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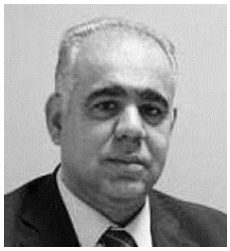
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The Bold but Rational Policy Approach of Greece



Andreas Theophanous
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The international media are justified in being preoccupied with the challenging of the legitimacy of the Troika and its economic philosophy by the new Greek government. Regardless of the result of the emergency Eurogroup meeting on Wednesday February 11, ahead of the European Council, it would be impossible for the new Greek government to adhere to the continued implementation of the austerity policies dictated by the Troika. Over the last five years, the GDP of Greece shrank by more than 25%, unemployment rose to 30% while among young people it approaches 60%, the demographic outflow has taken alarming proportions while the public debt increased from 125% to almost 180%.

The questioning of the Troika and the philosophy of austerity by the Tsipras government despite Germany's reaction clearly finds support at various levels in the EU and beyond. It cannot go unnoticed that even US President Obama – whose country just added 257.000 new jobs in January 2015 - underlined that the current situation and the treatment of Greece cannot continue. The message is clear: Germany cannot insist on pushing Greece and other countries into austerity policies and a vicious circle of recessions. The reality is that the German dogmatism and its hegemonic attitude have plunged Europe into deep trouble. The stance of the new Greek government is not only brave but also rational. This approach in no way condones the inherent responsibilities of the specific countries in relation to their structural economic problems and distortions. But it underlines that the recipes of the Troika and the philosophy of Germany exacerbate the problems instead of resolving them effectively. In other words the Troika's fixes have failed.

The Greek government clearly prefers to find a commonly accepted formula within the Eurozone. This may entail relaxation of the provisions of the Memorandum and specific initiatives for a return to growth so that the country can begin to repay its obligations. Greece has simultaneously revealed its plans for the restructuring of its debt. For the implementation of such a policy, the support of the EU institutions is required.

Furthermore, in addition to the monetary easing announced by the European Central Bank on January 22 there are already voices in the EU

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in favour of a fiscal expansionary policy as well. However, in case the European Central Bank goes ahead with its intention to refuse to accept Greek bonds, this would constitute a blatant act of blackmail as well as discrimination. Persistence in such an option would eventually lead the Eurozone itself into increased tensions and push Greece to opt for the irreversible. Indeed, it is essential that Greece is not forced to default and return to its own national currency.

The heart of the matter is that, if Germany continues to remain inflexible and dogmatic, the Greek government will obviously be pushed towards the inevitable. Succumbing to and following the Troika's recipes will bring unforeseen adverse effects for the country. This will entail economic collapse, default and return to its national currency. Such a development though will bring a chain of reactions beyond Greece. It should be understood that Greece is not blackmailing. Instead, it has reached the limits of poverty and humiliation. Consequently, the rational option is to change the policy fundamentals not only for Greece but for South Europe and the entire Eurozone as well. In this regard Greece has also called for a New Deal for the Eurozone as a whole. This may include the financing of large-scale projects by the European Investment Bank.

Developments in Greece will affect the entire European project. In this sense, Greece is leading the debate for a new Europe.

Closer to home, Cyprus should also assess these developments and respond accordingly. Should the Cypriot government continue the dogmatic adherence to the philosophy of the Troika, it will find itself in the predicament of Greece possibly in less than two years. It must be understood by the Minister of Finance of Cyprus and the Central Bank Governor that credibility does not mean a blind following of a dictated road map if that road map contradicts rationality. Even at this late stage, President Anastasiades should also act in a way that will salvage his tarnished credibility and dignity as Head of State and give the Cypriot people a meaningful prospect, confidence and above all tangible results.

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The Political Risk and the Conflict between Syriza and the Creditors



Theodore Pelagidis
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The troika, by enforcing wage cuts for everybody during the last four years and accepting "tax anything that moves policies[1]," has pushed even educated voters to the extremes of the political spectrum. The result is not only that a radical party of the left has taken over power but also that together with the communist party, the Independent Greeks, the Golden Down and some other smaller parties, an arrow of radical forces of 55% majority in the population vote has been gathered against the so-called austerity program.

It is somehow ironic that now that there are some "growth shoots" in the economy, to close the program the troika is again pushing for wage-restricting policies instead of pressing the government to continue to reform heavily on the product and political market fronts.

Today's complicated situation has important repercussions on growth, incomes and employment in the short- and in the long-term, by increasing political uncertainty again by destabilizing the government and strengthening the arguments of an untried Syriza that has already taken over power. The creditors currently seem content to clash with Syriza, as a Syriza defeat by the creditors might be instructive for all of the eurozone.

In the meantime, political risk is killing the economy (again). Need proof? Figure 1 correlates unemployment and political uncertainty. It shows a positive correlation meaning that when political risk is high, unemployment rises. While it is not the only reason, it certainly contributes to decreasing employment. Data from the last couple of months, during which time political risk skyrocketed, show that an increase in employment observed in the first two quarters of 2014 has now been reversed.

[1] See T. Pelagidis & M. Mitsopoulos, Greece: From Exit to Recovery?, Brookings 2014, June.

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Figure 2 adds the cost of money that is critical to the recovery of the economy. It shows again a positive correlation between interest rates and political uncertainty. Low interest rates are critical for the internal devaluation solution to succeed as exports are decisively helped by low financial costs, -along, of course, with low energy costs, low taxes and social security contributions. But, importantly, costs are currently exceedingly high for Greek exporters compared to their competitors. Now, add to all these impediments the Syriza advisers assertions in London that they intend to stop reforms, terminate the program and start a socialist transformation of both Greece and Europe with the help of Podemos and Die Linke. It's no laughing matter.

So, is this a "2012 Grexit deja vu"? If, naively, both the creditors and the government believe that nothing will happen if we repeat the same mistakes again, the answer is yes.

