PEOPLE'S NEWS

News Digest of the People's Movement

No. 52 10 July 2011

We need a referendum on the European Stability Mechanism

Following the last EU summit when the European Stability Mechanism Treaty was agreed by the participants, the People's Movement called a press conference and pamphlet launch which was almost completely ignored by the media. Our subsequent picket outside the Dáil took place in a prolonged downpour!

Above: *The platform party at the pamphlet's launch. From left to right: Thomas Pringle TD, Robert Ballagh, Patricia McKenna, Mary Crotty.*

The European Council Conclusions calls on Member States to 'take all steps required to ensure the ratification of the ESM Treaty by the end of 2012' This might not be so important had tánaiste Éamon Gilmore not stated in the Dáil on 13 April 2011 that Ireland will be required to pay approximately €9.87 billion towards the fund.

From June 2013 a 'European Stability Mechanism' (ESM) will provide loans to euro-zone members in difficulties – strictly conditional on the implementation of a range of 'adjustment measures'. Described by the German Chancellor, Angela Merkel, as a 'solidarity' measure, the ESM will not have retrospective effect so will not be of any help to this country in its predicament.

Euro-zone member states will only actually disburse €80 billion, in five annual instalments, starting in 2013. A remaining €620 billion of the subscribed capital will be made available by way of 'callable capital' and guarantees.

But here is the crux for Ireland: Germany and France whose sovereign bonds have a triple A rating would not need to put up actual money to cover any shortfall of paid-in capital. A guarantee would do. But countries with lower ratings such Ireland and Greece would have to pay cash. So we will find ourselves in a perverse situation. Countries with easy access to capital can provide cheap guarantees, while the weaker countries will have to put forward cash.

This implies increased borrowing by Ireland and of course increased interest payments such as would easily wipe out the benefit of any decrease in interest payments that might be achieved by the government and which was the subject of much comment in the Irish media during the Council meeting. We should hope that we are never asked to stump up real cash by way of callable capital because this will be added directly to our burgeoning debt. In the meantime, please add your voice to those who have joined us in calling for a referendum on this treaty.

The People's Movement has launched a new pamphlet entitled *The European Stability Mechanism and the case for an Irish Referendum* (click on the title to access).

Ireland must surrender budget control to EU – Peter Sutherland, chairman of Goldman Sachs International

IRELAND should be willing to give Brussels more control over the country's fiscal and budgetary policy as part of any efforts to save the European Union, former Attorney General and EU commissioner Peter Sutherland has said.

The ex-attorney general said it was in Ireland's 'vital national interest' to remain a supporter of European integration.

'If the dilemma that Europe is facing at the moment is either to integrate or disintegrate, then we must firmly stand on the side of integration, even though that demands greater ceding of sovereignty in terms of control of fiscal and budgetary policy.'

Mr Sutherland, supported the Government's stance on the need for a lower interest rate on out EU/IMF bailout loans, though he lambasted those who have argued for 'burning' senior bondholders or who have advocated default on the country's debts.

'We should stop seeing this (defaulting on senior bank bonds) as a panacea. We have to recognise that whatever the moral rights or wrongs of debt default, we can't do it unless we're allowed to do it.'

'Default in respect of senior bondholders, who rank in law as *pari passu* (equally) with depositors, will raise issues which one would prefer not to address about the safety of deposits.'

'Forget about the banks. We're spending €8 billion a year on current expenditure over and above what we're getting in', he said.

'We're doing far more damage to ourselves by current over-expenditure than the total aggregation that the additional debt from our banks is causing us.'

He insisted that people who complained about austerity measures needed to take into account that a lack of such measures would 'damage us even more'.

Portugal's 'junk' status – can we be far behind?

The ECB has suspended a minimum rating requirement for Portuguese bonds after one of the major credit rating agencies earlier this week downgraded Portugal to 'junk status'.

The EU Bank has decided to suspend 'until further notice' the minimum rating threshold required for Portuguese bonds. Portuguese EU commission president Jose Manuel Barroso accused American credit rating agency Moody's of being 'biased' and 'speculative' for downgrading its assessment of Portugal's debt payment capacity.

This measure means that the ECB will continue to buy Portuguese bonds regardless of the rating given to them by private agencies – a move already made for Greece. Trichet insisted this extraordinary measure was not being taken because the ECB feared other rating agencies may follow suit and downgrade Portugal, but because the Portuguese 'adjustment programme' agreed with the EU and the IMF at the end of June is 'ahead of the curve'. He noted the programme already deals with privatisations and increased taxes.

These steps are still required in Greece, for which the ECB already last year suspended its minimum rating requirement for buying up Greek bonds.

Along with the Portugal measure, Trichet also announced an increase in the ECB interest rate to 1.5 per cent, the second hike this year. Asked by an Irish journalist if he feels any sympathy with Irish people, whose country is also subject to harsh EU-IMF austerity measures and who will be hit by the rate increase, Trichet responded: 'Ireland needs to stick to its programme. I won't comment further'. No wonder that Micheál Martin accused the ECB of being a 'young, powerful but increasingly arrogant institution'.

In a tacit admission that saving the Euro was paramount, he insisted that austerity measures work 'for all the people in the eurozone', including Ireland where, in a clear signal to the ratings agencies, he said that the current account is now 'positive'. But he also signalled that the ECB may further increase its interest rate in the coming months, bringing even more pressure upon beleaguered Irish households.

Van Rompuy's bad timing

EU President Herman Van Rompuy scored an own goal at the EU summit by putting forward plans for an expensive new headquarters at an inopportune moment.

Van Rompuy distributed a glossy brochure to EU leaders for the €240 million building during a dinner in Brussels devoted to a discussion about the threat of Greek bankruptcy and new austerity cuts. The brochure itself was said to have cost €100,000 to print.

