"It is the common fate of the indolent to see their rights become a prey to the active."
—John Philpot Curran (who defended leading United Irishmen)

PEOPLE'S NEWS

News Digest of the People's Movement

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No. 101 **23 March 2014**

The EU and Ukraine

The EU is pursuing what it calls its "European Neighbourhood Policy" in relation to a group of countries—including Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine—that are normally seen as being within Russia's sphere of influence. By furthering its economic and security interests, and in the guise of "exporting democracy," the EU is challenging Russian interests.

This is a serious misjudgement, with already serious consequences for the people of Ukraine.

The EU has been playing on a long-standing division within Ukraine, between the pro-European rural west of the country and the populous and industrialised east and south which have long looked towards Russia. It is now eight years since the start of the EU's Action Plan for Ukraine, which the web site of the European External Action Service characterises as "the EU seeking an increasingly close relationship with Ukraine that goes beyond mere bilateral co-operation, encompassing gradual progress towards political association and economic integration."

Ukraine has had enough difficulty balancing its internal tensions and the need to keep Russia on side, as—for both strategic and historical reasons—Russia sees Ukraine as a vital part of its sphere of influence. The intervention of the EU in Ukraine's affairs, rather than helping matters, has only exacerbated these internal instabilities.

Last November the EU held a summit meeting in Vilnius in Lithuania with a group of former Soviet states in an attempt to agree an "Eastern Partnership" with Ukraine, Moldova, Belarus, and three states in the Caucasus: Armenia, Azerbaijan, and Georgia. Negotiations had been going on since May 2009. The deal would have given these states greater access to EU markets but at the cost of having to adopt many EU laws and regulations, and with no economic aid provided.

Ukraine refused to sign the deal, having instead opted to accept $15 billion in bilateral aid from Russia and receiving a much-needed reduction in the price of gas imports. Given the parlous state of the Ukrainian economy, Russia's offer was one that Ukraine could hardly refuse.

However, the decision of the Ukrainian president, Yanukovych, was the straw that broke the camel's back for many western Ukrainians who desire closer ties with the EU and who saw Yanukovych as a corrupt Russian stooge.

At the end of last year, in an article entitled "Europe's Ukrainian blunder," the former German foreign minister Joschka Fischer—no stranger to heavy-handed diplomacy—was sharply critical of the EU's strategy. "From Yanukovych's point of view," he wrote, "the Russian agreement made sense in the short run: the gas deal would help Ukraine survive the winter, the loan would help keep it from defaulting on its debt, and the Russian market, on which the economy depends, would remain open. So why," Fischer asked, "did the EU press for an association agreement, without being able to offer Ukraine anything comparable to what Russia offered?"

Even the president of the European Parliament (and candidate for presidency of the Commission), Martin Schulz, admitted that the EU's strategy had been a mistake. "I think we underestimated the drama of the domestic political situation in Ukraine," he said in November. Ukraine "has been in a deep economic and financial crisis . . . They desperately need money, and they desperately need a reliable gas supply."

There is a serious tension between the aspiration and the reality of EU foreign policy. The reasons for this include the missionary zeal with which it has been pursued—apparently without regard to such outmoded concepts as national interests, geopolitical power relations, or simple domestic political stability. In its preening fashion, the EU sees itself as offering leadership on "values" to the world—Lisbon again!

Alas, the EU debate on Ukraine is rarely about Ukraine itself, or the EU's interests there. One doesn't hear about Ukraine's strategic position between the main energy-producers in Russia and the Caspian Sea region and the consumers in the Eurasian region, its large transit network, or its available underground gas storage capacities, which make it a potentially crucial player in European energy transit. The possible opening up of Iranian supplies, and the reported high shale gas potential (Ukraine signed a $10 billion shale gas deal with the American energy giant Chevron), are seldom mentioned.

The country's importance is likely to grow as EU demands for Russian and Caspian gas and oil continue to increase, despite the present diplomatic difficulties. Today, twelve EU member-states receive gas through the Ukrainian transit system, including Austria, France, Germany, Italy, and Poland.

Ukraine offers a market of 45 million consumers, and 70 per cent of its arable land includes some of the most fertile soil in Europe. No wonder the US assistant secretary of state for European and Eurasian affairs, Victoria Nuland, could confirm that the United States had invested "over $5 billion" to "ensure a secure and prosperous and democratic Ukraine"; and she specifically congratulated the so-called "Euro-Maidan" movement.

The "European Neighbourhood Policy" presents the EU as a "community of values." Article 7a of the Lisbon Treaty declares: "The Union shall develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on co-operation."

No mention here of such vile things as EU material interests, or NATO power politics. Once upon a time such a drive for expansion would have been described as "imperialism" and understood as something negative. Today the independent state—particularly when it comes to weaker states that refuse to bow down to the West—is now regarded as a problem.

