# PEOPLE'S NEWS

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## EU threatened Greek broadcaster days before it went off the air

Revelations about a dispute with the Greek national broadcasting corporation, ERT, over the pro-EU news channel Euronews have cast doubt on the EU Commission's claim to have been an impartial bystander in the decision to close the station.

The Commission threatened to take "action" against ERT for failing to broadcast pro-EU news days before it was taken off the air. The vice-president of the Commission, Viviane Reding, told a member of the EU Parliament that the Commission planned "action at European Union level" against ERT after it cancelled a contract to broadcast the subsidised Euronews.


The EU Commission, which effectually rules Greece as part of the so-called "Troika," which also includes the European Central Bank and the International Monetary Fund, claimed last week that it had "not sought the closure of ERT"—even if Greece is under constant pressure to sack government employees. The Commission admits, however, to a dispute with ERT over Euronews, which the ERT management forced off the air in December 2012.

Greece's highest administrative court subsequently ruled that the government must reopen ERT immediately until a replacement station is ready to go on air.

In a blow to the conservative prime minister, Antónis Samarás, who sought to replace the state with a reduced operation named NERIT, the Council of State ordered the competent ministers to take all necessary action to return ERT's world, national and regional television and radio signals to the airwaves and to restore its web sites. Sacked ERT employees continued broadcasting by live-stream hosted by the European Broadcasting Union, which has demanded that the station be reopened.

The latest proposal by Samarás would see all 2,600 ERT employees being rehired on fixed two-month contracts, after which the new slimmed-down station would take over.

Meanwhile the Turkish channel Hayat TV is also to be closed down, because it broadcast the Taksim Square protests. The Radio and Television High Commission says it investigated "the complaints received for our coverage of the Taksim Gezi Park protests" and made a decision to close it. Four other television channels have been fined by the radio and television commission because of their coverage of the recent events.

All of which is unlikely to happen here, as RTE continues to broadcast uncritical Brussels-speak.

## Historic reform of CAP?

Just how historic is the common agricultural policy "reform deal" that wound up the Irish EU presidency of the EU? The full text will not be available until the autumn, and it has still not received the final approval of the European Parliament and the member-states, but that has not stopped the minister for agriculture, Simon Coveney, from claiming that the deal "represents a hugely significant development in the history of the CAP."

The policy reform will cover the years 2014–2020, gobbling up nearly 40 per cent of the EU's €960 billion multi-year budget during that time. Its centrepiece is a requirement that 30 per cent of the roughly €278 billion in direct subsidy payments to farmers—the programme's biggest share—be conditional on their satisfying new environmental rules. But environmental groups complained that agribusiness interests succeeded during negotiations in watering down these standards to a point where they are meaningless.

Historically, CAP supports have been tied to volume of production, and therefore have benefited big farmers most. Significantly, the deal does not include the cap of €300,000 on payments to large landowners sought by the EU commissioner for agriculture and rural development, Dacian Cioloş. Also, proposals that would prevent certain landowners, such as airports, golf courses, and campsites, from claiming EU farm subsidies remain provisional and may never become policy.

At present the CAP is based on a "two-pillar" structure. Pillar 1 is mostly composed of direct payments to farmers and landowners in the form of the single payment scheme (SPS) and accounts for about four-fifths of total CAP spending.

Pillar 2, known as "rural development," aims to promote economic, social and environmental development, with a rationale similar to that of the EU's structural and cohesion funds—but with a specific emphasis on rural areas—and accounts for a fifth of total spending.

Pillar 2, therefore, has more of an environmental focus, requiring each rural development scheme to ensure that natural resources and the landscape are safeguarded. In addition, a quarter of the funds must be spent on improving the countryside and the environment.

Promoting "rural employment" is another CAP objective, and through pillar 2, support can be given for the "diversification of the rural economy." But it has always been far from clear whether the CAP is the best vehicle for bringing about rural economic development and the creation of employment.

