PEOPLE’S NEWS

News Digest of the People’s Movement

www.people.ie | post@people.ie

No. 89 **19 July 2013**

Commission’s plan for a banking union

The EU Commission has presented its proposal for a single resolution authority for a euro-zone banking union.

The plan proposes giving the Commission power over all 6,400 banks in the euro zone, with the final say over how and when they should be wound down. The authority would have a staff of three hundred and control a “bank resolution mechanism” of approximately €60 billion, paid by contributions from banks over ten years. No country would have a veto over decisions made by the authority, and decisions would have to be implemented by national regulators.

The Commission also confirmed the expected changes to the rules on state aid to banks, which will come into force at the end of this month. The rules mean that any bank receiving aid will have to present a restructuring plan in advance, probably with shareholders and junior bondholders taking losses. Any bank that accepts aid will also face strict limits on executives’ pay. This means that the new rules on state aid will, *de facto,* enforce some of these measures, in particular the move away from bail-outs towards bail-ins.

The “single resolution mechanism” seeks to move quickly to create a strong banking union but to do so within the existing framework of EU treaties and domestic politics—obviously to avoid referendums in countries such as Ireland. But the mechanism is unlikely to be large enough in a crisis, and is unlikely to be in operation until 2015. It is based on an interpretation of the EU treaties that has already raised objections from Germany and is creating concerns for non-members of the euro zone, because of fears that the EU’s single market could be hijacked by the euro zone.

The German response came from Angela Merkel’s spokesperson, Steffen Seibert, who argued that *“in our view the Commission proposal gives the Commission a competence which it cannot have, based on the current treaties … We are of the opinion that we should do what is possible on the basis of the current treaties.”* The Dutch minister of finance, Jeroen Dijsselbloem, wasn’t too keen either, suggesting that the new authority had to be *“decisive, effective, and impartial … It’s not completely decided what that authority should look like.”*

The president of the German Association of Public Banks, Gunter Dunkel, also criticised the plan, saying: *“It is not up for discussion for us that funds gained through the work of German banks are used to contribute to the rescue of banks in other member-states.”*

Germany has insisted that such a far-reaching proposal, which effectually alters the architecture of the euro zone, requires changes to the treaties, be it now or in the future. The euro zone is yet to face up to the fundamental problem of reconciling the economic realities within the existing legal and political limits; this proposal is another example of attempting to circumvent them in an *ad hoc* way.

Once again, however, the Commission keeps the final decision-making power. A Single Resolution Board would be set up and would include representatives of the European Central Bank, the Commission, and the relevant national authorities involved in the resolution of a specific bank.

The ECB would maintain the power to announce when it believes a bank requires resolution. The Commission would have the final say over all six thousand banks that fall under the banking union on whether resolution would take place and the form of any resolution plan. The SRB would advise but have no decision-making power. According to the Commission, this is because of legal issues, which limit its ability to delegate power without altering the EU treaties, and not just another naked power-grab by this unelected body.

The Commission would also oversee the implementation of the recently announced Bank Recovery and Resolution Directive, which seeks to put more emphasis on bank bail-ins.

All this essentially means that under this proposal the unelected Commission would reserve the right to wind down a large national or transnational bank. The Commission suggests that its proposal is justified under the treaties, although it does not rule out changes to the treaties in the future.

The justification is that the creation of the SRM for the banking union (which is mainly a euro-zone policy) is a single-market issue, and it is therefore valid to transfer powers to the Commission using article 114 of the treaty on the single market. "The proposed Single Resolution Mechanism (SRM) would provide for an integrated decision-making structure aligning resolution under the SRM with supervision under the Single Supervisory Mechanism (SSM) to eliminate the competitive disadvantage that banks in the participating Member States in the SSM have compared to the non-participating Member States because of the lack of a centralised system to deal with banks in distress."

The argument is that members of the banking union (i.e. euro-zone members that are either unable to borrow or to print their own currency to support their financial system) are disadvantaged within the EU-wide single market, and this is a justification for using a single-market article in the treaty. This is a tenuous rationale and a huge legal stretch, and illustrates the limits that the existing EU treaties set on greater integration of the euro zone, which Germany has been at pains to point out.

For non-members of the euro zone this is a potentially wide-ranging precedent that could mean significant changes that are explicitly designed for the euro zone being pushed through under qualified majority voting on the basis of the single-market treaty. If changes such as the creation of a euro-zone bank resolution fund and new supervisory systems can be pushed through, it is possible that other, more divisive, measures may also be instituted and that the internal EU contradictions would multiply.

