Such effort enables us to grasp marked similarities between the so-called 'remedies' employed in the two halves of the island. Whether it is imposed by the Troika or Turkey, the neoliberal logic behind the economic policies is hard to miss. In the RoC, a banking crisis has developed into a public deficit crisis that is being resolved through a haircut levy on large depositors as well as austerity measures. In the 'TRNC', even though the economy has various structural problems resulting from its non-recognition such as embargo, lack of direct flights which undermines its tourism potential plus a miniature market that presents it with limited export opportunities, the government is implementing policies which aggressively aim to roll back the state. Lapavitsas *et al.* (2010), call attention to how austerity measures coupled with structural reforms, including further labour

6 *Ibid.*, p. 1155.
7 B. Jessop (2013) 'Putting Neoliberalism in Its Time and Place: A Response to the Debate', *Social Anthropology*, Vol. 21, No. 1, p. 67.
8 *Ibid.*, p. 66.
9 *Ibid.*, p. 67.

market flexibility, tougher pension conditions, privatisation of remaining public enterprises and privatisation of education, turned out to be the key policy option for dealing with the crisis. Austerity measures and structural reforms are preferred by the ruling elites across peripheral and core countries, since it shifts the burden of adjustment onto working people.[10] Similar economic policies are in force in the north and the south of Cyprus, hence it becomes imperative to analyse the somewhat peculiar situation in northern Cyprus in the broader context of neoliberal reactions to the global crisis.

The crisis of the RoC and the crisis of the 'TRNC' cannot be analysed independently from the crisis of the Eurozone and the crisis of Turkey, respectively. In the case of the RoC, the crisis unfolded in a EU where the banking crisis was moving to the periphery, and was further complicated by the fact that the RoC did not have the option of devaluing its currency within the Eurozone.[11] On the other hand, economic crises in northern Cyprus cannot be explained without taking account of the economic integration of Turkey and the 'TRNC'. It is a well-known fact that financial assistance from Turkey has become the major source of Turkish Cypriot revenue since the 1950s and further intensified after the founding of the 'TRNC' in 1983.[12] Furthermore, the 'TRNC' uses Turkish Lira (TL) as its currency and this makes using monetary policy tools impossible plus any changes in the TL directly affect its economy.[13]

This relationship of dependence between Turkey and the 'TRNC' also explains why the economic policies implemented in the north of the island since 1974 closely echo the policies implemented in Turkey. Economic policies put into effect on the island, therefore, should be viewed against the backdrop of the neoliberal restructuring that was underway in Turkey from the 1980s onwards. This article analyses the economic policies imposed in the north after 1974 by establishing links with the prevailing ideological context in Turkey. Yet, the real focus of this study centres on the post-2002 period where *Adaletve Kalkınma Partisi* (Justice and Development Party – hereafter the AKP) government under Erdogan has been a proponent of 'neoliberalism with a human face'. This means that despite Erdogan's people-friendly rhetoric, a neoliberal agenda defined the party's economic policies, with the government placing priority on fiscal responsibility via budgetary austerity.[14]

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10 C. Lapavitsas *et al.* (2010) 'Eurozone Crisis: Beggar Thyself and Thy Neighbour', *Journal of Balkan and Near Eastern Studies*, Vol. 12, No. 4, p. 326.

11 Y. Ozdemir (2013) 'Krizler, Euro Krizi ve Guney Kibris'ta Yasananlar ve Yasanacaklar Uzerine' [On the Crises, Euro Crisis and What has been Experienced and What will be Experienced in Southern Cyprus], *Yeniduzen Gazetesi – Kibris Gaile eki* [supplement of the Yeniduzen], 7 April.

12 Overall, in the 1974–2004 period, Turkey provided $US 3.07 billion of financial assistance to northern Cyprus. The Turkish government also invested in numerous infrastructure projects, such as building schools and hospitals, roads, irrigation networks and telecommunication facilities – U. Bozkurt (2013) 'Cyprus: Divided by History, United by Austerity', *opendemocracy*, 7 May.

13 Guryay (2011) *op. cit.*, p. 67.

14 U. Bozkurt (2013) 'Neoliberalism with a Human Face: Making Sense of the Justice and Development Party's Neoliberal Populism in Turkey', *Science & Society*, Vol. 77, No. 3 (July), p. 373.

The AKP's economic policies do not represent a rupture but rather continuity with its predecessors. The coalition government that was in power immediately prior to the AKP being elected in 2002 implemented the IMF-backed economic programme in 2001. The strategy was based on tight financial and monetary policies with the intention of contracting internal demand through a restricted wage policy.[15] The AKP government essentially executed this programme. However, as is elaborated further below, the AKP, by enjoying its advantage of ruling Turkey on its own after a decade of coalition governments, engaged in deepening the neoliberal transformation in Turkey. AKP's neoliberalism revealed a gradual marketisation of public services together with privatisation ventures, the flexibilisation of labour and the so-called 'urban transformation' projects, whereby poor populations are displaced and public places, green areas, and historical sites are demolished in order to rebuild the city in the image of capital.[16]

The gradual empowerment of the AKP paved the way to a more thorough effort of neoliberal restructuring in the northern part of Cyprus.[17] In addition, especially after the failure of the Annan Plan in 2004, the AKP government's rule in north Cyprus drew less on the consent of the Turkish Cypriots and more on domination. The days when Turkey's intervention in 1974 was greeted with jubilation and relief by the vast majority of Turkish Cypriots are long gone, and today an increasing number of Turkish Cypriots are frustrated and antagonised by Turkey's authoritarian attitude over the 'TRNC'. During the course of the 2000s a transformation started to take place in the relationship between Turkey and Turkish Cypriots with the so-called 'motherland' metamorphosing into 'the IMF of northern Cyprus'. But, even though austerity measures driven by Turkey precipitated a serious discontent within the Turkish Cypriot community, it is problematic to view such policies as only top-down impositions: doing so would deny the actual agency of the local dynamics in the north. As will be further elaborated on below, a significant section within the Turkish Cypriot bourgeoisie joined forces with the Turkish bourgeoisie to engage in the neoliberal modernisation of the economy. The philosophy behind this was to abolish the economic isolation and, therefore, bring a smoother integration of the 'TRNC' with international markets.

The Political Economy of the Turkish Cypriot Community in the Post-1974 Period

The Turkish Cypriot financial dependency on Turkey was established earlier in the 1950s when Turkey initially provided financial aid to the community. This dependency relationship was further

15 Z. Aydin (2005) *The Political Economy of Turkey*, London: Pluto Press, p. 127.

16 C. Tugal (2013) 'Occupy Gezi: The Limits of Turkey's Neoliberal Success', *Jadaliyya*, 4 June.

17 N. Moudouros (2013) 'Islam and Neoliberal Hegemony in the Turkish Cypriot Community: A New Process of Transformation', paper presented at the *14th Mediterranean Research Meeting*, organised by the Mediterranean Programme of the Robert Schuman Centre for Advanced Studies at the European University Institute, Mersin-Turkey, 20–23 March, p. 1.

intensified following the breakdown of the bi-communal RoC in 1963. It was in this period that Turkish Cypriots retreated to Turkish Cypriot quarters following Greek Cypriot paramilitary attacks and formed a separate administrative system, known as the 'Transitional Cyprus Turkish Administration' from 1967 onwards.[18] The threats coming from the nationalist *Türk Mukamevet Teşkilatı* (Turkish Resistance Organisation – TMT) and Greek Cypriot employers deterred many Turkish Cypriots from working outside of the enclaves.[19] At this time, the Turkish government sponsored the salaries of all Turkish Cypriot officials and members of the armed forces, and provided welfare relief to approximately half of the Turkish Cypriot community by 1967.[20]

Turkey played a substantial role in shaping the post-1974 political economy of the Turkish Cypriot community. Following Turkey's military operation in 1974 and the division of the island, Transitional Cyprus Turkish Administration proclaimed itself the Turkish Federated State of Cyprus in February 1975. Turkey implemented an import substitution industrialisation (ISI) model from 1960 to 1980 where technology, capital goods and inputs were imported and the final product was domestically produced.[21] State economic enterprises played a peculiar role in boosting the local industry. On the one hand they provided industry with low-cost inputs and on the other they provided inexpensive consumer goods for wage earners and thereby contributed to the profits of the industry by keeping the labour costs along with the price of the inputs low.[22]

This model of planned industrialisation in Turkey had an impact on the model implemented in northern Cyprus in the post-1974 era, which was defined by heavy state interventionism. State-run economic sectors, state-run farms, state-run hotels, state-run banks and state-run factories were established.[23] The remarkable aspects of this period were the mechanisms employed by the state to legitimise itself. In the early 1970s it was the allocation of property of Greek Cypriots who moved southwards after 1974 and later the distribution of posts in the bureaucracy, state-owned enterprises and other semi-state institutions that served as a means to cultivate its legitimacy.[24]

In November 1983, Denktash proclaimed the 'TRNC' which was branded an 'invalid' state

18 Y. N-Yashin (2006) 'Affect in the Civil Service: A Study of a Modern State-System', *Postcolonial Studies*, Vol. 9, No. 3, p. 286.

19 *Ibid.*, pp. 286–287.

20 R. Patrick (1976) *Political Geography and the Cyprus Conflict, 1963–1971*, edited by J.H. Bater and R. Preston, Department of Geography, Faculty of Environmental Studies, Waterloo, Ontario: University of Waterloo, p. 107.

21 H. Gulalp (1985) 'Patterns of Capital Accumulation and State-Society Relations in Turkey', *Journal of Contemporary Asia*, Vol. 15, No. 3, p. 337.

22 G. Tuzun (1986) *Ekonomik Bunalim ve 24 Ocak Kararlari Uzerine* [Upon the Economic Crisis and the 24 January Decisions], Istanbul, p. 51; C. Keyder (2003) *Turkiye'de Devlet ve Sınıflar* [State and Classes in Turkey], Istanbul: Iletisim Yayinlari, p. 228.

23 M. Hatay (2005) *Beyond Numbers: An Inquiry into the Political Integration of the Turkish 'Settlers' in Northern Cyprus*, Nicosia: PRIO Report 4, p. 25.

24 D. Isachenko (2009) 'On the Political Economy of Unrecognised Statebuilding Projects', *The International Spectator: Italian Journal of International Affairs*, Vol. 44, No. 4, p. 70.

by the United Nations Security Council Resolution 541.[25] The era, post-1986, represents a new phase in the political economy of the Turkish Cypriot community. This period is characterised by neoliberal reforms and the privatisation of the state economic enterprises. Such a shift from heavy state involvement in economic policy-making to neoliberal economic policies can only be understood by reflecting on the ideological atmosphere that prevailed in the early 1980s in Turkey.

The Turkish economy experienced a severe economic crisis in the 1970s. The crisis was related to the internal contradictions of the ISI in force and, specifically, resulted from Turkey's continued dependence on the West for the import of capital goods as well as raw materials and intermediate goods.[26] The Turkish government implemented a stabilisation package on 24 January 1980 that was followed by the military coup of 12 September 1980. The 24 January decisions were designed to transform Turkey's economy from a model based on import-substitution accumulation to an industrial strategy that was based on export-led growth.[27] The programme aimed to achieve an export oriented trade model by curbing the growth of domestic demand by a combination of contractionary fiscal and monetary policies in order to generate excess capacity that was intended to meet external demand.[28] Yet implementing such policies was a real challenge to the Turkey of late 1970s that was defined by labour union mobilisation. This is why the military coup of 1980 reorganised the country's political structure completely and enabled the implementation of these economic policies. The 12 September development can be defined as a simultaneous process of political authoritarianism and economic liberalism. On the one hand, the architects of the coup carried out a massive restructuration whereupon they dissolved all political parties, banned trade unions, carried out a large-scale purge in the civil service and made provision for an expanded role for the military in politics. On the other hand, the coup aimed to facilitate the structural adjustment process by creating an environment in which there was little room for opposition. While all associations were banned and labour was directly excluded from the decision-making process, the military regime asked for the support of Türk Sanayicileri ve İşadamlari Derneği (TÜSİAD) (Turkish Industrialists' and Businessmen's Association) to transmit the message abroad that it would remain loyal to the structural adjustment programme.[29]

Reflections on this ideological shift in economic policy-making soon became explicit in

25 C. Constantinou and Y. Papadakis (2001) 'The Cypriot State(s) in Situ: Cross-Ethnic Contact and the Discourse of Recognition', *Global Society*, Vol. 15, No. 2, p. 128.

26 Tuzun (1986) *op. cit.*, p. 46; C. Keyder (2003) *Turkiye'de Devlet ve Sınıflar* [State and Classes in Turkey], Istanbul: Iletisim Yayinlari, p. 208; H. Gulalp (1993) *Kapitalizm, Siniflar ve Devlet* [Capitalism, Classes and the State], Istanbul: Bilim Dizisi, p. 36.

27 S. Aren (1986) *24 Ocak Programi ve Alternatifleri* [24 January Programme and its Alternatives] Istanbul: Bilim ve Sanat, p. 25.

28 T.F. Nas (1992) 'The Impact of Turkey's Stabilization and Structural Adjustment Program: An Introduction', in T. Nas and M. Odekon (eds), *Economics and Politics of Turkish Liberalization*, Bethlehem, PA: Lehigh University Press, p. 11.

29 G. Yalman (1997) 'Bourgeoisie and the State: Changing Forms of Interest Representation within the Context of

northern Cyprus. The early and mid-1990s were characterised by the privatisation of state economic enterprises. As Hatay underlines:

> 'This decade was a period of neoliberal privatisation in north Cyprus making it attractive for owners of small business enterprises, as well as highly skilled professionals, such as financial experts hired in local or offshore banks, lecturers who teach in the universities, and businessmen who have made investments on the island. Several new hotels were built or older Greek-Cypriot ones, previously run by the government, were privatised. Together with growth in the hospitality industry, hotels began to open casinos which catered mainly to Turkish tourists. In addition, by the middle of the 1990s, changes in property laws resulted in a boom in the real estate sales and construction sector. The same period also saw the establishment of private universities in Nicosia, Kyrenia and Famagusta which attracted an increasingly large population of students from Turkey and other third countries.'[30]

A major factor that contributed to the post-1980 boom in the north was the investments of the Turkish Cypriot businessman Asil Nadir. Nadir became a household name for his transformation of a small textiles company in London's East End into Polly Peck International (PPI), a multinational conglomerate that included investments in electronics, leisure and the Del Monte fruit group. In 1982 Nadir began his earlier ventures and set up three companies in northern Cyprus. These included Uni-Pac Packaging Industries Ltd., Sunzest Trading Ltd., (the citrus fruit business) and Voyager Kibris Ltd., which was responsible for running three hotels – the Jasmine Court, the Palm Beach, and Crystal Cove.[31] In 1990, the Serious Fraud Office said that it had found evidence that Nadir had stolen millions of pounds from PPI that belonged to its shareholders. The PPI collapsed in October 1990. Then, in 1993, as Nadir's trial approached, he fled Britain and came to northern Cyprus. Seventeen years later, in 2010, he returned to Britain saying that he wanted to clear his name. He was found guilty of ten thefts from Polly Peck totalling £29m.[32] Tahsin notes how Asil Nadir's investments had a buoyant effect on the economic performance of the 'TRNC' until his bankruptcy (1990–1993).[33]

By the 1990s, questions on whether the economic model established after 1974 would be sustainable any longer became explicit. In the mid-1990s the political conflict over the distributive

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the Economic Crises and Structural Adjustment: Turkey during the 1980s', unpublished PhD thesis, Manchester School of Social Sciences, Manchester University, pp. 219–220.

30 M. Hatay (2008) 'The Problem of Pigeons: Xenophobia and a Rhetoric of the "Local" in North Cyprus', *The Cyprus Review*, Vol. 20, No. 2 (Fall), p. 155.

31 G. Counsell and H. Pope (1993) 'Desperate Bid to Claim PPI Assets: Polly Peck Administrator Flies Out to Turkey in Attempt to Revive Collapsed Sale', *The Independent*, 16 May.

32 D. Casciani (2012) 'How Asil Nadir Stole Polly Peck's Millions', *bbcnews*, 22 August.

33 E. Tahsin (2013) 'The Dimensions of Neoliberalism Transformation in Case of Northern Cyprus' – presented at Symposium, 30 October–1 November, *Neo-Liberal Transformation: Its Dimensions and Consequences*, Lefke: European University of Lefke, p. 8.

capacities of the 'TRNC' reached a climax.[34] The demise of Asil Nadir's Polly Peck company also struck a major blow to its economy. In July 1994, the European Court of Justice (ECJ) ruled that health certificates issued by the 'TRNC' authorities were not to be accepted as substitutes for the legally recognised RoC government's documents. This meant that the 'TRNC' citrus fruit and potato exports to the UK markets would no longer receive preferential trade treatment as stated in the Association Agreement and Customs Union. To make matters worse, the British authorities interpreted this decision to cover all the exports from the 'TRNC' and began to impose trade restrictions by eliminating the preferential trade status of export commodities from north Cyprus.[35] In consequence, 'the economy of the "TRNC" has become progressively less and less integrated with international markets and more and more reliant on Turkey'.[36] As Akcali underlines, 'This ruling, still in effect, has become the severest economic embargo launched against the "TRNC" and the Turkish-Cypriot community since 1974.'[37]

In December 1999, the 'TRNC' economy suffered a huge financial crisis triggered by the banking sector. Various factors played a role in this crisis including the EU embargo as well as the dependence of northern Cyprus' economy on Turkey that was itself hit by an economic crisis in August 1999.[38] The banking crisis that occurred in December 1999 in the north, involved 30,000 depositors. By early 2000 the crisis worsened and six banks were placed *under* government control. Four out of six banks were closed by the decision of the Council of Ministers. Following on from this, Prime Minister Dervis Eroglu's government sought financial aid from Ankara but Turkey was not willing to provide unconditional support. Instead, she imposed an economic austerity package that met widespread resistance on the part of opposition parties and trade unions, together with the business community.[39] Because of the resistance, the government could not implement the package which led to a shortfall in funds. Consecutive delays in the payment of salaries in the public sector plus the suspension of payment of compensation to victims of the banking crisis, contributed to increasing discontentment within the Turkish Cypriot community.[40] Essentially, the economic crisis meant that the Turkish Cypriot government was confronted with diminished

34 E. Akcali (2011) 'Getting Real on Fluctuating National Identities: Insights from Northern Cyprus', *Antipode*, Vol. 43, No. 5, p. 1733.

35 S.T. Katircioglu (2006) 'Causality between Agriculture and Economic Growth in a Small Nation Under Political Isolation: A Case from North Cyprus', *International Journal of Social Economics*, Vol. 33, No. 4, p. 338.

36 M. Besim and F. Mullen (2009) 'Cyprus in the Global Financial Crisis: How Lack of Banking Sophistication Proved an Advantage', *South European Society and Politics*, Vol. 14, No. 1, p. 88.

37 Akcali (2011) *op. cit.*, p. 1733.

38 *Sabah* (2011) 'Turkiye'de ekonomik krizler' [Economic Crises in Turkey], 19 April.

39 S. Sonan (2007) 'From Bankruptcy to Unification and EU-Membership? The Political Economy of Post Nationalist Transformation in Northern Cyprus', *RAMSES Working Paper* 9/07, European Studies Centre, University of Oxford, pp. 12–13.

40 *Ibid.*, p. 14.

possibilities for containing the grievances through the traditional instruments of patronage and clientelism.[41] The inability of the government to respond to the demands of the Turkish Cypriot community by resorting to clientelistic mechanisms brought forth a significant attitudinal change towards the settlement of the Cyprus problem and the EU. In an environment where the economic crises not only curbed the distributive capacity of the state, but also generated social unrest, the United Nation's reunification plan with its prospect of immediate membership in the European Union constituted a promising alternative for a new, concrete social project to replace the defunct politico-economic structure.[42]

The collapse of the Annan Plan became a turning point for different reasons. Turkey, in the aftermath of its failure, not only adopted an intransigent position regarding a settlement in Cyprus, but in this period Turkey's relationship soured with significant sections of the Turkish Cypriot community as well. The alliance – between the AKP and the Turkish Cypriot opposition forces – for the sake of bringing a political settlement to the Cyprus conflict in the early 2000s came to an end soon afterwards as Ankara started to impose stringent austerity measures. As elaborated in detail below, the post-Annan period demonstrated how Erdogan and his government increasingly relied on 'dominance without hegemony'[43] in his interactions with the 'TRNC' in which he adopted a heavy-handed approach, and did not prioritise reaching any accord with the Turkish Cypriot community. This essentially meant that the relationship between Turkey and the Turkish Cypriot community that was traditionally defined as a 'motherland–infant-land' affiliation underwent a significant change after the mid-2000s when Turkey, to a greater extent, assumed the role of an IMF-style of disciplining external force which eventually led to rising social and political disgruntlement amongst the Turkish Cypriots. It is possible to observe that Cypriotness as one of the discourses articulated by the Turkish Cypriot political opposition in order to organise mobilisations of the early 2000s – understood in terms of self-determination posed in opposition to the domination of Turkey – was further consolidated in this period.

AKP and Deepening Neoliberalism in Turkey

The AKP came to power in the 2002 election, in the aftermath of the 2001 financial crisis. The party managed to progressively increase its number of votes and won a landslide victory in the 2011 general election with 50% of the vote. The 2001 crisis had negative repercussions on all sections of Turkish society, whether rich and poor, educated and non-educated, urban and rural. In this context, centre-left parties were penalised for failing to protect the interests of the poor and the

41 H. Lacher and E. Kaymak (2005) 'Transforming Identities: Beyond the Politics of Non-Settlement in North Cyprus', *Mediterranean Politics*, Vol. 10, No. 2, p. 150.

42 Sonan (2007) *op. cit.*, p. 5.

43 N. Trimikliniotis and U. Bozkurt (eds) (2012) *Beyond a Divided Cyprus: A State and Society in Transformation,* New York: Palgrave Macmillan, p. 7.

underprivileged whereas centre-right parties suffered from their association with widespread corruption.[44] During the electoral campaign of 2002, Recep Tayyip Erdogan raised popular expectations that his party would immediately tackle problems of growing poverty, distorted income distribution, and social inequality; yet the AKP stayed within the neoliberal framework. In that sense AKP under Erdogan has been a proponent of 'neoliberalism with a human face', whereas beyond the party leader's people-friendly rhetoric a neoliberal agenda remains intact, with the government placing priority on fiscal responsibility via budgetary austerity.

In its rule for more than a decade, AKP engaged in a gradual marketisation of public services, privatisation, and the flexibilisation of labour. The New Social Insurance and Universal Health Insurance Act that was passed in parliament in 2008 targeted raising the age of retirement, lengthening the contribution period, and reducing retirement, disability, and survivor benefits and pensions.[45] AKP directed to weaken welfare policies as a public obligation because the state is subcontracting its welfare provision duties to the private sector.[46] What is more, charity groups and philanthropic associations are taking over some state functions. The neoliberal ideology of the party has also manifested itself in so-called 'urban transformation' projects where public places, green areas, and historical sites are demolished and poor populations are displaced (Tugal, 2013). 'All these unwanted spaces (and people) are being replaced by malls, skyscrapers, office spaces, and glossy remakes of historical buildings.'[47] This process can be defined as an explicit manifestation of 'the urbanization of capital' in the words of David Harvey. Harvey emphasises how the reproduction of capital passes through processes of urbanisation in myriads of ways. 'But the urbanization of capital presupposes the capacity of capitalist class powers to dominate the urban process. The city and the urban process that produces it are therefore major sites of political, social, and class struggles.'[48]

The neoliberalism of AKP also explains why it has managed to gain more votes in comparison to its predecessors. The party is born out of the *Milli Görüş* (National Outlook) tradition that represents political Islam from the 1970s onwards. In the main, the predecessors of the AKP gave voice to the losers of the economic policies implemented at the time. For example, the *Milli Selamet Partisi* (National Salvation Party – NSP) represented the interests of the small-

44 Z. Onis (2006) 'The Political Economy of Turkey's Justice and Development Party', in M. Hakan Yavuz (ed.), *The Emergence of a New Turkey: Islam, Democracy and the AK Party*, Salt Lake City, Utah: University of Utah Press.

45 S. Cosar and M. Yegenoglu (2009) 'The Neoliberal Restructuring of Turkey's Social Security System', *Monthly Review*, Vol. 60, No. 11 (April), p. 43.

46 M. Eder (2010) 'Retreating State? Political Economy of Welfare Regime Change in Turkey', *Middle East Law and Governance*, Vol. 2, No. 2, p. 181.

47 Tugal (2013) *op. cit.*

48 D. Harvey (2012) *Rebel Cities: From the Right to the City to the Urban Revolution*, London: Verso, p. 65.

scale commercial and industrial bourgeoisie in the 1970s.[49] But the AKP went beyond appealing to the traditional support base of its predecessors to represent the second generation bourgeoisie, which has flourished under conditions of globalisation. In opposition to the first generation bourgeoisie or the 'istanbul bourgeoisie' that became prominent in the early 60s and 70s, the second generation bourgeoisie or the 'Anatolian bourgeoisie' started to grow in Anatolian cities in the aftermath of the 1980s. Today, the second generation bourgeoisie includes not only small and medium-scale employers. Also, from the 1990s onwards Islamic capital has grown, taking advantage of the export orientation of the economy and leading to the foundation of some holding companies that have reached the size and economic power of many units of 'core' capital.[50] It was the rise of the second generation bourgeoisie that gave way to the AKP's split from its predecessor *Refah Partisi* (Welfare Party). Progressively, the so-called Just Order of the National Outlook line that highlighted social justice, redistribution and heavy state intervention, alienated the emerging devout bourgeoisie who became supportive of free market principles rather than the Just Order.[51]

In this respect, it needs to be underlined that the economic policies formulated by the AKP since 2002 aimed to reward both the first generation and the second generation bourgeoisie.[52] On the other hand, the impact of these economic policies on the working class, unemployed and vulnerable sectors such as housewives and the elderly have been hardly positive. Even though AKP managed to achieve economic growth, this growth – which relied on short-term capital inflows – neither reduced unemployment nor led to an increase in real wages. According to research conducted by the Organisation for Economic Co-operation and Development (OECD), Turkey is classified in the category of member countries with the highest income inequality.[53]

Turkey as the IMF of Northern Cyprus

In many ways, the failure of the Annan Plan became a momentous turning point in AKP's position on Cyprus. Many people in the north, particularly in left-wing circles, had invested a great deal of hope in the party especially in its first term in power. Indeed, in the early 2000s, Erdogan was in favour of challenging traditional Turkish foreign policy on Cyprus in order to facilitate the country's entry in the EU. He thus gave support both to the political opposition in the 'TRNC'

49 B. Toprak (2005) 'Islam and Democracy in Turkey', *Turkish Studies*, Vol. 6, No. 2 (June), p. 180.

50 G. Haldun (2001) 'Globalization and Political Islam: The Social Bases of Turkey's Welfare Party', *International Journal of Middle East Studies*, Vol. 33, No. 3, p. 444.

51 S. Gumuscu and D. Sert (2010) 'The March 2009 Local Elections and the Inconsistent Democratic Transformation of the AKP Party in Turkey', *Middle East Critique*, Vol. 19, No. 1 (Spring), p. 963.

52 F. Ercan and S. Oguz (2006) 'Rescaling as a Class Relationship and Process: The Case of Public Procurement Law in Turkey', *Political Geography*, Vol. 25, No. 6.

53 E. Ustundag (2008) 'Turkiye Gelir Esitsizliginde OECD Sampiyonlarindan' [Turkey is Amongst the OECD Member Countries with the Most Unjust Income Distribution], *Bianet*, 22 October.

and the comprehensive peace plan for the resolution of the Cyprus issue, released by the UN Secretary General Kofi Annan soon after AKP's electoral victory. Nonetheless, the Greek Cypriot rejection of the Annan Plan started a new phase: Turkey exhibited hardly any willingness to realise a federal solution and had ceased to be supportive of confidence building measures or initiatives aiming to increase the dialogue between the two communities in Cyprus.[54]

The end of the decade led to an increasing mobilisation on the part of the Turkish Cypriots as the economic crisis precipitated social and political discontent amongst trade unions and civil society organisations groups. This gloominess manifested itself in three massive rallies held in January, March, and April 2011 plus a series of strike actions that continued throughout 2012 and 2013. Turkish Cypriot discontent was plural in form and content. The protests, led by trade unions largely in the public sector, are connected to political parties of the Left. This is hardly surprising as the austerity package is hitting the Turkish Cypriot middle classes and labour aristocracy, who are feeling the squeeze. Recent research indicates that their presence and role are gradually being eroded; Turkish Cypriot workers in the public sector are conscious of the pressure of being made unemployed or being curtailed of their rights in an economy where insecure working conditions or precariatisation prevails as the norm in labour relations within the private sector. So far the opposition to Turkey's overpowering presence reflects a combination of economic and communal-cultural concerns. An emphasis on 'Cypriotist' identity can also be observed on the part of protestors. Still, disillusionment is gradually drawing support from all walks of life, including some political groups on the traditional pro-Ankara Right of the ideological spectrum.[55]

To reiterate, there is nothing new in terms of Turkey's intervention in the economy of northern Cyprus. Since 1986, Turkish governments have engaged in transforming the economy of the 'TRNC' in line with their ideological orientations via economic protocols signed between Turkey and the 'TRNC'. Yet the AKP tried to closely monitor the economic system, and especially after 2006, IMF type conditionality principle that conditions loans on a number of prerequisites and reforms started to be implemented in north Cyprus as well.[56]

This section focuses on the post-2004 economic restructuring, but before elaborating on the economic policies currently implemented, it is important to provide a background to Turkey's interventions in the economy of northern Cyprus. To this end, this section briefly summarises the content of the economic protocols signed between Turkey and the 'TRNC' from 1986 onwards.

54 M. Ozsaglam (2011) 'AK Parti ve 12 Haziran sonrasi Kibris sorunu' [Justice and Development Party and the Cyprus Problem after 12 June Elections], *Havadis*, 20 June.

55 N. Trimikliniotis and U. Bozkurt (eds) (2012) *Beyond a Divided Cyprus: A State and Society in Transformation*, New York: Palgrave Macmillan, p. 7.

56 H. Arslan (2011) 'Neo-liberal bakisinin tahakkumu altinda bir yeniden yapilandirma surecinden gecen Kibris Turk toplumunun siyasal iktisadina dair bazi tespitler' [Some observations on the political economy of the Turkish Cypriot community that is undergoing a neoliberal restructuration], *Yenidüzen Gaile eki* (*Gaile*-supplement of Yenidüzen), 17 July.

This analysis reveals that in line with the neoliberal turn after the 1980 coup in Turkey, certain reforms that point to effecting a similar transformation in the economy of northern Cyprus were already under way. For example, the Turkey–'TRNC' Economic Co-operation Protocol signed on 5 December 1986 aimed to transform the economy from a mixed economy to a free market economy. A glaring consequence of this process was the undermining of local industry which had already entered this phase when the 1986 protocol was signed. Instead, the 1986 protocol led to the legalisation of offshore banks and priority being given to foreign trade, education, banking and tourism.

The 1992 protocol that the 'TRNC' signed with Turkey included steps toward a customs union between Turkey and the 'TRNC' via the elimination of excises and other tariffs (1992 TC–'TRNC' Economic Protocol). The Economic Co-operation Protocol signed in 1997 between Turkey and the 'TRNC' essentially targeted privatisation. The private sector would be strengthened by the creation of special departments under the supervision of the Privatisation Directorate of Turkey such as the 'monitoring committee' and the 'privatisation unit'.[57] It was the privatisation unit that abolished the state economic enterprises such as Cyprus Turkish Tourism Enterprises (*Kıbrıs Türk Turizm İşletmeleri*) and Industry Holding (*Sanayi Holding*). The year 1997 can be seen as a year of further integration. The Council of Association (Ortaklık Konseyi) that was formed between Turkey and the 'TRNC' in the same year aimed to strengthen co-operation concerning commerce, economics and fiscal matters as well as defence and security between Turkey and the 'TRNC'.[58]

Following the economic crisis in 1999 that led to the collapse of the banking sector, an 'Economic Stability Programme' was announced on 4 October 2000. The Economic Stability Programme held the public sector responsible for the crisis and emphasised privatisation along with measures regarding the banking sector, which focused on rescuing financial capital.[59] Moreover, the Council of Partnership decided to improve co-operation on sectors like energy, private universities and tourism, as well as the adjustment of the 'TRNC' to the legislative regulations of Turkey in relation to the reinforcement of the private sector and market competition.[60]

Another important programme that is worthy of mention is the '*Sürdürülebilir Kalkınma için Yapılandırma ve Destek Programı*' (Structuration and Support Programme for Sustainable Development) (2007–2009) that was signed in 2006. This programme is central because, for the

57 *Ibid.*

58 Türkiye Cumhuriyeti Hükümeti ile Kuzey Kıbrıs Türk Cumhuriyeti Hükümeti Arasında bir Ortaklık Konseyi Kurulmasına İlişkin Anlaşma (Onay) Yasası, Sayı 9/1998 [Law on establishing a Council of Partnership between the Turkish Republic and the 'Turkish Republic of Northern Cyprus', 1998].

59 Arslan (2011) *op. cit.*

60 Moudouros (2013) *op. cit.*

first time, the principle of conditionality was included and it was duly followed with the '*Kamunun Etkinliğinin ve Özel Sektörünün Rekabet Gücünün Artırılması Programı*' (Programme for Increasing the Effectiveness of the Public Sector and the Competitiveness of the Private Sector) (2010–2012).[61] The 2010–2012 Programme aspired to drastically reduce budget deficits. Yet the aim was also emphasised as a way to reduce the state's intervention in the economy besides boosting the private sector. Accordingly, the necessity to reduce the state's expenses and to increase its revenues by intensifying privatisation was heightened; thus reducing the number of civil servants and encouraging private capital investments at the same time.[62] Meanwhile, the current protocol – referred to as '2013–2015 Transition to a Sustainable Economy Programme' – adopted a series of aims such as: taming the 'cumbersome' state; transforming it into an apparatus based on 'good governance'; transforming a system based on patronage to a more institutionalised capitalism; improving efficiency in the public sector; creating an economic structure based on boosting the private sector, and reducing the role of the public sector and public finance. The majority of the financial aid being provided by Turkey for the duration of the programme is being allocated to help boost the private sector. The most crucial aspect of the protocol is the emphasis placed on privatisation: specifically the privatisation of electricity, telecommunications and seaports.[63]

Even though the economy has various structural problems, for instance, a miniature market, a lack of direct flights that undermine its tourism potential and limited export opportunities, the economic policies imposed by Turkey strive aggressively to roll back the state.[64] It is feasible to argue that apart from forcing a transition upon the so-called 'cumbersome state' to conform to some sort of leaner state, the policies imposed by Turkey do not promise a way out from the crisis of the economy. Contrarily, its policies as regards its single minded emphasis on neoliberal reforms in a country defined by its small economy, unemployment and stagnation, invite further unemployment and impoverishment for Turkish Cypriots. If the protocol is implemented completely, a number of state economic enterprises will be acquired by Turkish capital and key strategic sectors such as electricity and telecommunications will become private monopolies.[65]

As can be appreciated, the neoliberal restructuration of the northern Cyprus economy intensified mainly after 2006 with the introduction of the conditionality principle. The conditionality principle is part and parcel of the new strategy of the AKP government that works to effect a deeper intervention into the economic and political structures in the 'TRNC'. In the aftermath of the failed Annan Plan, the AKP has clearly set up a strategy that defines northern Cyprus as an investment area and has been increasing the volume of credits that are coordinated

61 Arslan (2011) *op. cit.*
62 Moudouros (2013) *op. cit.*
63 U. Bozkurt (2013) *op. cit.*, 'Cyprus: Divided by History ...'.
64 *Ibid.*
65 *Ibid.*

by Turkey's institutions. Recent investments by large Turkish capital groups in the Bafra Tourism zone are conspicuous, as are new investment areas which have been established and are supported by subsidy laws.[66] A 'TRNC' Investment Consultancy Council has been established and the Turkish–'TRNC' Business Council's aim is to encourage investments. 'Thus, the investments in northern Cyprus would be coordinated by a commission of government officials of Turkey and northern Cyprus and representatives of the private sector from both sides.'[67] This presents a clear manifestation that Turkish capital wants to become more active in northern Cyprus during the AKP government. Tahsin notes that the key expectations of AKP from the northern Cyprus government are not only the limitation of public expenditure and maintenance of privatisation policies but also the acquisition of new investment areas.[68]

Moudouros notes that different sectors within the Turkish bourgeoisie converged on the necessity for neoliberal transformations which, in their view, could overcome economic underdevelopment of the Turkish Cypriots. Under this preamble, the most powerful business circles of Turkey intensified their efforts to highlight the private sector as the guiding authority for development and much sought after modernisation.[69] They suggested adopting the 'free market' model which solely restrains the functions of the public sector to regulation of the legislative framework and the creation of favourable conditions in order to increase foreign investment. In this process, the abolishment of the public sector's 'privileges', and in general of the working class, was presented as a 'necessary' and 'unavoidable' prerequisite for 'medium and long term prosperity'.[70]

In order to effect a change in Cyprus, business associations in Turkey engaged themselves in different organisations and activities:

> 'The powerful Organization of Turkish Industrialists and Businessmen (TÜSİAD) formed a "Cyprus Department" so as to intensify its intervention. The Union of Chambers and Commodity Exchanges of Turkey (TOBB) worked hard to create structures and bodies such as the Investment Advisory Council, as well as proposals to help speed up the Immovable Property Commission's procedures regarding compensations to the Greek Cypriot owners for their properties in the northern part of Cyprus. The Turkish Economic Bank (Türk Ekonomi Bankası – TEB) and the Council of Foreign Economic Relations of Turkey (DEİK) formed various programs in order to increase foreign investments, especially in the sectors of tourism and private

66 E. Tahsin (2012) 'Making Sense of Turkey's Changing Cyprus Policy: The EU Factor and the Shifting Preferences of the Power Bloc', in N. Trimikliniotis and U. Bozkurt (eds), *Beyond a Divided Cyprus: A State and Society in Transformation*, New York: Palgrave Macmillan, p. 148.

67 *Ibid.*, p. 148.

68 *Ibid.*

69 Moudouros (2013) *op. cit.*, p. 15.

70 *Ibid.*, pp. 15–16.