An OECD report stated: *"Pillar 1 reforms create changes in the mindset of farmers who adopt a strategy of alterations in land use aiming to reach the maximum level of revenue. This has negative consequences for rural employment."*

Equally, a number of studies have pointed out that the CAP has had a limited or outright negative effect on rural employment. The OECD analysis found that the 2003 reforms "have not increased jobs in the regions, at best they manage only to maintain the existing level," while a report on farms in Eastern Germany in 2010 found that CAP support gave rise to *"few desirable effects on job maintenance or job creation in agriculture."*

The effect of rural development aid was non-existent, while parallel CAP measures resulted in job losses; for every €1 million spent on supporting processing and marketing on East German farms, seven jobs were lost in the short term and a further five in the long term.

The study concluded that *"the relevant decision makers should reconsider whether the CAP … is a useful policy to promote job creation in agriculture."* Pillar 1 is provided directly through the EU budget, while pillar 2 is subject to joint financing from the EU and national governments. The CAP's internal subsidies are complemented by external tariffs and quotas on imports from third countries.

The CAP is irrational in how money is raised and how it is spent. There remains no clear link between the wealth of a country and how much it receives from the CAP. Latvia, for example, gets £115 per hectare from the EU's direct subsidies, the least of all member-states, despite average farmers' income being only 35 per cent of the EU average. Lithuania, whose farmers are the poorest in Europe in absolute terms, receives the third-smallest amount from the scheme.

In contrast, wealthier member-states, such as France and Ireland, continue to do well out of the CAP. Nevertheless the president of the IFA, John Bryan, has dismissed the spin that is being put on the reform deal, saying: *"The reality is over 75,000 farmers will have some level of cuts imposed on them. Over 50,000 farmers are facing severe cuts to their incomes, ranging from 15 to 35 per cent, when you take into account other compulsory deductions that farmers will face as part of the CAP Reform and the overall MFF agreement."*

Bryan also says the CAP deal fails totally to deal with low incomes in vulnerable sectors. Europe's biggest agricultural producer, France, will continue to scoop the largest share of CAP funds, at about €8 billion a year, followed by Spain and Germany, with about €6 billion each. So it's another case of "reform" EU-style.

## Did ECB flatter Italy's accounts to make sure it adopted the euro?

The Italian government could incur potential losses worth billions of euros on eight derivatives contracts with a combined notional value of €31.7 billion that it restructured with foreign banks at the peak of the euro-zone crisis, according to a secret report prepared by the Italian Treasury last year. The country could suffer a potential loss of nearly €8 billion on the deals.

The original derivatives contracts date from the period in the late 1990s when the president of the European Central Bank, Mario Draghi, was director-general of the Italian Treasury.

At that time, before and just after Italy adopted the euro, the government was flattering its accounts by taking payments from banks in order to meet the deficit targets set by the EU for joining the first wave of eleven countries that adopted the euro in 1999.

The restructuring allowed the cash-strapped Treasury to stagger payments owed to foreign banks over a longer period but in some cases at more disadvantageous terms for Italy. The derivative contracts would have bolstered the county's balance sheet when they were taken out but would have added to its liabilities in future years as they were repaid.

The revelations complicate Italy's efforts to manage its finances in an increasingly risk-wary market; but even a potential figure of €8 billion would be dwarfed by the total debt, which stands at approximately €2 trillion.

And it is now clear that Italy, like Greece, used complex methods to improve its finances in the years before adopting the single currency. One can only wonder who is next.

Well, it could be Italy! An internal note by Italy's second-largest lender, Mediobanca, says the country is heading for an EU bail-out. "Time is running out fast. The Italian macro-situation has not improved over the last quarter—rather the contrary," the bank's principal analyst said in a confidential memo to customers. Italy will "inevitably end up in an EU bail-out request" in the next six months if borrowing costs continue to rise and the economy shows no signs of recovery.

Italy is not running a budget deficit above the EU threshold, but it has public debt of more than €2 trillion—the world's third-largest, after the United States and Japan. Its borrowing costs recently climbed to almost 5 per cent—a relatively high figure.

## Netherlands attacks EU "competence creep"


The Netherlands, one of the EU's six founding countries, has attacked "creeping" EU interference in people's day-to-day lives. Its coalition government said in a memo published on Friday 21 June that "the Netherlands is convinced that the time of an 'ever closer union' in every possible policy area is behind us." It said the EU's slogan should be "European where necessary, national where possible."