The building, which is to be called 'Europa' and to look like a giant glass egg is already standing half-built next to the existing summit venue in the EU quarter in Brussels.

The truth about the pension situation in Ireland

Michael Noonan recently revealed in the Dáil that: 'With the changing demographics there is an increasing number of elderly people in our communities. It is not as imbalanced as it is across continental Europe. We seem to be about 20 years behind its age profile. We still have a fairly balanced age profile across the age groups but there is a pension issue which we must examine very carefully'. Which begs the question: why are we adopting a response more common to central European countries with their aging populations and high dependency ratios? It must have something to do with the mooted EU Common Pensions Policy which poses the possibility of a younger Irish population subsidizing pensioners in core EU countries.

'Opinion is divided as to the potential consequences of threatening default and we have not, thus far, supported the call. We may well come to do so and we are conscious that resources are being run down as time passes.'

Extract from the address by Jack O'Connor, President ICTU, to the ICTU Biennial Delegate Conference, 5 July 2011.

Two more presidential candidates you might not support

Two presidential candidates are among Irish MEPs refusing to release details of their expense and allowance claims. Both are Fine Gael presidential hopefuls: Mairead McGuinness and Gay Mitchell are among eight MEPs who declined to reveal their recent expenses when asked by the *Irish Independent*. On top of a salary of around €96,000 a year, MEPs are entitled to claim for a raft of expenses including staff costs. These can total up to €400,000 a year.

Independent MEP Marian Harkin said she claimed around €91,000 expenses in 2009 and had €202,968 paid on staff costs for five assistants. Fellow Labour MEP Proinsias De Rossa pointed to figures in 2009 that showed combined staff and expense costs of around €350,000 a year.

The failure to respond came as the European Parliament bowed to pressure from Irish barrister Ciaran Toland to publish the 2006 Galvin Report into abuses of the expenses system by MEPs. Mr Toland fought a three-year legal battle after journalists were previously refused access to the report.

SIPTU calls for moratorium on oil and gas licenses until Oireachtas review is completed – a step in the right direction

A moratorium should be placed on the issuing of oil and gas exploration licences until the completion of a promised Oireachtas review of the licensing system, a wide-ranging and very informative SIPTU report on the development of Ireland's hydrocarbon resources has recommended.

Optimising Ireland's Oil and Gas Resources, a report produced by the SIPTU Oil and Gas Review Group, concludes that, if managed correctly, the country's hydrocarbon reserves could provide the basis for a major indigenous industry which could generate long term employment and significant revenues for the State.

Launching the report SIPTU General President, Jack O'Connor, said: 'It is the considered view of the SIPTU Oil and Gas Review Group that no new exploration licenses for oil and gas should be issued by the Department of Communications, Energy and Natural Resources (DCENR) until a detailed re-assessment of the current licensing system is completed under the proposed Oireachtas review'.

Jack O'Connor said that the Oireachtas review should 'have the widest possible brief', considering possible changes to the licensing system and the potential for economic development, job creation, skills enhancement and training which a properly managed hydrocarbon industry could provide.

Although the scale of Ireland's recoverable oil and gas resources remains unknown the DCENR has estimated, that at current prices, reserves in the Atlantic margin off Ireland's west coast are potentially worth €750 billion, the equivalent of Ireland's supply needs for 100 years based on current consumption.

A 2008 analysis showed that Ireland had the lowest rate of government tax rate of 45 fiscal systems studied, the report states.

The report also recommends that the current exploration licensing system, which binds the Irish State into fixed contract terms without prior knowledge of the value of the reserves in the relevant fields, should be reconsidered.

Influential MEP calls for shale gas extraction regulation

One of the most influential members of the European Parliament is proposing a new directive that would penalise or even ban the exploitation of shale gas, the controversial new fossil fuel that is tipped as the major energy source of the future.

Jo Leinen said he wanted a new 'energy quality directive' that would mean fuels with adverse environmental impacts – such as shale gas and oil from tar sands – were stringently regulated within the EU.

Leinen chairs the EU parliament's committee on the environment, public health and food safety. He has the power to bring forward proposals that could make it into law within a few years.

Shale gas extraction has been linked to a wide variety of environmental problems, including pollution of the water supply, excessive use of water resources and potential seismic effects. In France, further expansion of the shale gas industry has been banned, and in the UK drilling operations have been halted after two small earthquakes near the exploration sites. However, operations in the Lough Allen basin area of Roscommon/Leitrim are going ahead.

Although gas produces only half of the carbon dioxide emissions associated with coal when burned to produce electricity, one study from Cornell University has suggested that the true emissions related to shale gas could be greater than those from coal, if factors such as methane leakage during the extraction process were taken into account.

Plans for a directive on energy quality are likely to be fiercely resisted by the gas industry, which for months has been lobbying strongly for shale gas to be accepted as a 'green' alternative to renewable energy.

A report from the International Energy Agency also found that gas was not a 'panacea' and that pursuing gas as the main energy source for the future would cause global warming on a serious scale, raising temperatures by much more than the 2 °C that scientists regard as the limit of safety, beyond which climate change becomes catastrophic and irreversible.

There is dispute over the environmental effects of shale gas drilling, fuelled in part by the secrecy of the gas industry in the US, a pioneer of shale gas exploration. Several studies are now under way, including one spearheaded by Rajendra Pachauri, the chairman of the Intergovernmental Panel on Climate Change, through the institute he also chairs, and one undertaken by the US Environmental Protection Agency.

Meanwhile, Poland which has just taken over the EU Presidency, said the development of shale gas across the EU should obtain the status of 'a common European project', adding that it intends to promote the development of unconventional gas during its term.

