VOLUME 17 ISSUE 2 March 2020
BIMONTHLY ELECTRONIC NEWSLETTER
ISSN (online): 2421-8111

CYPRUS CENTER FOR EUROPEAN AND INTERNATIONAL AFFAIRS
University of Nicosia
1993-2020 TWENTY SEVEN YEARS OF POLICY FORMULATION AND ANALYSIS

FUKUYAMA ON THE IMPORTANCE OF IDENTITY AND THE CYPRUS PROBLEM

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Speaking in Nicosia on January 30 2020 at the Phoenix Leaders, about the new international environment and the emerging trends, renowned Professor Francis Fukuyama emphasized, among other things, the increasing importance of identity in politics. He also stressed that while socioeconomic factors will continue to play an important role in the broader political landscape and the way in which, the Right and the Left are defined, the concept of identity has acquired a special and leading role. Within this framework he also underlined the importance of narratives.

According to Fukuyama, the crucial difference for citizens in modern times, is that identity and the matters associated with it, seem to be more important than socio-economic issues in determining their positions. A deeper analysis within the framework of such priorities in preferences may also explain Trump's election to the US Presidency in November 2016, as well as the outcome of the Brexit referendum in June the same year. It should be also noted that a comparative assessment of the characteristics of the voters who opted for Trump in the US and Brexit in the United Kingdom points to serious similarities. Among other things, rural areas in both countries voted in favor of Trump and Brexit respectively. In addition, the same choice was made by working-class citizens of all age groups who had lost their jobs or feared of such a development.

Related to all these, is the current concern with the migration flows in many western societies. Xenophobia, Fukuyama said, strengthens far-right and/or conservative parties and movements. He also noted that even the majority of non-xenophobic citizens want to address this issue with a comprehensive policy. And to the extent that the Left does not present a convincing policy in this area or does not pay the required attention, citizens choose right wing/conservative parties.

Taking into account the demographic trends in the US, earlier studies predicted that the Democratic Party would de dominant. It is these issues, among other things, that have turned various demographic and social groups,

including a sizable sector of the working-class people in the US that were traditionally identified with the Democratic Party to Trump and the Republican Party. And in France, too, Fukuyama observed, many citizens traditionally associated with the Socialists preferred Lepen and the National Front in recent years. These trends, Fukuyama notes, are not isolated. They occur in most Western societies.

In relation to Cyprus, Fukuyama after he acknowledged that he is not an expert of the problem, he mentioned that the commitment to the goals of each community and of the motherlands has been dominant up to date. Above all, he emphasized that for the reestablishment of the country's unity, advancing common goals that go beyond ethnocommunal nationalism is a necessary, though not a sufficient, condition.

Certainly, Fukuyama's position is not only valid but it also constitutes as a self-evident necessity. Yet, post 1974 efforts to resolve the Cyprus problem revolve around a federal model of consociational democracy based on ethnic-communal pillars. I have repeatedly stated that the wisdom of this policy can be assessed by its outcomes.

Even if there is a settlement on such a basis, the future will be doubtful. It is reminded that the Zurich-London Constitution, which was based on ethno-communal pillars collapsed soon after the agreements. The real breakthrough came, at the end of 1967, when President Makarios turned to the option of the feasible; that is, trying to promote the final settlement of the Cyprus problem on the basis of a unitary state with elements of local and communal autonomy on issues of low-level politics. Unfortunately, however, this potential, which would have been a fair settlement, was not accomplished for several reasons.

After the Turkish invasion and over time Ankara gradually imposed the bi-zonal bicommunal federation as the model for resolving the Cyprus problem. The effects of this policy are well known. Taking into consideration all relevant information, if the aim is to find a solution that truly restores and safeguards the unity of Cyprus, then the current basis of negotiations should be at least enriched with elements derived from the integrationalist federal model. The difficulties of such a venture are understandable. Last but not least it is essential to think outside the box in order to gradually move toward a truly unified Cyprus.

SI VIS PACEM...* - EUROPEAN INTEGRATION AND PEACE

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In 2012 the Nobel Peace Prize was awarded to the European Union (EU) for its contribution to peace on the European continent after World War II. Economic integration has indeed led to growing interdependence of the member states and close interpenetration of their societies, making violent conflicts a thing of the past and bringing about a security community (K. Deutsch) where violent conflicts among its members become unthinkable. The resulting economic prosperity and the welfare state secured social peace; and the rule of law in the inter-state relations enhanced mutual trust and a culture of negotiation, to the benefit of all (win-win). This classic narrative about European integration corresponds well to the idealist (as opposed to the realist) school of international relations and the liberal, institutional and constructivist theories of international peace. The democratic theory of peace (I. Kant) highlights the preference for peace of citizens in democracies, the separation of powers, a culture of dialogue and compromise as well as affinity and common identity, which are all essential features of the EU both internally and in its relations with outside partners.