It noted that a review of EU powers by the minister of foreign affairs, Frans Timmermans, shows an equal need for "creating a European Union that is more modest, more sober." In what it dubs "creeping competences," Timmermans' paper says the EU Commission should stop publishing non-binding "communications or recommendations" in areas where it has no mandate. EU countries should have more control of "implementing acts" (EU officials' tweaks to existing law, known as "comitology" in EU jargon), and if a verdict by the EU court in Luxembourg "interprets EU legislation in a way that EU legislators did not foresee" then the original law should be changed.

The review, drafted after talks with dozens of Dutch firms and trade unions, contains fifty-four "points of action" on EU policies, ranging from tax to olive oil. It cites a recent fiasco about olive oil as a good example of how EU law creates silly "administrative burdens." (In May the Commission retracted a ban, on grounds of hygiene, on refillable olive-oil jugs in restaurants after a wave of ridicule in the European media.)

It's thought that if the Dutch can be persuaded to either lead or join with Britain on renegotiation of their EU membership, countries such as Sweden, Germany and Denmark may be more likely to follow suit.

## When is agreement not agreement?

It seems that the answer is, When Éamon Gilmore thinks it is! The EU's budget negotiations descended into chaos last week as the Irish presidency was accused of blackmailing members of the EU Parliament into accepting a deal they didn't want.

Gilmore claimed he had "concluded negotiations" with the Parliament's chief negotiator, Alain Lamassoure, over the €960 billion seven-year budget. However, shortly afterwards several MEPs, who have to approve any agreement, came out fiercely against the deal. Reimer Böge, a German centre-right deputy on the parliament's negotiating team, went so far as to resign, accusing Gilmore of "rather objectionable manipulation."

Now EU spending will be cut by 6 per cent next year, according to the latest 2014 budget announced on Thursday by the Commission and on which political agreement has now been reached with the Parliament.

Structural and cohesion funds, which go to the poorest regions in the twenty-seven member-states, are to be the main casualty, with reductions of a whopping 13½ per cent, to €47.6 billion—an example of the EU again hitting the poorest. Meanwhile, spending on the environmental side of the common agricultural policy is to be cut by 4.7 per cent. The deal will now be submitted to the EU Parliament and the Council for formal endorsement.

## Ah, but … !


As the US attorney-general, Eric Holder, was striving to reassure his EU counterparts at a ministerial meeting in Dublin that the secret snooping operation on citizens by American intelligence agencies operates within the law, the *Financial Times* wrote: *"The Obama administration successfully lobbied the European Commission to strip its data-privacy legislation of a measure that would have limited the ability of US intelligence agencies to spy on citizens, according to three senior EU officials."*

Safeguards intended to create a legal foundation when transferring data to third countries were removed as a direct result of pressure from the US Department of Commerce. Maybe the US government was not breaching any European rules then, having convinced Eurocrats not to introduce any restrictions on spying on us.

But now the German intelligence service, BND, plans to expand its internet surveillance to cover new areas, according to the daily *Spiegel.* The expansion will cost €100 million, to cover extra employees and boost server capacities.

Other recent revelations are that the British snooping operation may be even bigger than the Americans'. Run by the Government Communications Headquarters (GCHQ), the Tempora scheme reportedly taps directly into dozens of transatlantic cables that carry telecommunications and internet traffic. The snooping operation is indiscriminate and sweeps up masses of data, which is then stored for thirty-day periods for processing and analysis.

And the Swedish Defence Radio Authority, FRA, has been scrutinising international traffic passing through its borders without warrant for the past five years.

And so it goes on. Makes one wonder what Alan Shatter might be up to.

## German court case could force abandoning of euro

In early June observers were gripped by the German Constitutional Court's hearing into whether the European Central Bank had overstepped its legal mandate in its response to the euro crisis.

The most hotly contended topic was the ECB's support for the Spanish and Italian bond markets, or outright monetary transactions (OMT) bond-buying programme, the "game-changer" that stopped the Spanish debt crisis spiralling out of control last July.

