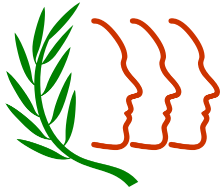

PEOPLE'S NEWS

News Digest of the People's Movement

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Have you heard about the nEUROn?

The nEUROn is an "experimental unmanned combat air vehicle," or drone, being developed with international co-operation, led by the French company Dassault Aviation. It will be significantly larger and more advanced than other well-known drone systems, such as the American MQ1 "Predator," with a range, payload and capability that approach those of manned fighter aircraft.

The nEUROn made its first flight on 1 December 2012 in France. Flights are to continue in France until 2014, when they will be moved to Sweden for operational trials, then to Italy for measuring stealth characteristics and for live-firing tests.

The 10-metre drone can remotely bomb targets with unprecedented accuracy and will eventually fire precision missiles controlled by a remote operator. It is believed to be far more advanced than current American drone tech-nology.

Meanwhile France and Germany have proposed that the European Union should strengthen the "operational effectiveness" of battle groups, co-ordinate border and maritime security, share more information on defence planning, and speed up the insertion of drones into European civilian air space. The joint paper comes before an EU defence summit in December.

So here is yet another killing machine operated from a games console thousands of miles from the "action." Given recent demands for drones in civilian air space, who knows how near to home they might operate as a probable part of EU drone squadrons?

Barroso calls for "common defence"

"We will not have the weight we need in the world without a common defence policy. To support it, we need to strengthen our defence and security sector," said the president of the EU Commission, José Manuel Barroso. *"We need to be able to back up our positions of principle with security and civilian missions that can help stabilise the situation in crisis areas around the world."*

EU states between them have about 1.6 million soldiers and spend €194 billion annually on defence. Spending is down from €251 billion in 2001, while defence R&D spending declined by 14 per cent between 2005 and 2010, to €9 billion. The Commission points out that the United States spends seven times more on research and development than all twenty-eight member-states combined. At the same time the EU has a number of serious military powers—notably the nuclear-armed Britain and France.

A crucial proposal, says the Commission, is standardisation. A lack of common standards means that armies cannot easily share

equipment. The Commission also says it plans to make armies more energy-efficient.

"I don't think this [*proposal*] *is modest. It demonstrates a real will to progress,"* said the EU commissioner for the internal market, Michel Barnier, reacting to suggestions that the paper amounts to little more than a repetition of what the Commission has been asking of member-states for several years.

The paper is due to be discussed by EU leaders at their December summit. The Commission will then make a "road map" with "concrete actions and timelines."

France and Germany beat the drum

France and Germany—the "motors of the EU"—have called for improved battle groups (clusters of 1,500 soldiers meant to be deployed rapidly) and the use of drones in civilian air space. Both countries say that amid "asymmetrical threats" the EU needs to "assume increased responsibility for international peace and security." They say they are committed to making a planned EU defence summit in December a success, with "tangible results." Among the results they are hoping for is agreement on the improved "operational effectiveness" of EU battle groups.

The paper, to be submitted to the meeting, also suggests "seizing the opportunities" arising from the creation of a single European air traffic space. These include opportunities for military aircraft and the use of drones. Member-states and EU institutions are urged to "progress towards the air traffic insertion of remotely piloted aircraft systems."

The EU high representative for foreign affairs and security policy, Catherine Ashton, is also due to produce an interim paper on defence, to be followed later in the autumn by a fuller report. The Commission has also chipped in with ideas on making defence spending more efficient and on the importance of implementing defence-related legislation.

Has this a familiar ring to it?

On 1 January 2014 Latvia will become the eighteenth country to adopt the euro. The announcement in July was greeted with a great sense of celebration in Rīga among the Europhiles—but only among them. The latest opinion polls show that two-thirds of Latvians are opposed to the country adopting the euro.

Even among employers there are deep reservations. Speaking to the *Wall Street Journal,* one employer, Jānis Ošlejs, described the government's decision as "an irresponsible bet on the success of the euro zone." He argued that the relative weakness of the Latvian economy and the "disappointing" results in other weaker euro countries, such as Greece and Portugal, did not bode well for his country's future.