EU Parliament ignored on court appointment

The EU Parliament is annoyed that member-states endorsed a Croatian candidate for the Court of Auditors despite the fact that members of the Parliament rejected him a month ago.

The EU Council appointed Neven Mates as Croatia's representative in the EU Court of Auditors. Mates, who formerly worked for the International Monetary Fund and is now an adviser to the head of Croatia's central bank, will do the job of overseeing EU spending for the next six years, on a basic salary of €19,113 a month.

The appointment was made despite the fact that the EU Parliament's budgetary control committee in May and also a plenary session in June said he is unfit to do the work. He lost the committee vote by 16 to 11 before being rejected in the plenary vote by 396 to 231.

Under the EU treaty the Council appoints nominees after "consulting" the Parliament, though it is not obliged to accept this recommendation. In practice, however, EU countries follow the Parliament's lead so as to avoid political clashes at a time when the Parliament is growing in power and confidence.

To add insult to injury, Mates himself had said he would not take the post if MEPs did not endorse him. He told the budgetary control committee: "In case of a negative opinion, it is quite likely that I would withdraw my candidacy, after careful consideration of all objections."

The head of the budgetary control committee said: "The decision of the Council is difficult to understand … [and] shows disrespect to the European Parliament." But the business really just further underlines the impotence of a "parliament" that cannot even initiate legislation and that is completely controlled by a non-elected commission.

Gamblers simulate a boom!

If you believe the faith healers of the euro, the latest crisis in Portugal is over. In Greece things are looking up—as everywhere, especially in Europe's core, where the "green shoots" of economic recovery are appearing.

And then, just as people were beginning to believe all this was true, Germany announces the worst foreign trade results since November 2009. While imports remained stable—suggesting that it has not yet affected domestic demand—export growth in May was down 3¼ per cent compared with the previous year. In these circumstances the self-praise emanating from Germany begins to stink.

The chancellor, Angela Merkel, has always served her ailing EU partners large quantities of it. *"Germany is a model for Europe"* read the headline on the German government's web site on the occasion of Merkel's speech on the 2013 budget. In it she praises Germany's "sound finances, solidarity with the weak and the strengthening of competitiveness." On 10 June she claimed the economy was "on track" and said all other euro countries should follow the "German success recipe" of spending cuts (meaning social degradation) and labour market reforms (meaning cuts in real wages).

The latest trade figures show that Germany is not immune to infection from the economic decline in the EU. You don't have to be a genius to realise that its insistence on "austerity" being imposed on the rest of Europe will inevitably come back to haunt its inventors.

German exports to the euro zone (which previously accounted for about 40 per cent of its exports) fell in May by 9½ per cent compared with the previous year, while exports to the rest of the world are down 1½ per cent. Contrary to expectations, the index of industrial production in the twelve months to May produced negative results.

At the same time the prospect of recovery outside the EU is cloudy. Even the new "BRIC" countries (Brazil, Russia, India, and China) have growing problems. And the "world's economic engine," China, is out of breath.

The bear and the bull in front of the German stock exchange

However, all is not lost, because the financial sector is fine. Or is it?

In May, share prices on the German stock exchange reached new heights. However, this has nothing to do with economic recovery: it only shows that the financial world has become completely detached from the real economy. No longer do we need a good economic outlook and profit expectations for companies to drive the index upwards: the unimaginable amounts of freshly printed money with which the Western central banks are flooding the financial markets are doing that instead. This is being done in the desperate hope that it can save the banking cartel's house of cards from collapse.

The US Federal Reserve System and the Bank of Japan provide about $120 billion to financial institutions every month almost free. Since this policy was introduced more than three years ago in the United States the money supply has constantly bloated. Result: the dollar and the yen are being constantly pumped into crazier and riskier investments. A gigantic financial speculation bubble has now been created that puts the 2007 bubble (which led to the present crisis) in the shade.

Just like junkies, the speculators need cheap central-bank money. Any interruption of this flow would threaten a collapse like that in 2008. In the last two weeks this became apparent after the chairman of the Federal Reserve, Ben Bernanke, announced that after the autumn the printing of money could be scaled back, because it was having no positive effect in the real economy.