The case is important because it reveals the tensions at the very heart of the euro zone, underlining the question of whether Germany is willing and able (in terms of legal constraints) to do what is seen as necessary to "save" the euro zone. It could set in motion events that force Germany's withdrawal from the euro, according to a leading judge, Udo di Fabio, the Constitutional Court's euro expert until last year.

"In so far as the ECB is acting *'ultra vires'* [beyond its powers], and these violations are deemed prolonged and serious, the court must decide whether Germany can remain a member of monetary union on constitutional grounds," he wrote in a report for the German Foundation for Family Businesses. Dr di Fabio wrote the court's provisional ruling last year on the European stability mechanism (ESM), the €500 billion bail-out fund. His comments offer a rare window into thinking on the eight-strong court, which is loosely split 4-4 on EU issues.

Although unlikely, in the most extreme case the Constitutional Court could rule that the ECB's actions are not in line with the German Constitution, thereby compelling Germany to abandon the euro. The court is not expected to rule against the ECB; however, the case shows how important it is for the ECB and other EU institutions to be transparent in their actions over EU law—hence the German term *verfassungspatriotismus,* or "constitution patriotism."

The court has emerged as a defender of the sovereign state within the EU system, asserting the supremacy of the *Grundgesetz* (Basic Law) of the Federal Republic of Germany.

The court backed the Lisbon Treaty but also ruled that member-states are "Masters of the Treaties," and not the other way round, and reminded the EU that national parliaments are the only legitimate form of democracy. It said that Germany must "refuse further participation in the EU" if it ever threatens the powers of the elected Bundestag.

Crucially, the court said the Bundestag may not lawfully alienate its tax and spending powers to EU bodies, even if it wants to, for that would undermine German democracy.

Chief Justice Andreas Vosskuhle said at the time that Germany had reached the limits of EU integration. Any further steps would require a "new constitution," and that in turn would require a referendum.

A final ruling is due in September, though many of those involved expect a delay until after the German federal elections on 22 September.

## EU transparency register a sham

Incomplete listings and false information by lobbyists in the EU's joint transparency register are among some of the latest findings in a report by the transparency group Alter-EU.

The report says the voluntary register (a legal basis exists under the Lisbon Treaty for creating a mandatory register), which compiles information on companies and groups that lobby the EU Parliament and Commission, "is unconvincing at best, and dismal at worst." More than a hundred major companies known to be lobbying EU officials are missing, including Adidas, Apple, General Motors, Heineken, Porsche, Rio Tinto, Disney, Shanks Group, SAP, Time-Warner, Nissan, and Northrop Grumman.

Leading banks are also missing, such as Banco Santander, BBVA Group, Belfius (formerly Dexia), La Caixa, Erste Group Bank, Goldman Sachs, HSBC, Nomura, Nordea, Rabobank, Royal Bank of Scotland, Swedbank, and UBS.

Goldman Sachs met the commissioner for economic and monetary affairs, Olli Rehn, three times between January 2011 and February 2012. During that period more than 60 per cent of Rehn's meetings were with unregistered lobbying firms.

## Euro zone reaches compromise to allow ESM to recapitalise banks

Euro-zone finance ministers have reached a compromise that will allow the European stability mechanism to directly recapitalise ailing banks. Under the agreement the ESM can be used to recapitalise banks only if national governments contribute up to a fifth of the funds. The amount of ESM funds available for direct bank recapitalisations is limited to €60 billion, although the ESM can increase this if necessary.

The fund can be used to retroactively take over the burden of previous bank bail-outs, though this will be decided on a case-by-case basis. The German minister of finance, Wolfgang Schäuble, described this as "a concession to our Irish friends." The plan sees the tools being available from the second half of 2014, once the ECB has taken over the role. That means there is still a chance that the fund could be used to cover at least part of the almost €25 billion recapitalisation of AIB and Bank of Ireland; but there is strong opposition among some ministers to the fund being used in this way.

Germany has conceded that it will have to change its bail-out laws to permit the ESM fund to directly recapitalise crisis-hit banks. With the chancellor, Angela Merkel, unlikely to push for the necessary changes before the general election in September, this creates uncertainty about whether a new government will find the necessary majority to extend the provisions for the already unpopular ESM bail-out fund.