Similar arguments were made by a member of the country's opposition, Jānis Sils. The "instability of the euro zone" and the experience of countries that are "comparable to the Baltic Republic—Cyprus, Greece, Portugal and Slovenia—mean that the outlook for Latvia is dark." The political opposition had sought a referendum on the euro, but this was overruled by the government.

These warnings contrast sharply with the praise being lavished on Latvia by neo-liberal economists, who see it as one the EU's economic success stories, after the country implemented a draconian austerity programme. *Frankfurter Allgemeine Zeitung* commented that Latvia's "combination of strict

budgetary discipline and economic reforms had turned the economy around." *Die Welt* praised Latvia for sharing the same ideology of austerity as the German government.

Back in 2009 economic output plummeted by 18 per cent, because of the crisis, but in 2012 the country was again one of Europe's leading growth economies. "No other European economy grew faster" than Latvia's, with a 5½ per cent growth rate.

However, a closer look at the Latvian economy takes the shine off this apparent success story. Indeed Martin Wolf, writing in the *Financial Times,* noted: "In the fourth quarter of 2012, Latvian GDP was still 12 per cent below its pre-crisis peak. This is worse than in Ireland, Italy, Portugal and Spain."

The drop in unemployment to 12½ per cent is masked by the huge increase in emigration: between 2007 and 2012 the population dropped by a massive 7½ per cent. There is also evidence that economic growth in Latvia is being enhanced by a speculation bubble, in particular in the property market: property prices have jumped 7 per cent in a year. This new boom is due to policies of low taxation coupled with a lax application of financial regulation, to attract investors from the post-Soviet countries.

According to one financial adviser, speaking to *Spiegel Online,* Latvia wants to do it "better than Cyprus … We receive hundreds of enquiries from Russia, Belarus, Kazakhstan, and Ukraine. Many want to move money from Cyprus to Latvia."

From 2014 Latvia intends to abolish tax at source on profits from companies operating within the EU. This will enable transnational concerns to create holding companies in Latvia so as to reap their profits free of tax and then transfer them out of Europe via Latvia.

It all has a familiar ring to it. Soon Latvia—clearly another disaster area—will be part of the monetary union.

The EU, the fish, and the Faroes

The prime minister of the Faroe Islands, Kaj Leo Holm Johannesen, has appealed to the EU to step back from imposing sanctions against his country over a dispute about the quota allocation of Atlanto-Scandian herring, claiming that the proposed action contravenes the United Nations Convention on the Law of the Sea. He also claims it is based on inaccurate allegations and is counterproductive in reaching a negotiated solution.

Like neighbouring Iceland, also in dispute with the EU, there has been an increase in fish stocks in the Faroes' territorial waters as a result of global warming. Assessments by the International Council for the Exploration of the Sea in 2011 and 2012 confirm these new trends and the increased dependence of the herring on maritime areas within Faroese jurisdiction.

This prompted a request from the Faroes in both 2011 and 2012 for a negotiated revision of the allocation key. So far the other coastal states (Norway, Iceland and the Russian Federation) and the EU have not been willing to discuss the issue and have ignored the Faroese requests. Instead they agreed in January on the total allowable catch and quota for 2013, deliberately excluding the Faroes from that arrangement. As a result the government of the Faroes set a catch limit for

2013 for herring fisheries under Faroese jurisdiction based on the total allowable catch recommended by the International Council for the Exploration of the Sea and reflecting its entitlement to a larger share.

Contrary to claims by the EU, it is not the Faroese herring quota for 2013 that is putting the stock at risk: it is the lack of an inclusive five-party agreement on the allocation of this shared stock that jeopardies its sustainability. This is a situation the Faroes wish to see rectified jointly with the other coastal states as soon as possible.