The reaction within the high-class gambling community was devastating. After all, whoever wants to reap money during a financial bubble has to be one of the first to sell before the flight begins. To prevent another collapse of the financial system as in 2008, last week Bernanke was forced to promise to leave the cheap-money tap running, so long as the real economic situation has not improved (which could be permanently).

That's the answer, thought the people in Wall Street, in the City of London and in Frankfurt. Immediately stock markets around the world soared, and the Dow Jones index reached a new record of 14,460 points.

Enough said!

Sanctions on Iceland?

The EU commissioner for maritime affairs and fisheries, María Damanáki, has said she will decide by the end of July whether to impose sanctions on Iceland in the dispute with the EU over mackerel quotas.

In Ireland the headlines read *"Coveney secures agreement to prepare for trade restrictions against Iceland and Faroes as they continue large-scale irresponsible fishing of mackerel."* The member of the EU Parliament for Ireland North-West, Pat the Cope Gallagher, wanted the sanctions to include the landing at EU ports not only of mackerel but also of what are known as "associated species," which include farmed salmon exports as well as fed fishmeal made from herring and mackerel.

So what is at issue? Mackerel fishing is worth €125 million to the Irish pelagic fishing industry and is the most important fishery in Killybegs, Ireland's largest fishing port.

The minister for agriculture, food and the marine, Simon Coveney, talked about "the many fish-processing factories in Donegal and also factories in Galway, Kerry and Cork dependent on this stock" and about his duty "to do all I can to protect this Irish industry and all the jobs it provides."

The development of the fishing industry has played a significant part in Iceland's economic recovery. It has been helped in this by the fact that there has been a surge of mackerel stock in its waters, resulting from a northward migration of the species as a result of warming seas.

But the whole question is about more than fish. Iceland has said No to membership of the EU. This comes at a very bad time for Brussels. The grand plan had been that Iceland and Croatia would join the EU together, on 1 July, showing that, despite the trials and tribulations of recent times, the "European project" still had wide appeal.

But on 13 June, Iceland's new minister of foreign affairs, Gunnar Bragi Sveinsson, informed the EU Commission that the Icelandic government was putting its negotiations about membership "on hold." This stance was supported by Icelandic public opinion.

In an address on National Day, 17 June, the prime minister, Sigmundur Davíð Gunnlaugs-son, explained the role that fishing had played in that decision. *"In the light of the extensive debate that has taken place about the implications of EU membership for fishing, Icelanders must also watch and see whether the EU will treat Iceland with greater fairness in disputes over our fishing within our own economic zone. To apply illegal sanctions against a small country for catching fish in accordance with scientific guidelines and within its own economic zone, at the same time as larger countries are making catches from the same stocks without any criticism being voiced, would hardly promise well for a common fisheries policy."*

Interestingly, Coveney was unable to cite any scientific basis for his gung-ho stance, nor did he even seem to be aware of the significance of the fact that the mackerel were being caught within Iceland's economic zone. In support of his call for sanctions he did cite the governments of some of those larger states, such as Spain and France, that are making catches from the same stocks.

In August 2007 the Icelandic government, the Icelandic Marine Research Institute, the Directorate of Fisheries and the Fisheries Association of Iceland set out principles "to ensure responsible fisheries and the proper treatment of the marine ecosystem around Iceland."

The document stated that the fishing industry is one of the main pillars of the Icelandic economy. Responsible fisheries in the Icelandic fishing-grounds are the prerequisite for the Icelandic fishing industry continuing being a solid part of the economy and a principal pillar in Iceland's exports.

With regard to stock assessments, the docu-ment stated that these "are based on systematic research of the size and productivity of the fish stocks and the marine ecosystem. Active collaboration with international scientific organisations ensures that the focus is on internationally acknowledged research methods that provide the best available information on the condition of the fish stocks around Iceland at any time."

The document also declared that "extensive knowledge of the ocean around Iceland and its ecosystem is the foundation of decisions on sustainable fisheries and other utilisation of the natural resources of the sea. The Marine Research Institute carries out wide-ranging and extensive research on the status and productivity of the commercial stocks, and long-term research on the marine environment and the ecosystem around Iceland."

This is hardly a pirate fishing industry.

■ And a footnote: While Iceland stayed out of the EU, Croatia joined on 1 July. The Croatian fishing industry, which once hoped to emulate that of Iceland, is now reconciled to virtual destruction within the common fisheries policy, and most of the 3,700 fishermen who ply their trade in Croatia's eastern Adriatic will lose their livelihood. Just like the Irish industry in this country's negotiations for membership of the EEC, successive Croatian governments that negotiated EU membership from 2005 to 2011 did nothing to protect fishing interests.