Any agreement to directly recapitalise banks would involve the ESM taking a direct stake in the two banks, and would probably oblige the Government to offload at least some of its holding in the banks. The instrument would also require an investment by the sovereign, diluting further the potential gains from the mechanism.

## Our forests are safe—for the moment

The decision by the Government not to sell the harvesting rights of forests under the control of the statutory corporation Coillte has been welcomed by the broad coalition that campaigned against the controversial proposal.

In recent months thousands of people protested on forest walks around the country in an effort to prevent the sale, which was demanded during discussions between the Government and the EU-ECB-IMF "Troika."

In late April more than four thousand people assembled in the Avondale estate at Rathdrum, Co. Wicklow—once the home of Charles Stewart Parnell—and walked through the extensive woodlands surrounding the stately house, while other forest walks took place around the country in early June.

A report commissioned by the trade union Impact from the economist Peter Bacon concluded that the proposed sell-off would cost the state €1.3 billion—almost twice as much as it could hope to raise from a sale; and this is believed to have been central to the arguments of those within the Government who opposed the sale.

The Irish Timber Council had also expressed opposition to the proposed sale and published a report earlier this year describing the potential negative effects on the sawmill industry, which employs 2,500 people and is said to be worth €2.2 billion annually to the economy.

"Coillte sustains thousands of jobs in the timber, tourism and wood products industries," said the general secretary of Impact, Matt Staunton, "returns significant sums to the exchequer each year, and provides a fantastic resource to the public, with 18 million visits to Coillte forests each year."

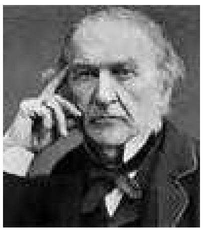
The chief executive of Mountaineering Ireland, Karl Boyle, expressed delight at the decision, describing it as a "massive win" for the many climbers and hill-walkers affiliated to it who had campaigned against the proposal.

## People have a right to be heard on Europe

Some excerpts from Vincent Browne's recent column in the *Irish Times*:

Speaking against an extension of the electoral franchises in the United Kingdom of Great Britain and Ireland in the middle of the 19th century, a Tory MP warned that the initiative "is simply hereafter to overwhelm the property and intelligence of the country by force of numbers." Lord Palmerston, who was twice prime minister, said it would cause the "introducing of men into the House of Commons who would be following impulses not congenial to our institutions."

The franchise had been diminished with the introduction of Catholic emancipation in 1828 when the 40-shilling property qualification for entitlement to vote was raised to £10. The county electoral register in Ireland was reduced from 216,000 to 37,000; the corrupt boroughs were left untouched.



Gladstone introduced a reform bill in 1866 to extend the franchise but assured the Commons: "The Bill does not give the absolute majority to the working classes—it is a tribute to the working classes' admirable performance, at least of their duties towards their superiors."

Just recently, one of our wise "elders," Peter Sutherland, expressed dismay at the practice here of holding referendums on EU treaty changes. He is also perturbed by the courts' insistence that in referendums big money cannot run the show and broadcasters have to be fair to both sides in a debate.


Sutherland has all the qualifications to be an "elder": ex-Gonzaga; former prop forward for UCD and Lansdowne; a former attorney general; a former EU commissioner; a former director general of the General Agreement on Tariffs and Trade; chairman of Goldman Sachs International; former chairman of BP; a high-ranking member of the Bilderberg Group; honorary chairman of the Trilateral Commission; and with more honorary doctorates than Denis O'Brien has mobile phone franchises.

The disdain for the people's involvement in decisions as momentous as constitutional changes to the European Union is firmly in the tradition of those 19th century grandees who feared that an extension of the franchise would "overwhelm the property and intelligence of the country by force of numbers." But far from curtailing democracy we need to broaden and refresh it.

The first constitution of this state, that of 1922, provided for a referendum by the people on legislation or on constitutional amendments if a petition to that effect was signed by 75,000 voters. That was revoked in 1928 and not included in the 1937 constitution. But why not now again?