A Polish minister said that research in his country on developing shale gas was advancing at 'unprecedented speed' and that Warsaw was willing to share its experience 'in the EU framework'.

Marek Karabuła, vice-president of the Polish Oil and Gas Company (PGniG), used a technical term from shale gas development, saying that there was a need to 'crack the minds of people' with respect to shale gas. The unconventional gas is obtained by hydraulic fracturing (cracking or 'fracking') deep into basins containing shale rocks.

He said that despite videos circulating on social media presenting shale gas as a threat to the environment and a danger to consumers, awareness would be raised in Polish society that shale gas is 'good' and 'safe'.

To proponents, shale gas represents a hitherto untapped and alternative energy source to traditional fossil fuels. In the US, shale gas already accounts for over 10% of US natural gas production and some analysts predict that could rise to 50% within 20 years. BP's former chief executive Tony Hayward has described shale gas as a 'game changer'.

A spectre is haunting Europe – the spectre of democracy

All the powers of the European Union have entered into a Holy Alliance to exorcise this spectre: the European Council, Commission, Central Bank, Court of Justice, German Chancellors, French Presidents and national politicians who are prepared to do almost anything 'to save the euro'

The fundamental struggle in each eurozone Member State is now between those that stand for basic principles of democracy and those that represent a Brussels dictated agenda that puts the interests of foreign creditors above the economy at large and would have national parliaments relinquish ever increasing swathes of policy making powers. The count of EU member states now tallies to four – Ireland, Portugal, Finland and Greece – where this post-political phenomenon has materialised, but committed democrats across the Union should wonder which country is next. These countries have become the litmus test for whether economies will be sacrificed in attempts to pay debts that cannot be paid.

The formal trappings of clean elections – in which political parties with competing manifestoes contest a ballot free of voter intimidation – are all still there, but someone else has decided in advance what the result will be. It's not the voters that are intimidated any more: it's the parties that are. This has not happened by putsch or *coup d'état*, at least not one involving any guns or tanks. Yet a junta has installed itself nonetheless, a junta of 'experts' and technocrats.

These are the experts who, in the words in May of the president of the euro group of states and Luxembourgish Prime Minister Jean-Claude Juncker, believe that fiscal policy (that is to say almost all government endeavours involved in spending money that touch most citizens – apart from home affairs and foreign policy) is 'too important' for voters to have a say over. It would be better if agreed, again, in his words, in 'dark, secret debates'.

Wherever these masters of the European universe happen to be hovering at any one moment, the refrain is the same: 'Of course, there is no question that you are still allowed to vote however you like. Nevertheless, the policies absolutely cannot change even if the government does.'

The most recent stage of this erosion of democracy started in Ireland late last year with Fine Gael and Labour campaigning for a significant alteration to the draconian austerity and structural adjustment of EU-IMF-ECB 'bailout' programme. But given Brussels' political and economic philosophy it should not have been much of a surprise that the troika would do their utmost to press the new government to abandon its pledges and continue with the programme.

On the eve of the late-February election, the commission told the electorate that the EU-IMF-ECB bailout could not be renegotiated as it was 'between the EU and the Republic of Ireland, it's not an agreement between an institution and a particular government'. Even months ahead of the election, Economics Commissioner Olli Rehn on a whistle-stop tour of Irish decision-makers and their opposite numbers in November made it clear that whatever happens, the squabbling between political parties had to come to an end.

Then after the election, in March, German Chancellor Angela Merkel bluntly told Enda Kenny, at his first European outing as Taoiseach, that it was 'no dice' as far as any changes to the bail-out are concerned. But not only that, further pain would be required.

‘Relief isn’t the issue. We have to find solutions that fit the bill’, she said, reporters recounted. ‘Further commitments, further conditionality will be necessary.’ Both wings of the government shortly thereafter capitulated on almost every aspect of their manifestoes, barring the corporation tax, although one can hardly argue that Kenny put up much of a fight or even that Fine Gael went into the election expecting they would be able to keep their promises.

Or take the recent case of Portugal, after months of the country’s prime minister, Jose Socrates, refusing to acquiesce to pressure to accept a bail-out for the sake of the wider eurozone, the European Central Bank simply pulled the plug on his economy. One week in April, Portuguese banks announced they would stop buying government bonds if Lisbon did not seek a rescue.

Later that week, the head of the country’s banking association, Antonio de Sousa, admitted that he had been given ‘clear instructions’ from the ECB and the Bank of Portugal to cut off the tap. Without the support of domestic banks, Socrates had no choice but to request an external lifeline.

Days before, the opposition Social Democrats withdrew their support for the government over an austerity programme they would later sign up to, forcing the minority government into a snap election. The very day that Portugal finally capitulated, EU and ECB experts demanded that even though the parties were in the middle of an electoral campaign, all main parties sign an accord endorsing the bail-out memorandum, no matter the result of the vote.

Cross-party agreement became the watch-word. However you vote, the result cannot affect any prior decision arrived upon by the experts. European stability trumps democracy. Letting the people decide what was best for them was out of the question. ‘Let’s not have a public dialogue every day’, Commissioner Olli Rehn declared. His ECB colleague, Jean-Claude Trichet, echoed his concerns, saying simply that bail-out negotiations were ‘certainly not for public’ discussion.

When Finnish elections produced an outcome with a new, anti-bail-out party the biggest winner of the night that threatened the Portuguese arrangement, EU economy chief warned all parties that if they did not act ‘responsibly’, then they would cause a European ‘Lehman Brothers’. The eurosceptic True Finns would not oblige. The prime-minister-elect was thus forced to cobble together a parliamentary coalition for one single vote in favour of the bail-out while a more durable coalition of parties to this day has had to wait.

