



People's News

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Week of discontent in EU as workers reject attempts to cut spending and wages



A protest in Barcelona against plans to raise Spain's retirement age to 67

A wave of industrial and social unrest is building across Europe as workers resist attempts by governments and private companies to impose austerity policies, drive down wages and rescue some nations from near bankruptcy.

The *Independent* reports that huge protest rallies have taken place in cities across Spain this week. A general strike paralysed Greece while industrial action at French airports and oil plants as well as the narrowly averted stoppage at Germany's Lufthansa point to the start of the biggest demonstration of public unrest since the revolutionary fervour of 1968. Europe's industrial economy is not clear of recession yet either and with unemployment rising and demands for austerity growing, Europe's workers are becoming increasingly restive.

Italy's car giant Fiat abruptly suspended production across all its Italian plants this week, laying off a workforce of 30,000 people for two weeks and further closures are forecast for next month. There are signs meanwhile that confidence is sagging under the weight of unrelenting media gloom about the Greek crisis. Even the Governor of the Bank of England, Mervyn King, voiced his concern that Europe's recovery has now 'stalled'. The much-feared 'double dip' recession seems to be becoming inevitable.

By far the most extensive disruption has been in Greece, where there have already been wildcat strikes and loud protests against Prime Minister Papandreou's efforts to rein in Greece's budget deficit, the worst in the eurozone. Communist party-backed protesters tried to blockade the Athens stock market yesterday and strikers have closed down air, rail and maritime transport networks, their anger stirred by draconian cuts to welfare benefits. The action will also shut schools, government offices and courtrooms, with disruption to banks, hospitals and state-owned companies. A strike by journalists is also planned, which promises to add to the mounting sense of chaos. Greece's tax inspectors also took industrial action against their government.

John Monks, secretary general of the European Trades Union Confederation – not the most radical of trade union leaders – warned that unions across the EU were pushing back against austerity plans that were 'socially unacceptable' and which would only exacerbate the recession by fuelling unemployment: 'We do not support the

eurozone ministers' pressure on Greece to dash into rash decisions that will affect the poor, the sick, the old and which will upset the social fabric of Greek society. We want to see plans that are well balanced and which are socially acceptable.'

'The Ministers are wrong to go for short-termism. We need realistic and long-term plans that are negotiated with the trade unions. The government, the unions and the employers have to find common solutions that build Greek society, not destroy it by irreversibly slashing jobs, workers' rights and privatizing public services and companies' adds Carola Fischbach-Pyttel, general secretary of the European Federation of Public Service Unions (EPSU).

Analysts say that Greece ought to be able to raise about €3 billion in the markets, albeit at high interest rates of more than 5 per cent. A much bigger challenge will be to find the €25 billion in April and May that Athens is due to repay on maturing bonds, short-term bills and interest payments. The next crunch for Greece will be when Mr Papandreou has to meet fellow EU leaders on 16 March to convince them he is making progress towards slashing the deficit.

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But now Spain is also facing determined resistance to the Zapatero government's attempts to get Spanish public finances on track. Many observers fear a Spanish budget crisis much more than a Greek one, simply because the Spanish economy is about five times larger than Greece's, and even the resources of the richer eurozone members, principally Germany, may be insufficient to save her.

Across Spain's major cities, trade unionists led protest rallies against plans to raise the retirement age to 67. Rallies took place in Madrid, Barcelona and Valencia, with over 50,000 turning out in the capital alone. Protests will spread to the rest of the country during the coming week.

If anything, Spain's economic troubles may be even more intractable than those in Greece. Like Ireland, Spain's economy was driven by a property bubble during the boom years, and the ensuing slump has been more severe than in most of the rest of the eurozone, including Greece. Figures last week showed that Spain faces the social and economic cost of 20 per cent unemployment and a jobless rate among the young of 35 per cent, the highest in the eurozone. The democratic strains in nations that had been ruled, well within living memory, by fascist leaders or the military are growing.

During the relatively benign economic conditions that marked the first decade of the euro, fast growing economies such as Spain and Ireland were able to enjoy the advantages of currency union, such as low interest rates, but allowed their prices and costs to gradually rise, leaving their economies uncompetitive by comparison with nations such as Germany. Traditionally, that cumulative build-up of cost and price differences would be dealt with by devaluation of the currency but membership of the euro removes that flexibility. Thus Ireland, Greece, Spain and others are undergoing what economists euphemistically call 'internal devaluation' by slashing wages and costs and, if necessary, allowing unemployment to climb to record highs. The problem raised by the Nobel prize-winning economist Joseph Stiglitz, among others, is that those deflationary policies threaten to shrink their economies even more, triggering an even more urgent budget crisis as tax revenues collapse and unemployment payments rise.