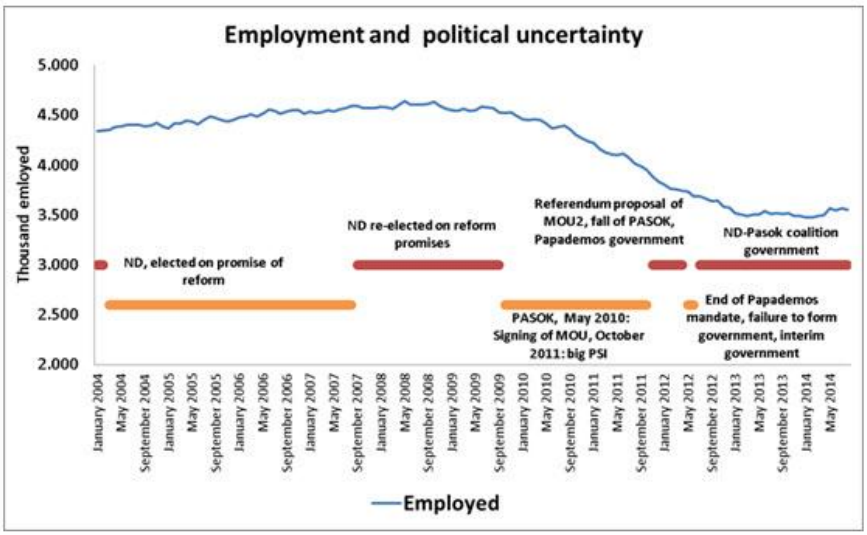


Figure 1 (source: Eurostat)

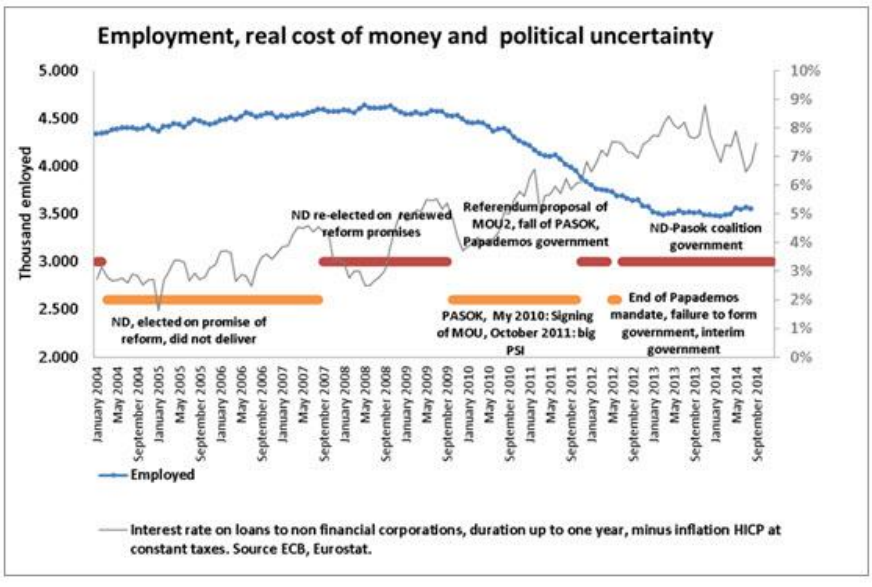


Figure 2 (source: ECB, Eurostat)

The Day After the Elections in Greece: Emerging Challenges and Opportunities



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The national parliamentary elections in Greece highlighted the victory for the first time ever of left-wing Syriza party which gained 36.3 percent of the voter turnout securing 149 seats out of 300, short of an absolute majority. The election outcome prompted the formation of a coalition government with The Independent Greeks far-right party that supports an end to austerity. On the other side of the political spectrum, until recently ruling conservative New Democracy lost 2.1 percent of its vote share as compared to the 2012 national elections, a percentage that when converted into numbers represents a loss of 53 seats. Social democratic party Pasok continued to shrink and became the last political force that surpassed the 3 percent threshold with seats being reduced to merely 13 from 33 in 2012.

The ruling party managed to attract moderate voters with the adoption of a dual strategy of citizen-central and anti-austerity dimensions. In a country where citizens are perpetually squeezed in the middle of depression and the economy is in freefall with a loss of a quarter of Greek GDP from 2008 to 2014 and a phenomenal high public debt of approximately 175 percent of GDP, Syriza pledged to ditch austerity, deal with the evolving humanitarian crisis, proceed with structural reforms, disengage from the IMF-EU memoranda, and proceed with debt renegotiation either in the form of direct haircut or restructuring.

Concrete declared coalition government policies include the increase of the minimum wage to €751; the reintroduction of a bonus pension for those who receive less than €700 per month; the provision of free medical care for unemployed; the abolition of the annual levy on private property introduced initially in 2011 as an emergency measure; the promotion of household debt restructuring; the connection of the public debt's repayment not to the Greek budget but to economic growth; and, the inclusion of the country in the Outright Monetary Transactions (OMT) program of the European Central Bank that will purchase Greek sovereign

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bonds valued €60bn on secondary markets as means to defeat deflation and strengthen investment without new government debt.

Red lines between Greece and its creditors as evidenced in the first days of Syriza's governance have centered on the rejection of pursuing extra talks with the Troika of lenders' inspectors, notably unpopular in Greece, and disallowance of the bailout's protraction that has become politically and economically toxic, by alternatively proposing the forging of a new agreement with all major creditors. As estimated, the first Greek red line is expected to be respected given that the European Commission has already been involved in a process of searching substitutes to Troika in accordance with the 14th January 2015 verdict by Advocate General Cruz Villalón of the European Union Court of Justice on "the European Central Bank's OMT program", which explicitly declares that the European Central Bank has to refrain from any direct involvement in the monitoring of financial assistance programmes that apply to States concerned. That is to say, the European Central Bank is evidently prohibited by the European Court of Justice's Advocate General to remain member of the Troika.

When it comes to the second Greek red line, a chicken game, a situation where there is competition for a shared resource and the contestants can choose either conciliation or conflict, seems to currently evolve between Greece and Northern European creditor governments headed by Germany. The ruling party of Syriza has opted for a strategy which scopes to transform it into a political force initiating a European debate for the inception of a coalition that struggles against austerity and longs for growth plans. The recent tours of the Greek Prime Minister and the Finance Minister in certain European capitals fall in the context of forming a new European wide likeminded block that opposes the prevailing austerity orthodoxy. Emerging questions related to a series of challenges are recorded as follows: Given the Greek repudiation of the logic of austerity, what are the Greek intentions and how much room is there for stratagem? Does Greece opt for a direct debt haircut or restructuring? Is a Greek exit from the eurozone possible and what is the most likely scenario?