In the over 60 years of integration, the profound transformation of the international system, the successive EU enlargements and the reforms of the EU institutional system made it acquire an increasingly stronger international role; the EU became an important international actor in many sectors (trade, investment, climate protection, security). After the radical changes on the European continent in 1989 and the ensuing conflicts in the post-Cold War era, the creation of the EU in 1992 with the Treaty of Maastricht marked a milestone in the development of European integration. The base was laid down for a Common Foreign and Security Policy, including a Common Security and Defence Policy at the European level. For the first time in its history the EU was able to launch humanitarian, stabilisation and peacekeeping operations overseas using military means in addition to its civilian instruments. Moreover, the EU has been contributing to international peace and security through a wide range of policies, including its own enlargement,

* *Si vis pacem cole justitiam:* if you want peace, nurture justice
Si vis pacem para bellum: if you want peace, prepare war

development cooperation with countries in Africa, Asia and Latin America, the control of arms exports and humanitarian disarmament (anti-personnel landmines, cluster bombs), by using trade policy for advancing security objectives (agreements, sanctions, illicit trafficking of diamonds) etc.

However, security challenges have increased and diversified in the last three decades, including asymmetric threats such as terrorism, organised crime and cyber, the consequences of climate change and massive population movements, but also the instability stemming from emerging powers, especially China, and new rivalries and antagonisms in international relations which tend to threaten the rules-based multilateral world order.

The 2016 EU Global Strategy addressed these issues and identified priorities and lines of action for the EU, but this strategy should be regularly updated in the light of the fast-moving environment. The heterogeneous EU membership combined with the unanimity rule for decision-making in foreign policy make it difficult for the EU to react to unforeseen events and emergencies; this constellation is particularly challenging when major international actors (US, Russia, China) are involved. The EU should therefore be more proactive, shaping to the extent possible the international environment according to its essential interests and values rather than seeking the least common denominator of national preferences. Shared sovereignty exercised jointly at European level will be more effective than sticking to formal national sovereignty exercised individually. EU citizens have well understood this; according to the Eurobarometer, two thirds support common foreign policy and three quarters are in favour of common security and defence policy. Through shared sovereignty the EU would improve the performance of its external action with positive effects on the (output) legitimacy of the EU in general.

Developments in recent years in the neighbourhood in East and South have shown the need for the EU to engage more actively in order to secure peace, stability and sustainable development which is essential also for its own security and the wellbeing of its citizens. In particular the situation in the Middle East and Eastern Mediterranean shows that power politics is still prevalent outside the EU, actually power politics starts right at the EU external borders. The realist paradigm of international relations is therefore still relevant and the EU can no longer afford to ignore this. This may constitute a major psychological challenge for EU actors and citizens, but it seems imperative for the EU to complement its mainstream strategy based on law and justice by including elements of the strategy of force.

THE US DOLLAR: STILL STRONG, VIABLE AND UNCHALLENGED

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This publication is released at the time when the world is living through the most turbulent period since the Great Recession of 2008: curfews, quarantines and stock market crashes have already wiped trillions out of the global economy, bringing the world, literally, to a halt.

Personal observations of the behavior of the people around (often irrational, and often artificially instigated by the destructive alarmism of the media as well as by some incompetent and emotionally-unstable groups of individuals), so far detected two main types of panic dominating people's minds: one is how not to be infected by the virus, and two, how to preserve personal savings and investments in the environment of the financial collapse.

I have no answer to the first problem, but I will dare to offer the advice regarding the second one, at least, as a short-term solution until the situation stabilizes.

BUY US DOLLARS! Yes, you read it correct – buy the national currency of the "most indebted country in the world"!

Why? Because it is the most liquid asset, which is trusted and accepted for payment by everyone anywhere in the world, from central banks to drug traffickers. Because its value is underpinned by the cumulative wealth and power of the United States (military, economic, technological, scientific as well as relative sufficiency in energy, water, food, demographic and other natural resources). Because the risk of default of the US government on its debt is the lowest, and because there are simply no other viable alternatives, which could replace or challenge the unique role this currency is playing in the global system.

For decades now, generations of conspiracy-theorists, anti-globalists, state-sponsored propagandists and leftist intellectuals were promising the imminent demise and catastrophic devaluation of the US dollar, because it was issued by the most indebted government, running the most speculative economy underpinned by nothing but a thin air.

Let's take a look at some facts. Back in 1991 the share of the US dollar in the reserves of central banks was less than 51%. According to IMF's COFER (Currency Composition of Official Foreign Exchange Reserves), as of Q3 2019 (the latest data available) this indicator stayed at over 62%.[1] Between 2008 and 2019 the share of the US dollar-denominated international corporate bonds skyrocketed from 45% to over 70%. American currency today is used roughly in 90% of all foreign exchange deals in the world.

It is true that the US debt (in nominal terms) is the largest in the world. As of November 2019, America's debt to GDP ratio was 104.3% (over 23 trillion dollars).[2] However, what is more critical is the risk of default on the debt and the total wealth underpinning the economy.