What this EU drive to expand possesses in bucketloads is a historical amnesia that facilitates its pursuit of a "moral" foreign policy that makes no mention of Western military or economic interests. One is reminded of the imperialist arrogance of Kipling's "white man's burden," which justified a multitude of interventions.

What is missing is any rational sense of the different interests that have created the situation in Ukraine, or any appreciation of how the sort of meddling pursued by the EU over the past few years has ruptured delicate balances in Ukrainian society and inflamed tensions and violence that even EU officials are now panicking about.

As Ed Horgan has pointed out, a total of twenty-three EU member-states are also full members of NATO, and the others (including Ireland) are members of NATO's so-called Partnership for Peace. Therefore Russia views the EU as being synonymous with NATO. A peaceful solution to the East-West divide in Ukraine should have been to declare Ukraine a constitutionally neutral state, as Austria and Finland are. This would have allowed for economic co-operation with both Russia and the EU without threatening Russian strategic interests. This opportunity has now been lost.

What is also absent is a lack of any concern regarding the dangerous geopolitical situation the EU has helped create and a very visible promoting of NATO policy in the media. One has only to listen to Tony Connolly on RTE to get a flavour of the breathtakingly unbalanced reporting.

It would be useful if a European government would stand up to the assault from Brussels on the former elected government in Kiev. We are treated instead to the cringe-inducing spectacle of Irish ministers threatening Russia with various punishments when they should be proposing that this country offer itself as a neutral mediator in an effort to reduce tensions in the region.

CETA could be the big corporations' trojan horse

As EU and Canadian trade officials meet again in Brussels to continue negotiating an investment-protection chapter in the "Comprehensive Economic and Trade Agreement," there is a danger that, even if this chapter is excised from the EU-US trade agreement (TTIP), the CETA chapter could be used as a back door by transnational corporations.

Activist groups are demanding that this chapter be removed entirely as an affront to democracy, an attack on an independent judiciary, and a threat to the climate and our shared environment.

The CETA "will include a controversial investment protection chapter and investor-to-state dispute settlement process (ISDS) that a growing number of countries are rejecting, for good reasons," says a statement endorsed by more than eighty organisations in Europe, Canada, and Québec, including Corporate Europe Observatory. "These excessive corporate protections, built in to thousands of investment treaties and free-trade agreements, serve no social or economic purpose other than to undermine our democratic rights to decide public policy and public interest regulation."

The statement, which shows growing opposition in Europe to the Commission's plan to negotiate investor "rights" chapters in trade agreements with Canada, the United States, and Singapore, draws from global experience with investor-to-state dispute settlement. This includes Canada, where recent NAFTA investor cases have challenged a moratorium on shale gas exploration, and two court decisions on the utility of pharmaceutical patents. EU member-states are also feeling the sting of investor-state disputes, for example by the Swedish state energy company Vattenfall against Germany's decision to phase out nuclear power.

"If the CETA is signed and ratified with ISDS intact, Canadian and European democracy will suffer," the statement says, "while corporations gain new tools to frustrate any number of policies designed to protect the environment, public health, public services [and] resource conservation and, crucially, to make our social-economies more sustainable and equitable. All political representatives at every level of government in the EU and Canada must call the investment negotiations in CETA to a halt and refuse to endorse the CETA until the extreme investor-state dispute settlement process has been taken out."

Opposition to investor-to-state dispute settlement is all the more important given the intention of the EU Commission to quickly conclude the Transatlantic Trade and Investment Partnership with the United States, whereas, at the recently resumed fourth round of trade talks, Germany joined France in calling for these controversial rules on investor rights to be left out of an agreement.

"From the perspective of the German government, US investors in the EU have sufficient legal protection in the national courts," the German minister of economic affairs, Brigitte Zypries, told the Bundestag. The French minister of trade, Nicole Bricq, has already stated her opposition to ISDS being included in an agreement.

Neither the chief US negotiator, Dan Mullaney, nor his EU counterpart, Ignacio García Bercero, would comment on the German government's position, but both defended the inclusion of ISDS.

Protests against the alliance between the EPP and big business and against the militarisation of the EU

The People's Movement held two protests at the recent congress of the European People's Party in Dublin.

The EPP and its constituent parties in EU member-states have been to the fore in formulating and implementing austerity measures, especially in peripheral countries such as Ireland. This zeal for austerity has not prevented them from benefiting from a grant of some €9½ million from the EU Parliament's budget; in effect, Irish taxpayers helped to pay for the EPP's political jamboree in the Dublin Convention Centre. It was hosted by Fine Gael, whose income for 2012 included €2.678 million from the leader's allowance and €2.281 million in Oireachtas funding for its senators and TDs—a grand total of almost €5 million; so we paid on the double!

