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Prodromos I. Panayiotopoulos

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Cyprus: The Developmental State in Crisis

INTRODUCTION

The transformation of the Cypriot economy can be illustrated in the following historical summary. At Year One of political independence a mission from the United Nations Development Programme (UNDP, 1961) visited Cyprus with a brief (at the Government of Cyprus behest) of drafting a development strategy for the newly independent state. Cyprus became a member of the UN on 20th September 1960. The UNDP found a Cyprus rocked by a severe economic crisis, with mass migration as its leading expression (also see Panayiotopoulos 1990). At the time per capita income stood at \$600 but in the rural areas where 60 per cent of the population lived this was at \$300, half the national average; only 15 per cent of households had access to piped water, reasonable sanitation or electricity. Items such as telephones, refrigerators and cars were rare commodities. Television sets, at the time a new phenomenon, were rare, and for most, a sight to be seen in a small number of *kafene's* (coffee houses).

During 1993, the Human Development Index compiled annually by the UNDP in the Human Development Report, ranked the Republic of Cyprus twenty-seventh (out of a total of 173 countries). This ranking takes into account purchasing power, life expectancy and infant mortality. Other material supplied by the UNDP, show that Cyprus has resolved rural-urban imbalances

The paper subjects grand theories to critical appreciation and argues that the state played a central role in transforming the Cypriot economy which is characterised as a small economy heavily dependent on export industries such as textiles and tourism. The relationship between the Cypriot 'economic miracle' and globalisation is investigated in the light of the experience of the export led textile industry suffering from the consequences of American deindustrialisation of the Italian economy - historically Cyprus' major export market.

in the delivery of services, such as health, water, sanitation and may be seen as an example (along with other NICs) of the narrowing of the North-South divide (see UNDP 1993: Tables 6, 10). Indeed during 1991 an event took place which was emblematic of the changes to the Cypriot economy and society: with a per capita income of \$9,000, an annual rate of GDP growth of 6.4 per cent during the previous five years (1986-1991), a level of unemployment of around 2-3 per cent and solid credit ratings, Cyprus said 'goodbye' to the World Bank. As one of the world's 25 'richest' nations (by World Bank per capita income ranking) Cyprus could no longer qualify as a Developing Country in need of development assistance. Thus Cyprus has been crossed off the international lending institution's books.

I. THE DEVELOPMENTAL STATE

Intervention by the state in order to promote economic development has many historical antecedents (see Kitching 1989; Leftwich 1994: 373-377). Intervention found particularly fertile ground during the inter-war period. In Latin America, the structuralist analysis of dependency and 'unequal exchange' presented by Raul Prebisch was beginning to emerge as a serious challenge by development economics for the conventional economics which pointed to comparative advantage and mutual gains from trade as the engine of growth (see Prebisch 1959: 251-274; Love 1980: 47-72). This was given imperative by the nationalist/populist response to global market failure typified by the collapse of commodity prices. Wynia (1984: 145) points to the Vargas regime in inter-war Brazil, as substantially driven by 'strong nationalist rhetoric, promising to liberate the country from the tyranny of world markets and economic control by foreigners'. The politics of Getulio Vargas, Juan Peron and others facilitated the emergence of a state planning apparatus, referred to by Pereira (1984: 3) as 'the techno-bureaucracy', and which was perceived as the agency through which control by foreigners would be rolled back.

The consolidation in Latin America of Import Substitution Industrialisation from a 'forced' response to external shock to a recognisable national industrial policy was mirrored (albeit in a more subtle manner) in the work of Proobrazhensky, who argued in *The New Economics* that the economic arrangements in the

young Soviet Republic could be detached from capitalist global accumulation and valorised in a way which, simultaneously, was consistent with socialist fundamentals and exploited the peasantry.¹ The analysis of the 'Leviathan State' presented by Bukharin (1982: xxxi-lviii) —an analysis which proved useful in explaining the evolution of the Stalinist regime in the Soviet Union itself—pointed towards an omnipotent unity of state and national capital. In the advanced industrial economies, state intervention ranged from New Deal public work schemes to the militarisation of entire national economies.

The application by developing countries of state direction (and in cases direct ownership) has been a characteristic feature of the Newly Industrialising Countries (NICs). This has invariably strengthened the dispersion of industrial production and indigenous ownership. Amsden (1989: 139) notes the high degree of intervention in South Korea as one where 'the government made most of the pivotal decisions'. Indeed Amsden argues that amongst 'late industrialisers' in general, the state imposes upon private firms² if not direct ownership, performance standards in exchange for subsidies. Evans et al (1985: 356) also point to the promotion of industrialisation by the state in developing countries as something of a general phenomenon. Evans (1979) noted that a key component of the 'triple alliance' which characterised post-war Brazilian industrialisation was the state sector. Luedde-Neurath (1988) points to the high level of state intervention in the key role played by the Economic Planning Board in directing South Korean industrialisation: this ranged from fixing producer prices (upon pain of fine) to directing industrial location and insisting on the use of local inputs in production.

The concept of the 'developmental state', however, is used in a specific way by Johnson (1982) and White (1988). They point towards a functional interaction between the interventionist 'strong' state and the private sector in East Asia as a necessary precondition for the attainment of economic development and industrialisation. Leftwich (1994: 376) points to this necessary interaction between state and market as a characteristic feature which distinguishes the 'developmental state' from the erstwhile Soviet-style command economies. 'This instrumentalist view of the state as agent for market-orientated economic development is a characteristic concern of the 'new institutional economics'.³

Gordon White and Robert Wade (1988) attempt to evaluate the changing nature of that intervention and interaction and the new constraints facing Government. They raise important questions over how far a state can influence the key economic indicators of a national economy in the context of globalisation. Also they search for explanations to the crisis in confidence for 'national economic development' and the legitimisation crisis of planning in general: this as White and Wade argue (1988: 2) commenced around the 'late 1960s [as] pervasive authoritarianism and corruption, ineffective planning, disappointing socio-economic performance and international dependence made themselves felt.' This (as they argue) undermined simpler statist conceptions of the development process.

Robert Wade (1990: 4) has investigated the proposition by institutional economics that the East Asian NICs represent a 'more effective way of putting the institutions of capitalism together', and points to some of the limits of the theory of the 'developmental state' as an explanation for East Asian industrialisation. Wade (1990: 25-26) argues that this explanation 'says little about the nature of policies and their impact on industrial performance', and proposes an alternative 'Governed Market' (GM) theory of East Asian industrialisation, which is informed by the 'developmental state' debate, as well as, the earlier development economics (Prebisch, Myrdal, *passim*) which shaped concerns for development (Wade 1990: 27). GM theory points towards three levels of causation in economic growth which are critically influenced by state direction. Firstly, very high levels of productive investment and even higher levels of investment in certain key (leading) industries which are characterised by a high degree of exposure to international competition. Secondly, the nature of specific government economic policies which underpinned investment policies (incentives, controls, mechanisms for spreading risk, and so on). And, thirdly, the specific institutional arrangements of support for such policies by a corporatist kind of state which has capacities for maximising compliance and cooperation. Indeed Wade writes (1990: 27) that 'the corporatist and authoritarian arrangements of East Asia have provided the basis for market guidance' and enhanced capital accumulation.

One distinguished area of intervention by (in particular) the East Asian NICs consists of a sectoral push. Nigel Harris (1987) points to the selection of particular industries for export-promotion often through the medium of export subsidies: in the

case of South Korea a graduation from labour to capital intensive production has seen textiles, shipbuilding, electronics, car production, actively encouraged by the state-chaebol alliance(s). This has brought South Korean companies in conflict with European trading partners, who point to examples of 'dumping' at prices below the cost of production as 'unfair trading'. This sectoral intervention by the state is frequently ignored by neo-liberal analyses. As Wade (1990: 12) notes, the conventional neo-liberal position argues that market failure (if at all recognised) can rarely be improved by a sectoral industrial policy. This omission Wade (1990: 28-29) writes, 'matters particularly because it is in the histories of specific industries that one can most clearly see the government in action.'

The concept of the 'developmental state' parallels many of the concerns (and problems) previously associated with 'national economic development'. It is also, however, an attempt to offer critical explanations for the perceived failure of nationalist state-directed capitalist development (see Nigel Harris 1983, 1987; Lord Bauer, Deepak Lal *passim*) and to identify the implications of the growing internationalisation of national economies—a condition which may derive substantially from policies initially framed (paradoxically) to promote national economic development. By retranslating the substance of state and development in the context of emergent globalisation, this allows us to consider one important proposition: that the crucial question to ask is not 'how far' a state can control key economic variables but (more significantly) what happens after the state as 'historical animator' is confronted by the very forces it has helped to promote, outgrowing the confines of a given nation state.

Given the weight attached to economic liberalisation and globalisation in developing country industrial policy—exemplified by attempts to imitate the Export Orientated Industrialisation market-friendly strategies of the East Asian NICs—then these sort of questions have become increasingly poignant. The active promotion of export-led industries means that national economies which industrialise under the current conditions of globalisation, now find themselves even less subject to the control of the local state or private forces that promoted industry in the first place, and even more subject to external shocks: these export industries become part as Nigel Harris (1987) argues, of an increasingly competitive and expanding global manufacturing system'.

