PEOPLE'S NEWS

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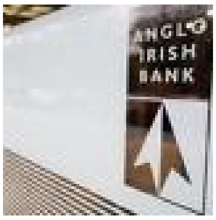
Constitutionality of Anglo bail-out to be tested

The Government is facing a constitutional challenge to the controversial payment of an annual €3.1 billion in promissory notes that were taken to pay off the debts of the discredited Anglo-Irish Bank.

The case will begin on 22 January in the High Court, and the senior counsel leading the case is the former attorney-general John Rogers, who recently led the Pringle case against the European Stability Mechanism in the High Court and Supreme Court and the EU Court of Justice.



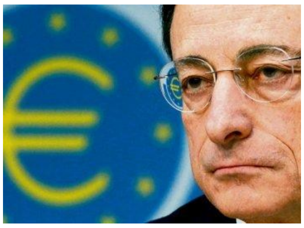
The challenge has been made by a businessman, David Hall, who claims the promissory notes are unlawful, on various grounds, including the failure to properly consult the Dáil or the people "in a flagrant breach of the Constitution, with no democratic legitimacy."

It is also believed that there are concerns that the legislation may have breached article 15.2 of the Constitution of Ireland, which states that "no other legislative authority has power to make laws for the State."

Hall is the founder of New Beginning, which has been leading the response to the mortgage arrears crisis. He believes the people have not been properly consulted over an agreement whereby, with the alleged connivance of the Central Bank and the European Central Bank, bond-holders were paid.

Draghi's services to bond-holders recognised

The president of the European Central Bank, Mario Draghi, has been chosen as *Financial Times* Person of the Year, 2012, for his commitment to do "whatever it takes" to save the euro zone.



This is the same Draghi who, when questioned whether the ECB might restructure the Anglo-Irish debt, suggested that such a deal would break EU laws. Of course his predecessor, Jean-Claude Trichet, pushed for just that to save the euro: the ECB's way was that no bank should fail!

Now Draghi has poured more cold water on the Government's campaign to restructure the Anglo-Irish promissory note. "The ECB cannot undertake any agreement—cannot enter into any agreement—that is being viewed as monetary financing that would be forbidden by article 123 of the treaty," he said. "So, other than that, there is plenty of good will."

Article 123 of the EU treaty, known as the "no-bailout clause," forbids the ECB from providing overdraft facilities or other forms of credit to any central government or public body when it suits them.

Draghi naturally welcomed the recent budget. "It's a reaffirmation of the successful—I would say—commitment of the Irish Government to restoring sound economic conditions, both fiscal but also, more broadly, structural conditions," he said of a budget designed to wring €3½ billion from the Irish people. €3.1

billion of this will be burned at the end of March for the benefit of Draghi and his friends, the bond-holders.

In the end there is only one answer to Draghi, and that is quite simply to refuse to pay. We cannot afford to do otherwise, as each March until the 2030s we will have to stump up and burn approximately €3 billion of taxpayers' money.

Think of the number of schools and hospitals forgone, the number of premature deaths due to lack of facilities, the suffering while people wait to avail of scarce resources, and the continued emigration as we slowly become a country of old people. It's a quiet and silent cull, and our own government is complicit. Isn't it time we stood up to them?

Guess what this is?

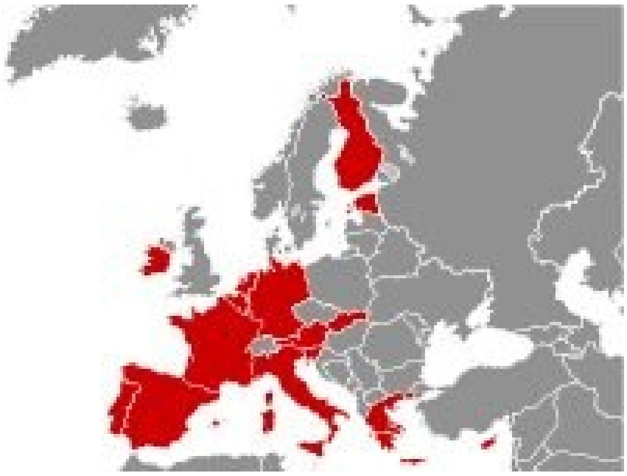
	PN note payments
2010	0.2
2011	3.06
2012	3.06
2013	3.06
2014	3.06
2015	3.06
2016	3.06
2017	3.06
2018	3.06
2019	3.06
2020	3.06
2021	3.06
2022	3.06
2023	3.06
2024	2.09
2025	0.91
2026	0.91
2027	0.91
2028	0.91
2029	0.91
2030	0.91
2031	0.05
Total	47.58
comprising:	
Interest	16.8
Promissory notes	30.78

It's in billions: €0.91 billion = €910 million.

