PEOPLE'S NEWS

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European Commission to profit from Irish cuts

THE European Commission will make a large profit on the Irish bail-out, as it sold €5 billion worth of bonds at just over 2½ per cent interest.

The EU will lend funds to Ireland at an interest rate of 5½ per cent. So, whatever about "the kindness of strangers" that Morgan Kelly might consign us to, we certainly cannot rely on the kindness of our "European partners," so often invoked during the referendum on the Lisbon Treaty.

The Commission says that any profit will be placed in the EU budget and distributed to EU members. The bond sale was over-subscribed by three times and sold out within an hour. If the subsequent bond issues are at 2½ per cent the Commission will make a cool profit of €1 billion a year from the €34 billion that it is lending Ireland to pay back the bond-holders. The irony is that these bond-holders are ultimately providing the funds to the Commission to enable Ireland to pay them back. Of course they get 2½ per cent on top.

So, everybody is happy—except the Irish people, who had no part in creating the debt run up by the Fitzpatrick-Cowen nexus but must now endure cuts and tax increases, thanks to the Government bailing out its friends and benefactors.

Isn't it time to repudiate this bankers' debt, which we had no part in creating?

Now Brussels prepares to burn the bond-holders

—but too late for Ireland!

THE European Commission plans to "compel" senior bank bond-holders to share bail-out costs instead of the public having to foot the bill. A consultation document calls for new resolution authorities or regulators in EU member-states to be given the power to force debt write-downs on bond-holders in failing banks. But this will apply only to future bail-outs!

Like Ireland, most EU member-state governments have chosen to bail out their banking sector, with private debt being shifted wholesale over to the public sector. Governments' support for banks has amounted to 13 per cent of GDP, according to Commission figures.

They have since used the opportunity to impose sweeping austerity measures as a way to pay the bill, moves that have proved massively unpopular among citizens, who correctly complain that they are paying the price of a crisis they did not create. "The impact on taxpayers is obvious," the Commission said in a statement, and the existing arrangements covering how to deal with such crises retained "serious shortcomings."

While such measures have clear resonance for Ireland, it is expected at this point that any eventual plan would not apply to debt already in issue. Unilateral "haircuts" for senior bond-holders in Irish banks were ruled out during the negotiation of the €85 billion rescue package. Senior EU officials feared that an adverse response from the markets would destabilise European banks generally.

Although some junior bond-holders in Irish banks are being forced to take large discounts on their investments, the fact that taxpayers are bearing most of the cost of Ireland's bank bail-outs remains a bone of contention regarding the Irish rescue scheme.

Five Irish banks—Anglo-Irish, AIB, Bank of Ireland, Irish Nationwide Building Society, and EBS—stand to receive a total of €60 billion from the public purse, ten times the amount of the cut-backs and tax increases in this year's budget.

"We must put in place a system which ensures that Europe is well prepared to deal with bank failures in an orderly manner—without taxpayers being called on again to pay the costs," said the Commissioner for the Internal Market, Michel Barnier. But it's too late for Ireland!

Thursday is protest day!

Dublin, Thursday 20 January

People’s Movement protest
Reject the EU-imposed Finance Bill!
Leinster House, Kildare Street, 1–2 p.m.

Dublin, Thursday 27 January

People’s Movement protest
We’ve been robbed! Repudiate the debt!
EU Commission offices, Molesworth Street, 1–2 p.m.

The euro must be based on “German stability interests”

The sting in the tail of future “support”

THE German Finance Ministry has drawn up proposals for a new body, named the “European Stability and Growth Investment Fund,” to manage the permanent euro-zone bail-out fund planned for 2013, the European Stability Mechanism. If granted loans from the fund, countries would be required to provide 120 per cent in collateral in the form of gold reserves, stakes in companies, or revenue rights.

The ministry’s paper says that Germany will affirm that its “national interest” rests in maintaining the single currency. The euro, however, must “orientate itself on German stability interests” as a “concession to Germany, as the largest economy in the euro zone, serving as an anchor of stability.”

The new fund would in principle have access to “unlimited refinancing” in order to secure the health of the single currency.

The ministry confirmed the existence of the paper but said it had not approved the proposal, nor had the German government.

A revelation, and some surprises!