Profound changes were made to this society by two decisions in the last five years—the September 2008 bank guarantee and the November 2010 EU bail-out capitulation—without endorsement, directly or indirectly, by the people. Can that be satisfactory?

We now have a form of representative democracy whereby almost the sole independent function of our elected representatives is to choose a taoiseach, after which the government formed by the taoiseach is effectively immune from accountability during its period in office, a government that regards election promises as disposable at will. Is it tolerable that the people are denied, effectively, any means of changing that? We now know that the philosopher-kings who managed our affairs were incompetent nincompoops. It is time for the sans-culottes to rule.

## French Socialist Party calls again for devaluation

The French Socialist Party has repeated its call for a devalued euro in an attempt to stimulate the country's ailing economy; but the German government moved quickly to shoot down Hollande's plea. A government spokesman, Steffen Seibert, said Merkel's government would not support a move away from the euro's floating exchange rate. "We are convinced that exchange rates reflect the economic fundamentals, especially flexible ones," he said. "We are open to a discussion with France about it, but the German government doesn't think that an exchange-rate policy is an appropriate instrument for boosting competitiveness."

Obviously internal devaluation, which hurts the most vulnerable in society, is far preferable.

## Shorts

Even as it teetered on the brink, Anglo-Irish Bank appears to have gone on bluffing a nation to which it had doled out so much of the finance needed to pump up property prices. Such gamesmanship would contrast unfavourably with the stoicism of a population that shouldered a fiscal retrenchment equivalent to 17½ per cent of output without rioting.

The president of Cyprus, Níkos Anastasiádis, once again hit out at the handling of the Cypriot crisis and the "manifest lack of solidarity demonstrated," demanding a complete revision of his country's €10 billion bail-out, which imposed cuts on large depositors. But his request was rebuffed by euro-zone ministers. Anastasiádis said his country was treated unjustly for fear that its problems might spread to Greece.

Another French minister has launched an attack on José Manuel Barroso. The minister of industrial renewal, Arnaud Montebourg, said the Commission's "austerity" policies have helped far-right parties to surge in popularity. "Mr Barroso is the fuel of the French National Front. That's the truth … I believe the main cause of the rise of the National Front is related to the way in which the EU currently imposes considerable pressure on democratically elected governments."

According to a new opinion poll by the Catalan government, 56 per cent of Catalans would vote in favour of independence in a referendum. Only 23 per cent would vote against, while 15 per cent said they would not vote.

Speaking in the Bundestag last week, the chancellor, Angela Merkel, said that a euro-zone solidarity fund would be "conceivable" if member-states could agree on the content and substance of closer economic co-ordination. A classic conditional carrot!

The fall-out from the Anglo-Irish Bank tapes, with executives singing "Deutschland über Alles" while joking about German money rescuing the bankrupt bank, has provoked disgust in that country, according to the deputy leader of Merkel's CDU, Michael Fuchs, who described the recordings as "unbearable," adding that "we are offended."

A new opinion poll commissioned by the *Financial Times* has found growing public concern in other countries over Germany's increasingly leading role in the EU. 88 per cent of Spaniards and 82 per cent of Italians said Germany's influence on the EU had become too strong—up from 67 and 53 per cent, respectively, in late 2011. 56 per cent of French respondents also agreed.

The *Irish Times* reports that, according to the Genealogical Society of Ireland, access to old parish records could be restricted if a proposed EU regulation on data protection goes ahead. The proposed regulation requires public records held by the state, including those in the General Register Office, such as birth certificates, to be considered personal information.

Mega-trucks could take to the roads if stealthy moves by the EU Commission succeed. 82-foot vehicles weighing as much as 60 tonnes could become a reality on Irish roads as a result of a proposed revision of the European Weights and Dimensions Regulations (Directive 96/53/EU).

## New print by Robert Ballagh

A new print, in a limited edition of twenty-five, by the artist Robert Ballagh is available from the People's Movement. The print depicts one star in the EU flag: a fractured EU member-state—Ireland!

The print, which is 37 × 30 cm, costs €125 unframed and €150 framed. All proceeds go to supporting our work. Phone 087 2308330 for your copy.