The Greek economy has ameliorated since 2012 given that a persisting recession ended in 2014, public finances improved, and in the third quarter of 2014 a growth of 0.7 percent has placed the country among the best performers in the Eurozone. Despite progress, the Greek economy remains delicate due to large-scale bank withdrawals amounting to €15 billion since December 2014 according to data released by the Bank of Greece with institutional inverstors and individuals being the first to heave deposits. Additionally, the pressing liquidity conditions, as consequence of the growing outflow of deposits and the issue of treasury bills (T-bills) imposed by the State, have driven the country's systemic banks to request cash from the Bank of Greece through the emergency liquidity

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system (ELA). It is no secret that the country's payment obligations in 2015 amount to €22.5 billion including the repayment of €6.7 billion to the European Central Bank in July and August for sovereign bonds purchased after Greece's first bail-out in 2010. This reality pressurizes Greece to reach a new agreement with its creditors containing components of growth and goals that focus on a combination of primary budget surplus and a reform agenda to tackle chronic fundamental problems, such as tax evasion, bureaucracy and corruption.

Growth plans however are directly linked to debt relief that can happen in the form of either a direct write-off widely known as direct haircut, or restructuring. It is appreciated that outright debt forgiveness, a direct haircut, is not an option for creditors for multiple reasons with most prevailing the domestic pressures that Eurozone countries such as Germany undergoes on the matter. In particular, Germany holds approximately €50 billion in Greek debt and decisively rejects a direct haircut because of domestic politics and public positions. According to an opinion poll conducted recently for public service broadcaster ZDF, 76 percent of the German public opposes any direct Greek debt reduction. Concurrently, across the German political spectrum the challenges for the ruling Christian Democratic Union are multifold in the sense that on the one side, the Left party with provenance from East Germany perceives Greek Syriza as an ideological ally and thus any concession would be viewed as a defeat of German hegemony over economic policies in the 19-country currency block. On the other side, populist far right the "Alternative for Germany" party, which supports the dissolution of the euro, yearns for the failure of any Greek debt negotiations hoping for a Grexit.

The option of debt restructuring is considered appealing in the context of Greek debt negotiations given that it provides reallocation of resources or change in the terms of loan extension that enable the debtor repay the loan to creditors. Debt restructuring is essentially an adjustment of both the debtor and the creditor to normalize troubles in the manner of loan repayment. That said, in conformity with the eurozone procedures, a Greek debt restructuring can occur by means of extending maturities and reducing interest rates, a process equaling to a cut that would permit Greece rebound to a rational debt to GDP ratio, thus favoring the execution of a public spending program to boost gross domestic product. Greek debt restructuring can also transpire with the swap technique, as means of easing the Greek debt burden, which foresees the issue of a complex mix of two types of new bonds. The first type, indexed to nominal economic growth, would replace European rescue loans, while the second type presents perpetual bonds that would replace sovereign Greek bonds owned by the European Central Bank. Dept swap, as part of smart debt engineering, conduces to debt reduction thus paving the way for the

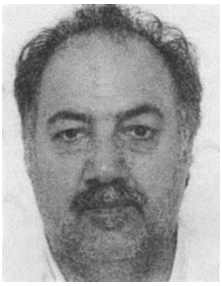
implementation of a growth strategy that perforce needs to advance hand in hand with fiscal prudence and structural reforms.

When it comes to the possibility of a Greek exit from the Eurozone, the challenges that may accrue can prove multifold. Although a Greek exit will not be a systemic event causing a simultaneous breakdown in global confidence and trade as evidenced in the wake of the Lehman Brothers collapse, the travails of Europe will unquestionably impact the global stock markets and will send waves of shock to countries and investors owing to the breach of the principle that euro membership is irrevocable. Equal important, the risk of contagion will increase, despite the various rescue mechanisms, and European policy makers will have to "circle the wagons" around the other periphery countries to cease occurrence. Concurrently, the consequences for Greece would be acutely distressing for the reason that domestic assets and liabilities will be converted into a national currency which will forthwith depreciate. Currency depreciation will automatically preserve at unsustainable levels the country's foreign debts which will continue unchanged in euro, a fact that would make Greece default and lock it out of global capital markets for long time. In other words, the likelihood of a Greek euro exit could create a massive shock for financial markets, force Greece default and result in contagion because financial investors would unquestionably try to test other Eurozone countries.

No doubt that a propulsive synthesis of negotiating tools can bring Greece and its European partners close with an eye on a fast-track growth agenda as envisaged by the EU Commission's pan-European investment plan which can burst the bubbles around economies and whole societies. The ruling party of Greece is offered a golden opportunity to constructively contribute to a new contract in the context of an enigmatic, composite and rapidly changing European landscape. Because in essence, the lure of the distant and the difficult can prove deceptive, but the grasp of small opportunities can signal the beginning of a great enterprise, that is the European enterprise.

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The Eurozone's Philosophy of Economic Adjustment



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The process of economic readjustment in the EU is taking place in a period where the European bloc is undergoing a structural transformation itself. This transformation has been necessitated by the Maastricht criteria. Their main intent was to re-establish a balance of politico-economic power on a global scale within the context of a global austerity regime among the three major capitalist blocs. I.e., among the European Union, North America and Southeast Asia, with Japan and China being the dominant economic powers in the region, without discounting of course, the BRICS as a bloc.

The imperative for European capital to close the gap with these major blocs in terms of its (e.g. European capital) international competitiveness and therefore to secure its accumulation and reproduction intensifies class conflict in Europe. Checks and balances have shifted into a new equilibrium that undeniably favours the forces of capital. An equilibrium that results from the current ideological dominance of the politically unfettered free market system as the fundamental organizing principle of the global economy on the one hand, and the declared adherence of the regional capitalist blocs to the political regulatory framework of the World Trade Organization, on the other. It only takes a quick look on OECD's recent Economic Outlook to see the trends over the respective shares of labour and capital in OECD's member states the last twenty years or so.