“IT is entirely likely that the No-Bondholder-Left-Behind policy so beloved of the ECB will involve transfers out of the Irish Exchequer and into other European countries exceeding comfortably the accumulated discretionary transfers into Ireland since the country joined the EU back in 1973.”—**Colm McCarthy** (Special Group on Public Service Numbers and Expenditure Programmes)

“When you add to the above the billions’ worth of fish scooped out of our waters by some of the same countries since 1973, making a case for the benefits of EU membership must be getting harder.”—**Cllr Seosamh Ó Cuaig** (People’s Movement patron)

And the former Taoiseach John Bruton has recently argued that “in all the fuss about whether creating a permanent EU bail-out fund required a treaty amendment, little note has been taken of the fact that the German courts’ objection to giving the EU more powers was not one of principle but was based on a concern that the EU as it stands is not democratic enough.”

According to the latest IMF report, Ireland owes German banks €113 billion, British banks €107 billion, and American banks €47 billion, plus a few bits and pieces—a billion here and there.

And the former Taoiseach Garret FitzGerald said last week that the situation became visibly dangerous by 1997, as outlined by J. P. Neary, who warned of an uncertain future for Ireland as part of economic and monetary union that did not include Britain. “Entering the euro zone in the 1990s—unhappily without any political understanding of the implications of this for this state’s economic and financial policy—thus contributed to financial collapse,” FitzGerald said. Stranger and stranger!

Germany’s social democrats say the EU needs a “quantum leap” towards greater political union

THE leader of the Social Democratic Party of Germany, Sigmar Gabriel, has said that the euro-zone crisis had proved the need for a dynamic

European social democracy with a clear focus on future progress.

The only sensible way out of the crisis, he said, was to impose more EU regulation and to sideline the "congenital defect" of the euro, namely the lack of a common economic and financial policy.

Danish court case on Lisbon Treaty a victory for democracy

ON 11 January 2011 Denmark's Supreme Court ruled that thirty-five citizens will be allowed to take the Prime Minister and Foreign Secretary to court on the issue of the way in which the Lisbon Treaty was ratified by the Danish government.

The thirty-five citizens claimed that the government had committed a breach of section 20.2 of the Danish Constitution by ratifying the treaty without either a five-sixths majority in Folketinget, the Danish parliament, or a majority in a referendum.

The Supreme Court reached the decision only after thirty months of tug-of-war between the group of citizens and the government, the latter insisting that the citizens had no such right, as they had no personal legal interest in the issue.

The ruling means that the thirty-five citizens will now be able to take the issue to court. Also, the Prime Minister and the Foreign Secretary will have to pay part of the legal expenses of the citizens, though they themselves will still have to find a considerable sum.

FOLKEBEVÆGELSEN MOD EU

The lawyer representing the thirty-five citizens, Prof. Ole Krarup (a former MEP for the Danish People's Movement) commented: "This is a very important signal to the government and Folketinget that the Constitution should be respected, and it is a victory for democracy." The plaintiffs will now ensure that the case will be brought into court.

It is not clear what would happen if they win. The plaintiffs have the ambitious hope that it could lead to the undoing of the treaty itself; but in any case the Prime Minister would not face any personal repercussions. According to the Danish MEP Søren Bo Søndergaard of the People's Movement, "it is unlikely that the Supreme Court will find the whole treaty in breach of the Danish Constitution, but just like in the German case, they will probably ask for some provisions in the way it's implemented."

The pending case may, however, complicate the ratification of a further treaty change, concerning the establishment of a permanent EU bail-out mechanism. It could also block efforts by the present government to hold a referendum on scrapping the Danish opt-outs from the EU treaties on accession to the euro zone, on participation in the common defence policy, and on co-operation on justice and home affairs.

The Prime Minister, Lars Løkke Rasmussen, "took note" of the ruling but maintained his position that the Danish parliament did not breach the constitution when approving the treaty without a referendum. "I don't think there should be any consequence to this," he said.

When the Lisbon Treaty was first signed, in 2007, the then Prime Minister, Anders Fogh Rasmussen—now the secretary-general of NATO—said that the parliament would have to vote on it but there was no need for a referendum, because no sovereignty was relinquished. EU leaders at the time were determined to avoid referendums after the earlier Constitutional Treaty was rejected by a popular poll in both France and the Netherlands.

All governments used the "no sovereignty transfer" argument to avoid a referendum, except for the Irish one.

Sovereignty issues were also a hurdle for ratification in the Czech Republic and Poland and a constant concern in Germany, where several constitutional challenges have been brought. None of them were able to block the ratification of the treaty, however, and Germany's Constitutional Court even managed to rule favourably on enhanced powers for the national parliament in EU matters, on the grounds that the European Parliament is not "democratically elected"!

EU common consolidated corporate tax base

Draft law due in March

THE Government has told the European Commission that imminent moves to introduce pan-

European rules on the taxing of business profits will seriously damage Ireland's recovery prospects and threaten further budget cut-backs and tax increases.