It's illegitimate, and it will impoverish two generations—unless we refuse to pay!

A little bit more on the ESM

Where can you find another such regulation? All employees of the European Stability Mechanism enjoy absolute judicial immunity: no-one may sue the ESM or its employees.



On the other hand, the ESM can sue everyone, and has incredible rights. At any time it may demand as much money as it wants from all member-states, and without giving any reason. Without any possibility of contradiction, member-states must serve these financial demands within seven days. It is planned to hold the citizens of the member-states liable with their private assets for the debts of their state.

ESM member-states are shown in red on the accompanying map.

The ESM is the taking of power by international high finance with the approval of our elected representatives. The design of the ESM treaty was commissioned by the German minister of finance, Wolfgang Schäuble, from an American law firm, Freshfields Bruckhaus Deringer—with a direct line to the big creditors of Europe and Goldman Sachs. For simplicity, the immunity rules of the treaty were copied from the statutes of the Bank for International Settlements and the articles of association of the US Exchange Stabilization Fund.

Now Enda Kenny and his cronies intend to hand over Irish budgetary sovereignty to the fiscal authority of the ESM, even as he and Gilmore prattle on about taking it back from the Troika.

And we were never asked.

What's the difference between Ireland and Iceland?

Well, Iceland, unlike Ireland, told bank creditors where to go. It also imposed capital controls and allowed the value of its currency to fall. The krona lost almost half its value against the euro over the past five years.

Meanwhile we in Ireland did what we were told and repaid more than €70 billion of bank bonds at par. By doing so, even at the cost of bankrupting the country, the "experts" from the EU and ECB, egged on by the International Monetary Fund, assured us that we would retain the confidence of the markets. This is a line still parroted by our European of the Year. But it's now clear that they all got it wrong for the plain people of Ireland—though very right for their friends the bankers and bond-holders.

Since the bank bail-out the Irish domestic economy has shrunk by almost a quarter in nominal terms, while an optimistic Department of Finance is expecting GNP—essentially the domestic economy—to grow by 1.4 per cent in 2012 and 0.9 per cent next year, even as international markets falter!

icesave
PART OF LANDSBANKI, REYKJAVIK, ICELAND

In Iceland, things have turned out rather differently. Economic growth is expected to be 3.1 per cent this year and 2.2 per cent in 2013. Amazingly, the Icelandic bank default cost €85 billion, in a country with a population of 320,000. So, according to the bankers' friends, the country, at the least, should have been swallowed up.

But it hasn't. The Icelandic treasury sold $1 billion of ten-year bonds to investors in May. These bonds were priced at first to yield a spread of 407 basis points (4.07 per cent) over comparable American treasury bonds, a margin that has since narrowed to 296 basis points. In the financial markets, investors in Icelandic bonds concentrate their attention not on what happened in the past but on what is likely to happen in the future.

What these investors see is simple. By burning the bond-holders, rather than socialising these debts by taking them onto the national balance sheet, a sovereign Iceland is in a far stronger position to repay any future debts.

So, did Ireland retain the confidence of the markets? No, it didn't! We have ended up with the worst of all possible worlds. We are still stuck with the banks' legacy debts, and the state remains largely reliant on official lenders to finance its activities. This is because investors can see that Ireland's debt is likely to exceed €200 billion—the equivalent of more than 150 per cent of GNP—by the end of 2013. There is no way it can repay existing borrowings, let alone any new loans it may seek to raise.

Now the Icelandic banks are preparing a return to the markets. Unlike Ireland, in the autumn of 2008 Iceland immediately nationalised its rotten banks, but it refused to assume responsibility for their liabilities. The cleansed banks are now getting ready to issue foreign-currency bonds, the proceeds of which will be used to help finance the thriving, export-driven Icelandic economy.

Now we here are faced again with the Government talking up the chances of a deal following the apparent agreement by EU finance ministers on a new euro-zone banking supervision regime. The latest deadline for such a deal is supposed to be the end of March 2013. Several previous "deadlines" have come and gone, and the overpaid brass-necks in government have continued to try to fool us.