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.

Some self-serving truths!

David Drumm, former chief executive of Anglo-Irish Bank, has named those he believes should be part of an inquiry into what happened the night of the multi-billion bank guarantee by the Government on 28 September 2008.

Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Drumm named *"Patrick Neary, the Financial Regulator, John Hurley, the Central Bank Governor, and Kevin Cardiff, the Secretary General in the Department of Finance, former Taoiseach Brian Cowen TD, former AIB Chief Executive Eugene Sheehy and AIB Chairman Dermot Gleeson, former Bank of Ireland Chief Executive Brian Goggins and Chairman Richard Burrows, and the representatives from Merrill Lynch who advised the Government and who are in a unique position to shed light on what exactly that advice was …*

"This intentional and systematic misinforming and misleading of the Irish public in relation to the government guarantee and the events leading up to it has been going on for several years and it has to stop if the public is to finally understand what happened."

Among the questions that need to be answered, he believes, are who among the group present that night in Government Buildings supported a blanket guarantee and who was against it, and why; why were the other alternatives ruled out, and specifically what was the advice received from Merrill Lynch; and what documents were brought forward in support of the guarantee.

He also questioned whether the guarantee was funded on the grounds that the Central Bank did not have the funds to support its banks, and whether the CEOs of other banks were involved in the decision. *"Were the chief executives and chairman of BOI* [*Bank of*

Ireland] *and AIB part of the decision making group on the night in question?"*

And, though Drumm is no doubt looking after his own interests in drawing attention to these questions, they do reveal the real problem behind the crisis. It was a systemic failure; and it is obvious that the tapes have been selectively edited and leaked to allow the role of Drumm and his cronies to be emphasised, in order to deflect public attention from this fact.

No real attempt has been made to change the system; and the pending EU banking union is simply a political project—another step along the road to a federal union. It is time to consider a strong state bank, together with co-operative banks that are accountable and are an extension of the credit union system. But to actively pursue any of these alternatives we would have to get out from under the cosh of the ECB—and that's another matter!

EU referendum in Britain now seems more likely

Britain has moved a step closer to a referendum on its membership of the European Union after MPs unanimously backed a bill guaranteeing a vote by the end of 2017.

The bill, which has the support of the prime minister, David Cameron, would bind the next Parliament to holding an "in or out" vote on membership. However, the bill was supported by only 304 MPs, fewer than half the 650 members of the House of Commons, after the opposition Labour Party boycotted the vote.

The pro-EU Liberal Democrats, who serve in the Tory-dominated coalition, also distanced themselves from the debate and vote, describing it as a "publicity stunt." But while the Labour Party has so far declined to support a referendum, the party's foreign affairs spokesperson, Douglas Alexander, refused to rule out a vote in the future. "Any judgement in relation to an in-out referendum has to be based on the national interest," he said. "Our judgement is that the national interest is not served by this bill, and that is why we do not support it."

The foreign secretary, William Hague, said the bill was "about giving people the power to decide one of the greatest questions facing Britain."

In January, Cameron announced a plan to renegotiate the terms of Britain's membership if his Conservative Party won re-election, with a view to holding a referendum in 2017. But the commitment to renegotiate with a view to winning fresh opt-outs from EU policies, followed by a vote in the next Parliament, was not enough to satisfy Conservative MPs.

In May, Cameron agreed to back an EU referendum bill to face down a rebellion from about sixty Conservative MPs who were angry that the Queen's speech, which sets out the government's legislative priorities for the year, had not included provision for a referendum.

Two years ago the coalition introduced a "referendum lock" bill, guaranteeing a referendum on any future change in the treaties that involved a transfer of powers from the national level to the EU. The bill will now go before members of the House of Lords, Britain's unelected second chamber.

"Land concentration, land-grabbing and people's struggles in Europe"

A report just published by two rural activist organisations, European Co-ordination Via Campesina and the coalition Hands off the Land, reminds us that the growing inequalities in the EU are not confined to urban areas but are also reflected in issues of rural land concentration and land-grabbing.

