PEOPLE'S NEWS
News Digest of the People's Movement

No. 53 30 July 2011

Norway

Solidarity with our friends subjected to brutal attack

Norwegians are in shock but remain determined to defend multiculturalism, social justice, anti-racism, and tolerance. We stand with them and with our friends in No to EU and Ungdom mot EU (Youth against EU), many of whom were on the island of Utøya during the attack. Some of you will have met and worked with leading members during the Lisbon campaigns.

Activists of the Workers' Youth League (AUF) were the main targets of the terror. The annual AUF summer camp on Utøya has taken place for more than fifty years. Just before the massacre there had been a commemoration for AUF members killed opposing fascism in the Spanish Civil War.

At least 150,000 people came onto the streets in Oslo in response to the terrible events, many carrying flowers, but the square at City Hall and the surrounding streets were so crowded that it was impossible to march. They sang the old anti-war song "To the Young" by the socialist poet Nordahl Grieg, which calls for international unity against hunger and injustice. The Prime Minister, Jens Stoltenberg, addressed the crowd, calling for "tolerance in an open society." Eskil Pedersen of the AUF said: "Those gathered at Utøya were fighting for justice and equality and against racism." He added that it was important for everyone to continue this struggle.

Our best expression of solidarity with our friends is to defend the democratic values expressed by the victims of the massacre, and let that struggle be our contribution to their memory.

"Bailed-out countries should give up part of their sovereignty to the EU"

The German Finance Minister, Wolfgang Schäuble, has suggested that any country that receives a bail-out should give up some sovereignty. "A state with problems that receives help must be willing to give some of its sovereign rights to the EU."

Of course even Phil Hogan realises that this is already a reality, as he made clear when announcing the inequitable family home charge imposed by the EU and IMF.

Schäuble also suggested that the German government would not support a *carte blanche* for bond purchases by means of the euro zone's temporary bail-out fund, the EFSF. His comments will add to investors' growing scepticism over the scale and the speed at which the EFSF can purchase government bonds, as it requires the unanimous consent of euro-zone members and the ECB. Schäuble's comments also appear to have caused Spanish and Italian borrowing costs to rise again during the last week.

Back where we started?

Euro-zone leaders took some measures last week to save their currency. But the deal agreed at the EU summit rests on some heroic assumptions. Moreover, with the confusion over figures and formulas that arose in its wake, citizens have again been left with a worrying feeling that politicians do not quite understand what they have signed up to.

The deal contained three main elements: reduced interest rates on the bail-out loans to Greece, Ireland, and Portugal; some losses for private investors to reduce Greece's debt; and a transformation of the euro zone's temporary bail-out fund, the EFSF, into a cash-point that banks and possibly Spain and Italy could tap, but so far without the necessary funds.

In addition, euro-zone leaders finally came back to reality by accepting that Greece will enter some form of default—a "restricted default"—given its huge debt mountain; and one has to ask whether Ireland can be far behind.

These outcomes appeased the financial markets for something less than a week. So, the euro-zone crisis is far from over.

For starters, the deal is a huge political gamble on the willingness of taxpayers throughout the euro zone to continue to underwrite other countries' debts. By expanding the scope of the EFSF the agreement is providing greater avenues through which risk can be transferred from private-sector bond-holders to taxpayer-backed institutions. In fact the deal hints at nothing short of unlimited bail-outs, which means that the EFSF has to be radically increased in size to serve as a credible backstop.

This may sit well with investors who will continue to see their losses socialised, but convincing Dutch, Finnish, German, Slovak or even French taxpayers (under the agreement the French government could face higher borrowing costs than those it is bailing out) to provide not billions but trillions (think Italy's €1.8 trillion bond market) in loan guarantees to struggling banks and governments around Europe—a mighty task indeed.