Agreement on a new sharing arrangement must be concluded within the framework of the agreed long-term management plan for the Atlanto-Scandian herring, to which the Faroe Islands continue to adhere. The first allocation key for Atlanto-Scandian herring was originally agreed for 1996 between the Faroes, Norway, Iceland, and the Russian Federation.

Despite the virtual absence of Atlanto-Scandian herring in EU waters, the EU became a party to the arrangement after setting itself a unilateral quota of 150,000 tons in 1996, which it could effectively fish only in international waters. The allocation key was modified again in 2007 after four years without an agreed arrangement, because of Norway's demand that its share should be increased.

By contrast, the Faroese share has remained by far the smallest all these years, at slightly more than 5 per cent. This by no means reflects the amount of Atlanto-Scandian herring in Faroese waters today, nor the long-standing dependence of the Faroes on fisheries.

Both the Faroese and Danish governments have emphasised to the Commission that all options for renegotiating an equitable allocation of the Atlanto-Scandian herring have not been exhausted.

A meeting between the four coastal states and the EU has now been scheduled for 2–3 September in London. Despite this the Commission has chosen to proceed with its proposal for measures against the Faroes, aiming for its adoption by the Committee on Fisheries and Aquaculture before then.

International law requires states to seek to resolve disputes by peaceful means. In the case of shared fish stocks, states must seek to agree the measures necessary for co-ordinating and ensuring their conservation and development. This obligation cannot, however, be interpreted to mean that one of the relevant coastal states can impose on others a management arrangement, including allocation, that it alone considers to be equitable. By attempting to force the Faroes to undermine their national interests under threats of coercion, the EU is clearly acting in breach of its obligations under international law.

More and more austerity?

"Precautionary credit line for Ireland" read the heading on an interview by the European correspondent of the *Irish Times* on 26 July with the managing director of the European Stability Mechanism, Klaus Regling. In fact Regling's exact words were: "Concerning your question on a precautionary credit line I can only say that in principle the instrument is available," which was hardly the cast-iron promise suggested by the heading.

In the meantime, though, the country has to stick with the €3.1 billion "fiscal adjustment" demanded by the Troika from the October budget. So the heading should really have read, "Head of ESM demands continued austerity." Regling said that "the markets" would be watching Ireland to make sure we stuck to the letter of austerity and did not deviate from it.

The intervention provided an opportunity for the Tánaiste, Éamon Gilmore, and the minister for communications, Pat Rabbitte, to get a bit of media attention as the "caring, sharing" wing of the coalition Government by seeming

to weigh in against Regling's harsh line and also accusing the EU of imposing "arbitrary goals."

Meanwhile a group of eight backbench Fine Gael TDs tried to have it both ways, apparently supporting the Regling line but also arguing that the Government should use its "improved fiscal position to borrow for an investment programme."

Borrow for an investment programme? From where? From the ESM? Not if Regling has his way. From the markets? Would they lend for schemes "like home improvement grants, or shovel-ready projects in transport and education—the kind of capital investment that delivers economic gains for decades after the original investment," as sought by the Fine Gael TDs? Clearly they think so. And if the markets will lend for this sort of initiative, why does it have to stop there?

But it's not as simple as that.

In their statement the TDs cited "international financial events beyond our control" in support of continuing austerity, in the hope that "structural reforms, combined with fiscal adjustment, over time lead to higher growth," repeating the EU mantra for euro-zone members such as Ireland, Greece, Cyprus, Portugal, and Spain.

However, while Germany and most of the larger countries seem to have been able to return to positive growth, the debtor-countries remain deprived of the means to fight the recession and are forced into pro-cyclical policies on a scale last seen in the 1930s.

The mantra of "austerity as the only solution" is the price these countries must pay for membership of the euro zone. An obsession with apparent fiscal problems dominates debate. The conditions for access to financial support from the creditor-countries remain centred on consolidating public budgets at any cost and as quickly as possible. These conditions will remain after we are finished with the Troika.

While, clearly, differences in government bond yields between creditor and debtor-countries are a signal from financial markets indicating a divergence in the euro zone, bond yields do not, as many would have us believe, necessarily indicate a problem with the current budget deficit or the stock of government debt in the country concerned.