> education. The Union of All Industrialists and Businessmen of Turkey (TÜMSİAD), as well as the Turkish Confederation of Businessmen and Industrialists (TUSKON), which is linked to the Islamic Gülen community, decided to open branches in Cyprus in order to facilitate foreign commerce. The Independent Industrialists and Businessmen Association (MÜSİAD) which is the primary organization of the "Islamic" capital, also created a branch in the northern part of the island having as a goal the integration of commerce and industrial production to the global market.'[71]

Hence, a vital aspect in the developments relating to the implementation of the economic protocol 2010–2011–2012 has been the more intense presence of the Turkish private sector and its organised bodies in the northern part of Cyprus. This development has been the result of a specific political strategy followed by the Turkish government and has not simply been left to the inherent expansive forces of the capital.[72] Moudouros stresses how Ankara followed a unified political line in order to implement the programme. All institutions in Turkey, which are directly involved with the Cyprus Problem such as the Prime Minister's office, the Ministry of State for Cypriot Affairs, the Foreign Affairs Ministry and the army, hold the same positions on the economic programme. This 'unified line' of managing the socio-economic structure of Cyprus, is expressed through the Turkish embassy and more specifically through the Assistance Committee headed by the Turkish Ambassador to the 'TRNC'. In line with its self-assigned role of closely monitoring the economy of the north, this committee publishes various reports on whether the aims of the protocol are materialised. The upshot is that Turkish capital has considerably increased its presence in infrastructure and in state enterprises through privatisation as well as in education, construction and tourism sectors plus commercial centres. In the Bafra region, for example, 70% of the new tourist facilities and hotels are being built by Turkish companies. A similar picture can be observed in the education sector also. Furthermore, departments and campuses of Turkish universities such as Istanbul Technological University, the Middle East Technological University along with private schools like TED have been transferred to the northern part of Cyprus.[73]

It must be emphasised that such economic policies are not imposed top-down by Turkey. There are internal dynamics within the 'TRNC' that are explicitly supportive of these economic policies too. Likewise, it should be added that certain sectors within the Turkish Cypriot bourgeoisie have aligned themselves with the interests of the Turkish capital and agreed on the targeted neoliberal transformation. Additionally, in the period after 2004, as a result of the crisis of the economy and the subsequent austerity measures implemented, the conflict between the interests of classes has further intensified. This essentially means that the cross-class alliance, established in the early 2000s for the sake of a political settlement, has fallen apart. Erhurman notes

71 *Ibid.*, p. 16.
72 *Ibid.*, p. 22.
73 *Ibid.*, p. 24.

that the post-2000 period led to a split within the hegemonic class (mainly comprised of commercial bourgeoisie) who traditionally supported right-wing parties – more specifically the UBP – until then. Erhurman contends that this new bourgeoisie which was formerly represented by the Chamber of Commerce, had joined forces with the Turkish Cypriot petty bourgeoisie (civil servants, teachers, pensioners, artisans, shopkeepers) and proletariat (Turkish Cypriots working in the construction, tourism sectors and small scale business enterprises in the north, migrant workers and Turkish Cypriots working in the south).[74] He argues that this section of the bourgeoisie was part of the grand alliance that voted in favour of the Annan Plan in 2004 and the 2005 parliamentary elections when the CTP–BG gained 44.5% of the votes.[75]

As the 2009 elections that led to the victory of the UBP revealed, this alliance which was brought together by a determination to reach a settlement of the Cyprus problem transpired to be only temporary. The ruling CTP–BG had the difficult task of not only representing its traditional support base that is comprised of lower classes and petty bourgeoisie, but also the new bourgeoisie.[76] The CTP–BG did not dare to implement policies that might upset any of these classes that brought the party to power.[77] Eventually the grand alliance came to an end. Hence, in the 2009 elections, the CTP–BG significantly lost the votes it garnered in previous elections. According to Erhurman, the fact that the votes lost by the CTP–BG were gained by UBP reveals that the main break away from the grand alliance of the 2004 referendum and the 2005 elections was the new bourgeoisie.[78]

In the new conjuncture, the Chamber of Commerce proved to be the first organisation to express support for the latest economic protocol (2013–2015 Programme) signed in December 2012. In its published proposals, it declared that it was in favour of the centralisation of political decisions concerning both economy and business organisations participating in the preparation of the economic protocol that was countersigned by Ankara, to support the private sector and the opening of the economy to international commerce. More importantly, the Economic Organisations Platform – which consists of the Turkish Cypriot Chamber of Commerce, the Turkish Cypriot Chamber of Industry, the Union of Turkish Cypriot Hotel Owners, the League of Turkish Cypriot Businessmen, the League of Turkish Cypriot Young Businessmen and the Syndicate of Turkish Cypriot Employers – highlighted the necessity for economic change. So an appreciable section within the Turkish Cypriot capital joined forces with the Turkish capital to engage in the neoliberal modernisation of the economy in order to abolish the isolation of the community and therefore engender a smoother integration with international markets.

In the meantime the austerity regime revealed a conflict of interest between the bourgeoisie

74 T. Erhurman (2010) *Kibris'in Kuzeyinde Yeni Sol – Kibris Turk Soluna Elestirel Bir Bakis* [New Left in Northern Cyprus, A Critical Take on the Turkish Cypriot Left], Nicosia: Isik Publications, pp. 21–22.

75 *Ibid.*, p. 107.

76. *Ibid.*, p. 110.

77 *Ibid.*, p. 7.

78 *Ibid.*, p. 110.

on the one hand and the petty bourgeoisie and the proletariat on the other. Recent research shows that the presence and role of the Turkish Cypriot petty bourgeoisie and labour aristocracy has notably eroded due to the neoliberal package of austerity that includes privatisation. Turkish Cypriot workers in the public sector are feeling the pressure of being unemployed or of their rights being curtailed in an economy where insecure working conditions or precariatisation prevails as the norm in labour relations within the private sector.[79] Not surprisingly, the bourgeoisie is supportive of this austerity package and the curtailment of the rights of petty bourgeoisie and the proletariat.[80] It should be noted that the government's policy of rolling back the state is also antagonising some sections within the petty bourgeoisie (especially employees working in the public sector) that are traditionally supportive of right-wing parties.

Conclusion

This article has aimed to analyse the post-2004 restructuration of the economy of northern Cyprus by departing from an 'incomplete neoliberalisation'. In doing so it has emphasised the need for an analysis that would locate this restructuring in Cyprus in a global context as well as grasping the peculiarity of the state formation and the actual agency of local dynamics. Locating economic strategies implemented in the north of the island in a global context enabled us to see significant similarities between the economic policies imposed by the Troika in the RoC and Turkey in the 'TRNC'. Experience has shown that in times of crisis austerity measures and structural reforms such as labour market flexibility, tougher pension conditions, privatisation of remaining public enterprises and privatisation of education are preferred by the ruling elites across peripheral and core countries, because it shifts the burden of adjustment onto working people. It is important to underline that similar economic policies are in force in both the north and south of Cyprus and that the island is often conceptualised as a *sui generis* case and needs to be situated in the broader context of neoliberal reactions to the global crisis.

This type of study needs to be completed with a deeper analysis that appreciates the peculiarity of the state formation and the actual agency of local dynamics in the north of Cyprus. The starting point for this examination needs to be the 'TRNC's dependency on Turkey in financial as well as political terms. This relationship of dependence between Turkey and the 'TRNC' also explains why the economic policies implemented in the north of the island since 1974 have closely echoed the policies implemented in Turkey. For example, in the aftermath of 1974, the economic system in northern Cyprus that was defined by heavy state interventionism was inspired by state-led industrialisation in Turkey. But, after 1986, the economy experienced a transition from state involvement in economic policy-making to a neoliberal economy. This

79 Trimikliniotis and Bozkurt (2012) *op. cit.*, p. 7.

80 Erhurman (2010) *op. cit.*, p. 99.

neoliberal turn was a direct consequence of the 12 September coup in 1980 in Turkey, which introduced a simultaneous process of political authoritarianism and economic liberalism.

The main focus of this study has been the post-2002 period that brought the AKP to power in Turkey. It has been argued that the neoliberal restructuration that was already underway after 1980 gained a momentum after the AKP came to power and the party aimed to deepen the neoliberal transformation in Turkey. Throughout its rule in more than a decade, the party has been a proponent of 'neoliberalism with a human face', but beyond the party leader's people-friendly rhetoric, a neoliberal agenda has remained intact.

The empowerment of the AKP in Turkey subsequently paved the way to a more thorough effort of a neoliberal restructuring in the northern part of Cyprus. In particular, after the failure of the Annan plan, Turkey increasingly positioned itself as the 'IMF of northern Cyprus'. It concentrated on closely monitoring the economy of the north via three-year economic programmes, and after 2006 it introduced the principle of conditionality to effect a deeper intervention into the economic and political structures in the 'TRNC'. In this period, the AKP settled for a strategy that defined northern Cyprus as an investment area and the party consistently pushed, not only for the limitation of public expenditure and the maintenance of privatisation policies, but also to gain new investment areas. As a result of the deliberate attempts of the AKP government, Turkish capital has markedly increased its presence in the economy of the north.

This research has stressed that it is problematic to view such policies as top-down impositions only and that 'state decisions that are taken at any particular moment in history represent particular solutions to conflicting class interests and the interests of other *internal* and *external* actors at that particular conjunction'. With this in mind it is important to acknowledge how austerity measures directed by the AKP deepened class divisions within the Turkish Cypriot community. In consequence, a significant section within the Turkish Cypriot bourgeoisie joined forces with the Turkish bourgeoisie to engage in the neoliberal modernisation of the economy with the intention of abolishing the isolation of the community and so bring about a smoother integration with international markets. In the interim period the neoliberal package of austerity which included privatisation, created a negative impact on the Turkish Cypriot petty bourgeoisie and labour aristocracy. Therefore, it is important to attribute agency to local actors and to acknowledge that the neoliberal transformation of the economy is not a top-down imposition of Turkey. Certain actors within the Turkish Cypriot community have identified their interests in line with the AKP and the Turkish capital, and their support has become functional in legitimising and reproducing such policies.

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Türkiye Cumhuriyeti Hükümeti ile Kuzey Kıbrıs Türk Cumhuriyeti Hükümeti Arasında bir Ortaklık Konseyi Kurulmasına İlişkin Anlaşma (Onay) Yasası, Sayı 9/1998 [Law on establishing a Council of Partnership between the Turkish Republic and the 'Turkish Republic of Northern Cyprus', 1998].

Employment in Crisis: Cyprus 2010–2013

Gregoris Ioannou

Abstract

This article discusses the conditions that prevail in the Cyprus[1] labour market after the onset of the economic crisis. The analysis takes the form of a chronological narrative on the development of the crisis, its impact on employment relations and the attempts of the political elite to manage it through austerity measures. The article argues that the recession and the rising unemployment accelerated and exacerbated already existing tendencies of labour market deregulation and trade union marginalisation while in the context of the Memorandum of Understanding with the Troika and its aftermath, historical work rights and benefits as well as living standards were eroded, extending the condition of 'precarity' to broader sections of the Cyprus labour force. It is primarily a descriptive account which reports the recent developments in an attempt to map out the changes in the field of employment, situate them in their historical context and preliminarily assess their significance.

Keywords: crisis, employment relations, Cyprus labour market, Troika

Introduction

The discourse of flexibility in the labour market (Standing, 1999; Kouzis, 2001), although in principle an EU goal and an overall framework for state policy (EU Commission, 2007), had not become dominant in Cyprus before the current crisis, not least in the ways or to the extent that it had in other countries. Undeniably, irregular work had expanded, individualist work arrangements had been diffused and trade union power had been eroded, nevertheless, these developments were primarily the consequences of social structural dynamics and less a result of conscious ideological, political or legal agency and action. Since the 1990s neoliberal ideas were evidently spreading in Cyprus and were quite influential within centre-right parties and government circles. However, neoliberalism had not intrinsically managed to dominate fully in the Cypriot political system or oust the enduring Keynesian logic from the state elite which survived throughout the 2000s. Neoliberalism, as a broad and comprehensive policy framework, closer to the third and fourth forms in Jessop's (2013, p. 71) typology,[2] has really triumphed just recently, in the beginning of the

1 Henceforth referring to the area under the control of the Republic of Cyprus.

2 In his attempt to sum up the debate on the character of neoliberalism, Jessop constructs a typology consisting of four distinct forms: the first refers to a 'system transformation' as in eastern Europe in the 1990s and the second to

current decade and ironically one might add with a government in office headed by AKEL.[3]

Although by 2009 the crisis had reached Cyprus as well, its form, magnitude and threat was not realised until 2011 and its consequences turned dramatic only in 2012–2013. The deepening of the recession and the rapid rise of unemployment created enormous pressures on employment and welfare. The Memorandum of Understanding between the Republic of Cyprus and the Troika institutionalised and sealed the framework of crisis management through the imposition of heavier austerity measures paving the way for a declining living standard and expanding poverty, further wage reductions and an increase in unemployment along with the privatisation of public services. Moreover, it created a framework for a more comprehensive labour market, welfare system and industrial relations system restructuring. Already in the currently pursued policies, there are signs of the intended direction of the planned reorganisations – state subsidies to employers for opening temporary, low wage-limited rights job positions, reduction of public assistance and linking state aid to job seeking and a generalised reduction of 'the labour cost'. Collective agreements, the minimum wage, over-time pay, employer contributions to various funds, the wages themselves are all now under serious threat resulting in the extension of the condition of precarity to broader sections of the population.

Trade union power has essentially been substantially eroded. Its limited appeal amongst a growing precarious labour force segment, together with the disrespect shown ever more openly and bluntly by the employers to collective agreements, bi-partite memoranda and tripartite labour relations conventions, the changing institutional context after Cyprus' entry into the EU and the substitution of some trade union functions by labour legislation were already here before the crisis. Trade unions had organisational difficulties with the immigrant, as well as the young and the irregular workers, who faced indifference and depreciation by a large segment of their own membership. A section that viewed them as distant and alien institutions and were characterised by democratic deficits and extensive delegation of power, duties and responsibilities to the trade union bureaucracy and the professionals as the local workplace committees tended to under-function. All these were exacerbated by the crisis and the unemployment milieu which caused them further loss of members and further paralysis of the local committees[4] while the tougher stance of the state and the employers in the Memorandum era discredited them more in the eyes of their members and society in general as their weakness was gloriously revealed.

The first section of the article outlines the main characteristics of the labour market in Cyprus at the beginning of the twenty-first century. It sets the historical context and discusses briefly the

a 'regime shift' as in advanced capitalist countries as well as Latin American ones starting in the 1970s and continuing through the 1990s, the third form refers to 'economic restructuring processes' imposed from the outside while the fourth one refers to more gradual, 'partial and pragmatic policy adjustments'.

3 For an analysis of the left in government see Charalambous and Ioannou (forthcoming).

4 SEK General Organisational Secretary, 29 January 2014.

prevailing conditions before the onset of the crisis. The next two sections refer to the arrival and development of the crisis in Cyprus, the beginning of austerity politics and the background, content and implications of the Memorandum of Understanding concerning the Republic of Cyprus with the Troika. The analysis here is primarily descriptive and chronological, leading into the final section which discusses the main consequence of the employment crisis; that is the extension of precarity. The discussion continues and is rounded up in the conclusion which also includes some modest generalisations and projections.[5]

The Labour Market in Cyprus in the Early Twenty-first Century

The globalisation processes, especially the increased capital and labour flows into Cyprus and the entry into the EU which has accelerated them, have created new realities on the ground transforming to a significant extent both the economy and the society of Cyprus by the onset of the twenty-first century. Despite the abnormal political condition in the island (partition and militarisation), Cyprus has been a place of stability in comparison with the turbulent Middle East,[6] for financial investments that were encouraged by low tax rates. Agriculture continued its passage of shrinking and became insignificant both in terms of GDP and in terms of employment by the 1990s, while manufacturing also continued to decline at a slower but steady pace largely as a consequence of the customs union with the EU and the inability of Cypriot production to compete with the lower labour and production costs of Asia.

On one hand, at the socio-economic level the expansion of the tourist and construction industries, and the transformation of Cyprus into an international financial centre on the other, allowed the increase of living and educational standards of the local labour force, but created labour shortages in manual and unskilled work. The growth of mental work and white collar office, sales and administrative jobs, involving increased cognitive, communicative and emotional aspects, has been effected with the more generalised expansion of services and the corresponding rise in the

5 The sociology of work is one of the least developed fields within the Cyprus studies and the little interest shown on the Cyprus labour market and labour relations tends to be narrowly politicised focusing on partisan history as in trade union publications, narrowly factual and technocratic focusing on formal agreements, regulations and institutional arrangements as in the EIRO database or viewing the employment field as a subsection of 'bigger' or 'more important' fields such as law, economics or social policy. The absence of an adequate literature focusing on labour and the working class in Cyprus and approaching employment as an autonomous social field, inevitably puts restrictions on the researcher in both the breadth and depth of ones' analysis [as I came to realise some years ago while doing my PhD thesis] since one proceeds on largely unchartered territory and therefore has to be heavily empirical and descriptive before attempting to be theoretical and explanatory. The development of an approach and an analytic framework on the Cyprus employment field becomes an even more important as well as challenging task today while the reshaping of employment is a substantial and an ongoing process.

6 The civil war in Lebanon in the 1980s led to the transposition of substantial financial processes from Beirut to Limassol and Nicosia.

educational level of the Cypriot labour force. The manual and low skilled jobs were primarily taken over by the ever increasing immigrant workers from South East Asia and the Middle East, from Eastern Europe, with or without EU passports, and more recently from China and Africa who, in their overwhelming majority, remain little integrated in Cypriot society (Trimikliniotis and Demetriou, 2011).

At the political level the subjection of the country to international dynamics and forces in the setting of the EU accession process facilitated the slow yet steady development of the neoliberal discourse in Cyprus. This was further enhanced with the adoption of EU directives, the harmonisation of the national legislation and the further institutional integration in the context of the entry into the European Monetary Union (EMU). By the end of the 2000s, the neoliberal logic entrenched in the mechanics of the EU system had managed to set the framework for policy in Cyprus. The development of the crisis and the stance of AKEL in government, made this evident demonstrating at the same time how constraining that framework was, especially while being situated in the South European periphery. What is more, owing to the rapidity and severity of the crisis in Cyprus, the cracks appeared in the structural imbalances of its economy and the erosion of the effectiveness of its institutions to regulate a labour process in transition.

Offshore banking corporations that were attracted to Cyprus because of its strategic geographical location and its low-tax financial system were heightened even further in the prequel and sequel of the entry into the EU, completing the tertiarisation of the Cyprus economy (Pegasiou, 2013). In addition, the increased integration of Cyprus in the international economy along with the shifting of its geopolitical position from the periphery to the core of the global system also had repercussions on the cultural and ideological spheres. Economic growth was accompanied not only by the expansion of the labour aristocracy and the middle class but by a generalised improvement of the purchasing power of broader sections of the population which, in conjunction with the relative ease of loan-taking, increased consumption and consolidated the ideology of consumerism. This likewise involved the demise of collective values, political engagement and social solidarity and the diffusion of rampant individualism and apolitical materialism.

The size of the economy as a whole has expanded and so has the number of firms and jobs available. Yet most new entrants into the labour market of Cyprus either came or have come to face different employment conditions, relatively worse than two or three decades ago. And this seems even more pronounced if one takes into account the relatively higher qualifications and expectations of the new generation of workers as a result of the more generalised improvement in educational level and living standards.[7] For many workers in countless sectors the rights and benefits, sometimes even the wages of their older colleagues are simply not applicable or not

7 The increasing unemployment, underemployment and irregular employment amongst the youth have been observed and are not really contained in the 2000s (Trimikliniotis, 2004).

immediately available to them. Even when there is a collective agreement in the sector or in the firm they are employed, it does not mean that they will be automatically covered by it.[8] Often, not to be covered by an existing collective agreement is implicitly a condition for being offered the job in the first place.

The fragmentation of the workforce at all levels – workplace, sectoral and national – is not a new phenomenon. And neither, of course, is workers' resistance – individual and collective, organised and non-organised, conscious as well as unconscious. Nevertheless, both fragmentation and resistance have been accentuated in recent decades as a result of the rapidity of the structural change in which existing divisions and factors of hierarchy were transformed. Managerial elaboration and diversification, technical and professional qualifications and ethnic origin brought in new lines of segmentation along with the older ones based on age and gender, seniority and skills. Social networks, which are always an important factor in work life, and especially so in small societies, are no longer based solely on familial and local background and relations but are now wider in scope, more modern and urban in form as the notions of community and social group themselves are being redefined in the new era. Occupational and sectoral identities remain significant for many workers, particularly the core ones, while differentials in pay, employment status and workplace power serve now, as in the past, as primary elements upon which social cleavages and notions of common interests and common fate are built in and within the labour force.

Although the deregulation of employment relations might occasionally cater for the desires of, and give some freedom to, individual workers, in practice it usually means employer arbitrariness and reflects a more general shift in power relations in favour of the employers. It is achieved through the promotion of personal contracts of work and personal contracts of services that involve essentially subcontracting and piece work.[9] The institution of collective agreements is undermined both directly through employer refusal to have or abide by existing ones and indirectly through non enforcing particular provisions of, and excluding some workers from, the collective agreements. As a result the workforce is segmented into two parts – one employed on the basis of collective agreements and one that is not covered by them. Thus, the key regulatory mechanism in the labour process – collective bargaining – becomes relativised and the workplace becomes a hybrid space of dual or multiple terms and conditions of employment (Ioannou, 2011).

8 This has led PEO and SEK to agree and prioritise, in the context of the labour relations legislative reform process discussed in recent years, the demand that the Ministry of Labour is given the right to decree the extension of an existing collective agreement to all the firms of the sector. For more details about the bill that was eventually submitted to parliament in 2012 and which included also criteria for compulsory employer recognition and opened the way for trade unions to resort to the courts, if they wished, in a more generalised attempt to strengthen the status of the collective agreements, see PEO, 2008; PEO, 2012; Messios and Soumeli, 2011 [2010] and PEO statement, 18 May 2012. Eventually the bill was withdrawn by Anastasiades' government in early 2013 and its future is now pending.

9 These are of course global phenomena (Schierup, 2007; Wills, 2009).

Immigrant workers, at the same time embody not only the victims of employer discrimination in terms of wages, rights and benefits (Carby-Hall, 2008) but also serve as the means through which employers threaten the long acquired rights and benefits of Cypriot workers.[10] The frail labour market position of immigrant workers and their even more fragile social position render them overtly dependent on their employer, who is often their landlord too, which usually makes it inconceivable for them to join the trade unions. But even when immigrant workers do become trade union members, it does not follow automatically that they will be employed according to the collective agreements. Their terms and conditions of employment are usually pre-agreed on the basis of personal contracts that often stipulate longer than the norm hours and lower than the norm wages.[11] As a result, relatively few immigrant workers out of the majority that join the trade unions only gain cheap medical care and a more formalised access to trade union help in cases of specific problems they might face at work.

The more extreme form of irregular and flexible labour is informal and undeclared work which has been steadily expanding over recent years and is, of course, directly related to the more general increase in the number of immigrant workers. Around 30,000 non-Cypriots were estimated to be 'without papers' in the area controlled by the Republic of Cyprus in 2009 (IOM, 2010), while the total number of undeclared ones, that is including those that are entitled to work (from EU countries) but are working without paying social insurance is probably higher.[12] Although inspections were increased by the previous government and penalties became more severe, this phenomenon has deep roots and its eradication does not seem to be within reach. 'Black labour', characterised by super-exploitation in the form of low wages and even unpaid work, is recognised as a structural element in capitalism in the last analysis – a product of the asymmetry of power between social groups and forces and embedded hierarchies of contemporary societies. The existence of a 'black' labour market essentially defines and frames the normal labour market.

Public sector labour is broadly speaking privileged and public sector workers are viewed as constituting a labour aristocracy.[13] Although these sorts of generalisation are not entirely accurate, as they tend to lump together all public sector workers neglecting the internal variations and hierarchies in terms of pay, power and status, they are for all intents and purposes valid in the sense that the industrial relations system in the public sector is much more advanced, structured,

10 This is a constant Cypriot workers' complaint and is also described in recent trade union research (Antoniou, 2010).

11 SEK's General Organisational Secretary stated in an interview on 29 January 2014 that both employers and immigrant workers tend to hide these personal contracts from the trade unions.

12 In *Kathimerini*, 20 February 2011 it has been argued that around 40% of EU workers are either working illegally or without being registered.

13 This is because of the many rights and benefits enjoyed by most public sector workers (whereas in the private sector there are comparatively few), the most important ones being permanent employment and relatively high and steadily increasing salaries.

adhered to and most importantly beneficial to the employees. There are many reasons for this: historical, political and socio-economic. In a nutshell these can be summed up as: a) the original need of the colonial authorities and later the young independent state to secure the loyalty of the civil service they instituted, through the offering of good pay and conditions; b) the nominal and phenomenal[14] political and ideological neutrality of the civil service that allows it to rise above party and factional politics and serve as a united labour front *vis-à-vis* the employer state, and c) the higher educational level traditionally required for, and status associated with, specialised, usually mental labour and office work which prevails in the public sector.[15]

Trade union density in the public sector has reached 99% and public sector trade unions are particularly strong and especially efficient in securing and maintaining good pay and conditions for their members. The non-profit making rationale of the state and the structural need for the smooth functioning of the state apparatus, on the one hand, and the strong labour market position and associated social power of the civil servants as a whole, on the other, allows and facilitates the benevolent character of the state as an employer and the overall beneficial employment conditions for public sector workers. Public sector trade unions and public sector industrial relations are basically very similar to the banking sector trade union and labour system. Impersonal structures of authority, detailed procedures and regulations govern all aspects of the employment relation, including management and promotions and specifying the remuneration scales and benefits and the rights and duties of the workforce. Like ETYK, PASIDI has relatively few professional full-time trade unionists because while the local/departmental committees at workplace level are actually operative, dealing on a regular basis with everyday issues, the labour system is working and there is less need for external checks and controls.

The broader public sector extends beyond the civil servants proper who are employed according to 'schemes of service' that constitute legal documents approved by the parliament and includes workers engaged in the municipal authorities and the relatively autonomous public services. These workers of the semi-public sector are employed according to regularly renewed collective agreements, unlike the civil servants proper (including the public education workers organised in separate trade unions) who are employed directly by the state, are paid from the state treasury, and are not part of the social security system. Collective bargaining takes place at central level under the auspices of the Director General of the Ministry of Finance and the 'schemes of service' are revised accordingly. The semi-public sector workers, however, are members of the general trade unions and are employed on the basis of collective agreements negotiated every three years at enterprise level but according to framework agreements stipulating the level of the overall pay raises which are negotiated centrally

14 Nominal and phenomenal: because during the late colonial and early independence years left-wingers were largely excluded.

15 Clientelism and party patronage, beyond causing a diachronic expansion of the broader public sector may also be seen as constituting an additional factor for the better terms and conditions of employment there (Faustmann, 2010).

by the national leaderships of the trade unions and the Finance Minister himself (Soumeli, 2008). Often the framework agreements for the overall pay raises of the semi-public sector workers – most of them also part of the privileged, 'labour aristocracy' segment – serve as a reference point for the negotiations regarding the civil servants proper.[16]

The First Signs of Crisis and the Beginning of Austerity Politics

Although the recession had hit the Cyprus economy in 2009 causing an increase in unemployment and some fiscal imbalances due to reduced state income, the depth of the crisis was realised in 2011[17] when the black holes of the banking system started to be revealed, leading to the exit of the state, which was not in a position to bail them out, from the international markets. The Cypriot banks had expanded much beyond their capabilities abroad and especially so in Greece (Stefanou, 2011). In this period the Cypriot bankers' attempt to profit from the Greek bonds during the dramatic crisis in which the Greek state had fallen in 2010, left the Cyprus banks particularly vulnerable when the EU decided to proceed to the haircut of the Greek debt (Pegasiou, 2013). By June 2012 when the banks in Europe had to strengthen their capital base in order to reach the agreed target, it became evident that Cyprus was heading for a Troika administered 'rescue plan'.

By 2011, unemployment at the level of the labour market had become a serious problem. Wages in the private sector had begun to freeze and in some cases even to decrease, while incidents of violation and non-renewal of collective agreements became more frequent. Before the magnitude of the crisis was made evident and perhaps also in order to delay the revelation of the depth of the banking sector crisis (Panayiotou, 2013), a generalised attack was launched by employers' associations, economists and opposition politicians and journalists on the fiscal policies of the government and the public sector workers in an attempt to divert public attention and distort the picture of the crisis. The Christofias government was in an especially weak position after the Mari accident and the pressure to implement austerity measures was largely successful. Additionally, civil servants had, by then, become an easy target as the recession was deepening. They were accused as being too privileged, lazy and unproductive, rendering the state apparatus expensive, and in the hysteria that followed even private sector employees came out demanding cuts on civil servant salaries.

Austerity measures were eventually implemented in the fall of 2011. These included a general freeze of all wages in the broader public sector including the COLA, plus a 10% wage decrease to

16 PASIDI has been asking for improvements in the existing collective bargaining mechanism regarding the civil servants proper, claiming that the Joint Consultative Committee is ineffective in its operation and updated statutory procedures dealing with dispute resolution are needed.

17 In the broader public this became common knowledge only in 2012 as the media censored references to the private banks' problems and shifted attention to the fiscal side and the public sector (Panayiotou, 2013).

all newcomers in the broader public sector (also affecting all current employees on temporary contracts upon their renewal), a series of small increases on the contribution of public sector workers to various state and social insurance funds, a general temporary and scaled contribution on all wages including the private sector, an increase of 2% on VAT, and a tax increase of 3% on income from dividend (PEO, 2011). These were accompanied with the re-examination of all state benefits with a view to their reduction through the introduction of income criteria, together with the offering of subsidies to business for the employment of unemployed persons, the offering of tax incentives to business for infrastructural investments, reduction of public sector spending, offering state guarantees to small and medium businesses for securing loans and simplifying licensing procedures in the attempt to 'fight bureaucracy'. These were implemented formally against the will of the trade unions, in violation of the celebrated 'social dialogue' and after a unanimous agreement of all the political parties 'in the common attempt to avert the worst'.[18]

Not only was the 'worst' not averted, but it soon degenerated into a nightmare. The recession deepened in 2012 with unemployment increasing further while employers in the private sector took advantage of the formalised austerity politics and the cuts in the public sector wages and proceeded to analogous and often bigger cuts in the private sector wages. Many refused to pay the COLA and the 13th salary, violating collective agreements, conventions and institutional obligations. At the same time, delay in payments, payment with coupons, abolition or substantial reduction of indirect monetary and non-monetary work benefits, as well as violating not only collective bargaining but also labour legislation, became the order of the day. The trade unions reacted with some sporadic strikes at sectors and firms where they felt they had the strength but in most cases, remained either quiet or restricted themselves to complaints.[19] Although they effectively knew by then that the era of social dialogue had ended and that the era of the Memorandum had begun, trade unions continued to act as if little had changed and urged the employers to demonstrate self-restraint.

The negotiations with the Troika began in June 2012 after it became clear that the Cypriot banks were in serious trouble and the state was not in a position to bail them out while the state itself, blocked from the markets was unable to renew its older debts, and temporary solutions such

18 Trade union opposition to this, for a variety of structural and political reasons, was however mild and limited. See Ioannou (forthcoming). The Minister of Finance at the time, Kikis Kazamias said that this would prevent the country from resorting to the Troika and that this would be the last contribution from the world of labour.

19 There was a substantial increase in strike activity in 2011 compared to previous years and an even bigger increase in 2012 (PEO, 2012). Though the strikes tended to be firm based and generally short in duration with the exception of the construction sector which was hit particularly hard by the crisis and where the conflict was more generalised and prolonged throughout 2012. This culminated in a long strike in early 2013 which took an almost existential character, re-educating the workers in the experience of organised struggle as PEO's Central Organisational Secretary stated (interview, 27 November 2013). For the strike and the collective agreement that followed see Soumeli (2013a and 2013b).

as borrowing from Russia were by then evidently both uncertain and inadequate. The threat of bankruptcy of the banks taking with it the state itself and consequently the economy as a whole set the broader frame in which the recession and the political developments proceeded in the autumn. In these circumstances the prevailing uncertainty fuelled anxiety and fear amongst large sections of society and hammered in the sense of despair that strict austerity was inevitable and that the choice was between 'the painful rescue' or drowning in the chaos of collapse. It was interesting that this scenario staging the same actors had already been played in Greece (as well as Ireland and Portugal) less than two years earlier and that the Cypriots had watched it – obviously without learning anything from it.

The Memorandum of Understanding with the Troika

The fiscal side of the Troika rescue operation was agreed in November and, although not formally signed, it was put into operation a few weeks later. It involved heavy cuts in public spending, a further increase in a series of consumption taxes plus another 1% increase in VAT, significant horizontal as well as scaled reductions in public sector wages and pensions, and the abolition or substantial reduction of a series of welfare benefits. Furthermore, it raised the retirement age to 65 and reduced the pay for over-time and shift work in the public sector too. Additionally, it increased the contributions of employers and employees in the private sector and established a new property tax and a series of new fees, or increases in current fees, in public services. These measures, with the exception of the property tax, which was delayed for a few months but was finally passed in a worsened version for the small holders in the spring of 2013, were unanimously voted by the parliament in December 2012 into laws instituting the framework of the impoverishment of the Cypriot society until 2016.

As expected, the austerity policies imposed in the fall of 2012 in the context of the Troika 'rescue plan' exacerbated further the recession as consumption contracted, unemployment rose further and small businesses came under further pressure. In the public sector, fear of additional and higher cuts in wages and pensions and especially fear of heavy taxation on the civil servants' pension lump sum, increased the number of early retirements, while PASIDI which was loudly reacting during the previous period became as quiet and timid as PEO and SEK. Cyprus had already entered a new age. The Troika was already more or less in control of the situation before even giving the first instalment of the loan and before the formal signing of the Memorandum which had to wait for the investigation of the condition of the banking sector and the new government taking over in March.[20]

20 The Troika as an external force was largely indifferent and impervious to local dynamics, pressures and politics and as the experience of Italy and Spain has shown even in the absence of a formally agreed Memorandum; its intervention could substantially reshape the employment relations field (Meardi, 2014).

In the private sector, employment conditions turned from harsh to dramatic as registered unemployment constituted more than 15% of the labour force and the proportion climbed to as high as 40% among the youth.[21] Those retaining their jobs faced further substantial reductions in salaries and employer contributions to welfare funds, usually more than those in the public sector, while most importantly they lost whatever sense of security they enjoyed before the crisis; a very important development that will be discussed in the next section. Collective agreements that were renewed in this period became shorter in duration and these cuts were formalised. There were also cases where intermediate agreements were made to revise and make worse existing collective agreements.[22] The area of indirect pay in the form of employer contributions, overtime and shift work remuneration and newcomers' wages were the regulations most successfully challenged by the employers in addition, of course, to the 13th salary and the COLA.[23] The main reason for this is that because these regulations affected primarily future or additional benefits from the perspective of the waged and thus their loss was seen as more palatable, whilst they currently presented running costs from the perspective of the employer.[24] More importantly however, the institutionalisation of such measures, whether formally or *de facto*, notwithstanding rhetorical references about their supposed temporariness, in addition to measures such as the lowering of the entry wage or the abolition of the 13th salary, were effectively reshaping the employment field for the coming decades.[25]

The rapid contraction of the banking sector, that began in March 2013 through the bail-in, enforced on the Bank of Cyprus, the closing of Laiki Bank and the state take-over of the Cooperative Credit Societies, sealing the change in perspective in the employment field and concluding formally as well the Memorandum of Understanding between the Republic of Cyprus

21 These figures are, of course, underestimates as they do not include non-registered unemployment (e.g. recent school, college and university graduates who have never entered employment), persons working only a few hours per month, and those considered by the state as 'voluntarily unemployed'.

22 This was so even in industries that were little or not at all affected by the recession. See for example the hotel industry collective agreement signed on 29 May 2013 (Soumeli, 2013c).

23 The 13th salary in Cyprus is part of the yearly remuneration of the employed person and not an extra bonus offered at the will of the employer. For those enjoying this right, it is institutionally protected as a customary labour convention and its unilateral abolition by the employer constitutes a penal offense. The same applies for COLA for all those enjoying it, although after its freezing in the broader public sector and the agreement with Troika to extend this until 2016 and then halve it, caused enormous pressures in the private sector with many employers refusing to pay for it with or without trade union consent.

24 PEO General Organisational Secretary, 27 November 2013.

25 The 2013 decree fully liberalising working time in retail trade; that is extending the tourist zone shop operating time to the whole country, is another instance of the same process: extending and intensifying work, increasing the pressure for the abolition of regular full time work and extra over-time pay and promoting irregular and flexible employment, part-time and shift work and undermining workers' rights as protected in labour legislation and conventions.

and the Troika. Among the great losers of the banking crisis were workers' Provident Funds which, in all sectors, suffered large and varying losses – for many small Funds the losses were so heavy that it led them to closure. The concept of the Provident Fund itself was shaken in these circumstances as gradually more workers began to doubt the utility and security of collective saving.[26] Thus, workers' savings, after becoming an easy target of the employers' urge for cost cutting, now faced a second blow by the banking crisis which effected actual losses and erosion of workers' trust and who, following their wage reductions, were less willing and less able to contribute to savings.

Bank branches began to close one after the other and many hundreds of employees were made redundant through the first wave of 'voluntary schemes' that offered some compensation – probably more generous than those that will be on offer in the second and third waves in 2014 and 2015. For those remaining, both in the private banks and the now state owned cooperative sector, wage cuts ranged around 15% in scaled form.[27] More importantly though, the uncertainty prevailing with respect to how many and who will retain their jobs cannot but make most banking sector workers insecure and anxious about their future. This is an unprecedented development because until very recently a banking sector work post was considered to be the definition and epitome of 'the good' and 'the secure' job.

The Extension of Precarity[28]

In addition to the banking sector workers, there are now two more groups of workers, dropping from the world of relatively good salary and benefits into the pit of precarity. The decision taken by the government in 2013 for the privatisation of public services and the revelation of the deep economic problems of most municipalities effectively opened the way for a substantial restructuring that will most certainly involve 'drastic labour cost reduction'. The privatisation process has already been approved by a parliamentary majority on 4 March 2014 while the drafting of the local administration reform bill constitutes work still in process. This means that many hundreds of redundancies are due in 2015 and probably far more in 2016 as most semi-public organisations will pass into private hands and most municipalities will merge and/or outsource their functions and services, while some will be abolished through the merges altogether.

Needless to say those that will retain their jobs in public services and municipalities should expect further cuts in wages and other benefits in addition to those already enforced in the context of the public sector fiscal re-adjustment. And again, the uncertainty about how many and who can

26 PEO General Organisational Secretary, 27 November 2013.

27 *Philelefttheros*, 18 June 2013 and Yiannakou, 18 January 2014.

28 A discussion of the concept is beyond the scope of this article – it suffices here to mention its doubled edged definition, both theoretical and political, as a real condition imposed by neoliberalism and post-Fordist labour flexibility leading to a 'new' socio-political and inherently revolutionary subject (Frasanito Network, 2005; Standing, 2011).

expect to stay in employment in the semi-public sector spreads anxiety and the sense of precarity to a social group previously insulated in the main, from unemployment risk. In fact this anxiety is also spreading to some extent to the public sector proper as well, although civil servants for the time being, definitely remain protected as the target of the current Memorandum for a reduction of the government sector job positions is being implemented through voluntary early retirements and their non-replacement. The sense that this arrangement is itself precarious is unquestionably widespread as the targets and terms of the Memorandum are being continuously updated and nobody can preclude some civil servant job losses if the numbers do not add up at the end of the day.

In 2012–2013, employment diminished by 11.8% while, if the European Commission predictions prove correct for 2014, the decrease for 2012–2014 as a whole will amount to 15% (INEK–PEO, 2013, p. 51). Nominal wages in 2012–2013 dropped by an average of 11% while prices did not, in fact, drop in line with the wage reductions, as firms chose to increase their profit margins rather than improve their price competitiveness (INEK–PEO, 2013, p. 56), which probably accentuated the decrease in private consumption, fuelling further the recessionary spiral.[29] As far as workers' income is concerned, given that the impact of increased unemployment on wages is not usually completed within the same year, even if the expected unemployment increase in 2014 is not considered, the pressure on the wages in the current year is bound to be drastic (INEK–PEO, 2013, p. 58).

Precarious conditions of work were evidently here before the crisis. In the private sector a large section of the contemporary working class in Cyprus did not enjoy the rights and benefits of stable/permanent employment while a substantial section of the waged population, estimated around 20%, was low-waged, that is earning less than two-thirds of the median wage (Ioakimoglou and Soumeli, 2008, p. 206). Precarity affected proportionally more women than men, more younger than older workers and the overwhelming majority of immigrant workers. More importantly, this condition was also already expanding before the crisis driven by the flexibilisation of the labour market and the associated deregulation of labour relations along with the increasing proportion of migrants in the Cyprus labour force. What the crisis, and especially its climax in 2012–2013 created, was the acceleration and exacerbation of an existing tendency.