When considered in the context of the lack of any Government policy on job creation, the move can only accelerate the flight of young people from Ireland and add to the already lengthening dole queues.

The EU will publish draft laws in March for developing a common European formula for the calculation of corporation tax, measures the Government has vowed to oppose, because they could finish off Ireland's generous business tax regime.

Those who recall the Lisbon Treaty debate will remember the strident refusal of the Yes side to recognise that the development of a common consolidated corporate tax base (CCCTB) would have far-reaching effects in Ireland.

Now the Department of Finance has warned in a private submission to the Commissioner for Taxation and Customs Union, Algirdas Šemeta, that the measures would shrink the Irish economy, reduce employment, and curtail foreign direct investment. The paper states that the Irish economy could further contract by between 1½ and 2 per cent, employment could fall by some 1½ per cent, and foreign direct investment could fall by 5 per cent.

As we pointed out during the Lisbon Treaty debate, the CCCTB policy would not harmonise corporate tax rates but would weaken tax competition by reallocating tax receipts to countries in which revenues are received. This would weaken one of the crucial attractions of the present system, lessening the benefit the Government derives from its low 12½ per cent corporate tax rate.

The re-emergence of the debate on a CCCTB comes only weeks after the Government fought off pressure from France and Germany to increase the corporate tax rate as part of the EU-IMF rescue plan.

One of the arguments made was that a higher corporation tax take would lessen the requirement for emergency aid!

It's only a game!

THE European Central Bank has just launched two new interactive games: "€conomia," a monetary policy game, and "Inflation Island." Cynical or what?

■ www.ecb.int/ecb/educational/html/index.en.html

Germany planning a new Europe of fiscal and social policy

THE German Chancellor, Angela Merkel, and French President, Nicolas Sarkozy, have announced that they intend to co-operate more closely in economic and fiscal policy, noting that "Berlin is working on a new Europe." German experts see the possibility of France and Germany leading a new push for social and economic integration, using the EU's so-called "enhanced co-operation," which allows a group of member-states to move further than other EU states.

The "dream of the EU police state"

INDECT is an acronym for "Intelligent Information System Supporting Observation, Searching and Detection for Security of Citizens in Urban Environment," a research project financed by the EU. The goal of INDECT is a universal monitoring tool to be used, particularly in urban areas, to ensure continuous monitoring and spying on social networking sites.

Indect — Intelligent Information System Supporting Observation, Searching and Detection for Security of Citizens in Urban Environment

In London there are more than a million official surveillance cameras, but there are not enough police to monitor the associated screens. INDECT will help the law at the right time by guiding them to the right monitor if something dangerous occurs. What is dangerous is whatever has been previously programmed to be such.

In collaboration with security agencies, the following "hot-spots" were identified and "should be recognized by INDECT": "people loitering"; people who "strikingly look around"; spontaneous "gatherings"; people with a can in hand.

Another research goal of INDECT is flying cameras, i.e. unmanned "drones" that fly over cities and circle around them in the future. This sort of monitoring is similar to the structure of networked warfare, as used on the battlefields in Afghanistan and Iraq.

INDECT is not only about physical surveillance and spying but includes automated control of the internet and mail traffic. Perfection of the system also means finding illegal downloads.

Even the not very EU-critical German newspaper *Die Zeit* dubbed the plans the "dream of the EU for a police state," in which "concepts such as presumption of innocence or judicial proof" have no significance.

Ex-member of European Court of Auditors blasts EU fraud

MAARTEN Engwirda, a Dutch member of the European Union's Court of Auditors (ECA) for fifteen years and who has just resigned, reveals that members of the ECA have covered up irregularities and fraud with EU funds, singling out his French and Italian colleagues in particular. He speaks of a "culture of cover-up" and "a practice of watering down if not completely removing criticism . . . I wanted to write a book, I was so sick of it all."

He also speaks of "heavy pressure" from the then Commissioner for Administrative Affairs, Audit and Anti-Fraud, Siim Kallas, on the Court, which is responsible for auditing the EU budget, to relax its standards.

This pattern of obstruction continued until after 2005; and only after Engwirda had convinced his colleagues that their work should be reviewed by national audit offices did things begin to change.

The Court of Auditors has never issued an unqualified opinion—essentially a clean bill of health—for the EU budget since its founding in 1975.

However, the European Commission and other commentators have long argued that this is simply a result of the very strict standards that the court applies.

