



People's News

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EU ministers back sanctions for states that break fiscal rules

EU finance ministers have backed calls for tougher sanctions against countries which repeatedly flout the union's fiscal rules, but played down German demands for debt restructuring and changes to the EU treaties.

As the German parliament approved Berlin's participation in the €750 billion EU/IMF safety net for distressed euro members, however, European Central Bank (ECB) chief Jean-Claude Trichet sought to calm jittery markets by saying the euro was not in danger. 'Let us be clear, it is not the euro that is in danger, but the fiscal policy of some countries that has to be, and is being, addressed', Mr Trichet said.



His remarks came two days after German chancellor Angela Merkel prompted acute market anxiety by saying

the single currency was endangered by an 'existential' crisis. Although Dr Merkel's ban on speculative stock market dealing angered many of her counterparts, EU ministers sought to present a united front in their effort to dampen the debt crisis in the euro zone after they discussed ways of imposing greater budgetary discipline at a meeting in Brussels yesterday.

European Council president Herman Van Rompuy emphasised their common resolve to give teeth to measures to punish governments with poor public finances. These would include financial and non-financial measures, he said,

indicating that the European authorities may for the first time deploy powers already in the Lisbon Treaty to impose fines on countries which repeatedly break the union's fiscal rules.

Also on the table is the withdrawal of EU structural funds and the suspension of voting rights when ministers meet, something that would require a change to the EU treaties. Mr Van Rompuy did not rule that out, but said ministers were focused on measures which could be introduced in the short term. This reflects resistance to any treaty change in numerous other EU countries.

Irish taxpayers face huge bill to bail out Greek banks

Irish people will lend more to bail out Greece than any other nationality in the euro zone except Luxembourg, according to new calculations by the *Irish Independent*. The government last week passed a law to allow Ireland to loan €1.3 billion to Greece as part of a bailout for the debt-ridden country.



People here will lend about €280 per head of population to fund the €80 billion euro zone rescue package that prevented Athens from defaulting yesterday, according to new calculations from Eurostat. The

only people due to lend more are Luxembourg's citizens who will offer emergency loans worth just under €420 a person to bail out Greece. That's 42 per cent

more than Irish people will pay. Germany's contribution works out to €272 a person.

Our larger-than-average per capita loans come as the Government here battles with the worst budget deficit per capita in the euro zone. Ireland had a budget deficit of 14.3 per cent of gross domestic product last year and may post a deficit as high as 20 per cent this year if money used to keep Anglo Irish afloat is reclassified as spending rather than an investment.

The Department of Finance said the amount paid by each member state was determined 'by the amount of capital each member state owns in the European Central Bank'. Germany, where taxpayers largely opposed the bailout, will pay almost 30 per cent of the package as the area's biggest economy, compared with 1.6 per cent by Ireland and 0.3 per cent by Luxembourg.

The People's Movement calls for solidarity with the Greek people but no contributions to a Greek NAMA. Meanwhile, it is expected that the government will soon bring forward legislation enabling it to contribute €7 billion to the proposed EU bail-out package.

The burden of Irish debt could yet eclipse that of Greece

See the article in the [Irish Times](#) by Morgan Kelly, professor of economics at University College Dublin.

The Lisbon Treaty bites again!



Last week, the European Parliament voted in favour of increasing MEPs' allowance for assistants by €1,500 per month, bringing the allowance up to a total of €19,040 per month or almost €0.25 million

a year each, to compensate for the increased workload brought about by the Lisbon Treaty. 'This is a difficult time to ask people outside the parliament to accept us voting for an increase, but there are extra duties associated with the Lisbon Treaty', said Irish MEP Mairéad McGuinness. It's really hard to believe!

[Irish Times](#)

The EU may 'dare to take further steps, for example for a European army'



German Chancellor Angela Merkel said that the euro zone crisis is 'existential' and 'must be overcome' in order to avoid 'unforeseeable consequences' for the future of the EU. In order to do this it would have to 'equip itself more strongly, both fiscally and economically'.

The German Chancellor warned that 'We have a shared currency but no real economic or political union. This must change. If we were to achieve this, therein lies the opportunity of the crisis. We have to view the crisis as a motive, to make up for failures – failures that were not remedied by the Lisbon Treaty.'