Despite the likelihood of a Greek default being declared, the president of the European Central Bank, Jean-Claude Trichet, came out in support of the package, saying, "Everything has been set up in order to face any eventuality," although he refused to "pre-judge" the issue of a Greek default. Speaking after the summit the French President, Nicolas Sarkozy, said the package agreed for Greece is "an exception," stressing that similar deals will not be forthcoming for Ireland and Portugal. *"Our ambition is to seize the Greek crisis to make a quantum leap in euro-zone government . . . The very words were once taboo . . . We have done something historic. There is no European Monetary Fund yet, but nearly."*

The hotly disputed topic of private-sector involvement also seems to have provided more questions than answers. In the days following the summit, politicians throughout the euro zone have struggled to get to grips with the deal that they supposedly masterminded. The confusion was illustrated by a bizarre moment when the Commission and the Dutch government gave two completely different figures for the actual size of the bail-out: €109 billion said the Dutch, €159 billion said the Commission (leaving the Dutch Parliament, which had already provisionally approved the deal, utterly perplexed).

The agreement estimates that €37 billion will be raised from private-sector involvement (through a bond swap or rollover); Reuters reports that this is equal to a 21 per cent loss on private-sector holdings. The agreement also estimated that the private-sector involvement up to 2019 will be €106 billion net—yet another guess! Nevertheless, this move is likely to be declared a default, or some new form of default, by the main credit-rating agencies. To counter the effect of this it was also agreed that the scope of the EFSF should be widened so that it can issue "precautionary lines of credit," aid in the recapitalisation of struggling banks, and purchase government bonds on the secondary market.

But beneath the complexity, the level of debt reduction achieved by involving the private sector falls far short of what is needed. To return Greece to solvency at least a 40 per cent "haircut" to the country's debt is needed, while this deal achieves a mere $7\frac{1}{2}$ per cent debt reduction, according to most estimates. So, where is the rest supposed to come from?

The proposal also glosses over a couple of important problems that have remained since the first bail-out. Will the Greek population put up with continued austerity measures, given the resistance already brewing in the country? And what happens if the austerity targets are not met?

The failure to address the fundamental causes of this crisis, and a suspicion that the euro zone's political leaders fail to understand what their new deal actually means, suggest that we may well all be back here again before too long.

The hard-won Irish "package"

The revised terms of the Irish package will see the interest rate on loans cut by two percentage points, from 6 per cent to just less than 4 per cent. The package will provide potential annual savings of between €600 and €800 million. The deal also provides for greater flexibility on Ireland's loan maturities, which can now be extended from seven years to fifteen years if required.

Enda Kenny welcomed the revised terms, saying, "We've achieved a substantial interest-rate reduction and greater flexibility in terms of the fund, without conditions attached," as if there had been a great negotiating session and we had managed to avoid paying back some of the money to the French and German banks. Remember Kenny and Noonan before the general election and how Kenny was going to "burn the bond-holders"?

And, despite reassurances by Kenny that Ireland

did not have to make any concessions on its low corporate tax rate, the final conclusions of euro-zone leaders "note Ireland's willingness to participate constructively . . . in the structured discussions on tax policy issues."

The president of the EU Council, Herman van Rompuy, was adamant following the summit, saying, "Private-sector involvement will be limited to Greece, and Greece only," and that "we will not waver in defence of our common currency."

Perhaps if we adopted the attitude of the Greek public and made our anger obvious, private-sector involvement could be extended to the Irish case. It may yet have to be!

The EU does not regard Irish waters as Irish waters but as EU waters

"As deputies are aware, one vital aspect of EEC fisheries policy which came into operation on 1 February 1971 had been a cause of concern to all of us. This concern arose from that part of Community policy which provided for equality of access to and exploitation of fishery waters of each member-state by the fishing vessels of other member-states.

"However, after protracted negotiations we have been successful in securing a satisfactory arrangement which has removed what we regarded as a serious threat to the livelihood of our fishermen and to the continued expansion of our fishing industry. This represents a major breakthrough, having regard to the position adopted by the Community earlier in the negotiations."—Jackie Fahey, Parliamentary Secretary to the Minister for Agriculture and Fisheries (Dáil Éireann, 3 February 1972.)