The European Union is the region within which shocks and social tensions resulting from the further globalization of the international capitalist economy are being felt the most. The collapse of the Soviet Union in particular and the Eastern bloc in general, marked the end of the policy of containment as a strategy of global capital which lasted approximately four decades and was intended to impose extensive politico-economic limitations on the Eastern bloc's developmental prospects.

The Cold War prevented the Soviet Union and its Eastern European neighbours from participating on equal footing in the global economy. Its

collapse and eventual absence as an external political constraint in the formulation of the domestic policy of the European nation-state, has intensified processes towards the curtailment of the welfare system in Europe. Since then, the extensive social safety net in Europe whose institutionalization was viewed as a safeguard mechanism for the weakening of communist influence and pressures, is constantly under political re-evaluation with the aim of introducing regressive reforms, to "reduce barriers to world trade" and "foster capital investment" (Truman, 1949, par. 48, 51, pp. 2-4). It is not historical coincidence hat immediately after the Soviet collapse on Christmas Day of 1991, the Maastricht Treaty came into effect in 1992.

The social safety net which European labour has been enjoying for the last five decades, no longer operates as a counter-force mechanism to capitalist intentions to redefine relations of hegemony. The current global capitalist context with the emergence of trade blocs, has severely compromised the autonomy of the European nation-state. European capital successfully exerts pressure on it, to line state policies with capital's requirements of harmonization and to enhance economic convergence in the EU accordingly. Organized labour in core European states as a measurable social force has been marginalized and obviously it can barely exert any meaningful pressure on the nation-state to secure its interests. This is exactly what the Maastricht Treaty intended to bring about, first and foremost. Undeniably this pressure has led to a gradual erosion of the European nation-state's relative autonomy with all the negative repercussions on society in general and labour in particular.

With the introduction of Euro on January 4, 1999, it was believed, it would help bring about, among other things, economies of scale and economic efficiency and to confront successfully global competition. This new reality has had dramatic ramifications on the role of governments in the participating nation – states.

Member states have handed over to the European Central Bank (ECB) their national sovereign right to manage monetary policy. That by itself constitutes a huge politico – economic, historical and above all, a democratic setback of the member states. They have transferred their power and control over monetary policy to the ECB, an institution that lacks political and social accountability. This is in stark contrast to the US Federal Reserve, which although it enjoys extensive autonomy on monetary policy, yet it is accountable to Congress.

Participating members in the Euro-zone have seized to have any control on the ECB's monetary policy. Hence political control over monetary policy has been alienated. EMU with its common currency has also removed from participating member states two major instruments that would otherwise enable them to exercise effectively national economic policy. The right of

the nation – state to independent monetary policy and its capacity to alter the exchange rate of the national currency, as this might be deemed necessary given prevailing economic conditions, have been lost for good.

Hence, member states in the Euro-zone have been stripped off of any meaningful participation in order to influence overall economic policy. With the removal of national monetary policy and the capacity to decide on the exchange rate of the national currency, what remains at the disposal of the central government in a member state, theoretically is fiscal policy. But even fiscal policy is constrained by the so-called Stability and Growth Pact. In other words elected, legitimate governments are no longer allowed to use as they see fit national fiscal policy because of the Stability and Growth Pact. This pact imposes on governments the obligation to maintain budget deficits at 3 per cent of GDP or below that limit. The stability and Growth Pact with its anti-inflationary drive "deprives governments … of the ability to use national fiscal policy to counteract recessions which affect one member state more than the others" (The Economist, January 2, 1999, p. 15). But the most severe criticism towards the ECB is its political insulation from any institutional control within the EU. This is sanctioned by the Maastricht Treaty. The irrevocable lock of the exchange rates against the Euro without an escape – clause, and the transfer of monetary policy to the ECB with one overriding objective, to attain price stability through a virtual zero inflation, is tantamount to the surrender of national sovereignty to an unaccountable, secretive and undemocratic institution. Surrendering one's currency automatically means surrendering the right to set independent monetary policy for domestic reasons, such as boosting the economy or improving social conditions. This is exactly what the current German inspired deflationary policy of economic adjustment is all about. Of course, it also raises serious questions as to the intentions of the so – called Stability and Growth Pact. Its political target as far as the new economic policy is concerned in the Euro-zone area is essentially threefold: (a) The deregulation of the labour market; (b) the imposition of an austerity regime on fiscal policy as this is dictated by the Pact, hence applying pressure for the curtailment of the extensive welfare regime in Europe; and (c) what I have discussed above, the exercise of monetary policy will be the privilege of ECB.

Mr Vim Duisenberg, the late Chairman of ECB, was quite explicit as to the role of the bank. As he argued: "It is up to the governments to introduce flexibility into labour markets. The root of the problem lies above all in rigidities produced, mostly by an over-large and inappropriate thicket of rules in labour and goods markets" (The Cyprus Weekly, February 12, 1999, p. 31).

And as Horst Siebert (1938-2009), the president of the Kiel Institute of World Economics at the time, in Kiel, Germany, in an interview in the "Time" magazine in December 1998, has commented "Economic and

Monetary Union can be viewed as enforcing institutional reforms and behavioural change, especially in regard to exacting more flexibility from the labour markets in the major continental countries" (The Time magazine, Winter 1998/99, p. 149). EMU, which is essentially the outcome of a long political process, has depoliticized the (political) economies of the individual members at the national level. At present, fifteen years later, Capital exacts greater flexibility from labour markets. That is, it has imposed less security for labour, trimmed down wage costs and improved profitability at the expense of employment. In other words, it has commodified European labour. Social convergence is not a criterion for EMU. The way social policy is exercised is viewed as an additional instrument that leads to an improvement of the 'competitiveness' of the national economy. European capital correlates social policy with competitiveness. The limited regulation over the mobility of capital, as well as capital's evaluation of social expenditure as a contributing factor to the increase of production costs, has also been integrated into Eurozone's decision making process, thus posing a formidable political threat to the European welfare regime. That implies the generous social policy in Europe, particularly in the core, is faced with international pressures from competitors, whose welfare regimes do not match EU standards and they are not equivalent welfare systems compared to the existing ones in the EU.