Even a look back to the time before the creation of EMU reveals that bond yields did not punish countries with high government debt in any systematic fashion. Nominal bond yields diverged by a wide margin, but this mainly reflected differences between countries' overall level of interest rates.

For example, inflation-adjusted yields of Italian or Belgian government bonds were not much higher than those on German bonds, despite the fact that Italian and Belgian government debt was close to three times the size of German government debt.

This shows that in the past the markets did not consider government bonds of EU countries to carry a default risk. Rather, they took into account the risk of a devaluation of the currency in which the government bond was denominated.

However, when the euro crisis emerged the exit of countries in trouble could no longer be excluded, so that the markets perceived an increasing risk that the bonds of those countries might not be repaid in euros, with the result that bond yields began to diverge.

The European Central Bank made several attempts to contain the magnitude of the divergence, such as the two long-term refinancing operations and the promise by the president of the ECB to the financial markets that the ECB would do "whatever it takes to preserve the euro." Thanks to these attempts, divergences narrowed, but they did not fully disappear.

With the obvious failure of the adjustment programmes to bring about what was expected, namely "adjustment" in terms of a

reduction of both the public budget deficits and the stock of government debt, uncertainty about the future of the euro remains high.

At present the situation has been stabilised, thanks to the enormous power of the ECB to intervene and to cap bond yields. However, this only means that the fire is temporarily under control: it is still far from being extinguished.

In the meantime, on top of unending austerity we must suffer the patronising platitudes of the likes of Klaus Regling.

The state of the Union!

A recent paper published by the EU Commission entitled "Public Opinion In the European Union" makes for interesting reading. For instance, the number of those who "tend not to trust" the EU is at 60 per cent. This average includes 83 per cent of Cypriots (up 19 per cent from the previous survey), 80 per cent of Greeks (down 1 per cent), 75 per cent of Spaniards (+3 per cent), and 71 per cent of Portuguese (+13 per cent). Ireland, at 61 per cent, is just about average, but trust has decreased by 4 per cent since the last survey, while 28 per cent of Irish people have negative feelings towards the EU.

A large number of Europeans (39 per cent) have a neutral image of the EU, while the proportion of respondents for whom it conjures up a positive image continues to be just higher than the proportion for whom it is negative: 30 per cent positive (unchanged), 29 per cent negative (unchanged). Again, in Greece, Cyprus, Spain and Portugal a majority (sometimes relative, sometimes absolute) of respondents have "a negative image" of the EU.

Two-thirds of Europeans (67 per cent) say their voice does not count in the EU, a three-point increase, taking this score to its highest level since the autumn of 2004, when the question was first asked. This proportion has increased almost continuously since the spring of 2009, from 53 per cent. Only slightly more than a quarter of respondents (28 per cent, –3) agree that their voice counts in the EU. Only 26 per cent of Irish respondents agree.

An average of 49 per cent of all respondents don't think the EU "makes the quality of life better in Europe," compared with 43 per cent who think it does, while 24 per cent of Irish people think that Switzerland is a member of the EU.

On the euro, public opinion is hugely divided, with only a 9 per cent net approval rating: 51 per cent support it and 42 per cent oppose it. In countries that use the euro approval stands at 62 per cent (down 4 per cent since the autumn of 2012) but only at 29 per cent in non-euro countries. Ireland registers 69 per cent approval of a single currency, but there is a significant 23 per cent against.

On a common foreign policy, Irish responses are evenly split, showing just over half in favour (54 per cent), while there is a small majority (53 per cent) opposed to a common defence policy.

Germany considers the banking union

The creation of a euro-zone banking union with common supervision for euro-area banks, a single supervisory mechanism, a bank resolution regime, and an EU deposit guarantee, is one of the central "unions" that the EU establishment hopes to create out of the present crisis. The banking union would go alongside fiscal, economic and political unions.