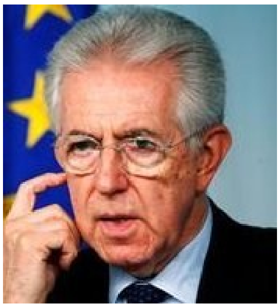
Thankfully, the penny is beginning to drop as the prospect of paying approximately €3 billion per year on the Anglo-Irish promissory note well into the 2030s dooms not this but also the next generation. The first timid voices that called for a renunciation of this odious debt are growing in strength and confidence. Any "deal" can only prolong the agony. Iceland's way should be Ireland's way!

So, what's wrong with Italy?

The question for Italians as they face into an election in 2013 is how they can break free from the austerity policies imposed on them by the government of Mario Monti, who was installed at the head of a "technocrat" government in the virtual putsch of November 2011 by the German chancellor, Angela Merkel, and the European Central Bank—to the applause of Europe's media and political class.

The 1930s deflation policies imposed by Germany and the EU have reduced the country to "social rubble," according to the Italian business lobby Confindustria. The latest data confirms that Italy's industrial output is in free fall, down 6 per cent in October from a year earlier. Consumption has fallen 5 per cent over the past year as higher taxes bite. Italy's youth unemployment rate is 37 per cent and rising. Austerity has proved to be a complete disaster.

The origins of this crisis go back to the mid-1990s, when the German mark and Italian lira were fixed in perpetuity. Since then Italy's historical trade surplus with Germany has become a big structural deficit; it lost between 30 and 40 per cent in labour competitiveness against Germany.



Monti has been the Italian poster-boy for the usual Brussels mix of drastic austerity and "internal devaluation." But this policy has been totally inappropriate for the Italian economy. Its chief effect is to drive unemployment sky-high. Monti rammed through fiscal tightening of 3.2 per cent of GDP this year—three times the therapeutic dose. There is no economic reason to do this, because Italy has had a budget near primary balance over the past six years.

The primary surplus will reach 3.6 per cent of GDP this year and 4.9 per cent next year. Yet the pain has been worse than useless. Fiscal tightening itself has pushed Italy's public debt from a stable equilibrium into the danger zone. The IMF says the debt ratio is rising much faster than before, jumping from 120 per cent last year to 126 per cent this year and to 128 per cent in 2013.

The economy has been contracting for five quarters. It is predicted that this will grind on, with falls of 1.2 per cent in 2013 and 1.5 per cent in 2014, with virtually no growth thereafter as far as 2017, and debt restructuring along the way.

Italy is richer than Germany *per capita,* with some €9 trillion of private wealth. It has the biggest primary budget surplus in the G7 bloc. Its combined public and private debt is 265 per cent of GDP, lower than that of France, the Netherlands, Britain, the United States, or Japan. It is at the top of the IMF's index for "long-term debt sustainability" among leading industrial countries.

Its international investment position is near balance, in stark contrast to Spain and Portugal—both in deficit by more than 90 per cent of GDP. Its primary surplus implies that it can leave European monetary union at any moment it wishes without facing a funding crisis.

A high savings rate means that any interest-rate shock after returning to the lira would mostly flow back into the economy through higher payments to Italian bond-holders—and it is often forgotten that Italy's "real" rates were much lower under the Banca d'Italia.

It is no wonder that survey data from the PEW Trust shows that only 30 per cent of the Italian people now think the euro has been a "good thing." The chorus in favour of leaving EMU turned silent after Draghi promised salvation; five months later it is clear that the deeper crisis is still festering, and it is becoming more and more obvious that Italy is in the wrong currency.

Latest news. Monti resigned, as promised, after the Italian parliament adopted the 2013 budget, paving the way for early elections in February. According to the latest opinion polls, the centre-left Democratic Party will win by 35 per cent, while a centrist coalition led by Monti would take only about 15 per cent. Berlusconi's "People of Freedom" party is tipped to achieve 17 per cent.

No early Christmas for the fishing industry

The EU Fisheries Council has just concluded its annual pre-Christmas ritual allocation of what is known as the total allowable catch (TAC).