Given this context, social welfare eventually and inevitably is being measured, by the least common social denominator. "The EU's current approach is to dilute common standards down to a minimum (Hirst and Thompson, 1996, p.163). Apart from this, the developmental gap between the Core and the South in the EU (let alone the gap between the Core and the East within the EU) widens. Risks run high for Europe to disintegrate into developed and peripheral regions. This seems to be quite tempting to European capital to address issues of competitiveness, given its constant pressure to contain labour's share in the produced wealth in the EU. Hence internal colonialism, that is, the core region within the wider European context advancing at the expense of other relatively poorer areas should not be discounted as a probable outcome in the near future, given Germany's politico-economic hegemony. Hirst and Thompson (1996), prophetically were quite explicit on this. As they pointed out:

> A Europe of "tiers" cannot be either economically integrated or politically united. The difference over substantive policy issues will in that case tear the political union apart…Such economic divergence, if it continues, will threaten to fragment the Union into a united prosperous core and a poor and a marginalized periphery.
> (Hirst and Thompson, 1996, p. 160)

This of course relates to the relations of force at this historical conjuncture in the EU. With EMU in place, the political unaccountability of the European Central Bank to the European public, the curtailment of fiscal policy as a traditional instrument in the exercise of economic and social policy, and the removal of monetary policy from the national level, placed European society under severe political, economic and social setback, notwithstanding widespread pauperization.

Peripheral members evaluate politically EU membership as an enhancement of their national independence. From an economic point of view membership is thought to facilitate their integration into a major capitalist bloc as equal partners. Most probably those who enjoy the benefits of integration are the elites and the forces of capital in these societies. And with all certainty those states will continue to remain as a low-wage "second-tier" region within the wider European context.

In essence the core in the EU with Eastern enlargement improved its cushion from global economic shocks and crises. In addition it hoped to enhance its international competitiveness at the expense of social cohesion and overall social harmonization. Quite instructive to those who view the EU as a panacea to the solution of their problems, is historian Norman Davies's predictive insight, in an interesting article in "Time" magazine (December 1998) where he argued:

> The senior Franco-German troupe is pressing ahead with monetary union – the last stage in the old economic plan. At the same time they still hope to enlarge the Union east and to introduce the major structural reforms required for enlargement. There is no ring master, no efficient executive authority and no real democratic accountability. The most urgent decisions will be left as always to horse trading. If earlier attempts at European unity were wrecked by an excess of political will, present prospects are named by the manifest, lack of political direction.
> (Davies, 1998, p. 32)

Concluding Remarks

The new periodization of capitalism will not leave unaffected the outlook of the modern nation-state. These contradictions are not likely to be resolved in a uniform and synchronized timely fashion globally. The commodification of social living will continue to advance with different speeds in different politico-economic settings. The specific causal texture of the historical conjuncture within which social tensions manifest themselves, will condition the final resolution of these contradictions and the future outlook of the modern capitalist state. Undeniably the reinforcement of the capitalist state at the expense of societal interests, is

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associated with the current periodization, in which German hegemony is playing a leading role.

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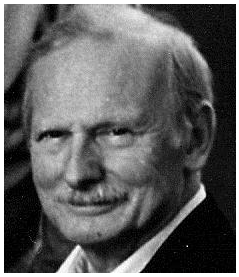
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Down and Out in the EU" by Rod Usher, in "Time" magazine (special issue), Winter 1998/99, pp. 83 – 86. As Usher argues in this article "reduction of social exclusion was not one of the criteria the 11 aspirants to Economic and Monetary Union had to meet".

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The Rise of the Turkish Reich



Robert Ellis
Regular commentator on Turkish affairs in the Danish and international press

Totalitarian leaders of the 20th century were known variously as Der Führer (Germany), II Duce (Italy), Generalissimo (Spain) and El Maximo Lider (Cuba), and now neo-Ottoman Turkey has its Reis (leader), Recep Tayyip Erdoğan.

One definition of democracy is the freedom to elect our own dictators, and the way things are going, Turkey certainly fits the bill. It could equally be argued that the founder of modern Turkey, Mustafa Kemal Atatürk -- "the father of the Turks" -- was a dictator who enforced his reforms with a heavy hand, but the present government under the Justice and Development Party (AKP), which came into power in 2002, has dismissed the 90-year period of Republican rule as "a parenthesis" and declared themselves to be a "restoration movement."

The ideological roots of the AKP were formed with Necmettin Erbakan's Welfare Party (RP), which was established in 1983 and banned in 1998. Already in 1995, the AKP's later foreign minister and president Abdullah Gül stated, "This is the end of the republican period," and that "the secular system has failed and we definitely want to change it." Erdoğan's later undersecretary Ömer Dinçer was also specific and stated the principle of secularism should be replaced with the integration of Islam.

When Prime Minister Bülent Ecevit's coalition government collapsed because of widespread corruption and mismanagement of the economy, it was replaced by Erdoğan's AKP, which could form a majority government with the support of only a quarter of the electorate and a third of the votes. The AKP came to power with the promise of clean ("ak") governance but, as I pointed out in the Financial Times eight months later, it was business as usual with an amnesty to cover tax fraud and an amended public procurement law to render state tenders in certain fields opaque.

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Both the US and the EU were enamored with then-Prime Minister Erdoğan's promises of reform, and in October 2004 the EU Commission agreed that Turkey had "sufficiently" fulfilled the Copenhagen criteria for membership, which include a guarantee for democracy, the rule of law and human rights. However, when NATO held its summit in İstanbul in June of the same year, the Turkish (now Hürriyet) Daily News published a special edition, where I expressed a justified skepticism about the AKP government's intentions.

Religious generation

Both Erdoğan, who when he was mayor of Istanbul famously declared, "Thank God Almighty, I am a servant of the Sharia," and the AKP set out to redress the imbalance created by Atatürk's reforms and restore the role of religion in public life. Both the preamble and Article 24 of Turkey's secular constitution from 1982 stipulate that no one shall be allowed to exploit religion for the purpose of personal or political influence, but nevertheless this is what they have done.

