# PEOPLE'S NEWS

*News Digest of the People's Movement*

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## *Robbing the people to pay the bankers*


The decision to hand over €1 billion to unguaranteed and unsecured AIB bondholders reveals once again the priorities of this government. It prefers to favour financial speculators rather than look after the health and welfare of the sick and vulnerable in our society.

And while the government hands over a billion euros, another 1,200 people leave our country every week, the majority of them under the age of twenty-five. They simply have no hope that this country will ever be able to recover in this generation.

The repayment of this debt is unsustainable, and no amount of posturing by Enda Kenny can disguise that fact. Even if we did garner the support of our "partners" in Europe for an amelioration along the lines "agreed," it is estimated that it would only cut our accumulated sovereign debt by a relatively insignificant amount. The only long-term answer is to decouple sovereign and bank debt ourselves; and it's high time this debate began.

## *This is what's ahead!*

An EU banking and financial union is being presented by the Irish establishment as the solution to our travails. In other words, we will adopt—despite the Labour Party's pre-election blather—the Frankfurt and Berlin economic way, or "Agenda 2010."

Agenda 2010 was the brainchild of the German coalition government of 2003 of the Social Democrats and Green Party. Gerhard Schröder, then chancellor, spends some of his time—for which he no doubt gets paid handsomely—extolling the virtues of this economic plan. Speaking last April in Belgium, he explained that "Agenda 2010 . . . adjusted the welfare systems in order to make it possible to pay for the welfare state and to enable it to deal with the challenges of the future. We reformed the labour market, pushed through longer working lives, and initiated pension reform by creating a second pillar in the shape of investment-based retirement provision."

Schröder's description of these "reforms" naturally appears benign. Wikipedia, not the most revolutionary source, has a more telling description: "The programme closely resembles similar measures taken earlier in the USA (Reaganomics) and the UK (Thatcherism)." It included "tax cuts as well as big cuts in the cost absorption for medical treatment and drastic cuts in pension benefits and in unemployment benefit alike."

So that is what our Irish politicians will have us sign up to.

The German economy may well be the strongest in Europe, but Agenda 2010 has not had a positive effect on the lives of working people in Germany. On 29 September there were large demonstrations throughout Germany in opposition to the policies of Agenda 2010 and calling for the rich to pay their fair share of taxes.

Agenda 2010 might lie behind Germany's solid economic growth today, but it is at the expense of workers. Almost one in four German workers (23 per cent) cannot survive on their earnings and therefore have to rely on the state's income supplement, while 86 per cent have "mini-jobs" (as the media affectionately call them) on very exploitative rates of pay.

Young people under twenty-five in particular are suffering the most. In 1995, 35 per cent of them depended on the state to supplement their income; this figure is now 51 per cent. And while the architects of Agenda 2010 claimed the low-wage sector would have a springboard function, creating better permanent employment, the opposite has been the case. The prospects of permanent employment have decreased.

The slashing of pensions has naturally been felt by the elderly. In 2000 there were 480,000 old-age pensioners in Germany who had “mini-jobs.” Last year that figure had increased by 60 per cent, to 760,000. Particularly disturbing is the fact 118,000 of these workers are aged seventy-five or over.

Research has also shown that German wages, in real terms, between 2000 and 2010 have decreased for all employees except those in the top two tenths.

**Average gross monthly income in real terms, per decile, 2000–2010**

| | 2000 | 2005 | 2010 | Relative change | Absolute change |
|---|---|---|---|---|---|
| 1st tenth | 320 | 289 | 259 | −19.1% | −€61 |
| 2nd tenth | 798 | 636 | 614 | −23.1% | −€184 |
| 3rd tenth | 1,290 | 1,120 | 1,048 | −18.8% | −€242 |
| 4th tenth | 1,658 | 1,520 | 1,440 | −13.1% | −€218 |
| 5th tenth | 1,958 | 1,902 | 1,798 | −8.2% | −€160 |
| 6th tenth | 2,253 | 2,245 | 2,162 | −4.0% | −€91 |
| 7th tenth | 2,554 | 2,573 | 2,485 | −2.7% | −€69 |
| 8th tenth | 2,865 | 2,967 | 2,845 | −0.7% | −€20 |
| 9th tenth | 3,434 | 3,543 | 3,440 | 0.2% | €6 |
| 10th tenth | 5,368 | 5,340 | 5,481 | 2.1% | €113 |
| Mean average | 2,229 | 2,201 | 2,136 | −4.2% | −€93 |
| Median average | 2,096 | 2,087 | 1,941 | −7.4% | −€155 |

*Source: Deutsches Institut für Wirtschaftsforschung [German Institute for Economic Research], Berlin.*

According to this study, the average monthly income over the last decade, in real terms, declined by €93.

