PEOPLE'S NEWS

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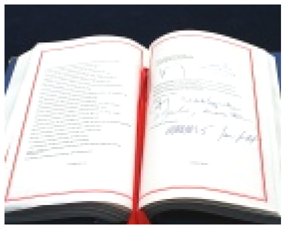
Will it be a self-amending clause or another referendum?

The President of France, Nicolas Sarkozy, has supported the call from the Chancellor of Germany, Angela Merkel, for changes to the Lisbon Treaty in order to provide for an "orderly handling" of future sovereign debt crises in the euro zone. The arrangements would include the possibility of countries restructuring their debts with private-sector involvement, and the suspension of voting rights in the Council of Ministers for countries that violate the EU's budget rules. Merkel has said that "in the future creditors will be part of the reparation."

In a joint statement, Sarkozy and Merkel said: **"France and Germany believe that it is necessary to revise the Lisbon Treaty."** The revision should be aimed at "establishing a permanent and robust mechanism to ensure an orderly resolution of crises in future. The necessary amendments should be adopted and ratified by member-states in accordance with their respective constitutional rules in due course by 2013."

In return for Sarkozy's backing, Merkel agreed to give governments six months to bring their deficits within the 3 per cent limit before incurring a fine—widely seen as a major concession by Germany. Sanctions would still kick in automatically after six months, unless the European Council overturned them with a qualified majority.

The Germans have bowed to French pressure to agree that EU countries should be allowed a say on sanctions against budget-breakers in the future. In return, Sarkozy has given up his resistance against changing the EU Treaty.



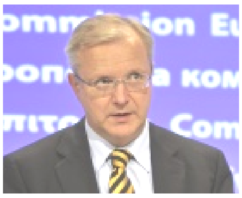
Readers will recall the debate about the self-amending clause in the Lisbon Treaty. Article 48 gives the EU the power to amend its own treaties, without recourse to an intergovernmental conference or a new treaty. However, at this early stage there is talk of an intergovernmental conference. Up to now revisions of EU treaties required such a process so as to ensure that member-states' parliaments—and, in the case of Ireland, populations—can have a say in the decision-making process of the EU.

Article 48 dispenses with this and allows the European Council to make amendments by unanimity, and in certain cases by qualified majority voting, without the guarantee of any process of ratification by member-states. In reality this means that in the future significant changes could be made to the structure, procedures or competence of the EU without the guarantee of a referendum; so passing this amendment into law could be an important test of the provisions of the Lisbon Treaty.

The possibility of a new treaty, or changes to existing treaties, is expected to top the agenda of a summit meeting of prime ministers and heads of state in Brussels on 28 October.

Rehn says "No"

The EU Commissioner for Economic and Financial Affairs, Olli Rehn, has rejected calls for the



deadline for getting the Irish public finances under control to be extended by two years from 2014. He was commenting after the Irish Congress of Trade Unions said that the Government should extend to 2016 the period over which it attempts to reduce the country's huge deficit.

Meanwhile a report by the Government's economic think-tank, the Economic and Social Research Institute, claims that Ireland will need to extend its debt reduction programme until 2016. The report warns that the EU requirement that Ireland impose a package of budgetary cuts and taxes of €15 billion over a mere four years is unrealistic, poses a risk of "overkill" and could spell disaster.

■ www.irishtimes.com/newspaper/frontpage/2010/1021/1224281623553.html.

Brussels taxes back on the agenda

The EU Commission is again exploring the possibility of the EU generating its own funding through a system of European taxes.

The Commission has decided in a budget review that the present funding system, in which two-thirds of the EU's budget is provided by member-states, is no longer the most suitable method. The new system could involve a European-level VAT system, as well as EU taxes on financial market transactions, air travel, and carbon emissions. The review also proposes a separate EU VAT rate, an EU energy tax, and an EU corporate income tax.

The Commission also proposed issuing EU bonds to fund infrastructure projects. This would allow the EU to borrow against the EU budget, which is guaranteed by national governments.

The EU budget for 2010 stands at €132 billion, an amount equal to 2½ per cent of public spending in all the member-states. National contributions, based on gross national income, represented 10 per cent of the EU budget in 1988 but these days amounts to roughly 70 per cent, as takings from EU customs duties and farm levies have declined.

The list of ideas in Tuesday's document will also kick-start the debate on the shape of the EU's next multi-annual budget, with the current spending period due to end in 2013. This year's annual expenditure will total roughly €130 billion.