As the recession set in, leading to a shrinking of the total revenue, employers' immediate reaction was the reduction of their labour cost. This was effected not only with redundancies and wage cuts but also through changes in employment contractual arrangements. This included the conversion of full-timers into part-timers, the substitution of permanent/regular workers sacked with other existing irregular and temporary workers and the increasing use of casual labour, unpaid or low-paid trainees and/or new recruits from the subsidised employment schemes of the

29 In 'real wages', that is in terms of the purchasing power of the wages in total, the decrease was 22% when comparing 2013 with 2011 as Ioakimoglou has stated in an interview, *Charavgi*, 23 December 2013.

government.[30] Those already unemployed and under-employed fell into a desperate situation as they witnessed their ranks been swelled by tens of thousands by 2013 and now having to compete with more people for less worthy jobs on offer. Many of them had to resort to the expanding network of charity food shops[31] in order to survive.

Precarity nonetheless is now no longer restricted to those occupying a peripheral position in the labour force structure. The blurring of the lines between the core and the periphery, which was already underway before the crisis (Ioannou, 2011), has been substantially enhanced in the austerity context of the recent past, drawing increasingly more workers from the core labour force segment into an ever growing semi-periphery. This does not mean that core work functions have shrunk, or that the personnel performing them have decreased. The opposite, in fact, might be the case as firms struggle to maintain their operation and product quality with less staff resulting in fewer demarcated work posts, a broader scope of duties and greater responsibilities for their employees. However, it does mean that employment security that once characterised 'core workers' diminishes as their experience and expertise, age and years of service does not protect them any longer, or protects them less, from the threat of redundancy.

The extension of precarity is at the same time quantitative and qualitative – affecting broader sections of the population and hitting its subjects with an increased severity. It is not only the negative socio-economic conditions that matter here but also the speed of their deterioration. The Cyprus crisis showed some signs in 2009 but it was not until 2011 that it became and was acknowledged as a serious one; while for a substantial section of the population it only bared its teeth in 2012 and 2013. Thus, the extension of precarity for many people was a relatively sudden development and this provoked a social shock whose implications have not yet been unfolded and whose consequences lie ahead of us. There are thousands of people who are now unable to service their house mortgages and soon will risk losing their homes; there are thousands more who resort to a greater extent to their savings and family aid in order to simply get by in the face of unemployment, underemployment and lower income; there are many others who see their big plans and expectations indefinitely postponed and in general a majority who is struggling to adjust with earning and living with less.

Trade unions, already in a defensive position since the previous decade at best, now find themselves in an impossible position. Often they are not even allowed to retreat in an organised

30 These schemes were started by the previous government in 2012 but were substantially expanded in 2013 by the current government. They target the young and the long-term unemployed who are temporarily employed by firms, paid a low wage covered largely by the state, and the firm takes over the cost of their social insurance and the obligation to keep them employed for a few more months after. For more details see Lambraki, 15 September 2013 and *Phileleftheros*, 11 December 2013.

31 These were established in 2012 by municipal and Church authorities and expanded immensely in number and size by 2013, run by volunteers who collected donations and contributions from people and provided basic foodstuff to more than ten thousand families that could produce certificates of poverty from the state authorities.

fashion as employers simply ignore them in the restructuring of the employment terms and conditions. Frequently trade unions are simply informed by the state authorities and the employers on what will happen in a sector and are asked to give their consent more as a formality and in order to allow them a face-saving exercise rather than out of any consideration for their possible or potential reaction. In the best case scenario where some negotiation does happen, its limits are so firmly set that what is discussed is the method and the sharing of the direct and indirect wage decreases rather than whether the cuts are necessary or their magnitude.[32] Despite the fact that trade unions do not accept without protest the deregulation of labour relations and the associated deterioration of working terms and conditions and now also the dismantling of the welfare and tripartite system, as moderate and pragmatic forces they realise what is possible today and ascertain the distinction between their rhetoric and their action to avoid becoming engaged in battles they fear that they are bound to lose.

The current crisis has, in other words, exacerbated the already existing processes of labour market deregulation, trade union decline and deterioration of employment relations. Undoubtedly the recession constituted the main catalyst and the Troika sponsored rescue plan the motor of this development. Conversely, it should always be kept in mind that the process was not and could not be exclusively external. Local dynamics and local interests oriented and aligned themselves with the broader international economic trends and political pressures effecting the completion of the shift towards the neoliberal universe, in which Cyprus is subsumed today.

Conclusion

It is obvious from the above that the immediate future of employment in Cyprus not only is extremely dispiriting, but might actually deteriorate even further after the more recent developments exhaust their impact on the labour market. What is worse, at the moment, is that there is nothing that points to a possible or potential reversal of the current situation. At the international level, the European crisis has shown no signs of retreat or raised political voices against austerity policies and Troika management seem strong and sincere enough to mean anything besides cheap rhetoric and actually achieve a policy change. The same is true at the domestic level and therefore there seems to be little possibility for subverting the current course

32 Usually trade unions propose scaled rather than flat wage cuts, temporary rather than permanent, incorporated in the collective agreements rather than as a separate regulation as mentioned by SEK General Organisational Secretary (interview 29 January 2014). Analogous and indicative examples involving PEO was the case of the strike at Sigma in May 2013 (*Ikypros*, 22 May 2013) and involving ETYK was the case of the Cooperative Central Bank employees in January 2014 (*Kathimerini*, 28 January 2014). Yet trade unions are not always allowed to save their face. In the builders' strike, before the final compromise, the employers' had rejected four mediation proposals by the Ministry of Labour which were accepted by the trade unions. In the case of ETYK members in the Cooperative Central Bank, the dispute was eventually resolved with the issue of a decree by the government which imposed the employer formula on the pay cuts.

and arresting the downturn in the employment and social field. And this situation is because what is at stake here is not a typical albeit extended economic recession, but a structural crisis with deep social and historical causes and implications.

It cannot be overemphasised that although the employment crisis in Cyprus has unfolded over the last few years, its causes, main elements and manifestations extend back in time and are of a deeper nature. They are related to the country's economic model with its imbalances, distortions and inability to develop substantially its human capital and productivity as well as the Cypriot institutional framework with its inadequacy and operational inefficiency in the provision of the preconditions and conditions of social security. Hence, there are historical and structural factors at work that are shaping the field and setting the context for the present actors' agency and current developments. In summing up, the current recession and the rising unemployment have not produced a new field but have accelerated and exacerbated already existing tendencies of labour market deregulation, trade union marginalisation and labour force precariousness.

Trade unions harvest currently what they sowed or did not sow in the last two or three decades. The relatively docile stance of the trade unions today cannot, in other words, be explained in terms of the agency of the current trade union leaderships. The role of the leadership is, of course, important and so are the factors of party alignment and systemic integration. However, these are diachronic factors and parts of a broader process of bureaucratisation and autonomisation and distance of the apparatus from the trade union base. In addition, in the more generalised avoidance of strikes and the self-restraining of the trade unions in mobilisation exercises which aim more at putting some pressure rather than imposing terms to the employers, or in symbolic work stoppages that demonstrate a conception of the strike as a weapon of 'threat' more than a weapon of 'method', for the achievement of bargaining goals, had, and has led to, the insufficient experience of organised class struggle and to the conception of the trade unions as being institutions of labour services rather than vehicles of struggle.

Today, while in the middle of a comprehensive employer offensive favoured by the context of the Memorandum of Understanding with the Troika, in which historical work rights and benefits are scrapped and the living standard is dropping, trade unions in their current form are effectively unable to put up even an elementary resistance. In these circumstances the further discrediting of the trade unions and their questioning from both left and right seems inevitable. On the one hand the precarious and peripheral labour force segment, traditionally beyond trade union reach, is expanding while on the other hand the more affluent core segment becomes less and less protected. The view that the utility of traditional trade unionism has expired as a result of increasing legal intervention in labour relations, is being expressed by some employers and workers alike. And this is certainly directly related to the more general weakness of the trade unions, both real and perceived, which come to depend progressively more on the state, with a significant part of their activity being to report to the Labour Ministry the violations of labour law and the non-enforcement of collective agreements.

The recently increased role of legislation as a means of labour process regulation both reflects and overshadows the existing reality of deregulation. Effectively there is a new form of regulation through labour law, to the extent that it is being enforced, and which is not at all satisfactory as the state itself admits. In theory the law restricts the lawlessness of capital but in practice individualises labour relations and creates a climate in which the role of the trade unions as active agents in the determination and regulation of the terms and conditions of labour is underplayed. Regardless, the production and application of law is not automatic but subject to political dynamics, and the terms of employment relations are not, in the last analysis, a matter of rules but of actual practices and hence decided by the correlation of forces at the workplace, sectoral and national level, and most definitely at the international level as well. Organisational forms like trade unions influence but do not produce power balances. They essentially express, represent and shape existing dynamics and are themselves subject to change and restructuring.

The current crisis has brought about not only the collapse of the prevailing economic model but effectively the end of an historical era. Seen in this light, the analogy with the employment crisis in the years after 1974 is probably misleading because the retreat of the labour movement then was sufficiently organised, the international conditions were favourable and the state which survived began to emerge stronger, intervening in the economy and directing the reconstruction process. The economic disaster of 1974 was thus converted into an opportunity for a new cycle of accumulation and, within less than a decade, the so-called 'economic miracle' took place. In contrast today, the neoliberal universe allows hardly any room for state agency in the economy. Trade union power is probably smaller than ever and the European periphery is undergoing an unprecedented crisis both in terms of duration and in terms of consequences.

Predictions about the future are never easy, let alone in this environment and in these times. The trends as argued above are clearly negative for the world of labour. The loss of middle-class lifestyle capacity for many and the shrinking of the relatively well-off section of the waged population amidst the generalised spread of precarity and a declining living standard of the overwhelming majority constitutes a particularly volatile situation as adaptation to the new conditions may be rough and slow, and most importantly, without guarantees that despair will not lead to social and/or political upheavals. The forms of change in the state operation and policy depend currently on external and international dynamics as much as on local forces at work. The argument that a possible solution of the Cyprus problem and the extraction of the hydrocarbons will open up development prospects and increase the income and role of the state might be true but it remains to be seen whether and when and, most importantly, how this will materialise. Economic development does not necessarily translate into generalised prosperity and it takes a number of social preconditions and political conditions for economic growth to lead into welfare. In any case the forms of social solidarity, collective action, political organisation and institutional protection need to be re-invented and practiced as the only way to achieve small and big reversals and subversions of the current course and order of things.

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Heterotopias of Production: Unveiling the Everydayness of the Cypriot Economy

Constantinos Constantinou

Abstract

In the representation of the Cypriot reality there are areas of social life, particularly in places of labour where a group of people act as a working class, which are not part of our symbolic universe, a universe which has suppressed under its glamorous appearance the reality of toil and harsh labour. The effects that these places have on the economy and the social relations are nonetheless real. To demonstrate the effects, two cases are examined: A fast food industry and a telephone survey firm. Through a workplace level analysis, these places of social production are examined as heterotopias, points of passage of economic and social ordering. The article aims to 'show' these places and furthermore to point that the heterotopias of production might hold the key to understanding what dominant strategies of dealing with the crisis through development might include as a future.

Keywords: Cypriot economy, heterotopia, services, fast food industry, call centres, labour, production, Post-Fordism, class

> '[..] There is probably not a single culture in the world that fails to constitute heterotopias. That is a constant of every human group. But the heterotopias obviously take quite varied forms, and perhaps no one absolutely universal form of heterotopia would be found.'
>
> Michel Foucault[1]

In an eight minute British film[2] of 1939 with the title 'Introduction to Cyprus', the island is presented against a soundtrack of melodious music and commentary. The commentator leads us through the island's everyday life. What dominates almost seven minutes of the film are images that feature Cypriot people working on various types of activities ranging from crop harvesting and livestock farming to artisans and small scale manufacturing. The representation of the lives of Cypriots as a people is constituted not through the Cypriots as people performing a number of

1 M. Foucault (1984) 'Des Espaces Autres' [Of Other Spaces], *Architecture, Motion, Continuity*, No. 5, p. 47.

2 Retro Cyprus (2013) Commentary: *1939 An Introduction to Cyprus*. Retrieved from [http://www.youtube.com/watch?v=QRHIuZ6_Ys8&feature=youtube_gdata_player].

activities in various situations but as 'people who work'. No image is shown that points to a distinction between 'Cypriots living' and 'Cypriots working'. To the viewer, every portrayal or description is mediated through a life of a homo-labourans and the prime element in which this society is symbolically epitomised and analysed is that of work, of labour.

Conversely, in a 2012 documentary[3] from National Geographic, titled 'The Island of Cyprus', the characterisation of Cyprus[4] and its inhabitants is elementary different. It is different not simply because of the portrayal of a now modernised country and its ethnic problems, as might be expected, but because during the forty-four minute runtime of the video not a single scene is shown of working Cypriots, apart from a sort of homage to traditional household baking by a family. In a scene where dockside labourers are in attendance it is merely to refer to legal concerns over trading issues that arose due to the island's partitioned status.[5] By mentioning the melodious music and commentary of the first video, I point to the fact that the first video is not a scientific documentary for research purposes. It is a 'pop' video, aimed probably for newsreels of the time, in contrast with National Geographic which, although not academic, is considered somewhat scientific. It is, for example, not an MTV or a travel channel video. Despite the first and older video being more light-hearted in nature, it shows exclusively labouring images. Not because it 'portrays labour' but precisely because it portrays 'life'. The second video, although it also portrays 'life' in Cyprus, 'life' is now portrayed very differently, despite the fact that work and production is today a much more determining factor. But what is not presented in the second video is the economic activities of the natives which, regardless of its degree of development, is the essential activity of any society.

The basis of this transformation of iconic representation is, of course, the modernisation of the Cypriot economy and the shift in the mode and relations of production that has occurred during the past seventy years. A large part of the then economy was constituted by pre-capitalist ways of production; small artisans and craftsmen, farmers and shepherds. It was an economy that had not yet fully developed the division of labour, market-oriented production and aspects of industry. As pointed out by the commentator in the first video, 'most of the work is being done outdoors'. The development of the economy witnessed the gradual withering away of these conditions and their replacement by a modern capitalist economy. Today, most but not all, labouring, takes place indoors and away from the household. The expansion of the new economic model brought forth the transformation of the social sphere almost in its entirety. This process, similar to the social and

3 Urban Guide (2012) TV Documentary: *The Island of Cyprus – National Geographic*. Part of Urban TV Cyprus series on 'Islands'. Retrieved from [http://www.youtube.com/watch?v=bAwto68jEuI&feature=youtube_gdata_player].

4 The research has been undertaken only in the southern part of the island. 'Cypriot', in this study, refers to Greek Cypriot and 'Cyprus' refers to the part under the *de facto* jurisdiction of the Republic of Cyprus.

5 A coup d'état in Cyprus on 15 July 1974 by Greek Cypriot nationalists that wanted union with Greece was followed by a large military intervention by Turkey, whose troops occupied the northern part of the island and later declared it an independent state. That state is not internationally recognised. Negotiations for reaching an accepted solution have been unsuccessful.

economic history of most European countries, withdrew the activity of labour away from the public sphere or the private household, and separated it from the rest of the lived day. New spheres of social life were constituted for activities that were not previously apart or distinct from each other. As E.P. Thomson reveals, labour and free time, work and home, were not experienced as two clearly distinct events or places in everyday life: 'Social intercourse and labour are intermingled [...] and there is no great sense of conflict between labour and "passing the time of the day"'.[6] This process of separating labour from the rest of the everyday activities has created a heterotopia where the place of the labour activity has been moved to an 'Other' place, both materially and ideologically.

Foucault presented the use of the term 'heterotopia' in social sciences in a 1967 seminar defining it as follows:

> 'There are also, probably in every culture, in every civilization, real places – places that do exist and that are formed in the very founding of society – which are something like counter-sites, a kind of effectively enacted utopia in which the real sites, all the other real sites that can be found within the culture, are simultaneously represented, contested, and inverted. Places of this kind are outside of all places, even though it may be possible to indicate their location in reality. Because these places are absolutely different from all the sites that they reflect and speak about, I shall call them, by way of contrast to utopias, heterotopias.'[7]

A heterotopia is a place that functions as a place of otherness that is usually not secularised or can constitute a break in time and space from social everyday space. It could be a cemetery, or a museum. It does not have a fixed attachment to a specific place. Locations of production constitute today a heterotopia par excellence. This applies especially to workplaces that are not commonly seen as places of industry and/or hard labour owing to their more recent development, and relatively recent industrialisation, and are termed instead as services. Services infer a connotation of being places of 'clean', white collar labour.

To describe heterotopias, Foucault proposes a kind of systematic description that could analyse and 'read' these other places. He calls this systematic description 'heterotopology'.

To attempt to make a heterotopology for our purposes here, we have to be aware that through the process of society's modernisation, apart from the spatial division of social activities, labour now situates itself as a heterotopia in the mind as well and not only in physical space. In the social imaginary of the Cypriots, labour, there too, is an 'Other' place, an element somewhat hidden from civic dialogue. Cyprus is portrayed exclusively in public discourse as a service economy and as an island of financiers, so the reference to an industrial working class seems out of touch, not only for Cyprus but for other European countries too. Then again, on taking a closer look, what seem self-evident for contemporary critical theories are, we claim, all but instances where theory is incapable

6 E.P. Thompson (1967) 'Time, Work-Discipline, and Industrial Capitalism', *Past & Present*, Vol. 38, No. 1, p. 60.
7 Foucault (1984), *op. cit.*, p. 47.

or unwilling to delve deeper and examine the content of these social relations and not just their form and appearance. The central issue of the article is that factories, industrial labour and hard work exist despite appearances. They exist in places that we have not sought to look.

The ideology, the way we perceive the reality that surrounds us, has suppressed and concealed any identity that was ascribed to a 'working class'. The turbulent history of the island has contributed to this. The identity that pertains to the Cypriot social imaginary has been stitched together by the 'Cyprus problem' as its *point de capiton*,[8] its key-signifier that holds together the symbolic universe that signifies the Cypriot reality; that is the way in which Cypriots understand and identify their place and themselves, the discursive mechanisms with which they perceive and describe their reality. For more than thirty years the media and the public discourse in general, were dominated by the 'Cyprus problem'. No room was left for anything in relation to labour issues and class conflict, concerns that were always downgraded to insignificance. The importance of this situation is more profound after the recent economic crisis not only because the negative consequences are mostly inflicting the working people of the lower strata but also because the discourse regarding the causes or the consequences of the crisis, and the ways out of it, rarely considers 'class' as an analytic or political tool. This kind of negligence is an obstacle for properly explaining the crisis and it reinforces the rhetoric of equal collective responsibility. The Cypriot society is taken as a singularity that feasted on finance and stock markets and now must pay the harsh price.

The relatively rapid economic development after the war of 1974 magnified the middle strata and by methods of lending and credit promoted the Cypriot dream as the aim to be achieved: a large house with a swimming pool and a BMW were the priorities, the '*Raison d'être*' of the Cypriot life. Any reference to a 'worker' had become banal and was viewed with contempt. It was now a stigma to be kept away from public appearance because it would imply that the person does not belong to the higher strata of society and has a working or peasant class background. By way of example, today almost no artistic creation has any reference to the main activity of the daily lives of the majority of the population. It had to be excluded in order to construct a harmonious and homogenising essence of oneness; that we as a society are one against our national enemies. As Lacanian political theory describes this process:

> '[...] when harmony is not present it has to be somehow introduced in order for our reality to be coherent. It has to be introduced through a fantasmatic social construction. [...] This is due, for instance, to the gap between our harmonious fantasmatic constructions of nature and nature itself, between reality and the real. Our constructions of reality are so strong that nature has to conform to them and not they to nature; reality is conceived as mastering the real. But there is

8 *Point de capiton* (quilting point) is a term Lacan uses to explain how signifier and signified are knotted together. It is what holds together and stabilises the world of meaning, our ideology, preventing it from floating around. 'It's the point of convergence that enables everything that happens in this discourse to be situated retroactively and prospectively.' Lacan (1997), p. 266.

> always a certain leftover, a disturbing element destabilizing our constructions of nature. This has to be stigmatised, made into a scapegoat and exterminated. The more beatific and harmonious is a social fantasy the more this repressed destabilizing element will be excluded from its symbolization – without, however, ever disappearing.'[9]

The Cypriot society has paradoxically signified the reality of a working class, a class that labours hard for a basic living wage, as something to be denied by the very individuals that bear this weight of working and producing. During the past decades the spectacular reality that appeared on television, in lifestyle magazines and in newspapers as 'life', or 'political issues', constituted the reality and now appears more real to the Cypriots than what goes on each day behind these appearances. The common view is that Cypriots to a large extent work in excellent conditions in a big office in the private or public sector and do not face conditions of hard labour. The category of 'class', and specifically the working class, is totally absent from the social imaginary. Very rarely does it become a signification of a social group, a pressure group or an analytical category for those who seek to explain this society and especially the current crisis. The image of a Cypriot as someone who lives day by day through his toil and work would be labelled non-existent, as an image of the past, only to be found today corresponding to a very small minority of migrants. But in these heterotopias there exists an exiled and non-visible world. It is not purely non-visible as a physical presence in space but as an exiled perception and representation (both symbolic and political) of social reality. It is a place, both spatial and symbolic, of a class of persons that work in conditions and circumstances that are not taken into account in most interpretations of Cyprus either generally as a country or particularly as an economy.

The Factory as a Heterotopia

In 'Badlands of Modernity', K. Hetherington examines the development of the factory system during the industrial revolution as new heterotopic sites that arose out of the transformation of the networks of production, markets and consumption. Until then, the household was the key space or 'obligatory point of passage', in which the ordering and organisation of production and other social relations took place. As mentioned above, the development of production moved this point of passage for social ordering from the household to an 'Other' place: the factory, which should be analysed as follows:

> 'In looking at the factory as a heterotopia there are four issues that need therefore to be highlighted: the labour process; management and supervisory surveillance; the organization of time and space; and the development of the work ethic.'[10]

9 Y. Stavrakakis (1999) *Lacan and the Political*, 1st edition. London: Routledge, p. 55.

10 K. Hetherington (1997) *The Badlands of Modernity: Heterotopia and Social Ordering*. London: Routledge, p. 132.

It is expected that one would object to the use of such an analysis on the Cypriot reality, as the latter does not seem to include such industrial workplaces anymore. Following a very interesting installation by artist Aazclairicia, accompanied by Foucault's speech on heterotopias, we too question: 'Que sont nos usines devenues?'[11] [What has become of our factories?]. Here, we claim that they are present but are 'a nowhere' and through our analysis they can become 'a somewhere', at least in our imaginary. Although K. Hetherington uses the notion of heterotopia on the places of production of the nineteenth century, the totality of the present article points to the fact that many of the twenty-first century's places of production – today's factories – are not even recognised as such. The fact that they are being ignored as places of production or places of a working class, but acknowledged as places of retail, 'services', or at best 'emotional labour', provides evidence that it is more possible today for a factory to exist as a heterotopia than in the nineteenth century.

Places of production are not part of the rest of the everyday life; they are cut off and distinct from it. What applies for the rest of the day, the part of it in which we live, the time that we call 'free', does not apply in the workplace. The order of time changes and it becomes signified from the time you go in, the time you have a break and the time you leave, affecting also the rest of the day. Other social relations apply; outside social relations are neutralised or cancelled. The hierarchy that takes place, for example, transforms to something very different than the one outside; blood relations no longer define the hierarchical interaction, as they might when you step outside in the same society. Workplaces are not considered places of political representation or engagement. As a case in point, one usually does not vote in a constituency based on the workplace but the place where he/she lives, despite the fact that the former is a much more determining factor of life. The changes of weather and seasons do not affect the basis of what goes on in the workplace, unlike a farmer's way of producing which is or was intrinsically connected with the weather. A social and cultural place where a workplace is situated can change immeasurably from New York to Bahrain but if you are working in a New York McDonald's franchise, you know very well what to do the moment you step into a Bahrain McDonalds' kitchen. The far becomes near. At that place everything is the same and it is the same place: the hierarchy, the aims, the labour process and the rhythms. On the other hand, if you stepped outside, or in a Bahrain household, you would probably be unable to act and behave in accordance with the local social relations. Heterotopias can shift time and space, enabling two distant places to become the same whilst surrounded by immense difference.

Generally, in Cyprus and in Europe, the overall weakening of the power of syndicalism and union culture, as well as the decline of worker parties, brought a closure to these heterotopias. At the same period there was a development and industrialisation of sectors that were not part of

11 Aazclairicia (2012) *'Que sont nos usines devenues?'* [What has become of our factories?]. Retrieved from [www.youtube.com/watch?v=ksftw_biMPg].

traditional industry. This enhanced the establishment of a mental barrier, a border, reinforcing their existence as heterotopias even more so and making them less visible not only to public opinion but to research and statistical processing. To give an example, rarely does research of the fast food industry deal with its core, namely the production and its 'factory' aspect, and not cultural, consumption and marketing traits. It is aimed, through the study of two case-studies to seek to unveil hints of the 'hidden' world, and glimpse these 'Other' places where part of the Cypriot industry is situated, and consequently an industrial working class.

Heterotopia I

The first case is that of the fast food industry. The research was primarily conducted on site during the time that the author was employed as kitchen staff in one of the Taco Bell enterprises, for a total of thirteen months beginning in May 2012.

During this work period a number of questions emerged that are engaged with here: Can the fast food sector be categorised as an industry and, if yes, then are those who work in it not an industrial working class? These questions connect with more general ones: Is there an industrial working class in Cyprus or generally in developed economies? The persistence in such terms of sociological classification such as 'industrial workers' seems obsolete. Nonetheless, is not such a class limited today in developing economies in the so-called Third-World where a large part of production has been outsourced? The answer that is given here not only concerns Cyprus but has greater value outside of the island since it deals with a sector that is internationally identical and is dominated worldwide by only a few franchises.

Terms such as 'de-industrialisation' and 'post-industrial society'[12] are now widely used for the analysis of class relations (that is, if the existence of classes is taken as a given), hence drawing to the conclusion that the industrial working class, as described in the main by Marxist influenced theories or even from Max Weber, has been diminished or, in some cases, no longer exists. It is supported that a large part of industry has given its place to 'services', thus changing the material conditions of production and generally the conditions that once made the industrial working class not only a sociological category but the central political subject.

The fast food sector is one of the most emergent sectors categorised as services. The 'sample' is the fast food franchise of Taco Bell, one of the largest fast food franchises in the world with 6,500 stores worldwide and one of the major competitors of McDonald's in the USA. Taco Bell was chosen as a subject of examination for two reasons: a) It represents one of the largest and one of the technologically most advanced in its sector; and b) It is a workplace where the author had access and experience of its activities.

12 Most notable of these scholars is Daniel Bell in his well-known 'The Coming of Post-Industrial Society', Bell (1976).

It is aimed, through this analysis to demonstrate that certain large sectors categorised as 'services' are thoroughly industrial with a combination of Fordist (the production characterised by the aim to achieve higher productivity by standardisation of output, conveyor assembly lines and generally large scale mass production), and Post-Fordist (characterised by the turn to small, more flexible manufacturing units with more customised products) properties. By close scrutiny of the nature, intensity and material conditions of such work, the production process and workers' relation to it as well as the degree of exploitation, it can be supported that the workforce involved at the base of this sector, and consequently in a sizeable part of 'services', are an industrial working class.

The irony is that while a large part of critical theory tried and indeed managed to prove convincing in relation to the huge de-industrialisation and servicelisation of the economy and hence the impoverishment of industry, other academics have noted the exact opposite as early as the 1970s. There is a plethora of scientific articles in journals such as Harvard Business Review: the most notable of them being articles with the indicative title 'Production-line approach to service' and 'The industrialization of service' by T. Levitt, in 1972 and 1976 respectively. Apart from the relatively easy, yet indeed correct reply that can be given – specifically that a large part of traditional industry has not vanished but has simply outsourced its production in other continents – what the supporters of the de-industrialisation and servicelisation theories ignore is the degree of the industrialisation of services. In his research, T. Levitt uses McDonald's as a representative example of a service sector that increased its efficiency by applying Fordism in its production process and its logic of organisation.[13]

In 1998, Bowen and Youngdahl, in a paper entitled '"Lean" Service: In Defense of a Production Line Approach', followed up from T. Levitt and indicated a paradigm shift in industrialised services, using this time Taco Bell. This particular company combines elements of Fordism in a ground-breaking way together with features of so called 'toyotism', a type of organising production first implemented in Toyota. This organisation overcomes Fordism with its basic elements being: a) the preservation of mass production, but with the introduction of mass customisation; and b) JIT (Just in Time), a production and supply mechanism more adjusted according to customer orders. With these components the enterprises can respond to the requirements of the post-modern consumer much better than before. Bowen and Youngdahl not only emphasise the radical change that the implementation of such an industrialised production model brought to Taco Bell, far surpassing Fordist McDonald's in efficiency and productivity, but wholeheartedly suggest and promote the implementation of such an industrialised organisation to be applied in all kinds of services and offices.[14] The two other examples of successful

13 T. Levitt (1972) 'Production-Line Approach to Service', *Harvard Business Review*, Vol. 50, p. 44 and (1976) 'The Industrialization of Service', *Harvard Business Review*, Vol. 54, pp. 32–43.

14 'There are clearly differences between the Toyota lean manufacturing environment and an attorney's office, for

industrialisation that they bring forth include an airline company and a hospital. Throughout their paper they constantly stress that industry is the leading sector which services always follow and try to catch up and not the opposite. They also speak of this model as one that empowers the workers, enforces their participation and their autonomy. The key factors for this 'empowerment', they claim, are the following: a) power to make decisions affecting how to perform their jobs and even what strategies the firm pursues; b) information about business performance, plans and goals; and c) rewards that are based on organisational performance.[15] Yet, this argument is paradoxical. These characteristics seem to fit only the role of the store managers. They are far from fitting the reality of the workers. A reality that, as we shall see, is dominated by an immense division of labour, a monotonous, standardised and repetitive work effort and absolutely no power, reward or information regarding plans, strategies or execution.

But the fast food sector is not even industrialised services; it is pure industry: production of material goods. The fact that the retail sale of the commodities takes place immediately after the production, or the production is undertaken by order, hardly differs from what happens in Toyota. More specifically, it is a fusion/merger in time and space of the production process together with the processes of demand and circulation of commodities: A fusion that contributes to the veiling, in our everyday lives, of the sector's particular character. But in the end it cannot prevent us from understanding that what we see before us in a shopping centre or a commercial street is nothing but mini-factories with a sales department at the front. How is it that the production of packaged foods constitutes a factory (which is how it is counted in the statistics), but the most intensive and exploitative industry of mass food production does not? The physical presence of customers on the premises of this factory creates an illusion, a false perception. Where we encounter the commodity, an object, phenomenally overshadows the relation of production. This we can call: objectification of social relations, and it is a process that also 'hides' a place of production and turns it into a heterotopia.

But let us cross the gates of this factory of Taco Bell to witness, in short, a few basic and essential characteristics of its production. Firstly, we are dealing here with the production of material commodities: A production, according to customer demand, that can reach breakneck levels of tension and speed. The 'heart' is comprised of two mini-production lines with four different posts. In rush hours the worker might stand and work furiously for hours at one post, and in one spot, without the luxury of pausing to even wipe the sweat out of his face. Not because it is

example. Yet, even in professional services, one can find some isolated examples of effective production line approaches. [...] unique opportunities for competitive advantage may emerge when production-line thinking is seemingly mismatched to professional services', D.E. Bowen and W.E. Youngdahl (1998) "'Lean" Service: In Defense of a Production-line Approach', *International Journal of Service Industry Management*, Vol. 9, No. 3, p. 221.

15 Bowen and Youngdahl (1998), *ibid.*, p. 219.

forbidden but because of the furious speed of production and sale, the slightest delay of a mere second (sic) is capable of overloading the production line and stalling the orders. The LCD screens above the workers' heads show each order's preparation time and constantly displays an 'average preparation time' which must remain under one minute. When a period of time has elapsed without the completion of an order, the screen rapidly flashes the order to indicate to the workers to speed up. The process is completely rationalised to the degree that the quantity of, let us say, lettuce, that the assembler places in a particular product is defined down to the last gramme (e.g. 26 grammes in a particular product or 15 grammes in another).

The movements of hands in the production line – precisely where the right hand should be at a specific moment to minimise production time down to the last second – are also predefined: The spirit of Taylorism is still very much alive; that is to say, achieving maximum efficiency in production by determining all the movements down to the last detail, under extreme discipline and supervision. Cameras on the walls control and punish every unauthorised movement such as someone eating a single piece of potato. Break-time is exactly half an hour and is deducted from the wage. There are no free meals allowed so workers must pay to eat. If we take into consideration that workers toil here from 7 hours upwards to 12–13 hours every day then we can perhaps begin to realise the level of exhaustion. At weekends a member of staff might work 12 or 13 hour shifts for three consecutive days. In reality, workers often request to work shifts of many hours because of the very low wage of €3.75 per hour, pushing themselves to the limit of their physical capabilities. Outbreaks of despair are not uncommon. A characteristic incident occurred during a long and tiring shift, when a co-worker, a 30-year old Bulgarian male who immigrated to Cyprus a few years ago in an effort to escape poverty, stopped work suddenly and went to a corner and began crying. When asked why he was crying he replied, 'my life is too hard, I cannot go on'. Ill at ease and unable to reply we turned our heads away and continued working, leaving him to calm down. Unfortunately, the official statistics lack any data on the composition of this sector's workers. From personal experience it can be verified that most of the workers in the kitchen are primarily East European immigrants and secondly Cypriots, all between the ages of 21 and 30 years old. The cashiers are predominantly Cypriot university students, but constitute the smaller percentage of the personnel. The whole sector of fast food in Cyprus is not unionised at all. It rests on individual contracts and has never experienced industrial action. Additionally, this 'class' is invisible when it comes to struggles and union representation. It lacks paid leave, paid sick leave and any form of over-time payment. The total number of working hours in a week usually exceeds fifty. Resignation of workers is common and much more common than sacked workers. New ones are constantly being employed.

This combination of Fordism, Taylorism and panoptic discipline make up the quintessential production organisation of the future which, according to its champions such as Bowen and Youngdahl, ought to, and eventually will, be applied to a broad spectrum of the service industry, the open field of private entrepreneurship and healthy business.

This exhaustive and degrading production of material goods is baptised as 'services' and as an empowering activity. In the statistics of the Republic of Cyprus, service workers comprise of 76.9% while industry embraces 20.2%[16] of the labour force. The food manufacturing companies are branded as 'manufacture', in the sector of industry, but fast food is pigeon-holed in 'services' in the category 'shops that sell ready-made food'. Where are these foods being manufactured? – Evidently inside these 'shops'. Yet, this particular manufacture of goods exists nowhere in the statistics. It is hidden in the above category. Moreover, in the 'ready-made foods' category there are more than four thousand workers, most of them concentrated in three companies. Therefore, not only in the social imaginary but also in the more scientifically official statistics, a part of industrial labour exists in a heterotopia, an 'Other' place which veils itself as if it were trying to convince itself that no hard labour is taking place here.

The only difference with the classical industrial worker is the low concentration in space. In these shops the maximum number of personnel is up to twenty-five. This breakdown in space, away from the traditional large factory, provides a breach of the collective consciousness of these workers as a wider group of people comprising a 'class'. It brings forth problems of unity between them and recognition of their existence not only on the level of consciousness but also on the practical level of uniting them in struggle and achieving demands. Nevertheless, it does not change the objective conditions of this 'class' existence as a productive force.

Heterotopia II

Let us now proceed to the Pulse Market Research firm. The research has been conducted from, personal experience again, together with interviews from long-term workers. Pulse Market Research is a research and consulting firm that collects, processes, and presents quantitative and qualitative data, mostly opinion polls. As it states on its website, it provides 'objective, fact-based decision support and implementation, based on rigorous and valid research [...] with market-approved research, statistical and marketing skills, Pulse MR utilises a wide range of methodologies, from qualitative interviewing and analysis, to the most innovative techniques data'.[17] The essential method of the firm's data collection is telephone surveys.

Work starts at 15:30 and ends at 20:30 hours but according to the number of projects undertaken the work could also start in the morning. For most of the time the work is seven days per week and at weekends the time schedule starts from 08:30 to 20:30 hours, with a two-hour pause in between. Each shift is manned by 20 to 25 persons who all sit in one room. Each worker

16 Statistical Service (2012) *Labour Force Survey 2012.* Annual Report by Republic of Cyprus, Ministry of Finance. Available at: [http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/FA71F003F435D24BC2257777003EF934/$file/LFS-2012-130513.pdf?OpenElement].

17 See [http://www.pulse.com.cy/].

sits at a desk and uses a PC which is separated from the others by tall screens on either side thus forming cubicles. The work is paid hourly at €4 per hour and every month the workers must sign a disclaimer form that removes any obligation by the company to contribute to the employee's social insurance. One ten-minute break is given which is unpaid. Any time which is utilised for briefing and informing the workers about anything new (which might take up to thirty minutes) does not count as working time and is unpaid. The entire room is monitored by cameras and supervisors. In order to maintain the maximum degree of surveillance, the shift managers not only monitor the cameras but also eavesdrop, via the central system, on any telephone operator's call whilst he or she is conducting a questionnaire. During work the computer programme automatically calls a random number (from a pre-selected list) as soon as the previous call has ended. If someone stands up to head, let us say, for the bathroom, the computer programme will stop the timer as no phone calls are being made, and that particular timed frame will be unpaid. In the course of the last two months before the end of 2013, going to the bathroom during a shift was no longer tolerated and it was frowned upon. An astonishing degree of time and activity discipline is exerted and monitored throughout. What the operator must and is allowed to utter in her dialogue with the call's receiver is designated precisely on the caller's PC software. It is completely standardised and even the slightest deviation is not allowed. No exclamations or interjections such as 'uh' or 'good', 'uh-huh' are permitted and these regulations are indeed practically imposed. This mechanical structure and method means that the receiver of the call often experiences a ludicrous colloquy between her/him and an apparently human but nonetheless robot-sounding subject who cannot provide any human reactions to the conversation. For instance, if the receiver comes back with a query or does not clarify something, the response will be the repetition of the pre-determined phrase over and over again as if speaking to an answering machine. In one case, as a worker (32-year old Greek female who had worked there for 5 months) reported, the manager was scolding the workers because they 'were not working as robots: "You must be robots" said the manager'.[18] The operators are not allowed to turn their faces away from the PC's for a single second, and if by chance someone turns to say something to the worker next to her/him, not only will she/he be shouted at but she/he might be sacked. Every call is recorded without the called person being informed of this, possibly to save time on providing explanations. Each worker is evaluated and given a score in order to increase productivity and competition among staff that put in a great effort to avoid receiving a low score which might threaten their job. The management exerts an enormous amount of pressure upon the workers to constantly increase the speed with which they complete each phone survey. A five-hour shift, at the end of the day, is a five-hour robotic-style activity of an unceasingly repetitive and dreary procedure. Call after call, question after question, the work is an extraordinary nerve wracking activity which is acted out under a thorough and strict surveillance of all physical and vocal actions for hours.

18 Interview: Female worker, 2013.

This sector is quite a scientifically managed industry that warrants a de-personalisation, de-skilling and automation of not just the body but of the mind and speech. Other phone survey companies in Cyprus pay by the questionnaire and not by the hour: in this way giving more incentives to their staff to work even faster. The workers are either Greek-Cypriot or of Greek nationality and aged around 25 to 35 years old.

Telephone operating has been one of the service sectors accredited with a serious degree of industrial logic from the early twentieth century despite seeming a more soft profession. In 'Women, War, and Work', M.W. Greenwald notes that concerning telephone operators of the early twentieth century: 'dressed for work in her finest shirtwaist and long skirt, the telephone operator may have occupied a higher social niche than the factory operative, but her working conditions and income invoked little envy from those women who had experienced corporate telephone operating'.[19] Female telephone operators in the USA were involved in high tense struggles of unionising and striking, resembling industrial unionising. With the passing of years the sector continually expanded its degree of industrialisation on its journey to contemporary development. Furthermore, Pulse applies a type of telephone operator organisation of the kind that is similar to other firms both globally and, of course, in Cyprus. The company states in its website that: 'The international trended method of data collection is utilised at Pulse MR providing our clients with a cost efficient, fast and reliable solution for most research projects. Technological advancements are employed at Pulse MR ensuring 100% data collection supervision and exhaustive sampling coverage.'[20] It is exhaustive coverage indeed.