An article in *Der Spiegel* in November 2011 stated: “The trend continues—and that’s not just in the low-wage sector. It is the flip side of a success story: while Germany came through the recent crisis better than any other European country. The job market is booming, there is even an absence of apprentices. But . . . wages over the past decade remained below inflation.”

But if the workers in all sectors did not gain financially from Agenda 2010, the employers certainly did. As the graph below shows, from 2003, with the advent of Agenda 2010, there was a steep rise in share prices—a good indicator of profits and divi-

**Share prices, thirty largest German companies, 1972–2012**


*Source: DAX (German Share Index)*

dends to come. (DAX measures the performance of the thirty largest German companies in terms of order-book volume and market capitalisation.) Despite the financial crisis, these shares rebounded, while at the same time the real income of employees continued to decline.

Let’s leave the last word to the hero of the moment, Gerhard Schröder. “The European crisis provides us with an opportunity . . . The crisis provides the political justification for what is a necessary and occasionally harsh policy of reform . . .

“Only a united Europe can survive in the midst of global political and economic competition, as on its own a nation-state is simply too weak. That is why the nation-states and the European Union as a whole need to go ahead with a reform process. Germany has found an answer in Agenda 2010.”

## *How Deutsche Welle sees the Pringle case*

Deutsche Welle

■ **From Deutsche Welle (Germany’s international broadcaster), 26 September 2012.**

The independent MP Thomas Pringle will challenge the ESM in the European Court of Justice That the ESM contravenes the EU treaties is the basis of Thomas Pringle’s case, which he initially made to the High Court in April 2012. After his case was dismissed, Pringle immediately referred it to the higher authority of the Supreme Court of Ireland.

Pringle argues that the Irish government broke the law when it agreed to the ESM. In addition, he argues that the minister for finance, as the national representative, is on the EMS Board of Governors and that this is not constitutional. Pringle says the ESM breaches EU treaties, not just because the “no bail-out” clause has been violated and because there is no legal protection against the ESM but also because the ESM is a new instrument that exists beyond the reach of EU treaties.

Although the Supreme Court dismissed some of Pringle’s arguments, the court did refer his case to the European Court of Justice in Luxembourg. The trial is expected to take place on 23 October.

The 45-year-old Pringle is glad that Luxembourg will now be handling the matter. "Here in Ireland we have a unique situation where the EU treaties are part of our own constitution. Therefore the Irish courts are obliged to appeal to the court before they can decide on the impact of EU law.

## A case for potential disaster

The Irish government contradicts Pringle's arguments. It points to the urgency of the ratification of the ESM—not just for Europe but also for the present economic situation in Ireland. The country, which was one of the first countries to receive euro bail-out funds under the European Financial Stability Facility, has been slowly recovering from the debt crisis. Even the German government aligned itself with this euro-rescue instrument during the case against the ESM. And that's not the only place where Matthias Kumm, a European law expert, sees parallels to the German constitutional complaint. "Like the case that went before the German constitutional court," he says, "it is also a potentially explosive case."

Mattias Kumm, professor of law at the Social Science Research Centre in Berlin and now a fellow at the European University Institute in Florence, says it's theoretically possible that the European Court could rule against the ESM. "It's not possible to resolve the euro debt crisis by creating non-European institutions and procedures outside EU treaties," he said.

It's the first time that the ECJ in Luxembourg will rule on the ESM. The German Federal Constitutional Court—unlike the Irish Supreme Court—has not submitted European legal questions to the Luxembourg judges. Andreas Voßkuhle, president of the Constitutional Court and chairperson of the Second Senate, stated when he presented his decision on the ESM in mid-September that the court had not examined questions of European law.

## Challenges to the European Court of Justice

As one can see, Thomas Pringle is not alone with his concerns. The German plaintiffs have also brought action on account of the fact that provisions of the EU treaties were not adhered to, such as with the "no bail-out" clause. But the issue of the ESM's legality so far has not been resolved. According to Mattias Kumm, national constitutional courts are limited in their examination of whether the ESM is compatible with their country's laws. "It may well be

that the ESM is problematic in European legal terms, but that's not relevant for national constitutional courts as long as their constitution is not violated," he said.

Kumm concedes that there has also been a level of competitiveness evident between national courts and the ECJ. Germany's Federal Constitutional Court has never presented a question of law to the European Court of Justice. "The practice of the highest constitutional courts shows that the highest courts are particularly keen to have precedents."