Parliamentary historians have searched in vain to locate a precedent whereby a majority has been formed in a chamber for just one vote, rather than to build a government. But ultimately, the experts achieved their aim.

The spectre of democracy that is haunting EU Europe is best seen in Athens and other Greek cities. Socrates said that ignorance must be the root of all evil, because no one deliberately sets out to be bad. But the economic ‘medicine’ of driving debtors into poverty and forcing the sell-off of their public assets has become today’s economic orthodoxy. But every government has the right and indeed the political obligation to protect its prosperity and livelihood so as to keep its population at home rather than drive them abroad or drive them into a position of financial dependency on rentiers.

At the heart of economic democracy is the principle that no sovereign nation is committed to relinquish its public domain or its taxing, and hence its economic prosperity and future livelihood, to foreigners or for that matter to a domestic financial class.

The democracy spectre will continue to haunt official Europe.

Greece faces 'massive loss of sovereignty' – Juncker

In return for the €12 billion released last week – the fifth payment from the €110 billion EU-IMF loan agreed last year – Greece will have to push through a swathe of privatisations reminiscent of the selling of East German firms in the 1990s after the fall of Communism.

'The sovereignty of Greece will be massively limited', Jean-Claude Juncker said, just hours after the eurozone ministers reached agreement.

'For the upcoming wave of privatisation they need a solution modelled on the German Treuhandel', he said referring to an agency used by Germany to sell off some 14,000 former East German firms, at a huge job and profit loss. In order to make sure Athens follows through on its commitments, the plan will be 'supplemented by large-scale technical assistance' from the European Commission and member states.

However, the ministers did not agree the terms of a whole new bailout noting that the 'precise modalities and scale of private sector involvement' had yet to be determined. Agreement is now expected in September although the issue will be discussed again when ministers meet on 11 July.

One of the sticking points is a Finnish demand that it can lend to Greece only if Athens provides collateral. There is also uncertainty over a German-led push to enlist private creditor participation.

The end of 'social europe'

Austerity measures recently agreed by EU leaders has seen the focus completely shift from addressing the causes of the crisis to making public service workers pay for a crisis they did not cause, nor contribute to.

Public sector workers are now systematically put into the firing line. They are used by policy makers to resolve the crisis and balance the books letting speculators and international finance off the hook. The latter have returned to pre-crisis days of large profits and massive bonuses.

The conservative majorities in the Council in the Parliament and the European Commission are pushing through an agenda that has nothing to do with resolving the crisis. A recent UN report on the World Social Situation in 2011 argued that such measures do not address the growing inequalities nor promote a stronger financial system. It has more to do with imposing a vision of a harsher, more unequal, less democratic society and rolling back the welfare state.

Greece, Portugal, Romania and Ireland are under the yoke of old-style IMF conditionalities. These policies have been discredited but the danger is that these one size fits all policies will be expanded to all EU member states.

The europact plus, a strong set of governance rules, and the current economic governance means forcing member states into a strait-jacket that will squeeze public services, cut public spending and put pressure on the wages of nurses, teachers, police, fire-fighters, refuse collectors, tax-inspectors, child and elderly care workers and many other public service workers.

Workers, who did not cause the crisis, are targeted by these measures. The EU employment rate has fallen again, to 68.8 % in 2010, far removed from the European Union target of 75%.

Those that are pushing for austerity policies have put their faith and trust in the market which has so desperately failed us and caused the financial crisis. It is important to remember that many public sector workers do jobs that are very physical, sometimes badly paid and often in anti-social hours but which are needed for the basic running of the economy. Most of the public service workers organised by SIPTU and CPSU are in this category.

The European Commission has obtained more powers to intervene in member states' policies and in a one-sided direction: reduce public deficit and public debt. The legislative package combined with the Annual Growth Survey and the Recommendations of the Commission on the national reform plans demonstrate a bias against public services. These policies fail to focus on job creation, on reducing poverty or on investing in sustainable development .

This is an ideological battle against a vision of society that appeals to justice and fairness. If the policies continue as they are, it will mean an accelerated rolling back of the welfare state and the creation of model solely based on neoliberal principles. Is a far cry from the promise of a 'social Europe' that played a major role in acceptance of the Maastricht Treaty way back in 1992 or the 'social Europe' now less frequently invoked by trade union leaders as the truth of neo-liberal EU becomes more apparent.

Brussels seeks 'own resources' in new EU budget

European Commission proposals for the next seven-year budgetary period (2014-2020) includes controversial proposals for EU 'own resources', first mooted in the Lisbon Treaty and includes a tax on financial transactions and an EU-wide value-added tax.

Under the commission blueprint, EU spending would rise to €971.52 billion over the seven-year period, with €1,025 billion pledged in commitments. This compares with €925.5 billion and €975.77 billion under the current period (2007-2013), although there is little change in terms of gross national income (GNI).

As well as changes to the expenditure side, the commission documents also include two options to increase EU 'own resources', controversial in some member states who fear it will curb their control over the EU institutions.

EU budget commissioner Lewandowski said a tax on European financial transactions could enable the EU to raise up to 40 per cent of its own revenue by 2020. While Germany and France have backed the move, Britain fears it would cause an exodus of activity from the London's financial heartland unless implemented at a global level.

A second option would see the creation of an EU-wide sales tax. The new VAT would be levied at a fixed percentage by governments and transferred directly to EU coffers. Current member state contributions based on VAT would be abolished.

The proposals are only the start of a lengthy negotiation between member states and the European Parliament over the future EU spending plan, with a final agreement expected at some point in 2012. MEPs have already insisted that they want a five per cent increase in the long-term budget, with the incoming Polish EU presidency planning to hold a meeting between all parties late this autumn.