During a recent visit to Dublin the managing director of the ESM, Klaus Regling, said that "the different steps that comprise banking union are designed to create confidence in the market, about the sustainability, the

irreversibility of monetary union." So, just like austerity, a euro-zone banking union is all about creating confidence in the euro.

Facing into an autumn election, the German government does not want to be wrong-footed by the banking union project. Clearly Germany wants to save the euro but also to maintain as much German competence as possible.

Die Welt reports that Germany is considering whether to launch a legal challenge against the EU Commission's single resolution mechanism for winding down and rescuing ailing euro-zone banks, which the German government has already said it believes to be unlawful under the current EU treaties.

If Germany does not manage to block the proposals, which are subject to qualified majority voting, or to amend them significantly, the German government could take the Commission to the European Court of Justice at the beginning of 2014; this would delay the proposals long enough for a new Commission to be in office later in the year.

The article also suggests that Germany is seeking to build an alliance with Britain, which is also concerned that the proposals give the Commission more power than is allowed under the EU treaties.

Advice from former head of IMF mission

The Government, slavishly following the lead of the International Monetary Fund, has rejected a claim by the former head of the IMF mission in Ireland, Ashoka Mody, that the austerity approach in Ireland is "self-defeating."

Mody said that Ireland needs to move away from austerity if the country's economy is to grow. One of the architects of Ireland's IMF bail-out, he pointed out that there was "not one historical incidence" of austerity policies leading to a country getting out from under a heavy debt burden. "We have to ask ourselves why Ireland is not growing … It's hard for me to believe that austerity is not contributing to this." He called constant budget-cutting a "potentially self-defeating policy," because it had not resulted in growth.

Mody's comments came as the Government contemplated cutting €3.1 billion from this year's budget, to be announced in the autumn. The cuts are demanded by the EU, ECB, and IMF. The Government's commitment to budget-slashing has been praised by the German government, which contributes most to EU bail-outs and is the greatest proponent of austerity.

But Mody questioned the "orthodoxy" of the Government's view that such polices are the "only way to establish market credibility." On the planned cut of €3.1 billion he said the figure should be "considerably lowered." He urged the Government to "imagine and consider the possibility that for the next three years, as an experiment, there be no further fiscal consolidation."

Mody's comments come after a recent staff paper by the IMF admitted that it made mistakes in dealing with Greece, the first of the euro-zone countries to be bailed out. Chief among the mistakes was underestimating the effects of the harsh bail-out conditions imposed on Greece.

Euro zone faces £9.6 billion hole in Greek finances

The euro zone must plug a hole of £9.6 billion in the Greek finances and move more quickly to write off a "substantial" chunk of the country's debt of £282 billion, the IMF has said. The IMF's fourth assessment of the Greek bail-out programme identifies a "financing gap" of €10.9 billion over the next two years and urges the euro zone to take losses on loans made to Greece in order to lift it out of a debt trap.

As well as finding the extra €4.4 billion in 2014 and €6.5 billion in 2014, the IMF is asking the euro zone to find additional debt relief for Greece worth some €7.4 billion, implying a major renegotiation of the Greek bail-out out before next summer. "After peaking at around 176 per cent of GDP this year, debt is expected to decline to 124 per cent in 2020," said the IMF report, "after additional contingent relief measures of about 4 per cent of GDP from Greece's European partners to be determined in 2014/15."

The IMF's finding of a "financing gap that will open up in August 2014" contradicts denials of a shortfall from the EU Commission earlier this month, and its call for a write-down of debt will be a bombshell in the German elections.

The findings present a sharp contrast to the latest IMF pronouncements on Ireland, where it appears to be determined to wring the last cent out of us. The IMF's insistence that the euro zone must help Greece reduce debt from 176 per cent of GDP this year to below 110 per cent by 2021 implies a major write-down in the value of loans owed to German and other euro-area taxpayers.

Unlike the situation in Ireland, "the risk of political instability remains acute, especially in light of high unemployment and continuing social hardship. Further ambitious fiscal adjustment is needed for public sector debt to decline steadily, which exacerbates the possibility of social stress and political resistance," the report concluded.