The financial concept of wealth is broad, and it can take many forms. From the macro perspective of a country, wealth is not just about the assets held by private households or businesses, but also those owned by the public. In 2019, total world wealth was estimated to be 360.6 trillion US dollars, of which the United States holds 106.0 trillion (equal to a 29.4% share of the global total, whereas its economy makes up 23.9% of the size of the world economy in comparison).[3]

What is more interesting is the place U.S-based companies hold in major global sectors and industries. Thus, according to S&P Global Broad Market Index (BMI), an index that tracks over 11,000 stocks across 50 developed and emerging economies, American companies control 73% of international Information technology sector, 65% in Health care, 53% in Utilities, 51% in Real estate, 49% in Consumer discretionary, 46% in Consumer staples, 46% of Industrials, 44% in Energy, 44% in Financials, and 30% in Materials.[4] Of the world's ten most valuable brands, seven are American.[5]

The United States still appears to be an undisputed global leader in terms of technological domination. As of early 2019, more than half of all desktop or notebook computers in the world were produced in China, but the country can furnish with locally made microchips less than one-third of this number,

[1] Currency Composition of Official Foreign Exchange Reserves, *IMF, Q3 2019,* downloaded from http://data.imf.org/?sk=E6A5F467-C14B-4AA8-9F6D-5A09EC4E62A4
[2] Desjardins J., *$69 Trillion of World Debt in One Infographic,* Visual Capitalist, 14.11.2019, downloaded from https://www.visualcapitalist.com/69-trillion-of-world-debt-in-one-infographic/
[3] Desjardins J., *All of the World's Wealth in One Visualization,* Visual Capitalist, 16.01.2020, downloaded from https://www.visualcapitalist.com/all-of-the-worlds-wealth-in-one-visualization/
[4] Ross J., *The Dominance of U.S. Companies in Global Markets,* Visual Capitalist, 20.02.2020, downloaded from https://www.visualcapitalist.com/us-companies-global-markets/
[5] Jones K., *Ranked: The Most Valuable Brands in the World* Visual Capitalist, 30.01.2020, downloaded from https://www.visualcapitalist.com/ranked-the-most-valuable-brands-in-the-world/

therefore remaining highly dependent on imports, while up to 60% of all global manufacturers rely on Intel microchips. In server processors, the Intel domination is much larger—98%. Both Intel and AMD lead the development of new generation chips. More than 70% of all software in the world is developed and produced in the United States.

In 2018, more than 65% of all smartphones produced in the world were manufactured in China. But at the same time, 98% of all the smartphones in the world run either on Windows, Android or iOS operating systems (if all the computer and computer-like devices are counted, the share of either Microsoft, Google or Apple software comes to impressive 95%).

The United States remains the dominant power in the most critical scientific disciplines such as physics, mathematics, clinical medicine, computer sciences, new materials, biology, space research and earth sciences.

The advances in shale oil/gas technologies have transformed the United States from importer into net energy exporter over the recent years. Continuous technological development reduces the cost of production, making American oil and gas more competitive on the international market by year.

The limited scope of this publication does not permit to make deep analysis. However, the above examples aimed to demonstrate that the strength of the US dollar is standing on the back of America’s tangible military, scientific, technological and economic power. And no other major economy (hence currency) is in a position to challenge its dominant role anytime soon.

COVID-19 AND THE IMPACT ON THE ECONOMY

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The unprecedented Coronavirus or COVID-19 pandemic that has hit Asia and the West will undoubtedly have severely negative repercussions in European economies.

Asian countries such as China and South Korea were the first to be infected by the deadly virus, but their effective responses have resulted in a sharp decline of cases. Unfortunately, the same cannot be said of European countries, whose responses to the crisis have been both ineffective and sporadic. If anything, the spread of COVID-19 across Europe has revealed, first and foremost, that an EU common coordination is critical to avoid future crises of such magnitude.

Equally, the COVID-19 crisis has also demonstrated that interdependent EU economies face significant challenges. A common coordination is one side of the coin. The other is the pandemic's grave economic impact on the bloc's member states.

Admittedly, the timing of the COVID-19 outbreak has been particularly unexpected for European economies - especially those of southern Europe. Greece, Cyprus, Italy and Spain continue to struggle with high levels of debt, and definitely this pandemic will be a drawback for their economies.

In the case of Cyprus, the fall-out will be negative and inevitable. To elaborate a bit more, economic activity in the domestic market will definitely decline as a result of the demand shock. The Republic's GDP is composed mainly of private consumption. According to Statistical Service data, about 65% of Cyprus GDP is based on private consumption. This means a negative shock on the demand curve will result in a substantial decline in the island's economic activity.

In addition, the Cyprus economy's heavy dependence on UK and Russia tourist arrivals is another factor that could harm GDP. Based on Statistical Service figures, tourists from Britain and Russia represent more than 50% of total tourist flows to the island. In absolute values, this means 2 million

tourists out of 3.9 million. Moreover, 2019 expenditures per tourist were about €665. Thus, if we take the scenario that, over the next two months, the pandemic will continue to persist in the UK, and the Cypriot government will continue to ban flights from Britain and Russia, then the economic cost to Cyprus' tourist industry will be around €1.3 billion. In a more extreme scenario, if COVID-19 cannot be controlled effectively across Europe, then the cost will be even higher. This is because, of the 3.9 million tourists, 3.4 million come from European countries (including Russia and the UK). Thus, if these negative conditions endure, losses in tourist revenues for the summer of 2020 will exceed €2 billion.