The cases that have been presented are not marginal in terms of their share in the economy. They do not constitute a minority. Fast food franchises have been increasing even after the crisis. It is possible that the island's crisis has given a boost to this sector due to their relatively cheap products.

Many, like B&Y, claim that the new so-called Post-Fordist types of industrial organisation are benefiting the workers by empowering them and enforcing their autonomy and creativity, turning their activities into something more fulfilling, in contrast to old Fordism. But considering what has been covered here, a vast degree of imagination or of ignoring reality is needed to characterise the degrading, de-skilling, monotonous and non-living wage for work at a telephone centre or a fast food establishment, as being creative and empowering. It is also doubtful whether the claims of a disappearance of the working class can be supported.

The 'service' category in the official statistics of the Republic of Cyprus also includes: cleaning services, industrial cleaning, domestic workers, nurses, telecommunications, various telephone centres, refuse disposal companies, equipment and machinery repairs and, of course, normal eating

19 M.W. Greenwald (1990) *Women, War, and Work: The Impact of World War I on Women Workers in the United States*. Ithaca: Cornell University Press, p. 201.

20 See [http://www.pulse.com.cy/index.php/methodologies/quantitative-research-methodologies].

establishments and hotels. The total number of waged labourers in Cyprus in 2012 was 82% of the working population. We can understand how much the working class would shrink if we consider that it does not include service workers, whether this concerns Cyprus or the USA where fast food workers number more than four million.[21]

Heterotopias in Times of Crisis: New Utopics?

> 'Although the effects of these institutions are the exclusion of the individual, they have as primary aim to arrange individuals in an apparatus of normalization of men. The factory, school, prison or hospitals aim to bind the individual to a process of production, training or correction of producers.'[22]

Throughout the past year, the economic crisis and the response to it, had and will be expected to have, damaging effects to a large section of the population.[23] There have been wage reductions, a dramatic increase in unemployment, and a diminishing of welfare. But there has also been an intensification of labour which is evident in our two cases of work places.

In the macro perspective, new processes of social ordering are taking place. Different ethics are to be employed in order to ensure that the population accept new harsh conditions that have changed its expectations for the future. Such processes take place in the daily microcosm of various institutions. It is the microphysics of power that we have to examine in order to understand the production of new social orderings as well as new disciplinary and normalising mechanisms that produce new norms. In our case, those disciplinary mechanisms that produce new ethics are driven by the pressure on capital to safeguard a viable profit against the crisis and in the face of any possible reaction from discontented workers whose labour is being more intensified and cheapened. It is not that a production of a particular social order *per se* is being pursued. Yet, an ordering or re-ordering of production to achieve a maximisation of profits does consciously take place and from that, directly or indirectly, gives rise to a situation which has ramifications on the whole society. In the heterotopias of production new utopics are put to work; that is to say,

21 M. Doussard (2013) *Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry*. Report by University of California – Berkley.

22 M. Foucault (1974) 'La Vérité et les Formes Juridiques' [Truth and Juridical Forms], *Chimères*, Vol. 10, p. 15.

23 Cyprus has an economy with the so-called service sector being the main driving force of the economy together with the construction industry. Since the previous decade the country has seen growth rates above the EU average but in the last 5 years it has followed a constant decrease and has now gone into depression and has taken the largest hit after the bank bail-in in March 2013. Since the most important sectors are tourism, financial services and real-estate, the crisis, not only in its Cypriot manifestation but internationally, has asphyxiated the Cypriot economy lowering the demand for these sectors. Cyprus experienced numerous downgrades of its credit rating in 2012 and has been cut off from international money markets. Cyprus is the 5th euro zone country to request a bailout programme from the Troika. A fiscal austerity programme led, and will lead to more, cuts in welfare and wages that increased the social effects of the depression (poverty, unemployment, insecurity).

localisable utopias on behalf of capital in which 'their role is to create a space that is other, another real space, as perfect, as meticulous, as well arranged as ours is messy, ill constructed, and jumbled'.[24]

As K. Hetherington claims, the factory, has from its beginning been such a place which, through its orderings, influenced society immensely:

> 'The factory can lay a justifiable claim to define some of the most significant aspects of life associated with modernity. The factory of the Industrial Revolution was an obligatory point of passage, where agency was constituted through the ordering of production, a division of labour, the labour process, spatial and temporal relations, modes of pay, social hierarchies, products, relations between workers, gender, education, morality, scale, power, speed, volume, specialization, embodiment, urban systems, housing, transportation systems, and so on.'[25]

E.P. Thompson's highly influential analysis that was mentioned earlier in relation to how the factory reordered time and constructed the time of modernity, also demonstrates this process. At present a new kind of process is taking place from which we can take a glimpse from these heterotopias, but whose full and broad spectrum will perhaps come to light after the dust around this historical process settles down. According to Foucault it is not necessary to ascribe such a process to a fully conscious social actor:

> 'The moralization of the working class wasn't imposed by Guizot, through his schools legislation, nor by Dupin through his books. It wasn't imposed by the employers' unions either. And yet it was accomplished, because it met the urgent need to master a vagabond, floating labour force. So the objective existed and the strategy was developed, with ever-growing coherence, but without being necessary to attribute to it a subject which makes the law, pronouncing it in the form of "Thou Shalt" and "Thou shalt not."'[26]

The organisational techniques of the cases that were shown here exemplify a de-skilling and degrading process into which subjects are emerged, together with the panopticon-like surveillance and discipline mechanisms. If we take a Foucaultian standpoint we cannot but ask: What sort of social subjects, what sort of agencies, will these power mechanisms construct? What forms of social ordering will be constituted and what effects will these key spaces of production have on broader spheres of social and personal life? It might seem as an exaggeration to claim that the organisation of humans in the two specific places that were examined could have such an influential disposition. Yet, these specific places are exemplifications of the newest, most efficient models, the paragons of highly modernised productivity.[27] They do not represent older and outdated forms that are to be

24 Foucault (1984), *op. cit.*, p. 48.

25 Hetherington (1997), *op. cit.*, p. 117.

26 M. Foucault (1988) *Power/Knowledge: Selected Interviews and Other Writings, 1972–1977*, 1st American edition. New York: Random House USA Inc., p. 204.

27 K. Hetherington writes: 'The fact that there were so few factories until the 1830s and yet it became such a significant discursive object around which a vision of an Industrial Revolution was constructed, speaks volumes

withered away by technological advancement. As higher modernisation of production ensues, we can expect these models to be applied to a greater extent. By way of illustration, in a short documentary by History Channel entitled 'Modern Marvels: Fast Food Tech',[28] Taco Bell's manufacturing process was presented as being exactly that: A modern marvel of industry technology that enables a maximising effect on production time and on low costs of production. The 'modernisation' of economic sectors is one of the key signifiers that is being put forward in Cyprus by business cycles and the State as the way out of the crisis. The heterotopias of production might hold the key to understanding how these strategies of dealing with the crisis might unfold and what consequences they might have. If this kind of economic modernisation provides an exit out of the crisis, to whose benefit will this particular exit be? Development as the way out of the crisis, for instance, investments, advancement in productive forces, division of labour, infrastructure, and growth, entails the growth of these types of workplaces and their conditions. These other places can show us what the future might hold for many workers.

Such heterotopias of production have not experienced yet the political praxis of a struggle by the subjects that exist in them. A form of simple demands such as '8 hours and a union', however old-fashion it might seem, can institute a break in the disappearance of these people as workers, bringing to light their physical, material presence in contrast with their inexistence in the social imaginary and become a step for the transformative power of the invisible.

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28 *Taco Bell – A Peek Behind the Counter: How the Food is Made* (2008) Video from Modern Marvels. Retrieved from [http://wwwyoutube.com/watch?v=WrlHpOXpdSM&feature=youtube_gdata_player].

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PART III

Cyprus 'on the border': Crises, Radical Politics and Peace

'What kind of state are we in when we start to think of the state?'[1] Cyprus in Crises and Prospects for Reunification

Barbara Karatsioli*

Abstract

Partitioned Cyprus has known two major crises in the last ten years: first, the 1999–2001 Turkish Cypriot crisis, and second, the Greek Cypriot watershed since 2009. Both have significantly transformed the identity and imaginary of the state. Given that crisis is a field of subjectivation and changing forces, can social movements go so far as to challenge the division and create the conditions for reunification? The 2002 Turkish Cypriot protests have claimed reunification whilst affirming the Turkish Cypriot people's sovereignty. How does this movement spill over to affect the rapprochement 'on the border' and Greek Cypriots more generally? As the crisis strikes Greek Cypriots, and state sovereignty is rapidly contested through EU intervention, can Greek and Turkish Cypriots engage together towards reunification and the creation of a new state? Can we imagine a new state when in a state of crisis?

Keywords: crisis, identity, state, sovereignty, peace, austerity, rapprochement, Cypriotism, protests

Cyprus is currently experiencing its greatest economic crisis since the 1930s. That was a time of global recession and dismantlement of the British Empire, a crisis that Cypriots experienced from the perspective of a colony. The crisis brought about new sets of identities and oppositions which have dominated Cypriot politics until today: Left vs. Right, Greek Nationalism vs. Turkish Nationalism and, of course, the anti-colonial struggle (Karatsioli, 2009). The dynamics led to the creation of the Republic of Cyprus (RoC) in 1960 and the partition of the island in 1974. The current capitalist crisis strikes a partitioned island, an 'unsettled state'.

Crisis being a field of changing forces, we aim to understand the transformations of identity and the prospects for reunification in the two sets of crises affecting Cyprus in the twenty-first century: the Turkish Cypriot economic crises in 1999 and 2000 and the Greek Cypriot crisis beginning in 2009. The article does not assume a direct relationship between economic crises and

* The author would like to thank Chares Demetriou, Umut Bozkurt, Hubert Faustmann, Donnan Hastings, Christina McRoy and the two anonymous reviewers for their insightful comments.

1 J. Butler and G. Chakravorty Spivak (2007) *Who Sings the Nation-State?* Oxford: Seagull Books.

peace potentialities. It aims instead to understand how social movements at times of economic crisis can challenge the division and create the conditions for reunification in such an 'unsettled state(s)' as Cyprus. This cannot be achieved outside an analysis of the economic, political and social aspects of two sets of crises and their relation to the global economic crisis and its European versant.

In this study, rather than make a symmetrical analysis of the two societies, I follow the major transformations starting from the 2002 Turkish Cypriot protests. In the first part of the article, the politico-economic transformations that progressively led to the protests are mapped out. Then, unveiled, are the ways in which Turkish Cypriot protests set in motion transformations 'on the border' that affected the rapprochement groups, cross border circulation and the peace process. The third part points to the internal divisions that the peace process introduced in the Greek Cypriot community that tether the economic crisis with mobilisations for economic justice. Changes in state, identity and sovereignty are also noted together with the role of the elites in the progressive dispossession of sovereignty across the article. Finally, I trace the possibilities for state transformation at a time when Turkish and Greek Cypriots face austerity.

'State' is already a complicated concept, and the Cyprus case, especially its contested sovereignty, adds significantly to these complexities (Constantinou, 2010). To speak of the state in what follows, I abandon the idea of theorising it. Rather, my aim is to understand 'what kind of state are we in when we start to think about the state?' (Butler and Chakravorty Spivak, 2007, p. 3). What conditions does each community face when they promote reunification? What motivates them? What fails?

Turkish Cypriot Crisis: From Global Disconnection to Political Equality

The 2002–2003 Turkish Cypriot protests marked a turning point in the recent history of Cyprus, with Turkish Cypriot claims for reunification within the European Union (EU) challenging, and then bypassing, the local political order deeply rooted in the pro-*taksim* struggle[2] (Sonan, 2007) by appealing directly to the international community. Their claims for a United Cyprus gained the community a measure of international recognition which their illegal state had never enjoyed, and paved the way to the successful completion of the Annan Plan negotiations.

In economic crises since 1999, the Turkish Cypriots initiated protests in 2000 to denounce the economic, political and military dependency on Turkey, but claims for a United European Cyprus overrode all other protests by 2003. With Turkish Cypriot sovereignty and identity under duress, they engaged in *prospective action* towards a United European Cyprus and *retrospectively* redefined their (Turkish) Cypriotness. This double movement outgrew the crisis and the protests and prompted academics to reflect on the state, identity and sovereignty as these relate to the

2 The *Taksim* struggle aimed for the separation of a part of the island to unite with Turkey. It was a counter-movement to Greek Cypriot *Enosis* which aimed for the union of the whole island with Greece.

Turkish Cypriot dependency on Turkey. Researchers sought the roots of the protests in the autonomy of the Turkish Cypriot political process from Turkey and 'Turkishness' (Trimikliniotis and Bozkurt, 2012) and the separation of Cypriotness from the pro-*taksim* 'all-encompassing Turkification process' (Kizilyurek, 2002).

It is suggested here that Turkish Cypriot dependency on Turkey relies on the synergy between factions of Turkish capital and the local pro-*taksim* bourgeoisie, with Turkish Cypriot governing authorities playing a notable role in sustaining Turkish military rule through the active negotiation of (their) local privileges (Tahsin, 2012). Drawing on research undertaken during the crisis, this study indicates that the breakdown of the pro-*taksim* project and the concomitant questioning of dependency result from the increasing economic and political exclusion of the Turkish Cypriot people from the '*taksim*' project throughout the 1990s. Essentially, Turkish Cypriots protested their enclavisation by a pro-*taksim* project that had progressively become dissociated from them.

Since the 1950s, factions of Turkish capital had supported the pro-*taksim* struggle and the development of a local commercial bourgeoisie in Cyprus (*ibid.*). In the aftermath of partition, they worked with the Turkish government to sustain the Turkish military forces deployed in Cyprus and the local political structure. In the absence of a self-sufficient economy, Turkish government aid covered the budget deficit and infrastructure projects and privileged public sector growth and employment, thus attaching production to short-term investments.[3] Loyalty of the population to the new pro-*taksim* structure was insured by 'constituency clientelism', that is, through state subsidies protecting markets and benefits (i.e. redistribution of Greek Cypriot goods) provided by the state to entire social classes (Sonan, 2007).

Turkish Cypriot dependency on Turkey was also founded on ethnic kinship (Bahcheli and Noel, 2010), and the sustainability of the relationship called for the Turkification of local structures and demographics. This, however, met with progressive cultural and political differentiation. Lacher and Kaymak (2005) underscore the role of local bureaucracy in the proclamation of sovereignty in 1983, whilst cautiously noting the discrepancy between reality and sovereignty in the absence of recognition. Taking the analysis one step further, Navaro-Yashin (2012) suggests the 'falsehood' of the 'made-up state' is not impeding the affective construction of the state. People engage in a process of making-and-believing/believing-and-making of the state in which administration holds a significant role. In their retrospective readings of the state and state building, Turkish Cypriots and academics are elevating the process of the Turkish Cypriot affective construction of the state to shadow but not question the declaration of the 'TRNC'. This Turkish Cypriotness in the making of the state, by the people and the administration, is central to the current quest for political equality and affirmation of Turkish Cypriotism, a recognition that they claimed and achieved through the protests, and one that the state failed to ensure. Was there in the

3 Transfers of public revenues are the main factors determining the fluctuations in economic growth for the long term. For a more elaborate account of the economics of that time see Bozkurt in this issue.

declaration of the state the greater need for recognition of the Turkish Cypriot community, its right to self-determination and its political equality with Greek Cypriots, which goes beyond the recognition of the state?[4] These analyses work against the idea that the declaration of the 'TRNC' is an initial act of progressive isolation from the international community and marks an increasing dependency on Turkey (Ker-Lindsay and Faustmann, 2009).

Interestingly, the declaration-invalidation of the state seems to have had a positive effect by *slowing down* the neoliberalisation of the northern part of Cyprus. Unable to immediately access the strong public sector without impairing the struggle for self-determination and recognition, the neoliberal project for a 'free zone area' with low taxation and state intervention for Turkish companies, was initially unattainable. Neoliberal foundations were laid nonetheless: the 1986 'economic co-operation' protocol and the subsequent development plans sustained a shift to the service sector and to the expansion of financial institutions by 1992.

In my analysis, the 1990s marked a progressive Turkish Cypriot enclavisation[5] causing the failure of the *Taksim* project. The notion of 'global disconnection' (Ferguson, 2001), that is the abjection and rejection of the locality by the outside, allows us to grasp the Turkish Cypriot people's exclusion from the benefits of globalisation and of the pro-*taksim* project. Their separation and exclusion from the world market and political recognition leads to their enclavisation. Meanwhile, their capitalist elites' interests remain globalised. As such, the concept does not contradict dependency, but rather it reflects the class structural position in this dependency.

The collapse of the production sector[6] in the north of Cyprus, the famous Poly Peck crisis which also caused the crash at the London stock market in 1990, is emblematic of the globalisation and prosperity of pro-*taksim* elites at the expense of the increasing exclusion of the larger Turkish Cypriot community. The crisis left one-third of the local active population jobless. It affected exports, particularly to the UK, and accelerated the passage from production to the service sector that had started in 1986. This was also heavily impacted by the 1994 embargo imposed on non-RoC certified export goods by the European Court of Justice; goods now exported/imported via Turkey were overtaxed. The embargo was one of the most effective actions of the RoC against the declaration of the 'TRNC' in the course of the Europeanisation of the Cyprus conflict. It is the crucial moment where the effects of declaration start to have consequences on the Turkish Cypriot people.

4 It is interesting to note that the Left objected to the adoption of a constitution – but not to the declaration of the state (Hatay, 2005).

5 Y. Navaro-Yashin (2012) reports a 'sense of suffocation', an 'open-air prison' that people experience due to prolonged living in northern Cyprus.

6 The Poly Peck crisis involved Asil Nadir, a close friend of Denktash, who controlled an essential part of the Turkish Cypriot production; his bankruptcy led to a decrease in agricultural exports. The crash in the London stock market was caused by a capitalisation too high for real assets.

The RoC's EU candidacy approval and Turkey's rejection in 1990 trapped Turkish Cypriots between two competing processes of European integration: exclusion/isolation promulgated by Greek Cypriots vs. Turkish integration. Their global disconnection did not avoid Turkish Cypriots the neoliberal politics that powered integration. A protocol signed in 1992 set up an 'economic co-operation area' to enhance macro-economic co-operation between Turkey and northern Cyprus. Property laws were also changed to facilitate the delocalisation of casinos to Cyprus, exploiting the absence of recognition in the northern part of the island. At the same time, the turn to the service sector favouring higher education, construction and tourism, attracted Turkish capital and competitive labour from Turkey and transformed the demographics – spearing fears of Turkification (Trimikliniotis, Ioakimoglou and Pantelides, 2012; Hatay, 2008). The 1994 Turkish crisis increased economic stagnation; at the same time, the economic and fiscal protocol announced in the same year sought to achieve the complete integration of commerce, economics and fiscal matters and the partial integration of defence and security and foreign policy (Tahsin, 2013; Bozkurt, 2013a). By 1997, Turkish Cypriots were in the streets protesting 'an annexation which does not tell its name' (Ali Anar KTÖS).

Fears of solvency dominated the second half of the 1990s, with Turkification posing an 'existential threat to the community'[7] at so many different levels: military intervention in the affairs of the state, press censorship, violence exercised by the police and the Grey Wolves (a paramilitary organisation mainly composed of Turks), and easy attribution of citizenship to Turks (even brought in to vote on election days). The murder of journalist Kutlu Adali in 1996 is an example of the violence. Silenced by violence and at the polls, Turkish Cypriots were stripped of their distinct Turkish Cypriot identity and state. A Turkish Cypriot active in rapprochement pointed out:

> 'Turks are given nationality, they vote. He (Denktash) doesn't even let us travel, our vote doesn't count, we have no *value*. Speaking of Turkish Cypriots who manage to leave, Denktash even went up to declaring that "for one Memet (Turkish Cypriot) who leaves, ten other Memet (Turks) will come".'

By refusing to acknowledge that Memet – Turk – cannot be taken as a value for Memet – Turkish Cypriot – Denktash denies individual and collective value or recognition to Turkish Cypriots. Put otherwise, the essence of the 'existential threat' lies foremost in their own leader's rebuff of the individualisation/individuation of the community, leading to despair and social criticism (Descombes, 1996).

7 Yücel in Sonan (2007) employs the notion of existential threat in regard to the 'economic-political-social chaos' that marked the crisis. In this article, 'existential threat' relates to fears of solvency which preceded but also extended to the crisis.

Sonan (2007) suggests, 'it was the personal power struggle between the two leaders of the nationalist camp that triggered the collapse of the politico-economic structures that had sustained the *taksim* project' (p. 11). Admittedly, the 1999 extension of the Turkish banking crisis to Turkish Cypriot bank subsidiaries triggered significant losses in deposits that the government agreed to guarantee. However, the Turkish bailout of the local economy soon became conditional upon Denktash's return to power. The belated and unwilling implementation of the austerity measures in the public sector that accompanied the package released after Eroglu's – *Ulusal Birlik Partisi* (UBP) [The National Unity Party] – withdrawal from the 2001 elections precipitated the government to halt all payments to depositors to insure public sector salaries. Following on from the collapse of the Turkish economy as a consequence of an IMF and EU austerity programme in 2000, the devaluation of the Turkish Lira by approximately 30% in 2001, accentuated the adversities of the monetary union and dependency on Turkey.

The absence of borders, political or economic, with Turkey's state or deep state and the corruption and intransigence of the Turkish Cypriot pro-*taksim* governing elites unleashed an unprecedented series of protests. Already in July 2000, the *This Country is Ours Platform* (Bu Memleket Bizim Platformu) channelled concerns into a demonstration against the increasing intervention of the army in the affairs of the Cypriot State and the censorship sustained by the local leadership.[8] Slogans read: 'This country is ours' and 'Denktash resign'. In August 2001, a meeting for peace (*Barisha yürüyüsh mitingi*) made claims to 'Cypriot-ness' in slogans such as 'I'm not Greek, I'm not Turk, I'm Cypriot', alongside others calling for a 'United Cyprus'. Still others promoted peace: 'Cyprus belongs to Cypriots' or 'Peace for Cyprus'.[9]

Turkey's official EU candidacy status in 2000, with conditionality on an agreement on Cyprus, led Denktash to renew his stand for Turkish integration – the only way to Europe – by refusing to enter peace negotiations (Yesilada and Sozen, 2002). His attitude was pivotal to the rise in numbers in rallies, from 8,000 people gathering in 2000, to 60,000–75,000 people (almost all Turkish Cypriots) by December 2002, each and every one turning against Denktash. They accused him of stifling the political and economic development of the northern part of Cyprus and the Turkish Cypriot community more generally (Ker-Lindsay, Faustmann and Mullen, 2011).

In the main, Turkish Cypriots emerged from their 'global disconnection' as agents of change of their structural position. The EU served as a catalyst *because* the Turkish Cypriots were undergoing a profound transformation (Lacher and Kaymak, 2005). A new emanating local bourgeoisie promoted a 'fairer' competition between Turkish and Turkish Cypriot capital for the development of a local economy (İŞAD). Ali Erel, President of the Chamber of Commerce

8 Akinci's *Toplumcu Kurtuluş Partisi* (TKP) [Communal Liberation Party] proposal to attach the local police force and fire brigade to the Ministry of Interior, not to the Turkish Cypriot Armed Forces directed by a General in the Turkish Army (Ulusoy, 2009).

9 The use of English on the protest banners indicates that Turkish Cypriots aimed for international visibility.

(KKTÖ), became the dominant economic voice among the protestors and the rising bourgeoisie fervently supporting a European solution of the conflict and pacification through Greek and Turkish Cypriot capital and market co-operation. At the same time, the Turkish bourgeoisie, wary of the prospects of global collaborations in the European solution of the Cyprus question, withdrew its support of the pro-*taksim* elite, which effectively broke the synergy at the basis of the *Taksim* project.

Turkish Cypriot claims for social justice were less revolutionary and more informed by fair integration in the global market. Democratisation and liberalisation, they sensed, would improve local capital investment opportunities and induce the new liberal local bourgeoisie to resist the conservative forces and military rule. It was a victory of Left pro-reunification politics and liberal national economics. Reconciliation with Greek Cypriots, under a European democratic development and integration in the world economy, would avert Turkish Cypriot absorption into Turkey. With Turkish Cypriot sovereignty threatened, the peace process offered a means to insure the political identity of the Turkish Cypriot community through a federal solution. In the end, the sovereign will of the Turkish Cypriot people gained them the political equality they had aimed for. Turkish Cypriots did not sacrifice sovereignty for federalism but were taking steps to insure the recognition of their Turkish Cypriotness.

The 'Border' in Tension: Cypriotism(s) in *Rapprochement*

The earlier demonstrations set in motion broader dynamics directly engaging with the 'border' as they spilled over to the Greek Cypriot side. The strong involvement of Turkish Cypriots – active in the *rapprochement* movement in the organisation of the protests and the 'Cypriotist' claims for peace – directly appealed to their Greek Cypriot counterparts. For over a decade, rapprochement had been central in re-establishing contact, initiating reconciliation and inducing the interconnectedness of the two societies. Input from Greek Cypriot youth at that time clearly epitomised those transformations: Having embarked on rapprochement they had joined a process of 'no return' since the relations established with Turkish Cypriots differentiated them from their community and created a need to act upon this identity, or in support of the Turkish Cypriots and band together in their claims for peace. Moreover, broader transformations issued from the protests including the opening of the Green Line and the concomitant re-establishment of contact and mobility. The Annan Plan, endpoint of the resumption of peace talks, also had a pivotal effect on the relations between the two communities and the renegotiation of identity, territory and sovereignty.

Re-examining the Turkish Cypriot mobilisations from the 'border', we may ask if they prompted the hegemonic rise of 'Cypriotism' as a credible alternative to Greek and Turkish nationalisms; a way out of partition and into reunification. Did rapprochement raise Cypriotism to a dominant form of identification? What effect did mobility, contact and interaction have on the articulation of common political claims in the search for peace?

Cypriotism of the Elites, Rapprochement of the People

The emergence of the rapprochement movement in the early 1990s was as much related to the planted seeds of Cypriotism as to the shifts in global politics privileging security and peace in the Middle East[10] and RoC's application for EU membership.

According to Loizides (2007), 'Cypriotism' takes the Cypriot identity as a primary one: it represents an attachment to a civic identity, to common traditions and symbols and *actively promotes reconciliation*. It aspires more often than not to Turkish Cypriotism and Greek Cypriotism, 'ethnic community' nationalisms, which 'focus on the aspirations of the interests of a specific ethnic community *in* the island' (*ibid.*). Greek Cypriotism has narrow expectations and no defined idea of solution. But 'Cypriotism' is difficult to analyse within the rapprochement or beyond. It is an identity in the making, a work in progress.

Rapprochement did not create a Cypriotist identity from scratch but was borne out of the meeting of two Cypriotisms. Turkish Cypriotism – already highly politicised since the 1980s – represents the federalist position espoused by the Left, which builds in opposition to the hegemonic *taksim* ideology. Meanwhile, an incipient Greek Cypriotism is built on the margins of the political, albeit with the support of both the Left and the Right. Intrinsically, Greek Cypriotism, much more than Turkish Cypriotism, is formed 'on the border' and builds on the rapprochement. Cypriotism develops as a form of civic nationalism strengthening the state but with seemingly little connection or influence by the marginal neo-Cypriotism and the New Cyprus Association's promotion of the identity as such, as Loizides suggests.

Early on, the rapprochement was polyhedral, with no leader, representative or board to determine its activities, many of which relied on committed individuals who supported or were at least facilitated by the collaboration of factions of the Turkish Cypriot Left and the Greek Cypriot Left and Right[11] (Karatsioli, 2009). Teachers, factions of capital, students, civil servants, villages and unions progressively turned to rapprochement. For the Left, especially AKEL, engagement in rapprochement signalled a renewal with its historical role as a party for both Greek and Turkish Cypriots, an alliance of the people. For the Right, the time called for change and the building of a (European) future that would necessitate the revision of the past.

Rapprochement's main political aim during the 1990s was to create the conditions for contact as no form of direct contact (letter, phone or other) had bridged the divide since 1974. This involved UN-facilitated meetings in the Buffer Zone and USAID training programmes abroad; in addition, EU and local initiatives led to an increase in bi-communal activities, cultural meetings, and union meetings at the turn of the twenty-first century (Hadjipavlou-Trigeorgis, 1993). The territorialisation of the activities in Pyla/Pile, a Buffer Zone village easily accessed by both

10 One assumption underlying the shift in global politics was the power of liberalisation for conflict resolution (B. Karatsioli, 'Unsettled States, Peace and Capitalism: Cyprus, Northern Ireland, Israel–Palestine' (forthcoming [b]).

11 On the positions of DISY on rapprochement, see Constantinou and Papadakis (2001).

communities, is a seminal example: it creates the bases for regular meetings sustaining the creation of a sense of community.[12]

From the official peace talks to the unofficial meetings, recognition, as Constantinou and Papadakis (2001) point out, was crucial. As cross-ethnic contact was hitherto perceived as both treacherous and damaging to the respective communities' interests, inter-personal exchanges were generally an un-reflexive transmission of the community's claims (*ibid.*). Yet, drawing on 'Cypriotist' ideals, the rapprochement brought together Turkish and Greek nationalist ideals and more or less Greek or Turkish Cypriotist versions of history. Identity was constantly negotiated in relation to past politics of respective communities. Reflexivity was an integral part of the process. Activities such as the 'history path' challenged the dominant nationalist versions of history, gradually replacing them with a 'shared history' of conflict. In this process, the Turkish Cypriot version enjoyed 'equality' with the dominant (official) Greek Cypriot account. For the most part, discussions either dealt with the past or with everyday family life,[13] avoiding or abandoning political matters for fear of implicit political recognition, validating the 'invalid' state (*ibid.*) or discovering the political 'normality' of the other side.

In sum, the rapprochement movement did not (re)think or act to influence ideas – as an actor of political change. Rather, it promoted the (re)discovery of the 'other' anchored in the past, with a clear avoidance of the political present and future. Although fixed in yesteryear, Cypriotism was a projective civic identity: If 'Resolution' was not in the peoples' power, peaceful contact was. Rapprochement was a step towards a post-resolution peaceful co-existence.

Nonetheless, the other's present was difficult to attain, largely because of the fear of implicit recognition. Even when the Turkish Cypriot crisis was no longer a main topic of discussion, Greek Cypriots feared discovering the politics in the northern part of Cyprus; they did not want to understand the plural engagements of the Turkish Cypriot resistance or see their actions outside the scope of rapprochement.

Unemployment, increased energy prices, the higher cost of living, the surtax and the army blockades of Pyla/Pile (Karatsioli, 2005) had become clear indicators of the oppression suffered by Turkish Cypriots. The mere presence of the Turkish Cypriots at meetings was a signifier of resistance to, and rejection of, the authoritarian regime. The complexity of the politico-economic situation escaped Greek Cypriots; considering Turkish Cypriots as generally poor, they reacted in a paternalistic (and minimalist) fashion by simply handling the costs of Turkish Cypriots at their meetings. They acted in compassion, reproducing in that way the unequal relations that structures pre-war Cyprus and pursues in the unequal development and unequal international position (recognised vs. non-recognised structure), avoiding discussions on the broader context in fear of

12 All information is taken from the author's anthropological doctoral research on bi-communal groups 2000–2004.

13 Unlike other groups, the bi-communal choir relied on a common Cypriot repertoire in both languages as it enacted an already existing Cypriot (cultural) identity.

conceding equality with them.[14]

The November–December 2002 protests radically changed perceptions. Urgent meetings were organised around a common incentive to think of grounds for action across the divide. Long-term members of the reconciliation movement had experimented at length with imported (and limited) forms of contact (Hall-Cathala, 1990), but they were now called on to *politically act together*, not to rediscover their history or claim their common culture and not to wait for a 'solution' stemming from the peace talks as explained earlier, but to *initiate a movement for change: to make peace*. They needed to think outside the frame of fixed activities, to question the 'movement' and its nature, and to reconsider the ways to act together in society.

Greek Cypriots sought to support the movement by organising rallies across the divide but faced both numerical and ideational difficulties. AKEL's initiative for a rally at the Green Line on 4 January 2003 brought together members of the rapprochement from both the Right and Left. Many were disenchanted when the protest turned into a pre-electoral campaign supporting DIKO's presidential candidate Papadopoulos. Unlike the Left, AKEL, and the Right, DISY, the centrist, DIKO party, has never engaged in rapprochement and was opposed to bi-communal affairs (Peristianis, 1995). This event was an early sign of disjunctive rather than a joint struggle, bringing in traditional pro-division forces from the Greek Cypriot side at the very moment when Turkish Cypriots were demonstrating against theirs.

'Peace in the Hands of People?' Crossing the Green Line to the Annan Plan Referendum

Papadopoulos' election to the Presidency in February 2003 was followed by Denktash's bold strategic move, a unilateral 'confidence building measure' to open the checkpoints in April, after rejecting the United Nations (UN) proposal to put the plan to a referendum in March. Turkish journals portrayed Denktash as a messenger of peace, as he brought down the last wall dividing a European city. In reality, his motivation was to counter the destructive effects of the economic crisis by creating a Greek Cypriot (capital) influx. He sustained that Turkish Cypriots had less need of a political change and more need of an improved economy. Interestingly, Greek Cypriots rushed to the checkpoints by the thousands. The situation was 'the closest to anarchy' Cyprus had ever encountered since 1974. The RoC played the role of the 'absent state' (Demetriou, 2007), uniting with the army to warn that it could not ensure the security of Greek Cypriots who crossed.

The conditions for the 'opening of the barricades', I sustain, were created by the Turkish Cypriot protests. Not so much by specific claims addressed to the authorities (Navaro-Yashin, 2012) but by the fact that the protesting Turkish Cypriots never broke down the 'border' by

14 The so-called Cypriot economic miracle that is the 'recovery' achieved by the dispossessed and expropriated Greek Cypriots by the mid-1980s opposed the slow almost quasi-inexistent 'development' experienced by Turkish Cypriots.

massively and physically crossing it. Greek Cypriots had a radical misconception of what breaking down the 'Line' meant; their romantic idea of reunification relied on their political imaginary of peace, as the return of the Turkish community to the recognised state. Like East Germans a decade earlier, Turkish Cypriots were expected to 'break down' the 'Cold War' wall. Since the 1990s, however, Turkish Cypriots crossed daily for employment, but never left as Denktash pointed out. Their loyalty to their community, albeit not necessarily to the *taksim* project, was a substantial factor in solidifying the 'border'.

Contact and interaction raised expectations that the two peoples would subscribe to the Annan Plan. Thus, the Greek Cypriot rejection of the Plan generated a major shift in the position of the two communities at the negotiating table. Turkish Cypriots had demonstrated their will for a common state and a European future through protests and at the polls and were now 'enjoying an augmentation of their position' (Lacher and Kaymak, 2005, p. 148). Turkey, no longer held responsible for the absence of a solution (*ibid.*), could delink the question of European integration and the Cyprus question. Already enjoying economic growth, Turkish Cypriots continued to pursue change by electing *Cumhuriyetçi Türk Partisi* (CTP) [The Republican Turkish Party] with the support of the alliance (Tahsin, 2013) that had emerged during the Annan Plan, in political alliance with the Right-wing Democratic Party (Sözen, 2006).

From this point on, Greek Cypriot unwillingness would be considered the obstacle to finding a solution (Christoforou, 2005). The victory of the traditional and conservative forces of the centre nationalist DIKO party at the time when Turkish Cypriots were finally moving towards peace, made rejection even more unjustified.[15] This was a major blow to two decades of rapprochement, peace initiatives and the reinstatement of contact. Conversely, what made Greek Cypriot rejection most disturbing was the rabble-rousing speech of President Papadopoulos – granting him the role of a 'true leader', along with the predatory stance of the emerging hegemonic 'No' identity to the pro-Annan camp, and followed by the celebration of rejection as victorious resistance.

The predacious character of the evolving rejectionist identity shadowed fears about the future of the state and Cypriotness. If in the 1960s, the state had the dangerous potential to dilute 'Greekness' and replace it with 'Cypriotness' (Demetriou, 2014), the state-to-come had the potential to dilute 'Cypriotness' by dissociating civic from national identity. Here, Cypriotness refers to Greek Cypriot identification with the Republic, a nation-state for Greek Cypriots, a permanent 'state of exception' (Trimikliniotis, 2010), and a legal denial of Turkish Cypriots. The RoC was Greek Cypriot's arm against Turkish Cypriots. Hence, Papadopoulos' rejection of the Annan Plan was a reassuring affirmation of the (Greek) Cypriotness of the state. The rejectionist vote reflected Greek Cypriot's trust in the state and the government for the renegotiation of the terms of reunification and the future of *the* State.

15 As regards going from security, insufficient inducement, failure to understand the changes in the international opinion, failure of the international community to sustain public support undermined with extension of the time frame.

Unlike Turkish Cypriots who rejected their government and 'state' and sought a new state featuring political equality, Greek Cypriots generally put trust in the state and identified with it and its decisions about the conflict. Turkish Cypriots had already undergone a consequential transformation before taking to the streets and claiming a United European state. But crossing the Green Line, visiting their dispossessed lands, and engaging in relationships with Turkish Cypriots were far reaching steps in the long journey of Greek Cypriot identity transformation. Simply stated, Greek Cypriots were not given sufficient time for transformation. They were expected to follow in the movement that Turkish Cypriots had initiated but for the Greek Cypriots, the renegotiations of identity and sovereignty were only beginning. 'Peace' and the perspective of a new state partake in the radicalisation of identities. Federalism had been a significant political claim dividing the Turkish Cypriot community – since the 1980s leading them to rapprochement by the 1990s; it also led to the internal division inside the Greek Cypriot society, between the reunification position and the rejectionist position.

The crossings radically transformed the nature of the rapprochement movement creating a shift from telling history to living history. Its members experimented with the 'normalisation' of their relations. They discovered each other's lives through house visits and excursions and 'shared the island'. Having always assumed that the 'solution' would precede contact and societal reconciliation, the occurrence of the reverse raised expectations. The Partition had always prevented Turkish and Greek Cypriots from acting together and had become the justification for the absence of change. Now, Greek Cypriots were discovering the limits of their mobilisation; they shared the same fears as Turkish Cypriots.

The failed referendum cast a shadow over the prospect of a 'solution'. Disappointment was sharp in the rapprochement movement with the rejectionist vote of Greek Cypriot Left-wingers. Some denounced the Greek Cypriot vote as supporting partition and Denktash; others saw it as regressive or as sentimentality winning over rationality. A young Turkish Cypriot student yelled at his friend: 'How on earth can a "democratic" state have no civil society whereas, we have one under military law?'

To many this was the end of experimentation and the beginning of disillusionment, but I argue against the premise of a general decline of 'Cypriotism' (Sonan, 2007). The rapprochement movement may be in decline, that is, the form of 'artificial movement', but Cypriotism is surfacing in new and unexpected forms. In other words, as the artificiality of the movement's pre-defined forms of interaction dissolves, new forms appear, drawing from, yet going beyond formal agreements and renegotiating 'shared beliefs'. This is not the 'dissolution' of Greek Cypriot or Turkish Cypriot identities but the renegotiation of Cypriotism(s).