Perhaps no other aspect of Ireland's involvement with the EU brings out the blatant dishonesty and cynicism of the country's political elite as clearly as the history of our participation in EU fisheries policy. Ireland's treaty of accession to the EEC, signed on 22 January 1972, only a few days before Fahey's statement, in fact incorporated the principle of "equal access"; and all that had been "successfully" negotiated were transitional arrangements to take the bad look off the fact that the Government had in fact given away the most important principle of all, namely the EEC's power to control our fishing waters up to our beaches.

Now, nearly forty years later and twenty-eight years into the Common Fisheries Policy, the latest of a series of ten-year "reviews" has even seen the EU Commissioner for Maritime Affairs and Fisheries, María Damanáki, admit that the policy has been a failure.

But Brussels still refuses even to devolve day-to-day management responsibility, let alone return the control of fisheries policy, to EU member-states.

Along with grass-roots Irish fishing organisations, the People's Movement rejects this presumption and believes that the repatriation of decision-making powers to EU member-states is the only democratic foundation for proper fisheries management. This approach is based on the core principle that land and sea resources are national assets and the heritage of the entire people of a country and should be managed and developed for the benefit of that country.

The custodianship of marine resources should rest with the state, which should then allocate rights to utilise the living resources, and regulate this use to ensure long-term sustainability and the maximum social and economic benefit of its people and especially its fishing communities.

If an Irish Government were really serious about trying to halt the social and economic decline caused by the Common Fisheries Policy it would campaign for the principle that member-states should have greater flexibility in implementing policies that reflect their own economic and social conditions and should have primacy in deciding the correct policy for fishery areas for which they have a well-founded and legitimate interest.

The main recommendations

Arguably the most dramatic recommendation in the Damanáki document is the one calling for the mandatory adoption of individual transferable quotas (ITQs) "for all fishing vessels of 12m or more . . . and for all fishing vessels under 12m length fishing with towed gear [such as trawls]."

As the Minister for Agriculture, Fisheries and Food, Simon Coveney, correctly observed in the Dáil on 20 July last, what is involved in this "reform" is that "quotas are currently treated as a national asset, to be distributed by governments to fishing fleets in consultations between the government and the industry."

But the effect of this proposal would be "a move away from political control of the allocation of fishing quotas to what is termed an individual transferable fishing concession or fishing quota.

In other words, we would be moving towards privatising the long-term use of quotas, although not ownership. Boats would be able to transfer between them a quota for payment. In other words, what the commissioner would like to facilitate is consolidation

within the industry, reducing the number of boats in the fleet and allowing trawlers with buying power to purchase quota from those looking to get out of the industry."

The minister said that the Government would resist this. We shall see!

Skippers would be guaranteed shares of national quotas for periods of at least fifteen years, which they could trade among themselves—even, if the national government agreed, trading with fleets from other countries.

As a spokesperson for an environmental organisation correctly observed, "fish stocks are a public resource; we all own them; and access to this resource should be given to those who demonstrate [that] they fish in the most environmental and socially beneficial ways, and it should not be for any great length of time . . . This is the virtual privatisation of the oceans."

Another proposal is for "regionalisation," described as a state of affairs in which general policy principles and goals are prescribed from Brussels, "while Member States will have to decide and apply the most appropriate conservation measures." Certainly no devolution of decision-making power to regional bodies, much less to member-states.

Thirdly, the waste of food resources and the economic losses caused by throwing unwanted fish back into the sea, a practice known as "discarding," is to be phased out. Fishermen will be obliged to land all the fish they catch. All fish stocks will have to be brought to sustainable levels by 2015.The commissioner has acknowledged that this will lead to a further loss of employment in the fishing industry.