At the last summit of European leaders in Brussels, President Nicolas Sarkozy revived French demands for 'European economic governance' to deal permanently with budget crises, in effect a eurozone treasury department, but Chancellor Angela Merkel of Germany only agreed to such a development provided it involved all 27 EU states, effectively neutralising the French proposal and insulating the German public finances from possible contamination. Distressed nations such as Greece will probably be left with little choice but to approach the IMF for assistance – a humiliating defeat for the Greek government which is likely to lead to greater instability in that country.

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A look around the European Union

France



Strikes called by French oil refinery workers and air-traffic controllers are causing nationwide travel chaos. Neither dispute is a direct consequence of the global economic crisis – the French economy is recovering from recession

more rapidly than its neighbours – but unemployment remains high (10 per cent, with 450,000 jobs lost in 2009) and the government fears the spread of labour militancy. As a result, President Nicolas Sarkozy – elected two years ago with a mandate to be tougher on unions – has all but supported the union side in the refinery strike. The French oil company Total wants to close its refinery at Dunkirk. A strike among Total unions spread this week to other refinery workers. To prevent France from running out of petrol at the pumps by the end of next week, President Sarkozy called in the head of the Total yesterday and demanded –

and received – guarantees that there would be no more refinery closures or cutbacks for five years.

Meanwhile, French domestic and foreign flights were severely disrupted as air-traffic controllers walked off the job for four days. They are protesting against plans to merge the French air traffic control agency, DGAC, with those in Germany, the Benelux countries and Switzerland. One flight in two was cancelled at Orly and one in four at Charles de Gaulle airport, Paris. Even more cancellations are expected, compounding the problems caused by air crew strikes in Britain and Germany. The government fears, however, that situation may soon worsen as job cuts in the public sector begin to bite.

Germany



A potentially devastating strike by Lufthansa's 4,500 pilots was called off at the last minute after the pilots' union agreed to resume pay negotiations with the airline, but social and economic discontent continues to simmer in the EU's biggest economy.

Faced with a record €100 billion debt, falling exports and the prospect of having to bail out bankrupt EU partners, Chancellor Angela Merkel's coalition is struggling to find remedies capable of sustaining electoral support. Leading commentators have complained that a Greek bailout would contravene the terms under which Germany agreed to ditch the mark for

the euro at the beginning of the decade. 'The Germans are angry', said Elmar Brok, one of Mrs Merkel's conservatives, 'first we had to bail out our own banks, now we have to help Greece'. Germany's record deficit and a nearly 20 per cent drop in eurozone exports have sparked protracted infighting between the ruling Christian Democrats and Free Democrats over tax cuts and social-security benefits.

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Greece

Public – and private – sector employees walked off the job and took to the streets in protest at harsh austerity measures. The nationwide strike brought air, rail and maritime transport services to a halt. Schools, state-run offices and public courts were shut, while banks and hospitals operated with skeleton staff. 'The strike should be a big success and should paralyse the entire country', said Vangelis Moutafis, the general secretary of the General Confederation of Labour union (GSEE), one of the two unions organising the protests.



Hundreds of enraged workers blocked the Athens bourse in a show of swelling unrest against the reforms enforced by the beleaguered government in its bid to fix the deficit crisis imperilling the financial future of much of Europe. Protesters stormed the Athens bourse ahead of trading, unfurling red-

and-white banners that read 'The rich must pay for the crisis'. Windows were also smashed at the finance ministry. The protest came as delegations from the EU and the International Monetary Fund began talks with Athens on the government's plan to rein in spending. They stated that the country must show signs of fiscal improvement or face imposed additional austerity measures.

Greece has already imposed broad spending cuts but says it is under pressure from the European Union to cut salaries in the civil service, traditionally looked to as a jobs provider. Unions say cutting Greeks' so-called 14th salary – part of annual pay held back as a holiday bonus – for public workers would be taken as 'an act of war'.

The country's two largest unions, the private sector GSEE and public sector ADEDY, fiercely oppose a wave of belt-tightening measures announced over the past weeks to reduce the budget deficit from 12.7% of gross domestic product to 8.7% this year. 'If all these measures are enforced, unemployment will skyrocket. Our country will enter a massive recession and unemployment will reach a Europe-wide record', a GSEE spokesman said. 'This will be tragic because it will provoke social (un)rest and clashes.'