Overcoming structural constraint

The wider concept of the 'developmental state' in substantial part derives from the analyses (Prebisch, Myrdal, *passim*) which pointed to the structural constraints facing developing countries inside the global system, and provided justification for increasing state intervention in national economies. Dudley Seers (1979) writing with specific reference to the relationship between North-Western and Southern Europe, argued that this relationship could be understood within a core-periphery framework, with Southern Europe as the more vulnerable part of that relationship. James Petras (1985) in a more subtle application of core-periphery theory, argues that the uneven extension of industrialisation in the Mediterranean has reproduced both within the region and within individual countries the same polarities as previously existed between the North and South. The polarities inside Southern Europe, however, are presented as a consequence of the wider disparities between North and South Europe and reflected in the effects of the high level of worker remittances in the 1960s and 1970s and earnings from mass tourism. These savings and earnings, Petras argues, have led to the growth of real estate capital and generally to the 'over-development of non-productive activity'. Whilst this did stimulate particular areas of industrial development such as construction, ultimately it deflected industrialisation. The recent massive population shifts in the Mediterranean, from rural areas to urban centres and the movement from agrarian to industrial and service activities, are seen as transformations which have never been consummated to the point of rupturing the relations with previous economic activity. Petras argues that workers still own or have access to units of petty commodity production (eg. land), which results in the maintenance of pre-industrial forms of production and distribution. The situation is summarised by Petras (1985: 296) as that of 'dynamic immobilism',

the Mediterranean region has experienced accelerating integration into a new European division of labour with specificities distinct from those of the past. International circulation of labour and capital characterises the new configuration; the Mediterranean exported Labour power and imported consumers—tourists from the North; the South became a site for the 'reproduction' of Northern labour power.

Structural-constraint theories are also presented by spatially-based analyses which point to the vulnerabilities of small states in general and small-island economies specifically. These vulnerabilities are presented in a disproportionate dependence on exports; a tendency for a high (quasi-monopolistic) degree of specialisation in those exports; a small and limited public sector; special vulnerabilities are associated with small-island economies (see Commonwealth Secretariat 1985; Kaminarides, Briguglio and Hoogendonk 1989; Gayle 1986; UNCTAD 1984). The idea of 'little Cyprus' as victim of external political constraint and its political development as substantially the result of foreign interference rather than any domestic factors, has been used to substantially explain the 'Cyprus problem' ie. the division of the island into two Greek and Turkish Cypriot states (see Nairn 1979; Worsley and Kitromilides 1979; Mavros 1989; Pollis 1979).

Cyprus as a Developmental State

The rapid economic transformation of the Cypriot economy and the conceptualisation of the (changing) Cypriot state as a 'developmental state' which ushers in the NIC status, suggests parallel experiences to those of a number of other smaller NIC's such as Hong Kong and Singapore. Not only is there in these three cases a common, British, colonial thread and post-colonial authoritarian experiences of varying dimensions, but also similarities in spatial terms articulated in issues to do with the small size of the domestic market, the physical land-mass itself, and limited resource endowment.

The Cypriot NIC-ification process may be seen as part of the more general process of industrialisation. Nigel Harris (1983; 1987) notes that the growth of the East Asian NIC's ('the Gang of Four') and their Latin American counter-parts, was also mirrored in the industrialisation of a number of the Southern European countries during the 1960s (Spain, Portugal, ex-Yugoslavia, Greece, Turkey). At the same time, however, the experience of Cypriot NIC-ification points to a number of specific characteristics, key amongst them, the centrality of tourism in Cyprus economic development and on an even bigger scale proportionally than the other Southern European NICs.

II. THE POST-COLONIAL STATE: THE STATE THAT MAKARIOS BUILT

The tendency for many of the post-colonial states to be shaped substantially by the actions of the ex-colonial powers, found in Cyprus a powerful and complex expression: two sovereign bases were conceded by Cyprus to Britain in the Zurich Agreement signifying political independence, mass-migration and settlement to the UK (see Panayiotopoulos 1990; Constantinou 1990; Jones 1983), as well as the centrality of the UK market for Cyprus exports, act as examples of a continuing colonial thread. That thread has however been considerably unbound.

The unbounding of the thread of colonialism is in part a reflection of another tendency: the tendency for national liberation movements to emerge and in many cases to subsequently become Governments, which in various ways attempt to negotiate a position for the given nation-state within the world system. This transition was often characterised by the development of the single-party state and the personification of the process of nation-building, to that of individual persons associated with the leadership of the national liberation movement. Another post-independence experience appeared often in competing claims to state and development articulated in competing ethnicities. This experience also found expression in Cyprus in the role of the (Greek) Cypriot liberation movement (EOKA) as the prototype ruling network which was to prove central to the definition of governance, and in the role of Archbishop and subsequently President Makarios, as the personification of the newly independent (Greek) Cypriot state.

The 'winds of change' saw in Africa six countries achieving independence in the period 1950 to 1959, and 32 during 1960-1969.³ These winds were felt in Nicosia, as much as in Nairobi. Whilst expectations of change were explicit in the aims of the national liberation movements, there were also important elements of continuity in the new states. On one basic level the state remained in Cyprus (as elsewhere) and increasingly so, as the single largest employer. Other dimensions of continuity in the new state(s) were capacities for repression and development. Frequently both capacities were administered with a national precision. In the case of Cyprus post-colonial experience, repression was reserved (by and large) for the Turkish Cypriot community and development assistance for the Greek Cypriot community. The

post-independence period was characterised by strong links between Greek Cypriot peasantry and state: the state (that Makarios built) made use of the discourse of Greek chauvinism and tripartism in industrial relations, as key institutional features of government and which can be seen as determinant in the construction of the post-colonial state.

Greek chauvinism

Whilst Greek Cypriot dominance had longer historical roots than independence this was to be most spectacularly confirmed in the post-independence period. The historical roots of Greek Cypriot dominance were, ironically, to be found in the institutional arrangements of the Ottoman Empire and the *modus vivendi* reached between the Sultanate, Greek merchant capital and the Orthodox Church (see Mouzelis 1978). Michael Attalides (1979: 40) argues that by the end of Ottoman rule in Cyprus (1871), economic power was concentrated in the hands of Greek merchants and the Orthodox Church, with Turkish Cypriots experiencing a 'downward group mobility.' An important dimension of Attalides analysis of Turkish Cypriot 'underdevelopment' becomes (therefore) an 'underdeveloped' Turkish Cypriot bourgeoisie, confined to a rentier role (as land-owners) or as state functionaries (civil servants).

The continuation of these trends under British rule (1871-1960) saw the consolidation of Turkish Cypriot representation in the state apparatus either in a repressive capacity (as auxiliary police), or in an administrative role. The latter was to present the emergent Greek Cypriot state elite with its severest test. The high concentration of Turkish Cypriots in the capital and administrative centre of Nicosia (30.0 per cent) compared to an all-Cyprus ratio of 20.0 per cent⁵ was reflected in significant Turkish Cypriot employment in the central (Nicosia) Civil Service Departments. As Attalides (1979: 51) notes, at independence 26.0 per cent of all most senior grade posts were occupied by Turkish Cypriots: this was to be to the victorious Greeks coveted spoils.

The struggle against British rule—which was to shape the post-colonial state—had at its heart the demand for *enosis* (union with Greece). This not only *ipso facto* implied the suppression of Turkish Cypriot national rights, but also led to concern amongst Turkish Cypriots over possible transfer of populations.

Of equal concern to Turkish Cypriots was the centrality of the Orthodox Church as the custodian of Greek nationalist ideology and also as the largest land owner (and rentier) on the island. The power of the Church in society rested upon a mass Greek Cypriot peasantry over whom it maintained a high level of moral and material control. One key intermediary through which the Church exercised moral control over the peasantry and village organisation was through village school teachers. Many were educated in Greece, allied with mainland Greek nationalism and were to play a crucial leadership role in the mobilisation of the shock troops—such as their village tutees—which complimented the moral authority of the Church.

Peter Loizos (1974: 117-118) refers to school teachers as a new 'elite' and makes the observation that the networks created during the armed struggle against the British, were to be put to good use in the post-independence period. As Loizos (1975: 122) writes, 'former militants seem to have acted as an informal government'. The networks of former EOKA fighters were also used in the armed struggle against the Turkish Cypriots at the inception of the newly independent state. Leading EOKA members, such as Nicos Sampson and Vasos Lyssarides (Makarios' personal physician) were to earn themselves and their gangs, the title of *tourkophagi* (literally, eaters of Turks).

The extent of economic discrimination against Turkish Cypriots, is difficult to evaluate. This was not to be an area of interest by the otherwise formidable statistical services of the Republic of Cyprus. Occasionally, something of an illustrative nature surfaces. Archbishop Makarios himself was to confirm, at year one of independence, that the land and property-owning Greek Cypriot Orthodox Church 'does not rent land or shops to Turks'.⁶ As Attalides (1979: 88) shows, the per capita income of Turkish Cypriots (in 1963) was one fifth lower than amongst Greek Cypriots. Whilst Turkish Cypriots constituted 18 per cent of the population, they accounted for only 1.2 per cent of value added to the main agricultural crops; only 11 per cent of manufacturing establishments employing over five persons were Turkish Cypriot owned and their contribution to value added to manufacturing was a paltry 2.0 per cent. Only 3 per cent of imports and 0.2 per cent of exports were accountable to them.