Challenged by Deputy Thomas Pringle to outline "what resisting and opposing entails in respect of the privatisation of quota, as well as what steps ultimately are open to Ireland," Simon Coveney reminded the Dáil just how far the country has travelled in the forty years since Fahey's boast: ***"For what it is worth, the European Union does not regard Irish waters as Irish waters but as EU waters, which Ireland has a responsibility to monitor and control. That is the political reality of what we are dealing with."***

That statement should be turned into banners and displayed over the entrance to every fishing port in the country.

Three years of crisis, and we're no further on!

Three years into the crisis and we are still trying to "save the euro," when we should have decided to leave, set our own interest rate, scorched the bondholders, and allowed the new Irish pound to find its own value. If the experience of other defaulting countries is anything to go by, our economy would by now be experiencing positive growth on the basis of improved competitiveness, and unemployment would be going down.

Another common feature of defaults is that, typically, the bond-holders take a cut of between 40 and 50 per cent, on the grounds that some repayment is much better than no repayment.

But people will rightly say: "Hold on. If the new currency fell by, say, 40 per cent against the euro, wouldn't our euro debt jump overnight in the new currency?" This is true; but the same is true for the present policy of "internal devaluation."

The present austerity and internal devaluation policy, where the Government grinds down wages and prices over a number of years, is designed to have exactly the same effect. Your euro wages will just fall for longer, and you will still not be able to pay the euro debt you took out in the boom when your income was much higher. So the internal devaluation is just a slow version of the overnight devaluation—though it would not be without pain. But why do things slowly and prolong the agony?

The last about Pat Cox (hopefully!)

The EU ombudsman has criticised the Commission over the appointment in 2007 of the former president of the EU Parliament Pat Cox as an adviser to an EU commissioner. The ombudsman found that the Commission "failed to adequately examine potential conflicts of interest" when Cox was employed as an adviser to the former commissioner Meglena Kuneva from 2007 to 2009.

The finding follows a complaint in February 2010 by Corporate Europe Observatory, which raised concerns about a possible conflict with Cox's lobbying work for Microsoft, Michelin and Pfizer and the lobbying consultancy APCO as well as his own lobbying firm, European Integration Solutions.

The ombudsman concluded that the evidence did not support the Commission's statement that its conclusion that there was no conflict of interest was "the result of a thorough examination of the merits of the case." According to the ombudsman, the Commission's general approach "does not show due respect to the procedural safeguards which the Commission itself has put in place in response to public concerns about transparency in relation to special advisers."

Several of the Commission's present special advisers also give cause for questions. The ombudsman will wait up to 31 January 2012 for the Com-

mission's response to his recommendations and then will decide whether to launch his own initiative inquiry.

Bulgaria gets the jitters!

The Bulgarian Minister of Finance, Simeon Djankov, has said that Bulgaria is rethinking its plan to adopt the euro until the crisis is properly ironed out. "We want to know before we join the euro zone what the opportunities are and what the burdens are. The crisis in Greece and other countries has made us wary of the club that we want to join and the implications of joining it."

EU project: Euro-pessimism

A recent survey has found deep pessimism among the staff of the European Commission on a wide range of issues, including the course of European integration over the past decade and the likelihood of success of the EU's strategy for economic growth. Some 63 per cent partially or totally agreed that "the European model has entered into a lasting crisis."

The survey of 231 EU civil servants, commissioned by the Foundation for European Progressive Studies, also recorded a lack of confidence in the state of the EU in other respects. Only 22 per cent said that European integration had "positively evolved" over the past ten years, with 43 per cent saying it had changed "negatively."

To fight against anti-EU sentiment, Commission employees most often cited the need for national governments to "defend the European project," some 84 per cent agreeing with this. Member-states have been reluctant to promote European integration in recent years, with the notable exception of Poland, which now holds the EU's rotating presidency.

Only 26 per cent of those surveyed considered the EU's austerity packages a significant cause of Eurosceptic sentiment, despite how controversial they have been in both donor and recipient countries. Over the past year governments that negotiated EU-IMF austerity packages were heavily defeated in elections in Ireland and Portugal.