Greek unemployment hit a five-year high of 10.6% in November 2009, up from 9.8% in October. The country's woes have affected confidence in the euro as a common currency, and raised its borrowing costs. The governing Socialists have frozen civil service wages and hiring while cutting bonuses, raising consumer taxes and retirement ages.

This latest strike is the second major show of industrial action in less than a month, testing the government's strength in pushing through its belt-tightening measures in the face of stiff opposition from the unions. Last week, the EU warned Greece that it would press for more

austerity measures if Athens showed no tangible signs of progress in putting its finances in order by mid-March.

Meanwhile, EU finance ministers have stripped Greece of its vote at the next meeting of the ministers on 16 March, in 'the worst humiliation ever suffered by an EU member state'. Finance ministers will review a progress report on Greece's measures to bring its deficit under control, and decide at the meeting whether or not Greece needs to introduce additional austerity measures. In effect, this means Greece will lose control over its tax and spend policies, and the EU will itself impose cuts under Article 126.9 of the Lisbon Treaty.

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Ireland

'Often times, trade unionists describe what has been unfolding over the past year or more in terms of an attack on public service workers. That is to fundamentally misunderstand it. It is actually an attack on workers, all workers, an attempt to achieve the effects of a currency devaluation by cutting pay which means that, unlike devaluation, only working people carry the entire burden of the adjustment'.

(SIPTU General President, Jack O' Connor speaking in Galway on Tuesday, 23 February.)

Willie O'Dea resigns

Former defence minister O'Dea abused his position and more importantly displayed utter contempt for the rule of law. He was a minister with a very important portfolio, which had increased in importance since ratification of the Lisbon Treaty. As Minister for Defence, Mr O'Dea was Ireland's representative on the European Defence Agency (EDA), which is the new EU armaments agency tasked with 'promoting Defence Research and Technology, promoting armaments co-operation and

creating a competitive EU Defence Equipment Market'. This controversial agency has been given huge powers via the Lisbon Treaty. Our main access to information about what is going on there, would, if Mr O'Dea was still minister, have been courtesy of a minister that had given false evidence to the High Court.



Willie O'Dea and friend

Only the week before, O'Dea remained silent when German foreign minister Guido Westerwelle announced that Berlin supported the long term goal of creating a European army, in order to bolster the EU's role as a global player. This was in stark contrast to the reaction of the Danish defence minister, Søren Gade, who rejected Mr Westerwelle's proposal, saying 'When, how and how many soldiers are deployed must remain the decision of national Parliaments'.

Unfortunately, the Greens, who claim to have bested Fianna Fáil on the resignation issue didn't stand up to Fianna Fáil over the ending of dental treatment for poor people; over the abolition of most of the community development programmes that cost very little, yet were the lifeline for people in many poor areas; over the ravaging of hundreds of schools around the country by cutting the number of teachers and special needs teachers; and on numerous other issues that would have helped make this country a better place in which to live.

Franco-German drive towards common EU defence.



Bernard Kouchner

When asked whether Germany and France want to be the leaders in Europe, French foreign minister Bernard Kouchner has said in an interview with German magazine *Focus* that: "Leaders" isn't the right word, but pioneers, yes. There are two ways to build Europe, the first along the lines of: we come to an agreement – after endless negotiations – on the smallest common denominator. But that's not how we take things forward! Angela Merkel and Nicolas Sarkozy have rightly decided to adopt a more resolute approach. This has nothing to do with an ambition to lead, but it's a necessary way of proceeding to get things moving.'

Asked what Franco-German leadership should lead to, Kouchner answered: 'common defence – this is what's still really lacking. A strategy allowing us gradually to achieve a Franco-German security policy would be fantastic, but, of course, only as a forerunner to a European defence strategy. What would be very simple and very important [would be to have] a committee of European defence ministers at the Foreign Affairs Council. It would be politically symbolic.'

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Spain proposes more agile EU defence force



European Union defence ministers and observers have met in Palma de Mallorca, Spain in an informal meeting – the first since the Lisbon Treaty

took into effect in December. Meanwhile the EU Presidency website listed disgraced TD Willie O'Dea as Ireland's representative and attempts by the Peoples Movement to find out who was representing Ireland drew a blank. Stand-in defence minister Cowan was in Ireland during this vitally important meeting ...

According to the Spanish defence ministry, talks centered around plans to put Treaty of Lisbon instruments into practice that will make it possible to create a European defence force that can react quickly and effectively to humanitarian crises, as well as ensuring a strong and innovative security and defence industry. Also on the agenda for discussion is the ALTHEA operation in Bosnia, the EU naval operation Atalanta on the coast of Somalia, and the European Union Training Mission in Somalia. <http://www.youtube.com/watch?v=3qSOMKvZhek&feature=related>.