The marginalisation of Turkish Cypriots accelerated in the post-independence period. The communal violence during 1963-1964 led to Turkish Cypriot 'abandonment' of some 102 villages

(see Cyswell Project 1979: 90). By 1965 nearly half of all Turkish Cypriots were crammed in Gaza-Strip fashion, into a minuscule 1.6 per cent of the island's land-mass (Attalides 1979: 90). Many were living in over-crowded and squalid conditions in the ghettos of old Nicosia and were dependent on mainland Turkish aid as their only means of economic survival. The experience by Turkish Cypriots of enforced informal partition during 1963-64 included 'ethnic cleansing' carried out by Greek Cypriot para-military groups. These groups, composed of ex-EOKA fighters, acted in conjunction with the Greek Cypriot National Guard and in cases mainland Greek troops stationed in Cyprus (see Ergatiki Demokratia 1988: 47-71).

The acceleration of Turkish Cypriot marginalisation during the 1963-64 communal violence, was a process set in motion by President Makarios who provoked a constitutional crisis by seeking to unilaterally impose changes to the constitution (the so-called 'thirteen points'). The changes would have had the impact of denying Turkish Cypriots local self-government (in areas where they constituted the majority) and also proposed an end to the right to veto guaranteed—under the terms of the constitution—to the Turkish Cypriot Vice-President. The response by Turkish Cypriots was a refusal to take part in the process of political marginalisation. This led to the establishment of 'no-go' areas by Turkish Cypriots in six large enclaves.

Tripartism

The Ministry of Labour and Social Insurance in its 1966 Annual Report summed up the aims of the new state (towards Greek Cypriot organised labour) quite neatly: they were for 'social justice, industrial peace and growth.' By this it was meant that low trade union claims ('in line with productivity') would be exchanged for full employment policies. The formula of social justice plus growth produced results. As the Labour Report noted '...for the third year in succession industrial peace reigned supreme.' Strikes accounted for a minuscule 0.0006 per cent of so-called man days worked. The Report then went on to praise 'the patriotism of the two industrial partners' and their full-hearted support for the government, in its struggle for a 'just settlement of the Cyprus problem.'

The three industrial partners—if one includes the state—consisted of the employers organisations and the competing

union organisations consisting of the left-wing trade union confederation (PEO) acting under the political control of the Cypriot Communist Party (AKEL), and the right-wing confederation (SEK) acting under the political control of the right—and staffed by ex-EOKA militants. The weight of the unions in Cypriot society is reflected in the fact that Cyprus has the highest trade union density of any country in Europe. The growth of SEK—which originated as part of the cold-war split in European unions—can be positively correlated to post-independence growth and the attainment of near exclusive negotiating rights in parastatals such as telecommunications, electricity, and water. During 1979, or nearly twenty years after independence, PEO still had no members in the parastatals.⁸

Whatever the political differences of the two confederations, they were united in one central theme: they were both equally patriotic and expressed that patriotism in a willingness to collaborate with employers in the 'national interest' in a number of state sponsored tripartite bodies. These consisted of the Economic Consultative Committee (founded in 1974 at PEO's behest), the Labour Consultative Committee (founded in the late 1950s), the Governing Council of the Social Insurance Fund, the Prices Committee, the Labour Disputes Court, the Industrial Training Board, the Productivity Centre, the Council of the Higher Technical Institute and the Education Council.

The most important areas of tripartism, were (and still are) the Industrial Relations Code and the incomes policy expressed in the Cost of Living Allowance (COLA) system of indexing wage rises to price fluctuations. COLA as with other elements of continuity, owes its existence to the colonialists who introduced the system in 1945 under pressure from PEO. The way COLA operates is that (in theory) it removes negotiations from the individual company, to a committee of trade union leaders, employers, and government officials who respond to the previous fluctuations in prices. Thus wages lag behind price rises rather than rise in anticipation of them. The Industrial Relations Code (IRC) as PEO (1971) argues is a 'voluntary' agreement, a modern method of resolving labour disputes and a 'conquest' of the working class and the trade union movement. Strikes PEO argues are arrived at as a last resort when all stages of negotiations have been exhausted. The IRC while defending the 'right to strike', condemns 'unofficial strikes'—a point reinforced by PEO (1971: 99-100) which argued that,

PEO from its inception condemned unofficial strikes. Unofficial strikes are a characteristic feature of badly organised undisciplined, spontaneous expressions of class immaturity in the trade union movement. Unofficial strikes damage and weaken the movement... in many cases they are organised and provoked by enemies of the trade union movement and agents of the employers.

Underlining AKEL and PEO's patriotism was an ideological position which by detour arrived to the same patriotic conclusions as the right wing confederation, SEK. AKEL and PEO argued (and still do) that in the interests of the newly independent nation, the working class had to forge an alliance with other 'anti-imperialist' elements from the employing class, other strata in society and the Cypriot state personified by President Makarios, in a 'broad democratic alliance' of anti-imperialists (see Adams 1971; Ergatiki Demokratia 1988). The purpose of this alliance would be to fight for an independent and subsequently united Cyprus, with Socialism on the agenda at some distant future stage. This 'stages theory' was by no means peculiar to AKEL: it was (and is) the position generally applied by third world Communist Parties. Another general conclusion was that in many cases in order to create this alliance, the interest and organisational independence of the working class became subordinated to the grander ideal of the national interest.

For SEK, its patriotism was rooted in the networks built during the armed struggle against the British, cemented in internment camps and subsequently friendly ministries of the post-independence state. The loyalty of SEK to the person of Makarios, and one extending over a long period, was less problematical than that of PEO. In 1952, for example, SEK (nd: 26-27) proposed Archbishop Makarios as its delegate to the World Conference of the International Confederation of Free Trade Unions—a proposal accepted by the Archbishop. In addition, at its 1953 Conference, Makarios was elected Honorary President of the Conference and proceeded to speak on the need of co-operation between Capital and Labour.

The peasant state: years of dominance

The centrality of the rural in both economy and society, was key in defining the post-independent state and in ways which reflected in all areas of government. A particularly appropriate example was to be found in the work of the Ministry of Cooperatives which

provided credit and extension services to commercial farmers: much anecdotal evidence points to the influence of patron-client relationships in the disbursement of development assistance and in ways which were sensitive to ethnicity: one sharp contrast is between the aggressive promotion of cash-crop production amongst the Greek Cypriot peasantry in the *Kokkinohoria* region of Cyprus and the lack of concern over rural poverty and depopulation in the Paphos District—a district within which Turkish Cypriot made up a larger than average (40 per cent) of the rural population.

The concerns of the Cypriot state for agriculture, whilst ethnically driven, were in substance a conclusion drawn from the inescapable centrality of agriculture in economic activity. At independence, primary commodities mainly in the form of copper mining exports (SITC Sections 2,3,5) made up 62.0 per cent of exports. Agriculture in the form of food and processed goods

accounted for another 37.0 per cent. This meant that exports of an agricultural or extractive nature made up a decisive 99.0 per cent of all domestic exports. Manufacturing exports (SITC 6,7,8) were virtually non-existent at a minuscule 0.4 per cent of all exports (see *Table 1*). For the first fifteen years of independence agriculture maintained a central position in the economy: during the 1960s agriculture contributed one fifth of value added to GDP, employed over one third of the labour force and quite centrally was the major foreign exchange earner: food plus processed agricultural exports (as a percentage of all domestic exports), saw a contribution of 37.0 per cent in 1960 and 69.2 per cent in 1973 (see *Table 2*).

The relative dominance of the countryside during this period was reflected in declining employment in light industry and the small contribution made by the manufacturing sector to GDP (1.5 per cent in 1960 and 1.3.5 per cent in 1973). The rate of urbanisation during the period also reflected the entrenched position of country over town: thus whilst during the period 1946-1960 the rate of population growth in urban areas was an average 4.2 per cent per year, during the period following independence (1960-1973) this was halved to 2.1 per cent. Indeed for Nicosia and suburbs the rate of urban growth was much lower (at 1.6 per cent) and for the towns of Larnaca and Paphos went into reverse (-0.1 per cent in both cases).¹⁰

Table 1. GDP: by industrial origin 1960-1985

Millions of Cyprus Pounds, and as a Percentage contribution¹

Year	1960		1973		1976		1985	
	£	%	£	%	£	%	£	%
Agriculture	18.4	20.6	40.5	15.0	53.0	18.7	105.9	9.1
Mining	5.4	6.0	10.0	3.8	7.3	2.6	8.2	0.7
Manufacturing	11.1	12.5	36.0	13.4	56.8	20.0	227.4	19.6
Electricity, Gas & Water	1.9	2.2	5.7	2.1	5.1	1.8	30.8	2.7
Construction	7.2	8.0	27.5	10.2	26.1	9.3	145.5	12.6
Trade, Hotels etc.	19.2	21.5	65.3	24.3	45.8	16.2	258.8	22.3
Transport & Communications	9.1	10.2	28.5	10.7	27.4	9.7	134.4	11.6
Finance & Insurance business ²					51.1	18.1	192.5	16.6
Community, Personal & Social Services ²	16.8	19.0	54.8	20.5				
					10.2	3.6	57.9	4.8
Total Industry	89.1	100.0	268.4	100.0	282.8	100.0	1161.4	100.0

Notes 1) All figures after 1974 refer to Southern Cyprus, throughout Excluding Public Administration, Defence, and net indirect taxes.