In terms of Cyprus' banking sector, the pandemic will also prove severe and dangerous. The Republic's banking system is already overburdened with almost €10 billion in Non-Performing Loans (NPLs), an amount representing about 20% of the total loan portfolio. Most NPLs belong to households and Small- to Medium-size Enterprises. A significant decline in economic activity is therefore likely to have a harsh negative impact on the above groups. Nevertheless, the recent decision by the European Central Bank (ECB) for a raised banks capital buffer, provides a leeway for lenders to shoulder any costs from potential increases in NPLs. According to Cyprus Finance Minister Constantinos Petrides, following the ECB's decision, Cypriot banks will increase their capital buffer by €1.3 billion.

Finally, we must mention that the government's fiscal stimulus package is along the right lines. At the end of 2019, the total government surplus was €600 million, to which €200 million were added over January 2020. In other words, the government has so far provided a fiscal stimulus package of about half a billion euro. In addition, following the current crisis and the inevitable contraction of growth rates, the Council of Ministers has decided further measures such as: reduction of VAT rates by 2% for the next two months, freezing of GeSY contributions for April and May based on the initial estimations of the scheme, a suggestion by the government to Electricity Authority of Cyprus (EAC) for a reduction in the price of electricity by 10% and finally freezing of any foreclosures by KEDIPES for the following 3 months.

DRAWING POST-APARTHEID GEOGRAPHY: THE ROLE OF THE CONSTITUTIONAL COURT OF SOUTH AFRICA

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I. Apartheid geography and land reform in recent constitutional litigation

Apartheid spatial inequality is a recurring theme in South African case law in general, and with reference to housing and land rights, linguistic rights and education, in particular.[1] In this respect, the term "apartheid geography" has been used to denote "the creation and maintenance of racially-identified spaces, coupled with racial and class-based segregation and an uneven distribution of social goods and public amenities"[2] through discriminatory legislation and practices.[3]

Owing to the relevance of land rights in addressing past injustice and their connection with other socio-economic rights, the land reforms are embedded in section 25 of the Constitution, which affords a considerable degree of protection to property owners and, at the same time, it includes an imperative to advance land rights on an equitable basis.

[1] See, *Government of the Republic of South Africa and others v. Grootboom and others [2000] ZACC 19, 2001 (1) SA 46 CC*; *Port Elizabeth Municipality v. Various Occupiers [2004] ZACC 7, 2005 (1) SA 217 CC* at paras 11 - 12; *Federation of Governing Bodies of South African Schools (FEDSAS) v. Member of the Executive Council for Education, Gauteng and Another [2016] ZACC 14, 2016 (4) SA 546 (CC)* at para 38*; Gelyke Kanse and Others v Chairperson of the Senate of the University of Stellenbosch and Others [2019] ZACC 38.*
[2] R. Madlalate, *Dismantling apartheid geography: transformation and the limits of law*, in *Constitutional Court Review*, vol. 9, n. 1, 2019, pp. 195-217.
[3] Among the others, the *Black Land Act 27 (1913*) and the *South African Development Trust and Land Act 18 (1936)* provided for "black-only" areas. A racialization of urban areas also occurred under the *Natives (Urban Areas) Act 21 (1923*); the *Blacks (Urban Areas) Consolidation Act 25 (1945*); the *Black Communities Development Act 18 (1936)*. Moreover, statutory measures allowed the eviction of people from their land. The *Group Areas Act 41 (1950)*, for example, regulated the acquisition, alienation and occupation of land and established six self-governing territories (KwaNdebele, QwaQwa, Gazan-kulu, Lebowa, KwaZulu-Natal and KaNgwane) and four independent nation states, the so-called homelands (Transkei, Bophuthatswana, Ciskei and Venda).

In the 1990s, the National Government started land and property reforms to ensure security of tenure for labour tenants in white-owned farms, redistribution and restitution of land. However, the process currently suffers from extensive institutional dysfunctions and systemic rights violations, which impede the fulfilment of post-apartheid constitutional promises.[4]

In addressing land claims, the Courts have recently showed a considerable amount of activism by shaping innovative remedies.[5] Moreover, the Constitutional Court shows growing awareness of the effects of past discriminatory legislation on the present legal construction of rural and urban spaces.[6]

Two recent Constitutional Court decisions deserve special attention. In both *Daniels vs. Scribante*[7] and *Rahube vs. Rahube*[8] the Court found that, whilst the apartheid laws have been repealed and replaced, racial discrimination persist in apparently "neutral" legislation and jurisprudence, thus, perpetuating "apartheid geography". Moreover, the judgments are particularly relevant in terms of gender-based discrimination related to land, which perpetuates women's exclusions from rural and urban (legal) spaces.