Denmark takes over second bank in 'bail-in resolution'

Non-euro member Denmark's Fjordbank Mors A/S became the second regional lender since Amagerbanken A/S's collapse in February to resort to the state's bank resolution package after it failed to meet solvency requirements.

FJORDBANK MORS

The Danish state will step in after Fjordbank Mors said it had no choice but to seek resolution after the Financial Supervisory Authority set a higher solvency requirement and asked it to write down more bad loans. The FSA's request would have left the bank 700 million kroner ($133 million) short of capital, an amount it had no prospect of raising before an imposed deadline.

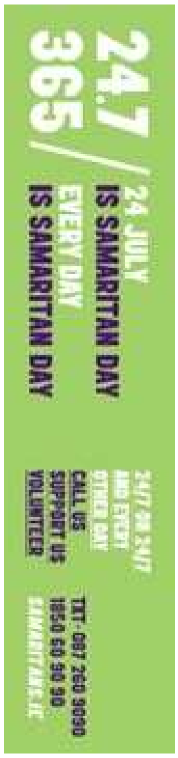
The bank failure is Denmark's second to trigger a resolution package that allows for senior bondholder losses. Amagerbanken's failure in February set a European Union precedent as unsecured senior creditors faced a 41 per cent haircut on their holdings.

'It's regrettable that the sector, after having looked more closely inside the bank's books, nonetheless was unable to find a sector solution that would have covered the depositors' Economy Minister Brian Mikkelsen said.

The bank, which is based in Jutland, will remain open for customers and its employees will keep their jobs, though the current board and management team will step down, it said. Depositors are protected by a €100,000 guarantee, but the bank said that around 450 of its 73,000 customers won't be fully covered.

Guarantees on debt issued before the end of September last year will remain in place until 2013. Danish central bank Governor Bernstein said that lenders can't expect state backing to continue after that, ignoring pleas from the Association of Local Banks. The government has also signalled it won't extend the guarantee.

Rise in suicide rates linked to the economic crisis – the grim reality of austerity



Suicide rates in the EU have increased sharply, particularly across member states that have been hardest hit by the economic downturn.

An article in the British medical journal, the *Lancet*, shows that countries worst hit by the economic crisis, such as Greece and Ireland saw large increases in suicides between 2007 and 2009. *Deutsche Welle* adds that the steep rise, 17 per cent in the case of Greece in 2008 compared with the previous year and 13 per cent in Ireland for the same period, reversed a steady annual downward trend since the turn of the century.

Dr David Stuckler of the University of Cambridge, the academic in charge of the research, called the findings 'terribly frustrating' and said that further research to fully establish a link between the economic crisis and the ride in suicide rates was needed. 'What we're now also seeing is a human crisis' warned Stuckler. 'There's likely to be a long tail of human suffering following the downturn. Suicide itself is a relatively rare event, but wherever you see a rise in suicides there is also a rise in failed suicide attempts and in new cases of depression.'

Relinquishing state authority is a betrayal – a letter from Crete

The meaning of the word 'state' comes from the verb 'to hold' which means to have dominant authority. The purpose of any state is the preservation of wellbeing, social justice and security of the nation. From ancient times the power of a nation was shown by its own currency, within the limits (frontiers) of its influence, that also determined its independence. Historically only subservient people were obliged to have the currency of their masters.

The economic policy of a state is held by three pillars such as the fiscal, currency and growth policies. In our country the fiscal policy has become the means by which governments have been elected via unethical favours and corruption. The productive means of the country, which contribute to the growth, were eaten up by the syndicates and the preservation of living standards to the present level was supported by loans with illegal and unfavourable terms, similar to those used by the last shot. These loans have essentially contributed to the enslavement of the country by relinquishing to foreigners the sovereignty rights of the state and the ability to issue its own currency.

Initially they cheated the people to accept EURO as the hard currency that will guarantee economic stability and growth. The truth revealed is that EURO is issued by an economic authority in which we participate by 2.6% but we suffer the negative consequences by 100%. This is because Europe is not a political union of people but an arena of economic antagonism without social bonding and without common fiscal policy based on social solidarity. The lack of national growth policy and the expensive borrowing led our country to bankruptcy and vassalage. Our not sufficient resources are spent to pay off the burdensome and odious debt at the expense of the people, on pensions and public services under the threat that if we don't accept the terms of our borrowers, salaries and pensions will stop along with a total stoppage of any payments by the government.

The worst problem is that the state cannot issue national currency to deal with short time economic problems. The irony of all these is that the servants of foreign interests, contorting the truth, in addition they threat us that we shall be forced to return to our national currency if we do not give in. Let them know that we shall do it by ourselves in order to serve our interests. Today we cannot issue new currency to cover our needs and we are obliged to borrow money in exchange of our dominance and sovereignty. Our government threatens us that if we do not give up our sovereignty they will close the shop, meaning that they will stop payments. It appears they do not understand that if they close the shop they will automatically find themselves out of it (out of the country).

The insistence on their part for us means that they want us to betray our country and then if we don't oppose such a betrayal we shall be accused by the generations to come. We shall agree to remain in the Eurozone only if we are equal citizens of a European society with common fiscal policy and not as followers on an antagonistic market with equal rules for unequal backgrounds. This equality involves injustice by definition and it is unethical. We recall the case of California, when it became bankrupt the Federal USA Government immediately ran to save it. Until Europe decides to behave as a community for European people and treat its constituent states as the USA have treated California we keep on saying, No to EURO Yes to Drachma, the currency that can guarantee our survival.

- *The article above was sent to* People's News *by Prof. Elias Stamboliadis, Technical University of Crete, Greece.*

The Bruton 'Outline Reform Agenda' and Mode 4 – two sides of the same coin?