There are definitely certain conflicts of authority regarding the question of who has the right of final decision, says Kumm, and Ireland's special legal situation makes the Pringle case to the ECJ in Luxembourg compelling.

## Unlawful bail-out?

On the ESM the German Constitutional Court made another "yes, but" ruling.

At the very least, the role the ECJ plays will be strengthened in the fiscal pact, especially given its authority to examine the case. However, the court does not have this right to decide on the permanent euro bail-out fund, and that, in particular, is a problem, according to Mattias Kumm. "There are decisions largely decided by the will of the EU member-states without the involvement of European institutions, without the involvement of parliaments, and without judicial review by the ECJ."

Thomas Pringle hopes that the Luxembourg judges take his stand on this matter when it goes to the court on 23 October. He and his lawyer, Joe Noonan, will, of course, be present. He explains that he wants to see his case strongly argued in this particular court. He expects that the ECJ will take much time to consider his arguments fairly and will test whether the ESM treaty complies with EU treaties, because in the end it's the court that will be entrusted with the protection of the treaties.

"I believe that the ESM isn't compatible with the EU treaties, and I hope that the ECJ also sees it this way," says Pringle.

# MEPs vote to finance EU lobbyist "expert" groups

Members of the Budget Committee of the European Parliament have granted €2 million to European Commission expert groups after the Commission agreed to implement new transparency legislation.

The expert groups—many of which are corporate lobbyists and were selected by the Commission—helped it to draft the legislation.

As we have pointed out before, public interest groups are vastly under-represented, and as a result we see business-friendly laws emanating from the EU that fail to protect the wider interests of society.

The pro-transparency groups Corporate Europe Observatory and Alter-EU have found that big-business lobbyists dominate two-thirds of the advisory groups in the Commission's department for enterprise and so are actively involved in drafting legislation that "originates" with the Commission.

## Ireland's EU presidency

### Why do we have to spend twice as much as Denmark?

The *Examiner* estimates that Ireland will spend at least €70 million to host the EU presidency next year, while the government estimates that it will spend €63 million. This is in contrast to a cap of €35 million that Denmark, which held the presidency from January to June 2012, imposed to provide a "low-cost" presidency in the light of the financial crisis throughout the EU.

In 2004 Ireland spent €90 million, but this time meetings of the European Council, with their associated high security and razzmatazz, will be held in Brussels. So why do we have to spend twice as much as Denmark while the government is about to impose one of the harshest budgets ever?

## "Our partners in Europe"

Below are listed Ireland's subscriptions to the European Union for 2011, as published in the government's financial accounts for 2011. They make instructive reading!

| | |
|---|---|
| Customs duties | €200,000,000 |
| VAT | €193,000,000 |
| Payments related to gross national income | €956,000,000 |
| Total subscriptions to EU | €1,352,369,000 |
| Total receipts from EU | €56,193,000 |

So we gave the EU almost €1.3 billion more than we received in regional or cohesion funds; and, for the record, with massive unemployment and unprecedented pressure on social services, we received €13.022 million, or 1 per cent of our subscriptions, in transfers from the EU Social Solidarity Fund. The budgeted contribution to the EU for 2012 shows an increase of 3.7 per cent.

## Helping to maintain Petronas Towers!

And here's something else you mightn't know: the same accounts show that PSE Kinsale Energy Ltd received payments of €6.3 million in 2010 and €2.8 million in 2011.

These were remittances to the company of a proportion of tax and royalties paid to the state. Partial remittance is provided for under article X of an agreement in 1959 between Marathon Petroleum and the state covering the exploration and development of the Kinsale gas field and under the Finance Act (1992).

PSE Kinsale Energy Ltd is a subsidiary of Petronas, which acquired Marathon Petroleum Ireland Ltd in 2009. So this money went to Malaysia, while our gas is sold to us at commercial rates!

■ Read more at www.finance.gov.ie.

## Permanent austerity ahead—one way or the other!

Euro-zone countries would have to sign binding contracts with Brussels, committing them to detailed fiscal reform that would increase the bloc's control over national economic policies, according to a leaked draft of the conclusions of the EU summit of 18–19 October.

The provision would require euro-zone countries to sign up to the kind of programmes negotiated only with bail-out countries.

The move will probably will require a major change in EU treaties, as it removes significant powers from national finance ministers, introducing permanent bail-out conditions and permanent austerity. Coupled with other proposals from Barroso and van Rompuy (outlined in a previous issue) it raises again the question of how much sovereignty national governments would cede to a supranational institution.