Ireland among OECD's worst for social justice

IRELAND has one of the worst levels of social justice of all OECD member-states, ranking 27th out of 31 countries in a new study. Only Chile, Mexico, Greece and Turkey are more socially unjust, according to the Bertelsmann Foundation in Germany.

"Ireland has performed so badly because of its poverty levels, the category with the heaviest weighting in the study," said Daniel Schraad-Tischler. "Avoiding poverty is viewed as the most important criterion for social justice in a society."

The foundation based its study on the latest figures from the OECD; the poverty figures are from 2009.

The Nordic countries performed best in the study, with Iceland, Sweden, Denmark, Norway and Finland topping the social justice list; they were followed by the Netherlands, Switzerland, France, and Austria. Germany was firmly average, floating narrowly above and below the OECD average in most categories.

Researchers pooled OECD data into five categories believed to have a considerable influence on the "fairness" of a society: avoidance of poverty, access to education, labour market inclusion, social cohesion and equality, and generational equality.

Even when the special weighting for poverty is removed Ireland moves only five places up the list, to 22nd out of 31. Only in the United States had poverty a similarly drastic effect, dropping from 20 on the unweighted list to 25th on the final ranking.

Ireland is a consistently poor performer in all the survey's categories. It remains stuck at 27 in the avoidance of poverty index, with 4.02 points out of 10, compared with an OECD average of 6.66, making it the worst EU country in which to avoid poverty.

The OECD defines as "poor" a person living on less than 50 per cent of a society's median net income.

Looking at access to education, only Greece and Turkey perform worse than Ireland. And Ireland finishes last of all 31 OECD countries in the study on early-childhood educational development.

ECB is becoming a "bad bank"

"The euro will fail; it's better to face that"

SPEAKING in Brussels at an Open Europe seminar, Prof. Markus Kerber, the initiator of a case at the German Constitutional Court against the Greek and Irish bail-outs, criticised the European Central Bank's policy of buying government bonds. "If the ECB keeps on buying worthless government bonds, it will become a bad bank."

On his legal case, he commented that the bail-outs were a "cardinal violation of EMU rules." He explained that "in the German Parliament, a majority has approved the bail-out, but a constitutional majority was needed. That is our most manifest argument: that the fundamental veto right of the German Parliament has been ignored by the German government. Unless the German Constitutional Court ignores its own rulings it will agree."

He referred to the Maastricht ruling by the German judges, arguing that it stated that "the German government is allowed to abandon its own currency, but only under the condition that the new currency will be as stable as the D-Mark. If that is not the case, the German government has the duty to leave the monetary union, it is explicitly stated."

Kerber predicted that "the euro will fail; it's better to face that." He proposed that some countries leave, and that "Portugal probably needs a devaluation." Investors with a stake in struggling euro-zone countries will have to "understand that sometimes there is risk with a profit, and sometimes there is risk without a profit."

Successful Portuguese bond sale?

FOLLOWING this week's bond sale, the Portuguese Prime Minister, José Sócrates, is quoted by *EU Observer* as saying: "We don't need that help [from the IMF] . . . We only need confidence, the confidence that markets have shown today."

The front page of the Portuguese daily *Público* carries the headline "The IMF can wait." However, the Nobel Prize-winning economist Paul Krugman says that the rate of interest on yesterday's bonds are "ruinous," and he warned that if there are more of these "the European periphery will be destroyed." Debt repayments will cost Portugal €3,900 per person in 2011.

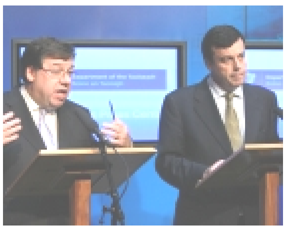
According to Dow Jones, China bought €1.1 billion of Portuguese government debt last week in a private sale. Figures released yesterday by Portugal's Central Bank reveal that Portuguese banks have increased their reliance on the European Central Bank for funding. The ECB spent between €1 billion and €1½ billion in euro-zone government bonds—mostly Portuguese—in the two days preceding yesterday's auction of Portugal's debt.

Late news

THE *Irish Times* says that next week EU finance ministers will consider a reduction in the 5.7 per cent interest to be charged on Irish bail-out loans. The paper says the move follows criticism that the rate is too high.

The talks come as the EU authorities push ahead with contentious discussions on the expansion of the mandate and lending capacity of the rescue fund controlled by the seventeen euro-zone countries.

EU leaders are divided over such changes, but, according to the paper, any reopening of the fund's constitution to facilitate such changes would provide scope to amend the interest rate.



The Taoiseach explains that the interest rate is irrevocable, before negotiations.