2) 1960, 1973 included under 'other branches'

Source World Bank 1984 84,85, 1987 55

Table 2. Domestic Exports (including ship stores) 1960-1987
(f.o.b.) (Cyprus EC)

Year	1960		1973		1976		1987	
	£	%	£	%	£	%	£	%
Section 0 ^(a)	5.3	32.0	29.6	58.0	33.7	39.5	69.3	30.7
Sections 1 + 4 ^(b)	0.9	5.0	5.7	11.2	10.9	12.8	17.0	7.5
Sections 2, 3 + 5 ^(c)	10.3	62.0	11.2	22.0	10.7	12.5	19.5	8.6
Sections 6, 7 + 8 ^(d)	0.066	0.4	4.4	8.3	29.9	35.1	119.2	53.0
Section 9 ^(e)	0.098	0.6	0.2	0.5	0.1	0.1	0.6	0.2
Total	16.6	100.0	51.1	100.0	85.3	100.0	225.6	100.0

(a) Land

(b) 1 Beverages and Tobacco, 4 Animal + Vegetable oils etc.

(c) 2 Crude materials (mainly minerals), 3 Mineral fuels etc. plus 5 chemicals

(d) 6 Manuf. goods classified chiefly by materials, 7 Machinery + Transport equipment, 8 Misc. manuf. goods

(e) 9 others

Source Statistical Abstract for 1985 86 p 469, Import/Export Statistics 1987 XIX (GOC, Nicosia)

III. THE ECONOMY AND THE MIRACLE AND THE STATE & DEVELOPMENT

A key political influence in the economic development of Cyprus was the fracture of the Cypriot state itself. The break-up of the Republic of Cyprus began in the form of informal partition during the inter-communal violence of 1963-64 and arrived to a formal partition enforced by mainland Turkish troops during 1974. The economic dislocation caused by the 1974 war, as well as the effects of formal partition, meant for the Greek Cypriot state the loss of 70 per cent of GDP sources consisting of the loss of 46 per cent of agricultural production, 65 per cent of tourist installations, the loss of the only airport, the loss of the only Industrial Estate—although only 26 per cent of manufacturing capacity. In 1973 the unemployment rate stood at 1.2 per cent and by 1975 was 39.0 per cent; the registered unemployed—mostly rural-refugees—were to arrive in the southern state with in many cases a few paltry possessions. GDP declined by one third in 1975 when compared to 1973.¹¹ Agriculture was to bear the heaviest losses.

In total something like 200,000 Greek and 65,000 Turkish Cypriots (or nearly 45 per cent of the entire population) were displaced. The mass exodus of Greek Cypriot refugees was uncoordinated and broke up established groups.¹² The separation of tens of thousands of peasant proprietors from the land, was to be of profound significance in altering the pattern of employment and social and political organisation. The break-up of village organisation saw as Loizos (1977: 234) notes, the undermining of the extended nature of many Cypriot rural families, as well as its most characteristic expression, the traditional dowry system based on land. What the condition of being a refugee signified was the end of the village household as an institution whereby many activities (economic, social etc) found simultaneous expression. Another dimension were corresponding employment shifts: many rural refugees joined the ranks of the urban self-employed; an even larger number became the wage-employed construction workers, hotel workers, sewing machinists and the other occupations which were to characterise the post-war 'economic miracle'.

The sharpest expression of a sense of 'loss of community' by the rural refugees were the 23 low-cost Housing Estates build on the model of British council estates and which targeted poor refugees with large families. This was the first experience in Cyprus of such type of housing. Most were urban-located, usually on the

outskirts of town, which not only reinforced a feeling of isolation (see Zurecky 1991) but also much of this housing was of inferior quality.

State and governance

In effect, the events of 1974 amounted to a highly compressed enclosure movement which broke the back of the peasantry. This was to remove one impediment towards rapid economic development based on industrial growth, in the sense that the older pro-peasant political networks of mobilisation based on ex-EOKA fighters and which linked state to peasantry were to become increasingly redundant. The dominance of the rural in Cypriot society was to be terminally undermined. The partition of Cyprus, the fracture of the Greek Cypriot dominated state and the displacement of large sections of the peasantry, were critical factors in the re-shaping of the relationships between the state and the different strata inside Cypriot society. A key feature of the decline in the influence of the rural was the political demise of the Greek Cypriot peasantry as the dominant client group of state and governance: the decline of the peasantry was reflected in the decline of the 'pocket-money' state built by Greek Cypriots out of the networks created during the period of armed struggle between 1955 to 1959 and which shaped the post colonial state and government. A defining feature of this consisted of institutions of Church (to which many peasants were tenants) and State which linked state to Greek Cypriot peasantry in every day life, work and prayer: the Ministries of Education and Agriculture & Cooperatives, educated (in cases for the first time) the children of the peasantry, subsidised their inputs (fertiliser, seeds, irrigation equipment) and provided guaranteed sales prices and a high degree of risk insurance in the production of crops. In exchange for this, the Greek Cypriot peasantry formed the political base of support for the state and person of Makarios.

The post 1974 period of rapid economic growth was characterised by the ascendancy of the urban and a state which increasingly saw itself as a 'developmental state'. The latter was typified by an extensive planning apparatus which implemented policies to facilitate the expansion of the domestic private sector in order to address broader development concerns: state support for key sectors such as clothing and construction in the immediate

post 1974 period, flowed (ostensibly) from the need to address the employment and housing needs of the displaced rural refugees (see PIO 1981). Another view argues that in practice most of the refugees were in fact subjected to a regime of accumulation of considerable ferocity, paradoxically, framed in order to aid them; and, that the subsequent 'economic miracle' was in part made possible by the throwing into the labour market of the displaced rural refugees (see Theodorou 1977; Papageorgiou 1984; Panayiotopoulos 1993).

A characteristic feature of the reformulation of state and governance in the period of rapid economic growth and globalisation, was the decline of the forces which promoted strong state-to-peasant links and the ascendancy of a state shaped by concerns over the nature of economic globalisation, explicit in the promotion of sectors such as clothing and tourism. The production of goods and services for global markets subjected the Cypriot economy to an increased competitive and unpredictable environment: in this changing environment a key element of continuity was the recourse to the discourse of Greek nationalism and (increasingly) of the tripartite institutions which linked state, employers, and trade unions.

The Years of the Miracle

By 1977 the industrial sector in southern Cyprus had totally recovered its losses: agriculture had reached 80 per cent of its pre-1974 level; exports between 1973-1977 had doubled; whilst tourist receipts were still down on their pre-1974 level (by 25 per cent), hotels were 'booked solid'. GDP grew by 15 per cent in 1976 and inflation stood at a respectable rate of four per cent. A few other (external) variables which had a positive impact on economic growth were a drought (if this is the right word) in Europe, which gave a push to potato exports; foreign aid (mainly from Greece and the USA) stood at a substantial \$51M a year; also the civil war in the Lebanon by tearing apart the Middle East's most significant financial centre (Beirut) provided an opportunity for Cyprus to act as an alternative offshore location.¹⁵

During the late 1970s manufacturing employment (including cottage industry) overtook for the first time employment in agriculture and related areas¹⁶ signalling a fundamental realignment in sectoral employment. A key dimension of this was the role of light industrial sub-sectors such as Textiles, Weaving Apparel and

Table 3. Employment in the Manufacturing Sector by Sub-Sector 1965-1986 (000's)

Year	1965 (*)		1986	
	No.	%	No.	%
Food, Beverages and Tobacco	6,030	22.8	7,500	17.3
Textiles, Clothing and Leather (**)	8,208	31.1	14,992	34.7
Wood, Wood products and Furniture	2,760	10.4	5,807	13.4
Paper, Paper products and Printing	1,100	4.1	2,190	5.0
Chemicals, Petroleum, etc.	606	2.3	2,724	6.3
Non metallic mineral products	1,801	6.8	2,318	5.3
Metal, Machinery, Equipment	5,251	20.0	5,506	12.7
Other Manufactures	630	2.5	2,283	5.3
Total	26,386	100.0	43,250	100.0

Notes (*) Excluding cottage industry (approx. 2,500)

(**) Includes footwear.

Source Industrial Products Survey 1980; Statistical Abstract for 1985/86, Nicosia

Footwear which employed consistently over one third of all manufacturing workers during the 1980s (see *Table 3 above*). A reflection of this was that by 1987 manufacturing exports made up 53.0 per cent of all exports, displacing primary commodities from their leading position, and one which defined the trade regime during the post-independence period (see *Table 2 above*).

The displacement of agriculture as key to economic performance was reflected in employment terms: thus agriculture which occupied in 1946, 47.5 per cent and in 1968, 37.5 per cent of all economically active persons, was by 1985 reduced, according to Government of Cyprus sources, to employing less than a fifth of the labour force (16.7 per cent) (see *Table 4 below*).