II. The Constitutional Court's approach to land and gender: *Daniels* and *Rahube* compared

In *Daniels vs. Scribante*, decided on 11 May 2017, the Constitutional Court found that Ms. Daniels (the Applicant) was entitled to improve her dwelling without the consent of the farm owner (First Respondent). The decision is ground-breaking because it acknowledges that constitutional positive obligation may have direct horizontal effects on private persons. The Court indeed rejected the argument that the owner has no constitutional obligation to ensure dignified living conditions to the tenant.[9]

However, a hidden aspect is worthy of being noted, namely the approach of the judges to the legal construction of rural space. The Court did not merely consider whether the occupiers under the Extension of Security of Tenure Act 62 (1997) (ESTA) have the right to improve their dwelling. Indeed, such a right is not contained in the ESTA. Instead, they reframed the issue in terms of restoration of human dignity for an occupier holding precarious land rights due to apartheid discriminatory legislation. The majority judgment

[4] See, D. Hitchcock-Lopez, *If a Person Must Die, Then So Be It: A Constitutional Perspective on South Africa's Land Crisis*, 60 Wash. U. J. L. & Pol'y, 317, 2019, p. 318.
[5] See, *Mwelase and Others v Director-General for the Department of Rural Development and Land Reform and Another* [2019] ZACC 30.
[6] See, J. Dugard, *Unpacking Section 25: What, If Any, Are the Legal Barriers to Transformative Land Reform*?, in *Constitutional Court Review*, vol. 9, 2019, pp. 135-160.
[7] *Daniels v Scribante and Another* [2017] ZACC 13.
[8] *Rahube v Rahube and Others* [2018] ZACC 42.
[9] *Daniels v. Scribante*, per Madlanga J., at para 39.

extensively illustrated the colonial and apartheid policies which created a spatial discrimination and, consequently, socio-economic inequalities.[10] The Court recognized that, whereas past discriminatory laws have been repealed and replaced, some legacies of the apartheid legal construction of spaces remain, contributing to foster race and gender-based discrimination.[11]

The resilience of apartheid legislation and policies clearly emerges in *Rahube vs. Rahube*, decided on 30 October 2018 by the Constitutional Court. The Court unanimously upheld the High Court's findings that section 2(1) of the Upgrading of Land Tenure Rights Act (the Upgrading Act) is unconstitutional and therefore invalid, since it violates women's right to equality. The Upgrading Act automatically converted to ownership the land tenure rights acquired under the Native Proclamation R293 (1962). As reported by the Court, the Proclamation Act formalized the customary patriarchal system, providing that only the "family head" could held tenure rights. Consequently, the Upgrading Act, which was aimed to ensure security of tenure of those damaged by past discriminatory legislation, indirectly contributed to perpetuate land rights discrimination based on sex and gender.

In the case at hand, Ms. Rahube (the Applicant) was automatically excluded from property ownership in favour of her sibling Mr. Rahube (First Respondent). The latter held tenure rights by virtue of a Deed of Grant issued by the Department of Local Government and Housing of the Republic of Bophuthatswana in 1998. As claimed by Ms Rahube, during the apartheid only men were considered as "head of the family" and could obtain Deeds of Grants under the Proclamation Act.

Like in *Daniels*, the Constitutional Court made extensive use of the historical narrative to contextualise the dispute.[12] The judges noticed that the Upgrading Act does not provide a definition of the "family head". However, considered in the broad context of both past discriminatory measures, policies and social practices, the Upgrading Act cannot be read in a gender neutral-way.[13] Indeed, the contextualisation of the relevant legislation reveals that women were placed "outside the law"[14] and excluded from holding land tenure rights during the apartheid. In other words, women were "absent" in the apartheid legal construction of rural spaces. In the light of these considerations, the Court found that section 2(1) of the Upgrading Act is irrational, since it is based on apartheid legislation and, thus, it contradicts the aim of the Upgrading Act. The section under scrutiny is also unreasonable,

[10] *Daniels v Scribante,* per Madlanga J., at paras 14 - 23.
[11] In a separate concurring judgment, J. Cameron is more cautious towards the bold use of historical arguments in the majority ruling by affirming that «it is not within the competence of judges to write history» (para 149).
[12] *Rahube v Rahube,* at paras 22-28.
[13] *Rahube v Rahube,* at paras 23 and 33.
[14] *Rahube v Rahube,* per J. Goliath citing T. Nhlapo, professor at the University of Cape Town, at para 33.

insofar it was designed to ensure equitable access to property and tenure security in a way that indirectly discriminated women.

III. Concluding remarks

The South African Constitutional Court is playing an active role in addressing the issues concerning land and housing rights.

In *Daniels* and *Rahube*, the Court partially departed from traditional legal method by providing an extensive contextualisation of the land claims. In so doing, the judges showed awareness of the legal construction of spaces during the colonial and apartheid regimes and integrate this narrative in their arguments.

This approach allows the Court to go well beyond the letter of the law, interpreting the legal framework in a way that addresses not only individual claims, but also structural discrimination, as in *Daniels*. By considering law as a social and context-depended construction, then, the Court is able to address those legacies of the apartheid law and practices which still operates in apparently gender and race "neutral" legislation, as in *Rahube*.