At the end of the negotiations, which set fish quotas for 2013 the minister for agriculture, marine and food, Simon Coveney, declared himself "satisfied" to have secured some 36,538 tonnes of whitefish and 180,000 of pelagic (mackerel, herring etc.) quotas, claiming that the direct value of the total package for the Irish fishing fleet will be €213 million for 2013.

There was little public comment outside the industry about how this still represents continuing decline. For example, fish landings in 2001 amounted to €254 million, and the minister's Fianna Fáil predecessor, Seán Connick, was also able to pronounce himself "pleased" at the conclusion of the negotiations in December 2010. But perhaps he had slightly greater justification, as he had "secured a €223 million quota for Irish fishermen."

Commenting in November on the annual review carried out by the Marine Institute as part of the preparations for the December negotiations, Coveney seemed to be promising a better result. "I welcome the comprehensive review carried out by the Marine Institute showing the state of fish stocks that are of importance to Ireland," he said. "Of the 59 stocks in which Ireland has a share of the EU TAC, 42 per cent are now fished sustainably compared to 36 per cent in 2011.

"The state of the resource base in terms of the biomass, the population of mature fish in the stock, has also improved. The number of depleted stocks has declined from 12 to 8. It is good to see progress on delivering sustainable fishing. Further efforts are needed both in terms of setting TAC levels and also taking other measures such as reducing catches of juvenile fish and dealing with unacceptable levels of discards."

Under EU fisheries policy, fisheries are managed through the common fisheries policy, using regulation of inputs (effort and gear regulation) and outputs (TACs and minimum landing sizes).

TACs and effort controls are established by regulation each year for most stocks, including those in waters around Ireland. Under the process, member-states are allocated a proportion of TACs, which becomes the national quota. This proportion is based on an agreed fixed share (i.e. it does not change annually) and is known as "relative stability." In practice the TACs are actually total allowable landings (TALs), as discarding is legal under the common fisheries policy and its prevalence makes a mockery of TACs as a fisheries management tool.

Like so much to do with the EU, general political and media coverage of the common fisheries policy is characterised by the "TINA" ("there is no alternative") syndrome, and it is only when outside voices acknowledge that Ireland gets a raw deal from the policy that the national media sit up and pay attention.

This happened last year when the EU commissioner for maritime affairs and fisheries, María Damanáki, acknowledged that Ireland has suffered under the common fisheries policy. The member-state with the third-largest sea area and the largest ratio of maritime area to land mass, it derives only 1 per cent of gross domestic product from the maritime economy, according to recent figures.

Earlier this year Simon Coveney joined Enda Kenny in unveiling an "Integrated Marine Plan for Ireland: Harnessing our Ocean Wealth," which proclaims: "Our ocean wealth will be a key element of our economic recovery and sustainable growth, generating benefits for all our citizens, supported by coherent policy, planning and regulation, and managed in an integrated manner."

Yet the same minister almost simultaneously informed Dáil Éireann that, "for what it is worth, the European Union does not regard Irish waters as Irish waters but as EU waters."

Given that the Government accepts this as being a "political reality," the Integrated Marine Plan is more than a little vague about how it is going to develop policies to reverse the decline of the fisheries sector of "our" ocean wealth, let alone develop it as an element of our economic recovery.

No smoke without fire

Corporate Europe Observatory reports that tobacco lobbyists and senior officials of the European Commission held several quiet meetings over at least the past two years. Among them were members of the cabinet of the president of the EU Commission, Jose Manuel Barroso, his secretariat-general, and others in the Commission's directorate for health and consumer affairs.

The EU's anti-fraud office, OLAF, says that undisclosed meetings with the tobacco industry are a direct violation of an article in the World Health Organisation's Framework Convention on Tobacco Control.

The director-general of OLAF, Giovanni Kessler, reportedly told members of the EU Parliament at a closed-door meeting in October that the convention was mentioned in the John Dalli affair, which concerned his contacts with Swedish Match, a company that makes a type of mouth tobacco called snus. Guidelines issued by the Commission echo the WHO convention. Its internal rules state that officials "should interact with the tobacco industry only when and to the extent strictly necessary" and must "ensure that such interactions are conducted transparently."

Dalli's meeting with a young lawyer in his private office, in the company of Silvio Zammit, a Maltese businessman, for a discussion of an EU draft tobacco directive and snus constituted "unofficial contacts with several tobacco companies," said a Commission spokesperson.