Pattern of Growth

The World Bank in a country study of southern Cyprus (published, July 1987) analysed the pattern of growth in contribution to GDP, employment and exports, during the period of the 'economic miracle' (1976 to 1985). In terms of sectoral contribution to GDP, Trade (at 25.6 per cent) and the Financial sector (Banking, Insurance, Real Estate and Business services) at 20.5 per cent made the largest contribution. The fastest rates of growth were evident in the Hotel and Restaurant sub-sector of Trade (ie, tourism), at an annual

Table 4. Employment Distribution by Sector 1968-1985 (000's)

Year	1968		1976		1985	
	£	%	£	%	£	%
Agriculture	97.2	37.6	36.9	25.2	36.3	16.7
Mining	5.1	2.0	2.3	1.6	1.0	0.5
Manufacturing	33.5	12.9	28.4	19.4	44.8	20.6
Electricity, Gas & Water	1.4	0.5	1.3	0.9	1.5	0.7
Construction	24.8	9.5	10.7	7.3	21.4	9.8
Trade, Hotels etc.	22.9	8.8	24.5	16.7	47.3	21.7
Transport	10.9	4.2	8.3	5.7	12.6	5.8
*Finance & Insurance bus.			6.1	4.2	11.2	5.1
*Community, Social & Personal Services	63.0	24.5	27.8	19.0	41.7	19.1
Total Industry	258.8	100.0	146.3	100.0	217.8	100.0

Note: (*) For 1968 no comparable data is available. These categories are included for the year: Entertainment and Recreational Services (8,100), Government and Communal Institutions (20,100), British military authorities (6,700) and 'other' (28,100).

Source: Annual Report, Ministry of Lab. & Soc. Insur. 1969; Economic Report 1985 *Nicosia*.

Table 5. Pattern of Growth and Structure of Output 1976-85 (in %)

	Annual Growth Rate	Contribution to Growth	Share in 1976 GDP a/	Share in 1985 GDP a/
Agriculture	1.4	2.2	13.7	8.2
Mining	-4.0	-0.7	2.1	0.8
Manufacturing	6.6	16.6	18.2	17.5
Electricity, Gas & Water	7.1	1.6	1.6	1.6
Construction	5.4	7.8	10.8	9.4
Trade, Hotels & Restaurants, (Hotels & Restaurants)	11.7 (16.1)	25.6 (8.5)	12.6 (2.6)	18.6 (5.3)
Transport, Storage & Communications	8.1	11.2	9.4	10.2
Banking, Insurance, Real Estate & Business Services (Housing)	9.7 (5.8)	20.5 (4.9)	13.4 (6.3)	16.7 (5.7)
Public Admin., Community, Social & Personal Services	6.2	15.1	18.0	16.8
Total	7.1	100.0	100.0	100.0

Note: a/ Based on GDP at constant 1980 prices.
Source: World Bank 1987: 3.

growth rate of 16.1 per cent and a compound contribution to total growth during the period of 8.5 per cent. The contribution by agriculture to GDP growth during the period 1976 to 1985 was modest at 2.2 per cent. Manufacturing industry made the third largest overall contribution to growth, at 16.6 per cent (see Table 5).

Pattern of Foreign Exchange Earnings

In terms of foreign exchange earnings (exports), two sectors made up over half of the contribution to growth during the period (1976-1984). Foreign visitors expenditure (or tourism receipts) made up a high 42.5 per cent of the total and clothing exports made up another 11.9 per cent. The weight of tourism in foreign exchange increased from 14.6 per cent of total earnings in 1976, to 35.8 per cent in 1984. Clothing exports however, accounted for the single highest source of commodity earnings, increasing from 5.9 per cent to 10.5 per cent of all earnings during the period (see Table 6 below).

Tourism

The experience of Cypriot NIC-ification points to a number of specific characteristics, key amongst them is the centrality of tourism in Cyprus economic development and on an even bigger scale proportionally than the other Southern European NIC's. This is illustrated not only in the centrality of tourism itself in terms of employment and the earning of foreign exchange, but also in the demand that tourism makes on other sectors of the economy. Estimates by the UNDP (1987: 21-22) of demand by the tourism industry upon sectoral GDP ranges from 7 per cent of manufacturing to 16 per cent of construction, a massive 22 per cent of utilities and 8 per cent of agricultural production. The weight of tourism in foreign exchange earnings stands currently (1995) at 1/3 of total earnings. Current estimates put tourism earnings at the equivalent of 23 per cent of GDP.¹⁵

Pattern of Employment

In terms of the changing pattern of employment, agriculture made no contribution to employment growth during the period 1976 to 1985 (at -3.7 per cent) and saw its overall share of employment reduced by one third. In addition, agriculture saw the lowest level

of value-added per worker of any sector. The major areas of employment growth (and per cent contribution for period in brackets) were in order of significance, Trade, Hotels and Restaurants (+29.8 per cent), Manufacturing (+26.2 per cent), Services (+19.5 per cent) and Construction (+16.2 per cent) (see Table 7).

Labour and the economic miracle

The increasing employment of women and their specific entry into manufacturing employment, was a characteristic feature of the period of rapid growth and economic transformation. By the middle 1980s 46.5 per cent of all manufacturing workers were women and by 1990 37.0 per cent of all workers (or persons gainfully employed for the production of GDP) were women,

compared to 28.5 per cent in 1970 (see UNDP 1993: 168-169). Of the women in manufacturing employment, a massive 98.4 per cent were to be found working in full-time employment (ie. 40 hours or more). Most of the women workers in full-time manufacturing employment (66.2%) were employed in the clothing and related sectors (see Panayiotopoulos 1992a: 86-88). In the wearing apparel sector 59.0 per cent of women workers were employed in a mere 80 establishments out of a sectoral total of 1,371.¹⁰ This is suggestive of a tendency for women workers to be more represented in workplaces as the employment size of the establishment increases: this is substantially defined by the high representation of women workers in the wearing apparel sector which is itself highly concentrated in employment terms.

Another illustration of the centrality of manufacturing employment by women—spearheaded by the clothing and related

Table 6. Pattern of Employment and Value-Added/Worker (in %)

	Shares in Employment		Contribution to Employment Growth	Value-Added/Worker at 1980 prices a/		Value-Added/Worker in 1985 at current prices a/
	1976	1985		1976	1985	
Agriculture	29.4	20.1	-3.7	46.7	41.8	40.1
Mining and, Quarrying	1.5	0.5	-2.2	139.0	165.1	158.1
Manufacturing	18.5	20.6	26.2	92.4	84.9	81.3
Electricity, Gas & Water	0.8	0.7	0.3	191.6	230.7	223.9
Construction	6.9	9.5	16.2	152.9	99.7	94.8
Trade, Hotels & Restaurants	15.5	19.5	29.8	115.2	95.3	91.5
(Hotels & Restaurants)	(4.4)	(7.0)	(13.3)	(61.5)	(77.5)	(132.1)
Transport, Storage & Communications	5.4	5.9	7.3	174.9	173.2	165.8
Banking, Insurance Real Estate & Business Services.	3.5	4.4	6.7	646.7	378.7	362.6
				(227.5)b/	(207.1)b/	(258.1)b/
Public Admin. Community, Personal & Social Services	18.5	18.8	19.5	97.5	89.2	137.6
Total (In thousand)	100.0 (153.9)	100.0 (213.2)	100.0	100.0 (£3252.0)	100.0 (£4335.0)	100.0 (£4527.0)

Note: a/ As percentage of the economy's average

b/ Without imputed value of housing.

Source: World Bank 1987: 4

Table 7. Pattern of Foreign Exchange Earnings – Share of Exports of Goods and Non-factor Services (as percentage)

	Earnings as % of total		Contribution to growth (1976-84)
	1976	1984	
Exports of domestically produced goods	60.0	39.7	33.3
Potatoes	12.5	5.1	2.8
Citrus fruits and grapes	5.4	3.2	2.5
Carrots and other fresh vegetables	1.5	0.8	0.6
Alcoholic beverages	5.1	2.0	1.0
Cigarettes	2.3	0.8	0.3
Clothing	5.9	10.5	11.9
Footwear	3.2	3.0	2.9
Cement	6.5	1.1	-0.6
Others	17.6	13.2	11.8
Exports of non-factor services	40.0	60.3	66.7
Air passenger services	0.2	5.1	6.6
Other transportation a/	4.4	6.5	7.2
Foreign visitors' expenditure	14.6	35.8	42.5
Foreign military expenditure	19.4	12.0	9.5
Others	0.9	0.9	0.9
TOTAL	100.0	100.0	100.0
(Million Cyprus £)	(141.8)	(591.9)	

a/ Include freight, insurance, ship stores and aviation fees

Source: World Bank 1987: 7

light industries—is their representation in trade union membership. An examination of the membership of the largest trade union confederation (see PEO 1971; 1979; 1983; 1987), shows that women represented over one third of all members during the years 1979 to 1986. During the period of post-war reconstruction and rapid economic growth, women members of the PEO Clothing Workers section represented over one tenth (11.5%) of PEO's entire membership (see Panayiotopoulos 1992a: 89).

The restructuring of the economy in sectoral terms was also reflected in a tendency towards employment concentration. During 1962 a total of 12,377 manufacturing establishments existed. By 1986 the number of establishments were halved to 6,656. Establishments employing less than five workers witnessed a massive decline (-6,330 establishments). This decline in small establishments meant that whilst in 1962 firms employing less than five workers employed 47.0 per cent of all workers in manufacturing, by 1986 this was more than halved to 20.0 per cent. In reverse, medium and large size establishments employing between 10 and 49 or more workers and representing a mere 13.0 per cent of the total, accounted for the employment of 65.0 per cent of all manufacturing workers (see *Table 8*).