The Court's approach towards spatial insecurity in land is made possible because land-reform policies are embedded in the Constitution, which means that the property clause has to be interpreted in connection with other rights contained in the Bill of Rights. However, years after the end of the apartheid, women still suffer from discriminatory social and legal construction of space. Any reform aimed at shaping post-apartheid geography, including the proposed amendment to section 25 of the Constitution, should take women's spatial insecurity into account.

ITALY'S COALITION GOVERNMENT FROM THE 2018 GENERAL ELECTION TO THE COVID-19 CRISIS

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The March 2018 general election in Italy produced a hung parliament. The incumbent centre-left Democratic Party (PD) suffered a relevant defeat, while anti-establishment Five Star Movement (M5S) consolidated its position as Italy's single-largest party earning 32 per cent of the vote.[1] Within the centre-right coalition, anti-immigration Northern League earned more than 17 per cent of the vote, an unprecedented feat for a party that received little more than 4 per cent in the previous general election. Nonetheless, neither M5S nor the centre-right coalition could form a government without striking a deal with other political forces.

After weeks of horse-trading, M5S and Northern League eventually came to an agreement and coalesced to form a new cabinet. Giuseppe Conte, until then an obscure law professor, became prime minister. M5S leader Luigi di Maio was appointed as Minister of Economic Development, while Northern League's Matteo Salvini became Minister of the Interior. In addition, they both became deputy prime ministers.

Tensions within the "Conte I cabinet" were latent from the very beginning. Salvini managed to galvanize the public opinion with his anti-immigration narratives, *de facto* monopolising the agenda of the government. New anti-immigration measures were subsequently introduced, essentially designed to abolish humanitarian protection status for migrants, deny asylum seekers' access to reception centres meant to foster social inclusion, and target nongovernmental organisation rescue ships patrolling the Mediterranean Sea. Salvini's pledges to introduce a "flat tax" plan in debt-ridden Italy nonetheless appeared to be unrealistic, especially in light of the M5S's intention to introduce a "citizens' income" scheme aimed to alleviate poverty and boost consumer spending.

[1] See Cecilia Emma Sottilotta, "Italy's love affair with populists continues. Uncertainty now prevails", *The Globe and Mail*, 5 March 2018 https://www.theglobeandmail.com/opinion/article-italys-love-affair-with-populists-continues-uncertainty-now-prevails/

In the meantime, opinion polls suggested increasing public support for Salvini's party, which was confirmed by the outcome of the European Parliament election taking place on May 26, 2019: the Northern League received almost 35 per cent of the vote, with the M5S winning as little as 17.1 per cent, a result that substantially altered the balance of power within the governing coalition.

In August 2019 Salvini eventually asked for a snap election, but the subsequent government crisis resulted instead in President Sergio Mattarella giving Giuseppe Conte a mandate to form a new government. This decision was justified, among the other things, by the need for Italy to draft a budget plan within the framework of the European Semester. The new coalition government – formed by the M5S and its former political foe, the Democratic Party, was sworn in September 2019 and, since its inception, it was considered by many to be one of the most fragile in Italy's recent political history.

Nevertheless, two circumstances contributed to strengthen it. The first was the outcome of the January 26, 2020 regional election in Emilia Romagna. Although Emilia Romagna has traditionally been a left-wing stronghold, Salvini had hoped to wrestle the region from the incumbent Democratic Party. The resounding defeat of the Northern League there represented a serious setback for Salvini, while at the same time bolstering the position of the Democratic Party within the governing coalition.

The second circumstance was as unforeseen as overwhelming. The COVID-19 epidemic crisis began to escalate in Italy in February 2020. Initially, the very nature of the crisis played into Salvini's narrative, because COVID-19 was connotated as a "foreign virus" whose circulation could be stopped by controlling the free movement of people, something that far-right parties had been arguing for in the first place.[2] As hospitals in the north of the country began to saturate, the response of the Italian government escalated. On March 8, 2020, the whole region of Lombardy and fourteen provinces in the centre-north of the country were placed on lockdown by government decree. The lockdown was then extended to the rest of the country on March 10, 2020.

It is difficult to make predictions as the situation is still unfolding in Italy and in the rest of the world, but a few reflections are in order. First, one of the most fragile coalition governments in decades had to make the most dramatic decisions in Italy's recent history. Second, once the situation escalated at the beginning of March 2020, all political parties seemed to converge in backing

[2] Ciara Nugent, "Italy's Far-Right Seeks to Gain from Coronavirus Outbreak", *TIME*, 24 February 2020, https://time.com/5789666/italy-coronavirus-far-right-salvini/?fbclid=IwAR3_kfazvfv1KcLu6JjaR2lK5cEKGJJPNdv6geQnm9lNUdvq8Psw5O_OmaI

the decisions of the government. After the real emergency monopolised the attention of the general public, according to opinion polls the Northern League began to lose support,[3] and to date the share of voters who declare they would vote for Salvini's party remains below 30 per cent. Conti's leadership has been praised in Italy and abroad, with many countries worldwide starting to adopt measures modelled on those enforced in Italy. At the same time, many concerns are being raised over the constitutionality of the emergency decrees adopted.[4] Unprecedented restrictions to personal and civil liberties are being enforced, including freedom of assembly. While it is not possible to foresee future developments with any degree of certainty, it is nonetheless very likely that the impact of the COVID-19 crisis on the Italian political landscape will be significant and long-lasting.