However, Corporate Europe Observatory has unearthed at least five different meetings, also outside official channels, between tobacco lobbyists and other senior members of the Commission's staff. One of the meetings was with Swedish Match and people inside Barroso's own secretariat-general in September, a month before Dalli lost his job.

Swedish Match met officials of the secretariat-general to explain their views "on the current situation regarding snus and what we see as a logical step to take in the future, that is, a regulation for all smoke-free tobacco products in the EU."

In December 2011 tobacco lobbyists from the Federation of the Cigarette Industry in Germany and the European Cigar Manufacturers' Association met two officials of Barroso'a cabinet, Guillaume Morel and Henning Klaus. Another meeting took place in June 2010 between Philip Morris International and members of Barroso's secretariat staff.

"Dalli's meetings with tobacco lobbyists at his office in Malta were not transparent," said Corporate Europe Observatory, "but could this be the cause of Dalli's resignation? Does the Commission have a strict approach around contacts with tobacco lobbyists, as prescribed in the WHO rules? The answer would seem to be No."

Proposed banking union lacks a "sustainable legal basis"

Lawyers for the Bundesbank in Germany have found that the proposal for a euro-zone banking union lack a "sustainable legal basis." They also expressed concerns over the lack of clarity about the new supervisor's powers and the lack of legal protection for the Conciliation Committee that is to facilitate decision-making between the Governing Council of the ECB and the new Supervisory Committee.

Spanish banks recapitalised

The rescue plans for four more Spanish banks have been approved by the European Commission, which said that plans for BMN, Caja3, Banco CEISS and Liberbank complied with EU rules on state aid.

The Spanish government has pumped more than €1.8 billion into the four banks, which is less than 30 per cent of the €6.2 billion capital shortfall identified in the stress tests carried out in September. The rest will be covered by shareholders' losses, sales of assets, and the transfer of bad debts and loans to the asset management company set up as a "bad bank" by the Spanish government.

The cash will then be transferred from the European Stability Mechanism, the euro-zone bail-out fund, to the Spanish Fund for Orderly Bank Restructuring to recapitalise the banks. The government will then sell Banco and reprivatise both BMN and Liberbank, while Caja3 will be taken over by its rival Ibercaja.

Under the agreement the banks will be required to get out of the property market and return to conventional retail banking and small-business lending. The payment of dividends to shareholders will be banned.

German austerity policy destroys Greece

The German austerity diktat is driving Greece—even after the most recent financial "bail-out" operations—deeper into the economic and social abyss. Economically the country is still in free fall, in spite of debt redemptions, according to the German Institute for Economic Research. The redemption of €30 billion in debts at a price of €10 billion—of a total debt of €350 billion—was "merely a drop in a bucket." Citibank experts are expecting the economy to shrink by 7.4 per cent next year and 11.8 per cent in 2014, because the austerity policy being imposed by Germany allows no margin of manoeuvre for measures that foster growth.

The unemployment rate will rise to 40 per cent during the same period, the economists predict. Social collapse is accompanying the worsening of the crisis, leading not only to a doubling of the suicide rate since 2010 but also to hostility towards Greece's political elite and the EU, under German domination, as well as to rapidly spreading xenophobic violence.

Recently the UN High Commission for Refugees reported that from January to September at least eighty-seven immigrants had been victims of brutal attacks—including murder. At the same time neo-Nazi organisations are growing stronger than ever before, and are fanning rumours of a putsch.

The debts that were redeemed had been devalued to a third of their actual worth, which was beneficial mainly to hedge funds. These had stocked up on Greek bonds when they had fallen to their lowest values—not even worth a fifth of their actual values. The hedge funds are raking in high double-digit rates of profits through the redemption, financed through so-called bail-out funds for Greece. For example, the *Financial Times* reports that one hedge fund, Third Point, announced a profit of $500 million from the Greek bond buy-back.

On the other hand, those who have been long-term holders of Greek bonds carry the losses—Greek banks, social insurance companies, and small investors, who bought the bonds at a much higher value than what they received as redemption.

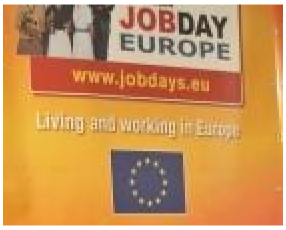
Following a shrinking of GDP by 7.2 per cent this year, Citigroup predicts a further decline of 7.4 per cent in 2013 and 11.8 per cent in 2014. The economic contraction will only slow to 3.7 per cent in 2015.