The most recent Eurobarometer opinion poll, conducted for the European Commission a few months after Greece accepted its first EU bail-out, found a sharp drop in Greek people's attitude towards the EU. Indeed 64 per cent of those surveyed said they distrust the European Commission while 65 per cent distrust the European Central Bank. 71 per cent consider the EU to have "not effectively" handled the economic crisis. On each of these questions Greek people were the most likely of the citizens of all EU member-states to hold a negative attitude towards the EU.

The ESM in a nutshell

What is the European Stability Mechanism?

From 2013 the ESM will have the responsibility for providing loans to euro-zone member-states in difficulties—strictly conditional on the implementation of a range of "adjustment measures" and if the granting of the assistance is considered indispensable to safeguard the "stability of the euro area as a whole"—or, to put it more accurately, "assistance" conditional on turning a recipient country into a social and economic wasteland for the greater good of the euro.

Why amend the Treaty on the Functioning of the European Union to establish the ESM?

The EU authorities propose amending one of the EU treaties, the Treaty on the Functioning of the European Union, to give themselves a legal basis for establishing the ESM, using one of the self-amending provisions of the Lisbon Treaty. The Government proposes ratifying this amendment without reference to the people by way of a referendum. Part of the existing temporary EU "bail-out" arrangements will end in 2013.

The ESM was established under article 122 (2) of the TFEU but is under challenge in the German Constitutional Court. The German Chancellor, Angela Merkel, and French President, Nicholas Sarkozy, determined towards the end of 2010 to try to head off any further constitutional challenge and at the same time to take a further significant step along the road to total EU control of the economic policies of weaker member-states. The ESM, together with the Euro Plus Pact, is a quantum leap in EU economic government.

How can you argue that there must be a referendum on the ESM when the Government and Fianna Fáil "opposition" refuse to countenance one?

Article 6 of the Constitution of Ireland proclaims the right of the people "in final appeal to decide all questions of national policy, according to the requirements of the common good." The Supreme Court laid down in the Crotty case that, as legal sovereignty in this state rests with the Irish people, only they can surrender sovereignty to the EU by referendum (or refuse to surrender it, as the case may be).

The ESM is for much more than making permanent the temporary mechanism by which Ireland,

Greece and Portugal are at present being "bailed out." It is a surrender in matters of control of national economic policy necessitating an amendment to an EU treaty. The purpose of a referendum would be to determine whether or not the Constitution should be changed so as to make EU law superior to Irish law in the area set out in the proposed amendment.

The refusal of the Government to publish the opinion of the former Attorney-General, Paul Gallagher, and any legal opinion it has obtained since coming into office attests to the fear among the Fine Gael-Labour Party-Fianna Fáil troika of an assertive public opinion demanding what is the democratic and constitutional right of the citizens of this country.

Government decisions of fundamental importance for the future of this country for generations to come, such as the disastrous bank guarantee and, more recently, the EU-ECB-IMF "bail-out," were made without reference to the citizens of the country. The almost seamless continuity between the policy of the new Government with that of the previous one has denied citizens an opportunity to say Yes or No to those decisions.

What will Ireland's ESM financial liability be?

The state will be legally obliged to the ESM to the tune of approximately €11.13 billion—€1.28 billion in cash and the rest in the form of callable capital and guarantees. Ireland has not been given an opt-out.

But that's not the figure the Government gives!

No. The Tánaiste, Éamon Gilmore, gave a figure of €9.87 billion in response to a question in the Dáil on 13 April 2011, but in fact the country's contribution is a set 1.59 per cent of the total subscribed capital of €700 billion, i.e. €11.13 billion. Gilmore confused the subscribed capital figure of €700 billion and the callable capital/guarantee figure of €620 billion when making the calculation.

But was Gilmore not at least correct to claim that "the manner in which the ESM is structured means that each country's contribution will not impact on its general government deficit"?