Van Rompuy is to come up with a plan for a euro-zone economic union by the end of the year, with the creation of a central euro-zone budget; but both plans raise the spectre of a "two-speed Europe," with the members of the euro zone embracing closer economic co-ordination, leaving the non-euro states "behind."

A two-speed EU would probably suit Ireland if we stuck to the slow lane, but, as with so many possible options, a government fixated on being the "good boys and girls" of the EU simply does not consider it.


## French economists say No to the Austerity Treaty!

*Le Monde* has published a feature article signed by more than 120 French economists calling for a rejection of the Austerity Treaty, and it estimates that approximately sixty-five members of the French parliament would either abstain or vote against its ratification. Below is a synopsis.

Since 2008 the European Union has been facing an unprecedented economic crisis. Contrary to the claims of liberal economists, the crisis is not due to public debt: Spain and Ireland are now under attack by financial markets, but these countries have always respected the Maastricht criteria. Rising deficits are a consequence of the fall in tax revenue, caused in part by tax gifts made to the more affluent, the assistance provided to commercial banks, and the use of financial markets to hold debt interest rates high.

The crisis is also due to the total lack of regulation of credit and capital flows, at the expense of employment, services, and public productive activities. The crisis is maintained by a European Central Bank that unconditionally supports private banks and now requires a "strict conditionality" when it comes to playing the role of "lender of last resort."

In addition, this crisis is compounded by tax dumping and the prohibition on the ECB lending directly to states for future expenditure, unlike other central banks around the world, such as the Federal Reserve in the United States.

François Hollande, after pledging during the campaign to renegotiate the treaty, now chooses to pursue the policy of austerity begun by his predecessors, even though there have been no changes. It is a tragic mistake. The addition of a pseudo-Growth Pact, adding up to paltry amounts, was accompanied by the acceptance of the "golden rule" budget championed by Merkel and Sarkozy.

The social and environmental challenges are immense. It is possible to undo the dismal record of liberal policies in France, including 5 million unemployed and 10 million poor people. To be given the means we must break the stranglehold of the financial markets. That is why we reject the ratification of the European treaty on stability, co-ordination, and governance.

## The great fish give-away!

The incident got an embarrassed coverage in some of the media but most of the "great and the good" hoped that people would soon forget. It wasn't as explosive as the Cowen-Lenihan blanket guarantee to the banks, NAMA, the ravaging of the country's domestic economy, the austerity. or the "loss of our economic sovereignty" that government ministers love to trot out as a justification for every assault on what is left of the country's humanity and national dignity, but in many ways it was as significant.

The owner and skipper of a fishing boat, the *Saltees Quest,* from Kilmore Quay, Co. Wexford, chose to give away the excess catch of monkfish rather than discard it at sea after the vessel exceeded its EU quota. The owner said he took the action to publicise the rule under common fisheries policy that requires catches that exceed allowances to be thrown back into the sea. Discarded fish rarely survive long, leading to massive waste and depletion of stocks. Whereas 8 per cent of catches globally are discarded every year, fisheries in Europe often discard as much as 72 per cent.

But the *Saltees Quest,* instead of throwing the excess fish overboard, brought it into Kilmore Quay, where some €13,000 worth was distributed free of charge to hundreds of grateful local people.

The Sea Fisheries Protection Authority is preparing a criminal file for the Director of Public Prosecutions. It stated:

EU regulations allocate a national quota for certain fish species, and all fishing vessels are obliged to work within the allocated quota for their boat size.

If a fishing vessel catches more than their quota of a species, the normal outcome is discarding of the surplus at sea . . .

All catches landed, including these fish which had been undeclared as "discards," are counted against the national quota. Therefore bringing these fish ashore is the utilisation of a national resource and will detract from the quota available for allocation.

EU regulations allocate a national quota for certain fish species, and all fishing vessels are obliged to work within the allocated quota for their boat size.

A prudent response would be to alter that operation—change fishing grounds or fishing techniques to try to avoid unwanted catches in the first instance. The quantities brought ashore as "discards" in this morning's landing are not consistent with this type of responsible fishing.