Three years ago Erdoğan stated that it was the AKP's aim to raise a religious generation, and this is what they are well on their way to doing. There has been an explosive increase in the budget allocated to the Religious Affairs Directorate and in the number of personnel, which has increased from 70,000 in 2002 to over 120,000 in 2014. For example, from 2010 to 2014 about 40,000 people were recruited as Quran teachers, imams, preachers and muezzins.

In 2003 there were 3,000 Quran courses, but at the beginning of the school year last September the president of the Directorate announced that there were 24,757. There are now 85,000 mosques compared to 75,000 in 2003, and there are plans to build mosques at more than 80 universities; by law prayer rooms ("mescit") are required in shopping malls, cinemas, theaters and other public places.

Religious high schools (imam-hatip schools) play a major role in the AKP's plans to transform Turkish society. In 2002 they had 65,000 students, but now there are about 1 million. Originally planned to train imams, their numbers far outstrip this need and instead they are intended to provide the cadres for "the new Turkey." From 2010 to 2014, there has been a 73 percent increase in the number of imam-hatip schools, and in the same period almost 1,500 general high schools have been closed and around 40,000 students have been placed in religious high schools against their will.

Pupils can now go to religious high schools after only four years of primary education, and graduates from these schools can now enter university on an equal footing with students from other high schools. President Erdoğan

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is himself an imam-hatip graduate and their alumni hold key posts in the administration.

Furthermore, Turkey's National Education Council has proposed that compulsory religious classes in high schools be increased from one to two hours a week, and that compulsory religious classes be introduced in the first three years of primary school (they are compulsory from fourth grade); also to introduce "values education" in kindergarten.
The ban on the Islamic headscarf at universities, from fifth grade and in public office (but not in the military or judiciary) has also been lifted. So the Gezi Park revolt in 2013 must have seemed the height of ingratitude to the government, but it was led by educated, articulate young people who objected to the AKP's interference in their lifestyles.

Gleichschaltung
The gradual control by the AKP government of all aspects of Turkish society resembles Nazi Germany's policy of Gleichschaltung (coordination). Like Stalin's elimination of Trotsky and his followers or Hitler's elimination of Ernest Röhm and his Brownshirts, Erdoğan has turned on his former ally, Fethullah Gülen, a Turkish cleric resident in Pennsylvania, and his followers in the Hizmet (service) movement.

In April 2007, the Turkish military in an e-memorandum declared themselves to be "the absolute defenders of secularism," but with the support of members of the Gülen community in the police and judiciary Erdoğan crushed military and secular opposition in a series of show trials. However, the revelations of large-scale government corruption in December 2013 led to accusations by Erdoğan of "a judicial coup" by the Gülen movement, who he claimed formed "a parallel state." Consequently, around 40,000 police officers and 4,000 judges and prosecutors have been reassigned and 4,000 preparatory schools ("dershane"), many of which were managed by the Gülen movement and prepared students for university and civil service exams, have been closed.

Like the Nazi Sondergerichte (special courts), specially authorized courts (ÖYM) were established to deal with the AKP government's political opponents, but since war has been declared on the Gülenists, these have been replaced by criminal courts of peace, where extensive authority is granted to single judges. This move is part of a restructuring of the legal system, including the Supreme Board of Judges and Prosecutors (HSYK), the Supreme Court of Appeals and the Council of State, but the turn has not yet come to the Constitutional Court.

Employment in the civil service is normally on the basis of a written and oral exam, but the AKP has circumvented this procedure since 2011 by the appointment of around 300,000 loyalists on a temporary contract basis, which has later been converted to permanent employment. The

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Turkish daily Taraf has also leaked a plan by the government to replace the state personnel examination (KPSS) with an interview process to make up for the fact that AKP members tend not to do well in written exams.

Big business

In the same way that Hitler came to power with the support of German banks and industrialists, a symbiotic relationship has developed between Erdoğan and the AKP and the business world. A system of "crony capitalism" has developed, where allegiant companies are awarded lucrative contracts in return for donations to, for example, the Foundation of Youth and Education in Turkey (TÜRGEV), where Erdoğan's son Bilal sits on the board.

Consequently, companies that do not toe the line are made to feel the government's wrath. In 2009 the Doğan Media Group, Turkey's largest, was hit by two massive tax fines totaling $3 billion after coverage of corruption in AKP circles, and last year the critical daily Taraf was hit by a tax fine of $2.6 million. Pegasus Airlines, a competitor to the state-controlled Turkish Airlines (THY), was also hit with a heavy fine, and the same has happened to the oil refiner Turkish Petroleum Refineries Corporation (TÜPRAŞ), owned by Turkey's biggest company, Koç Holding.

A year ago the president of the Turkish Industrialists and Businessmen's Association (TÜSIAD) warned against the damage done by the government's policies to foreign investment, but Erdoğan called him "a traitor" and both the president and his prime minister boycotted TÜSIAD's plenary session in January. However, there has been a marked drop in the inflow of foreign capital to Turkey, which has had a negative effect on Turkey's construction and credit driven economy.

Erdoğan's rise to power is also marked by the election results in 2007 and 2011, where the AKP gained 47 and 50 percent of the vote respectivey, as well as the presidential election last August, where he won 52 percent of the vote. But the watershed was in 2011, when the AKP dropped overboard what Michael Rubin, resident scholar at the American Enterprise Institute, has called "willing enablers" in a purge of the centrist and liberal elements of the party.

This has resulted in chest-beating and hand-wringing among both Turkish and European liberals, when they realized their hopes of a democratic Turkey had been betrayed. Marietje Schaake, a prominent member of the Friends of Turkey group in the European Parliament, has even admitted, "Our dream of a European Turkey has turned into a nightmare."

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The media

As Michael Rubin points out, Erdoğan is no Hitler, but he has made use of the same mechanisms to come to and maintain power, including control of the media. A small number of holding companies own most of Turkey's press and TV outlets, and they also have a symbiotic relationship with Erdoğan and his party, as they are dependent on the government for contracts inside industry, construction, energy, mining, finance and tourism.