There is no cheap, hassle-free way out of the present crisis, and certainly not through buying in to the ESM. Ireland will have to issue debt to raise the money to be able to pay the €1.29 billion of paid-in capital for the ESM. This is money that could make a substantial contribution to the survival of the country's health service or our welfare and education systems. Also, after 2013 will be the worst time to be lumbered with such a commitment. We should have exited the present EU-ECB-IMF "bail-out" regime from late 2012 and returned to the market.

The country would (in theory) have to refinance a lot of its own debt from the bail-out, and at the same time go into additional substantial debt to pay its share of the ESM. In short, the ESM simultaneously would make our bonds riskier and more susceptible to restructuring and require more of those very bonds to be issued, in order to pay for itself.

But isn't it an example of EU solidarity?

The ESM would need €700 billion in order to borrow the €500 billion that would constitute its lending capacity: €80 billion in paid-in capital and €620 billion of "committed callable capital." And Ireland, Greece and Portugal, the three countries that are now being subjected to euro-zone austerity schemes, will together be required to cough up or guarantee €49 billion of that sum. It's not "solidarity," it's robbery!

Could a situation arise whereby Ireland, Greece and Portugal would have to fork out more cash?

The German court of auditors recently showed how this could happen. In a report to the Bundestag's budgetary committee, the court discovered that the paid-in capital that Germany and indeed any other euro-zone country might have to provide between 2013 and 2017 could be higher than foreseen. According to the decisions of the EU summit meeting in March, Germany would pay €21.7 billion out of the €80 billion of paid-in capital for the ESM. Merkel had insisted that the German government should be able to pay that money in five equal yearly tranches of €4.35 billion, which would be counted as expenditure in the budget.

But the auditors pointed out that this agreement becomes invalid if one country is unable to bear its share of paid-in capital and if at the same time another state requires the aid of the ESM. In that case the rate of paid-in capital in relation to its total of €700 billion could decline under the 15 per cent that is required by the rating agency to guarantee the ESM AAA rating. In that case the ESM shareholders could decide by simple majority—and, as a consequence, against Germany's wishes—that the capital stock, and therefore the German contribution, needed to be increased. This anomaly applies equally to Ireland, Greece and Portugal.

But for weaker euro-zone countries there is an additional problem. With regard to callable capital and guarantees, euro-zone countries like Ireland will be required to pay cash down. 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 as a guarantee has to serve as the equivalent of a pre-paid cash payment, a guarantee by a non-triple-A country would not cover the shortfall, so countries with lower ratings (yes, you guessed them correctly!) would have to pay cash. So we are in a perverse situation. Countries with easy access to capital can provide cheap guarantees, while the weaker countries must put up cash.

Cypriot government resigns

"Bail-out" on the way?

The government of Cyprus has tendered its resignation after a massive munitions explosion that has threatened to force the country into asking for an EU bail-out. The centre-left government has faced unprecedented public fury following the explosion, caused when a cargo of confiscated Iranian munitions exploded next to the country's largest power plant, killing thirteen people.

Moody's rating agency downgraded Cyprus to three notches above junk status because of the fiscal fall-out from the explosion, adding to the strain on the economy from its exposure to Greek debt.

Since the explosion the markets have trained their sights on Cyprus as a possible fourth recipient of a euro-zone emergency rescue, after Greece, Ireland, and Portugal, and political wrangling now risks derailing much-needed economic reforms.

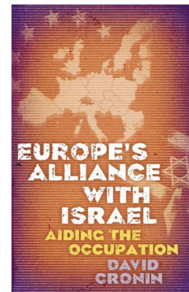
Moody's—the guardian angel of austerity—downgraded Cyprus two notches on 26 July, saying that it had failed to implement its own austerity programme, which includes spending cuts and privatising the country's stock exchange.

Palestine, Israel and the EU: How the EU aids the Israeli occupation and human rights abuses

On Tuesday last the Irish author, journalist and activist David Cronin gave a talk in the Pearse Centre, Dublin, on the subject "Palestine, Israel and the EU: How the EU aids Israeli occupation and human rights abuses."