Table 8. No. of Establishments and persons employed by size of group in Manufacturing Industry 1962–1986 (000's)*

Size group	1962				1986			
	Establishments		Employment		Establishments		Employment	
	No.	%	No.	%	No.	%	No.	%
0–4	11,411	92.2	17,601	47.0	5,081	76.3	8,481	20.0
5–9	591	4.8	3,666	9.8	706	10.6	4,566	10.7
10–49	311	2.0	5,871	15.6	724	10.9	14,488	34.2
50+	64	0.5	10,405	36.9	145	2.2	14,880	35.1
TOTAL	12,377	100.0	37,543	100.0	6,656	100.0	42,415	100.0

Note: * Figures for 1962 include Mining (363 establishments, 5,437 employees); and Electricity (14 establishments, 838 employees). It is of note that 12 out of these 14 establishments employed 50+ workers

Sources: Census of Industrial Production 1962 (published 1963); Tables 10 and 5; Industrial Statistics 1987: Table 2, Nicosia.

It is in the context of attempting to understand the relative contribution of the various social classes to the 'economic miracle', that the significance of the ideological armoury of chauvinism and tripartism which characterised state and development, have to be located. In the 'national interest' and in order to ostensibly 'aid'

the displaced refugees, a regime akin to primitive capital accumulation was launched against wage earners, with state dirigisme at the heart of the process. What appears as remarkable is the extent to which capital formation during the period of post-war reconstruction was paid for by waged workers in terms of a reduction in real wages and other benefits.

The share of wages in all incomes declined dramatically, from 49.1 per cent before the 1974 war to 22.2 per cent during 1978. Whilst real wages remained static labour productivity increased from (a base of) 100 points in 1973 to 130.4 in 1976. Most establishments cut wages, in some cases hours were increased, unemployment benefit payments were suspended, pensions were reduced, and the index linking of wages to increases in the cost of living (COLA) was itself (temporarily) suspended. Waged workers share of income tax payments increased from 31.5 per cent in the pre-war period to 68.0 per cent by 1978. In reverse, employers contributions fell from 49.8 per cent to 22.5 per cent, with the remainder accounted for by the self-employed. During the immediate post-war period (1974–75) the left wing trade union confederation (PEO) estimated that the accumulated cut-backs faced by waged workers in real pay, conditions and benefits amounted to a significant 25.0 per cent reduction in living standards (see PEO 1979: 33–93).

The above cuts in living standards cannot, however, be understood as a 'natural' by-product of the desperation of refugee conditions (important as these were); they were equally the result of the system of tripartism, and 'class collaboration' trade unionism characterised by the politics of the Cypriot Communist Party (AKEL) and its trade union arm (PEO). As the PEO General Council (PEO, 1979: 23) put it in a candid 1976 statement, 'of special significance is the fact that this retreat on the part of the working class, took place in an organised way and under the control of the trade union movement'. During 1975, and despite the massive cut-backs faced by one of the most highly unionised labour forces in the world, only nine strikes were recorded. The overall figure for strike days in 1975 was 7,808 working days (or 0.019 per cent of the total), and in 1976 even less at 2,683 days.¹⁷

IV. THE DEVELOPMENT STATE AND THE CLOTHING INDUSTRY

Industrial policy towards the clothing sector characterised the developmental activities of the Cypriot state. As a labour-absorbing industry it was key to the post-war process of reconstruction and

development (see Panayiotopoulos 1992a). The Emergency Economic Action Plan (1975-1976) saw the promotion of small and labour-intensive enterprises as the cornerstone of industrial policy and initially as one addressing the question of mass unemployment amongst displaced refugees. The Second Emergency Economic Action Plan (1977-1978) shifted emphasis to more capital intensive production. The Third Emergency Plan (1979-81) pushed for export promotion of manufactured goods (see PIO GoC 1981). At each period of planning the clothing industry was given due consideration.

Support measures included a wide range of subsidies—low interest credit, export credit guarantees, duty-free importation of machinery and raw materials, low-cost sites (Industrial Estates) as well as connections to public utilities and supporting services (transportation, telecommunication) and other infrastructure. The clothing industry accounts for one fifth of all establishments found in the seven Industrial Estates: the vast bulk produce for export and have the capacity to produce 200,000 plus garments per year. The Cyprus Industrial Training Authority targeted for training—both for vocational and management purposes—priority sectors such as clothing: over half of the manufacturing establishments assisted by the Authority between 1978 to 1982, as well as a massive 82 per cent of all workers trained, were involved in the textile and clothing industry (Panayiotopoulos 1992a: 79-82).

Subsidies were given to displaced refugee entrepreneurs to reactivate their firms in the South. One relatively uncomplicated mechanism was to recycle to refugee entrepreneurs a substantial proportion of the large aid budget made available to southern Cyprus by the international community, and which in 1976 made up nearly a quarter of all state expenditure (Papageorgiou 1984: 22-25). The push for exports during the Third Emergency Plan (1982-86) saw the implementation of the Export Credit Guarantee Scheme (ECGS). Export guarantees (in effect a delayed subsidy) ranged from 50 per cent in most cases (such as the Libyan market) to a massive 80 per cent in others, such as Iraq.¹⁸

In terms of the overall contribution to the economy, the female-intensive clothing sector was the leading sectoral employer, accounting during the 1980s for the employment of one fifth to a quarter of all manufacturing workers. The clothing sector accounted for one fifth of all workplaces (establishments) registered for the production of GDP.

Export Earnings

Whilst planning policy initially saw the clothing sector in employment terms, the most significant new-found role for the clothing industry subsequently appeared in the earning of foreign exchange. The overall contribution by the clothing sector to foreign exchange earned was truly spectacular. During the period of rapid growth (1976—1984) it was (as noted) at a compound rate of 11.9 per cent the single most significant commodity and the second most important area (after tourism) in foreign exchange earning growth (see *Table 6*, and Panayiotopoulos 1992a: 85).

The crisis of an export-led industry

During 1984-1986 an economic crisis placed severe question marks over the direction of the 'economic miracle'. Ironically the crisis was substantially the result of the success of the development policy applied in the period of post-war reconstruction. Articles in the business press with headlines such as 'Is the Economic Miracle Over?' appeared in December 1985, and the word 'crisis' begun to gain a wide currency, often with a sensitive relationship to quarterly, half-yearly and yearly trade figures from the government statistical services. For the first six months of 1986, manufacturing exports had collapsed by a massive 54 per cent compared to January-June 1985. This decline, in value terms, was largely accounted by the decline in clothing exports by Cyprus to Libya.¹⁹

The Arab markets were a regulatory influence during the years of rapid growth, and indeed a characteristic reflection of trade policy (see Panayiotopoulos 1992a: 93). The two key elements of trade policy were firstly that orders to the Arab markets were relative to a small economy) large, and secondly, that this contained elements of sovereign trade (ie. state to state) and therefore greater security. In the case of Libya orders were placed by two state procurement companies. The element of export security was reinforced by the Cypriot Government in the form of the Export Credit Guarantee Scheme (ECGS).

The centrality of the Libyan market for Cypriot clothing exports, and in turn upon the overall performance of the (small) Cypriot economy is illustrated in the following: clothing exports to Libya as a percentage of all clothing exports stood at 40.0 per cent in 1981 and collapsed to 4.5 in 1982. In 1984 they stood

at a massive 54.0 per cent and in 1986 collapsed again to 7.0. The impact of Libyan clothing exports in turn, fed a volatility into economic activity as a whole (see *Table 9*).

Table 9. Clothing Exports¹ to Libya: Selected Indicators 1979–1986

Year	As % of all clothing exports	As % of all manufactured goods ²	As % of all exports
1979	18.5	6.0	3.2
1980	32.0	10.0	6.0
1981	40.0	13.0	8.2
1982	4.5	1.5	0.8
1983	24.0	8.5	5.1
1984	54.0	24.0	14.3
1985	38.2	15.2	9.5
1986	7.0	2.8	1.6

Note: 1. Domestic exports, excluding shipstores
2. of industrial origin.

Sources: Ministry of Commerce and Industry, 1982, 1985; Economic Reports, various Nicosia. Also see, A. Nathanael (Secretary, Clothing Exporters Association) 'Success' in Nicosia, Jan. 1988.

The major reason for the collapse of exports to Libya during 1986 was due to delayed payments for goods delivered. Libya's problems derived from the economic and military destabilisation by the United States which included the bombing of Tripoli followed by an economic boycott and the freezing of Libyan assets in European as well as US banks. This resulted (among others) in a foreign exchange shortage by Libya of in particular dollars which act as the major currency in the industry. During September 1986 40 clothing companies were owed money for work delivered the previous year.