Richard Bruton's recent proposals for emasculation of REAs and EROs have dire implications for hundreds of thousands of workers in this country. While many of the 14 proposals in Richard Bruton's 'Outline Reform Agenda' are similar to those made by the

Duffy/Walsh review group arising from the requirement in the EU/IMF memorandum to review sectoral agreements – 'review of the EROs/REAs and other measures to increase competition in sheltered sectors of the economy' - some were not proposed by the group at all and several have a different emphasis to that taken by the group. Duffy/Walsh would have arisen in any event as the EU Commission had already called for such a measure and made it clear that it would be involved in managing the outcomes. Just so you know where it all comes from! And then there's He linkage with Mod 4 negotiations outlined below.

Bruton's attitude is typified by his reference to 'antiquated' arrangements in sectors such as hospitality, agriculture, security, hairdressing and contract cleaning. He has said that 'some of the arrangements on overtime, Sunday working and travel-to-work under the existing joint labour committee (JLC) structures were rigid, inflexible, and archaic'. Some of the proposed measures include:

- The terms of an agreement could be varied in certain circumstances – unspecified – without 'necessarily' obtaining the consent of all parties to the agreement! Mussolini had something like this.
- There would be a once-off health check on each ERO, whereby each JLC will submit a revised ERO, made in accordance with new criteria that emphasise competitiveness.
- Employment: by the end of 2011, if there is no agreement on the ERO between the parties, the issue can go to the Labour Court for a recommendation and the chair of the JLC can only exercise the right of a casting vote 'having regard to that recommendation'. This is reminiscent of proposals put forward by Leo Varadkar, about two years ago.
- There would also be a provision enabling companies to derogate from the terms of EROs and REAs, which probably imply an application to Labour Court.
- Pay rates in Employment Regulation Orders (EROs) other than the basic adult rate would be eliminated: 'this will remove the myriad of rates that apply in each ERO and leave the rates for more experienced/skilled employees to be agreed between employers and the employers at firm level'. Many EROs and REAs contain special rates for experienced workers. This element of the Bruton proposals removes the range of sub-minimum rates for non-adult workers included in the EROs, leaving these to be covered by the sub-minimum rates in the national minimum wage legislation only.
- The EROs would be confined 'to dealing with matters other than conditions of employment that are already covered by universally applicable standards established under legislation, deferring instead to the statutory provisions on rest breaks, Sunday working, leave arrangements', adding that 'this will mean that EROs will no longer set a Sunday premium'. The 1997 Organisation of Working Time Act covers Sunday working but does not specify a particular premium.
- Reducing record – keeping requirements – can only be interpreted as an attempt to

frustrate the work of NERA which never reached its full complement of staff and is now seeing them re – deployed under the Croke Park agreement!

- Crucially, Bruton's other proposals do not go into the same level of detail as the Duffy-Walsh review group report on what is intended. Many of the proposals are simply a shorter version of proposals made by the review group, several of them differ subtly in emphasis and much will depend on the definitions used in the final legislative proposals that are due at the end of June. Essentially, Bruton took the Walsh/Duffy report and used it for his own ends – prodded on by the EU commission.

So, why is the defence of REAs and EROs so important for all of us? Presently because they are 'universally applicable agreements' they are enforceable by law – by NERA or when registered at the Labour court and challenges are very unlikely to succeed in the Irish courts – though the ECJ is another matter. Therefore, when Dell found out this they abandoned plans to bring in Indian craft workers for their new fab plant in Leixlip.

But is there another agenda that can now be conveniently pushed under cover of the EU/IMF memorandum that facilitated the 'bail-out' forced loan?

The EU is currently negotiating an EU/India Free Trade Agreement (FTA) designed to allow European capital to take over Indian financial and services through the 'liberalisation' of these markets. In return, India is demanding what is termed Mode 4 access to EU markets, a trade concession that allows transnational corporations to bring temporary workers from outside the EU into the EU on lower rates of pay.

In other words, such a deal will mean mass privatisation and the opening up of Indian markets in return for importing a huge 'reserve army of labour' into the EU in order to batter down wages and conditions to increase corporate profits. Moreover, if agreed, such trade commitments are effectively permanent and irreversible under law.

Under Mode 4 a firm with a contract in another member state can bring its 'own' workers, from inside or even outside of the EU known as Inter-Corporate Transferees (ICTs). European Court of Justice decisions , such as the Laval and Viking cases also reinforce the rights of corporations to exploit loopholes to undercut host country industry norms and trump the rights of business over those of workers' and unions as will the loss of legally enforceable 'universally applicable' agreements such as EROs and REAs. The Lisbon Treaty also further advances EU 'liberalisation' enshrined in the Services Directive and greatly increases the powers of the Commission to enforce such policies.

This will lead to huge levels of social dumping as the 'free movement' of both services and workers continues to undermine trade union strength and pay rates, with considerable downward pressure on wages among the most vulnerable workers in Ireland.

Not only does this undermine individual workers and organised labour, but is directly detrimental to the national economy but the loss of tax and PRSI payments as cash is sent overseas and of a skills base for the future, all harm the economy and only benefits tax-avoiding transnational corporations.

Big business structures designed to promote corporate takeover and dominance within the EU are well-organised. The major lobbying mechanism on 'services' is the European Services Forum (ESF), closely connected to the powerful International Financial Services London (IFSL). The broader structure for affecting EU policy is BusinessEurope, which has even shared offices with the European Commission. 'BusinessEurope' includes global firms such as US oil giant Exxon, and wields strong influence over EU internal and external trade policy.

In India resistance to this corporate mass privatisation drive is growing. On May Day this year, C H Venkatachalam, the General Secretary of India's largest bank workers union, AIBEA, appealed to workers to come together to oppose the privatisation of the banking sector. He warned that 'allowing full voting rights for Foreign Direct Investors in banks, increased FDI/Foreign Institutional Investors investment limit in the banking sector and higher FDI limits in the insurance sector are some of the major challenges which the bank employees cannot afford to ignore'.

