

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

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'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 metropolises, 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

* I would like to thank all the authors for working at an accelerated pace and for remaining committed to the project. I wish to thank Hubert Faustmann and Christina McRoy for the wonderful work they do at the Cyprus Review and for their support. I would also like to thank Pete Shirlow for his support and Christakis Georgiou for his comments on the introduction. More general acknowledgements for their comments are due to Christina Antoniou-Pierides, Yael Berda, Giorgos Charalambous, Laurence Cox, Mickael Clevenot, Chares Demetriou, Ifril Erdinc, Félix Boggio Ewanjé-Epée, Christina Ioannou, Ugur Kaya, Neophytos Loizides, Conor McCabe, Nicos Moudouros, Patrick Neveling, Katerina Polychroniades, Gilles Raveaud, Emine Tahsin, Aylin Topal and Elizabeth Thompson.

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 (Lapavistas, 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 Kalkınma 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 RoCs 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 disposessions 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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