The response of the skipper of the *Saltees Quest*, Jimmy Byrne, was: *"This is no accident, the bringing in of this fish, for I'm making a statement. There is no hiding of fish, for I placed the extra boxes of fish on the pier for the people to take home.*

*"They [the SFPA] have no protocol for honesty. Everything I did was honest. I kept some 3,000 kilos of monkfish, which was over the quota, put it up on the wall of the pier for the people. I did not benefit from it; the boat owner or crew did not benefit from it. I was making a statement that I will not dump the fish at sea. The Irish government wants me to brush all this up, dump the fish at sea, and say nothing. In Irish waters, the French have 47 per cent of the monkfish quota, the Spanish have 22 per cent, while us Paddys have only 7 per cent in our own waters."*

The owner of the *Saltees Quest*, Séamus O'Flaherty—who has been a fisherman for more than thirty years—said he is willing to go to jail in protest against the rule. *"When I landed the 5,000 kilos of monkfish yesterday, that was the monthly quota fished in five days. So I cannot fish monkfish for another three weeks. What we now have is a graveyard of fish in Irish fishing grounds.*

*"Ireland has the richest fishing waters in all of Europe . . . We are fighting for a fair share of the quota for each year. The French cannot even catch their quota. Ireland is the only country in Europe where one is criminalised for a fishing offence.*

*"Lots of fishermen have been driven to give up their livelihoods over this. The practice of dumping the catch overboard is shameful and it is one that we are more than tired of. We are not prepared to buckle on this. We are better off in prison, as we're already in a prison of debt as it is."*

He said he intends to continue to hand out the free fish for "as long as it takes."

It is reported that fishermen in several other counties have stated their intention to join the protest.

Under the common fisheries policy, the value of the catches taken by foreign fishermen from Ireland's lost fishing waters are estimated to be greater than all the money the country received from EU funds since it joined in 1973.

The People's Movement believes that consideration should be given to a demand for a specific provision in the Constitution of Ireland that would state that the fishing stocks surrounding Ireland are the nation's common asset. On this basis, the allocation of quotas can be no more than a provisional right of utilisation and under no circumstances should create a right of ownership or irrevocable control of quotas by individual parties.

The objective of a proper fisheries policy must be to ensure sustainable and environmentally responsible fisheries in Irish waters that create value and jobs while also being in compliance with international commitments to protect ecosystems, the biosphere, and the seabed.

Fisheries can play an important role in the economic recovery ahead. It is therefore extremely important to create the best possible operating environment for the industry and reinforce its long-term operating potential.

## *Junk jobs—who's next?*

In the recent past, trade unionists have expressed concern at the effect that judgements of the European Court of Justice—such as the Laval and Viking cases—will prove to have on working conditions throughout the EU. However, the government of Poland—dubbed the EU's latest "success story"—has come up with a more novel plan to super-exploit its working people.

With the approval of Brussels, it has been developing a "dynamic" relationship with China by setting up "special economic zones" in which corporation tax is a fiction and ECJ judgements are irrelevant, as junk jobs are the norm. Some light has been shone on these SEZs through a strike that took place during the summer in Poland.

LG Life's Good

Life's good! Well, that's what the advertisers for LG would have us believe. But life isn't so good for those working on LG products in the Chung Hong factory in one of Poland's "special economic zones." In July a group of these workers organised a perfectly legitimate strike, only to find twenty-five of their number being locked out and sacked.

The authorities would prefer to ignore this industrial dispute, but it has shone a light on a growing trend in industrial relations in Poland. There are now fourteen SEZs in Poland, which are hailed by the Polish government and the EU as a huge success.

They offer foreign firms special tax breaks and incentives to establish in Poland. While the financial benefits to these companies is unknown, one state agency has estimated that between 2007 and 2010, 1.69 billion złoty was paid out by the Polish state—equivalent to 22 per cent of the government's national health expenditure.

Alas, the owners of the Chung Hong factory have proved not to be equally generous to their workers. This particular factory was opened in 2007 in the Tarnobrzeg SEZ near Wrocław, and it is all part of the growing Polish-EU drive to develop economic links with China.

Workers here earned between €335 and €360 per month, while temporary workers earned €310 a month. (The average pay in Poland is €870 per month.) Working conditions for the mostly female work force were equally poor. There were no child-care facilities. Most workers were bussed each day 60 km to the factory, where they worked an eight-hour day with one twenty-minute break and were usually expected to work overtime.


Most if not all of the workers were on fixed-term six-month "junk contracts." By law, after this period they should be made permanent, but Chung Hong fired and then re-hired the workers. This makes life good for the employers: workers can be disposed of and their rights strictly limited. This is called a "flexible working regime."

Since 2000 this form of employment has grown massively. In the period 2000–2011 junk contracts in Poland soared from 5.8 to 26.9 per cent of the total, the highest in the EU and double the EU average.

Twenty-five sacked Chung Hong workers now face an uncertain future. They are being refused social welfare because they dared to oppose what Brussels and Warsaw have been presenting as Poland's economic success: the super-exploitation of Polish workers.