[3] See https://www.ilmessaggero.it/politica/sondaggi_politici_governo_lega_pd_voti_salvini_conte_news-5090487.html

[4] For a thorough analysis in Italian, see https://jacobinitalia.it/lemergenza-per-decreto/

SYRIZA'S MODERATION PATH: IN BETWEEN SOCIAL DEMOCRACY AND RADICAL LEFT

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Syriza's rise to power is still considered as one of the most significant political effects of the economic crisis. This is a development that still highlights Syriza as an exceptional case in the European radical left, i.e. a party of this family that controlled a governmental coalition as a major partner.

The different phases of Syriza's incumbency from January 2015 to July 2019 have fuelled many discussions in academic and non-academic circles, nevertheless it seems to be too early to fully appreciate this political project and to analyze the contradictions that emerged during this period. Especially, the moderation process that Syriza underwent after its defeat in the summer of 2015, when it was forced to accept a new bailout deal counter to its program, raised questions in regard to the sources of this new trajectory. Was this moderation an exceptional process attributed exclusively to the constraints posed by the crisis environment? Or there were traits inherent to the political trajectory of Syriza that enabled this political shift?

The view of Syriza's adaptation to mainstream politics as 'forced moderation' enables us to combine these two questions: on the one hand, there were certain constraints stemming from the EU governance of the crisis, the negative 'correlation of forces' at European level and the commitments of the previous government; on the other hand, there was the reality of an ill-prepared party with total lack of governmental experience which has retreated, prior to the January 2015 elections, to the idea of claiming a 'mutually beneficial agreement' from the country's creditors, meaning a 'socially just' austerity programme. In this sense, Syriza's shift was not totally unanticipated; the party followed the path of moderation, by implementing an austerity programme and trying to promote several counterweight measures in areas not regulated by the programme (the so-called 'parallel programme').

The record of Syriza in government corresponded to a progressive-type government moving inbetween social democracy and the radical left: it was

the first Greek government that achieved to conclude the July 2015 bailout program; it resolved the long-standing naming dispute of Greece with the Republic of North Macedonia; it addressed effects of the crisis on the non-privileged strata by implementing minimum income policies and increasing five times the total social welfare budget; it restored collective bargaining and increased minimum wage; it planned a comprehensive 'growth strategy' aiming to a 'just and sustainable development'; it promoted a humanitarian approach to the management of the refugee crisis.

Nevertheless, the government policies with a distinct radical left content were incomplete and inadequate. Syriza government, due to the constraints of the bailout programme and domestic institutional 'inertia', did not manage to alter the traditional functioning of the Greek state in the long term, to fully restore the pre-crisis labour relations and reconstitute the Greek welfare state, to delay the privatization of public property and to control the Greek banking system. Syriza described its policy efforts as a struggle to 'keep the society on its feet', thus accepting the non-feasibility of long-term interventions, at least within the specific context of the crisis periods.

Syriza lost the July 2019 elections mainly due to the fact that it had implemented an austerity programme, something that disregarded its reputation and image as a non-mainstream political force. Against New Democracy's 'back to normalcy' narrative, Syriza failed to present a persuasive and comprehensive 'day after tomorrow' programme, resorting to a negative propaganda that stabilized the centre-right's winning course. On the other hand, the relatively high share of votes that Syriza gained (31.5%) consolidated its position as the principal centre-left pillar of the Greek party system. In other words, Syriza is here to stay.

The post-election period – until the outbreak of COVID-19 pandemic which monopolized the public sphere and political dialogue – was marked by the resurgence of intra-party strife concerning the general orientation of the party until the next elections. Syriza's leader, Alexis Tsipras set forward an ambitious plan of radically expanding the party's membership base – from 27.000 to 180.000 – in order to 'correspond' to its expanded electoral base, which he considered as a necessary condition for future electoral success. This plan was accompanied by a call to 'progressive forces and citizens', mainly ex voters and cadres of the once hegemonic PASOK, which took the form of a political coalition named 'Syriza-Progressive Alliance'.

This kind of expansion is usually followed by programmatic moderation – in this case the moderation preceded – a development that provoked several debates in Syriza. One bloc of party cadres is worrying that the uncontrolled advent of new party members, with no radical left allegiances, will corrode Syriza's political character and accelerate a shift towards social democratic politics. Another bloc inside the party argues that an increase in the

inclusiveness of the party will improve the electoral fortunes of Syriza and that it is necessary for the latter to escape the mentality of a niche radical left party. These standpoints produce a dilemma for Syriza both in the present and the future: should the party reinvigorate its distinct radical left project in order to rebrand itself as a non-mainstream actor? Or should the party continue on the moderation path in order to enhance its electoral capacity at the expense of its ideological consistency from a radical left perspective? The answer to this dilemma will define Syriza's strategy in the following years.