From a crisis in circulation to a crisis in production

Whilst the crisis originally appeared in the shape of a crisis in the Libyan export market, employers responded to uncertainties by contracting on the production side. The Clothing Employers Association reported that 67 Association members (out of 110) had contracted employment, resulting in a staggering 67 per cent increase in sectoral unemployment.²⁰ The lay-offs during 1986 were the largest faced by Cypriot workers since independence. The Employers Association identified labour costs as 'the' problem, took a tough stance in wage negotiations and attempted to postpone agreements made during the previous round of

negotiations. This provoked the (rare) response of one-day unofficial strikes in a number of plants. The significance of these disputes was, also, that the workers at plant level had acted outside the tripartite apparatus of the Industrial Relation Code.²¹

National clothing workers strike

The attempt by employers to pass the costs of the export crisis to labour, in the form of lay-offs and a pay freeze resulted in the first ever national pay strike by clothing workers. This involved joint action by the left and right wing union federations. Interviews with striking women workers on picket lines (see, Haravghi 17/5/87) give us qualitative insights into the industry which characterised the 'economic miracle'.

One 21 year old woman said 'we asked for 24 shillings extra per week. We now get £C31 a week. I work 40 hours a week'. Another 48 year-old woman worker said, 'I have been working at clothing factories for 13 years ... experience doesn't count for anything. I've been working for so long and all I get is £C31 for a 40 hour week'. One woman with twenty years experience and earning £C37.50 per week said, 'three years ago I was earning £C38. The employer declared a bankruptcy and I found myself on the street. I got a job here for £C23 per week to start with, being paid an untrained workers rate. I need the money I earn—you understand?'. JET workers (JET is the largest Cypriot clothing employer) interviewed, showed the special problems of discrimination facing women workers: a woman cutter of 12 years experience was earning £C35 per week, while men cutters earned £C50—as she put it ... 'I do the same work as them but I don't get paid the same rate. Also, the employer does not register me as a cutter, he registers me as a labourer'. Another woman cutter employed for Sunny Face, also faced a similar experience ... 'I get £C26 a week but men get £C45 or more'.

The strike lasted for ten days and was to prove a severe test for the politics of tripartism. The 4.3 per cent agreement reached by the trade union leadership and the employers with the Ministry of Labour as arbitrator, received a hostile reception from the mainly women union membership. In Nicosia, a joint general meeting of strikers called by the unions (PEO and SEK) to get the approval of the membership for the deal, was to shake a union leadership accustomed to a passive audience. Anger with what was perceived by the members as a sell-out led not only to a rejection

of the compromise, but also a refusal to allow full-time officials to dominate the meeting with endless explanations any longer. In fact, the women threw the union leaders out of the meeting. Arising from the experience of the Nicosia meeting, the union leadership proposed a series of work-place secret ballots, which resulted in a vote for accepting the deal by a 67.5 to 32.5 per cent margin. Union officials counted the votes of workers not on strike (approximately one third of members) —because the employers settled outside the Association—as affirmative votes.²² A majority of strikers voted to continue with the strike. This was the first time secret ballots were used in an industrial dispute in Cyprus.

The strike coincided with an economic upswing. According to reports produced by the Statistics Department, for the first quarter of 1987 domestic exports increased by 11.3 per cent over the corresponding period, with in the case of clothing (during the first two months of 1987), exports registering a spectacular 89.0 per cent increase. For the first ten months of 1987 clothing exports increased by 72.0 per cent.²³ Order books were full and the commencing of payment by Libya and the Export Credit Guarantee Department were beginning to resolve the problem of liquidity. From the point of view of many rank and file union members, output and export growth was most sharply expressed in falling sectoral unemployment and increased overtime working, and to many this also signified an opportunity to settle accounts with the previous period of lay-offs and short-time working. Objectively, this could have been a period during which the trade unions made up the losses of the previous period (and more besides); that they did not, has to be firmly located in the trade union leadership living up to its part of the 'social partnership'.

Tripartism under stress

The experience of the Cypriot clothing industry can be seen as an example of the relationship between developmental state industrial policy and the complex ways in which global economic fluctuations and political crises impact upon national economies. During the 1990s the concerns of the Cypriot clothing industry have been concentrated by one consequence of 'Black Wednesday' (Sept. 16th 1992), which consisted of the effective devaluation of the British pound. The significance of the UK, is that by the early 1990s it had supplanted Libya as the major market destination of Cypriot clothing exports (see Panayiotopoulos 1992a: 82-3). UK devaluation has put

pressure on clothing exporters to cut production costs and in many instances this has resulted in closures: during the first quarter of 1993 twenty firms on the Larnaca Industrial Estate exporting to the UK had either closed down or had laid workers off.²⁴ One response by some of the larger exporters, has been to relocate production to lower-wage economies. The strategy of 'capital to labour' was adopted by the two largest clothing exporters in Cyprus (H. I. and Synek) which relocated part of their production to Jordan, in order to take advantage of lower labour costs and very favourable rules on profit repatriation.²⁵ Another response has been to import labour: immigrant labour now makes up officially 4 to 5 per cent of all employed and a higher proportion of sectoral employment (see Min. of Labour, 1993).

It is under the above sort of conditions that the tripartite politics which have characterised industrial relations in Cyprus since independence are being tested: the national clothing workers strike signaled a period of confrontation in industrial relations. The official leadership of PEO and AKFI has adopted a more militant stance substantially due to the pressure from the constituency it makes formal claim to represent, such as clothing workers, in the defence of jobs and incomes. The response by PEO to the increase in Value Added Tax from 5 to 8 per cent during July 1993 was illustrative of the new mood. A political (three hour) general strike called by PEO saw many workplaces affected and unusually—given the hyper-bureaucratic nature of PEO—high levels of participation on lunch-time demonstrations.²⁶

V. CONCLUSION

In attempting to provide sectoral explanations for the 'economic miracle' and the transformation of the Cypriot economy, it has been argued that the role of the (developmental) state was critical to the inception of economic development. This process of economic development challenges the various theories which point to the structural constraints facing developing countries generally and small-islands or land-locked states specifically. A number of broad and inter-exchangeable structural-constraint theories have been identified. These range from classical dependency theories (Scotts, Petras, *passim*) to the current globalisation analyses associated with the 'new international division of labour' and the 'global manufacturing system' (Frobel et al, Harris *passim*), to more

spatially-derived analyses. All point (in some way or other) and to a lesser or greater extent to externality as the key determinant in economic development and do indeed point to powerful evidence of structural constraint (see, Frobel et al 1980; White and Wade 1988; Harris 1983; 1987; also see, Callinicos 1987, 1991a, 1991b). The dependency of the Cypriot clothing industry on the export market and the Government of Cyprus on the foreign exchange earned, may be seen as an affirmation of trade-based structural constraint theories. Kaminarides et al (1989) and Harris (1987) suggest that one general tendency for small economies undergoing industrialisation, is to show a dependency on export markets (in order to apply economies of scale), given the limited nature of the domestic market. Harris pursues this argument in order to suggest that this condition would render these economies even more vulnerable to external shocks and less prone, therefore, to state planning.

The experience of the Cypriot clothing industry suggests that its expansion may be attributed to domestic industrial policy. Equally this expansion may appear as externally driven: the centrality of the Libyan market and its subsequent crisis (for example) points towards a range of variables not under the control of the Government of Cyprus, but which did emanate from the consequences of its industrial policy. Whether the USA decides to attack Libya and impose an economic boycott resulting in delayed payments to Cypriot clothing exporters and contraction on the production side, is clearly not subject to the control of domestic market forces. It is, however, a reflection of how far external political crisis can influence the performance of sectoral and national economies.

Analyses which employ external constraints as causal explanation, obviously fail to explain, however, the role of complex local factors (and actors) in rapid economic growth, and the nature of the relationships which shape state and development. Globalisation theories, whilst critical of dependency theory, fail to identify the tensions between the competing claims to development. Neither do globalisation analyses explain the nature of the relationship between competing claims to development and how this may define the local state, or how this may change over time. What globalisation analyses do, however, is to show how the world system acts as a (positive, negative, but rarely neutral) structural constraint on national economic development.

Theories which emphasise the role of the 'development state' in economic development as a counter-balance to global market

structural constraint, similarly, say little about the politics of the state itself or see the need to investigate the relationship between politics and economics per se. This absence of politics is rather surprising since as Leftwich (1994: 380) notes, both in the Latin American and wider experience, development purposes have been politically-driven', expressed in the wish to 'catch up' and which frequently (and necessarily so) applied the discourse of nationalism and state direction.

A general problem associated with analyses which attach primacy to the role of the state in national strategies for industrialisation and economic development, is their frequent failure to explain in a satisfactory manner the relationship between nation-state and the global economy. In much of the analyses surveyed, as Colin Barker (1991: 204) argues, there is the tendency to treat the state 'as if it existed only in the singular'. As Barker reminds us, however, capitalism is a world system of states' and this has implications for any single state. As Evans et al (1985: 350) write, 'states' are intrinsically Janus-faced, standing at the intersections of transnational and domestic purposes'. Skocpol (1985: 8) locates the intersection between the singular and many states' as one within which individual states' 'must manoeuvre for survival and advantage in relations to other states'.²¹ Another major problem area for the 'developmental state' hypothesis, appears in the failure to explain in a satisfactory manner the relationship between different classes in society and the state and how this may influence the form of any given state. As Holloway (1994: 29) writes, states' are 'a form of social relations' which themselves are a reflection of the changing relationship between classes in any given society. As the relationships between classes in society change, so does the particular form in which states' appear. In this sense, all states' and their institutional arrangements are contingent rather than fixed and subjected to processes of deconstruction and reconstruction. The nature of the relations between state and capitalist development needs to be understood in the specific circumstances and epochal location within which competing claims to development are articulated. In Cyprus this was most graphically expressed in the inseparability between Greek Cypriot nationalist politics and economic development: quite centrally this meant the marginalisation of Turkish Cypriots during the immediate post-independence period—a period characterised by strong links between Greek Cypriot peasantry and state. Equally, this meant the politics of 'sacrifices' by Greek Cypriot organised

labour in the 'national interest' during the post-1974 period of reconstruction and development—a period characterised by stronger links to the global economy.

