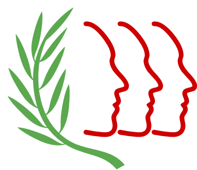

PEOPLE'S NEWS

News Digest of the People's Movement

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EU and IMF demand €10 billion in cuts

Ministers have been ordered to identify potential spending cuts worth €10½ billion from their departmental budgets, including reductions in staff numbers and social welfare in a three-year plan being prepared on foot of demands from the EU and IMF.

And Government departments have been instructed not to hold back from coming up with ways to reduce the number of workers in their area: departments should "put forward options for achieving reductions in staff numbers."

Although the Government is due to reduce expenditure by €2.1 billion next year, departments are being asked to come up with a menu of cuts five times as big. Cuts that are not implemented in the December 2012 budget are expected to feed into reductions to be brought in over the following three years. Next year's budget will contain a package of €3.6 billion in tax increases and spending cuts: €1.5 billion in tax and €2.1 billion in cuts.

And the minister for public expenditure and reform, Brendan Howlin (Labour Party), has complained that some of his colleagues were not pulling their weight in coming up with cuts!

Sarkozy and Merkel want euro-zone "government"

Twice-yearly summits of the heads of the seventeen euro-zone governments are to become the "cornerstone" of the new economic government of the euro zone, according to Nicolas Sarkozy and Angela Merkel. They are also pushing all seventeen states that use the euro to enshrine balanced budgets in their constitutions.

In a letter to the president of the EU Council, Hermann van Rompuy, they say the meetings "will take place twice a year and, if necessary, extraordinary meetings will be called." The meetings should be used to make sure the euro's Stability Pact is being adhered to, "discuss any difficulties encountered by certain member-states, and take the necessary decisions to prevent crises."

The formalisation of the top-level meetings is likely to reignite debate about the merits of deepening the political gap between those countries using the euro and the ten member-states outside the euro zone. Van Rompuy, now in charge of the meetings of the EU Council, representing all twenty-seven governments, is also put forward as a candidate to be the first elected "president" of the economic government on a 2½-year mandate.

Both Merkel and Sarkozy stressed their commitment to defending the common currency, the "foundation of our economic success and the symbol of the political unification of our continent." There has to be "a stronger co-ordination of financial and economic policy" to protect the euro, Merkel said.

Among its concrete points, the letter calls on euro-zone countries to ratify by the end of September rules that would give new bond-buying powers to the euro area's bail-out fund. The German and French governments also recommend that in future countries that do not take steps to correct their excessive deficits should have funds from the EU's structural and cohesion funds suspended.

Sarkozy and Merkel also pledged to harmonise their countries' corporate taxes in a move aimed at showing that the euro zone's largest members are "marching in step" to protect the euro.

Guy Verhofstadt, leader of the Liberals in the European Parliament, said: "It is a quantum step towards a federal union that is needed if the euro is to be saved." But, posing the possibility of a two-speed EU, the German minister for foreign affairs, Guido Westerwelle, has said that any member-state that doesn't implement the Franco-German plan "shouldn't be allowed to stop the rest" from doing so, and that "there should be more differentiated co-operation"—which could suit Ireland very well indeed.

The Germans and French agree again!

France and Germany have agreed plans for a transaction tax as part of a deal to set up a new "true European economic government" for the euro zone; but they demand that the tax hit the entire EU. A transaction tax—also known as a Robin Hood tax,

because it targets rich traders—would see a small percentage taken from foreign exchange and share transactions. But unless the same tax is imposed at the same time in all the world's major markets, banks and dealers would simply leave the IFSC in Dublin and base themselves in New York, Tokyo or Hongkong instead.

It's worth remembering that the IFSC served as an international tax haven for half the world's top fifty banks and half the world's top twenty insurance companies. While Irish banks became indebted to the larger European banks, Ireland also channelled capital from those banks to other peripheral countries. Ireland became the fifth-largest lender in the world to Italy, Greece and Portugal and seventh-largest lender in the world to Spain, exposing Irish banks—and now the Irish people—to debts of €5.1 billion to Portugal, €25.3 billion to Spain, €40.9 billion to Italy, and €7.8 billion to Greece.