Noonan faces the inevitable—incrementally!

Despite all the huffing and puffing during the last few months, the minister for finance, Michael Noonan, has finally admitted that what he would like to see is "a backstop arrangement which would give additional confidence to the market … Preferably [one] that we would never actually use," suggesting that Ireland will seek a precautionary credit line from the euro zone after its projected exit from its current bail-out later this year.

Such a credit line could also allow access to the ECB's OMT bond-buying programme. Noonan said he was hopeful that any deal would not include new conditions, but that is unlikely. Sentiments such as these can only point to the real possibility of a second (smaller) bail-out and extended austerity.

Meanwhile the managing director of the European Stability Mechanism, Klaus Regling, said that the markets would be looking at Ireland's budgetary progress as the country prepares to leave its bail-out programme by the end of the year. "It is certainly one of the elements markets are looking at," he said. "I think that at the end of the eleventh review it was very clear that another €3.1 billion fiscal adjustment, as foreseen under current rules and as previously agreed with the authorities, is the important next step."

He also stated that any application by Ireland for a precautionary credit line from the rescue fund as it exits the bail-out would have to be approved by the euro zone's seventeen finance ministers. "If the agreed target were not reached I'm sure that would not be well received," he said. In other words, keep turning the screw on the Irish people!

Regling added that it would be up to EU political leaders to decide whether the ESM fund's direct bank recapitalisation instrument should be applied retroactively to Ireland.

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.

Austerity kills!

The reorganisation of Greece's health service under German direction is continuing. "A final timetable is to be presented in the second half of this year," according to the German Ministry of Health. This detail of the reorganisation provides a timely warning for Ireland, which is advancing down a similar road.

The German government identifies the deficits in the Greek system as a lack of "effective cost management" but most of all a lack of "competitive elements."

In a "memorandum of understanding" the German ministry and the EU Task Force for Greece have reached an agreement with the Greek government on introducing the highly criticised German model of so-called case flat-rates. The criticism stems from the fact that patients are not being treated in response to their medical needs but in accordance with economic efficiency.

The massive consequences of the austerity measures on public health in Greece are becoming more evident. A growing number of people are losing their health insurance as a result of unemployment and therefore must pay medical costs themselves. The shortage of medical aid has caused an increase of 40 per cent in the child mortality rate since 2009. Diseases such as malaria and AIDS are spreading more rapidly. But the German government continues to insist on its austerity course in spite of these ramifications.

Within the framework of the EU austerity dictates, Germany took the lead in the reorganisation of the Greek health system in March 2010. "The German Ministry of Health is in support of the Greek government's measures to increase the efficiency and effectiveness of long-term health care, by substantial and effective transformations in the organisation of its health system," declared the state secretary in the Ministry of Health, Stefan Kapferer, in February 2011 on the occasion of the signing of the corresponding "declaration of intent."

The concrete measures had been specified by the Ministry of Health and the Task Force for Greece in April 2012 in the "memorandum of understanding" with the Greek government. These include the introduction of case flat-rates, a change in hospital management structures, the reorganising of the National Organisation for Health-Care Provision (EOPYY), and new pricing models for medicine. The German development aid agency GIZ was given responsibility for the final elaboration of these plans, which open "new markets in industrialised countries." The German government bought supple-

mentary expertise at the KSB Clinic Consulting Group and B and K Informatik and Consultancy.

The introduction of the German model of case flat-rates is considered a fundamental instrument for overcoming the alleged short-comings in the Greek health service. By using a payment system oriented towards the type of illness rather than the length of hospital stay, the government coalition expects "major advantages"—even though criticisms of this model have been growing for a long time.

Doctors have pointed out that false incentives could lead on the one hand to unnecessary but lucrative treatments and on the other hand to premature discontinuation of treatment in less profitable therapies. In addition, no studies have proved that costs are in fact reduced through a reorientation on "diagnosis-related groups."