As newspaper circulation in Turkey is relatively low (around 5 million), for 90 percent TV is the primary source of information, but for younger people there is increasing reliance on the Internet and social media such as Facebook and Twitter.

When Erdoğan states, "I am increasingly against the Internet every day," this is quite understandable as this has been the main source of non-government controlled news. Attempts to block Facebook, YouTube and Twitter have largely been unsuccessful, thanks to the Constitutional Court, but the AKP government has put forward a new measure enabling the prime minister and other ministers to close a website without a court order for reasons of "national security and public order."

The cult of personality is age-old, ranging from the deification of the Roman Emperor Augustus to Atatürk, Der Führer, Comrade Stalin, Chairman Mao and Kim Il-sung. Turkey's first directly elected president is gradually perceived as being above the law, or rather, that is his own perception, particularly after his four former ministers have been cleared of corruption charges by the AKP's parliamentary majority.

The only threat to Erdoğan's rule is Turkey's faltering growth together with the increase in unemployment and inflation. There is also the risk of blowback from Syria as a result of Turkey's ideologically determined support of groups such as the Islamic State in Iraq and the Levant (ISIL) and the al-Nusra Front. As Turkish security expert, Mete Yarar, has warned, "Being Muslim will not protect Turkey from radicalism."

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How Europeanized have Small State' Foreign Policy Become?



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Although, the making of EU foreign policy (EFP) knows its origins from the purely intergovernmental European Political Cooperation set up in 1970, a lot of scholars still question whether in reality EFP exists, as till today member states still undertake their own foreign policy actions and national foreign policies for both large and small EU member states still matter. When it comes to the subject EFP, the majority of scholars still tend to focus on large member states. In fact, the analysis of interactions of small EU member states in the CFSP is quite limited, given the growing number of small states in the EU. These interactions are best analysed by resorting to Europeanization, which presents three distinct but interrelated processes, identified by Ruben Wong (2005) as: Adaptation and Policy Convergence, National Projection and Elite Socialization.

With regards to Adaptation and Policy Convergence, although the CFSP is regarded as an intergovernmental decision-making body, along the years its institutional framework has been strengthened and even though this does not present forced adaptation it still manages to seep into domestic politics. For small states, the impact is more profound due to the small size of their foreign ministries and the fact that as EU member states that have to deal with the various foreign policy issues on the EU's agenda. For this reason, participation in the CFSP has taxed the administrative capacity of several small states, which in turn also affects the national foreign policy-making process due to limited resources. The latter is the case for both Malta and Cyprus, as both countries have limited resources and national foreign policy interests are focused on their immediate neighbourhood but as EU member states they now have to deal with a wide array of foreign policy interests.

Adaptation in national government institutions also plays an important role for small states since they need to identify ways and means of adapting so as to be more efficient at the EU level. For the new member states, such as Malta and Cyprus a lot of the adaptation took place prior

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to accession, for example both countries adapted their national foreign policy by reorganizing existing governmental structures in order to refine coordination between the national Ministries and the Permanent Representation to the EU.

National Projection features the state as being pro-active in uploading its interests and preferences, instead of being reactive. It is argued that it is beneficial for small states to project their foreign policy interests at the EU level as this leads to politics of scale effect, as small states are seen to have less bargaining power. Nevertheless, national projection can be expected of larger states due to the fact that small states often have a lower number of personnel and policy experts. However, as unanimity still prevails as the main voting method in the CFSP, this favours small states since they are placed on the same level playing field as the larger member states. Taking the example of Cyprus, in 2004, 'when the Council was contemplating whether to grant Turkey a date for the beginning of its membership negotiations, Cyprus reportedly threatened to veto the granting of any such date, unless Turkey changed its position on the Cyprus issue.'[2]

When it comes to the CFSP, informal and consensual decision-making systems are in place and this is where elite socialization comes into play. Elite socialization is beneficial for member states as this fine-tunes the ability of national officials to influence decision-making at the EU level. However, this process can also lead to having national officials representing the nation state at the EU level increasingly thinking in European rather than national terms. Numerous scholars have acknowledged that for smaller member states 'learning to play the game' by cooperating with other member states, building coalitions and sharing of information is essential for small states to be successful in uploading their foreign policy interests at the EU level. This 'closed group' and informal decision-making in the CFSP is identified by Grøn and Wivel as a challenge, for small states as this 'type of cooperation allows the large states to circumvent the institutional safeguards of small state influence.'[3]

The Europeanisation of small states' foreign policy, without any doubt has taken place in the process of accession to the EU. The extent to which Europeanisation has occurred is a highly debatable topic. Some scholars agree that small states should pursue foreign policy interests at the EU level as the EU can increase the small states relevance on an international level, whilst others believe that it is very difficult for small states to

[2] Sepos, A., 2008. The Europeanization of Cyprus, Polity, Policies and Politics, Hampshire: Palgrave Macmillan, page 125.
[3] Grøn, H., C., Wivel, A., 2011, Maximising Influence in the European Union after the Lisbon Treaty: From Small State Policy to Smart State Strategy, Journal of European Integration, page 528.

influence the CFSP. What is certain is that up to now small states have still retained active national foreign policy interests and active bilateral relations, while still being active at the EU level. In this way, small states are being smart by deciding which foreign policy interests to upload at the EU level and which interests would be better pursued via national foreign policy means.

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The Myth of Liberal Neutrality
"Il s'appelle Selim mais il est gentil"[4]



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It is not a secret by now that those who were outraged by the *Charlie Hebdo* massacre and sympathized with the millions who showed solidarity with the victims had at the same time problems with the slogan of #JeSuisCharlie. One of the main reasons for that is that they are well aware of the social, racial and ethnic barriers that the French citizens with an immigrant especially Muslim background encounter on a daily basis in France. One story that still haunts me today for instance dates back to the times when I was an undergrad student in Paris, back in the mid-90s. A real estate agent who was also helping me to find a *chambre de bonne*[4] was trying to convince a landlord on the phone that he should not worry about his client because yes *il s'appelle Selim* (his name is Selim), *mais il est gentil* (but he is nice). I was eighteen years old at that time and I fast understood that life in Paris will be a bit more challenging than usual when you carry certain names, possess certain skin colors and certain backgrounds. Albeit being a Muslim Turk, I was secular enough perhaps to be deemed 'normal' and this 'normality' facilitated my entry into the French public sphere. However, this privilege has not blinded my eyes towards everyday prejudices that the Muslim and especially Arab origin French citizens need to confront in France.