Proposals for a tax on financial transactions are often referred to as a Tobin tax after the economist James Tobin, who suggested the idea in 1971. A Tobin tax has often been proposed as a method of transferring a small portion of the wealth of developed countries to the poorer ones—but not in this instance.

Berlusconi instructed to rule by decree

ECB sends a secret letter instructing him to impose new austerity measures

The president of the European Central Bank, Jean-Claude Trichet, and his successor-designate, Mario Draghi (governor of the Bank of Italy), have sent a letter to Italy's prime minister, Silvio Berlusconi, dictating the terms on which the ECB is prepared to buy Italy's increasingly costly debt.

The bank's demands almost amount to a new government programme; the level of detail in the letter must have astonished even the recipient. There are the measures to be taken, and there is the timetable according to which they must be implemented.

Not even the legislative instruments that the ECB asks the government to use have been left out. They included liberalisations, to be imposed by decree; privatisations, including those of companies owned by local authorities, to be begun immediately; and sweeping "reforms" of the labour market to abolish the distinction between cosseted "insiders" (in permanent employment) and "outsiders" (on short-term contracts, with few rights and scant entitlements).

The letter also instructed Berlusconi to enact the radical measures through emergency decree in order to speed up the process. Going through parliament with the necessary scrutiny and amendments would simply be too slow. Berlusconi agreed.

That guy Mitchell again!

The *Tallaght Express* breathlessly reports that some of the girls and boys of Dublin South-West Young Fine Gael recently travelled to Belgium as guests of the presidential aspirant Gay Mitchell. While there they visited NATO headquarters, where they discussed "Ireland's involvement in NATO on a political and military level" with the Irish ambassador and the first secretary of the Irish embassy. (The ambassador doubles as "head of Ireland's Liaison Office to the Partnership for Peace.")

An obviously awestruck chairperson of the Young Fine Gael delegation, Dale McDermott, enthused: *"NATO is a remarkable institution. It has such a big influence on the world stage, and visiting its headquarters and participating in in-depth discussions was very worth while. I think that we need a full and frank debate on our involvement in NATO. In my opinion we need to properly engage with this issue."*

NATO headquarters in Brussels

Remember the second referendum on the Lisbon Treaty and the "guarantees" on "military neutrality," with EU "common defence" and the "European Defence Agency" thrown on the table to con enough people into reversing their original rejection of the treaty?

The "guarantees" did not alter the fact that under the Lisbon Treaty all twenty-seven EU member-states, Ireland included, formally agree to what in essence is a mutual defence pact, to aid and assist other member-states experiencing armed attack *"by*

all the means in their power" (Treaty on European Union, article 42.7) and to progressively expand their "military capabilities"(article 42.3).

Earlier this year, on 19 February, there was a revealing debate in the EU Parliament. By a small majority (293 to 283), members passed a resolution —reciting the usual "phenomena such as international terrorism . . . organised crime, cyber-threats, environmental deterioration, natural disasters and other disasters"—to justify "still closer partnership" between the EU and NATO. An note appended to the resolution was ruthlessly stark. "Without a military dimension the EU is like a barking dog without teeth." And neutrality? "The doctrine of non-alignment, inherited from the cold war era, undermines the alliance of democracies."

"The EU is a unique and essential partner for NATO"

Paragraph 32 of the "Strategic Concept for the Defence and Security of the Members of the North Atlantic Treaty Organisation," adopted by heads of state and heads of government during the NATO summit meeting in Lisbon towards the end of last year, is quite explicit about the NATO-EU dynamic.

An active and effective European Union contributes to the overall security of the Euro-Atlantic area. Therefore the EU is a unique and essential partner for NATO. The two organisations share a majority of members, and all members of both organisations share common values. NATO recognises the importance of a stronger and more capable European defence. We welcome the entry into force of the Lisbon Treaty, which provides a framework for strengthening the EU's capacities to address common security challenges.