Based on case studies in thirteen European countries, including Ireland, *Land Concentration, Land Grabbing and People's Struggles in Europe* points out that throughout Europe we are witnessing the acceleration of four significant trends: the concentration of land in the hands of a few big owners, on top of historical "latifundia" in some regions of the continent; land-grabbing by the agro-industrial and mining companies; the degradation of land in favour of urbanisation and transport infrastructure; and the difficulty for young farmers and for landless farmers in getting access to land for agriculture.

It is doubtful whether the provisions for young farmers in the present round of reforms in the common agricultural policy will have anything more than a cosmetic effect, given that agricultural policies, national and EU, benefit large agribusiness and large-farmer interests while causing the severe economic, social and cultural marginalisation of small and medium-scale farmers.

The report draws attention to the re-emergence in Ireland of the United Farmers' Association as a result of serious dissatisfaction with the role of the Irish Farmers' Association and what it describes as its "predominantly neo-liberal and productivist leaders."

The writers welcome the aims of the UFA, which seeks, among other things, to *"counteract the 'Group Think' of present establishment elites whose policies are predicated on support for the large operators, the wealthy and powerful in our society to the detriment and ultimate death of low income businesses and farming, in particular rural communities."*

Agriculture is usually portrayed as the success story of the economy, with the Government claiming that Ireland's agricultural output can continue to grow. The report, however, warns that *"recent years have exposed the fragility of the Irish agri-export model, which in spite of Ireland's high capacity for grass-fed production, still relies on high levels of imports of concentrated feeds from overseas. Meat and dairy production generally continues to be undertaken on the richer lands of the East and South, but with cattle in feed lots as opposed to in the field. Over the winter of 2012/13, some farmers ran out of fodder for their animals, leading to the import of fodder from overseas. This unprecedented step unmasked the very tight margins under which most farmers are working. Farmers in Ireland, particularly those involved in animal rearing, depend almost entirely on direct payments to reach an average industrial wage of just over €21,000 per year. Smallholders in particular struggle to make ends meet."*

The euro and the gold standard: Will history repeat itself?

An interesting new study by Michael Bordo of Rutgers University and Harold James of Princeton University in New Jersey underlines the fragility of the euro. The two economic historians look at the flaws in another international monetary regime, the gold standard, and find reasons to be concerned about the single currency.

The parallels between the euro and the gold standard are not exact. The single currency is a monetary union with the European Central Bank at its apex; the gold standard had no such institution. The euro floats against other currencies, such as the dollar, and the ECB is obliged to maintain price stability rather than convertibility into gold. But for the seventeen states that now use the single currency it represents a new gold standard, in that their exchange rates with each other are fixed.

The writers argue that the tensions that eventually scuppered the gold standard emerged from a trio of "trilemmas," each one a set of three choices of which any two together are feasible but not all three.

One of the three trilemmas is familiar: the "impossible trinity" of fixed rates, free movement of capital, and an independent monetary policy. This means that countries surrender their ability to conduct their own monetary policy. But Bordo and James say that countries in regimes like the euro and the gold standard may not only be sacrificing their ability to set interest rates: they may also be forsaking financial stability and even undermining democracy.

By throwing away the key of exchange rates, countries must alter their relative domestic prices and wages when these become misaligned. In its heyday, before the First World War, the gold standard worked well. It generated pressures on both surplus and deficit countries when they gained or lost competitiveness, respectively. States with a surplus acquired gold, pushing up the money supply, raising prices, and making them less competitive; states with a deficit lost gold, which caused the money supply to shrink, pushing prices down and sharpening their edge against rivals.

However, the euro resembles the flawed inter-war version of the gold standard rather than the classic pre-war model. After the gold standard was restored in the 1920s, central banks in surplus states, such as France, which had rejoined it at an undervalued exchange rate, neutralised the monetary effects of gold inflows so that prices did not rise. That put all the pressure to adjust on countries such as Britain, which rejoined the gold standard in 1925 at an overvalued rate.

A similarly harsh deflationary process is now under way in peripheral euro-zone countries, such as Ireland. Their adjustment would be much less draconian if the core states were prepared to tolerate considerably higher inflation than the euro-zone average; but Germany fiercely resists this.

The second of the authors' trilemmas is the incompatibility of fixed exchange rates and mobility of capital with financial stability. When countries joined the gold standard this prompted a big influx of foreign money. That pumped up credit, driving an expansion of domestic banks, which often ended in grief. Under the gold standard a strong state could support wobbly banks and investors; but a weak state could easily forfeit investors' confidence.