(If you were unable to attend this interesting presentation there is an audio link at www.ipsc.ie/flotilla / audio-david-cronin-on-palestine-israel-and-the-eu.)

In official statements the EU presents itself as an "honest broker" in the Middle East. In reality, however, the EU and its member-states have been engaged in a process of accommodating the Israeli occupation of Palestine. A recent agreement for "more intense, more fruitful, more influential co-operation" between the EU and Israel has meant that Israel has become an EU member-state in all but name.



David Cronin's book *Europe's Alliance with Israel: Aiding the Occupation* is available from www.amazon. co.uk.

Quotable quotes

"By the end of the summer Angela Merkel and I will be making joint proposals on economic government in the euro zone. We will give a clearer vision of the way we see the euro zone evolving. Our ambition is to seize the Greek crisis to make a quantum leap in euro-zone government . . . The very words were once taboo. [Now] it has entered the European vocabulary . . . France has fought for a long time for an economic government of the euro zone. We can't keep having a currency disconnected from economic policy. We have done something historic . . . There is no European Monetary Fund. We're not there yet, but we're progressing, and we have to continue towards that . . . To arrive at this economic integration we have to work on convergence. Naturally, France and Germany, being the two biggest countries of the euro zone, have to lead by example."—**Nicolas Sarkozy**, President of France, post-summit press conference (*Irish Times,* 23 July 2011).

"We have a shared currency but no real economic or political union. This must change. If we were to achieve this, therein lies the opportunity of the

crisis . . . And beyond the economic, after the shared currency, we will perhaps dare to take further steps, for example for a European army . . . What we are doing now is an example for deeper integration—handing over and transferring more competences to EU institutions. This is a historic day."—**Angela Merkel**, Chancellor of Germany (*Open Europe Press Digest,* 13 May 2010).

Fine Gael's smoke and mirrors!

Fine Gael claims that its position on the "common consolidated corporate tax base" hasn't moved and that it always stood ready to discuss this pan-European initiative on taxes. Regarding "engaging positively in discussing CCCTB" Lucinda Creighton, Minister of State for European Affairs, maintained following the recent summit that *"we've committed* [*ourselves*] *to that all along. There's absolutely nothing new in relation to the so-called common consolidated corporate tax base.*

"This is a proposal that was launched in March. We said at the beginning, as we do with all Commission proposals, that it is a proposal. We will participate in the discussions: it would be ridiculous for us to shut ourselves outside of the door and have nothing to do with the discussions. We want to influence them. We have a scepticism over it. We have a serious scepticism over the proposal."

But the *Irish Times* reported on 12 March that *"Enda Kenny pledged as he arrived in Brussels that he would resist the creation of a common consolidated corporate tax base (CCCTB) because that would introduce tax harmonisation by the 'back door' . . . 'in respect of both the CCCTB and the corporation tax rate, that for me this was an issue that I couldn't contemplate. But I did say that in respect of other elements of the pact* [*Euro Plus Pact*] *I would of course engage constructively with our colleagues around the table' . . . Mr Kenny said he offered to engage constructively on the 'language about tax' in a new euro zone competitiveness pact, but specifically tied that to the ECB's scrutiny of the banking situation."*

Reuters reported that "during talks in Brussels earlier this month, Kenny ruled out engagement on CCCTB, describing it as "the harmonisation of the tax rates by the back door."

In the Dáil on 18 May the Taoiseach made the Government's position completely clear. *"The position as far as the Government is concerned about CCCTB is very clear; there is no ambiguity here. The CCCTB is a method of tax harmonisation by the back door. It is bad for Ireland and bad for Europe. I will not sit at the table of leadership at European Council meetings and not say anything when a paper tabled by the Commission on CCCTB is being discussed.*

"It is its right, legal duty and responsibility to publish papers or legislation, but I will not sit at the table and say nothing about this. What I will say is what I have just said to the deputy. I do not believe in CCCTB, and I do not support it."