The proposed transformations are being implemented within the framework of the austerity measures being enforced by Germany. According to the stipulations handed down by the Troika, Greece's expenditure on health should not exceed 6 per cent of the country's gross national product. (In Germany this expenditure was at 11.3 per cent of GNP in 2011.)

As Greek GNP has been on the decline for years, as a result of the austerity policy imposed on the country, expend-iture on the health system is sinking drastically. By 2012 it was reduced to about €9½ billion, from €14 billion in 2009. The Greek government has already shut down 46 of its 130 hospitals and cut the budget for those remaining by 40 per cent . This has added thousands more to the number of unemployed created by the devastation of the health service.

The newly founded health insurance organisation EOPYY has had its finances cut. This has created billions in debts, and it is unable to pay the costs of medicine and treatment. Therefore patients must themselves pay, along with approximately 30 per cent of their fellow-citizens, who have lost their health insurance because of unemployment.

In 2012 the minister of health, Andréas Lykouréntzos, characterised the negotiations with the Troika as the most difficult period of his term in office. "The public health system can't be amputated," he warned following the talks. In fact the imposed austerity measures had a devastating effect on his country's health situation. Sick leave has a tendency to increase in times of economic crisis; the austerity policy, therefore, makes the situation even worse.

Dr Geórgios Víchas speaks of a "humanitarian crisis." Since 2008 the child mortality rate has risen by 40 per cent. The number of HIV-positive drug-users has risen from 10 or 15 in 2007 to 314 in the first eight months of 2012 alone—mainly as a result of the drastic cut-backs in preventive schemes. Malaria, TB, West Nile fever and dengue fever are continuing to spread. Doctors' initiatives, such as appealing for donations of medicine and treating patients free of charge, are attempting to mitigate the most serious emergencies, but they cannot substantially better the medical situation.

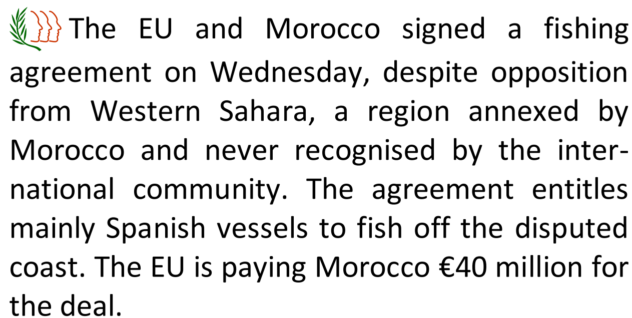
A study by several scholars published in the *Lancet,* the renowned medical journal, concluded: "The interaction between austerity policy, economic shock treatments and deficient social protective measures seems to ultimately lead to an escalation of the health and social crises in Europe." Two epidem-iologists, David Stuckler and Sanjay Basu, drew the same conclusion in their book *The Body Economic: Why Austerity Kills.* This is why the European Health Alliance has appealed for a political about-turn in an open letter to the EU Commission.

The German government does not seem to be impressed by these initiatives. For example, activities to ensure better health insurance protection, surpassing the scheme set with the Task Force for Greece, are not being planned.

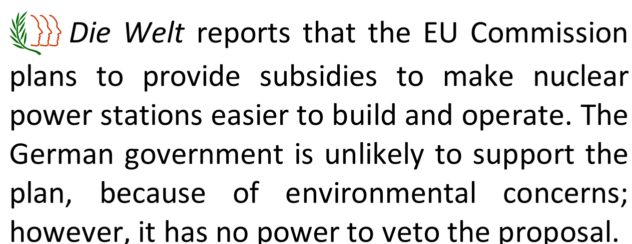
"The German government is concentrating its active support on the focal themes set out in the memorandum of understanding with the Greek government and the Task Force for Greece," explains the Chancellery.

In the meantime the Troika has imposed even more drastic cuts. Following its last "inspection" at the beginning of this month it forced the Greek government to agree to take concrete steps—not to mitigate the dramatic consequences of austerity on the country's health situation but rather to bring under "control" the still "too high expenditures in the areas of health."