This story has been repeated in the brief history of the euro. Money cascaded into peripheral Europe, causing banking booms and housing bubbles. In the crash that followed, the task of recapitalising banks has caused both the Irish and Spanish states to buckle.

The third trilemma is the most worrying: the potential incompatibility of fixed exchange rates and the free movement of capital with democracy. Germany was able to rejoin the gold standard after the First World War, thanks to the confidence-boosting Dawes Plan in 1924 dealing with reparation payments. But the harsh fiscal medicine administered during the Depression, in its effort to stay on gold, contributed to the rise of the Nazis. Britain left gold in 1931, presaging the end of the gold standard, because the austerity it required had become unbearable.

None of this means that an explosion is imminent. Political pressures can simmer for a long time before they boil over. The euro-zone recession has to end at some point. Progress towards institutional reform may accelerate after the German election in September. But if the long-term viability of the single currency is secured, the Europeans will be defying history.

■ *The European Crisis in the Context of the History of Previous Financial Crises* (NBER Working Paper 19112), June 2013.

Senior economist predicts that several countries will leave the euro

Thomas Mayer, senior economist with Deutsche Bank, predicts that several countries will leave the euro. According to Mayer, politicians will want more national sovereignty and a stronger currency.

The first country to leave will be Finland. Already it has ceased to take a full part in the bail-out operations and demands full security for its contributions. Mayer adds that Finland wants to protect itself from Russia and does not see the euro co-operation as the right instrument.

In Germany the issue of the euro is going to be crucial in the 2017 general election. The country will want European co-operation to return to its original, non-political form, Mayer says. *"It was designed almost as a gold standard. The idea was that the union should be made without political interference, leaving the responsibility for their own monetary policy, financial issues and banking to the countries."*

"Mr and Mrs MEP" colouring book

This attractively presented ten-page book, "Mr and Mrs MEP and Their Helpers," aimed at children under the age of seven, is an apparently serious attempt to shed light on the lives of elected officials in Strasbourg. A spokesperson for the EU Parliament said that fifteen thousand of the books were produced for families visiting EU buildings on 9 May—"Europe Day"—when they are open to the public.

Angela Merkel told journalists that when she first saw the book she thought it must be a satire, produced to ridicule members of the EU Parliament.

On page 1 the couple's working day begins at 8 a.m. as they arrive at the airport, briefcases in hand, to find their driver "waiting for them in a limousine." Safely chauffeured to the office, Mr MEP wants to send a letter to a colleague but has no envelope. The book explains—in four European languages, with reading, games, and colouring-in exercises—how this problem is resolved with the help of three other people. "The assistant brings him an envelope. Mr MEP puts the letter in the envelope and gives it to the messenger. The messenger will deliver it to the postman."

Contrast this colouring exercise with the reality of MEPs arriving at the end of a working day to pocket a tax-free allowance of €310 per day (no receipts needed), as caught on television by a Dutch journalist, who was pushed and slapped by MEPs, as reported in the last *People's News.*

The limos are real. MEPs share them; senior members can choose their own. Former presidents of the EU Parliament get their own personal VIP car for their entire career. The EU's "diplomatic service" employs nearly five hundred chauffeurs.

Each and every member of the EU Parliament (754 of them) gets an annual staffing allowance worth about €260,000, a total cost to taxpayers of €190 million a year. The Parliament also employs more than six thousand full-time civil servants, yet members are unable to find their own seats without a uniformed flunkey, called a *"huissier."*

Thousands of cases of material are carted back and forth between Strasbourg and Brussels each month

On top of the MEP's salary, worth €100,000 a year and taxed at a low "community tax" rate of 23 per cent, the member is entitled to an annual amount up to €110,000 in "daily subsistence" and "general expenditure" without having to provide any receipts or proof of expenditure.

Mr MEP made his speech later in the day on "the protection of the environment"—a favourite soft topic for the EU Parliament. The EU treaties stipulate that one plenary session of the EU Parliament per month has to take place in Strasbourg. In fact the Strasbourg trip annually generates almost 20,000 tonnes of carbon dioxide, for a "parliament" that boasts it is the "most environmentally aware assembly in the world."

It may be "environmentally aware," but this colouring book shows painfully that the EU Parliament is among the least self-aware institutions in the world. It has a budget of €1.7 billion a year, with recent big spending increases on self-promotion, like this colouring book.