Non-EU Allies make a significant contribution to these efforts. For the strategic partnership between NATO and the EU, their fullest involvement in these efforts is essential. NATO and the EU can and should play complementary and mutually reinforcing roles in supporting international peace and security. We are determined to make our contribution to create more favourable circumstances through which we will fully strengthen the strategic partnership with the EU, in the spirit of full mutual openness, transparency, complementarily and respect for the autonomy and institutional integrity of both organisations; enhance our practical co-operation in operations throughout the crisis spectrum, from co-ordinated planning to mutual support in the field; broaden our political consultations to include all issues of common concern, in order to share assessments and perspectives; [and] co-operate more fully in capability development, to minimise duplication and maximise cost-effectiveness.

So, it is understood that "the future collective defence of the European Union" will be organised exclusively within the framework of a NATO-EU alliance. This alliance will not hesitate to deploy its forces in combined civil and military missions to the borders of Pakistan.

Let us examine one small but significant Irish involvement in such a deployment. Well over half a million American soldiers have passed through Shannon Airport on their way to Iraq and Afghanistan. This fact is well known. What is less well known is Ireland's participation in the NATO-led "International Security Assistance Force" in Afghanistan, going on since July 2002.

The ISAF's mission statement defines its role thus: "In support of the Government of the Islamic Republic of Afghanistan, [the] International Security Assistance Force conducts operations in Afghanistan to reduce the capability and will of the insurgency, support the growth in capacity and capability of the Afghan National Security Forces (ANSF), and facilitate improvements in governance and socio-economic development in order to provide a secure environment for sustainable stability that is observable to the population."

Spoofery about "peacekeeping," "conflict prevention" and "humanitarian operations" cannot hide the fact that this is the mission statement of an intervention operating on classic counter-insurgency principles. To wage a successful counter-insurgency you have to kill, by bomb and bullet; and that is what successive Governments signed up to through Ireland's involvement with the ISAF.

The ISAF web site makes the command structure very clear. "On 11 August 2003 NATO assumed leadership of the ISAF operation . . . The Alliance became responsible for the command, co-ordination and planning of the force, including the provision of a force commander and headquarters on the ground in Afghanistan."

While only seven Irish military personnel participate in ISAF, the principle is very clear. Seven, seventy, seven hundred or seven thousand—it makes no difference. As a state contributing to ISAF, Ireland is as responsible for Afghan deaths as the United States and Britain, whose ground troops and air crews are doing most of the killing.

Earlier in their Belgian visit the young Fine Gael people had visited the European Parliament, and Dale McDermott was just as effusive as he had been

at the NATO headquarters. *"Quite frankly, it is an amazing place. This is the heart of Europe. It is where all the important decisions that affect the daily lives of all Europeans are initiated and decided. An astonishing fact that must be noted is that 70 per cent of all legislation in Ireland is in fact European legislation."*

However, what obviously came as a revelation to him did not prompt any serious questioning. For example, with regard to parliamentary institutions he might have further reflected that in 1878, when Irish soldiers last served with an imperial army in Afghanistan, Irish people had proportionately more influence over those imperial institutions than Ireland has today in the EU. In the nineteenth-century British parliament Ireland had 100 votes out of 600 (and Irish nationalists had 70 out of the 100), a greater proportionate influence than the 12 out of 736 in the European Parliament today; and even if you add the three Northern MEPs to the number it does not make for more influence.

Notwithstanding this, Irish democrats were not satisfied with that state of affairs.

It should give us all cause for reflection today.

And further cause for reflection

The Young Fine Gael Summer School, meeting in Galway last weekend, unanimously endorsed the selection by Fine Gael of Gay Mitchell as the party's candidate for president of Ireland. The president of Young Fine Gael, Eric Keane, said: "Gay Mitchell is a man of the greatest integrity who has a strong and focused set of beliefs." Indeed! Trips to NATO for everybody in the audience?

The ECB edges towards being a "bad bank"

The European Central Bank announced last week that it had purchased €22 billion in government bonds, with the majority thought to be from Italy and Spain, bringing the total amount spent under the ECB's bond-buying programme to €96 billion.