Spain will also propose taking on a mission to set up a security force in Somalia 'that will be able to give the Somali Government the authority that right now it lacks', according to a government statement. The following is an edited scripted interview with Spain's minister of defence Carmen Chacon published by the Spanish government:

What are the key objectives of the Spanish Presidency in the area of Defence?

We want to see a Europe that is stronger, safer, and better able to make a joint defence commitment, not only to defend its member states, but to make the world a safer and fairer place. This is the path we are starting out on, and the Treaty of Lisbon and the new instruments it offers in the area of security and defence will help us in this journey. We also want innovation and equality to be the strong points of our Presidency. This means we want the same level of security and defence for all the citizens of the EU and, if possible, to export this to the whole world. We also realise that we will only have a strong Europe if we have a strong European defence and security industry too. So that is basically what our work will focus on: developing the Treaty of Lisbon instruments to help us build a Europe that has greater capacity, is better coordinated and stronger on the issues that affect us all as citizens.

What initiatives in particular are you planning to present at the informal meeting in Majorca?

We want to strengthen the institutional side, so that the EU's Ministers of Defence have greater ability to agree on the issue we are working towards, which is a stronger, safer Europe, and progress towards a European armed force; step by step, but that is our objective. [This incremental approach is a well developed EU strategy. Ed.] We want to propose that the instruments we currently have – the Tactical Battle Groups – should be able to operate as a compact, strong and rapid reaction force to deal with humanitarian crises or other requirements that the EU may have. However, we also want to improve the instruments and mechanisms of the European Defence Agency, in the knowledge that we will only have a strong and able Europe if this is accompanied by a strong European defence industry.

The Presidency is going to promote Permanent Structured Cooperation. What is this?

This stems from the Treaty of Lisbon, whereby EU member states that take on a set of more advanced criteria and commitments will have greater capacity than the other countries to carry out joint operations. We want to open up discussion about defining what the criteria should be for certain countries' decisions on whether to become part of this enhanced cooperation; and to come up with a common denominator about what form the Permanent Structured Cooperation should take, what the scope of its activities should be, and which countries are able to take on greater commitments in the name of the EU.

She has that objective in common with Germany, whose foreign minister said earlier in the month that the creation of a European army should be the long term goal of common security and defence policy. With various EU defence ministers dreaming of a European army, the US has made more noises about Europe's unwillingness to contribute to NATO, with [Defence Secretary Robert Gates](#) beating the drum saying that the 'pacification of Europe' has gone too far and is 'an impediment to achieving real security and lasting peace in the 21st [century]', and Secretary of State Hillary Clinton calling for an 'honest discussion' of European defence spending.

EU foreign minister to establish new central intelligence agency



The EU is planning to pull together three intelligence-sharing bodies based in Brussels to form a new department in the External Action Service (EAS), currently being established by EU foreign minister Catherine Ashton. Sources in the EU institutions say she

aims to merge the EU Council's Joint Situation Centre, its Watch-Keeping Capability and the European Commission's Crisis Room into one new department to help guide EAS decisions on security matters.

The article notes that the mandate for the new department remains undecided. Some European diplomats would like it to make policy recommendations as well as analytical reports. However, the quality of the existing bodies' reports is in dispute: 'I sometimes get faster alerts from my national newswire', one EU diplomat said. Meanwhile, the best classified information is often shared through informal channels between smaller groups of EU countries with a history of intelligence co-operation.

EUobserver

Let's get logical on the euro



David McWilliams continues his criticism of euro membership, pointing out that the truth is that Ireland doesn't have a recovery strategy aimed at reigniting economic growth and employment. We have a debt management strategy aimed at pleasing the bond market. The way we can titillate the bond market is by promising that the next generation will pay for the mistakes of the last generation, and that the relatively poor (the citizens) will pay for the very rich (the bank creditors). Why wouldn't the bond market like to hear that?

But what do we, the people, want? Do we want an economy that is capable of growing to reduce unemployment? Or do we want an economy which simply exists to service debts?

The choice is pretty simple. If we want the former, we have to act radically to save the day. If we are satisfied with the latter, then a prolonged period of unemployment and emigration lies ahead.

Ultimately, in a democracy, something has to give. What gives is the status quo, and normally with it, the exchange rate commitment. This might seem a bit over the top to you, but the story of all crises is that what seems extreme now becomes logical, what is radical becomes consensus and what is termed impossible today becomes probable as events change.