## *Yes, it's that man again!*

Pat Cox has announced that Ukraine's coming parliamentary elections will be "decisive" for the country's future relations with the European Union.

Cox—joint head of the EU's monitoring mission to Ukraine—stressed the importance of Ukraine being able to enjoy "free and fair" elections. He warned that "momentum in EU-Ukraine relations has stalled" but thanked the office of the Ukrainian prime minister, Mykola Azarov, which he said had opened many doors and files for the mission!

The president of the EU Parliament, Martin Shultz, has said that the monitoring mission would be suspended during the election process, to prevent Cox being "instrumentalised" as a tool of the campaign! It's a pity the parliament didn't show similar concern for democracy and decommission Cox during the Lisbon and Austerity Treaty referendums.

## *Poland to remain outside the euro*

Poland, the largest EU country outside the euro, would adopt the euro only when it believed its future and safety were completely assured, according to the minister of finance, Jacek Rostowski. "We are not interested in joining a euro zone that might subsequently collapse," he said.

Public support in Poland for the euro has dissipated in recent years: opinion polls show that about two-thirds of the public is opposed. The government is particularly concerned that any common supervisor should be subjected to democratic controls. "Imagine a situation in which the single supervisor makes major mistakes and imposes major costs on the taxpayers of one or several euro-zone countries," Rostowski said. "We believe that if we have an unaccountable single euro-zone [banking] supervisor, we may be sowing the seeds of a major euro-zone crisis five or ten years down the line.

"If that supervisor were not properly accountable to the suitable European and national authorities, then you can imagine that such a situation would cause a major political crisis."

He said Poland had no immediate intention of joining such a system, calling the European Commission's proposals on banking supervision "unacceptable."

## *Vice-president of EU Parliament proposes peace project*

Alejo Vidal-Quadras is hardly a household name, but he is one of the vice-presidents of the European Parliament. He is a member of the ruling People's Party, and he has the answer for the uppity Catalans: send in the Guardia Civil!

Commenting on the tense situation in Catalunya, and the recent calls for a referendum on independence, he helpfully declared that *"things must be said clearly. The pledge to call a referendum is illegal. An institution of the Spanish government, the Catalan parliament, has made a decision against the existing system.*

*"Further to taking this decision to court, the government has to get in touch with the Catalan president, Artur Mas, and tell him, 'What you've done breaches the law. Rectify it, or else we will have to intervene.' If Mas refuses to do so, the Spanish Senate votes, the Catalan parliament is dissolved, the Catalan government goes home, and a delegation of the central government takes over power in Catalunya.*

*"A brigade-general of the Spanish Guardia Civil . . . takes over from the Mossos d'Esquadra—Catalunya's regional police corps. And that's it. If people take to the street, so be it, but they can't keep demonstrating for more than a month. Demonstrations don't feed the people. If they persist with this rebel attitude, the government has to intervene in the rebel region."*

## Blood from a stone!

The EU-IMF-ECB troika is demanding that Greece find a further €1.4 billion in savings for next year, as it believes the Greek economy will contract by 5 per cent in 2013, more than the government forecast of a 3.8 per cent contraction.

Meanwhile, offshore natural gas could dramatically change Greece's fortunes if early estimates of €464 billion worth of reserves are confirmed, according to a study presented to the prime minister, Antónis Samarás. The study, collating existing scientific data, points to strategically significant reserves in Greek waters south of Crete in the region of $3\frac{1}{2}$ trillion cubic metres—enough to cover over six years of EU gas demand and the equivalent of about $1\frac{1}{2}$ billion barrels of oil.

Presenting their findings, the authors of the study—Antonis Foscolos, Elias Konofagos, and Nikos Lygeros—said they expected the reserves to generate €464 billion in state earnings over twenty-five years. "We feel this is a very conservative figure," said Konofagos, whose company, Flow Energy, informally advises the government on energy strategy.

Another study, published in the *Journal of Environmental Science and Engineering* in June, estimated that Greece had 4 trillion cubic metres of gas and a further 3 billion barrels of crude oil.

Let's hope they don't follow the Irish example!

## Who's kidding who?

The recent joint statement by the German, Dutch and Finnish finance ministers that the old debt of troubled banks should not be put on the euro-zone bail-out fund's books exposes the carefully constructed myth built up by the Irish government that it is winning the argument in relation to a solution to the socialised corporate debt—the bank guarantee—imposed on the Irish people to save the euro and the German finance houses.