On the importance of the euro, Ms. Merkel said: 'The euro is our currency, and yet more than our currency ... I stand by my vision that one day all member states of the European Union will have the euro as their currency ... If the euro were to fall apart, it would not only be the currency, but also the EU and the idea of European unification'. Ms. Merkel outlined her strong support for deeper European integration saying, 'And beyond the economic,

after the shared currency, we will perhaps dare to take further steps, for example for a European army’.

One thing is clear: EU member states’ room for manoeuvre will be further reduced through a ‘hardened’ stability pact. There will be resistance to this in the parliaments and the voters will feel an increased sense of alienation and subservience.

[Chancellor Merkel's speech](#)

Where are the Lisbon Jobs now? Demonstration on Saturday, 12 June 2010



**Begin: 12:30, Leinster House
13:00 Labour Party HQ, Ely Place
13:30 Fine Gael HQ, Upper Mount Street
14:00 Fianna Fáil HQ, Lower Mount Street
Ends: 14:30**



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Trichet calls on Germany to ‘police’ the euro zone

ECB President Jean-Claude Trichet has blamed Germany for the euro zone crisis, citing him saying: ‘in 2004 and 2005 I had to fight against the demand to destroy the Stability and Growth Pact. This request came from the big Eurozone countries, including Germany and France’. Trichet sees Germany as the ‘Euro-police’, and said that: ‘I count on the active role of all countries, including Germany, to introduce the new task of observation.’

Spanish austerity measures as Cowen denies demand for further cuts

EUOBSERVER reports that European Union institutions have expressed concern that Madrid’s austerity package may not be sufficient.

Both Spain and Portugal were specifically mentioned in the language of a new EU measure establishing a bail-out package for euro-zone economies whose ability to raise funds on the money markets is dwindling. European Commission officials said that the reason the two countries were named and shamed was a form of ‘peer pressure’ to try to force Spain – which currently holds the six-month rotating presidency of the EU – in particular to take a tougher approach.

Portugal had already announced fresh measures. Prime Minister José Sócrates outlined cuts to the public sector that he hopes will slash the budget deficit to 7.3 per cent of GDP this year, down from an earlier announced goal of 8.3 per cent.

Spain has announced additional cuts of 0.5 per cent in 2010 and one per cent in 2011. This comes atop the 0.5 per cent cuts announced in March as even Obama got in on the act, calling on Spain to take ‘resolute action’ to stem its

widening deficit, in order to regain market confidence in the euro zone and avoid a spill-over effect from Greece. It emerged that he also telephoned German Chancellor Angela Merkel to persuade her to agree to the €750 billion bail-out package for the euro zone.

At a summit of euro-zone premiers and presidents, EU leaders were shown a graph of predicted bond spreads that showed that Portugal, Spain and Ireland could be in the same situation as Greece within weeks, according to a report in the UK's Observer newspaper.

However, on the following day, a commission official said 'Ireland is doing what it needs to do'. Economic and Finance Commissioner Ollie Rehn encouraged Ireland to 'accelerate' its austerity plan. It is thought that Dublin, which has already implemented swingeing cuts, is being held up as a 'role model' for Spain and Portugal – echoes of the 'Celtic Tiger' – but as the Greeks have not been too impressed we can guess the reactions of the Iberians.

A few days later, Cowen indicated that the Government had received 'no formal or informal' indication that further cuts were expected. The commitment was to 'at least €3 billion' he said, adding that the government would be in touch with the European Commission 'in due course' to indicate the broad outline of its financial strategy.

'The question of acceleration of deficit-reduction strategies depending on the circumstances of every country is not directed to Ireland because Ireland has made moves. Ireland has been commended even over this weekend for the moves we have made', he said.

In a clear indication that the EU Commission is calling the shots, he explained: 'as I keep emphasising, it doesn't mean we're out of the woods. But what it does mean is we have an

agreement with them about the €3 billion reduction in 2011 and a further €3 billion in 2012. We will be in touch with the commission in due course as we always are, indicating what our strategy's going to be in broad outline.'