The best historic example of this was the collapse of the gold standard in the 1930s. In the 1920s, the only voice arguing against the gold standard was JM Keynes, and he was regarded as eccentric. By the mid-1930s – in the face of the depression – all countries had abandoned the gold standard as an anachronistic relic and had begun to inflate away old debts to get the economy moving.

The gradual questioning of economic orthodoxies takes time. It might take years of needless underperformance where unemployment remains incredibly high, real interest rates do too and defaults are the norm, not the exception. Ultimately, the old way – in our case, adherence to the euro – is thrown out. The only question economic historians of the future will ask is why didn't we act earlier and prevent all the pain.

At the moment, even suggesting such ideas is heresy. But so too – back in 2002 – was forecasting that we were in a credit/housing bubble, after which houses would collapse in value and banks would fail.

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Energy for debt? Natural resources and Iceland



An analyst at the [Planck Foundation](#) suggests swapping part of the unlimited geothermal energy potential of Iceland against its foreign debt. He calls his initiative 'Energy for Debt'.

The 'Energy for Debt' option is about building a solid, sustainable economy in Iceland based on harvesting geothermal energy under the banner of boosting Europe's energy diversity and security,. Then Iceland would become Europe's main energy supplier. According to the analyst, by linking the northern island with the UK via a high-voltage direct current (HVDC), Iceland would be poised to become not just a major energy supplier to Europe, but would also be linked to its data hub since HVDC can also carry information.

The author argues that this would be a win-win situation for all three parties concerned. Iceland would receive massive foreign direct investment and would see its debt reduced or cancelled. Britain and the Netherlands would gain competitiveness and have their lending repaid.

Yet the main opposition is likely to come from Icelanders themselves.

'The suggestion that Iceland should allow access to its energy resources in order to avoid debt repayments would be met by a strong nationalistic backlash, irrespective of party lines' according to Baldur Arnarson, a journalist for the Morgunblaðið daily newspaper.

But in Iceland, the real debate about energy resources on the island is centered around the question of whether it is possible to sell energy produced by hydroelectric power stations at a

higher price than currently negotiated in deals with the large-scale aluminum smelters on the island.

Aluminum smelting occupies a central position in the Icelandic economy, with two plants already in operation and three more planned. The high amount of energy needed for these plants to operate makes cheap Icelandic energy particularly palatable to investors in the aluminum sector, with companies such as Alcan and Alcoa investing heavily in the EU hopeful.

Yet, as indicated by the improving performance of local Green parties and the success of a local best-seller by Andri Snær Magnason (Dreamland: A Self-Help Manual for a Frightened Nation), aluminium smelting is encountering growing resistance in Iceland. This is the real bone of contention splitting the island, not swapping energy for debt, Arnarson stressed.

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Fishy farce



The European Commission has given its backing to a ban in international trade in the severely endangered bluefin tuna. Well, sort of! In fact, the Commission has said there should be a provisional listing of the bluefin in Appendix I of the Convention on International Trade in Endangered Species, meaning international trade in it would in principle be banned, but

the ban should be deferred for one year, giving industry a last chance to put its house in order. This semi-solution is no great surprise. The Japanese are prepared to pay huge sums for bluefin. There is big money at stake for the industrial fishing concerns and their lobbyists.

Every Brussels policy edict comes with green edging nowadays. So, when in September Monaco suggested that the best way to conserve the highly endangered and emblematic Atlantic bluefin tuna was to ban international trade in it, the European Commission was quick to lend its support – only to huff and puff when Spain and other Mediterranean countries declined to back it up.

But behind all the talk of sustainability, EU money has been bankrolling the bluefin-decimating fleets. Spanish Green MEP Raül Romeva has discovered that the Commission has paid €33.4 million since 2000 to vessels licensed for the bluefin fishery. These boats, many owned by industrial fishing conglomerates, are rather less concerned with conservation than they are with selling at premium prices to the Japanese as much of the giant tuna as possible.

And although the Commission has repeatedly talked about the need to reduce Europe's fishing-fleet capacity, most of the subsidy has been spent on new vessels that will terrorise any remaining bluefin for years to come. EU money has helped pay for no fewer than 121 boats that participated in the bluefin fishery in 2009, including 15 purse seiners, hated by environmentalists because they indiscriminately scoop up sealife in giant drawstring bags. Meanwhile, scappage payments have been made for just nine vessels.

So you planned to retire?



European Commission president José Manuel Barroso has announced that retirement schemes will need to be reformed in all 27

member states. However, such reforms are already proving unpopular as demonstrated by Spanish unions who marched last week to protest about the Spanish decision to raise the limit from 65 to 67 years.