Since the outbreak of the crisis, EPP parties, including Fine Gael, have championed major reforms of the EU's economic governance. These are designed to lock in fiscal policy at the national level and enforce austerity at the European level. The EU Parliament itself, as the EU's only elected body, has been sidelined from much of a process that has included a whole range of additional rules and institutions whose primary purpose is to further transform Europe in the image of organisations such as Business Europe, Europe's largest business association, whose policy is to lock in fiscal policy at the national level and enforce austerity at the European level. IBEC is the Irish voice of this grouping.

Despite high-octane rhetoric about "democracy," EPP parties see no danger in a situation where fiscal policy is less and less determined by political bargaining between elected governments, political parties and social interests and is increasingly the outcome of inflexible and immutable rules.

The most visible manifestation of the alliance of the EPP and big business is the so-called "Six-Pack," which delivers the binding fiscal rules that Business Europe demanded. The measures favour neo-liberal structural reforms and prohibit investment in social progress if there is no visible economic value. Resultant measures include the privatisation of health services and the abolition of labour protection.

The EU Commission, where the EPP is strongly represented, provides the perfect framework for locking in national economic and budgetary policies, because it is neither transparent nor accountable to the public.

Political power is being transferred to the unelected EU institutions in Brussels. The result is that the European Union is becoming more authoritarian at a frightening speed.

Death of Bob Crow

Bob Crow, general secretary of the Rail, Maritime and Transport (RMT) Union and a patron of the People's Movement, died suddenly in March at the age of fifty-two. Bob had been campaigning for the No2EU party in May's EU elections, arguing that workers were suffering because of policies from Europe.

Bob was a good friend of the People's Movement, particularly in time of need, and we will miss him. Our best tribute would be simply to intensify our efforts in combating austerity, militarisation and deepening federalisation in the EU.

Millions of Europeans say No! to the privatisation of water and sanitation

The EU is supposed to be "neutral" on national decisions governing the ownership of water undertakings, and indeed the EU Water Framework Directive proclaims that "water is not a commercial product like any other but, rather, a heritage which must be protected, defended and treated as such."

Why, then, did 1.9 million citizens of thirteen EU countries feel it necessary to sign a petition expressing opposition to moves by the EU to liberalise water and sanitation services?

They could point to so-called bail-out agreements in which the EU Commission has insisted on privatisation schemes that include the selling off of municipal water companies. In Greece the bail-out agreement requires the selling off of the state's majority stake in the already partly privatised Athens and Thessaloníki water and sewerage companies, while Portugal is under pressure to dispose of its state-owned water company.

The Commission can maintain its officially neutral stance on the ownership of water services by pointing out that the privatisation measures are being carried out by the insolvent national governments themselves in order to raise money to keep other public services running.

It could also point to early drafts of a "Concessions Directive." This directive is presented as necessary for regularising the way public authorities in member-states enter into partnerships with the private sector to provide services of general economic interest. A contract to operate public water infrastructure was obviously seen as a good example of a concession; others include toll roads, waste disposal, and energy generation.

The Commission argued that there are no specific rules governing the award of such contracts, giving rise to risks of fraud, favouritism, and lack of transparency. While the proposed text restates that, in keeping with article 345 of the Treaty on the Functioning of the European Union, nothing in the directive will prejudice member-states' own system of property ownership, it also talked of "a real opening up of the market" in respect of water, energy, transport, and postal services.

This led campaigners to class it as another attempt to promote the privatisation of water and to demand that the Commission exclude water and sanitation services from the provisions of the directive. By June 2013, 1½ million people had expressed opposition to the privatisation of water, and the Commission was forced to exclude water and sanitation services from the remit of the directive.

The petition, which was organised by a broadly based environmental and trade union campaign, Right2Water, under the "European Citizens' Initiative" process, had asked that water supply and the management of water resources not be subject to "internal market rules," and that water services be excluded from liberalisation, and also to explicitly exclude these services from trade negotiations such as the Transatlantic Trade and Investment Partnership.

The Commission made its response in the form of a "communication," which it issued on 19 March. Significantly, this gave no explicit guarantee on any of the central demands of the Right2Water Campaign.

UISCE ÉIREANN : IRISH WATER

The Irish Government is in the process of centralising the state's water services under a single entity, Irish Water. The new authority is structured as a utility company and is housed within An Bord Gáis. The minister responsible, Fergus O'Dowd, has strongly denied that privatisation is on this Government's agenda; however, the utility model and the introduction of charges have led some to suggest that privatisation will become a logical next step.

It could be said that most of the difficult work that would be involved in privatising water is now being done: moving water services from municipal and central government control to a commercial enterprise, albeit state-owned; installing meters in 1.3 million households to allow for domestic charging; and creating a customer-supplier relationship between the water utility and every water user in the state. Once all this "heavy lifting" is out of the way, a change in ownership could be effected relatively easily.

Own Our Oil
Read the book!