Enda Kenny claims that the decision in June had affirmed that it was imperative to break the link between banks and sovereigns and examine the situation of the Irish financial sector to further improve the sustainability of the well-performing adjustment programme.

Kenny claims that the heads of state and government made two important decisions on 29 June. The first was: "We affirm that it is imperative to break the vicious circle between banks and sovereigns." The second related specifically to Ireland: "The Euro Group will examine the situation of the Irish financial sector with the view of further improving the sustainability of the well-performing adjustment programme. Similar cases will be treated equally."

But the trio's statement clearly says that "legacy assets should be under the responsibility of national authorities." What this means in effect is that we must take full responsibility and pay for this debt, which was created by the banks in the core countries; but if in the future the German banks get into trouble, the European Central Bank should take responsibility. We would therefore be contributing to paying German bank debts through the ESM mechanism.

Nevertheless, the president of the Commission, José Manuel Barroso, has urged EU leaders not to renege on their pledge to break the link between bank and sovereign debt! "I will make clear at the next European Council in October that we must stick to the commitments we made in June," Barroso said. "It is a question of credibility for the EU and for all the member-states that are our union."

Austerity and debt repayment are now effectually built in to the very fabric of the EU and in particular the structured debt relationship between the central powers and the peoples of the peripheral countries. In the immediate term, repudiation of the debt is the only way forward, as the debt is simply not payable.

A government statement emphasised that it is in the nature of EU business that there may be differences of interpretation but insisting that one thing is clear: the principle of breaking the link between the sovereign debt and banks has been agreed by heads of state and government.

But the EU commissioner for economic and monetary affairs, Olli Rehn, said there were "different interpretations" of what was agreed at the June summit, while the president of the Bundesbank, Jens Weidmann, has added his support to the view that the ESM, the euro-zone's permanent bail-out mechanism, can be responsible only for bank bail-outs that take place after the ECB becomes the euro zone's single financial supervisor.

A Commission spokesperson played down the statement as a "negotiating position," as the technicalities of the new supervisory body and the ESM are still to be ironed out. "It's just a normal process that, after the political guidance that was given by the heads of state and government, there is technical work on the different elements, different details, and the different guidelines that have to be fleshed out to allow the proper implementation of this financial instrument at the beginning of next year."

So that's it? It was only political guidance? And what chance Ireland winning over Germany?

## German social-democrats eye corporation tax

The main opposition party in Germany, the Social Democratic Party, has chosen a former minister of finance, Peer Steinbrück, to lead the challenge against Angela Merkel in the coming elections.

Steinbrück has had many dealings with Ireland, mostly involving the rescue of German-owned banks operating in the IFSC. He sees a clear link between their misfortunes and Ireland's low corporate tax. In June he described it as an "unacceptable" source of "ruinous and unfair competition" that should be tackled.

## Euro-zone unemployment hits 18.2 million

Unemployment in the euro zone remained at a record level in August, staying steady at 11.4 per cent—an increase of 1.2 per cent over 2011.

Youth unemployment in the seventeen-member single-currency area rose from 20.7 per cent in 2011 to 22.8 per cent this year, showing the effect of the financial crisis on future generations.

Figures from Eurostat's show 18.2 million people out of work in the euro zone, with Spain (25.1 per cent) having the highest rate of unemployment.

These figures come after the EU Commission issued a stark warning of "a real social emergency crisis" because of increased household poverty and decreased household income.

## British Labour and an EU referendum

A member of the British Labour Party's shadow cabinet, Jim Murphy, has suggested that Britain should hold an "in or out" referendum on EU membership once the future shape of the euro zone has become clear.

A former minister for Europe, Peter Hain, said a referendum was inevitable. He told a fringe event at the Labour Party conference that Tony Blair had tried to resist calls for a referendum on the eventually abandoned European constitution, and that the Labour Party should not "get on the wrong side of the democratic argument" again.

## Can struggling euro-zone countries achieve "internal devaluation"?

Open Europe has published a new briefing that looks at the degree of "internal devaluation" needed in struggling countries to keep the euro zone intact —and whether citizens are likely to be able to stomach such adjustments.

The report states that Spain, Italy and Ireland, in particular, can still in theory achieve the internal devaluation needed to become reasonably competitive with Germany. By 2011 Spain had achieved more than half its scheduled internal devaluation, while Ireland has managed over 80 per cent and Italy has to reduce its labour costs by another 10 per cent. Portugal and Greece will both struggle to achieve the necessary devaluation.

The report concludes that, although large-scale internal devaluation is economically necessary, it may prove to be too politically explosive, at least within the time limit now envisaged.