The figure was higher than expected, and could still be increased, because some of the purchases were not settled in time to be included in the figure.

Despite the significant purchases, questions still remain over how long the ECB will continue to purchase Italian and Spanish bonds, and how much it is willing to spend. The ECB has a total exposure of €444 billion to the peripheral economies. The official reserve assets of the ECB in June 2011 stood at €580.9 billion.

German Constitutional Court to be taken to court!

The German Constitutional Court has announced that it will present its ruling on the challenge against the euro-zone bail-out on 7 September. Separately, the Europolis Group, made up of fifty-five German entrepreneurs, has announced that they will take the German Constitutional Court to the European Court of Human Rights for refusing to rule on certain questions in their legal challenges against the euro-zone bail-outs. The group say that "in this legal challenge it's not just about the euro but about democracy and the rule of law."

This claim is underlined by a leaked confidential paper by the German minister for finance, Wolfgang Schäuble, which suggests that the Bundestag should have limited control over the EFSF (the euro zone's bail-out fund) and should be allowed only to approve the framework of the fund rather than being involved in its decision-making process. Of course parliamentarians who until now had sovereignty in all monetary questions will be pushed into the role of mere spectators.

What Merkel and Sarkozy now want

Mr Sarkozy said last week as Ms Merkel looked on, "Clearly the debate for Europe today is no longer the same one as yesterday. The Europe of the 27 and soon to be 30 will move more towards a confederation [while euro-zone members] move towards economic convergence. There is a change in concept.

For Christian de Boissieu, head of France's Economic Analysis Council, the conceptual change is that the 17 members of the euro zone are now becoming a more powerful force within the Union of 27. "We are in the transition to a new balance between the euro zone and Europe as a whole," he says. "The crisis is giving the euro zone its own powers **and defining a governance that is not defined by the Treaty of Lisbon.**

Like most other French politicians, Mr Sarkozy maybe hopes that a more powerful euro zone core will help reinforce France's own global influence, despite his country's sluggish economy.

■ From the *Financial Times.*

Eurobonds ruled out by France and Germany

The German and French governments have ruled out eurobonds as a solution to the euro-zone debt crisis. The German minister for finance, Wolfgang

Schäuble, said: "I rule out eurobonds for as long as member-states conduct their own financial policies, and we need different rates of interest in order that there are possible incentives and sanctions to enforce fiscal solidity."

French officials said that "eurobonds would require a much more determined integration of budgetary policy. We do not have that today. It could be a long-term project, but you cannot have eurobonds and at the same time national economic and budgetary policies."

The minister for finance, Michael Noonan, has stated his preference for a system of guarantees that would allow Ireland to obtain access to global bond markets again at competitive rates of interest but is "available for a discussion on the eurobonds."

In the *Financial Times,* Richard Milne argues, "As Keith Wade of Schroders deliciously points out, Europe has had a form of pseudo-Eurobonds in the recent past. After the single currency was introduced in 1999, interest rates for all countries soon converged to that of the strongest, Germany, and stayed there until about 2007. In fact, many of the smaller countries briefly saw their borrowing costs duck below those of Berlin. This loose form of Eurobonds, of course, laid the foundations for the current euro-zone crisis."

Vote on EFSF in the offing

Will we approve the ESM without a referendum?

Ollie Rehn has said that he expects euro-zone countries to quickly agree—by September at the latest—to widen the scope of the European Financial Stability Fund that was agreed at a summit meeting on 21 July; but German legislators have warned that this is over-ambitious.

"The parliamentary procedures are different everywhere," Rehn said. "In some countries a ratification is required but in others it's not. But we've got to quickly enact the measures agreed at the July 21st summit—at the latest in September—to put an end to the uncertainties."

The Dáil returns on 14 September and will most probably seek approval for changes in the EFSF. They may also move to approve the European Stability Mechanism, which involves Ireland shouldering a further €11 billion in loans.

The argument for a referendum may be read in the People's Movement pamphlet on the issue, available in PDF format at www.people.ie.