Own Our Oil: The Fight for Ireland's Economic Freedom was launched recently, a book and national briefing campaign grounded in a compilation of essays from a multidisciplinary team of writers pulled together by Eddie Hobbs.

The two-page introduction by Hobbs covers his conviction that we are being robbed while successive governments have collaborated with Big Oil. It challenges the industry-captive group-think that passes for government policy, on every level, taking in the views of senior barristers, legal experts, and experts on the environment, taxation, industry, geology, and strategy. It confronts the old debate dominated by industry and establishment one-liners, challenging it with fresh thinking, deeper insights and the truth from a panel of volunteer writers.

Own Our Oil is dedicated to the memory of Justin Keating. His daughter, Eilis Quinlan, jointly wrote the chapter on how to change our present porous pricing model by tightening tax rules. Her father drove through changes in Irish policy that mimicked the Norwegians' courageous change in 1972 in the face of severe pressure from Big Oil. He put the Irish people in a position to retain their economic rents from offshore drilling.

Keating's intervention, which combined royalties, production-sharing on every barrel of oil and every cubic metre of gas for the Irish people, and a tax on profits, was dismantled by Ray Burke in 1987. Burke, who was later to serve a prison sentence for tax offences, negotiated on his own with industry, unaccompanied by civil servants. He erased royalties and production-sharing and allowed an extraordinary policy of writing off costs.

In 1992 Bertie Ahern, as minister for finance, halved the top rate of corporation tax to 25 per cent.

The result is that Irish oil can be extracted, pumped into tankers and sold on the international market—to be bought back at international prices by its owners, the Irish people. It would be better left in the ground.

In his last interview, the year before he died (available here), Justin Keating finished by stating: "Make big mistakes with natural resources and that's it: there is no rehearsal, and there is no second choice; it's gone. I would like to add this thought about the future: if we waste this resource it will be a crime against Irish people. We are in danger of doing it."

The official government estimate of the value of Irish oil and gas underneath territorial waters at current pricing is about €1 trillion. Globally, the recovery rate for national governments ranges between 70 and 80 per cent—still leaving an annual growth in profit for private explorers ranging from 20 to 30 per cent. Existing Irish licences, which cover about 6 per cent of Ireland's offshore territory of 660,000 sq. km, when run through an international model provide for an annual profit, calculated annualised returns, of 46 per cent for the life of the field over several decades. That means doubling money every 1.7 years—for shareholders.

Despite what you may have believed, we will get nothing, or next to nothing, as the oil transnationals, to whom oil minnows will flip licences, drive a coach and horses through Burke's taxation model, compressing the return, at best, into low single digits. Government policy isn't just callow, unambitious, and lacking in savvy: it's reckless.

The Norwegian economic expert Helge Ryggvik warns us not to give away too much in the first round and to take time to set up a legal framework that is flexible enough for the state to tighten rules when conditions change. He warns that strategic agreements and decisions made in the early phase have decisive implications.

Everything flowed from the Norwegians' decision following the 1973 oil crisis to first establish a set of principles. (Ireland has none.) These principles are: a qualitatively better society, a slow rate of extraction, the goal of becoming independent in oil and gas supply, state governance and control, petroleum to be brought ashore, the development of a domestic service industry, ownership and control of distribution, and the establishment of an operational oil exploration company (Statoil).

There is a separation between the owners of our offshore natural resources—the people—and our trustee—the state—and it's time for new rules of engagement. The *Own Our Oil* move, bypassing direct engagement with the state, preferring instead to fully inform the owners through local briefings by volunteer advocates, has a simple objective that rejects the notion that this is an issue for experts only and invites everyone to understand what is happening, what is at stake, and what they can do about it, certain in the knowledge that the establishment will follow a shift in public opinion.

Do read this book, and, however you react to it, at least you'll be better informed, more curious, and above all no longer neutral. You may think you don't count, but you do matter: when the herd stands together, the lion lies down hungry.

■ A summary of *Own Our Oil: The Fight for Irish Economic Freedom* is available for downloading here.

And here's what happened next!

On the day that *Own Our Oil,* the book and national briefing campaign, was launched, RTE Radio's "Morning Ireland" was to cover it at 7:30 a.m., a chance to set the national news agenda.

Alas, a recorded message was left on Sunday night: the item had been cancelled. The recording explained that Eddie Hobbs's interview on the "Saturday Night Show" in January was the reason, though that interview had been in January 2013, nearly fourteen months earlier. Two days later "Today with Seán O'Rourke" cancelled its scheduled Wednesday morning interview, maintaining RTE's silence.

But then "Prime Time" staged a television debate. The minister for communications, energy and natural resources, Pat Rabbitte, who is the regulator, arrived with a closed mind. He was forced to admit that he hadn't read the book, and relied on rehearsed one-liners. At one point he attempted to dismiss the work of the seventeen writers with the extraordinary fiction that it was a cover for a Dalkey pressure group concerned about an oil rig in Dublin Bay.