■ www.openeurope.org.

## Cyprus to leave the euro?

Cyprus may have to consider an exit from the euro zone if international lenders impose excessively painful austerity measures as a condition for a bail-out, the head of its ruling party has said.

Ándros Kyprianoú, whose AKEL party is the primary backer of the left-wing government headed by Dimítris Christófias, said such a strategy could be considered if austerity becomes unbearable.

"If the troika insists on very painful measures to remain in the euro zone, should we dig our heels in and say we won't leave the euro zone because this is important, and we will remain, however painful the measures may be?

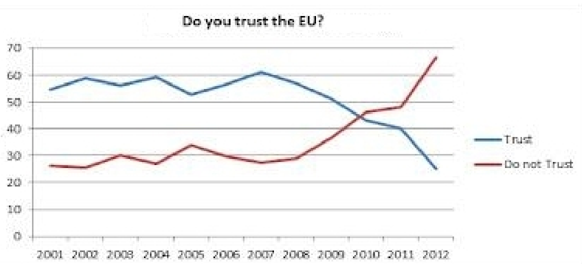
"I am certainly leaving this open. I am not prejudging what we will do, but what I am saying is, These issues must be discussed very seriously if we want to serve the interests of the Cypriot people."

Cyprus became the fifth country in the seventeen-member euro zone to seek some form of international aid in June, when its banks needed state help to cover massive losses on their exposures in debt-crippled Greece. It adopted the euro in 2008, four years after joining the European Union.

Leaked documents show that the troika—lenders from the International Monetary Fund, the European Central Bank, and the European Commission—have demanded pay cuts in the public sector, privatisations, and pension "reforms," though negotiations with Cyprus are inconclusive as the government prepares counter-proposals.

But the troika's suggestions will not go down well with a highly unionised public sector, particularly before a general election scheduled for February 2013.

## It's a question of trust!




*Source: Eurobarometer*

The graph shows how trust in the EU among voters in the "PIIGS" countries has fallen from an average of 55 per cent in 2001 to 25 per cent in 2012, in the wake of EU-mandated cuts. On average, 66 per cent of voters in these countries now mistrust the EU (up from 26 per cent in 2001). And Spain still has half its internal devaluation ahead of it (not to mention Greece). This won't be easy.

## Irish protests part of "global frackdown" day

Opponents of hydraulic fracturing held a number of protests recently as part of a "Global Frackdown


Day of Action." Events were held in Galway, Leitrim, Cork and Belfast as well as at Carrick-on-Shannon, Co Leitrim, where some 150 protesters lined the town's bridge across the Shannon.

And guess what? A large contingent of gardaí with a video monitoring and satellite-equipped mobile command unit looked on as a range of speakers, including TDs, councillors, and farmers, condemned the shale gas extraction process. Does this presage another Rossport situation?

Three mining organisations have obtained licences from the Department of Energy for preliminary investigations into the viability of extracting shale gas through the process known as hydraulic fracturing, commonly known as fracking.

## Safety of nuclear plants

### EU Commission dodges tough questions

Leaked drafts of the report of a stress test on EU nuclear plants ordered by the EU Commission appear to confirm fears that large numbers of nuclear reactors in Europe are deficient in basic security areas.

Safety campaigners also say that the tests "fail to properly assess a host of key risks to nuclear reactors and contain no proposals to close unsafe reactors."

According to the leak, safety regimes vary greatly. The report will say that Europe's nuclear reactors need an investment of €10–25 billion. Of the 134 nuclear reactors at sixty-eight sites, 111 have more than 100,000 inhabitants living within 30 km.

Commenting before the publication of the report on Thursday, the joint leader of the Greens and European Free Alliance, Rebecca Harms, said: "The final report of the EU nuclear stress test charade looks set to dodge all the tough questions as expected. One thing seems clear: this exercise has been orchestrated to cause as little stress to the nuclear industry as possible."

While the report found deficiencies in many of Europe's nuclear reactors, there are no real proposals for a follow-up. However, the fact that the stress tests failed to address risks in crucial areas—ageing technology, possible terrorist attacks, or human error—is a more damning indictment of the whole exercise.

At the very least the Commission should be pressing for the security deficiencies identified in the report to be rectified. However, given the cost—with estimates of up to €25 billion—investors will be willing to commit themselves to this only if the reactors stay on line far longer than foreseen.

## *Pauline conversion!*

“Twelve months ago Ireland was Europe’s problem. Now Europe is Ireland’s problem.”—Pat Rabbitte, quoted in *Liberty,* SIPTU’s newspaper.