The institutional arrangements of the Cypriot 'developmental state' which underpinned the economic miracle and made it possible, were not only internal variables, but necessarily so. The linking of Greek Cypriot peasantry and Orthodox Church to state, rested both on historical forces, but also (and more imminently) on the EOKA networks built during the armed struggle against British rule which shaped the state, and on occasions acted as 'parallel' to government: the crude perception of the post-independence state as a 'pocket-money' state which disbursed funds and benefits to the Greek Cypriot peasantry but repression towards Turkish Cypriots, is none the less inaccurate for being crude. The diminishing role of the peasantry and artisanal classes which dominated Cyprus in economic and political terms in the post-independence period (as a result of the compressed depeasantisation arising from formal partition in 1974), reconstructed the relationships between political mobilisation, state and government. The Greek Cypriot state in the post-1974 environment pursued a conscious policy of reconstruction and development targeting the displaced refugees—a key sectoral consideration was the promotion of labour absorbing industries such as clothing. This resulted in greater links to global markets characterised in production for export by the clothing industry, and tourism. The fine-tuning of state intervention, the extensive use of planning with the explicit intention of optimising state-market relations, are manifestations which conform to the specific usage of the concept of the 'developmental state' applied by Johnson (1982) and White (1988). This analysis employs the concept of the state as a 'historical animator' and suggests that economic development, may be influenced by domestic variables of a critical nature, particularly in terms of initiation.

The application of the concept of the 'developmental state' to Cyprus would be rather hollow, however, without an appreciation of the institutional arrangements which informed the determinant relations of state and development in the period of rapid economic growth: as links to global markets were characterised by industries or services of high labour intensity, so this placed more emphasis on managing labour relations in an expanding wage labour market characterised by very high levels of union density. In this period the politics of tripartism were to prove a powerful recourse: the capacities of the Cypriot Communist Party (AKEL) and its trade union arm

to 'organise' the retreat of the working class in the period of reconstruction in the 'national interest' may be seen as determinant in the demands (or lack of them) raised by organised labour. This also reflects on a state which attempted in this period to maximise compliance through an appeal to (Greek) nation, race and religion. The key institutional arrangements which influenced the relation between state and economic development and which were effective in much of the post-independence period in the subordination of working class interest to that of the 'national' interest have to be clearly understood. These institutional arrangements are neither automatic nor externally driven, but rather, they presuppose ideas, politics, traditions and legitimisation processes embedded inside a given society: these are the sort of factors which become manifest in specific analysis of particular situations, and by and large, are factors to which both globalisation and 'development state' theories do not speak. The relationship between state and development in Cyprus may be seen as a reflection of the wider idea of development policy as political process and as one substantially, derivative of the tension between competing claims to development, articulated in identities (such as) class, ethnicity, religion and gender, within given and (and actual) social situations.

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1. See P. B. Day (1977) 'Trotsky and Preobrazhensky: The Troubled Unity of the Left Opposition', *Studies in Comparative Communism*, Nos. 1 and 2: 69-78.
2. An important dimension in both Korean and Brazilian industrialisation are the high levels of concentration which characterise both the national private and public sectors. This is typified by Brazilian state-owned enterprises and private sector South Korean chaebols. Another dimension which flows from concentration is the frequent inter-exchangeability in personnel between the private and public sectors which renders too strict a separation between the two spheres as something of a sociological simplification. One study of South Korea's business elite, for example, points to a significant 36.5 per cent citing the public sector as their 'first job'. This included 12 per cent who cited the Armed Forces as their first 'job'. See T. Hatori (1989) 'Formation of the Korean Business Elite During the Era of Rapid Economic Growth', *The Developing Economies*, XXV-4: 346-362.

Notes

3. That states intervene, and that this may even be of some positive contribution to economic development, is a proposition which even the World Bank (1993) accepts now-a-days. 'The East Asian Miracle, Economic Growth and Public Policy' is a World Bank Policy Research Report and the only publication by the Bank on the emergent NIC's. It was paid for by the Government of Japan. It is not only a long-delayed and unusual publication but also one which uncharacteristically for the Bank, sees Lewis Preston President of the World Bank drawing the conclusion that 'in Northeast Asia, some selective interventions contributed to growth' (p. vi).
4. J.B. Ghartrey (1987) *Crisis, Accountability and Development in the Third World. The Case of Africa*. Avenbury: 24-6.
5. A. Melamid (1956) 'The Geographical Distribution of communities in Cyprus'. *Geographical Review*, 260.
6. Haravghi, 5/7/59.
7. Report of the Ministry of Labour, 1968.: 2-4.
8. SEK 1981: 220; PEO 1983: 114-154.
9. For an elaboration, see Ezekias Papaioannou (1988) 'Enthimisis tis zois mou', Pysros Publications, Nicosia. Papaioannou was for nearly four decades the General Secretary of AKEL. For a comparably disastrous attempt by 'stages theory' to address the 'national question', see 'The National Question and the Left in Sri Lanka', *The South Asia Bulletin* Vol. VII No 1/2 special issue, Fall 1987.
10. Industrial Production Survey 1970: 121; Statistical Abstract 1985/1986: 31.
11. Economic Report 1980: 68.
12. For the Turkish Cypriot experience, see Russel King (1987) 'North from the Attila Line' and 'Cypriot refugees' both respectively *The Geographical Magazine*, Vol LII Nos 1 and 4: 117-125 and 266-274.
13. See *The Economist*, 'Miracle in half an island' 27/8/77; also Theodorou (1977: 8-13) and Papageorgiou (1984: 19-24).
14. Report of the Ministry of Labour, 1969; Economic Report 1985.
15. '830 ekatomiria ta isoda apo ton turismo', Haravghi 8/1/95.
16. Registration of Establishments, 1986: 206-207.
17. Ministry of Labour, 1976: 15.
18. For implications of delays in payments, see, 'Oi kivernisi apofevyi na ekplirosi exayoyes idon endysis', *Fileleftheros*, 5/9/86.
19. 'Oi Kypriakes viomihhanikes exayoyes miothika kata 54%', *Fileleftheros*, 7/9/86: 'Is the Economic Miracle Over?', *Success*, December, 1985.
20. 'Krisi kai mazikes apolisis sti viomihhania endysis', *Fileleftheros*, 21/12/86.
21. 'Monoimeres aperyies se viomihhanies endysis sti Larnaka', *Haravghi*, 25/9/86; 'Kinitopiisis ergazomenon', *Fileleftheros*, 25/1/87; Field notes, 27/9/86.
22. Ergatikí Demokratía, May 1987, 'Oi aperyia stin endysis: Mia astrapi mesa sti nihta', *Nicosia*: 4-5.
23. 'Trade Balance deficit shrinks', *Cyprus Weekly*, 12/7/88; 'Exports hit a record', *Cyprus Weekly*, 26/3/88; 'Economic Developments during 1987', *Economic Review*, Feb. 1988, Vol.12 No.1: 6. The Cyprus Popular Bank, Nicosia.
24. 'Endinos apoviomihhanopiisis sti Larnaka', *Fileleftheros*, 28/3/93.
25. 'Exayoyikes Viomihhanies pane sti Iordania', *Fileleftheros*, 4/10/92.
26. *Togatikí Dimokratía*, March, 1984.
27. Surprisingly, given the storm and stress implied by this process, Skocpol (1995: 6) analyses states 'in static terms as invariably 'potent and autonomous organisational actors'. To propose the idea that states' are invariably autonomous (from whom?) or more significantly that they should be, perhaps owes more to the ideological construction of the 'desired' and 'flexible' state, rather than the actual state, however defined. For debates over the relative autonomy of the state, see Clarke (ed) (1991), Evans et al (1985), the Poulantzas/Milliband debate *passim*. For a parallel debate on the local state, and its perceived capacity to show an autonomy (to the extent of siding with labour), see the following critical reviews of the Greater London Council (GLC) experience: Geddes M. (1988) 'The capitalist state and the local economy: restructuring for labour' and beyond', *Capital & Class* 35, Spring: 85-120; also, Panayiotopoulos P. (1992b) 'Local Government Economic Initiatives, Planning, Choice and Politics: The London Experience', *Papers in International Development* No.7, Centre of Development Studies, Swansea. The distinction made in this paper between 'state' and 'governance' follows from the observation that whilst the bourgeoisie rules, it does not necessarily govern.

All Republic of Cyprus Government publications are produced by the Department of Statistics and Research, Nicosia, unless otherwise specified. Greek and Turkish Cypriots are referred to as 'Cypriots' unless otherwise specified. The word Cypriot and Cyprus in the post-1974 period refers to Greek Cypriots and the de facto state of southern Cyprus.

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