Rabbitte believes there is no ground between the state's craven low-tax policy and sinking tax-payers' money into drilling wells. He should read the book. Ireland has plenty of options, including public-private partnerships, grounded in licences that compel the passing of expertise to a new operational national exploration company.

The Irish people have the hydrocarbon resources; the real problem is the state's servile and unambitious mindset. Watching Rabbitte nodding sagely with industry opinions, viewers were left wondering just how deeply his department's group-think has become captive to those they regulate.

Some of us are old enough to remember the Resources Protection Campaign, when the same Rabbitte was trenchant in his exposure of the "Great Irish Oil and Gas Robbery."

MEPs back public prosecutor's office on EU-wide criminal justice system

Members of the EU Parliament have backed the Commission's proposal to grant powers to a new office that would investigate cases of fraud against the EU budget throughout the bloc.

The new body would have the power to search premises, seize objects, and intercept phone conversations; and, in an example of the old EU strategy of competence creep, it is generally accepted that these powers would eventually be expanded to other areas.

The Commission says that national prosecutors in some member-states are not doing enough to protect the EU budget. It points out that national judicial authorities follow up less than half the cases transferred to them.

There is resistance to the idea, however. Last year fourteen parliaments in eleven member-states, including Ireland, attempted to repeal the proposal in a so-called "yellow card" procedure.

Britain, Ireland and Denmark have now opted out of the project. The proposal will now go to member-states, where it requires a unanimous decision. But if the Commission does not get unanimity it still plans to go ahead under the Lisbon Treaty's "enhanced co-operation" procedure, which says that a mere nine countries can launch new EU initiatives and expand them to other countries later.

According to Giovanni Kessler, head of the EU anti-fraud office, "if this European Public Prosecutor Office starts working well, it will probably expand to other competences, to other crimes, which are by nature transnational."

Just another example of the Lisbon Treaty in action!

And another small step towards a one-size-fits-all EU justice system

The EU Commission's annual justice "scoreboard" is described as an information tool for member states in improving the quality, independence and efficiency of their justice systems.

"The legal system plays a key role in attracting or repelling foreign direct investments," according to the commissioner for justice, fundamental rights and citizenship, Viviane Reding. The findings are intended to contribute to the so-called European Semester, which outlines budgetary and financial policies to keep governments in track on general objectives.

However, member-states that fall behind in modernising their justice systems are likely to be issued with country-specific recommendations, ten of which were issued last year.

Britain is the only member-state that refuses to provide any data on its justice system to the Council of Europe. The secretary of state for justice, Chris Grayling, said that "we have no intention of Britain becoming part of a one-size-fits-all EU justice system." He denies the Commission's claim that the scoreboard is a tool for promoting effective justice and growth. "I do not believe that the Commission has any role in the detailed monitoring or assessment of the justice systems of member-states to secure this goal."

Both Commission candidates in favour of Eurobonds

Eurobonds are a debt mutualisation project that, though opposed by Germany, are being supported by two candidates for the presidency of the EU Commission.

Jean-Claude Juncker and Martin Schulz spoke in favour of the idea, which is highly popular with the governments of France, Spain, Italy, Greece and indeed Ireland. Michael Noonan has been pinning his hopes on them since 2011.

"I am still in favour of Eurobonds," Schulz said, "but I had to take note that there will be no majorities for it in the foreseeable future." He added that it would be a great step forward if big projects could be funded with joint loans.

The pilot phase of a so-called project bonds scheme was launched by the Commission last year with €230 million worth of unused funds, boosted by loans from the European Investment Bank. The first project funded under this scheme, an undersea gas storage facility in Spain, was halted last year because of earthquakes detected in the area.

Juncker, who is from the EPP group—the same group as Angela Merkel, who is the main opponent of Eurobonds—was selected as their candidate at the EPP congress in Dublin. He was the longest-serving prime minister in the EU until last year, when he stepped down in a spying scandal in his home country, Luxembourg.

Juncker claims he has been in favour of the scheme for at least four years. “In December 2010 I pleaded in favour of Eurobonds, together with the conservative Italian finance minister Giulio Tremonti,” he said.

He admitted that the time has not yet come for Eurobonds to materialise. “But I think they are the right instrument in the long run,” he said.

The two candidates are in agreement that one of them should take over the presidency of the Commission after the May elections. Under the Lisbon Treaty the next president of the Commission should be elected by member-states and the European Parliament, “taking into account” the result of the EU elections.

But Angela Merkel is having none of that, rejecting “automaticity” and suggesting that she would favour the same old package deal whereby all EU top posts are awarded in back-room deals, taking into account the political families, the candidates’ gender, and the views of old and new member-states.