It is time organised workers here in Ireland stopped believing in euro fairy tales of 'social partnership' with their corporate executioners within the EU and started to defend themselves by following the example set by Indian workers. The defence of EROs and REAs would be a good place to start.

You scratch my back ...

Iceland has launched detailed European Union accession talks, setting off a process that could take several years and hit snags over fishing rules and debt.

On 27 June, the island state started talks in four out of more than 30 policy areas that will be covered in the process designed to bring national laws in line with EU rules.

But the nation of 320,000 people faces difficult issues later in the process, when it will likely have to address EU opposition to its whaling traditions and share control over its lucrative fishing industry. Disputes over fishing quotas between the EU and Iceland have escalated in recent months, with Brussels deciding in January to block Icelandic fishing vessels carrying mackerel from landing in its ports.

Iceland is a major power in Atlantic fisheries and has resisted joining the EU for decades. It applied only in 2009, seeking the stability of membership when global financial woes collapsed its banking system. But popular enthusiasm has faded since then due as the governing elite persist in advancing the application in the face of increasing popular opposition.

But on the day that the start of the talks was announced in an obvious *quid pro quo* with the Commission, Iceland warned Ireland not to copy its recovery model even though the Atlantic island managed a return to international debt markets less than three years after letting its banks default on $85 billion.

'People should be careful when it comes to drawing comparisons between Iceland on the one hand, and Ireland on the other', Finance Minister Steingrimur J. Sigfusson said in an interview broadcast on RTÉ: 'Iceland didn't have the ability to save the banks. Trying to rewrite the events that led to that eventuality as some sort of an export product is irresponsible.'

Iceland's success in rebuilding its economy has been contrasted with the plight of Ireland by Nobel laureate Paul Krugman. Ireland, where most bank debt has been protected by a state guarantee since 2008, would have been better off using Iceland's 'bankrupting yourself to recovery' model, Krugman has argued.

Though the island never reneged on any sovereign debt, its bank failures left creditors trying to recoup more than double the $40 billion Russia defaulted on in 1998. Iceland's resurrection 2½ years after becoming a pariah in international capital markets may yet embolden leaders elsewhere in Europe to contemplate the prospect of life after burden sharing.

Iceland survived by taking over the domestic units of its banks and leaving the foreign creditors to bear losses. An 80 per cent slump in the krona against the euro offshore in 2008 sent the trade deficit into surplus within months, while government spending cuts helped rein in the budget. Iceland will post a shortfall of 1.4 per cent of gross domestic product next year after 2011's 2.7 per cent deficit, the Organization for Economic Cooperation and Development said on May 25.

Iceland's first foreign-currency bond auction since 2006, a $1 billion debt sale, was twice oversubscribed. The economy of Iceland, which has carried a junk grade at Fitch Ratings since January 2010, will grow 2.2 per cent this year and 2.9 per cent in 2012, the OECD estimates.

Icelanders suffered an 18 per cent slump in their disposable incomes in 2009, adjusting for inflation, as the krona's decline sent consumer price growth close to 20 per cent and unemployment approached 10 per cent, compared with 1 per cent before the crisis.

A bit of Euro-realism?

Writing in the *Irish Independent*, Lise Hand says that, after the EU/IMF Irish bail-out was agreed, 'It was game over for our economic sovereignty. And now look. The new household names are Trichet and Rehn and Van Rompuy and Barroso and Lagarde and Merkel, and all we want to do is crawl out of the doghouse and get tossed a couple of concessionary bones for being good little doggies.'

Greece can't be thrown out of the eurozone – a short survival scenario that might fit Ireland.

Since the onset of the crisis, there has been a lot of speculation about a break-up of the eurozone as some members could be forced out or quit. There are frequent calls for Greece to be expelled and for the eurozone to proceed without it. But, it is simply not possible to evict Greece from the eurozone.

First of all, there is nothing in the Maastricht Treaty or in the Stability and Growth Pact – which sets out the fiscal criteria for membership – to regulate the removal of a member country. Procedures were never established because, quite simply, nobody thought such a crisis could occur.

Eurozone finance ministers huffed and puffed, threatening to withhold a crucial instalment unless further austerity measures were approved and the ECB again threatened to withdraw support from Greek banks. If either threat were carried out, Greece would default on its sovereign debt and its banking system would be in danger of collapse. In the event, a partial release of funds was approved with the remainder scheduled for September, pending further negotiations with private sector interests.

But what would have happened if such a release had not been approved?

Greece would certainly be out of the good-boys club at that stage, but it would still not be out of the eurozone. This is largely because it is not possible to go around Greece and vacuum up the €23 billion in banknotes and coins that circulate there. Moreover, there is nothing to prevent Greek banks from continuing to accept deposits and give loans in euro. And the government can still operate in euro.

If, as would be likely to happen, the Greek response included a temporary freeze on bank foreign liabilities – to prevent a drain on liquidity – the financial system might survive. Foreign loans and central bank credits to Greek banks make up 40% of their liabilities, while foreign assets are just 25% of all assets and government bonds are 15%.

Therefore, if foreign and central bank liabilities were frozen, non-sovereign domestic assets would be sufficient to cover domestic liabilities (at 60pc each of the existing balance sheets). A down-sized banking system could continue to operate for domestic purposes only while the foreign component lay frozen.

Iceland preserved its banking system through the imposition of a similar freeze on foreign deposits in 2008 and, even though it had the advantage of its own currency, this succeeded in preserving an onshore banking system while the offshore system was incubated.