Aspirations for change and the creation of a new democratic common state were not abandoned. Recourse to justice by Turkish Cypriots to defend their rights and challenge the (Greek) Cypriotness of the state were among the actions directly involving participation in the state. Levent vs. Cyprus and others, and Erel vs. RoC in 2006, claimed the right to vote for the

Turkish Cypriot community regardless of which part of the island they inhabited.[16] Their aim was to establish the conditions for a 'common practice of democracy' for a state 'from below'. To Erel, a democratic state was the basis for economic development and liberalisation of the economy. By challenging the RoC's long-lasting 'state of necessity' (Trimikliniotis, 2010), they challenged Greek Cypriot appropriation of the RoC, laying the ground for the 2014 Euro-elections and the joint candidacy of DRASI/EYLEM.[17] Greek and Turkish Cypriot factions of capital, active in rapprochement, promoted cross-Line trade with Ali Erel, a leading figure setting up bilateral relations and ensuring EU trade regulations were followed. Ensuing failures in the collaboration between the two centres of capital were situated in political concerns (Hatay, 2008).

Breakdown of the Cyprus Miracle: From the National Tragedy to European Intervention

Greek Cypriots marched out of the Annan Plan and into the European Union heartened because they had denied Turkish Cypriots a share in the Greek Cypriot post-1974 economic miracle and direct access to the global market. Like many small states, the RoC had insured a place in the global capital circulation through offshore finance services, the major sector of Cypriot employment since the 1980s. A downturn of the Greek Cypriot economy was inconceivable. Even losses in the 1999 stock market crisis affecting a considerable number of middle-class households were rationalised as 'normal' in EU integration and the liberalising economy process; financial speculation was never questioned.

From 2004 to 2009, both parts of Cyprus experienced significant economic growth, though by the time the RoC joined the Eurozone in 2008, the subprime crisis had already engulfed the European centre, notably Germany, France and the UK. In 2009, Cypriot bankers, the golden boys of banking, began speculating on the Greek debt with the assurance of the unbreakable Cyprus economic miracle: That is to say, they were purchasing the 'risk' of the European centre, notably German banks, and moving it to the periphery (Panayiotou, 2013). As the banking debt accumulated, the newly-elected AKEL government whose politics toward financial capital were ambivalent at best (Charalambous and Ioannou, forthcoming) or even neoliberal (Ioannou, in this issue) was called on to bail out the banks.[18] The following restructuring of the state infrastructure to support the changes of the banking sector was accompanied by the rapid rise of the public debt (Panayiotou, 2013). Banking speculation remained unhampered as the real estate bubble burst

16 The 2004 win of Aziz vs. RoC, a Turkish Cypriot who had lived in the territory under the effective control of the Republic, triggered this movement.

17 AKEL asked to delay the referendum in order to coherently introduce the plan to Cypriot society.

18 The scandals surrounding political party and political figures first pointed towards interests of the centre nationalist DIKO, then to DISY and ultimately to AKEL. Their implications in the crisis and benefits are still under investigation.

resulting in increasing unemployment in the construction industry. Real salaries diminished after 2010, along with consumer buying power.

The snowballing economic insecurity was poorly addressed by the Leftist government (Charalambous and Ioannou, forthcoming) and the constant denial of the economic crisis was met by an aggressive media campaign waged by the affluent and strong banking sector. Mistrust in government culminated with the July 2011 accidental explosion of containers of explosives stored at the Mari Naval Base which destroyed the island's main power plant nearby. The loss of military life along with civilian firefighters who were killed at the scene and the country plunged into darkness, prompt comparison of the Mari national tragedy with the 1974 national and military tragedy.

Charalambous and Ioannou (forthcoming) call this 'a nodal political moment, a turning point with ramifications of quasi historical nature for the RoC'. Indeed, within days, Greek Cypriots took to the streets, protesting night after night outside the Presidential Palace. Neo-Nazis, Cypriotists, Greek nationalists, neoliberals all rallied against the President, holding him accountable for the national tragedy and for the increasing economic degradation and political insecurity. The first and most organised to mobilise was ELAM (National Popular Front), an anti-Turkish, anti-migrant neo-Nazi nationalist party affiliated with Golden Dawn in Greece. Created in 2008 as a knee-jerk response to the ever growing contact with Turkish Cypriots and to the rise of the Left in government, it found its full expression in the protests. Attired in black at the forefront of the protests its party members waved gigantic Greek flags, defending the Greekness of the island against all enemies: communists, Turkish Cypriots and foreigners. Outside this organised presence, new dispositions were discernible and groups in gestation, notably a group of youngsters reviving the *Enosis* ideal. Influenced by their own families' history of *enosist* sentiment, they aimed not to revive the goal of uniting Cyprus with Greece but to argue for the corrected-ness of that goal in past history and for the positive lessons it implies for the present. While they connected to a bigger Greek ethnic identity, at the same time they connected it to civic Cypriot identity. Assembled in kindred spirit, they followed in their parents' footsteps – some of whom had fought with EOKA or EOKA B – by studying and practicing international law to support justice for Cyprus. A strong (Greek) Cypriot state was an essential part of the wider Greek ethnic identity. Turkish Cypriots, like the communists, threatened these ideals and the state.[19] Some were also active in the re-emerging rejectionist citizens' organisations that had fuelled the anti-Annan movement in 2004, a multi-vocal identity which had turned into a 'pre-emptive rejectionist' voice: its past rejection of the Annan Plan defined all future responses to peace plans. The most striking aspect was Cypriot civic identity in the broader Greek cultural one.[20]

19 Cyprus under the Christofias government was likened to Greece under Troika, and Greek Cypriots at the Presidential Palace protesting the 'insecurity' with the Greek *Indignados* at Sintagma, protesting European austerity.

20 The ideological proximity and differences on the make of all these groups requires further exploration.

Amidst the nationalist protestors were rapprochement activists promoting reunification and peace as the way out of all loss of military life. Hitherto unnoticed were neoliberal elites, heads of multinational corporations, big international account bankers and so forth who were outraged by the political tragedy and startled by Moody's downgrading of Cyprus, just days after the explosion. Some of them, mostly bankers, called for a Troika 'rational' intervention. Members of the AKEL party were there as well, many seeking justice for the deceased. Others, alongside Leftist groupuscules, had offered their support to the President.

The protests unravelled the deep crisis of the state hyphened by the Left in government. Following the explosion, the military joined opinion groups and media to criticise the President, triggering accountability to swiftly shift from the army, itself under attack, to the President. They praised the bravery of those who died in the line of duty, inspired by their national Greek ideals, especially at a time of crisis in the army's defence occasioned by the disappearance of the clear-cut 'Line of Division' and the infiltration of the enemy. The checkpoint crossings had further implications which gave rise to a general crisis of the state apparatus, involving both the military and the judiciary. Greek Cypriot crossings to the 'unrecognised', 'occupied' part of Cyprus escaping the Republic's control spawned a significant crisis in the judiciary. It now needed to regulate the crossings. The Annan Plan was threatening in two senses: it created a crisis of *Greek Cypriot statocracy*, that is of the Greek Cypriot identity as the unique 'Cypriot state identity' and compromised the state's ideal of peace: Its international recognition also as *the Cypriot state ruled by Greek Cypriots* is an essential aspect in the pursuit of legal justice.

The advent of the Left in power politicised the internal division that had emerged with the Annan 'prospect of peace' and the creation of a new state. Despite its rejection of the Annan Plan alongside Papadopoulos, AKEL's historical cutting-edge position on rapprochement and reunification in addition to its absence from the nationalist struggle, made its government spurious. Its rise in power signified the reunification camp as being potentially threatening to the rejectionist majority. With the Left in government the state retreated from its traditional judicial/legal actor role, forcing the citizens to take over the legal struggle, this time against the Presidency. The strong lawyer implication in the protests was telling: first-texting for mobilisation and launching a signature campaign for the President's resignation and impeachment.

'As long as the state is not democratic this will happen again and again'[21]
The State in Europe and Austerity

By 2011, the Left was in crisis across the island. Much like CTP, AKEL downplayed its Left-wing politics. Elected at a time of economic growth, CTP took a moderate turn, pointing to the limitations imposed by the military rule and dependency on Ankara and EU support. Just one

21 Personal interview with Ali Erel, November 2013.

year after its election in 2006, CTP implemented the Structuration and Support Programme for Sustainable Economy, the first project in a series of successive economic programmes (2006–2008, 2008–2010 and 2013–2015) that deepened the on-going privatisation of the public sector underway since 2000. The (reform) conditionality principle ensured Turkey's deeper intervention in the economic and political structure of northern Cyprus, with an appreciably increased presence of Turkish capital in infrastructure and state enterprises to the detriment of the interests of local capital (Moudouros, 2013a). By 2009, the real estate bubble had collapsed and neoliberal austerity brought down the alliance that had been built during the protests and extended to an electoral coalition with the Democratic Party. The election was won by UBP; however, its pursuit of neoliberal austerity measures provoked its electoral loss in 2013. In the current situation, the old partners, the Northern Cypriot Businessmen (İŞAD) and the Chamber of Commerce (KKTÖ), are divided on the competition between Turkish and Turkish Cypriot capitals (Bozkurt, in this volume).

With *Adalet ve Kalkınma Partisi* (AKP) [Justice and Development Party] in power in Turkey, the northern part of Cyprus was now included in neoliberal restructuration in line with Turkey's 2001 IMF agreement guidelines (Bozkurt, this volume; Moudouros, 2013a, 2013b; Tahsin, 2013). In spite of having gained political recognition as a community, Turkish Cypriots failed to disengage from Turkish dependency. Yet dependency was transformed, as ethnic kinship, a basic ingredient of this relationship, or even Turkification for that matter, had become irrelevant for Turkey. The 'motherland–infant-land' relation was stripped of national significance and the two became purely economic relatives. Özal's vision of a 'free zone area' in the 1980s was put into action by Erdogan (Tahsin, 2013). The 'common economic area' opened the north of Cyprus to Turkey's neo-colonial practices. As Ali Erel said, 'as long as the state is not democratic this will happen again and again'.

But as we cross the Green Line, we must wonder how protected a democratic state is during the current EU crisis. Even before the end of 2011 the AKEL government, wary of the structural reforms accompanying EU loans, resorted to a bilateral loan from Russia, with only interests attached. The untamed banking speculation and the rapid accumulation of sovereign debt, especially during the Mari protests, forced the government to resort to the European Stability Mechanism (ESM) in 2012 and the subsequent Memorandum of Understanding that same year laid the groundwork for neoliberal economic restructuring, much like those in northern Cyprus or in Greece. At that stage, only anarchists and Left groupuscules protested the signature, with the majority adhering to the idea that the Referendum would 'end insecurity'.

The newly elected DISY's compliance was decisive in the Euro Group's assault on Cyprus sovereignty on 16 March 2013. Again likened to the 1974 war, the European Central Bank (ECB) had indeed resorted to warfare tactics, waging a politico-economic 'pre-emptive' war against the sovereign state (Karatsioli, forthcoming [a]). To enforce the 'bail-in, bailout' agreement between President Anastasiades and the EU, the ECB declared an indeterminate monetary blockade on

Cyprus, and all transactions by the Central Bank of Cyprus were interrupted. By coercing the 'bail-in, bailout' on this small economy, the ECB also aimed to enforce new measures at the European level. To 'bail-in' €5.8 billion in order to be 'bailed out' for €10 billion Cyprus needed to tax, amongst other, deposits under €100,000. When the country's democratically elected Parliament rejected the agreement, the ECB threatened to withdraw its permission to the Central Bank of Cyprus to apply Emergency Liquidity Assistance (ELA) unless an IMF/ECB programme was in place a week later to assure the solvability of banks. Putting a brave face on the situation, the government signed the agreement and celebrated it as the 'end of insecurity caused by the Left'.

The undermining of democratic institutions at both the European level and in the periphery by the European economic and technocratic management of the crisis did not prepare Cypriots for the resultant neoliberal economic plunder and violent lockout of their small island economy. Blinded by the economic miracle, the rapid post-war prosperity, their 'servicing' position in financial capitalism, and their loyalty to neoliberal values and efficiency, they believed their fate would differ from other European countries in crisis, Greece in particular. But the exercise of democratic decision-making over the state's economic future was retrieved from the hands of the government, and the local economy was redesigned to fit the needs of global capital. The restructuring of the economy led to increasing rates of unemployment (especially in the banking sector), gender inequalities (more women than men were forced to resign), destruction of all prospect of employment for the younger generation, and the dismantlement of the middle class. Sacrifices made by the 'war-generation' to secure the future of the next generation suddenly vanished into thin air. Meanwhile, the muckrakers of local politicians and mostly of capitals had fled Cyprus in the days preceding the lockout. The complicity of all three political parties and politicians with the banking sector has, since 2011, been everyday news.

The same multi-vocality as in 2011 applied: ELAM, again was amongst the first to mobilise; the initially reluctant AKEL, now in opposition joined in, and at the forefront were the first concerned – the bankers and the public service sector. By 2014, the mobilisation became sectoral, resembling that of northern Cyprus, the most strident being the protests of the semi-privatised government services and the most profit-making organisations such as CYTA.

The state and Greek Cypriot identity, already in crisis since the re-establishment of contact with the enemy and tethered by the island's economic downgrading, Greek Cypriots have now been dispossessed of their sovereignty by the EU institutions. Having first been dispossessed of their state sovereignty, they were then rejected by the global economy – their specialised financial services economy was deemed redundant (Bauman, 2004) – and after that the employees of the larger sector in the island were judged disposable or unneeded. A decade earlier, Turkish Cypriots had themselves experienced that same redundancy, only as an existential threat and fear of political disappearance. Turkish Cypriots are vulnerable: their protests, their vote for the Annan Plan, and the change of politics in Turkey make the Cypriot question no longer one of national significance.

At this juncture, the dispossession of sovereignty and the progressive de-democratisation of the country is a shared experience. By 2013, both parts of Cyprus were 'united by austerity' (Bozkurt, 2013b) and subject to the same neo-colonial practices, either directly through the EU or Turkey. What is the prospect of peace, given the current situation? Dispossessed of their sovereignty can Greek and Turkish Cypriots enter into prospective action towards the creation of a common state?

Closing Thoughts: A Prospective of The State: Cypriotism and Social Justice

In his introduction to the revised edition of Poulantzas, *State, Power and Socialism*, Keucheyan (2013) maintains that the ultimate objective of the critical scientist (historian in the text) is to produce a *history of the possibles*, to show that 'the real and the possible are constantly disjoint and other realities than the one that happened are conceivable'. Taking this tone, I propose to conclude with a critical thought on the pathway to the reconciliation of the irreconcilables, peace and social justice.

In only a decade, Cyprus has known two major crises. First, the 1999–2001 Turkish Cypriot crisis affected Cyprus through Turkey (Asian crisis), with consequent neoliberal structural adjustments ever since. Second, the deep financial capitalist crisis affecting most of Europe in 2008 reached Greek Cypriots in 2009.

The claims for peace during the Turkish Cypriot crisis came from a society already in transformation. They were making claims for a United European State, at a time when their sovereignty as a people was under duress, after undergoing a 'global disconnection' that excluded them from global and local benefits. Fears of integration prompted Turkish Cypriots to take to the streets and assert their claim for economic justice and political recognition. Their ideas of sovereignty were based less on the state's recognition and more on the community's sovereignty and equality with Greek Cypriots. The political recognition gained by their community mobilisation contributed to the amelioration of their economic situation and a shift in pro-EU and reunification elites. They remain, however, economically subordinated to the vicissitudes of the Turkish economy and politics for their economic and political present and future.

As they have been internally divided on reunification since the 1980s, the Turkish Cypriots perceived an opportunity in the rapprochement movement. They entered with their ideas of a federalist state and of shared sovereignty, previously constructed to run counter to *Taksim*. Greek Cypriots were different; they constructed their Cypriotist identity primarily in the rapprochement and only peripherally in their society. Vested in the revision of the past, the rapprochement vaguely engaged in discussions on the 'solution', an idea with no meaning for Greek Cypriots.

As the Green Line opened and crossings were facilitated, the prospect of a common state became real. With this imminent possibility, Greek Cypriot sovereignty was constrained. A minority accepted the peace plan, which introduced a violent division in Greek Cypriot society; a number of conservative groups united to create an emerging rejectionist identity, progressively

becoming 'pre-emptively-rejectionist'; last of all, the rise in power of the Left in 2008, triggered the creation of the far-Right. The 2011 Mari national crisis brought to the fore the crisis of the state and solidified the rejectionist identity. By 2013, Greek Cypriots following EU intervention in Cyprus were dispossessed of their sovereignty and adopting structural reforms imposed on them by the EU. Turkish Cypriot dependency on Turkey had, at the same time, taken on a new form: stripped of its ethnic aspect it was now merely an economic affiliation undergoing neoliberal restructuring, much the same as the Greek Cypriot phase.

With enforced reforms on both sides, Cyprus became a site of exploitation for capitalism, marked by neo-colonial relations for Greek and Turkish Cypriots. At this time of global undermining of democratic institutions, when both communities share the same conditions, what is the prospect of peace?

The recent Turkish Cypriot economic crisis initiated a significant breakthrough towards peace. With the more recent Greek Cypriot economic crisis, many see (or imagine they see) an equilibrium between the two societies, and one that may create an opportunity for peace. To this end, the UN stepped in immediately after the Cyprus lockout to press peace on Greek Cypriots. President Anastasiades, a supporter of rapprochement, posited peace for the market. Hydrocarbon exploitation will likely be the main source of income for the RoC in the near future, but is this reason enough for Greek and Turkish Cypriots to co-operate and seek peace (Varnava and Faustmann, 2009)?

Even if we take the Annan experience as instructive – a 'possible' that did not happen; points to a solution pressed *on* people and not *of* the people; part of a global change towards technocratic notions of peace and the state – Turkish Cypriots expressed their will for change, but Greek Cypriots were excluded from the process for the Plan to meet with the EU deadlines. How do we go beyond the Annan Plan to reunify Cyprus (*ibid.*)?

Yet a peace process should be an active process involving all levels that allow people to transform their politics and economy and rethink sovereignty. In the current global situation when sovereignty is threatened/annihilated, can we not support a new state and peace based on social justice? It can set the tone for a new state paradigm. Peace and state building can be a way out of the crisis and a way into further democracy. In this sense, instead of inheriting a sense of sovereignty – a state – Greek and Turkish Cypriots can work together to create a sovereign state to lead them out of the structural adjustment crisis. Can we rethink the issues of territory and sovereignty and question the right of property? In future, can we rethink power-sharing, property, and return and negotiate it in a process not pressed by time, hence engaging with expectations of welfare and unification? In other terms, can we rethink also a federal structure founded on social justice instead of excluding it?

Rapprochement failed to create 'a society on the spot' but it has introduced pronounced changes in Cypriot society which reinforce Cypriotism. Against the forces of division in Greek Cypriot society, other forces look for 'peaceful coexistence' outside the official and marketised

relations. The emancipatory possibilities of grassroots factions such as the OBZ Movement (Karathanasis and Iliopoulou in this issue) are usually downplayed, but such groups are the proof of a changing Cypriot identity, one that rejects the traditional political division and aims to transform society. Cypriotism, here takes the form of all the above: anti-capitalist and anti-imperialist, it creates the conditions for 'peace from below' and actively engages in street action for transformation, breaking with traditional politics and economics. In this, the broader social engagement should not be downplayed, as localised efforts across the divide aim for transformation. Having said that, to privilege and encourage them, we must 'decolonise' our own understandings of peace. We cannot exercise peace as 'power over' the people; we need to rethink it in terms of 'power' to privilege sustainable forms of peace.

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Towards a Radical Politics: Grassroots Urban Activism in the Walled City of Nicosia

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Abstract

This article presents the emergence and development of grassroots and self-organised activism in Nicosia. Following the thread of crucial actions, including the Occupy Buffer Zone (OBZ) movement, within the UN controlled area of the old town of Nicosia, we elaborate on a transforming political subjectivity, exploring its timeline, composition, demands, practices and potentials. Through everyday practice and direct socio-political and cultural action, activists contest the dominant narratives and the institutionalised 'bi-communal' co-operation towards a 'communal' identity and a new radical politics. They manage to produce common space of demand in the old town, while localising the global call for action inspired by the recent global uprisings. Finally, we examine the rise of burgeoning new dynamics in times of capitalist crisis and the new tasks ahead.

Keywords: Buffer Zone, Occupy movement, grassroots activism, political subjectivity, walled city of Nicosia, community

Introduction

The 'Cyprus Problem' marks a historical period of ethno-national, geo-strategical and socio-political conflicts, referring to the island and the Eastern Mediterranean as well as to the broader imperialist antagonisms. In conceptual terms it is the symbol of the 'unsolvable conflict', not least on the subject of official diplomatic peace-talks and institutionalised activism. It represents the 'perpetual expectation', while at the same time confirming the idea that nothing is more permanent than the temporary. Or, it is about a state of exception (Benjamin, 1969; Agamben, 2005; Constantinou, 2008; Trimikliniotis, 2010) having already become the normality for the last forty years.

The Green Line that still divides the island separates the northern Turkish Cypriot area from the southern Greek Cypriot side, reminiscent of the junction points of the bi-communal conflicts

* We would like to thank all the participants of the grassroots movement in Nicosia, across the Green Line, who shared with us their experiences, as well as, their thoughts and anxieties, during our participatory fieldwork between 2009 and 2013.

in the 1950s during the anti-colonial struggle, the first division of the capital city of Nicosia in 1963 and the *de-facto* division of the island in 1974. Nevertheless, although both Greek Cypriots and Turkish Cypriots were killed and forced to kill, and came to be internally displaced refugees (Hadjiyanni, 2002), on the level of collective memory two different historiographies emerge. For Turkish Cypriots, 1963 is established as a year of pain, blood and betrayal that they will not forget (unutmayacağız), while 1974 is the Greek Cypriot reference point representing the island's division and people's painful loss and displacement that Greek Cypriots do not forget (den ksechno, δεν ξεχνώ).

In the period 2003–2004, almost thirty years after the *de-facto* division, Cyprus turned over a significant historical page. In 2003, Ledra Palace barricade in Nicosia opened to allow everyday crossing. Then, one year later, a historic referendum took place to endorse the final version of the 'Annan Plan', suggesting a federation of two constituent states. The referendum resulted in a 'NO' vote expressed by 76% of the Greek Cypriots and a 'YES' vote by 65% of the Turkish Cypriots. On 1 May 2004, Cyprus joined the European Union (EU) as a whole, however the *acquis communautaire* remains suspended because of the division of the island, thus transforming the Green Line into a peculiar EU boundary.

Coming to the present, the economic and socio-political agenda is marked by the Cypriot crisis. On 17 March 2013, the Greek Cypriot President, Nicos Anastasiades, announced his plan to avert the island's bankruptcy: the 'least catastrophic option',[1] which basically referred to the haircut on people's deposits. For the first time in its modern history, Cyprus found itself to be the centre of international publicity,[2] not because of the 'Cyprus Problem', the division of the island and the continuous peace-talks, but because of its position within the domino of the capitalist crisis. In a climate of uncertainty and shock due to the closed banks and the long queues formed at ATMs, the southern part of Cyprus experienced some of the most massive rallies in its recent history, which were not linked directly to the national issue but to its economic policy. For almost one month thousands of people gathered every day outside of the House of Representatives or the Presidential Palace. Then, virtually twelve months later, the common proclamation of the Greek Cypriot and Turkish Cypriot leaders opened a new round of negotiations together with a public debate regarding Cyprus' reunification.

That said, this short reference to the junction points of the Cypriot historical process of transformation serves only as a canvas, while the main goal of this article is quite different.

1 An English transcription of the Presidential Proclamation can be found here: [http://www.enetenglish.gr/?i=news.en.article&id=326]; Speech of President Anastasiades, Video from National TV Channel RIK, uploaded by enikos.gr: [http://www.youtube.com/watch?v=owpi0RMg_Ok].

2 Some of the articles we draw upon are BBC News Europe, 17 March 2013: 'Cyprus Bailout: Parliament Postpones Debate': [http://www.bbc.co.uk/news/world-europe-21819990], accessed on 8 February 2014; RTE News 17 March 2013, 'Cypriot President says Bankruptcy was Alternative to €10bn Bailout Terms': [http://www.rte.ie/news/2013/0316/376965-cyprus-bailout/], accessed on 8 February 2014.

Although there is thorough analysis referring to the geo-political strategies, the economic policies and the institutionalised actions, there is little written in the literature regarding the grassroots dynamics developed by both the socio-spatial division and the need to overcome it. This article hopes to compose a different narrative on the inter-communal relations and movements, thus placing the development of an alternative, grassroots activism at the centre of the debate. In other words, it pushes the ethnic conflict and the geo-political strategies into the background in order to shed light on the developing grassroots activism, which emanated mainly within the space of the UN Buffer Zone in Nicosia's old town.

The opening of the barricades by the Turkish Cypriot authorities, plus the failure of the official peace-talks, the rejection of the 'Annan Plan' and the disappointment towards the institutionalised bi-communal activism of the political parties, the trade unions and the NGOs together composed a new socio-political framework in 2003–2004. In this framework, a political subjectivity manifested itself, seeking to express an alternative way of thinking and acting as well as a desire for 'change'. It was the starting point of the grassroots activism as an ongoing process that has been forming a germinal political tradition. But what kind of 'change' are they fighting for? Elaborating on the recent uprising in Turkey, Alain Badiou suggests that it is right to rise up, but when doing so, 'the problem of the duration and the scope' opens up (Badiou, 2013). Additionally, another question emerges in relation to the actors' identity in the way they perceive or construct themselves and their cause. The political scene is a quite fluid and bitty one, interrelated with anarchist, radical left, anti-authoritarian and autonomous groups, mainly comprising sections of the island's educated youth from both sides of the divide. They insist in forming a 'communal' political identity in contrast to the mainstream ethno-national segregation or the liberal and economistic character of the institutionalised 'bi-communal front' (Zanou, 2012). In the present climate the grassroots political action is strongly affected by the current capitalist crisis, while the political subjectivity is being transformed in dialectical relation with collective action, bringing together several potential actors (Badiou, 2013) within the generation of crisis.

There are fruitful studies on grassroots activism's important moments in Cyprus and especially on the 'Occupy Buffer Zone' (OBZ) movement in 2011–2012.[3] However, there is no systematic record or clear claim that there is a developing political scene attempting to express and represent a new radical politics. The starting point and the core of our article suggest that there is a political subjectivity, which is more than the sum of its significant 'milestones'. This subjectivity attempts to create its own social spaces, political tradition, identity, slogans, lifestyle, ideas and new radical politics. We argue that it made its appearance in the period 2003–2004 and especially in

3 See the relevant chapter included in Mig@Net Report 10 at: [www.mignetproject.eu/] as well as the paper presented by E. Iliopoulou and P. Karathanasis (2012) at the 'Right to the City – Right to the State Conference' in Nicosia 2012 plus the article by M. Erdal Illigan (2013). Moreover, there are various articles and notes written by the bufferers themselves, published in their website and other blogs.

the divided old city of Nicosia, in a socio-political context marked by the opening of the Green Line barricades and the disappointment in the negotiations and mainstream politics. In the Cypriot context, it goes beyond 'bi-communalism' towards a 'communal' identity, while contesting both nationalisms. On the global level it perceives itself as part of the anti-globalisation, anti-neoliberal, anti-capitalist movement, inspired by global developments and the recent uprisings.

A crucial junction point for this transforming subjectivity is the capitalist crisis: The 'generation of crisis' led massive revolts and movements against austerity, repression and injustice worldwide creating historical moments of what Badiou calls 'the rebirth of history' (Badiou, 2012). From the Greek revolt in December 2008 to the Arab Spring, the Spanish Indignados, the global Occupy movement and the revolts in Turkey and Bosnia and Herzegovina, the popular uprisings show us that 'the collective power of bodies in public space is still the most effective instrument of opposition when all other means of access are blocked' (Harvey, 2012). In the Cypriot context, the first and most significant moment of action by the 'generation of crisis' was the OBZ movement that confirmed David Harvey's note in 'Rebel Cities' that 'the struggle is global as well as local in nature' (2012). The OBZ movement was the localised expression of the global call for action that stood up against the socio-spatial division on the local level, while criticising the systemic crisis on the global level. Nonetheless, crisis seems to be a shrill axis that penetrates all levels of social life beyond economy. The spread of distrust regarding the economic policies developed scepticism and a lack of confidence in mainstream political representation. In this framework, when the Cypriot crisis sharpened and led to the mobilisations in March 2013, a discussion emerged that pointed to the need for a grassroots, independent political body that would bring together the extra-parliamentary Left, the autonomous/anarchist groups and people involved in grassroots activism. On the one hand the leading thought behind this was the absence of a radical anti-capitalist discourse whereas on the other it was the quest for alternatives beyond the official politics.

By bringing together the above in the following sections, our aim is to unfold the subjectivity's characteristics, manifestations and potentials as regards the physical, urban and socio-political space in which it has been produced and reproduced during the past decade. In this sense, we refer to the walled city of Nicosia, where the grassroots activism developed, and we present the main initiatives taken by the activists up to the 'Occupy Buffer Zone' movement. Finally, by elaborating on the current crisis of our time we open the debate on the movement's potentials.

Grassroots Activism and the Walled City

In order to have a better understanding of the development of grassroots activism in Nicosia, it is important to locate its actions and initiatives in space. The old town of Nicosia has always been a contested space between different communities and social groups, where contradictory interests, lifestyles and discourses confront one another. Surrounded by the cyclical Venetian ramparts, the walled city undoubtedly creates a 'whole' that is divided into two almost equal parts by the Green Line; the northern Turkish Cypriot part and the southern Greek Cypriot. The Venetian Walls

constitute a common historical reference, which both sides employ in their symbols and maps of the city. As Yiannis Papadakis points out, 'both sides' shared Eurocentric outlooks are revealed as long as both regard the Venetian monument as unproblematically "their own" or as part of their heritage linking them with the "West" (Papadakis, 2006). Furthermore, the Venetian fortifications constitute the city's first border, while the Green Line and the Buffer Zone between the two boundaries constitute a wall inside the wall. Yet, both have been spatial manifestations of power. As Michel Foucault points out, 'traditionally, power was what was seen, what was shown and what was manifested' (Foucault, 1975, p. 187). From the Berlin Wall to the current Israel/Palestine border and from Belfast to the large barrier constructed on the border between the USA and Mexico, the inclusion as well as the exclusion has to be visible. Thus, following the thought of Peter Marcuse (Ellin, 1997), walls produce and reflect fear as well as security. In the case of Nicosia's walled city both conceptual qualities co-exist. Whereas the wall around the city serves to protect it, the wall inside the city divides it and leads to increasing insecurity and an absence of trust. The cyclical shape of an embrace and the linear shape of a cut or a rupture coexist, re-ordering the old town of Nicosia from a closed entity in the middle of Cyprus, to a contested space on the edge of two separate communities, sovereignties and 'worlds'.

Figure 1:
Map of the divided walled city of Nicosia, in the middle of Cyprus.

The old town constitutes a peculiar borderscape of both separation and contact. It is a *liminal* space, where, as Blake argues, 'social boundaries are blurred and normal rules of conduct and role expectations are held in abeyance or even in opposition' (1981, p. 95). The concept of *liminality* (Van Gennep, 1960; Turner, 1974) refers to a transitory, in-between state or space, which is characterised by ambiguity, hybridity and a potential for subversion and change. In post-colonial and cultural studies *liminal* has been successfully used to describe the different beings on the border, or on the threshold; in-between distinct entities, spheres, identities or discourses. In *liminal*

spaces, in the words of Homi Bhabha, there is 'a potentially disruptive inbetweeness' (1994), where the potential of the development of hybrid identities and subjectivities exists.

Thus, while the old city of Nicosia constitutes a space of discipline, where the side that one belongs to defines his or her identity (Foucault, 1975), at the same time, due to its reinforced 'inbetweeness' in the area following the opening of the barricades, it acquires the potential of the development of hybrid identities. These antithetical characteristics of the old town of Nicosia seem to create the physical and socio-political landscape for the development of local grassroots activism. From 2003, immediately after the barricades opened, a steady growth of a multiple, yet self-organised activism has been evolving, mainly on the southern side of the city, but with several attempts of co-operation between individuals and groups from across the divide. The growth of this activism was definitely affected by the several global developments, but it was also strongly linked to the lack of political representation, essentially by sections of the middle-class and the educated youth as well as by young people returning to Nicosia after studying or working abroad. The events and actions forming this activism range from protests, squatting in buildings and hang-outs in public space, to festivals, cultural events, political or artistic activities or even mobile parties organised by several groups of activists and residents in the old town.

Even though the area within the walls has appealed to alterative political traditions from as far back as the 1980s, it is only since 2003 that there has been a public appearance of such activities and events that, it could be argued, formed some kind of grassroots movement. Still, the arrival of these alternative socio-political activities is also related to an increased interest in this part of the city that developed during the same period. On the one hand, this interest relates to people with alternative artistic or other cultural backgrounds that were attracted to the area, hence forming a broader alternative cultural scene; a prospect which offered potential actors and participants to grassroots actions. On the other hand, the rise in interest also refers to land investors and developers, who bought land in the vicinity and became important actors in the gentrification of the old town and the attraction of different social groups to the area, especially after Cyprus joined the EU.

Organising From-Below

In this section we focus on three main manifestations of grassroots activism that best describe its development in the area within the walls; the cultural centre Kardaş, the Phaneromeni Square and the Street Parade. The first initiative to be discussed appeared soon after the opening of the barricades. Activists from both sides of Nicosia – leftists and members of extra parliamentary political parties – rented a building on the southern side of the old town (near Ledra Palace Hotel crossing, which was the first check-point to open in 2003), and transformed it into an inter-communal cultural centre. Kardaş (i.e. Brother, in Turkish), was initially an attempt to communicate with the 'other' side, while supporting the reunification of Cyprus in the period before the 2004 double referenda regarding the 'Annan Plan'. For thirty-nine years the only way

for people from either side to meet was at the United Nations' hosted meetings in the headquarters of the Cyprus Peace Keeping Force, in Ledra Palace Hotel. Kardaş was one of the first common political attempts on the island that did not come under the auspices of the UN.

According to its manifesto, Kardaş' character is made clear:

> 'the first youth organisation, which is not "Greek Cypriot" or "Turkish Cypriot", but simply Cypriot was founded in Cyprus (...) one of its main aims will be the cultural activity for the creation of communication channels between all the communities of Cyprus, for the strengthening of unity, brotherhood and peaceful co-existence in a society based on the principles of democracy, acceptance and solidarity'.[4]

In its opening lines, it is highlighted that the initiative would share a conjoint 'communal' identity rather than identities based upon the ethno-national conflict.

During the approximately five years of its 'life', Kardaş manoeuvred through different phases. It enticed several people from both sides of the city, who derived mainly from leftist and anarchist political backgrounds, together with sections of the Greek Cypriot youth who were politicised within radical music cultures (such as punk and hip-hop). Furthermore, this initiative managed to create a self-organised shared space where several events, assemblies, talks and other activities (such as lessons of Greek and Turkish language) took place. But most importantly it managed to create a place of reference characterised by communal principles and self-organisation as well as participatory and direct-democratic ways of decision-making.

Moreover, Kardaş offered an opportunity for the activists to become familiar with the old town. Those who had initially met in Kardaş began to hang out within the walls of the city and use the public space. Gradually, Phaneromeni Square[5] became the new meeting place in the city for youngsters – forming groups of political and cultural expression. Kardaş closed in early 2008, by which time grassroots political activism had already moved into the walled city and merged with other youth urban cultures. Several activities in the area were inspired by global re-appropriation and sub-cultural practices, for instance, street parties, graffiti or other global urban movements such as the international bicycle mobilisations 'Critical Mass'.[6] Also, during the same period (2006–2008) a squatting movement developed in the area, particularly close to the Green Line. Squatting[7] in abandoned buildings (such as 'Mala Casa', i.e. 'Poor House' in Spanish)

4 Taken from an announcement of Kardaş published in Athens Indymedia in October 2003: [https://athens.indymedia.org/front.php3?lang=el&article_id=150189] (translated from Greek by the authors).

5 Phaneromeni Square is a small square located in front of the Phaneromeni church, the largest Christian Orthodox church within the walls. The Phaneromeni area was also a central area in the anti-colonial struggle of the period 1955–1959, when Greek Cypriots were demonstrating in the square against British rule.

6 'Critical Mass' bike rides are leaderless events that are organised without formal licence. Mobilisations with bicycles started in San Francisco in 1992 and later spread to cities around the world forming an international movement of urban space (re-)claiming. For more information see: [http://critical-mass.info/].

7 Squatting is the act of occupying an abandoned (or empty) piece of land and/or building that does not belong to

provided more space for various actions and alternative cultural practices like music events, concerts or parties.

By 2009 the presence of grassroots activism in the area was strengthened through everyday activity and the growing trend of public, political and cultural events organised in public space. These events refer, on one hand, to protests focused on the socio-spatial division of the city and the 'Cyprus Issue', building on the existing rapprochement activism[8] and organised on the whole by groups of the extra parliamentary Left. On the other hand they refer to actions against gentrification projects such as the Eleftherias (Liberty) Square reconstruction or the plans for a new Orthodox Cathedral in the old town.

During this period, Phaneromeni Square (or 'Manolis' Square, as named by the people, who frequent the area[9]) became a popular everyday – and night – hanging-out place for the youth. At the same time, it turned into a lively public square used for discussions and assemblies as well as for cultural events like street parties and alternative music festivals. In the words of a participant, Phaneromeni Square 'gradually became an open social centre that was created on its own, a place where teenagers and a bit older people come to spend their free time'.

The 'Phaneromeni crowd' was a mixture of middle-class youth, ranging from mainly teenagers and people in their early twenties to some people in their thirties and even forties, representing a palette of styles and urban cultures. In terms of their political background they were generally connected to radical left, autonomous and anti-authoritarian political ideologies, sharing also common ideas regarding ecology, atheism, anti-nationalism, anti-fascism, anti-sexism and anti-

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the squatters. Squatting in a building in an urban area can be an act of necessity covering the need for housing, or it can be a political act which is connected with political movements such as anarchism and autonomy creating an urban movement mainly in Europe and the USA. In some cases the terms 'occupy' and 'squat' can be used to mean the same thing, especially when they refer to buildings in residential areas. However, in this article we use the term 'occupy' to refer to the occupations of public spaces, which are connected with the public squares occupation movements started in 2011 from the occupation of Tahrir square in Cairo, and developed mainly in Europe and the USA, and the term 'squat' is used to refer to occupations of buildings within a city.

8 Rapprochement activism refers to the activist movement that developed in Cyprus during mainly the 1980s and 1990s, when the contact between the two sides was not possible because of the division. The rapprochement movement was supported by the UN, which organised meetings between groups from both sides of the island at its headquarters at Ledra Palace Hotel placed within the Green Line of Nicosia. Rapprochement activism was an institutionalised form of activism between the divided communities that slowly declined after the opening of the roadblocks in 2003.

9 'Manolis' is a Greek man's name which was given to the tree located in the centre of the square by youth hanging out there in the 1990s. The tree was given its name because of a circular bench that surrounded it before the renovation of the area around 2005. The name was taken from a childrens' Greek folk song and game that has the following lyrics: 'Round-round all and in the middle is Manolis ...'. Even though, after the renovation, the circular bench was replaced with a new linear one, the youths that started hanging out in the square in the mid-2000s kept the name 'Manolis' as an active assessment of their intimacy with the area; a vernacular name given to a square that was being claimed as a different public space in the area.

racism. However, their common ground was the everyday use of the square as well as the participation in horizontal socio-political events, organised from-below.

Conversely, two events were crucial junction points for the emerging grassroots political subjectivity in the area. The first was the Greek revolt in December 2008 that followed the killing of a fifteen-year-old boy, Alexis Grigoropoulos, by a police officer on duty in Exarcheia, an area in Athens well known for its radical left and anarchist political character. The murder of the young boy by the police led to massive protests and riots for many days. The profound acts of public protesting and the expression of social dissent gave birth to grassroots unions, groups and initiatives, while strengthening the anti-authoritarian political scene, the direct democratic practices as well as direct action and squatting. 'December',[10] as the events of 2008 in Greece were later named, also strongly affected the grassroots political activity in Nicosia. It was a time in which more people became involved in the movement, especially high school students, who saw in the face of Alexis their own generation. They joined self-organised political actions as well as the broader radical libertarian scene.