So what are CCCTB and the "Euro Plus Pact," in respect of which we have committed ourselves to constructively participate in discussions?

The Euro Plus Pact was a joint French-German proposal in February 2011 (see *People's News* no. 52) that proposed—among other things—the developing of a common consolidated corporate tax base, which is something opposed by Ireland.

The CCCTB was separated from the pact and was the subject of a draft directive from the European Commission on 16 March, enabling transnational groups of companies, operating in different EU member-states, to submit a single EU-wide tax computation to a single EU revenue authority, with the resultant tax then apportioned to the member-states in which that group operates.

So do a web search for an example of a company that has a base in Ireland and smaller offices elsewhere in Europe but that generates sales throughout Europe. It might submit its tax return to an authority based in Brussels that would then divvy out the tax to different European countries. Once the profit has been determined, an "apportionment mechanism" would share the tax among the member-states in which the particular group operates, based equally on three factors: payroll and number of employees, sales income, and property (excluding intellectual property).

In effect, therefore, while the EU argues that CCCTB would not have any influence on, or jurisdiction over, national corporation tax rates, the "apportionment mechanism" means that tax apportioned to the member-states would not be related to the profit generated in the different countries but to "apportionment factors" (that is to say, two-thirds of the total consolidated tax would be remitted to the region with the greatest number of workers and plant, regardless of gross value added or profitability).

This would render Ireland's corporation tax rate largely meaningless with respect to the activities of transnationals, as firms would have an incentive to build up "apportionment factors" in low-tax areas, leaving only sales in high-tax environments.

It is feared that the harmonised tax base is the first step towards an EU-wide corporation tax rate —"harmonisation by the back door," as Enda Kenny called it in March 2011 when he ruled out the engagement on which he has now done a U-turn,

now agreeing to "constructively participate" in discussions.

Worrying for Ireland, and unsettling that there is a denial that our position has changed, which it plainly has, just as it has on so many EU-related issues—"burn the bond-holders," for example—now that Fine Gael is in power. It certainly seems that the Government can do exactly what it likes for the next four years with its apparently unassailable majority.

The editors have their say!

"With Italy and Spain infected by the contagion that Ireland, Greece and Portugal were unable to recover from, completing the euro project by creating a fiscal union appears to be the only real alternative to preventing it joining failed monetary unions in the dustbin of history. The issuing of euro-bonds has consequences far beyond finance and economics. For euro zone states to fund themselves with euro bonds would be a step towards full political union. But this has always been the project's ultimate end-point. And for good reason . . . As long as integration is Europe's destiny, it is Ireland's destiny too."—Editorial, *Irish Times,* 16 July 2011.

"Europe will eventually have to operate more like the United States when it comes to raising funds on international markets, but nobody envisages getting to that point for several years at least. But by expanding the European Financial Stability Fund last night, the early outlines of such a system are clearly visible. Europe simply must act collectively when its individual members have critical debt problems and that will eventually mean some kind of Europe-wide debt agency."—Editorial, *Irish Independent,* Saturday 23 July 2011

Film screening

Debtocracy

The Progressive Film Club will be showing the Greek documentary *Debtocracy* at the New Theatre (43 East Essex Street), Dublin, on Saturday 13 August at 2:30 p.m. The film is an investigation of the European debt crisis and its origins, how it affects the people of the peripheral countries, and some ways out of the crisis. Already seen by a million people in Greece, this is its first public showing in Ireland.

"*Debtocracy* makes a compelling case that the entire euro system was rotten from the start."—Aditya Chakrabortty, *Guardian* (London), 9 June 2011.

Further details: www.progressivefilmclub.ie.

23rd Desmond Greaves Summer School, 2011

This year's Desmond Greaves Summer School, a weekend of political thought and discussion, will take place in Dublin on Friday–Sunday 9–11 September at the Pearse Centre (27 Pearse Street, Dublin). Details: www.greavesschool.com.