More pressure on Irish corporation tax

Ireland is coming under increasing pressure from the EU to bring its tax policies into line with other member-states by increasing the corporate tax rate, now at 12½ per cent, compared with an EU average of 23 per cent.

The EU officials can't compel Ireland to raise taxes, but some observers say the Commissioner for Economic and Monetary Affairs, Olli Rehn, was signalling that should Ireland need an EU bail-out, higher corporate taxes would be part of the deal.

The Commissioner for Taxation and Customs Union, Algirdas Šemeta, said the financial crisis has made EU member-states acknowledge the importance of fiscal harmonisation, blaming tax competition within the bloc for reducing member-states' revenue at a time when the EU needs additional resources to meet its 2020 targets.

Commission approves Danish bank wind-up scheme

and supports the principle of burden-sharing

The EU Commission has authorised, under EU rules for state aid, a scheme for the handling of distressed banks in Denmark. In the words of the Commission, "the scheme is compatible with EU rules that allow aid to remedy a serious disturbance in the economy of a Member State. In particular, the measure is limited in time and scope and ensures adequate burden-sharing."

Anglo-Irish Bank did not represent a systemic risk to the Irish economy; it wasn't a "high street" bank like AIB or Bank of Ireland. If it had been allowed to go the way of Lehman Brothers, the only losers would have been shareholders and bondholders. But the Irish state stepped in and nationalised a bank that was basically run by crooks lending to property speculators. The Irish people are taking losses that should rightly have been shouldered by bondholders. That's burden-sharing!

In the link below, by courtesy of politics.ie and Guido Fawkes, are the Anglo bond-holders that the Irish taxpayer must pay back.

It should be noted that the Commission enthusiastically supported the principle of burden-sharing. "Moreover, burden sharing is ensured by excluding shareholders and subordinated debt holders of the failed bank from any benefit from the aid."

This is what the EU has advised Denmark to do. It clearly states that they won't give any state money to the troubled bank until the subordinated debt-holders are burnt.

So why are we sacrificing our sovereignty to bail out the super-rich bond-holders? It now seems that even the Commission thinks we shouldn't—or is that advice exclusive to Denmark?

■ Guido Fawkes's blog is at http://order-order.com/2010/10/15/anglo-irish-bondholders-should-take-the-lossesis-the-ecb-forcing-ireland-to-protect-german-investments.

EU plans for "peer-reviewing" of member-states' pensions systems

A green paper on pensions published recently by the EU Commission proposes a system of surveillance and "peer review," with member-states checking on each other to ensure that their pension systems are "sustainable." The issue is particularly sensitive as the EU at present has little power in the realm of pensions, which is widely regarded as a closely guarded competence of member-states.

The move also comes in the wake of proposals whereby national budgets might be vetted at the EU level before national governments make them public. In another step towards the goal of an "EU economic government," the green paper talks about creating "a common platform for monitoring all aspects of pension policy and regulation in an integrated manner."

Satellite navigation system cost €22 billion

The cost to taxpayers of developing and running the Galileo satellite navigation system has hit €22.2 billion. It has rocketed to this figure from the €2.6 billion of the original estimate, according to a leaked EU Commission report. Galileo is intended to offer superior precision, to within one metre, compared with up to ten metres for GPS. The European version would have global coverage and an encrypted, paid service for commercial customers, with extra information such as weather detail.

All EU member-states share in the cost of Galileo through the EU budget. A recent German government report admitted that, "all in all, it is assumed, based on the currently available estimates, that the operating costs will exceed direct revenues, even in the long-term."

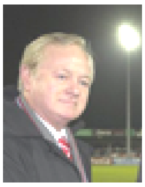
The project was due to be finished by 2008. It was chiefly financed by the private sector, but private investors pulled out, citing a lack of commercial prospects for the project. Consequently, Galileo became completely funded by taxpayers and is now not expected to be operational until 2017.

As far back as 2007 the French Ministry of Defence announced that space should act as "a unifier in the emergence of a European Defence." Galileo will therefore be connected to both military and civilian authorities. According to a report published in 2008 by the Transnational Institute, a Dutch think-tank, "contrary to the US, where most space initiatives have a clear military label, within the EU the issue is still caught up in much secretiveness.