COLLATERAL DAMAGE*

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Abstract
It is argued that lending where the overwhelming criterion is the collateral rather than the repayment capability of the project and the borrower is highly likely to be unproductive and will inevitably lead to a transfer of wealth. If this is done on a systematic and massive scale as was the case in Cyprus in the years leading to the 2013 crisis it is also likely to cause a long and deep balance sheet recession. Banks should therefore be in check and held accountable for such professional malpractices.

Collateral lending causes collateral damage

The word *collateral* is defined in the Merriam-Webster dictionary as "*property [..] pledged by a borrower to protect the interests of the lender*". The essence of collateral in lending is that it is to be used as a *recourse* for recovery by the banks in the event that the expected outcome for which financing was provided fails to materialise due to unforeseen events. A loan should not, therefore, be granted without a proper and professional evaluation of the ability of a project (and the borrower) to repay as well as in undertaking a sound assessment of the risks involved. This is the prime responsibility and presumed competence of a bank in performing its duty as a lender. It is meaningless and often damaging to grant a loan where the overwhelming criterion for approval is the collateral itself. The recourse in such a case becomes the object of the financing.

The Economics of classical economists such as Adam Smith, Stuart Mill and Marshall were centred around the funding of viable projects in industry and the real economy**.** Even economists who were defending the existence of *rentiers* could only do so on the premise that banks finance productivity. Landlords and the financial classes were thought of as getting a free lunch by extracting rather than creating wealth. By the late 19th century the rentiers fought back by arguing that economic rent did not accrue "in their sleep", as

* This article was firstly published as a Development Discussion Paper, Queen's University, 2019-13, http://jdintl.econ.queensu.ca/discussion-papers/

J. S. Mill had characterised it. John Bates Clark argued that interest is not exploitation but rather the payment for the "service" of lending productively.

But wasteful lending on a large scale holds the economy hostage as is the experience of Japan (Koo 2015) and more recently Cyprus (Savvides 2019). Debt financing based on collaterals inevitably means unproductive lending which leads to what is described as fraudulent conveyance of the security provided. This is why a law such as the *Law of Fraudulent Conveyance of New York State* was enacted in order to safeguard borrowers from having their properties confiscated. The law essentially says that, if a creditor makes a loan to a borrower without a proper assessment of how the borrower can repay the loan, then that loan is nullified. This law is still often brought up in US courts.

As Hudson (2012 and 2018) argues, if such a law was widely implemented today, it would apply to subprime borrowers and for other borrowers who signed loan agreements far in excess of what they could pay. Teaser interest rates would also adapt to much higher levels and borrowers would therefore be less likely to fall into the trap of taking up loans that can't be repaid and in effect conveying their wealth to others.

In the final analysis, economies fail as a result of unproductive and wasteful investments and not by how these misguided expenditures are funded. The recovery, however, is a lot harder and longer if the irresponsible funding is primarily through debt. This is why it is imperative that the prime criterion for granting a loan should be a proper assessment of the repayment capability rather than the security position of the borrower. Granting unproductive loans impairs the real economy and in largely unregulated banking and financial markets results in a systematic transfer of wealth from the many to the few. Money is not wealth. But it can be a means for both creating or extracting wealth. Unfortunately, due to the way banking and the world economies are set up today money is used increasingly for wealth extraction rather than wealth creation.

Such reckless lending has devastating consequences on the economy and on the social welfare of the people. It causes the economy to fall into a long and deep recession. Banks in Cyprus were the main culprits causing the current financial and economic crisis. But they were never held accountable for this malpractice. Moreover, they are instead accommodated by a Government which presumes that only the borrower is at fault and who is often presented as "strategic defaulter" that should be legally and otherwise forced to forfeit the collateral. This is a myth propagated mainly by the banks and possibly other beneficiaries of the huge wealth extraction taking place.

Strategic defaulters can only be borrowers who were given light loan terms. And we all know who these are. Those who were in fact pursued by banks in the "party years" and were extended loans not only without a proper assessment of repayment capability but also secured by inadequate collaterals. These were usually loans to large limited liability companies who more often than not were not even required to have their major shareholders to pledging their personal guarantees, as is normal banking practice in such circumstances. Why should a small business or household whose house or other collateral is more than sufficient to cover the loan strategically default if he or she has the ability to repay? This will result in penalty fees, higher interest and, inevitably, to the loss of their homes or other properties that were put up by the borrowers or their guarantors as security.

In the years leading to the crisis of 2013, financing institutions in Cyprus engaged in collateral lending on a massive scale with almost a total disregard to the collateral damage they were causing. However, nothing was learnt from this and the same people who had benefitted from inflicting this misery on the people at large then are again up to their old tricks and, with the aid of the Government and others, are implementing a huge transfer of wealth from the many to the few. The effects of this on the economy is of no concern to them however. One might say to them, it is just **"collateral damage"**.

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Bimonthly Electronic Newsletter

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ISSN (online) 2421-8111