The second junction point refers to the police actions against two Greek Cypriot students who, whilst handcuffed on their knees, were beaten by plain-clothed officers. The incident had been anonymously filmed and aired on the newscast of national TV channels, yet the Greek Cypriot court found the police officers involved in the beating 'not guilty'. This decision prompted a big public assembly in Phaneromeni Square that gave birth to the grassroots citizens' movement 'Alert'. Through direct democratic public assemblies and protests on the streets and the courts, 'Alert' brought together different people in support of the two students and against police violence. According to Yiannis, a young activist, who participated in these actions:

> 'both "December" and citizen movement "Alert" did not only affect us, the people already active in the area and the ones participated in all the protests, but it affected a more wide audience. Especially "Alert" because it was something that the Cypriots feel more, because it happened in Cyprus and it created an atmosphere against the police that led to the mass protests against police violence.'

The rise of the political *bottom-up* activity in Phaneromeni Square came together with the emergence of alternative cultural practices, like graffiti and slogan writing, or street partying and drinking in public. But, these practices were not welcomed by some neighbours, and especially by the church, whose complaints attracted the attention of the Greek Cypriot Media. Discourses expressed against the forming Phaneromeni crowd, in an act of mimicry of the Athenian political

10 'December' was a major political event in the country in 2008 that affected in multiple ways not only the anti-authoritarian and anarchist political movement in Greece, but also more generally the youth towards a more alternative, non-representative and grassroots political activity. Moreover, this event has been the focus of several academic accounts published in the years following. See: R. Astrinaki (2009), C. Douzinas (2010), S. Stavrides (2010), A. Vradis and D. Dalakoglou (2011) for more on Greek December riots.

Figure 2:
Stencil Graffiti originally from Istanbul in solidarity with the events of Greek 'December', that reads in Turkish: 'Alexis, you are my brother' (Alexis is the name of the boy shot dead by Police in Athens). The stencil appeared on the walls of Istanbul, Athens and Nicosia promoting solidarity against police violence between people of supposed hostile nations. However, this stencil localised in the political landscape of divided Nicosia – where the picture was taken – acquires additional importance against nationalistic discourses. For more on this, and other stencils in Nicosia, see also: Karathanasis (2010).

reality, labelled Phaneromeni Square as the 'Exarcheia' of Nicosia, arguing that besides the radical political ideologies, the people hanging out in the square were drug users, vandals and therefore dangerous.[11] The hostile public discourse sharpened the tension between the Phaneromeni crowd and the police authorities, and action was taken against the street parties by exerting police controls and music bans or even arrests.

In order to continue the free parties without triggering further anxiety in the neighbourhood or confronting the police, the activists participating in these events came up with the idea of refashioning the street parties into 'Street Parades'. In this way the same neighbourhood would not be disturbed for too long. 'Street Parades' as these moving parties were named, mirrored an event that took place in Athens between 2006 and 2009. Thus, a platform on wheels was used to carry a generator, a sound system and a Disc Jockey, to lead a moving and dancing crowd around the old town and the outer city centre to a loud and colourful party. 'Street Parade' presents an important grassroots activity developed in the area because it was initially organised on a collective basis, which promoted equal participation of different people (including Turkish Cypriots). And secondly, by using free movement in the city, the parades re-activated several areas in a diverse and creative manner, offering an alternative mapping of the city, whilst at the same time attracting more people of various ages. Finally, its mobile character helped the 'Street Parade' to go beyond

11 Nikolas Pantopiou, *Sigma Live News*, 22 April 2010: [http://www.sigmalive.com/news/local/259838], accessed on 17March 2014.

Phaneromeni area and its political character towards a cultural, communal, profile that was open to all. Following this trajectory, 'Street Parade' was the first initiative to actually move inside the Buffer Zone, between the two check-points at the Ledras/Lokmaci crossing, located near Phaneromeni area. The movement of the dancing crowd inside the Buffer Zone offered an intense experience to the participants of the 'Street Parade' and succeeded in actively claiming the space *in-between*; the dead zone. This claiming of the Buffer Zone presented the activists with the critical experience to step forward and proceed to the Occupation of the same spot during the global Occupy movement in 2011–2012 and create the local Occupy Buffer Zone movement.

Figure 3:
Photograph of the moving platform with the DJ on board and the dancing crowd in front, taken inside the Buffer Zone at Ledras/Lokmaci checkpoint, during the first Nicosia Street Parade in December 2009 (photograph by the authors).

The three initiatives discussed above; firstly, the rented social centre Kardaş; secondly, the systematic use of the public space in Phaneromeni Square, and thirdly, the 'Street Parades', offered important experiences for the activists involved in the development of grassroots activism in Nicosia and played a vital role in the materialisation of the Occupy Buffer Zone (OBZ) movement. Even if the above are not the only actions that could be considered a part of the grassroots activism developed within the walls, these initiatives did act as reference points for the

creation of 'communities of action' that brought together activists from the two sides of the city, but also activists from different generations and political backgrounds. Despite this, grassroots socio-political activism has remained primarily a characteristic of the southern part of the old town and while Turkish Cypriot activists have participated in several of these actions, only a very limited number of grassroots initiatives actually took place in the northern part.

One of the first initiatives that can be considered a part of this kind of socio-political activism in the northern area is the gathering of young Turkish Cypriots in Kuğulu Park in early 2011. Kuğulu Park was a localised event inspired by the incidents in Tahrir square in Cairo during an intense period of mass mobilisations of the Turkish Cypriot community against the local government and Turkey's austerity measures. As the call for the gatherings stated:

> 'It's time for solidarity and uprising against suppression. It is time to light the fire of revolution! It is time to say no to the dictators that reign over us! It is time to take over the STREETS, uphold our DIGNITY! Bring your guitar and your voice and your spirit for the revolution! Note: this is a politically independent event.'[12]

Even so, grassroots characteristics have been attributed to other events in the northern side of Nicosia such as the double annual protest for the 'demilitarisation' of Nicosia that has been taking place since early 2011 on both sides of the Green Line. This protest has been organised *from-below* by the groups forming the grassroots movement on the southern side and by the Turkish Cypriot political party Yeni Kibris Partisi (YKP) [New Cyprus Party] on the northern side. This is probably the only event in which the self-organised Greek Cypriot groups co-operate with a registered political party due to its special character.[13]

Through their self-organised socio-political and cultural actions in the *liminal* area of the old town, the participants and organisers perform their right to live, imagine and even change the space they choose to socialise and act by doing so. They create, even temporarily, the space in which they can perform their alternative (or even hybrid) identities; and this is true for people coming from

12 The call taken from the 'events' page on Facebook: [https://www.facebook.com/events/1924566307 73937/].

13 Since its foundation in late 1980s YKP 'deemed the whole of Cyprus as a common homeland' and has been boycotting the local elections 'believing that election won't be a remedy as long as occupation [by the Turkish army] conditions continue'. In the strictly controlled political context of the unrecognised state in north Cyprus, YKP was not welcomed by the regime and it was marginalised because of these political ideals. However, despite the attacks by the regime, YKP following its ideals 'continued the communication with various political forces in the southern part of the island (...) issued common declarations with political formations in the South and performed common activities'. Besides the communication with political parties in the south, in recent years YKP has also been co-operating and co-organising events with political groups of the growing grassroots movement of Nicosia. In the absence of a grassroots movement in the north, YKP's actions acquire similar characteristics and its members are participating in such events, either in the north, or in the south. Some YKP members participated in the OBZ movement and they also participated in the gatherings of Turkish Cypriots in Kuğulu Park during early 2011.

both sides of the divide. Suna, a Turkish Cypriot girl described this very well:

> 'We cannot use the old town in the north in the same way as in the south, here people look at you and you do not feel calm. In the other side, especially in places like Phaneromeni square is cool and nice, nobody looks at you and you can be ok and calm to enjoy a beer on the street.'

Besides, these collective actions include public urban space in the old town not merely as the place of their action but also as the locus of their action; claiming their right to live and use public space. However, activities and events in the public space, like those preceding the OBZ, do not only offer the opportunity for people to perform their identities but they also create communities of collective action in which people who participate do not necessarily share the same values or even identities, either ethnic or social. These temporal *communities* that (re-)produce themselves through collective activities and via participation in the use of public space are what Stavros Stavrides (2011), drawing on Raul Zibechi (2010), calls *communities on the move*. Quoting Marc Purcell, 'one might still be part of a national community, but since one can equally inhabit the city regardless of nationality, urban inhabitance must come first in defining political community' (Purcell, 2002). Such *communities* create their places in the space of the city and subsequently develop while redefining and re-appropriating public space. They locate and attempt to establish themselves in specific places in the public space within the walls of Nicosia through everyday practice and direct action (Graeber, 2009), and in this way etch themselves into the environment around the Buffer Zone. We could then argue that urban grassroots activism introduces a newborn *right to the city* in Nicosia while contesting formal forms and styles of urban life, as well as dominant ethno-spatial divisions through the social production of urban space and the restructuring of socio-spatial relations.

Occupy (the) Buffer Zone

> 'The OBZ movement abolished the essence of bi-communality and in fact reinstated a sense of communality' (bufferer).[14]

> 'Everything started on October 15th. It started with people meeting up in Eleftherias (Liberty) Square. Someone created a Facebook event and people gathered. We were meeting once a week. And then at some point on November 15th we started going to the Buffer Zone, between the two checkpoints and continue the discussion there. And then we said "hey let's set up some ten[t]s." It was something spontaneous' (bufferer).

14 Bufferers is the preferred term chosen by the people themselves who participated in the occupation of the Buffer Zone.

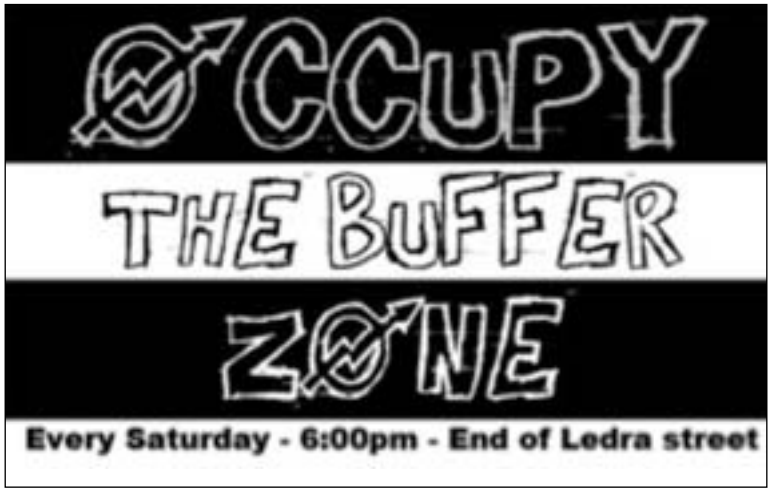

Figure 4: Digital banner used to call for participation in the first weekly gatherings organised inside the Buffer Zone at the Ledras/ Lokmaci crossing.

The spontaneous act of simply putting up tents in the Buffer Zone soon became a permanent camp and gained momentum attracting several people, or in other words not a homogenous crowd. As Murat Erdal Ilican puts it: 'the OBZ crowd in the Buffer Zone gained a following from a variety of backgrounds including social classes, political orientations, education levels, ages, sexes, ethnicities and religions. What united them was a general discontent of the situation locally and globally, and their aspiration for change from the bottom up' (Ilican, 2013, p. 60).

The linear gap of the Buffer Zone was transformed into an inhabited public place, a 'square' where people met, sang, drank, ate, slept, discussed, played, argued and demonstrated. The activists' physical presence and resolve were crucial elements for a new spatial perception and production and, therefore, for the 'revival' of the so-called 'dead zone'.

In other words, the new concept that entered the debate affecting both the spatial as well as the socio-political level is the 'demand', the 'claim' of space transforming the Buffer Zone into a common space of demand while contesting the dominance of the official urban action. In that context, mobilisations managed to localise the global call for action spread by the global Occupy movement, translating the demands into the 'language' of the local issues.

As Michael Hardt and Antonio Negri argue in a small piece written during Occupy Wall Street, the 2011 public square occupation movements around the world, from Cairo's Tahrir square to Madrid and Athens, are very different and they are 'not simply iterations of what happened elsewhere. Rather each of these movements has managed to translate a few common elements into their own situation' (2011). The common elements between the numerous movements of public space occupations according to several authors include not only the struggle against economic inequality and capitalist accumulation, but also the issue of political representation. Dissatisfied with the ways in which representative democracy operates, they turned to participatory and self-

organised democratic ways of action and decision-making, best described by the term horizontalism[15] (Sitrin, 2012).

The OBZ movement was certainly one that contained something 'germinal'. According to the bufferers themselves,

> 'this movement is important because it's different from other movements, it happened in a no man's land. Nobody owns it. No country, no flag, no nation. It's a free zone, a gap.'

Taking part in the same discussion regarding the local demands and the movement's conceptual framework, another Turkish Cypriot activist added,

> 'demands change from person to person, I think. The main idea is about dealing with the problems caused by inequalities. Many issues come from that. It's not only capitalism. It's small things in life as well. We created an environment for people to think about alternatives. That was the common ground. I think. An alternative space for creative thinking.'

In the same context, it would be repeated several times over that the main goal was 'to create awareness', while a Greek Cypriot bufferer remarks that

> 'it was unbelievable! Within a few days a whole community was created on that 'square'. It was self-managed, horizontal, based on general assemblies.'

The process of occupying a former empty place, or else a *non-place* (Augé, 1995) and turning it into a public space for all, is interrelated with the socio-political process of contesting dominant policy, stressing 'the need to restructure the power relations that underlie the production of urban space, fundamentally shifting control away from capital and the state and toward urban inhabitants' (Purcell, 2002). Being *together* in a place of nobody was a chance to experience co-existence *here and now* in a way that co-existence is no longer a demand but a product of the bufferers' direct action (Graeber, 2009). Another Greek Cypriot activist pinpoints that

> 'we thought about camping for a night. But then the UN forces came the other day. They told us that we bother them and that we had to leave. But we didn't. The UN provoked us, so we stayed ... .'

Inspired by the need to overcome the failure of formal narratives and policies regarding rapprochement and reunification, bufferers argued that grassroots activism can play a leading political role:

> 'if the OBZ is consistent, it will definitely affect the political scene. It does not mean that we are going to become a political party, but in some way we create a political tradition' (bufferer).

15 'The term "horizontalism", from the Spanish horizontalidad, was first used in Argentina after the 2001 popular rebellion there (...) movement participants described horizontalidad as the most natural way to listen and to connect to one another. Horizontalism has since become a word and expression used throughout the world to describe social movements seeking self-management, autonomy and direct democracy' (Sitrin, 2012).

Figure 5:
Photograph of a banner from within the OBZ encampment. Statement reads: 'WE ARE HERE TO UNITE THE ISLAND REMOVING US MEANS YOU'RE SUPPORTING A DIVIDED CYPRUS – MAKE UP YOUR MIND – (ALL ARMIES **OUT** OF CYPRUS!).'

Photograph by the bufferers.

Choosing the Ledras/Lokmaci crossing was symbolic, as:

> 'the buffer zone is a symbolic place; it symbolises a lot of things; the UN regulation, the division'. At the same time it offers a kind of utopia: 'in the buffer zone it was the first time that we lived together willingly, creating something out of nothing' (bufferers).

The buffer zone, which is a symbol of the division and separation of Cyprus, became the vehicle through which OBZ realised itself as a movement and acted towards satisfying the need of the bufferers to overcome the divide and live together. In the same way that Wall Street 'ever a metonym of global finance capital', but today a symbol of economic injustice and wealth accumulation, became the prism through which the Occupy Wall Street (OWS) movement understood itself and became a 'master signifier which gave meaning to events' (Glück, 2012). In other words, both OWS and OBZ movements were influenced and acquired their relatively popular appeal by the fact that they occupied the strong symbolic spaces of Wall Street and the Buffer Zone.

Regardless, the 'right to the city' claim carries a particular danger from the moment of its birth: the fetishisation of space. Both in the OBZ and in other cases of the global occupy movement, the occupation and appropriation of public space turned from a tactical tool into the strategic goal of the movement. In that way the prioritised claim was the use of public space, undervaluing at the same time broader ideological visions, socio-political perspectives and long-term demands. As long as the free access to public space could be satisfied the ultimate goal seemed to be fulfilled, too. One can 'read' that comment in almost every popular slogan of the OBZ: 'We are living the solution', 'Welcome to the reunified Cyprus', 'No borders camp'. Was or will in the future such an aspect be a dangerous obstacle for the movement's development and success? Could the fetishisation of space become a boomerang in the hands of gentrification policies, embodied by the system as common

'human rights'? Finally, can we talk about the right to the city (in the Lefebvrian sense, 1968) separating it from the revolutionary process of social restructuring?

Figure 6:
Digital banner used by the OBZ as the main logo of the movement. The banner uses the outline of the walls of Nicosia as a circle to which an arrow is added to form the symbol of the international squatting movement. On the outside circle one reads the main slogan of the OBZ: 'One Cyprus – No Bullshit' and its web-address: www.occupybufferzone.info

Reception and Dynamics: Public Discourses

The OBZ movement brought actions and discourses from the edge to the centre. Former marginalised thoughts, political statements, arguments and practices were brought to the centre of the debate forming supporters and opponents, or else forming a certain 'us' and 'them'; 'inside' and 'outside'. The bufferers' action, or even their lifestyle, their taste, their clothes, the way they behave could no longer be ignored, since they occupied the heart of the city, contesting at the same time the heart of the city's division.

The OBZ movement was covered by the international Media almost from its very beginning. The turning point in the public discourse at least on behalf of the mass media was the public debate immediately prior and straight after the evacuation of the occupied building by the police forces. On 6 April 2012 the police of the Republic of Cyprus used its special anti-terrorist forces to invade the occupied place, and arrested 28 activists after a brutal attack. On behalf of the OBZ movement, the press release stated:

> 'The participation of the Special Anti-Terrorist Force shows the way in which the state handles the youth of this place, G/Cs and T/Cs, who claim a future which will be a creation of the Cypriot people themselves and not a creation of the existing domestic and world politico-economical and social status quo. We apologize for being unable to transfer in words the repugnant scenes of state violence we lived, and we wish to assure you that we will not stop existing actively and creatively. "You cannot evict an idea."'

In order to invade the place and evacuate it from the activists, the police claimed that there was extended drug use in the area. After such an announcement, the link was beginning to be clear:

bufferers constituted a threat against social order since they were drug users, abnormal, unhealthy and therefore marginal. The TV Channel ANT1 mentions

> 'many attempted to prevent police investigations while forty people gathered in the area just after the event in order to ask for explanations. A 52-year-old British, who lives in Pafos was intoxicated, according to the police ... .'

In two short sentences, the reporter manages to create the activists' profile composed by aggressive behaviour against the law, weird mixture of ages and finally the most crucial moral issue: drugs and alcohol.

There was a consensus amongst almost all of the local informants on three accusations: they are 'dirty'; they 'take drugs'; they have 'abnormal social and sexual behaviour'. Typical is the owner of a shop just a few metres from the border:

> 'they do not even obey hygiene rules. I see them every day. Go there and see how they live in their filthy ten[t]s. I saw them taking drugs so many times. In front of my eyes they dropped a bag full of marihuana.'

During another discussion, a female shop-owner just round the corner, would repeat again and again

> 'they have done me much harm. The night before the police attacked they had done so many damages out of our shops. They throw their garbage here all the time. They steal our banners in order to use them as blankets. We had to work in the morning and we faced all that dirt.'

Some metres away, on the other side, a Turkish Cypriot shop-owner in Büyük Han would also agree, 'unfortunately, there are some youngsters who take drugs. I hoped that it wouldn't be that way.'

The 'bufferers' on the other hand have a totally different view, strongly countering the above accusations, as 'these are only ways to make a scandal: drug use, older men with under-age people, vandalism', contending that 'dirt is something you find everywhere. In our case it was just used for marginalising'. Another activist, who would definitely disagree with all those arguments mentions, 'the place was being cleaned every day. All those who support such accusations, do not agree with the movement. Perhaps they do not even want the island to be reunified. Maybe they are right-wingers or fascists who express themselves like that in order to spoil the movement. Even my mom was visiting the place and she said that it was clean'. Emphasising how deeply unfair the accusations were, one highlighted that 'we basically occupied a building, a destroyed building and we restored it. We tried to make it a place where we can enjoy, do things, activities and projects. Abnormal? Who? For whom? For the system everything we are doing is maybe abnormal.'

The OBZ movement is no longer only a political movement that re-claims the Buffer Zone but it also constitutes a battlefield of conflicting lifestyles, value systems and cultural identities. The right to the city became the spark for the debate on production of urban space and in parallel the

demand each side desired to monopolise. While people rallied around the ideas represented by the OBZ, dialectical opposites were being also constructed, accusing the bufferers for being 'matter out of place' (Douglas, 2002 [1966]). Is this perhaps what makes the OBZ a grassroots urban movement that stands up for the 'right to the city', being a claim that 'cannot be divorced from that of what kind of social ties, relationship to nature, lifestyles, technologies and aesthetic values we desire' (Harvey, 2008)?

Grassroots Actions in Times of Crisis

The Cyprus crisis, which burst in March 2013, is part of the broader systemic capitalist crisis, while being a crucial junction point for the Eurozone's pathway.[16] Moreover, it marks the current framework within which the inter-capitalist competition unfolds while the socio-political contradictions are being sharpened and rearranged.

On 17 March 2013, the new-elected President of the Republic of Cyprus, Nicos Anastasiades, gave a televised Sunday-night speech to the Greek Cypriot people, announcing a haircut tax of 6.75% on deposits under €100,000 and 9.9% on deposits over €100,000. According to the dominant discourse and the Troika experts (EU, ECB, IMF), the Cypriot economy was no longer the 'economic miracle'[17] but a monstrous economy of an 'over-extended banking sector'. At the same time, on the level of dominant rhetoric, the Cyprus crisis was presented as the result of personal responsibility of those, who used to 'live beyond their means', enjoying the fruits of the developing growth by building houses, receiving bank loans, loading their credit cards, cruising with expensive cars and feasting and loathing in consumption and easy money.

Two weeks after the Presidential proclamation regarding the haircut were enough to show a glimpse of the very near future; many businesses closing, personnel reductions, wage cuts, families living in fear of losing their houses and people queuing in front of ATMs in order to withdraw their savings. Thus, the peoples' response to this '"shock therapy" for the ailing banking system' (Demetriou, 2013) was prompt. In a climate of uncertainty and shock, Nicosia experienced some of the most massive rallies in its recent history not referring directly to the national issue but to the economic policy. Thousands of people were gathering every day outside of the House of Representatives or the Presidential Palace. At that point, the combination of particular bourgeois interests and the popular protests pushed the parliament to say 'No' to the pack of measures (36 votes against and 19 abstentions) but class interests diverge, making this a 'No' soon to be followed by a majority 'Yes' by the political leadership.

16 See also the article of M. Tsichli 'Cypriot Crisis and the Exit from the Eurozone' which offers a good understanding of the Cypriot case within the broader Eurozone crisis: [http://www.antapocrisis.gr/ index.php/articles/item/824-tsixli].

17 The phenomenal growth of the economy of the Republic of Cyprus during the 1980s and 1990s has often been characterised as the Cypriot 'Economic Miracle'.

Regarding the blocks in the protests, it is safe to argue that the most massive ones refer to the opposition Progressive Party of Working People (AKEL), the United Democratic Youth Organisation (EDON) and to the Pancyprian Federation of Labour (trade union PEO). At the same time, from the very start of the mobilisations, a discussion emerged referring to the formation of a grassroots, independent political front that would bring together the extra-parliamentary Left, the autonomous/anarchist groups and people involved in the grassroots activism. The main motivation for such an initiative was the lack of a radical, anti-capitalist discourse that would go beyond the official Left, represented by opposition AKEL. ERAS (a coalition of various left tendencies), NeDA (Trotskyists, YRE), ANT.AR.T.E.S. (anti-capitalist Left), Coiling Irregulars (anarchist/ libertarian) and Skapoula (student group) were the main factors that composed an independent block in the protests, together with people drawn from the broader 'pool' of grassroots activism and the 'Phaneromeni crowd'.

Moreover, this block moved towards the creation of an 'Anti-capitalist Network'[18] that aimed to adopt the role of a radical, anti-capitalist front within the mobilisations and beyond. In the first call of the Network it is stated that

> 'We invite all comrades, groups and tendencies referring to the radical movement in Cyprus to form an insubordinate, anti-capitalist social network, horizontally structured, beyond politics of "management", "interclass national struggle" and the bureaucratic trade unions. To fight for social uprising till the end!'

General assemblies, events, discussions and protests followed in order to find a common ground among the participants.

But in spite of everything, this political initiative has not managed to gain a broader social support as yet. Likewise, it has not managed to involve relevant initiatives in northern Cyprus into a common struggle that would combine the current mobilisations with the grassroots rapprochement activism in the direction of a common class struggle. On the other hand, the need has been undoubtedly highlighted for a new type of radical politics that will contribute to the social struggles ahead: A politics that 'will merge the force of the people with the sharing of political ideas' (Badiou, 2013) and radicalise the labour, social, anti-imperialist, antifascist movement. It might be a new challenging era for the radical grassroots activism in Nicosia and Cyprus towards a promising expression of the generation of crisis, helping to understand the emerging subjectivity, its characteristics and its place within the political arena.

18 For more information on the initiative for Cyprus Anticapitalist Network see: [http://antikapitalistiko diktiowordpress.com].

Figure 7:
Photograph of a banner raised in front of the Ministry of Economics of the Republic of Cyprus, by members of the 'anti-capitalist network' that paraphrases the lyrics of a popular Cypriot folk song and reads:

'The money, money where are they? The Capitalists have put them in the pocket'.

Epilogue: What is Next?

In an attempt to present the development of grassroots activism in the border area within the walls of Nicosia during the past decade, we have followed events and actions indicative of an alternative politicisation of an emerging political subjectivity. We have focused on crucial moments and initiatives in order to unfold its past, present and future as well as its composition and ideas. To sum up our basic arguments, we have elaborated on a transforming political subjectivity that aims to construct a 'communal' identity, contesting the mainstream politics of the negotiations and the institutionalised 'bi-communalism' towards a new radical politics. Additionally, we concentrated on the period of its emergence, its crucial manifestations, including the OBZ movement up to the recent Cypriot crisis. What is more, we have argued that it subverts the rupture of communality in the old town even forty years after the division, localising a common space of demand within the walls.

In interesting, yet turbulent, times the question of 'what is next' is a common agony. Will radical political forces and a stronger grassroots activism find the way to inspire the broader social movement towards a new radical politics against austerity, unemployment, privatisation, gentrification, nationalism, fascism and repression? Will they contribute to a common social struggle forming a radical content beyond the liberal reunification plans? These are crucial questions in times of crisis. Yet, the development of different forms of engagement with the 'other' remains equally crucial for Cyprus.

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Essay and Research Notes

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Crisis, Critique, and the Possibilities of the Political

EIRINI AVRAMOPOULOU interviews Judith Butler and Athena Athanasiou apropos the publication of their book
Dispossession: The Performative in the Political (Polity Press, 2013)

Introduction to the Interview

By intertwining significant philosophical questions on subjectivity, precarity, biopolitics and performativity with contemporary dilemmas on acts of dissidence, collective protests, activism and art, this book interrogates *dispossession* as a complex notion. Having already been attached to processes of systematic and severe economic deprivation, as in the case of forced migration, unemployment and homelessness, dispossession, also becomes here a significant key word in order to push ideas of relatedness and (co-)existence further into the domain of both critical thinking and political engagement.

What does it mean to have or own possessions (i.e. land, property, titles or entitlements, like a name or rights, obligations, responsibilities, as well as relations) if that would connote both a valorisation of individualism in the context of neoliberal governmentality and a legitimisation of forms of sociality reified in the context of capitalism, liberalism and humanism? On the other hand, what would it mean asking to be dispossessed if that would also signify a state of vulnerability tightly connected to precarity, deprivation and exploitation, especially when people and populations live under such conditions and struggle to make a living or have a liveable life? Overall, how can one claim differently forms of possessions and make a political claim over dispossession? Could dispossession resonate with a form of resistance against the conditions that reiterate (neo)liberal and normative claims over being in, or having, a life? Could it serve as a political promise? There are no simple answers to these questions, as both Athanasiou and Butler seem to agree on, in their obvious intention to offer us intriguing meditations on how to approach such dilemmas in this thought-provoking book.

By relating dispossession to performativity, this book compels us to understand dispossession against its possible translation as a speech act that celebrates agency, but as an act that also exposes the impossibilities attached to subversion. In other words, claiming to be in a state of dispossession does not necessarily let someone free of possessions, especially when possessions are forms of passionate attachments, which at times run the risk of reinscribing normative relations. At the same time, claiming to be dispossessed might connote letting go of passionate attachments, which have already been forced into the domain of disposability, displacement, and erasure. Put differently, being dispossessed might mean that one would need to let go of those attachments that constitute one's being in the world and one's relation to others – attachments that might be hard to let go especially when someone has been deprived of the possibility to lay claims over them.

To make this more concrete, in discussing the movie *Strella* (A Woman's Way) (directed by Panos H. Koutras, Greece, 2009), Athanasiou and Butler illustrate this paradox. Strella, a made-up and self-assigned name used by the protagonist of the movie who is a transsexual sex worker, means stardom ('stella' in Latin) and madness ('trela' in Greek). The choice of bearing this name reflects the comment made by Mina Organou, the transgender amateur actress who plays Strella, when asked by a journalist to answer what has been the most extreme thing she has ever done in her life. 'Myself!' she responded. Here, the claim to be one's self becomes even more vocal especially if this 'self' has repeatedly been done and undone as it has repeatedly been cast as an impossibility within everyday scenarios of cultural norms, kinship bonds, and social policing of normative life-styles and desires. Holding on to an 'I', in this case, as in any other case when one's existence is constantly threatened, injured and sanctioned, troubles and repoliticises the liberal acclamation of an 'I', according to Athanasiou, especially when this 'I' is so often under scrutiny and interpellation (p. 65). At the same time, this name also signifies a moment of *self-poiesis* that differs from its possible translation as a neoliberal self-stylisation or an untroubled self-making. Strella performatively signs her own name in this moment of poiesis – a moment that cannot be translated to the celebration of emancipatory politics, but rather is the outcome of a need to understand 'how the problem of desire suffuses the issue of the name', as Butler poignantly analyses (p. 137). Butler's argument once again reminds us that a performative act is not a 'free' game in which one can choose a self and enact it. A non-normative act is performative because if in every act, or in the repetition of an act there is a possibility of identification, then the act of repetition carries the potential to de-institute the classifications through which identities are institutionalised and naturalised. However, at the heart of the potential undoing of norms there is no celebration of agency, but rather this process reveals that an act of non-complicity with the norms comes at times at the price of discipline, punishment and violence.

In this sense, attempting to understand dispossession as formative and transformative of human relations renders powerful the question of how language is implicated in what one tries to transgress. This process, unavoidably, has to pass through an engagement with the labour of the negative, which is a constitutive aspect of performativity and performative politics. For example, being dispossessed cannot be turned into an affirmative action as it also cannot be conceived as an unambivalent political ideal especially when one has to take into account the suffering of those excluded, deprived, displaced, those leading precarious lives or those turned into colonised, racialised and sexualised subjects. Hence, this book interrogates the possibilities and impossibilities of imagining and enacting alternative ways of being in relation to others and to oneself beyond the limits set by an intelligibility that forecloses the realms of human life and without resting on simple assumption of resistance and subversion.

Athanasiou's question 'What happens then to the language of representation when it encounters the challenge of conveying broken human corporeality into the body of the text?' (p. 132) reverberates as an aporia of how to fight for a space where the unintelligible or the ineffable will

keep on troubling what is already 'there' or what has already been rendered known, tangible, and conceived. Or else, how to render the unintelligible and the ineffable as constitutive parts of an agonistic vision shaped by those bodies who protest against their confinement as they lay claims to different ways of existence, or as they assemble in the streets and are let to be defined by the conviviality of collective actions. Such questions lead us to think anew the act of speech as an act that pertains to bodily actions and redefines the 'shadowy realms' of body politics. Regina Jose Galindo's performance, for instance, reminds us that dispossession is a performative process involving acts of dissidence as aspects of corporeality. As Butler describes in Galindo's 2003 performance, entitled 'Who Can Erase the Traces', the artist, dressed in black, walks through the streets of Guatemala carrying a white basin with blood. Her feet dipped in blood leave footprints all the way until she reaches the National Palace where she protests the decision of the Guatemalan Supreme Court to permit a former member of the military junta to run as president. The footprints of blood become signatures of an art-work, a political protest and a memorial of the dead, Butler attests (p. 169). When the question 'who can erase the traces' is signed by the movement and the fluids of the body (p. 170), 'the body is a memory come alive', according to Butler because it 'persists, survives, showing and enacting a social history, memorialising those forms of suffering and loss against the lure of forgetfulness' (p. 172).

Indeed, *Dispossession: The Performative in the Political* offers a continuous exercise in what it means to insist on deconstructive thinking and on how to be attentive to the affective economies of negative passions without being rendered numbed or disarmed by them, especially when the pervasive forces of neoliberal economies and liberal politics repeatedly produce socially assigned disposability of peoples and populations. From Mina Orfanou's proclamation to be let be 'her-self,' to Galindo's bodily enactment of memories that bleed, to the echoes of the slogan 'we are here' as it resounds in different protests from Tahrir Square and the uprisings in the Middle East and Northern Africa to Puerta del Sol, Syntagma Square, and Zuccotti Park, the aporia remains of how to communicate the 'broken human corporeality' into the body of a text, which bears the signature of a 'we'.

It is not a coincidence, then, that this book ends with an analysis of the message given by those who insist to state in public that 'we are here' while reclaiming some forms of collective precarity and while refusing to let their bodies and voices become disposable. As Butler argues, 'the "We are here" that translates that collective bodily presence might be re-read as "We are *still* here", meaning: "We have not yet been disposed of. We have not slipped quietly into the shadows of public life: we have not become the glaring absence that structures your public life"' (p. 196). This claim reverberates the necessity to understand solidarity, in Athanasiou's words 'as an injurious yet enabling mode of "concerted action" in conditions of dispossession' (p. 184). Ultimately, by challenging the otherwise thinkable and by moving in and out of the ineffable and unintelligible so as to claim it as a critical moment for political mobilisation and for giving shape to an agonistic vision of (co-)existence, the 'we' uttered in the streets, as well as the 'we' conveyed in the corpus of

this book, offers a continuous exercise in how to insist on a solidarity created between critical thinking and political engagement. Dispossession, after all, echoes a desire for creating political avenues towards be-longing, and as Athanasiou writes 'belonging is not just about being and having but also about longing: perhaps longing for a different way to cohabit the political' (p. 159). Similar are the echoes of the questions posed to the authors in the interview that follows.

* * * * *

CRISIS AND DISPOSSESSION

Eirini Avramopoulou:

As you unravel in your book, dispossession carries a 'double valence'. It is a term used to emphasise a neoliberal practice of violent material or legal deprivation and enforced loss. At the same time, though, dispossession appears to be analysed as a performative practice that resonates with the need for a critical reconstitution of the politics of living (and living-with). As a performative practice, then, dispossession seems to insert a certain 'crisis' in the realm of politics and in the political constitution of the subject. Today, when 'crisis' features as a technology of producing and regulating economy, society, emotions, liveable conditions of life and accountable features of living-with, why is it important to rethink the terms of a different crisis? Or else, what does it mean for those already dispossessed to claim a different form of dispossession?

Judith Butler:

In the first instance, we probably have to be careful about talking about an economic crisis. It sounds naive to say there is no economic crisis, since there are massive consequences throughout society as a result of neoliberal forms of financialisation and the destruction of basic infrastructures, durable work, and even the sense of future itself. But if we call it a crisis, we expect a resolution that will restore a former order. Crisis discourse suggests that we have a problem to be managed and resolved. But the issue is more fundamental since it now pertains to new modalities of capitalism and its effects on populations throughout the globe. As much as we must focus on workers and their exploitation, we also have to see that the very nature of work and worklessness has changed. For work to become flexible or dispensable or transient means precisely that there is no duration to a given job, no way of organising at a workplace that is constantly shifting, and the very work conditions that enable unionisation are in peril. The precariat is, in this sense, analytically distinct from the proletariat, but the two categories perpetually collapse into each other. The worker is always about to lose work, and the unemployed is now hoping only for transient work. As a result, dispossession has become something that characterises both the employed and the unemployed, as it does those who have become forced migrants and take great risks to secure even transient work.

Work takes place or does not take place according to a contemporary logic that constantly undermines spatial locatedness and temporal duration. What persists is the ever expanding horizon of precarity and a new configuration of space and time in which dispossession is the norm.

I do not think that now we should all organise under the banner of precarity or dispossession. We have to organise in ways that acknowledge and oppose the systematic character of neoliberalism and its modes of financial inaction and dispossession. But to do this, we have to understand how it works.

Athena Athanasiou:

We tried to reflect together on how the 'crisis', as a power configuration of neoliberal capitalism, calls for a critical re-engagement with, and re-imagining of, the political; how dispossession becomes an occasion for dealing with the question of thinking critically in times of crisis. So, we ask: how is the political performed, where and how does it 'take place'? How does the crisis work to reproduce, complicate, alter and/or intensify what qualifies as political subjectivity and how this is gendered, racialised, and classed? Furthermore, how might such questions be asked from the perspective of a resistant performative politics of reclaiming public spaces and liveable lives?

Dispossession implies the neoliberal violence of disposability, but is also integral to processes by which subjects are formed in loss and in relation to one another. As it marks the limits of one's own self-sufficiency, it becomes an occasion for the collective political work of trans-formation.

In these times of crisis, when certain groups are rendered disposable and exposed to death, of poverty, racism, state abandonment and violence, we ask: how can 'we', as subjects of the crisis (with all the trepidations, uncertainties, and impossibilities that mark this 'we'), engage with, and prompt, an *agonistic*, instead of antagonistic (according to the neoliberal market logic), way of attending to dispossession. Such reimagining of the social prompts the political imaginaries of radical democracy today.

(Neo)Liberalism and Recognition

Eirini Avramopoulou:

Fighting for recognition often appears to take shape as if it is a struggle for identity politics, one which risks reiterating a normative logic of ascribing a single truth over the constitution of the subject while disregarding the complexity through which power relations and subjectivation work. You discuss the idea that the neoliberal demand for recognition might be exactly what one 'cannot not want'. Here, one might need to think of the fight for rights recognition in the LGBT movement, migration, disability etc., where recognition is a matter of survival, even if there is always the risk of making this demand for recognition appear as the only true claim for the reality of the subject, as well as for claiming freedom. How does recognition relate to the question of survival and how can it be separated from an individualistic and narcissistic claim of self-definition?

Athena Athanasiou:

We take up recognition as an occasion to explore what it means to think about the subject (which is not the same as 'individual') as the subject of dispossession and induced precarity, but also as a subject of 'being-with'.

Recognition is an arena where the terms of recognisability ('who' can qualify as a recognisable subject) are (re-)produced, negotiated, and unsettled. The politics of recognition is contingent upon such questions of power relations, subjectivation, and difference: who asserts difference and who demands recognition, who has the power to grant recognition, on what conditions it is conferred, what possibilities it enables, and what other possibilities it might render unintelligible. As recognition embodies histories of trauma and exclusion, it can be also reactivated to expose, unsettle, and transform such normative terms and limits of recognisability.

The trouble with recognition has to do with the fact that demanding recognition is necessarily implicated with the power of the state or the law to establish the terms of recognisable subjectivity. Asking the state to recognise certain modes of life, intimacy or belonging risks conferring consent to the established norms of subjectivity; at the same time, it provokes creative crisis to these norms and demarcations.