"Navigation and observation satellites today play an active and crucial role in many different aspects of warfare, from intelligence gathering and communications, to missile and munitions guidance . . . The desire for EU military autonomy is at least part of the reason why the EU has proceeded with Galileo."

The system would be vital in any deployment of an EU army of the sort of GPS-guided artillery used by the Americans in Afghanistan.

Oops! Foot in mouth!



Amid cutbacks in all EU countries, the Fine Gael MEP Jim Higgins blasted scrutiny of the €400,000 that a study trip in Madeira cost. He told the *Irish Independent*: "That's all shite . . . That's all shite, if you don't mind me saying so. That's typical media bluster, you know. I don't share that at all."

He claimed that the three-day stay in a five-star hotel in Madeira was value for money because of the "important work" taking place. "I haven't a clue what star it is. All I know is that it's a very good hotel; the accommodation is wonderful, the food is lovely. For people who work so hard, we're entitled to that."

In a statement reminiscent of Pee Flynn's whine about having to keep two homes, Higgins asked: "You don't expect us to stay in B&Bs, do you?" His constituents in the North-West might have an appropriate answer.

Higgins's ministerial pension is €5,952, and his Dáil pension is €54,890, making a total of more than €60,000. This is on top of his salary of €91,984 as a member of the European Parliament.

All four Fine Gael MEPs, who are part of the European People's Party, were entitled to attend the "study break." Higgins, however, was the only one to attend. Madeira was chosen because of the catastrophic floods in 2009, Higgins said. The MEPs, while there, would assess the damage. So 250 MEPs, 80 parliamentary assistants and 70 civil servants working for the EPP went on the trip.

CAP reform on the way

A draft paper from the Commission on the reform of the EU's common agricultural policy after 2013 suggests various changes, including linking farm subsidies to environmental protection, a cap on direct aid to farmers, and evening-out payments throughout the EU. Direct aid and export subsidies will be maintained, according to the paper.

In a communiqué intended to launch a debate on how the EU raises and spends money, the Commission also proposed radical reform of the CAP.

A reform process already under way has led to fears in Dublin that Ireland's share of the budget could be threatened. While the document said that reform of the CAP could be pursued with different degrees of intensity, it is widely acknowledged that the Commission ultimately wants to shift the focus of EU expenditure towards the promotion of growth-producing industry.

José Manuel Barroso made it clear that the CAP was under scrutiny, saying: "We need to further shift the policy towards the challenges we face," such as competitiveness, innovation, environmental protection, and climate change.

EU loses its leadership in survey of press freedom

Reporters Without Borders has repeatedly expressed its concern about the deteriorating situation of press freedom in the European Union, and its 2010 index confirms this trend.

Thirteen of the EU's twenty-seven members are in the top twenty, but some of the other fourteen are very low in the ranking: Italy is 49th in the world, Romania is 52nd, and Greece and Bulgaria are joint 70th.

The European Union is not a homogeneous whole as regards media freedom. On the contrary, the gap between good and bad performers continues to widen. There has been no progress in several European countries where Reporters Without Borders pointed out problems. They include, above all, France and Italy, where events of the past year—violation of the protection of journalists' sources, the continuing concentration of media ownership, displays of contempt and impatience on the part of government officials towards journalists and their work, and judicial summonses—have confirmed their inability to reverse this trend.

Several countries share first place in the index again. This year it is Finland, Iceland, Netherlands, Norway, Sweden, and Switzerland. They have all previously held this honour since the index was created in 2002. Norway and Iceland have always been among the countries sharing first position, except in 2006 (Norway) and 2009 (Iceland). These six countries set an example in the way they respect journalists and news media and protect them from judicial abuse.

Ireland was among the top twenty in the survey.

And finally . . .

The 5.9 per cent increase proposed to the EU's 2011 budget by MEPs includes a 4.4 per cent increase in administration costs, including a 90 per cent increase in the Parliament's entertainment fund to almost £2 million.

The Master of the High Court, Edmund Honohan, has accused the Dáil of failing to assert Irish legislation over new laws from Brussels and delegating much of the work involved in scrutinising EU law to civil servants.

The French MEP Alain Lamassoure, who chairs the European Parliament's Budget Committee, has argued recently that European defence "is, par excellence, the domain in which pooling national resources would allow for substantial savings."

■ www.lemonde.fr/idees/article/2010/10/18/du-bon-usage-de-l-europe_1426947_3232.html.