German neo-Nazis could enter EU Parliament after election

Germany’s neo-Nazi party, the National Democratic Party of Germany (NPD), will benefit from the German Constitutional Court’s recent decision to remove the 3 per cent hurdle for obtaining a seat. This means the party could get a seat in the next European Parliament.

It needs only 0.7 per cent of the vote to get one of Germany’s ninety-six seats. In the last parliamentary vote, in September 2013, it managed 1.2 per cent. It now has more than 320 local representatives.

Founded in 1964, the NPD nurtures the image of a party that looks after ordinary citizens. It has received approximately €10 million in public money in the last ten years, though it was fined more than €1 million for poor accountancy practices. Its present financial situation is dire, as it is said to have only €300,000 available for the election campaign.

A quarter of the NPD’s executive members at the national and local levels have been convicted either of offences such as sedition or of assault on political opponents, homeless people, or migrants. Meanwhile links have been found between the NPD and the “National Socialist Underground,” a right-wing terrorist group to which ten murders have recently been attributed.

The co-ordinator of the party’s international activity is the former skinhead Jens Pühse from Bremen. There he sold “far-right rock music” (*rechtsrock*); today he works in the party’s head office in Berlin, wears a suit, and travels around representing the NPD. He has just returned from Italy, where he was a speaker at a congress of Forza Nuova (New Force), the Italian far-right party.

Under the slogan “Europe is rising,” groups from five countries—including representatives from the British National Party, the Greek Chrysí Avgí (Golden Dawn), and Democracia Nacional of Spain—gathered near Rome. Pühse told the audience of approximately five hundred that “the NPD will definitely be represented in the next European Parliament.” He said that talks with similar right-wing elements in the Parliament were “well advanced,” while “further meetings are being prepared,” and that the NPD is “well prepared to turn these [national groups] into an effective formation.”

Germany has long had a debate about whether the NPD should be banned. The issue came to the fore once more at the end of last year when the Bundesrat, representing Germany's regions, submitted a request to the Constitutional Court that the party be banned.

The NPD is accused of wanting to get rid of a constitution based on the principles of democracy and liberty. Its idea of an ethnically pure German nation goes against the core of democracy and human dignity, says the submission to the court. It adds that for the NPD leadership it is clear that "an African, Asian or Arab person can never become German."

On 22 March the NPD will launch its election campaign with a congress of its youth wing. But the venue—as with most neo-Nazi events—remains a secret.

Meanwhile a feeling that traditional parties are not representing the views of ordinary voters could result in Austria's far-right Freedom Party (part of the "European Alliance for Freedom") scooping about 30 per cent of the vote in the EU Parliament elections in May.

In last year's parliamentary elections, when the grand coalition of centre-left Social Democrats and centre-right People's Party was re-elected with a paper-thin majority, the Freedom Party obtained its best result since 1999, gaining 21 per cent. A breakdown of the vote showed that the party received 33 per cent of all working-class votes, while the Social Democrats managed 24 per cent of that constituency.

Whither the euro?

Unusually, we are publishing an edited version of an article published by the International Monetary Fund (from Finance and Development, *vol. 51, no. 1, March 2014). While we are not fans of the IMF, and do not agree with the complete article, we believe that its contents are important, because of both the source and the tone. The author is Kevin Hjortshøj O'Rourke, Chichele professor of economic history at All Souls College, Oxford.*

'The euro-area economy is in a terrible mess. In December 2013 euro-area GDP was still 3 per cent lower than in the first quarter of 2008, in stark contrast with the United States, where GDP was 6 per cent higher. GDP was 8 per cent below its pre-crisis level in Ireland, 9 per cent below in Italy, and 12 per cent below in Greece. Euro-area unemployment exceeds 12 per cent—and is about 16 per cent in Portugal, 17 per cent in Cyprus, and 27 per cent in Spain and Greece.

Europeans are so used to these numbers that they no longer find them shocking, which is profoundly disturbing. These are not minor details, blemishing an otherwise impeccable record, but evidence of a dismal policy failure.

The euro is a bad idea, which was pointed out two decades ago when the currency was being devised. The currency area is too large and diverse; and, given the need for periodic real exchange-rate adjustments, the anti-inflation mandate of the European Central Bank is too restrictive. Labour mobility between member-countries is too limited to make migration from bust to boom regions a viable adjustment option. And there are virtually no fiscal mechanisms for transferring resources between regions in the event of shocks that hit parts of the currency area harder than others.

All these difficulties were properly pinpointed by traditional optimal-currency-area theory. By 1998 Ireland was experiencing an unprecedented boom, and house prices were rising rapidly. Higher interest rates were warranted; but when Ireland joined the currency union in January 1999 the Central Bank discount rate was lowered from 6¾ per cent in the middle of 1998 to just 3½ per cent a year later. With the Irish party well under way, the new ECB was busily adding liquor to the punch bowl.