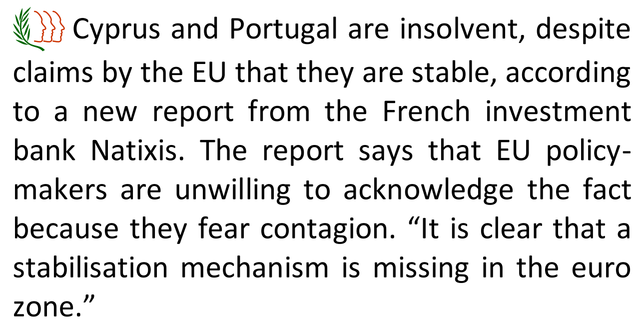
Shorts



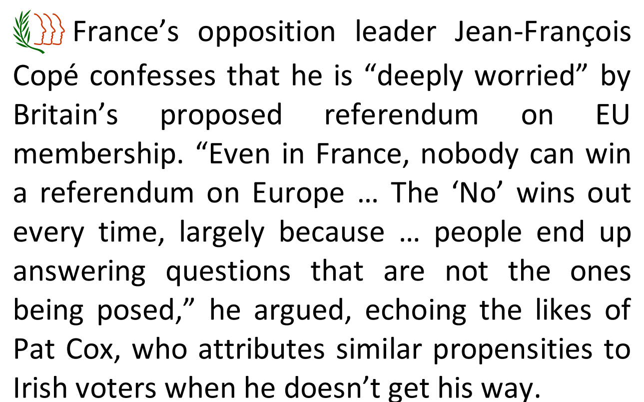
The EU and Morocco signed a fishing agreement on Wednesday, despite opposition from Western Sahara, a region annexed by Morocco and never recognised by the international community. The agreement entitles mainly Spanish vessels to fish off the disputed coast. The EU is paying Morocco €40 million for the deal.



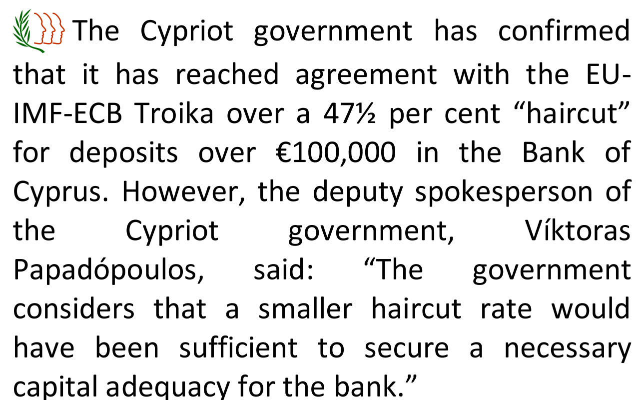
Die Welt reports that the EU Commission plans to provide subsidies to make nuclear power stations easier to build and operate. The German government is unlikely to support the plan, because of environmental concerns; however, it has no power to veto the proposal.



Cyprus and Portugal are insolvent, despite claims by the EU that they are stable, according to a new report from the French investment bank Natixis. The report says that EU policy-makers are unwilling to acknowledge the fact because they fear contagion. "It is clear that a stabilisation mechanism is missing in the euro zone."



France's opposition leader Jean-François Copé confesses that he is "deeply worried" by Britain's proposed referendum on EU membership. "Even in France, nobody can win a referendum on Europe … The 'No' wins out every time, largely because … people end up answering questions that are not the ones being posed," he argued, echoing the likes of Pat Cox, who attributes similar propensities to Irish voters when he doesn't get his way.



The Cypriot government has confirmed that it has reached agreement with the EU-IMF-ECB Troika over a 47½ per cent "haircut" for deposits over €100,000 in the Bank of Cyprus. However, the deputy spokesperson of the Cypriot government, Víktoras Papadópoulos, said: "The government considers that a smaller haircut rate would have been sufficient to secure a necessary capital adequacy for the bank."