France joins the snoopers

The EU Parliament agreed last week to launch an inquiry into allegations of spying by the United States as it emerged that France also has its own secret surveillance scheme that intercepts e-mail messages, telephone calls, and all internet activity that passes through Google, Facebook, Microsoft, Apple, and Yahoo.

DGSE
DIRECTION GÉNÉRALE DE LA SÉCURITÉ EXTÉRIEURE

The data is stored at the head office in Paris of the General Directorate of External Security (DGSE), the country's foreign intelligence service, which was also responsible for such ventures as the *Rainbow Warrior* attack. France therefore joins a number of other EU member-states, including Sweden and the Netherlands, that are known to intercept the communications of their own citizens and in many instances those of other nationals also.

French interceptions are subject to procedural supervision, according to the National Commission of Informatics and Liberties (CNIL), but the system itself operates in a legal limbo. Jeremie Zimmerman, joint founder of an internet campaigning group, La Quadrature du Net, said: "The DGSE surveillance appears to target mostly French citizens and their foreign correspondents, and not the whole of the world's citizens, as with Prism—the US system."

He said that any abuse by the DGSE would be easier to stop, compared with Prism, because the US intelligence service concerned, the National Security Agency, operates with complete impunity. "Still, it is urgent that we have a proper public debate," he said, "in order to oppose generalised surveillance by states and companies, as a major risk for our democracies."

ETUC backs general strike called by Greek trade unions

The European Trade Union Confederation supported the general strike called by the Greek trade union federations GSEE and ADEDY.

In a letter to the presidents of the two federations, the general secretary of the ETUC, Bernadette Ségol, expressed full support for the general strike on 16 July to protest against the sacking of thousands of public servants as a consequence of the unilateral measures imposed by the Troika.

“We oppose those measures imposed by the Troika without any consideration for their dramatic social consequences,” she said. “These measures will only exacerbate poverty and inequality, and are leading to growing opposition rather than to constructive solutions.”

Shorts

The president of the EU Parliament, Martin Schulz, has said that “In the Netherlands and Germany people have the feeling that they pay too much and that they get nothing in return, in Greece that they’re under a foreign regime. In order to deal with this, we must return Brussels’ tasks to the national states.”

The Social Democratic Party’s candidate for chancellor of Germany, Peer Steinbrück, has criticised the EU Commission for overstepping its remit, claiming that “the Commission has probably eighteen commissioners too many, who seek to justify their right to exist by arrogating competences. The Commission must be dissuaded from trying to regulate everything in detail.”

The EU Commission is planning to finance an “independent” on-line news service run by professional journalists, at a cost of €3.2 million a year. The service should offer “a new voice and new perspectives on EU affairs,” according to the invitation to contractors.

As part of the 1.7 per cent increase in the EU Parliament’s spending in the draft of the 2014 EU budget, expenditure on the salaries of MEPs and EU officials is to go up by 4.4 per cent, to more than a billion euros, while funding for “European political parties” is to increase by 9 per cent, to €117 million.

The International Monetary Fund has halved its forecast of growth in the German economy in 2013 to 0.3 per cent and lowered its estimate for 2014 from 1.4 to 1.3 per cent. According to figures from the Federal Statistical Office, German exports fell by 2.4 per cent in May, largely because of weak external demand in the euro zone. This is the largest fall in German exports since December 2009.

The Dutch government has published its review of EU powers, listing fifty-four specific policies, from social welfare to flood management, that the Netherlands believes should remain at the national level. “The Netherlands is convinced that the time of an ‘ever closer union’ in every possible policy area is behind us,” it said.

A new study by the Max Planck Institute for Demographic Research in Rostock shows that the birth rate in Europe is at its lowest in a decade, directly correlating with lower employment rates brought on by the euro crisis.

Germany has blocked an EU decision to have stricter rules on the emission of carbon dioxide by cars, because, Angela Merkel said, “with all the efforts to protect the environment, we must also be careful not to weaken the industrial base.” Germany is the largest producer of cars in Europe.

And on a final depressing note …

The new American drone, the X-47B, is very much larger (19 metres) and heavier (6,350 kg) than the existing Predator. It can carry 2,000 kg of weapons—ten times more than the Predator. It will be able to travel 3,900 km—three times as long in the air as the Predator.

A more developed prototype of this new drone will have a wing span of 50 metres and will be able to carry 4,500 kg of killer weapons. And plans are already in the pipeline for refuelling the new drones in the air.

So it’s business, and war, as usual for the Nobel Peace Prize laureate Barack Obama.