Indeed since 2008 we have learnt that traditional optimal-currency-area theory was too sanguine about European monetary union. In common with much mainstream macro-economics, it ignored the role of financial intermediaries such as banks, which link savers and borrowers. Many of the euro area's most intractable problems stem from the flow of capital from the core to the periphery by way of interbank lending.

When that capital stopped flowing, or was withdrawn, the resultant bank crises strained the finances of peripheral governments. That further worsened bank balance sheets and credit creation, leading in turn to worsening economic conditions and rising government deficits—a sovereign bank doom loop that kept replaying.

I, and many others, have made arguments for "more Europe" over the past five years. But as time goes on, it becomes more difficult to do so with conviction.

Firstly, crisis management since 2010 has been shockingly poor, which raises the question whether it is sensible for any country, especially a small one, to place itself at the mercy of decision-makers in Brussels, Frankfurt, or Berlin. It is not just a question of hard-money ideology on the part of key players, although that is destructive enough: it is a question of outright incompetence. The botched "rescue" of Cyprus was for many observers a watershed moment in this regard, though the ECB interest rate increases of 2011 also deserve a dishonourable mention.

There are serious legal, political and ethical questions that must be asked about how the ECB has behaved during this crisis—for example the threat in 2010 that if Ireland did not repay the private creditors of private banks the ECB would in effect blow up the Irish banking system (or, if you prefer, force Ireland out of the euro area).

A frequent argument is that the ECB cannot loosen monetary policy, because it would take the pressure off governments to continue structural reforms that Frankfurt believes to be desirable. Aside from the fact that there is less evidence of the desirability of these reforms than economists sometimes admit, deliberately keeping people involuntarily unemployed to advance a particular policy agenda is wrong. And it is not legitimate for an unelected central banker in Frankfurt to try to influence inherently political debates in countries such as Italy or Spain, because the central banker is both unelected and in Frankfurt.

Secondly, it is becoming increasingly clear that a meaningful banking union, let alone a fiscal union or a safe euro-area asset, is not coming any time soon. For years economists have argued that Europe must make up its mind: move in a more federal direction, as seems required by the logic of a single currency, or move backwards. It is now 2014; at what stage do we conclude that Europe has indeed made up its mind, and that a deeper union is off the table?

The longer this crisis continues, the greater the anti-European political backlash will be, and understandably so: waiting will not help the federalists. We should give the new German government a few months to surprise us all and, when it doesn't, draw the logical conclusion. With forward movement excluded, retreat from the EMU may become both inevitable and desirable.

Europe has lived through a golden age, largely as a result of European integration. This helped foster growth in the 1950s and 60s and has given Europeans freedom to study, work and retire abroad that is taken for granted. The EMU in its present form threatens the entire project. During the inter-war period, voters flocked to political parties that promised to tame the market and make it serve the interests of ordinary people, rather than the other way around. Where democratic parties, such as Sweden's Social Democrats, offered these policies they reaped the electoral reward. Where democrats allowed themselves to be constrained by golden fetters and an ideology of austerity, as in Germany, voters eventually abandoned them.

Europe is now defined by the constraints it imposes on governments, not by the possibilities it affords them to improve the lives of their people. This is politically unsustainable. There are two solutions: jump forward to a federal political Europe, on whose stage left and right can compete on equal terms, or return to a European Union without a single currency and let individual countries decide for themselves. The latter option will require capital controls, default in several countries, measures for dealing with the ensuing financial crisis, and agreement about how to deal with legacy debt and legacy contracts.

The demise of the euro would be a major crisis—no doubt about it. We shouldn't wish for it. But if a crisis is inevitable then it is best to get on with it while centrists and Europhiles are still in charge. Whichever way we jump, we have to do so democratically, and there is no sense in waiting for ever. If the euro is eventually abandoned, my prediction is that historians fifty years from now will wonder how it ever came to be introduced in the first place.'

■ The full text is available here.

Catch them while they're young!

Angela Merkel wants "EU education in schools across Europe to prepare the next generation and to nurture a European approach." Pupils should be given a "European Union education" in the classroom to tackle "ignorance" and growing public Euro-scepticism, according to the election manifesto of the European People's Party, signed by Merkel and the heads of eight other European governments—including Enda Kenny—at their recent congress in Dublin.

The EPP, the EU's biggest political grouping, is convinced that such a scheme would improve the public image of the EU, which has never been lower. Merkel is a "strong supporter" of the proposal, officials said, because she believes that lessons about the EU "contribute to a common European identity and knowledge about history."

It will be interesting to see what the ASTI and TUI have to say about this pending curriculum revision!

Rather than scaling back the EU, the EPP manifesto proposes a campaign for a five-year programme to transform the EU into "a genuine political union."

A democrat to the core!

Jean-Claude Juncker, the former prime minister of Luxembourg, was chosen by the European People's Party on Friday to be its leading candidate during the EU Parliament elections and as contender for president of the EU Commission in October this year.