In the context of left politics, recognition critically engages with the conditions of those made precarious by racism, state violence, class exploitation, hegemonic masculinism and heteronormativity. It opens the way for a transformation of the conditions that have enabled such injuries and injustices.

Judith Butler:

This is a very good question and it deserves serious attention. Let us start by considering what is implied by the scene of recognition. There is first the question of who recognises whom, that is, who has the power to confer recognition. There is no recognition without someone or some institution with the power to confer recognition. And then there is the question of who is demanding recognition. If someone or some group is demanding it, they do so from someone or some institution with the power to confer it. So we can see that the scene of recognition understood in this way presupposes and reproduces a hierarchical modality of power. Recognition is not an act, but the mobilisation of a complex set of power relations. Then there is a third problem, namely, through what terms is recognition conferred, and how are they established. This brings us into that discursive field of power in which intelligibility and recognisability are established and delimited, which means that a domain of the unrecognisable is also constituted at the same time. What follows is that one might wish for recognition, but oppose the terms by which recognition can be conferred. At that point, a struggle at the level of political discourse is underway. One may also want recognition but not within a field of the recognisable that establishes only certain populations from its own norms, producing the unrecognisable. To win recognition on such a condition is to embrace both inequality and the social effacement of others. If an identitarian

position insists on rights of recognition only for one group without recognising that another group is effaced in the process of gaining recognition for one's own, then the politics or recognition becomes an instrument for the politics of both inequality and effacement. This is why the recognition can only work for a democratic left alliance and struggles against precarity and effacement on the basis of equality and justice. It is not a final or isolated goal.

Politics of Plural Performativity

Eirini Avramopoulou:

As opposed to the classical monograph-monologism, the crucial dialogue as well as the critical self-meditations offered in this book provides a new strategy of writing that foregrounds the significance of speaking-with, co-thinking and creating alliances. This is also what defines 'plural performativity' as detailed in the book. Specifically, you refer to the book bloc, taking place in the streets of different European cities where the protesters literally 'wore' their books in order to defend ideas and ideals such as public education, universities and libraries. What should be one's expectation the moment when the books appear in the streets as a form of demonstration and revolt? What is the specific importance of contemporary attempts to create and sustain an alliance between critical thinking and radical action?

Athena Athanasiou:

Plural performativity (which is not the same as the 'pluralism' of liberalism) implies collective projects of critical thinking and action. It refers to becoming plural and relational as a way to question the self-centred and self-managed ego of liberal atomism and possessive individualism. It also works to call into question the authoritarian essentialisms that occasionally mark the notion of community. This politics of performativity does not efface the singular and the in-common but offers space for interconnectedness. It seeks to make difference without discounting differences.

The 'humanities' (in plural), as they refer to multiple notions of humanity and being-human, play a crucial role in emerging epistemologies of crisis as critical epistemologies. The double meaning of 'humanities' is suggestive here. Alternative 'humanities' (such as 'women', 'natives', the poor, the homeless, queers, strangers, the stateless, the undocumented, and all those who have been historically rendered not properly human) have always challenged the terms of differential allocation of humanness, and offered alternative notions of what figures as human.

In the context of the dominant economic doctrine of our time, the humanities are devalued and called upon to conform to the managerial logic of entrepreneurial knowledge. Thus, the historical responsibility of critical theory today is precisely to re-imagine and re-activate the critique of the present, to open up new possibilities for equality and freedom.

Judith Butler:

Perhaps that question is best answered by considering how many of the recent demonstrations in Chile, in Greece, in Canada, in Bulgaria have been motivated by students who are demanding a right to an affordable education. Their protests are not just to have tuitions decreased or abolished, but to establish public education as a public good, a social value, one whose value cannot be measured by neoliberal metrics. The widespread opposition to the Bologna accords and their metrics for valuing knowledge production clearly includes the demand to an affordable education in which forms of inquiry can be taught that broaden the very idea of what is valuable, of social and political values, including notions of freedom, justice, and equality, of aesthetic values, that exceed the neoliberal imaginary. So, one needs a critical perspective to argue that neoliberal metrics, including quantitative assessment, profit, utility, and impact, perform a violent reduction of the realm of values. Even the capacity to see the chasm that opens up between these orders of value is an operation of critical thought. If we think there is a value to that form of thinking, then we affirm the value, and the urgency, of critical theory.

The students on the street establish themselves as public actors, establishing education as a public good. And by showing those books, they show what is at risk of being lost. The message is in the action. Sometimes we must show and assert the value of what we read in order to fight for the very public and infrastructural conditions that let us read. The materiality of the book, even the author's name or the title can show the valued objects now at risk of being lost. To demonstrate with such books is to demonstrate their value, (and to demonstrate the value of demonstration), making the public case for reading and for preserving institutions where such books can be read. The book bloc proclaims: This is precisely what is lost when universities destroy the humanities, the interpretative social sciences, the arts, critical science studies. Those demonstrations know the loss that is happening, and they bring the book out of the library and onto the street to stop that destruction.

Social Movements and the Left

Eirini Avramopoulou:

In the context of today's thick political reality of resistance and revolt (from the Arab spring to Brazil, from Syntagma Square to Gezi Park) what are the current challenges posed when trying to think through the prism of radical left discourse and feminist theory?

Judith Butler:

I am not sure I am the person to answer this question. This is a question that does not need a single intellectual, but a broader dialogue among many participants. What Athena Athanasiou and I tried to do is to juxtapose forms of plural performative action in different regions in an effort to see what commonalities and differences could be found. But ours is an anecdotal operation, not a systematic inquiry. I do think that as governments contract with private industry to take over or

destroy public space, public services and basic infrastructural components of public life, from roads to schools, there is a popular understanding of how capitalism is working now. In Brazil, the destitution of whole parts of the city takes place simultaneously with a massive influx and investment of capital into building the Olympics apparatus. This is plain to see, and the relationship of increased wealth for some and the drastic destitution of the many has brought people out into the streets to oppose this radical economic injustice and this destruction of public space (like Gezi). But also what is being devastated is the idea that the government might still have as one of its defining obligations the representation of the people, their interests and demands, and their well-being. Indeed, the state becomes increasingly delinked from the task or representing the popular will as it becomes a more efficient vehicle for expanding markets. The mass movements on the street are precisely the upsurge of popular sovereignty at the very moment when the state abandons its obligations to represent the people and safeguard public space and goods. As a result, the state is exposed as having lost its popular legitimacy as its primary function now becomes facilitating the expansion of financial markets. The upsurge of people on the street is thus a challenge to that shift whereby the state is now tied to financial markets, and finds it legitimating reasons for what it does, and that is through the expansion of those markets and their metrics of value.

A basic political requirement is now to interrupt and expose the naturalisation and acceleration of that process, and to reassert the notion of 'the people' so that democracy is a matter for public articulation and debate.

Athena Athanasiou:

The current regimes of crisis management involve the decimation of public spaces and services, deepened disparities, disposable labour, the biopolitical economisation of life, state authoritarianism and autarchic measures of social normalisation. Neoliberalism is not just about restructuring capitalist market economy, but also a neoconservative governmentality, which involves, along with a redistribution of capital, a redistribution of the social and the political, and, most notably, a redistribution of the normative preconditions of political subjectivity.

In a Europe which witnesses a neo-Nazi upsurge, the politics which produces superfluous and desperate people is intricately related to fascism, racism, and the extreme nationalist definition of homogeneous and exclusive community, with all their fundamental implications of masculinism and heteronormativity.

The neoliberal governmentality that we call 'crisis' becomes a modality of power which relies on the production of precarious and disposable populations according to established norms of capital, gender, sexuality, and ethnicity. I think the question of allied anti-fascist, anti-neoliberal, and feminist politics has to be kept active as an ongoing challenge for our political action to produce, performatively, other ways of collective reflection and action, alternative to the existing schemes of community and normativity – be it economic, national, gender or sexual normativity. It is in this sense that in this book we take up the political as performative.

The Role of Public Service Broadcasting in Cyprus during a Time of Austerity

Nicholas Nicoli

The primary concern of this essay is to explore the role of public service broadcasting (PSB) and public service media (PSM) in Cyprus. Following the recent closure of the Greek PSB and current public discussions concerning CYBC in Cyprus regarding changes to its funding model, this essay takes on added relevance. The study is divided into two sections. In the first, it addresses the normative role of PSB. It also sheds light on the ongoing existential debates regarding PSB in a digital environment. The second aims to explore the Cypriot audiovisual landscape and CYBC's role within it following the EU bailout of the banking sector and during a time of austerity in Cyprus. The research draws on a wide range of primary and secondary sources. It combines long-term historical perspectives, discourse analysis of current policy decisions, media coverage and organisational changes at the CYBC.

Keywords: Public Service Broadcasting, PSB, Public Service Media, PSM, Cyprus Broadcasting Corporation, CYBC

Introduction

Within the field of communication there exists an ongoing existential debate regarding public service broadcasting, or PSB (Barnett and Curry, 1994; Tracey, 1998; Iosifidis, 2007; Debrett, 2010). At the centre of this enduring conflict are two traditionally opposed schools of thought. One is grounded in an interventionist conception of democracy that sees PSB as an unavoidable component of a healthy and functioning society. The other is based on a market-liberal ethos arguing a self-regulating, free-market approach toward broadcasting and the information sector more generally (Debrett, 2010). Digitalisation and convergence of information and communication technologies have merely exacerbated the dispute as they offer ammunition for both camps. Within this context the interventionist school argues that the role of PSB burgeons as more platforms are created that fragment audiences into smaller isolated groups. Conversely, market liberals reinforce their stance arguing that digitalisation leads to less restriction-requirements, less market failure, less spectrum scarcity (or the complete eradication of it), increased content diversity and the overall growth of the Internet. Against the backdrop of digitalisation, Europe's socio-economic standing has brought to the surface a new set of pressures for public service broadcasters that fortify the market-liberal position. Many of the southern

European states in particular, are undergoing a series of government reforms. Cyprus has been one of the most financially hit European member states and CYBC (the Cyprus Broadcasting Corporation), the Island's only PSB, has not been left unaffected.

The primary concern of this study is to contribute to the aforementioned debate by exploring the role of PSB in contemporary societies and in so doing to shed light on the Cypriot public service broadcaster, an area of study that has been under-researched for much too long. In addressing the dichotomy of views, the paper wishes to place the debate in a broader theoretical and ontological framework in a country in which the notion of PSB is novel and not well understood. The study is broken into two sections. The first section analyses the scope and scale of PSB looking at the normative arguments for PSB and the arguments against PSB. It does so by considering the recent austerity measures affecting Cyprus particularly from March 2013 onwards. Conceptualising PSB socio-economically and politically within contemporary and technologically advanced societies will act as a prelude to the following section that deals more directly with the notion of public service broadcasting in Cyprus. This second section attempts to place CYBC within a broader media landscape in Cyprus but also compares the broadcaster to the BBC since it is the UK PSB model that CYBC is more recently associated with.

Public Service Broadcasting in the Age of Austerity

In many countries across the globe public service broadcasting is the oldest form of audiovisual media. And while PSB organisations continue to exist, and in many cases, thrive, they do so in different formats and under different constraints. On account of these differences it is difficult to compare PSBs by country. Indeed the structure of each European PSB remains a subsidiarity principle whereby each member state has the power to organise and structure its PSB as it sees fit. Even so, an amalgam of PSB characteristics such as the ethos, funding model, citizen/audience appreciation, and identity are comparable and are therefore addressed according to the needs of this study.

In the UK, PSB is almost 100 years old and the BBC, the bastion of PSB in Briton (and for many, in the world), is arguably the strongest cultural organisation in the country. The BBC has managed to survive, overcome and flourish in spite of numerous obstacles such as a world war, deregulation, globalisation, hostile governments (e.g. Margaret Thatcher was vehemently anti-BBC), and more recently, digitalisation. In Greece on the other hand, only last year (June, 2013), attempts were made to literally shutdown the Hellenic Broadcasting Corporation (ERT), the Greek PSB. In a swift, unforeseen and unprecedented act, the Greek government shut down three national TV channels, seven radio stations and ERT's website operations, and in one afternoon made redundant 2,650 employees – all in the name of austerity measures required to lower public sector spending (LSE, 2013). The shutting down of ERT triggered a series of mass protests, arrests, and riot police stationed at the broadcaster, locked gates and umpteen other disquieting actions taken against the broadcaster. ERT, as a media organisation, was possibly made an example of

because its closure would exert far greater impact and receive much more coverage as a news story. Nonetheless, despite the fact that reform was desperately and immediately needed, the way it was undertaken will forever be remembered as a case to avoid. The austerity measures taken in Greece signify the contrasts often found in PSBs from country to country. Moreover, the Greek case has led existential PSB debates to spill over, not just within the field of communications but across a broader, political realm and across numerous other, especially European member states (not least of which is Cyprus). So, what exactly is PSB and how does it exist in its current form?

Public service broadcasters are organisations with a public mandate. They are therefore first and foremost required to offer impartial (of commercial and political ideology), radio and television content to audiences that are perceived as citizens rather than as consumers. In other words, PSBs are broadcasters with social, democratic and cultural responsibilities. Ideally, PSBs are owned by the public and work for the public. PSBs are not to be confused with state broadcasters that have acted as mouthpieces for governments and politicians who essentially place their own people in power within these institutions. Indeed, one could argue this is precisely what happened at ERT as the broadcaster over the years became staffed with members of both of the two main political parties, PASOK and New Democracy; ultimately, a self-defeating approach toward impartial news reporting.

Today, public service broadcasting has extended its reach and scope by progressively moving onto newer media via digital platforms. Most PSBs have a presence on satellite, cable, digital terrestrial and internet platforms. This 360 degree approach has allowed advocates of PSB to evolve the term PSB to the more comprehensive *public service media*, or PSM (Lowe and Bardoel *et al*., 2007; Iosifidis *et al*., 2010): Having said that, the core elements of PSB remain intact. Specifically, PSMs are responsible for the following (Iosifidis, 2007):

I. *Universal access:* If a commercial broadcaster cannot make profits by covering a certain geographic area, they will not bother to invest in establishing a presence in that area. Especially in Cyprus, due to topographical anomalies (e.g. its vast mountainous regions), it does not make financial sense for a private organisation to cover all of the Island's territory for television coverage. Specifically, it requires 10–15 transmitters to cover 75% of the Island but in order to cover 90% of all households approximately 80–90 transmitters are required. If, for instance, Geratzies village high up in Troodos has only 200 residents, and it costs thousands of euros to set up terrestrial signals covering the area, a commercial provider will not pursue it. It should be noted here that a fundamental premise of Immanuel Kant's universal law, is that all citizens are required to be informed citizens through an independent source of information.

II. *Content that contributes to social cohesion and the democratic process*: PSM are responsible in building strong societal identities and prompting citizens to become more involved and participative in the democratic and political process.

III. *Setting high quality standards in the areas of entertainment, education and information*: PSMs should be setting standards, mainly in production and by encouraging risks in ideas (ratings should not matter as much), risks in content-creation, creating apprenticeships etc.

IV. *Political pluralism and cultural diversity*: In the commercial realm politics is often interlinked with advertising so a platform is required where all voices can be heard in a fair, impartial manner. Furthermore, all cultural tastes are required to have a home base to be heard and to be viewed all the time, despite the fact that culture content is in vogue, often cyclically.

V. *Enriching lives of individuals through history, the arts and science*: It is not the responsibility of commercial media to enrich the lives of citizens by increasing their cultural consumption and capital. PSMs on the other hand should do so.

VI. *Preservation and promotion of national culture and heritage*: No other broadcaster is required, or is willing, to bear the weight of preserving a nation's culture and heritage.

VII. *Editorial independence and accountability*: In a free-market economy where media are dependent on advertising or subscription-based revenues, access to objective information cannot be guaranteed as economic determinism prevails. A true public sphere – in the Habermasian sense – is not, therefore, guaranteed.

VIII. *Serving the needs of a multi-cultural society*: Minorities in particular, are prone to being ignored within public discourse. It seems unrealistic for a commercial broadcaster to create content that caters to all cultures existing within a society.

Many of the eight points identified by Iosifidis (*ibid.*) fall into two overarching classifications: *market failure* and *public value*. There is little or no *private value* for profit-oriented companies to move into many areas that fall into the remit of public service media; areas that have however, *public value* (see Suárez Candel, 2012, pp. 20–22; Lowe and Martin *et al.*, 2014). Market failures and even public value definitions have changed as technologies have advanced and societies have become more multicultural and globalised. For example, spectrum scarcity, once considered the most important reason behind market failure, is now post-analogue switch-off, non-existent. In fact, even on terrestrial platforms where there are still spectrum restrictions, the challenge for digital television is finding attractive content to fill the airwaves and not frequency space. Unfortunately, many television organisations resort to the acquisition of foreign content. While in and of itself this is not necessarily a bad outcome, if it occurs at the expense of local production this will have a detrimental effect on the Cypriot creative and cultural industries.

As market failures and public value traits have evolved, so too have arguments pertaining to the market-liberal school of thought. From the 1970s onwards more channels (mostly privately owned), were created on both terrestrial and other platforms. The growth of television channels occurred concurrently, indeed in many cases, because of deregulation and liberalisation. Moreover,

many PSBs were affected by the disempowerment of the welfare system, a system of a dual economy whereby private and public organisations coexisted more or less until the same period. Today, continued advancements in digitalisation and communication technologies along with austerity measures on public spending triggered by the ongoing European financial crisis have made the market-liberal school more vociferous. Suárez Candel notes, 'the discussion has gradually become less normative and more pragmatic' (2012, p. 51). The market-liberal discourse relies on the basis that PSMs no longer benefit society because they have become obsolete. Specifically, arguments against PSMs can be summarised as follows:

I. Commercial players are now more than capable of creating content faster and more efficiently than PSB/PSM.
II. PSB/PSMs continue to be nepotistic and cannot be truly impartial since they are too closely connected with governments that consequently hand-pick their own staff within the organisation.
III. Digital technologies make PSB/PSM providers outmoded because all genres and tastes can be catered for.
IV. PSB/PSM distorts competition and takes up valuable potential market-share of what can be covered more efficiently by the private sector.
V. More diversity and creativity can be stimulated from the private sector in terms of production of content.

The Cyprus Broadcasting Landscape and the Case of CYBC

The Cyprus Broadcasting Corporation, CYBC is Cyprus' only PSB organisation. It consists of two television channels (CYBC 1, CYBC 2), four radio stations, one satellite channel that broadcasts to the Cypriot diaspora and a High Definition channel that is occasionally used to transmit significant events in high quality. CYBC also has a website, www.cybc.com.cy, which offers added services such as video and audio on demand. CYBC 1 is the broadcaster's main medium channel as it caters to broad groups and offers a wide variety of genres, especially those that are informative in nature. CYBC 2 offers more targeted programming mainly revolving around younger demographic groups, often to children and often more culturally based programmes. It also airs more entertainment-based content than CYBC 1. On radio, CYBC radio 1 (Cyprus' oldest radio station), offers programming of a more informative nature, radio 2 offers content that caters to minorities and provides programming in different languages, radio 3 is a middle-of-the-road entertainment station, and finally radio 4 is a station which plays music of all sorts.

CYBC follows a dual-funding model in which it receives a government subsidy. In 2013 its subsidy was in the region of €34.5 million, plus a smaller advertising revenue income of around

€4 million. The logic behind this model is that the broadcaster is not solely reliant on politics or commerce, and in this way can offer impartial news and current affairs on all topics. CYBC also has a nine-member board of directors that changes every three years and comprises a combination of industry experts, academics, media professionals and technocrats assigned by the ruling government. The board chooses the general manager of the organisation. In comparison, the BBC does not accept advertising and receives a direct license fee from all citizens that own a television set. Today, the UK license fee is approximately €175 (in comparison, the €40 million required by CYBC in 2013 would be the equivalent of approximately €130 per license fee payer). In the UK there also exists a BBC Trust made up of a similar body to that of the Board of Directors of CYBC. The Trust, however, has ties with the Queen-in-council (a council close to the monarchy and hence why the BBC is based on a Royal Charter). Although the BBC itself is often criticised for how it functions (as are all PSBs), the BBC Trust offers a cushion between the BBC and the government as it works on behalf of the license fee payer and functions to make sure that the BBC follows its remit. This is often in stark contrast with how the CYBC board functions.

The Cypriot television landscape is part of a free and independent media system that functions under the Authority of the Cyprus Radio and Television Authority. In regard to television, CYBC maintained a monopoly far longer than many of its counterparts in Europe. It was not until 1992 that commercialisation of television in Cyprus began after the first significant broadcasting regulation consequently liberalised the audiovisual industry (see Nicoli, 2008). Deregulation in 1992 led to the launch of *Logos Channel* in that same year (a church-owned broadcaster which then rented out its frequencies to *Mega Channel*), and *ANT1 Cyprus*; both of these channels followed a programming style similar to the American commercial channels of the 1990s and worked as syndicates of their Greek equals (Roussou, 2006; Sophokleous, 2008).

As free-to-air (FTA) terrestrial commercial television continued its growth, the first subscription-based TV station *Lumiere TV (LTV)*, began broadcasting in Cyprus in 1993 by means of an analogue terrestrial distribution system. LTV was followed by *Alfa TV* in 1995, also a pay TV station (Sophokleous, 2008). Together LTV and Alfa set the scene for the pervasiveness of multi-channel, multi-platform pay television options in Cyprus (e.g. *Primetel, Cytavision, Cablenet*). In the FTA broadcasting landscape, in 1995, *Sigma TV station* – part of a larger vertically-integrated media organisation – began broadcasting to a nationwide audience in Cyprus thus becoming the third national commercial FTA station. More recently, a new commercial FTA television station called *CNC Plus* also began broadcasting in Cyprus in 2003 becoming the fourth commercial FTA station.

By and large, in spite of foreseeable declines in audience ratings, CYBC has managed to overcome competition entering the broadcasting sector via private pay and FTA channels. The PSB has also been able to adapt fairly well to the EU regulatory environment. The Cyprus Broadcasting Act and its current amendment in 2013 is aligned with the EU's major media law, the Audiovisual Media Services Directive (2010/13/EU). Yet from 2013 onwards CYBC's position

has become considerably more precarious. A combination of overlapping issues has brought the broadcaster close to sharing a similar, if not so Draconian, fate with its Greek equivalent. Firstly, the March 2013 bank collapse, the cash flow freezes and the consequent EU/IMF/ECB (troika) bailout has led to the inevitable collapse of the cultural and communications industries; as the advertising sector broke down, more pressure was placed on the 'unaffected' CYBC. Secondly and resultantly, the troika has made it clear that all public services will need to be more accountable, more efficient, and overall managed more effectively. As a consequence, a wave of reforms has swept through Cyprus' public services of which CYBC is also a part of. A restructuring effort is now inevitable with the aid of consultancy firms, similar to those implemented at the BBC from the 1970s onwards (Born, 2004 offers a comprehensive and critical account of how wave after wave of management consultants left the BBC creatively lingering in the 1990s). Thirdly, there is, as mentioned above, the closure of ERT in June 2013. Fourthly, a number of highly-regarded political figures, right-leaning media, and other public figures have become increasingly raucous in their call for a more reformed and effective CYBC. The pressure has intensified to a point whereby there is now a legitimate appeal to change its funding model and put an end to advertising. Abolishing CYBC advertising revenue will, in theory, allow the added income to be redirected to the private media organisations that rely solely on advertising.

Conclusion

The future of PSB in Cyprus is uncertain. What is assured is that it will – and rightly so – undergo a series of reforms and organisational restructuring that will lead to a more accountable organisation. Only recently, a new board of directors has been placed in power and the first indications from the board point to CYBC experiencing a secure albeit bumpy future as it goes through its restructuring and reforming. On a positive note, the immediate impact of the board has led to a public consultation regarding the future of PSB that will undoubtedly mobilise both the interventionist and market-liberal schools in Cyprus. However, the currently held public discussions and the reforms affecting the CYBC need to be well thought through because even the additional advertising revenues for the private sector (if the dual-funding model is abolished), will destabilise an already weak advertising sector. For example, could this cause instability for other private organisations if such a large advertising outlet finds itself in the hands of only one or two private organisations thus strengthening them? Furthermore, what would this mean for the cultural industries as a whole? The workings of the media industry are like no other industry on account of a large number of variables. For instance, broadcasters often find themselves having to work on three fronts by attracting advertisers, audiences *and* talent (film-makers, producers, writers, journalists etc.). How would this affect the independent production industry? (see Nicoli, 2012 for a discussion on television production and PSB.) These are pressing questions that should be addressed during any reforms of the Cypriot PSB but with one eye on the European Council as this now plays a bigger role in the functioning of European PSBs.

Even more vital than the above pressing questions is what would a new, transformed CYBC mean for an informed citizenry? PSB is a long-standing European tradition that allows for democracies to function properly. At its best, PSMs contribute to a functioning democracy as witnessed in Scandinavia, Austria, Germany and the UK, but at its worst, and if left unchecked, the unfortunate case of ERT becomes inexorable. This means that whatever reforms are made at CYBC, the organisation and its 500 plus employees are faced with a crossroad. Will they stand up and transform the organisation into a true public service media organisation or will PSB become further disempowered? While CYBC employees and the board of directors are accountable, it is this author's belief that the notion and ethos of PSB should first and foremost be instilled in its society's own citizenry before anything positive can come out of Cyprus' public media system.

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Book Reviews

VOLUME 26
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Greece, Financialization and the EU: The Political Economy of Debt and Destruction

VASSILIS K. FOUSKAS AND CONSTANTINE DIMOULAS
Palgrave Macmillan (Basingstoke, Hampshire, 2013), xxv + 245 pp.
ISBN: 978-1-137-27344-4

When I started reading this book, Sartre's novel, *The Reprieve*, the sequel to the *Age of Reason* in his *Roads to Freedom* trilogy came to my mind. Sartre recounts the story of his protagonists who are constantly reminded of the double game; the global and the local: the story takes place in France of 1938 as the fictional characters await news from the Munich conference where 'high politics' – the global chess-players – decide the fate of the world. Even though *The Reprieve* is not an easy narrative as it slips swiftly between characters in different situations at the same moment, it is a gripping read from the outset with keen perspective and leaves one with a sense of actually being there. The book by Fouskas and Dimoulas is, of course, not fiction, but by analogy, it too constantly shifts the story from the micro to the macro, from geopolitics to the economy, and from class to political protagonists. Overall, this greatly adds to the book's depth of analysis and the shifting is successful as the authors integrate and synthesise their text by presenting the whole book as a constant shifting game. On reading it, I felt that the book unfolded like a novel with a vast amount of empirical data – economic and sociological. The crisis in Greece, or better, the crisis of Europeanism and global financialization as experienced in Greece, it unfolds before us.

The crisis in Greece has become a major subject in academic as well as political debates. It has resulted in a number of scholarly texts in English; tens, if not hundreds of books are produced in Greek. Paradoxically, and despite the pain and suffering caused, the crisis is proving to be immensely 'creative', and well beyond what Joseph Schumpeter had imagined,[1] when he underlined how capitalism is riddled with 'creative destruction'. The crisis in the Eurozone and the crisis in Greece more specifically, have generated serious critical thinking. The troubled Eurozone is more violently felt in the periphery Ireland, Spain, Portugal, Italy and Greece (see Lapavitsas *et al.*, 2012), as the old structural adjustment programmes (SAPs) imposed by the IMF in the poorer countries of the South are now enforced on the debt-suffering periphery of the Eurozone (see Arestis and Sawyer, 2013; Milios and Sotiropoulos, 2009, 2010, Milios *et al.*, 2013), resulting in the drastic collapse of the late European welfarism and triggering poverty, homelessness, mass unemployment, disintegration of the middle class, closure of small businesses and the destruction

1 See J. Schumpeter (1994 [1942]), pp. 82–83.

of the social security safety net. Greece is particularly and severely hit by the crisis as it enters its sixth consecutive year of economic recession; this is a country in a state of 'bankruptocracy' (Varoufakis, 2011) or 'debtocracy' (Kitidi and Hadjistefanou, 2012). It is a country where the crisis is 'a state of emergency' (Athanasiou, 2012).

Fouskas and Dimoulas guide us through a fascinating journey of Greece's route into a *distorted* and *dependent modernity*. This absorbing excursion entails a post-ottoman capitalism riddled by imperial machinations besides being combined with the inherent contradictions of comprador capitalism of a state in shambles. We are narrated a story of political and economic dependency, crisis and indebtedness in perpetuity. Greece is depicted as the 'vassal state' par excellence: from its establishment in 1828 it was dependent on the 'Lord', that is to say the major powers at that time on the ruins of the Ottoman Empire. This sounds very much like the Troika in Greece today.

Structure: Chapter 2 is the theoretical and global reading of the Greek crisis whereby financialization is placed at the heart of the European integration process; it delivers the current crisis in the Eurozone as 'a manifestation of deeper disintegrative tendencies embedded in the hub-and-spoke system of neo-imperial governance built by the USA in Western Europe, the Middle/Near East and East Asia in the aftermath of World War II'. The authors illustrate the links between capital, security, ideational issues, geopolitics and social struggles, which are often tackled by different disciplines. The remainder of the book undertakes an historical enquiry on Greece. Chapter 3 examines the first 100 years of the subaltern position in the international capitalist system. Chapter 4 looks at post-war Greece, characterised by political and economic dependency on the United States of America (USA), in what was a model of authoritarian development and undemocratic rule. Chapter 5 studies the late arrival of Keynesian/corporatist economic management mostly by the socialist *PASOK* in the 1980s and the bi-partisan consensus in the 1980s and up to the mid-1990s, as power alternated between *PASOK* and the conservative *Nea Democratia*, which resisted neoliberal globalisation up until the 1990s. This was due to three reasons: First, there was strong popular pressure for the long-overdue democratic reforms and claims for popular participation after the fall of the dictatorship which was met with a mixture of populist politics, clientelism and state co-option. The second derived directly from issues of security and geopolitics in Cyprus, the Aegean and the relations with Turkey. And the third related to Greece's weak industrial base. Although this allowed the reproduction of a large middle class, there was a simultaneous expansion of the working class. In the end the peripheral position of Greece and its 'fault-lines' which had delayed the neoliberal onslaught, converted to violent accelerators that imposed the most severe austerity programme in the European Union (EU) and five years of continuing decline. This is taken up in chapter 6, which is essentially the empirical core that engages with the theoretical issues of chapter 2. And this is where the key arguments of the book are to be found.

The relation between foreign loans and bankruptcy in Greece is aptly illustrated in the table 3.1 (p. 62), with the following periodisation: 1826 (first bankruptcy), then 1828–1843 (second bankruptcy), 1844–1893 (third bankruptcy), and 1894–1932 (fourth bankruptcy). Evidently matters hardly stop there: the dictatorship of Metaxas (1936–1940) and then the Nazi occupation (1940–1945), the civil war and post-World War Two (WWII) regimes integrated the fault-lines – Greece was the fault-line between East and West.[2] This resonates with the current 'vassal state' which has enforced an unprecedented Troika-imposed austerity package that has turned the clock back 150 years in terms of employment rights and labour relations; it has resulted in the shedding of one-quarter of its GDP, the mass unemployment of one-quarter of the population and left 60% of its youth in impoverishment and debt. It is no wonder that the sub-title to the book is designated as 'the political economy of debt and destruction'.

This volume sets ambitious tasks. It is an effort to grasp the debt and destruction in Greece by revisiting and revising many classical Marxian, Neomarxist and post-Marxist analytical frameworks to sharpen them in order to enable a holistic reading of crisis-ridden Greece. Hence, we have features from Peter Gowan's 'global gamble' (1999), the late Arrighi's last work (2008) to gauge the power-shift towards the east (with China's and India's rise) in combination with a USA in long-term, if not terminal demise. The paradox, however, is that the economic decline and debt of the USA is inversely related to its military might. We can locate David Harvey's 'new imperialism' (2003), as 'accumulation by dispossession' featuring in the collapsing economies. This is repackaging Marx's *primitive accumulation* and the Marxist notions of *combined/uneven development*. Moreover, in the book we find explanatory theorisation drawn from Antonio Gramsci and from Nicos Poulantzas' 'authoritarian statism', not forgetting Constantine Tsoukalas, to whom the book is dedicated.

The book succeeds in the most important tasks, namely, *it asks key questions*, *it sets the framework and proceeds in a bold historical analysis on the Greek crisis in an original and insightful manner*. How can such an analysis assist in understanding the crisis in Greece as both *an instance*, even if this is the acute instance of a Eurozone crisis and *not as an exceptional case*? The authors certainly do not shy away from critically engaging the corruption, nepotism and clientelism within the Greek social formation and state. A possible weakness of the book is keeping the delicate equilibrium between the *geopolitical angle* and *the political economy angle*.

A major strength of the book is the fact that it structurally links and integrates the global fault-lines approach to the economic and political crisis in Greece. This places the Greek crisis in its proper context, that is to say, regionally and historically. Innovative also is the renewal of Neomarxist political economy in southern and peripheral Europe. The authors successfully adapt the debates over the Global south to the European South and periphery. Populism, nepotism and

2 Kyriakos Varvaressos (2002) was commissioned to write a *Report on the Greek economic problem* in 1952, *Έκθεσις επί του Οικονομικού Προβλήματος της Ελλάδος* see Varvaressos (2002[1952]).

political clientelism are seen by the authors as political strategies organised and maintained by the comprador bourgeoisie (i.e. the fraction of the ruling class in peripheral state who act as 'go between' betwixt the country and the imperial metropolis). They do not constitute an absence of modernity but particular modernising strategies that 'are geared to block the labour movement from assuming power which may entail breaking away of a peripheral state from the imperial state' (p. 49). The authors consider deeply flawed the view that populism and clientelism are products of an 'under-development of civil society'. They argue that the danger of a state of emergency is more likely in the peripheral state than the core because of the ease via which 'capitalistic crises in capitalism spread vertically across the state/civil society axis and horizontally across the regions and various segments of social economy'. This is because these cannot be 'absorbed due to lack of a robust institutional framework'. It is here where geopolitics returns with a vengeance: Greece is a classic case of such a global fault-line, for example, 'the discursive articulation of economic, political and ideational and geo-political instance in a social formation divided into classes and determined by social struggle' (p. 44). The basic underdevelopment thesis was in vogue in the 1960s and 1970s, holding that the countries of less developed regions – now also called the Global South – are underdeveloped because of the neo-colonial relations.

Greece the Eurozone and Cyprus: Facing the New Social Question

A fascinating but painful social theme in chapter 6 is the disintegration of the middle classes, comparing the 'PIGS' (Portugal, Italy, Greece, Spain) after the section on the concluding points. An expansion of this comparative section would have been welcome rather than leaving the subject to the end. This is acutely relevant to Cyprus.

This issue links austerity politics to the re-opened 'social question'[3] (Troika imposed *Memoranda of Understandings*, IMF recommendations together with particular class factions which make up the 'comprador bourgeoisie'). Fouskas and Dimoulas take us through the dramatic collapse of the welfare state in Greece and in PIGS, but it must be noted that welfarism has been in decline since the late 1970s and early 1980s (Esping-Andersen, 1996). The 'new social question' (Rosanvallon, 2002) is re-surfacing violently and with new terms in countries such as PIGS as well as Cyprus. References to 'social crisis' feature regularly in the local media and the term 'new social question' is hardly uncommon; it is over a century since 'the social question' was first introduced to Greece by the pioneer socialist G.A. Skliros (1907). Cyprus, like Greece, has often been the headline in major newspapers since the Euro Group imposed an unprecedented bail-in that led to a massive haircut on bank deposits, bank melt-down and stringent financial controls on banking and financial markets.

3 See for instance Ive Marx (2007).

The story of PIGS (and Cyprus) are not 'exceptions' in an otherwise well-functioning normality; they are a new authoritarian 'normality'. Yet, there is wild social and economic experimentation in a systemic crisis where the manifestation of the logic of a system seems to have gone astray. The systemic features of Cyprus with an overblown banking-and-finance sector that benefitted on speculation and 'hot money' are well-known (see Trimikliniotis *et al*, 2012). However, the treatment of Cyprus in March 2013 was truly incredible. One year after the first ever bail-in, which forced depositors to pay for bank losses in Cyprus, we have a better picture of this extraordinary event that made the so-called 'Cyprus template' and the 'Cyprus treatment', feature in international news headlines (see Kitromilides, 2013; Trimikliniotis, 2013). At the time there was an interesting debate as to whether the template could be used in the future, despite the desperate efforts to claim that the situation in Cyprus was 'unique'. As pointed out by Arestis and Sawyer (2013), the €17.5 billion requested by Cyprus was a comparatively trivial sum in absolute terms when compared to the previous Southern European bailouts. Cyprus makes up only 0.2% of the Eurozone economy and once it was sealed off by cutting the Cypriot banks off from Greece, this small economy was suitable for experimentation in regard to ideas about bail-in procedures. In the words of the *Economist* (2014):

> 'Of the 147 banking crises since 1970 tracked by the IMF, none inflicted losses on all depositors, irrespective of the amounts they held and the banks they were with. Now depositors in weak banks in weak countries have every reason to worry about sudden raids on their savings. Depositors in places like Italy have not panicked yet. But they will if the euro zone tries to "rescue" them too.'

The initial Euro Group proposal violated the EU *acquis*. It premised its banking rescue on the imposition of an unprecedented confiscation of 6.75% on guaranteed deposits (i.e. under €100,000) and 9.9% for those with over.[4] It is at least odd that the proposal came from the Cypriot President himself, but it was endorsed by the Euro Group. The legacy of the mass Cypriot mobilisation against the decision of the Euro Group and the newly-elected Cypriot President averted the imposition of a hair-cut on guaranteed deposits; this legacy is one that extends beyond Cyprus saving the principle of guaranteed deposits for low-income earners across Europe and beyond.[5] After being tested in Cyprus, the 'bail-in' system has become EU law: the directive is to enter into force on 1 January 2015 and the bail-in system is to take effect on 1 January 2016.[6]

4 This was a shock therapy-type of liquidation of the banking and financial services of a small island state economy with a Banking sector that was (and is no more) 8 times larger than the country's GDP. See Trimikliniotis (2013) and Kitromilides (2013).

5 See Trimikliniotis (2013) and Kitromilides (2013); also see the paper: 'Η Εξέγερση του Μάρτη του 2013' [The Revolt of March 2013] *Δεύτερη Ανάγνωση* [Second Reading], Τεύχος, Vol. 103, 15–22 March 2014. Available at: [http://2ha-cy.blogspot.com/2014/03/blog-post_1458.html], accessed on 19 February 2014.

6 See 'Deal Reached on Bank "Bail-In Directive"' – European Parliament News. Available at: [http://www.europarl.europa.eu/news/en/news-room/content/20131212IPR30702/html/Deal-reached-on-bank-%E2%80%9Cbail-in-directive%E2%80%9D], accessed on 20 May 2014.

Exit Route(s): Austerity Policies, Exit the Euro or Global Seisachtheia?[7]

Chapter 6 nicely sums up three key approaches to the crisis, which also contain recipes for solution:

1. The peripheral state is to blame for its lack of fiscal discipline and corruption. This is the position of the EU Commission, IMF and ECB, as well as the mainstream parties in Greece such as Nea Demokratia/PASOK. Remedy: austerity; if that fails then *more* austerity.
2. The European Monetary Union (EMU) has caused a split in the core and periphery creating permanent discrimination and structural hierarchy between the core (Germany) and the periphery (PIGS). This requires radical remedies in the Eurozone as a whole, but also for those in the periphery to break away (Lapavitsas *et al*., 2012; Krugman, 2012, 2014); even influential commentators such as Martin Wolf in the *Financial Times* support this.
3. The Eurozone function is the problem, and austerity is essentially a process of 'internal devaluation' that socialises the crisis and imposes it on the subaltern classes. However, the countries in the Eurozone are now structurally connected which exacerbates the problem but breaking away is not a solution as the peripheral state will (a) have to negotiate and eventually accept a severe exit deal, and (b) will still be subject to the same kind of pressures from outside. The only solution is to force a structural transformation on the Eurozone. This is the Syriza line and is articulated by Milios and Sotiropoulos (2009, 2010) and Varoufakis (2011).