McWilliams: 'the people are pulling one way, but the political elite are pulling the other'

David McWilliams asks whether, in order to make the guarantees on the bailout valid, 'does there not have to be much closer integration in Europe ... But will this fly? While the EU elite might want this, the people of Europe don't. France, Holland and Ireland have all rejected more integration when asked (okay, we voted again). But the signal from the street is that the French want to remain French and sovereign, the Dutch do too and doubtless the Germans, Danes and Greeks feel the same way. So the people are pulling one way, but the political and banking elite are pulling the other.'

[Irish Independent: McWilliams](#)

Monti's report on single market could lead to tax harmonisation



Former EU Commissioner Mario Monti has presented his report outlining a set of new legislative proposals designed to improve the EU's single market that

the Commission should present by July. Monti 'strongly endorsed tax co-ordination and co-operation in the context of addressing "social concerns" within the single market'. Remember the Lisbon Treaty?

A few months ago, the former commissioner called for a new 'grand bargain' between countries with 'social market' and 'Anglo-Saxon' outlooks. The latter would agree to curb

tax competition (by signing up for the harmonisation of tax bases and minimum rates of corporation tax) and make sure that governments have sufficient revenue to pay for social policies.

[Monti's report](#)

Cameron rejects EU treaty change



The new British prime minister, David Cameron, has rejected the idea of a new EU treaty change to

accommodate German chancellor Angela Merkel's vision of stronger economic co-ordination in the EU. 'There is no question of agreeing to a treaty that transfers powers from Westminster to Brussels. Britain is obviously not in the euro zone and is not going to be joining, so it wouldn't agree to any treaty that drew us further into the euro area', Mr Cameron said during a joint press conference with Ms Merkel in Berlin.

A treaty change would require a referendum in Britain and is likely to result in a 'No' vote. Ms Merkel did not rule out a treaty change, but said this would have to be agreed at a later point in time. 'Germany tabled some ideas where a treaty change plays a certain role, but let me tell you we're at the beginning, it's very early days as regards to the working group [a taskforce led by EU council president Herman Van Rompuy] and there is no agreement yet in the group about what needs to be done', she said.

Berlin's insistence on a treaty change stems from its legal tradition and potential constitutional challenges to measures taken outside the EU treaty, such as the rescue package for the euro zone, which the

Bundestag passed on Friday. But the British premier said that such a treaty change would require unanimity of all 27 EU states, not just the 16 countries in the euro area, in which case the UK would make use of its veto right.

Barroso: Euro zone must accept economic government

The Commission's initial proposals to give the EU more powers to police national budgets have already divided the German government, with Free Democrat (FDP) leader Guido Westerwelle, German foreign minister and deputy chancellor, saying the proposals infringe on a 'core competence' of parliamentary democracy.

'It's the German Bundestag and national parliaments that determine national budgets, not the European Commission', he said according to the German press.

The Commission's proposals would see member states, including Ireland, submitting draft national budgets to be 'peer reviewed' by other member states' finance ministers. Commission president José Manuel Barroso said: 'What we are suggesting is for there to be an assessment of draft budgets and see if this fits in well with what goes on elsewhere in Europe because national measures have an effect on others'.



The Commission's proposals suggest that euro zone countries could find themselves outvoted on their spending plans. The Commission's plans say 'The Eurogroup [of euro zone finance ministers] should have a crucial role to play in this new system of enhanced coordination and,

where appropriate, have recourse to formal decision making as provided by the Lisbon Treaty’ – diplomatic language for qualified majority voting which the Lisbon Treaty allows for ‘measures specific’ to euro zone members.

Barroso has said that ‘member states should have the courage to say if they want an economic union or not, because without it monetary union is not possible’. EU Monetary Affairs Commissioner Olli Rehn added that ‘Peer pressure lacked teeth. Good times were not used for reducing debt.’ However, the paper reports that the Commission opposed the idea, floated by Germany, of an EU Treaty change permitting the expulsion of countries from the euro zone that violate the rules.

Meanwhile *Handelsblatt* reports on a poll that says 44 per cent of Germans want to abolish the euro and reintroduce the mark. In France, 38 per cent of participants want to go back to their national currency.