But the president of the German parliament, Norbert Lammert, poured cold water on the government's plan to have a vote on the EFSF in parliament on 23 September. Lammert, a leader among Angela Merkel's Christian Democrats, spoke out against the government's efforts to rush the measure through the Bundestag.

EU austerity breaks out all over!

Italy's government has approved a €$345\frac{1}{2}$ billion austerity budget that the prime minister, Silvio Berlusconi, said was the result of pressure from Finland, Germany, and the Netherlands. The draft measures—which must still go before parliament for final approval, expected in early September—include a new tax on high-earners and deep cuts to local and national government costs.

They seek to return Italy to a balanced budget in 2013 instead of 2014, as previously planned, and come on top of a €48 billion package agreed in July, when Italy first came under pressure. "It's €20 billion in 2012 and €$25\frac{1}{2}$ billion in 2013," Berlusconi told reporters after the government meeting.

He said the measures were in line with demands from the European Central Bank in return for support given to Italy's bond markets. "This programme goes in the direction of what the ECB recommended," he said. "We therefore decided to meet the demands that the institution was making of us in order to justify itself to other European countries, particularly Germany, the Netherlands, and Finland, for spending public money."

"My heart is bleeding," Berlusconi told reporters, saying tax went against his promise "never to put my hand into the pockets of Italians."

Elsewhere, the Greek minister for finance, Evángelos Venizélos, told the government that an additional €3 to €4 billion in cuts may be needed to account for the larger-than-expected recession, which has resulted in lower-than-expected tax revenue.

Separately, the French prime minister, François Fillon, announced an austerity package aimed at saving €1 billion this year and €11 billion in 2012. The measures include increases on some capital income taxes, the elimination of loopholes in capital gains tax, increases in tobacco and alcohol taxes, and an exceptional tax levy of 3 per cent on the very rich. The plan also contains proposals aimed at harmonising the French tax system with that of Germany, in preparation for the introduction of the common consolidated tax base (CCTB).

Seeking to win over voters who are angry at further belt-tightening before elections next year, Fillon announced that the government would target the rich with a temporary tax on households that

have an income above €500,000 a year, as it aims for a deficit of $4\frac{1}{2}$ per cent of GDP next year. "The reduction of our deficit . . . is a sacrosanct goal," Fillon told a news conference. "It's an economic obligation but also a social obligation, because a country cannot live beyond its means for ever."

Spain's two main parties have reached an agreement on changing the constitution without a referendum, to include limits on public deficit and debt. However, the proposed amendment allows the limits to be overridden in case of natural disasters, economic recession, or other extraordinary circumstances, provided that an absolute majority is achieved.

The constitutional amendment will itself not fix limits but will be accompanied by a law limiting the structural deficit to 0.4 per cent of GDP from 2020—bettering even the German limit of 3 per cent. The law must be approved before 30 June 2012.

Many have argued that a constitutional change should not be made in such a small period and without the consent of the people. It is only the second amendment made to the constitution since it was written in 1978 after the fall of the Franco dictatorship.

Público
PSOE y PP pactan reformar la Constitución sin un referéndum
#yoquierovotar

The mass-selling paper *Público* led the call for a referendum. Spanish unions have also threatened to push for a referendum on the issue. Following the announcement members of the public turned to Twitter to call for a referendum as *"yoquierovotar"* (I want to vote).

A lot has been done —but more is to come

■ By Gavin Barrett, from the *Sunday Business Post,* 21 August 2011.

Gradually, piece by piece, change is happening: off-stage from the attention-grabbing drama of the rescues of individual member states, a "grand bargain" on the economic governance of the euro area which would have been unthinkable even a year-and-a-half ago has been taking shape. We can identify at least six elements:

1. A treaty establishing a permanent and massively more generously-financed replacement for the temporary EFSF (which helped bail out Ireland) was signed on July 11.

2. An amendment to the Lisbon Treaty settlement to facilitate its adoption will be effected in the coming months.

3. Increased powers for the existing EFSF and the ESM funds are being accelerated through national parliaments across the EU, in an attempt to placate volatile markets.

4. The adoption of the European Commission's extensive "six pack" of proposals on EU economic governance is now imminent.