Greece would then become like Montenegro and Kosovo, which use the euro as their official currency but do not belong to the euro club. They are not entitled to credits from the ECB and have to run their affairs in a frugal manner because, if the country runs a balance of payments deficit – if it spends more than it takes in – euro notes will begin to leave the country and the money supply will shrink. When this happens, an automatic austerity programme makes an immediate correction to demand.

In fact, it is a common feature of Balkan economies that they piggyback on other currencies. Due to a legacy of hyperinflation, banking systems often carry extensive deposits in foreign currencies, even if a stable domestic currency exists. In Croatia, for example, 80pc of bank deposits are linked to foreign currencies. Greece might eventually introduce a new parallel currency that would be used for small purchases, but the euro would continue to be the real money.

The main danger to Greece in these circumstances would be that euro notes could drain out of the country through trade deficits. However, if interest payments abroad were also suspended, a fiscal adjustment such as that sought by the IMF for this year alone (about €7 billion) would probably be enough to close the balance of payments deficit and to allow the government to finance itself.

This isolated Greek stance would not be conducive to medium-term growth, but it could constitute a temporary equilibrium while a solution was worked out. Greece could continue to operate in the eurozone while it imposed a creditor moratorium and went about the business of getting a deal on a debt restructuring. Greece is shut out from international markets anyway and growth prospects are not great.

And this last point is critical. After significant adjustment, Greece is coming to a point where it could enact the scenario outlined above and shut itself off. Any further belt-tightening and high-interest loans would be destined simply to repay foreign debt and there may be no prospect of market access or renewed growth anyway to make such a sacrifice worthwhile. The financing package is beginning to look very empty.

Meanwhile, a Greek default would cause severe financial distress in the core European countries. So it is increasingly obvious that Europe needs these loans to be accepted more than Greece needs the help. And one day, very soon, Europe's bluff will be called and what chance that it will be Ireland that will call it?

- *The above article is based on a contribution by Gary O'Callaghan, professor of economics at Dubrovnik International University in the* Irish Independent. *He was a member of the staff of the IMF and has advised numerous governments on macroeconomic policies.*

The 'six-pack' – a short explanation

MEPs and member states are nearing agreement on a set of proposals for enhanced 'economic governance' in the Eurozone, a final vote being scheduled to take place in mid-July. The far – reaching proposals will further limit member states control over public expenditure as the summary below reveals. New rules determine how member states can plan and calculate their budgets and four of the pack include financial sanctions:

- Stronger surveillance of EU budgets, including sanctions on member states.
- Stronger sanctions for member states that break the EU's budget rules. All EU member states will be subject to the Commission's recommendations and warnings on their respective budgets, but the proposed sanctions are for eurozone countries only.
- A 'European Semester', which involves member states making their budgets subject to 'peer review' from the Commission and other member states. This involves all EU member states.
- Rules to prevent and correct 'macroeconomic imbalances' – this refers to the build-up of massive current account deficits or surpluses and involves all EU member states, but stops short of detailing actual sanctions (there's a specific proposal for that).
- A mechanism for imposing sanctions on countries running excessive macro-economic imbalances. This applies to eurozone only.

High wealth index shows 19,000 people worth over $1m in Ireland

The number of people in Ireland with more than $1 million (€694,000) in financial assets climbed by more than five per cent last year. The annual Merrill Lynch/Cap Gemini World Wealth Report shows there were some 19,000 so called 'high net worth individuals' (HNWIs) in Ireland during 2010, up from 18,100 a year earlier.

Merrill Lynch's Bill O'Neill said that while he was surprised at the growth, it was down to high savings rather than a great expansion in Ireland. 'The contraction in private and public sector consumption has been a by-product of the increased savings', he added.

MEPs to back calls to fly the EU flag at sporting events and to have the EU emblem on national team shirts

The proposals, to go before the culture committee next week, state that all national sports teams, including football, rugby, cricket, would be required to have the EU's blue flag with yellow stars appear on their jerseys.

A commission source said the executive is keen to promote the 'European dimension' and could bring forward the idea but only with full agreement with the competent national bodies.

The Lisbon treaty gave the EU a competence over sport for the first time and the emblem proposal is parliament's response to a commission communication on sport. If, as expected, the committee backs it, the recommendation will go back to the commission which will prepare formal legislative proposals. The plan would then be put to a 'qualified majority' vote by member states.

Speaking on the issue last year, EU culture commissioner Androulla Vassiliou, said, 'The commission is well aware of the crucial role played by sport as well as of the potential sport has for forging a sense of belonging'.

In a written question to the commission, the Labour Party MEP Nessa Childers said: 'Sporting events have more potential to unite ordinary Europeans and instil a sense of pride in Europe than all the treaties, directives and regulations put together.' But the real question is whether the EU can impose an artificial European identity on us by forcing our athletes to wear its emblem?

Meanwhile, the University of Northampton has been fined more than £56,000 – just because it didn't display the EU flag. It was revealed in the British Parliament that the university was fined £56,477 for not displaying the European logo on a board outside the college building.

The fine was imposed by European officials because money from the European Regional Development Fund had been used to fund new facilities at the university.

It has emerged that fines in Britain relating to cash given by the European Regional Development Fund since 2000 have reached almost half a million pounds. No figures are available for Ireland at the moment.

The European Regional Development Fund (ERDF) is a fund allocated by the European Union and those who receive grants are obliged display the EU flag or logo.

If the flag or EU logo is not displayed, the institution can be fined for technical publicity breaches for failing to credit the fund.

Other groups included Liverpool-based transport authority, Merseytravel, which was fined for 'insufficient publicity' and Doncaster Council, which was fined for not mentioning European funding in a radio advert.

Please support this march. Thomas Pringle TD will be speaking on behalf of the People's Movement. People's Movement posters will be available on the day.