[Irish Times](#), [Irish Times](#), [Irish Times](#),
[Commission proposal](#).

Austerity measures bring Romanians onto the streets

One of the largest mass protests since 1989 hit Bucharest last week after the government announced deep spending cuts. Between 30,000 and 50,000 protesters took to the centre of Bucharest, while the trade unions said a general strike would be called on 31 May. In March 2009, Romania secured what was then seen as the largest IMF bailout package to date in favour of an Eastern EU country in difficulty.

Romania’s €20 billion IMF-led bail-out package is to be used to finance its ballooning budget deficit, an issue highlighted by two failed debt auctions earlier this month when investors feared the government would backtrack in the face of mounting social pressure. Romania’s

state sector employs a third of the working population and pensions, wages and other social benefits account for two-thirds of budget revenue. Protesters called on the government to apply austerity measures in a differentiated manner, rather than spreading the burden across the entire population – including retired people – without taking account of low incomes. The Labour Ministry has announced job cuts of between 60,000 and 80,000 positions, including 15,000 teachers, meaning the likely closure of a number of schools in villages.



Under pressure from the IMF, the government promised to slash state wages by 25 per cent and pensions by 15 per cent as part of efforts to secure the release of the next tranche of loans. The leaders of the protests demanded the resignations of President Traian Basescu and Prime Minister Emil Boc.

Unlike Greece, whose main problem is public debt, Romania has one of the lowest public debts at only 24 per cent of GDP and ranks 24th in the 27-member EU bloc. Romania’s problem is its budget deficit, implying that the country’s authorities had overspent.

Daniel Daianu, a former finance minister, said that Romania could not be compared to Greece because the country did not rely as heavily on tourism revenue. ‘We have a bigger and more diversified economic potential than Greece. We may have no islands, but we have a chemical industry, we have an automotive sector and an aeronautic one. We don’t lack infrastructure and capacity to organise’, he said.

Analysts say the government may end up bowing to public pressure and softening the planned cuts in a bid to preserve popularity for its shaky parliamentary majority, even though

elections are not scheduled until late 2012. Neighbouring Bulgaria, the EU's poorest member state, is also trying to impose public spending cuts of about 20 per cent.

Higher water prices – an EU response to scarcity?



Brussels has warned that Europe is facing water scarcity and droughts, and not just in the drier Mediterranean countries, with even the Czech Republic and Belgium at risk. However, the commission's main solution – higher prices

for water – is already creating the new phenomenon of 'water poverty', researchers warn.

In response, the EU executive reminded states of the need for 'more efficient' water pricing which they argue reduces demand, as well as water efficiency and water-saving measures.

Although most member states have introduced some form of water pricing, the commission notes that the EU goal of 'full cost recovery' – making people pay for the total cost of the provision of the service as outlined in the Water Framework Directive – 'may result in citizens' water bills being increased, which makes the changes difficult to accept', and so governments have been adopting stricter tariff systems only gradually.

'For several years, the Commission has urged member states to adopt policy options such as water pricing, improved water management tools, and efficiency and water saving measures', the commission report said.

Commission spokesman Joe Hennan told EUobserver: 'We are encouraging water pricing whether there is scarcity or not. We consider

water to be a commodity like anything else. Brussels at the same time urged people to use less water while showering, cooking and performing other household tasks.

Emanuela Lobina, of the UK Public Services International Research Unit, said that while there is no obligation on the part of member states to introduce water pricing, there is strong pressure to do so. 'And where it's implemented, as in the UK, the burden falls mainly on captive urban water service consumers – households – rather than industry or especially agriculture', he warned. He said this has resulted in growing 'water poverty' in the UK, where people cannot afford the water they need for daily use: 'And this is a phenomenon that until water privatisation, did not really exist'.

'Water poverty is already happening as a result of water pricing, and it's increasing', he added. 'The problem is that the EU sees water pricing as the main instrument for tackling scarcity without sufficient attention on the social costs.'

Ireland blows €800,000 on EU Nordic battle group

In response to a question by Deputy Aengus Ó Snodaigh, the minister for defence stated recently that Irish taxpayers would be paying an estimated €800,000 to cover the costs of training in the Nordic EU Battle Group.

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