This is why I am one of those who had unease with the slogan of #JeSuisCharlie although *Charlie Hebdo* massacre tormented me deeply.

I am pretty confident that a majority of the Charlie Hebdo caricaturists who were massacred by the radical Islamist terrorists were committed to denounce racism and to defending liberal democracy coupled with French *Laïcité.* This is because they mainly understood French secularism and

[4] A small room built for maids originally in middle class houses or apartment buildings, but rented out to students nowadays.

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liberal democracy as being neutral. The liberal democracy in France however is far from being neutral. First of all, it assumes a neutral public sphere where everyone has equal rights. It does not problematize enough or at all, all those who cannot have access to this liberal public sphere because of their names, their skin colors or socio-economic class. Moreover, Islam in this liberal public sphere is not even treated as a minority religion but an exterior force. This alleged neutrality and homogeneity marginalize hence many vulnerable groups on the basis of religion, ethnicity, race, class and/or gender. In this sense, one can admit yes that *Charlie Hebdo* was making fun of everyone, but not everyone has equal footage and status in this so-called neutral public sphere. The myth of neutrality and homogeneity of the secular and liberal framework renders it difficult on the contrary to talk about difference.

One should also underline that *Charlie Hebdo* cartoons have somewhat flirted with racism. The Muslims including the Prophet Mohammed were often depicted as big nosed and ugly characters and depicting Mohammad persistently and in a humiliating way was usually done only to antagonize the Muslims. The former editor of *Charlie Hebdo*, Phillippe Val and one of its main intellectual supporters Caroline Fourest are indeed neo-conservative public figures in France. Caroline Fourest is especially known for her publicly exposed islamophobia. As the left wing and Algerian born French actor Guy Bedos has brought it to the attention of the public, the satirist's job should hence not be to make fun of those who are already discriminated against and are often excluded from the liberal public sphere by certain power structures.

Despite everyday barriers, however, a majority of Muslims living in Europe today assume that they are part of the European societies that they live in. Treating Islam as an alien force to the public sphere and the liberal secular framework and representing it by foreign and distant hook-nosed characters do not help understandably to consolidate this phenomenon. Exclusionary practices have furthermore the potential to radicalize those who feel marginalized vis-à-vis the liberal public sphere. Those who feel marginalized often see in Islam a language of protest for their claims and grievances. Such grievances are aggravated furthermore by certain Western powers' foreign policies in the Muslim lands which are often interpreted along the religious lines by the marginalized and articulated at times by violent actions. Those who sincerely mourn for the *Charlie Hebdo* massacre should find ways hence to demythify the liberal public sphere in order to be able to transform the marginalizing structures beneath.

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Paris Attack and the Rise of Europe's Far Right



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A large number of prominent people, around the world, recently took up the "Je Suis Charlie" rallying cry in support of the massacred cartoonists and staff of the French satirical magazine Charlie Hebdo. As a show of solidarity, it is well meaning, well intended and utterly useless. It reaffirms that the people of the democratic world support free speech, but there is nothing new there except the sympathy directed at Hebdo and to some extent France. It is also clear that they are frightened and befuddled by the incomprehensible violence being unleashed by people who oppose, in the name of Islam, anything they consider offensive to their faith.

What does anyone who believes in the principles underlying democracy and human rights do about a group of people who are willing to kill you if you offend their religious and/or cultural sensibilities (which are often intertwined)? Reading through the commentaries, and watching the debates, that are now commonplace – it is evident that there is no real answer, other than to publicly restate belief in the democratic principles (Je Suis Charlie), and to take police action against those directly involved in such violence.

There is no straight answer because governments cannot tackle this issue effectively without first acknowledging that the faith system on whose behalf (or in whose name) these attacks are carried out explicitly permits, even demands, such actions. Without first acknowledging this reality, and then rejecting such exhortations with clarity, there can be no true forward movement on this issue. No democratic government is prepared to make that acknowledgement for at least two reasons: (1) it will bring into question the secular environment that democratic states swear by, and the principles they uphold; and (2) it will embolden the far right elements in their societies to take a more aggressive stance, which could result in violence between adherents of different faiths.

Both reasons flow, ultimately, from political considerations. Elected politicians want nothing more than social and economic stability while they prepare for the next electoral cycle. They do not have the inclination (and

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rarely the time) to address other issues unless those directly and powerfully impact on their electoral prospects. They also have a distinct disinterest in dealing with ideologies that question the status quo, because such impulses tend to vector unpredictably. Leaders, therefore, often opt to pretend that these ideologies simply do not exist.
As a result, the party at the helm inevitably pays a political price. Now, the European Union is poised on a political precipice where this is about to happen to the mainstream parties that have been in power or close to it for decade. Far right groups are gathering strength in France (the National Front), in Britain (UKIP), and potentially even in Germany (PEGIDA, though it appears temporarily disabled). This time, as in the past, change is being driven by voter sentiment.

A shift towards the extreme right in the EU has been developing for over a decade, but now it is clearly visible, and it is strengthening. Mainstream politicians seem at a loss about how to handle this drift to the far right. They should not be. The solution is simple and staring them in the face. They may wish to look to the Indian example, where a rational right of centre party has succeeded beyond all expectations by expressing basic truths and promising stability, order and adherence to reason.

The EU today is faced with deep strategic foreboding, growing economic uncertainty, increasing political fragility and a general lack of confidence in its competitive abilities. In this situation, mainstream political leaders in the member states should not take the easy way out. They must stop repeating the same tired old clichés in response to the questions that arise out of Charlie Hebdo and other similar incidents. If they have to shift a little to the right to speak the truth, so be it. Or else, terror events will increase in frequency and public opinion will shift much farther to the right. And that has never been good for Europe.

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