5. The so-called Euro Plus pact, an agreed process aimed at increasing both fiscal discipline and competitiveness, has been signed up to by 23 of the 27 EU member states.

6. Coordination of member state budgets has recently been introduced with the introduction of the annual so-called "European semester."

A lot has therefore been done, but more is to come.

Rabbitte sells out!

■ This article is based on a press statement by Cllr Cian O'Callaghan (Labour Party).

A report by the US Government Accountability Office in 2007 found that Ireland has the second-lowest government take on oil and gas deposits of 142 countries studied.

The Department of Communications, Marine and Natural Resources reported in 2006 that government takes around the world range from 25 to 90 per cent. It further found that the European average government take excluding Ireland is between 35 and 65 per cent. The assertion that the Irish Government take at 25 per cent compares favourably rings true only for the corporations that wish to exploit our resources. For the rest of us it represents an insane act of economic treason, offering to give away some €750 billion worth of oil and gas over the coming decades at the worst possible terms and conditions for the Irish people and Irish economy.

The headline figure of 25 per cent tax cited by Rabbitte will never be applied under our current taxation regime because of the generous availability of tax loopholes to offset exploration and drilling costs. Recent research by William Hederman (see www.irishoilandgas.com) reveals that corporations may pay as little as 7 per cent of the income from Irish oil and gas fields. The application of tax on declared profits only and not on the actual wealth and value of the oil and gas reserves further benefits oil corporations to our detriment.

Rabbitte further argues that a lack of interest from transnational companies in Ireland over the last two decades vindicates the tax regime that was

established by Fianna Fáil. He fails to acknowledge that our oil and gas reserves are now a much more attractive proposition for exploration and drilling than two decades ago. There are three main reasons for this:

• Firstly, as larger oil and gas deposits elsewhere are depleted, attention is turning to smaller deposits, such as those on our offshore.

• Secondly, rising oil and gas prices determine that smaller deposits are now a viable proposition.

• Thirdly, technological advances in exploration and resource exploitation over the last two decades have increased profitability rates from smaller fields.

These three changes have dramatically altered the oil and gas exploration market, requiring that we urgently re-examine our tax take before the latest round of licences are granted. It is time that we ditched the failed economic policies of Fianna Fáil, and instead we should adopt at least the European norm in tax take for oil and gas.

It is absolutely certain that our offshore fields will be exploited over time. The only question is, Will we benefit from the exploration of the natural resources that we own?

The future of the euro in the balance?

An opinion poll commissioned by the Dutch newspaper *AD* found that 48 per cent of those questioned want the Netherlands to leave the euro, while a survey by *De Hond* showed that 54 per cent of Dutch voters want Greece and other peripheral countries expelled from the euro zone rather than being rescued again. The opinion poll also showed that 60 per cent want the Netherlands to stop lending to other euro-zone countries.

31 per cent of Germans believe the euro will disappear by 2021, according to a survey published by the German paper *Bild am Sonntag*. According to a Yougov poll, 58 per cent of respondents in Germany and 53 per cent in France want Greece to leave the euro zone. The survey also showed that 44 per cent of Germans want Germany to leave the euro zone, compared with 48 per cent who want it to stay in.

Greaves School on the EU

This year's Desmond Greaves Summer School will take place in Dublin on Friday–Sunday 9–11 September at the Pearse Centre (27 Pearse Street), Dublin. Two items on the programme may be of particular interest to readers:

Friday 9 September, 7:30 p.m.
The international economic crisis: Making the periphery pay

Speaker: Fred Magdoff (professor emeritus, University of Vermont, director of the Monthly Review Foundation, has written on the explosion of debt and speculation and the current financial crisis in America's leading radical journal, *Monthly Review*). Chairperson: Cllr Catherine Connolly (Galway City Council).

Saturday 10 September, 2 p.m.
Ireland and the euro-zone crisis

Speakers: Anthony Coughlan (director, National Platform), **Fabio de Masi** (consultant to the chief economist of Die Linke in the German Bundestag). Chairperson: Karen Devine (School of Law and Government, DCU).