The authors then present three other structural subjects that should be addressed: first the legacy of the Stock-exchange bonanza which Cyprus also experienced in 1999–2000; second, what Krugman called 'run away banks' – in Cyprus we have much work to do; third the *comprador-military complex* which has imposed extortionate military spending and the corruption that goes hand in hand with it, i.e. μίζες or backhanders – again, sadly, Cyprus also excels in this.

The key argument of Fouskas and Dimoulas is that 'the fusion of comprador and financial/rentier capital with the state apparatuses and political economy' (p. 45) is the leitmotiv of their empirical analysis. 'Peripheral/subaltern states' such as Greece and Cyprus in the Eurozone are inherently 'deeply dependent on decision-making processes that take place in the core', hence their recommendation to the way out is to 'break away from the imperial chain' as Cuba did or as Salvatore Allende tried to do. Yet, they recognise that there is no quick fix or magic recipe; there are

7 Wikipedia has the definition of Seisachtheia as: 'a set of laws instituted by the Athenian lawmaker Solon in order to rectify widespread serfdom and slaves (...)'. Serfdom and slaves, used as debt relief/payment, was 'rampant in Athens in the 6th Century B.C. (...). The seisachtheia laws immediately cancelled all outstanding debts, retroactively emancipated all previously enslaved debtors, reinstated all confiscated serf property to the serfs [*hektemoroi*], and forbade the use of personal freedom as collateral in all future debts. The laws instituted a ceiling to maximum property size - regardless of the legality of its acquisition (i.e. by marriage), meant to prevent excessive accumulation of land by powerful families'.

massive difficulties with leaving the Eurozone or breaking away from the imperial chain. They, therefore, propose a multilateral policy of 'international and socialist seisachtheia' (p. 189) and develop these ideas in the ultimate chapter of the book.

My final words on this book by Fouskas and Dimoulas is that overall it is a fine read with a very clear line of thinking, in spite of the fact that it contains extraordinary information, sources and theory; it is probably one of the best advocates of re-vamped, well-argued and smart Neo-Marxist accounts on Greece I have come across. It is a well-thought synthesis of economics, politics and international relations that attempts not only to theorise but apply the theoretical insights to the Greek situation. More to the point it is highly relevant to what is happening today in the Eurozone at large and in Cyprus in particular. In terms of the research agenda, we would certainly benefit from a book like this on Cyprus.

Nicos Trimikliniotis

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Small States in the European Union: Coping with Structural Disadvantages

DIANA PANKE
Ashgate Publishing (Farnham, Surrey, 2010), xiv + 243 pp.
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With increased interest in cooperation beyond the nation-state and the proliferation of International Organisations (IOs) and regimes in the post Second World War period, International Relations (IR) research has tended to focus mostly on bigger rather than smaller players in these groups. Hence the significance for the wider discipline of the role of small member states in EU negotiations. Small states have an incentive to exhibit strong commitment to institutions for collective action, as they seek to protect and promote their interests. Although Diana Panke's book comes to complement an already rich literature on EU negotiations, it does so in a most insightful way in relation to the negotiation activities of small member states and their success prospects, which are ultimately dependent upon the powers of persuasion, mediation and lobbying.

Panke's main theme is captured in the book title. She undertakes a comparative analysis by investigating the day-to-day negotiations within the EU in which 19 small member states can gain influence over EU policies through the Council of Ministers (both at the level of working groups and the COREPER). The 19 EU member states examined are namely Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Portugal, Slovakia, Slovenia and Sweden. In the Introduction of the book, Panke defines small states as those with less than average votes in the Council of Ministers. As Panke explains, these states also have smaller economies (and therefore less bargaining power to advocate their interests), leaner administrations and fewer policy experts. It is in this context that Panke addresses the two main research questions of the book: (1) Why do some small states participate in EU negotiations more actively than others? (2) How and under which conditions do negotiation strategies of small states influence their prospects of negotiation success?

Taking this as her point of departure, Panke implicitly divides the book into two main thematic parts. Chapters 2–5 deal exclusively with the first research question, investigating why some small states are more active than others when engaging in EU negotiations, despite the fact that they all face very similar structural disadvantages. These disadvantages may take the form of constraints in the process of uploading national policies to the EU level, in influencing policy outcomes through bargaining vis-à-vis other member states in the Council (individual strategies), as well as in argument-based lobbying on EU institutions or coalition formation to increase their

bargaining leverage (compound strategies). The second thematic part of the book comprises chapters 6–9, which focus on the second research question, thus attempting to shed light on the reasons why some small states are more successful than others in influencing negotiation outcomes, as well as the possible scope conditions under which different strategies can be effective.

Methodologically the author combines a mixture of quantitative and qualitative techniques in order to investigate the extent and frequency with which small states apply a variety of persuasion-based and bargaining-based shaping strategies. Before embarking on this examination however, Panke first determines the types of size-related disadvantages that small states face and how they affect policy-making. She determines this, both theoretically and empirically by recording the results of more than 100 interviews conducted with national officials charged with representing their national governments at the supranational forum. While the theoretical framework of the analysis and the results of the quantitative research are discussed in the main text, the author also gives lengthy interview quotes at the bottom of the pages as footnotes. This makes the book much easier to read, as it can in fact be read in two different contexts: that of the theoretical framework and that of the empirical findings.

Panke then uses a multivariate OLS regression analysis in order to examine the effect of the negotiation strategies used by the small EU member states and define their degree of success. She concludes that, the more frequently states use these negotiation strategies, the more successful they are likely to be. She recognises, however, that a significant limitation of this approach is that not all hypotheses can be quantified. She addresses this constraint by conducting two qualitative case studies on EU negotiations: spirit drinks and specifically vodka (a highly politicised case) and pesticides (a very technical case). Panke argues that concentrating on niche policies can help small states in negotiations; hence the detailed case studies in the aforementioned areas, which are lesser known and, arguably, more insignificant. Although both cases belong to the wider sphere of agricultural policy, they demonstrate distinctions between this, rather heterogeneous group of small EU states. The group in fact involves those states that are more and those that are less actively engaged in the EU negotiation process. The author concludes that the more actively engaged a state is and the more it concentrates its rather limited resources on a specific set of policy priorities, the more likely it is to cope with its inherent structural disadvantages and the more successful it will be in EU negotiations.

All in all, Diana Panke's intervention is indeed a welcome addition to the IR and Europeanist literature in state negotiations in International/Regional Organisations. More specifically, it makes a significant contribution to the literature on small states' negotiation, especially from an empirical perspective, while it also comes to enhance the bodies of literature on IR, Europeanization (from the perspective of how states' administrations adapt to EU pressure), Intergovernmentalism, comparative policy analysis, as well as the literature on domestic coordination.

While the EU itself strengthens the position of small states through the establishment of institutions in which member states participate and have formal equality with bigger states, most

bargaining chips are not in their hands. Through a most comprehensive approach, Panke demonstrates empirically how small EU member states can follow negotiating, bargaining, mediating and persuasion strategies that will help them to punch above their weight and not merely be bystanders. The author succeeds in advancing the reader's collective understanding of the role of small players in the EU forum in particular and in supranational governance structures in general.

Christina Ioannou

The Foreign Policy of Counter Secession: Preventing the Recognition of Contested States

James Ker-Lindsay
Oxford University Press (Oxford, 2012), x + 215 pp.
ISBN: 978-0-19-969839-4

In this book, James Ker-Lindsay describes how states seek to prevent the recognition of regions that are trying to secede unilaterally from the states in question. He focuses on three countries: Cyprus, Serbia and Georgia; and four secessionist regions: the Turkish Republic of Northern Cyprus,[1] Kosovo, Abkhazia and South Ossetia. In each case, the region has established *de facto* control over its territory, but wants *de jure* recognition. As Ker-Lindsay notes, the relevance of this subject matter extends far beyond the covered cases. There are several states that are faced with very similar situations, including Azerbaijan, Moldova and Somalia. There are many other states that face popular secessionist movements, including Spain, Canada, the United Kingdom, and India, and there are yet other states that are nationally heterogeneous and may come to face secessionist movements in the future. It is hardly an exaggeration to say that the issue of counter-recognition is of relevance to a significant proportion of the world's states. It is also relevant, of course, for the secessionist regions in question, or any would-be secessionist region. As will become clear to anyone who reads this book, non-recognition matters profoundly. Without it, 'contested states' are unable to trade (legally) with the outside world; unable to establish transportation links; unable to take part in international sporting competitions; and unable to do a good deal more.

It is somewhat surprising, given the importance of the subject matter, that Ker-Lindsay's book is the first to show in detail how states work to prevent the recognition of breakaway regions. There is a large literature, written by international lawyers, on how statehood is acquired. There is also a significant political science literature on secession, and a growing political philosophy literature on the right to secession ('just cause' and 'choice' theories of secession). But hitherto no-one has examined the myriad of ways in which states seek to ensure that their breakaway regions do not get recognised within the international system.

Ker-Lindsay's account is rich, and ranges from tactics that are interesting and meaningful to some that will seem to many readers to be trivial, or even ridiculous. In the former category is the

1 Although the northern part of the island is referred to as the Turkish Republic of Northern Cyprus (TRNC) in this book review, it is acknowledged that the TRNC is not recognised by any country except Turkey. The TRNC is treated in the review as it is treated in Ker-Lindsay's book, as a secessionist region or entity rather than a (recognised) state.

insistence by the Republic of Cyprus, currently controlled by Greek Cypriots, that it is faced with an issue of 'invasion and occupation' rather than a campaign for 'self-determination' by Turkish Cypriots, and far less an attempt to escape historic oppression. This matters profoundly because 'invasion and occupation' suggests two important conclusions: first, that the secessionist entity was created by a clear breach of international law, and should therefore be opposed by all states; second, that the entity in question is a 'puppet' state that does not control its own territory, a criterion that is sometimes used to define statehood. The trivial tactics include the insistence on putting all references to secessionist entities or their officers in inverted commas, or prefacing them with 'so-called' (e.g. the 'so-called foreign minister'). Ker-Lindsay also provides an interesting and unusual example of a state engaging in what was a massive error: Serbia asking the ICJ to rule on whether Kosovo's declaration of independence was illegal, rather than asking it to rule on whether Kosovo could become independent from Serbia. The former allowed the ICJ to sit on the fence by stating that the 'declaration' was legal, without having to pronounce on the substantive issue regarding whether regions can secede – an issue that would have been much more difficult to answer in the affirmative.

Ker-Lindsay makes clear that states enjoy an enormous structural advantage over regionalist movements attempting to secede unilaterally. Other states and, if I may, 'so-called' inter*national* organisations (in fact they are based on 'states', some of which are pluri-national) are understandably not inclined to support unilateral secession. This is because they see unilateral secession as a threat to international stability and possibly as posing a threat to their own territorial integrity or to that of their allies. Bilateral secession, by contrast, poses no such risks, and can be accepted unproblematically, as we saw in 2011 with the secession, and universal recognition, of South Sudan. This structural advantage explains why there have been very few, if any, successful cases of unilateral secession. Ker-Lindsay explains that even Bangladesh, arguably the only case since 1900, was given a seat in the United Nations only after Pakistan recognised it. Somaliland has failed to achieve recognition from anyone, in spite of the fact that it is reasonably stable, while Somalia is a failed state that has had no functioning central government for more than a decade. Kosovo is the only other arguable exception, but it remains unrecognised by many states and is still not in the UN. The only factor that can significantly offset the structural bias in favour of states, in Ker-Lindsay's account, is the support of a great power, with the United States clearly the most important. It is the United States' support for Kosovo which explains its relative success *vis-à-vis* the other regions covered, although Kosovo's success is still only partial. Great powers, however, tend to be as conservative with respect to recognition as other states, with China being particularly cautious. Some powers, meanwhile, appear hypocritical: Russia backs the territorial integrity of Serbia, but not Georgia or Ukraine, while the United States takes the opposite position.

The strength of the international bias against recognition is such that it begs a key question: why do states bother expending considerable resources on counter-recognition policies when there is very little chance of recognition occurring? The answer, Ker-Lindsay explains, is that

'recognition' is not dichotomous (a secessionist region is recognised or it isn't), but involves an extensive continuum. At one end there is formal recognition as an independent state, but there are many steps before this, some of them minute, that can lead to 'legitimation and acknowledgement'. Secessionist regions and the states from which they are seeking to extricate themselves are usually aware that formal recognition is out of the question. Instead the secessionist regions aspire to a degree of interaction with the rest of the global community that, while falling short of statehood, delivers virtually all of the practical benefits associated with statehood, including trading and sporting links etc. This is sometimes called 'Taiwan status', with Taiwan an entity that prospers in worldwide trade and takes part in the Olympic Games etc., but is not a recognised state. It is 'Taiwanization', rather than formal recognition, that constitutes the real danger for most states with secessionist regions (p. 175). In addition, one must recognise that even formal recognition of statehood is not itself a dichotomous matter, as a region can be recognised by one state (e.g. the Turkish Republic of Northern Cyprus by Turkey); by a sufficient number of states to be entitled to membership of the UN (the gold standard); or by all states in the UN (Israel is in the middle but not the last category). This means that states with secessionist regions have to be wary of any state, or any additional state, recognising their secessionist region, which requires a considerable diplomatic outlay and means the state in question can never relax its guard.

Another reason why states put so much energy into counter-recognition policies, Ker-Lindsay explains, is that they are less concerned about formal recognition than with keeping military options open for re-capturing the territory (Georgia prior to 2008), or with securing re-integration on better terms in negotiations. On the latter score, the state will want to limit 'legitimization and acknowledgement', while the secessionist region will want to maximise them, as this strengthens their respective hands at the negotiating table. The Greek Cypriots, to use one example, can expect to get more territory, more property, and perhaps even a better deal on Turkey's intervention rights under the Treaty of Guarantee, if there is little or no legitimisation or acknowledgement of the TRNC. The Turkish Cypriots can aspire to more of a confederal status the more recognition they can win. In a few exceptional cases, if the secessionist entity looks set to win, the state can hope through its counter-recognition policies to secure better terms for protecting its interests in the about to become independent entity. This is the course that Serbia looks to be currently set on, with respect to protecting Serbs within Kosovo, and the Serbian religious sites.

Ker-Lindsay has written a very strong text. He could have done a little more to bring out the comparative dimension of his subject: e.g. why have some states, or secessionist regions done better or worse than others? Even on this point, the answers can be found in his book, but they are not brought together as an orthodox comparativist might have done. One point that emerges throughout the book, for example, is that Cyprus is the 'Rolls-Royce' of counter-secessionist states, while Serbia looks like a 'loser' by comparison, with Georgia located somewhere in between. But why is this? It can hardly be because of size, or vast diplomatic resources. It can also not be because

Cyprus has more experience than the rest, although it does. Cyprus, after all, has been successful in countering recognition from the very start: in 1983, on the TRNC's UDI, the UN Security Council expressly prohibited other states from recognising it. The answer appears to lie instead in the fact that the international community has accepted that the TRNC is a result of 'invasion and occupation' and not, as the Turkish Cypriots or Ankara would have it, an exercise in self-determination or a case of 'just cause' secession. Also, though perhaps less important, the 1960 Cyprus constitution expressly prohibited secession or partition. The Yugoslav and Soviet constitutions, by contrast, acknowledged rights to self-determination and secession respectively, and while Kosovo and Abkhazia and South Ossetia were not full members of their respective federations, they, particularly Kosovo, have derived indirect benefits from this constitutional permissiveness. This, in turn, explains why Greek Cypriot negotiators want to prevent anything in the constitution of a united Cyprus that might facilitate the future recognition of a Turkish Cypriot state.

An important and related issue that is not touched on in the book is why some states are more interested in countering secession than others. Ker-Lindsay acknowledges not just that Sudan let South Sudan go – perhaps not difficult to understand, as it happened after massive and protracted violence – but that the UK and Canada do not seem as interested as Cyprus and other states in preventing secession. No explanation is given. The UK is liberal on secession primarily because it is a union-state: Scotland and Northern Ireland have always been treated differently, and the loss of either or both would pose no serious problem for England, which pre-existed the UK as a separate state with stable borders and a strong national identity. Canada is not quite as liberal as the UK (because there is no historic identity or region in Canada outside Quebec), but it is a democratic and liberal federation with an independent judiciary. It was the judiciary that decided that the federal government would have to negotiate the terms of secession if any province clearly wanted it.

In places, the book reads like a handbook for states that want to prevent secession, and it will certainly make essential reading for the policymakers of such states (and their counterparts in the contested states). This does not mean that Ker-Lindsay wants to promote counter-recognition policies at the expense of seeking agreement. On the contrary, he points out that if the real goal of states is to set the terms for re-integration, they should be more cognisant of the damage that counter-recognition policies can have on prospects for reconciliation or reunification. This part of the book is brief, but it is meaningful.

Ker-Lindsay's book is original, demonstrates a deep knowledge of the subject matter, is ultra-accessible, and is possible to read from cover to cover. It makes a solid, eminently worthwhile, contribution to the broad literature on secession.

JOHN MCGARRY

Judgment at Istanbul: The Armenian Genocide Trials

VAHAKN N. DADRIAN AND TANER AKÇAM
Berghahn Books (New York/Oxford, 2011), pp. xii + 363 pp.
ISBN: 978-0-85745-251-1

As we approach the centennial of the Armenian genocide, denialist scholars still attempt to obfuscate and distort the historical facts of one of the classical cases of genocide in the twentieth century. The volume under review provides the reader with one of the most indisputable proofs on the veracity of the Armenian genocide and specifically the *intent* to commit such a crime. In the past four decades, the scholarship on the Armenian genocide has been developing in tandem with literature in the field of comparative genocides. Since then numerous volumes from different disciplines have contributed substantially to our understanding of this genocide. Despite these promising developments, studies of the Armenian genocide from a legal-criminal perspective have been scarce. Only a handful of works have addressed the subject and even those have done so partially.[1] The volume under review is the most comprehensive and analytical work to address the Armenian genocide from legal-criminal perspective to date. Major portions of the book *Judgment at Istanbul: The Armenian Genocide Trials* written by Vahakn N. Dadrian and Taner Akçam, appeared first in Turkish.[2] In *Judgment at Istanbul* Dadrian and Akçam examine the Armenian genocide as documented by the Ottoman Special Military Tribunal's criminal persecution of the perpetrators who were involved in the genocide. They analyse the genocide from a legal-criminal perspective 'in order to inquire the specific context and conditions in which the prosecutorial initiatives took place, the huge obstacles that the courts had to overcome, and the series of verdicts

1 See for example Grikēr, *Yozghati Hayaspanut'ean Vaweragrakan Patmut'iwnĕ* [Documentary History of the Armenocide in Yozgat] (New York: Grikēr, 1980), in Armenian; O.S. Kocahanoğlu, *İttihat-Terakki'nin Sorgulanması ve Yargılanması: Meclis-i Mebusan Tahkikatı, Teşkilat-i Mahsusa, Ermeni tehcirinin içyüzü, Divan-ıHarb-i Örfi Muhakemesi* [The Interrogation and Trial of the Union and Progress: The Investigation of the Ottoman Assembly, Special Organisation, the True Face of the Armenian Deportations, the Military Tribunal] (Istanbul: Temel Yayınları, 1998), in Turkish; idem, *Divan-ı Harb-i Örfî Muhakematı Zabıt Ceridesi: Tehcir Yargılamaları (1919)* [Turkish Military Tribunal Records: The Deportation Trials (1919)] (Çemberlitaş, İstanbul: Temel, 2007), in Turkish; G.J. Bass, *Stay the Hand of Vengeance: The Politics of War Crimes Tribunals* (Princeton, N.J: Princeton University Press, 2000).

2 V.N. Dadrian and T. Akçam, *Tehcir ve Taktil: Divan-ıHarb-i Örf î Zabıtları: İttihad ve Terakki'nin Yargılanması, 1919–1922* [Deportation and Massacres, Protocols of Military Tribunal, Trial of Union and Progress Party, (1919–1922)] (Şişli: İstanbul Bilgi Üniversitesi, 2008), in Turkish.

that ensued' (p. 3). With this aim in mind the book analyses these courts-martial in a meticulous way from both legal and historical perspectives.

After the armistice of Mudros in the aftermath of World War I, the defeated Ottoman government of Istanbul, under the pressure of the allies especially the British, established Courts-Martial to try members of the Committee of Union and Progress (CUP), government officials, and military leaders, as well as other functionaries, with charges of committing crimes against the Armenians and subverting the constitution by leading the Empire into the War. The Courts-Martial, which began in 1919 and ended in 1922, demonstrated the undeniable role that the Young Turk Party, the CUP, played in the organisation and implementation of the Armenian genocide. The importance of these military tribunals does not only lie in their verdicts and Key Indictment, rather in the process that culminated in these decisions. This process involved the gathering and classification of mass documentary evidence about the centrally organised plan to annihilate the Armenians of the Empire. In the course of these Tribunals new documents surfaced which were authenticated in the pre-trial investigation by officials from the Ministry of Justice and Interior. The authentication of these documents was carried out by affixing to the bottom of the documents the phrase 'it confirms with the original' (*aslına muafikdir*).

The book *Judgment at Istanbul* is divided into two parts: Part I entitled the 'Conditions Surrounding the Trials' which constitutes the major section of the book (9 chapters) is written by Dadrian whereas Part II entitled 'The Trials and Beyond' (3 chapters) is written by Akçam. The final chapter of the book provides verbatim translation into English of the full texts of the Indictments and Verdicts from the original Ottoman. In Part I, Dadrian provides an overview about the political and military conditions of the time, a detailed analysis of the trial preparation, and an analysis of the court procedures. Towards the end of Part I he provides a summary of the series of verdicts. Akçam on the other hand examines closely the Ottoman Turkish press in Istanbul during the period of the courts-martial and provides the reader with a detailed list of the trials in question. What is unique in these courts-martial is that for the first time in the history of the Ottoman Empire all three branches of the Ottoman government (executive, legal, and judicial) were resolved to prosecute and punish the perpetrators.

After providing a brief historical background about the Armeno-Turkish conflict, Dadrian concentrates in chapter two on the Ottoman Parliamentary debates about the Armenian genocide and the inception of the Mazhar Inquiry Commission appointed by the Cabinet which was tasked with the 'investigation of misdeeds' (*tetkiki seyyiat*) of officials only. Assigned to conduct large-scale pre-trial criminal investigation, the Commission began gathering eyewitness accounts and official and quasi-official documents. The latter proved to be instrumental in the trial process and a testament to the complicity of parliamentary deputies and provincial governors in the Genocide (p. 60). Before its termination, the Commission collected some 200 dossiers and handed them over to the courts-martial authorities (p. 64). In chapter three Dadrian discusses the preparations for the courts-martial and the array of impediments that it had to overcome in order

to provide its verdict. The most important of which was the existence of CUP sympathisers within these administrations who intentionally obstructed the process of the trials. Afterwards Dadrian concentrates on the importance of the Key Indictment whose trial began on 28 April 1919 and which constituted a singular phenomenon in Ottoman-Turkish history as a whole. This is because for the first time in Ottoman history 'high-ranking Turkish officials, including two wartime prime ministers and [a] host of cabinet ministers were being criminally prosecuted for crimes' (p. 83). The collection of documents in the hands of the courts-martial was crucial in incriminating the chiefs of the Special Organisation (SO), the most prominent of which were Drs Mehmet Nazim and Bahaeddin **Ş**akir. Through analysing the Indictment, Dadrian demonstrates how Talat Paşa, the chief architect of the genocide, was 'singled out as being in secret communication with **Ş**akir, the director of the SO operating in the Eastern provinces' (p. 86). Furthermore, he demonstrates that two groups organised and supervised the killings in the eastern provinces: the CUP leaders who were in charge of the SO units and a coterie of ex-officers who had resigned from the military and were sent by the CUP to deliver special orders to the provinces. In chapter four Dadrian discusses the initiation of the courts-martial and demonstrates the challenges that they endured in this process. The most important of these obstacles were the instability of post-war Turkish governments, local political resistance, and the rising tide of Kemalism in Anatolia, all of which created problems for the operating military tribunals. It is interesting to note in this chapter that Dadrian provides the list of the defendants and the names of their lawyers (pp. 96–97). If the documents of these defence lawyers exist today it will provide a new aspect of understanding the arguments they made in defending their clients (read perpetrators). Chapter five of the book deals with the emergence of Kemalism and the rise of Turkish nationalism, both of which had a huge impact on aborting justice in the case of the courts-martial. This was because Kemalism became more and more entwined with the remaining CUP leaders many of whom played leading roles in the Armenian genocide. Chapter six of the book deals with the series of major trials and the related verdicts. In this chapter Dadrian concentrates on the courts-martial proceedings that took place in the cities of Yozgat, Bayburt, Erzincan, and the provinces of Harput and Trabzon (pp. 110–116). In addition, he concentrates on the trials of the responsible secretaries and delegates of the CUP (pp. 116–119) and on cabinet ministers' and CUP chieftains' trial series (pp. 120–121). The central theme of the Key Verdict with regard to the cabinet ministers and CUP chieftains was that 'crime of mass murder' against the Armenians was 'organized and carried out by the top leaders (*erkân*) of CUP' (p. 120). Dadrian notes that the significance of all these major trial series was that the verdicts were solely based on Muslim testimony, which supported the majority of the existing documentary evidence (p. 109). Chapter seven should be regarded as the most important chapter of the book. Here Dadrian analyses the pre-trial parliamentary initiatives 'in terms of examining and ascertaining the principal determinants of the crime of the World War I Armenian Genocide' (p. 127). For Dadrian these determinants are: 1) Premeditation and special intent (pp. 133–337); 2) The Special Organisation (pp. 137–144); 3) Responsible secretaries (pp. 144–146); and 4) The

central authorities especially the Central Committee of the CUP (pp. 147–148). The most important of these determinants is the premeditation and special intent (*dolus specials*) which is considered to be the critical component in qualifying a mass crime as genocide by the UN definition. Another important point that Dadrian raises is the way in which the CUP leaders sidelined the cabinet and the parliament and war was declared without the requisite cabinet approval. In chapter eight Dadrian provides a summary of the conditions surrounding the trials. The last chapter of Part I deals with the judicial liquidation of some of the arch perpetrators of the genocide by both CUP and Kemalist authorities. Dadrian argues that in liquidating these perpetrators the Kemalist regime 'ended up administering punitive justice against some of the most prominent authors of the Armenian Genocide' (p. 182).

The second part of the book, written by Akçam, surveys the press during the period of the courts-martial and provides important details that do not appear in the official gazette of the government, *Takvim-i Vekayi*. Akçam confirms that there existed sixty-three different court cases directly involved in crimes against the Armenians. He briefly discusses each case (pp. 202–242). Of these sixty-three only twelve appeared in *Takvim-i Vekayi*. Akçam divides the documentation of these trials into four categories: the first consists of complete accounts of the trials, the second of partial accounts, the third includes those trials that were documented only by their verdicts, and the fourth includes those sentences that were decreed officially by the Sultan (p. 202). In his last chapter Akçam discusses the formation and operation of the Ottoman Military Tribunals. Though the information in this chapter appears in the first section of the book written by Dadrian, it nevertheless provides a useful overview of the political situations in both Istanbul and Ankara during the formation and operation of the Military Tribunals and their demise in 1922 when the Ankara Nationalist movement took Istanbul. It would have been much better if this chapter had been placed in the beginning of Part I of the book. The final chapter of the book provides English translations of the full texts of the Indictments and Verdicts (pp. 271–332).

The book *Judgment at Istanbul* should be regarded as an important contribution to the field of Armenian genocide studies, Ottoman legal history, and the history of War Tribunals. It provides readers with a compelling argument about the historical veracity of the Armenian genocide. It also demonstrates that the post-war government in Istanbul was willing to try the culprits of the Armenian genocide and deliver justice to the victims. However, for reasons discussed in the book these attempts failed to attain their goal. *Judgment at Istanbul* is a valuable contribution to the field of legal aspects of genocides. The book would be useful to students in genocide studies, late Ottoman history, legal experts on mass crimes, and comparative genocide scholars.

BEDROSS DER MATOSSIAN

Cyprus and the Politics of Memory: History, Community and Conflict

Edited by Rebecca Bryant and Yiannis Papadakis
I.B. Tauris (London and New York, 2012), viii + 275 pp.
ISBN: 978-1-78076-107-7

A Russian proverb says: 'The past is less predictable than the future.' Today, the task of re-visiting and re-working the past is, more than ever, a major theme of the present. In his book *Present Pasts* Huyssen (2003, p. 3) argues that we currently suffer from a 'hypertrophy of memory', not history. Commenting on the explosion of memory discourses he points out that whereas nineteenth-century nation-states were concerned with recording history and tradition in order to legitimise a utopian future of progress, contemporary debates centre not only on the relationship between history (official, public) and memory (unofficial, personal) but also on the nature and premises of history writing itself. In this new memory market, Cyprus is well positioned to offer the perfect case study, given the conflict, the trauma and the almost experimental design of collective memory with the arbitrary and abrupt closing and partial opening of the Green Line. *Cyprus and the Politics of Memory: History, Community and Conflict* (edited by Rebecca Bryant and Yiannis Papadakis, I.B. Tauris, 2012) is an example of this trend that aims at exploring how 'history becomes a site for struggle, as well as a weapon used in the struggle' (p. 3). Even though not all the chapters engage theoretically the dynamic between memory and history, it is obvious that the main concern of the book revolves around what and how people remember the past – whether it is the past they personally experienced or the past handed down to them through history books.

Thus, the first theme one detects is related to how history in Cyprus is constantly re-visited and revised. Hatay and Papadakis start off in chapter 1 by arguing that a comparative look on the evolution of history writing in Cyprus on both sites can be illuminating, not because it will settle the issue of what really happened but because the question of historiography (vs. history) seems to be a much more interesting site for examining the struggle over the past. In the same vein, Bryant (chapter 7) explains how the battle of Erenköy evolved from a historical footnote that simply added on the idea of helpless Turkish Cypriots awaiting salvation from Turkey, into a myth of Turkish Cypriot heroism. Current commemorations of the battle are a sign of shifting loyalties and an indication that Turkish Cypriots are ready to move on to a history that does not present them as pure victims.

Both chapters allude to the idea of history as a palimpsest: a palimpsest is a manuscript (papyrus or parchment) that contains text underneath which another text from an earlier era is still visible. Reasons for the creation of palimpsests were both economic as well as political (for

example, the case of Christian sermons written over pagan texts in order to destroy them) but they are considered important documents because they are material manifestations of the memory/amnesia dynamic relationship. Two other chapters take on similar perspectives by peeling away layers of memory in people's narratives. In chapter 5, Göker examines how memory is subject to revision once we cross a spatial or temporal threshold: a nationalist visits her home on the other side and cannot deny that she has memories of peaceful coexistence; a migrant Cypriot rewrites the chapter of 'home' when he is unable to find his childhood home after crossing the Green Line. Even though the conceptual focus of the chapter is on home, belonging and alienation, it represents an excellent case of the workings of memory, especially as they relate to issues of space. In another interesting chapter, Loizos (chapter 8) begins to strip off not only the layers of his informants' memory but, more importantly, the layers of his own ability as an anthropologist to collect, collate and present legitimate information. The main focus of the chapter is the question of oral evidence related to the burning of the Argaki Turkish Cypriot coffee shop and the originality of it stems from the fact that it is posed in relation to memory, not history. Loizos argues, however, that neither the historian nor the social anthropologist can avoid the fact that all types of evidence must be interpreted as admissible and valid.

Two other chapters engage the pedagogical side of history by examining its multiple public performances that infuse everyday life. In chapter 6, Pattie provides a critical overview of the Armenian genocide commemoration through poetry and song, supporting the idea that history revolves around narratives of pain and suffering. In one of the most poignant questions of the book she asks: 'What might it mean for children to recite a poem about war and death that involves young people, even children?' (p. 151). While the question is left unanswered, it is a reminder that the issue of how trauma is transferred remains understudied in the case of Cyprus, with only a few exceptions (see Zembylas, 2008). In chapter 2, Philippou analyses Greek Cypriot geography and civics textbooks in order to point out that dominant identity claims and moral teachings of history are not confined to history textbooks. Indeed, this argument is important for anyone interested in the politics of collective memory in Cyprus which continue to fuel furious public debates any time educational reforms are proposed.

In most of the book's chapters a close affinity between memory (or collective memory) and history is implicitly assumed – after all, in ancient Greek mythology, Mnemosyne was the mother of the muse of History. More recent interpretations of their relationship, however, point to a memory/history split. Nora (1989), for example, argues that modern, national history has abducted people's memory and turned it into a monolithic interpretation of the past. The starting point for Panayiotou in chapter 3 is exactly this issue: the silencing of the Left's role in forging class consciousness, contrary to what people experienced or remembered. The chapter argues that (official) history systematically suppressed the voices of people from the Left in order to provide a nationalist version of the EOKA struggle that did not differ much from the modernising British vision. Similarly, Chatzipanagiotidou (chapter 4) engages the 'unofficial' and marginalised history

of the Left (through the eyes of Cypriot migrants in London) even though her work offers a more nuanced analysis: first, in pointing out the dangers of assuming that any alternative or silenced history is automatically authentic and second, in presenting splits between official and unofficial accounts even within the unofficial version.

In both chapters, (official) history is presented as an overpowering, controlling force that provides a singular lens for understanding the world. This is what Ratip aims to deconstruct in chapter 9 by arguing that it would be more useful if we could see the history of Cyprus from the perspective of those who are excluded by it; those who belong to a non-Cypriot history. We would, therefore, recognise how this limited perspective has robbed us of the ability to focus on other narratives beyond the Greek Cypriot/Turkish Cypriot conflict – such as the cases of violence and 'purification' within each community. The main argument of the chapter is a call to incorporate Cypriot history in the larger, international context of capitalism, militarism and globalised violence and, in that sense, to free it from the shackles of exceptionalism.

Ratip's chapter along with chapter 10 by Galatariotou is where the volume ventures into unanticipated areas in order to resolve the history/memory split of the Cyprus conflict. I was initially highly suspicious – should I say, resistant? – of Galatariotou's attempt to bring psychoanalytic methods to the study of history and collective memory but by the end of the chapter I was a Greek Cypriot patient on the couch, enlightened by the seamless connections between private, psychic reactions and public, ideological positions. The chapter initiates us into the basics of psychoanalytic thought (that the objectivity of external reality is compromised by the subjectivity of the conscious or unconscious mind; that there are collective psychic positions; and how we are fixated at the trauma and cannot move past it) before presenting Cypriots' six major difficulties in revisiting the past. From resistance to change to collective obsession with 'the truth' yet fierce rejection of irrefutable facts, and from deceptive memories to de-signified memories (knowing without feeling), the analysis of how the Cypriot society suffers from 'paranoid-schizoid and depressive states of mind in its inter-communal relating' (p. 246) points to a collective denial that maintains false beliefs. These are the beliefs that can and have justified violence.

The problem is that people firmly believe in what they remember as real – as Galatariotou explains: 'Memory is an unreliable witness of external reality but an unfailing recorder of psychic reality' (p. 252). Such diagnosis, of course, is based on the idea that there is an external reality that is separate and, to some extent, independent of our psychic reality. And this is really the bottom line: can this external reality (about what happened in Cyprus) ever be established by those whose psyches have been traumatised by it? Or, more importantly, how do we know that we are in danger of privileging psychic realities at the expense of recognising an external reality? These questions that pitch positivism against relativism may sound simplistic and outdated but they are at the crux of the matter when we are investigating violence, pain and human rights, and I wish that more of the chapters in this book engaged them directly. The Russian proverb implies that memory is productive, not reproductive. If we are experiencing an era of memory saturation that favours the

trauma, the survivor and the witness, then we need to recognise when we are in danger of moving from the fetishisation of history to the fetishisation of the victim. Overall, this book is itself productive in the multiple ways in which it interrogates the tension between reality, truth and memory and, thus, raises more questions than it answers.

MIRANDA CHRISTOU

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Andreas Papandreou: The Making of a Greek Democrat and Political Maverick

STAN DRAENOS
I.B. Tauris (London and New York, 2012), xii + 340 pp.
ISBN: 978-1-78076-080-3

Stan Draenos' book *Andreas Papandreou: The Making of a Greek Democrat and Political Maverick* has come at a time when Greece is facing tremendous economic, political and social problems. The role played by PASOK and Andreas Papandreou's son George Papandreou also brings to the limelight the heritage left by the founder of the Panhellenic Socialist Movement.

Writing about Andreas Papandreou is no easy task when considering his complex and controversial persona in addition to contemplating the active part he played and his influence on modern Greek politics. Andreas Papandreou had such an avid personality that could not leave anyone indifferent: people either admired and followed him or came to strongly oppose him.

Stan Draenos has taken a number of years to carry out his research into the life of Andreas Papandreou. The book in its 340 pages covers very interesting aspects of Papandreou's life. The early part of the book (the first four chapters) deals with Andreas' successful academic career as well as his personal life; it also analyses in a thorough and meticulous way the transformation of an excellent academic into a politician slowly but surely being attracted to Greek politics. The persistent efforts of his father George Papandreou are described in a detailed and lively manner and the author leads us gradually to understand this transformation.

The magnetism of the personality of Andreas Papandreou as well as his passionate temperament comes out vividly through his early life in America. The incident with the authorities described on pages 5 and 6 indicates that Andreas was not the kind of person who easily conformed to restrictions. It also marked the beginning of a new life. The meeting with Margaret Chant and what was to follow, throw light on the passionate aspect of Andreas' character which he was to exhibit later in his political career.

The author describes very skillfully the efforts of George Papandreou to draw his son into Greek politics. The involvement was slow but steady and after some years Greece was to acquire its 'Messiah'. The maverick of Greek politics decided to stay in Greece and subsequently was to be a key player in Greek politics for the next thirty years or so.

A book on Andreas Papandreou could not be complete without reference to Cyprus and the Cyprus problem. Andreas Papandreou came onto the Greek political scene at a time when Cyprus

was facing serious internal political problems and the threat from Turkey was looming in the background. Andreas Papandreou is seen in the role of a modern Greek politician trying to steer a middle path between American politics, Greek interests and internal politics. This was to change in later years as Papandreou moved away from the United States and became more deeply involved in Greek politics and the Cyprus problem. Progressively, the Greek Cypriots were to see a strong supporter of their cause; a leader who was at times even prepared to go to war for the sake of Cyprus. The later years however, are beyond the scope of this book.

The book ends with the tragic events of April 1967: the coup by the Greek colonels, his confinement and his departure from Greece in January 1968.

As Draenos states in his concluding statement '... Andreas Papandreou's transformation into a political maverick had reached its fulfillment at the level of analysis and understanding. The consequences for his politics were to follow' (p. 307).

This is a well-researched and well-written book. It covers the early years of Andreas Papandreou's life in academia, his personal life and his gradual pull and involvement in Greek politics. The coverage is balanced and dispassionate and brings to life the man who was to be a leading figure in modern Greek politics.

Draenos writes in a style that is attractive, smooth and easy to follow. Reading the book was both interesting and easy. As the flyer to the book states 'it will appeal to general readers as well as to scholars and students of international affairs'.

The bibliography is not so extensive but it covers important works on the period. In addition the book has been published in Greek by «Ψυχογιός» in a translation by the writer and journalist Christos Economou.

It has been described by Andreas' son Nicos Papandreou, as one of the best books written on his father. It probably contains the best coverage to date of the early years of Andreas Papandreou.

EMILIOS SOLOMOU

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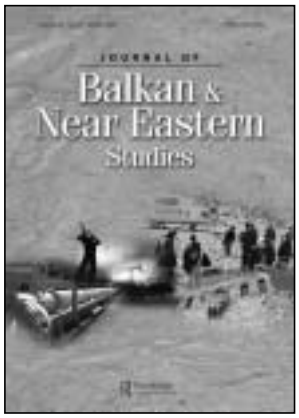

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