Unemployment will reach unimaginable levels. In the third quarter of 2012 the rate of 25 per cent far surpassed the previous year's 18 per cent, disproportionately affecting those up to twenty-four years old (57 per cent) and young women (65 per cent). Citigroup predicts an unemployment rate of 30 per cent for 2013, 36 per cent for 2014, and 40 per cent for 2015.

Entire residential streets are deprived of oil deliveries, where illegally felled trees are the sole source of heating. Those who must go to hospital have to bring their own sheets and bed covers as well as their own food. Since the cleaning personnel were fired, doctors and nurses (who have not been paid for months) are cleaning the toilets. The EU is warning of the danger of an outbreak of infectious diseases because of the devastating hygienic conditions.

The elderly, whose pensions have been cut in half, cannot even afford important medicine. Since the crisis began, the suicide rate has doubled.

In the midst of the crisis the rapid rise of xenophobia that has overcome Greece is accompanied by a rapid rise of the extreme right. The neo-Nazi party "Chrysí Avgí" (Golden Dawn), which is particularly known for its violence against immigrants, won eighteen parliamentary seats in the last election. One of its parliamentarians declared that the party is waging a "civil war" against immigrants and the left.



The policy of this party is to step up the violence on the streets in order to create a climate of insecurity so that a putsch can be justified. Not only the neo-Nazis but serious media organs are speculating on possible plans for a putsch; and if the political and economic situation becomes even more unstable and society more polarised, anything is possible.

Meanwhile the same policies in Ireland have resulted in the proportion of households without a working adult being the highest out of thirty-one European countries and more than double that of the euro-zone average.

A new report by the Economic and Social Research Institute says that 22 per cent of households in Ireland were without jobs in 2010, compared with the euro-zone average of a little over 10 per cent. In Spain and Greece, where unemployment in 2010 was considerably higher than in Ireland, the proportion of households without a working adult was 10 per cent and 7½ per cent, respectively.

Poverty on the rise in EU

The EU's economic crisis is pushing more people to the brink of poverty and social exclusion. According to Eurostat, more than 24 per cent of the EU population in 2011 was either struggling with low income or had extremely poor living conditions. More than 27 per cent of children are now at risk of poverty or social exclusion; this figure is much higher than in the population as a whole.

At the bottom of the scale is Bulgaria, where nearly half the population is suffering from some form of poverty, followed by Romania and Latvia at 40 per cent, Lithuania at 33 per cent, and Greece at 31 per cent. Even in Germany the figure is nearly 20 per cent, while the number of children at risk of poverty in Ireland rose from 18.6 per cent in 2009 to 19.5 per cent in 2010.

Readers will recall that the previous year, 2010, was "European Year of Combating Poverty and Social Exclusion." Instead, poverty increased by several percentage points.

The way forward?

The deputy president of the EU Commission, Viviane Reding, who will be hosting "A Debate on the Future of Europe" in City Hall, Dublin, on 10 January, has announced: "I consider it to be likely that the euro-zone states by 2020—then including the Baltic States and Poland—together will found the United States of Europe, while Great Britain in a looser association continues to take part in economic integration."

She does, however, point to a question touched on by John Bruton in the *Irish Times.* "Obviously if the UK leaves the EU, it would negotiate some sort of new relationship with it . . . But what sort of relationship? . . . If the UK wanted to prevent . . . EU immigrants entering the UK through the Republic, it would have to introduce passport controls" on the Irish border.

And what about possible tariffs and quotas imposed by a country with which we do a third of our trade? Why are all the political parties ignoring this possibility?

David Cameron said last week: "I want you all to be absolutely clear: we will go into the next election with a clear Euro-sceptic position. It will clearly be in tune with the British people. We will be the ones offering the British people a genuine change and a genuine choice."

And during a statement in the House of Commons he said: "Clearly all futures for Britain are imaginable. We are in charge of our own destiny. We can make our own choices. I believe the choice we should make is to stay in the European Union, to be members of the single market, to maximise our impact in Europe." Although he commented that leaving the EU was "not a position I support," he said that "where we are unhappy with parts of the relationship we shouldn't be frightened of standing up and saying so."

This is the first time that a British prime minister openly conceded the prospect of life outside the EU. One thing is now certain: Britain's relationship with the EU is about to change, and we'd better waken up, because ours may also have to do so.

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