Juncker is a passionate supporter of the idea of a "United States of Europe." He chaired meetings of the euro zone at the height the debt crisis, until he resigned as prime minister of Luxembourg amid a scandal over illegal phone-tapping.

In 2011 Juncker was caught on tape saying that he "had to lie" in his role as chairperson of the euro zone, and that important economic decisions could only be taken in "dark secret rooms."

"I'm ready to be insulted as being insufficiently democratic, but I want to be serious," he said. "When it becomes serious, you have to lie."

EU money for Ukraine goes to nuclear power and Danish pig farmers

The EU plans to send €11 billion to Ukraine as a "bail-out" for the Ukrainian people. But most of the money will end up in the pockets of coal and nuclear power plants and large polluting Danish pig farms, according to Rina Ronja Kari, a candidate, along with our friend Lave Broch, for the Danish People's Movement in elections to the EU Parliament in May. The People's Movement stands at 7 per cent in opinion polls.

"Everything suggests, unfortunately, that the EU aid package does not aid the Ukrainians but ends up, for example, in the pockets of Danish pig farmers who own large polluting factory and pig-housing facilities in Ukraine. It also aids the coal and nuclear power industries, which export energy to the EU, which will receive a large part of the package of €11 billion. But the ordinary Ukrainians will have no joy from the EU package."

It's not about improving conditions for the Ukrainian people. The money will not reach the Ukrainian population but is directed for the benefit of the latest oligarchic elite, which for years has bled the Ukrainian people. But first and foremost it is to ensure the EU's geopolitical interests.

The EU heads of state and heads of government froze the funds of the president of Ukraine, Viktor Yanukovych. In addition, the Commission proposed a so-called stimulus package of €11 billion for Ukraine, which has been sold as a great boon for the Ukrainian people. But €5 billion of the €11 billion will be given as a loan from the European Bank for Reconstruction and Development. Reports show that the EBRD's investment will finance nuclear and coal infrastructure, to accelerate the export of energy to the EU.

In addition, the EBRD granted a loan of €35 million to Danosha, a subsidiary of a Danish holding company, Azson, to expand pig production. Danosha is accused by the National Ecological Centre of Ukraine of causing huge environmental damage and to be involved in land-grabbing.

The Commission has already officially handed over €1.1 billion. The International Monetary Fund is expected to contribute as well, with reports that the total fund will add up to about €4 billion.

EU and IMF officials are in Kiev this week to demand massive structural adjustments, including mass privatisation, in return for €25 billion over the next two years.

The unelected pro-EU "prime minister," Arsenii Yatseniuk, has said his regime would "meet all IMF conditions" attached to a bail-out, including the privatisation of Ukraine's strategic oil and gas industry. Ukraine's EU ambassador also announced a plan to increase domestic gas prices—a sticking-point in talks between the IMF and the ousted president, Viktor Yanukovych, last year.

Oops!

A leaked phone conversation, confirmed by the Estonian foreign ministry, reveals the Estonian minister of foreign affairs, Urmas Paet, telling the EU high representative for foreign affairs, Catherine Ashton, that there is an "understanding" that Ukraine's new leaders were behind the snipers who left scores dead in February. Ashton gave a low-key reaction to his comments.

EU Observer reports that officers of the Security Service of Ukraine loyal to the ousted president, Viktor Yanukovich, hacked the phones of Paet and Ashton and leaked their conversation to the web.

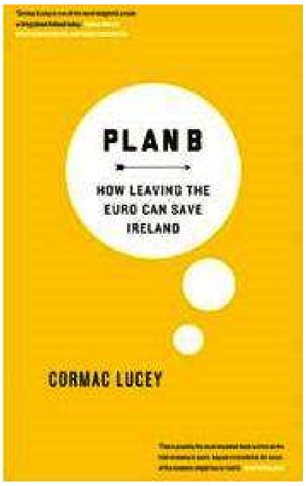
The officials discuss their impressions of what's happening in Ukraine after the revolt. The gist of it is that the Ukrainian people have no trust in any of the leaders of the revolt.

However, the most striking thing of all concerns the use of force, particularly the snipers who killed both protesters and riot police. Near the end of the conversation Paet reveals astonishing information that seems to confirm the rumour that the snipers were employed by the leaders of the revolt.

Many groups, including the extreme right-wing "Pravyi Sektor" (Right Sector), independently guard Kiev's streets without loyalty to the Self-Defence forces. Officially the right wing "co-operates" with other groups, but because of its superior organisation and specific goals the far right remains independent of other groups and operates its own policing efforts.

The future role of right-wing groups in Kiev remains unclear, but their inclusion and influence in future Ukrainian governments, given their prominent role in battling the police and now policing Kiev, seems assured, with a number of ministerial positions already secured.

■ Cormac Lucey's book will be launched next week in Dublin. We will review it in the next issue.



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