

People's News

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EU agrees huge support mechanism



After months of ever-increasing turmoil, the European Union has decided to set up a massive economic defence mechanism amounting to half a trillion euros to protect weaker euro-zone nations from market speculation.

EU finance ministers set up a multi-pronged 'European Financial Stabilisation mechanism' after contagion from Greece's debt crisis threatened to infect countries such as Spain and Portugal. Its total volume will be up to €500 billion, with a further €220 available from the IMF. At the same time, the European Central Bank announced plans to step in and buy government bonds, a process of quantitative easing – printing money – that mirrors similar earlier actions in the US and UK.

Extraordinarily, the legal basis for the extension of the stability fund will be Article 122 of the Lisbon Treaty which allows money to be sent to countries within 48 hours in the event of a natural disaster or other 'exceptional event' beyond its control. The European Council had previously insisted that the use of Article 122 could not breach the EU Treaties 'no bailout' rule. While numerous other questions arise, the legal significance of the initiative's

structure is that it would not violate the no-bail-out clause in the EU treaties. The bail-out ban prohibits special ECB overdraft facilities for euro countries. The use of Article 122 meant that the decision was taken by Qualified Majority Voting and Ireland could not have blocked the decision in any case. In an unparalleled move, the deal was hammered out at a meeting of euro-zone leaders, without any representation from the UK.

As part of the agreement, the EU's already-existing 'balance of payments facility', under which the commission can borrow money on capital markets to then lend on to non-euro-zone states, has now been replicated for euro-area countries as well. The new facility for euro-area states has a ceiling of €60 billion.

The scheme also allows for the provision of up to €440 billion in government-backed loan guarantees and bilateral loans on an intergovernmental basis.



Following German demands, the action will take place under a 'Special Purpose Vehicle' and will be 'guaranteed on a pro-rata basis by participating member states in a co-ordinated manner and that will expire after three years, respecting their national constitutional requirements, up to a volume of €440 billion'.

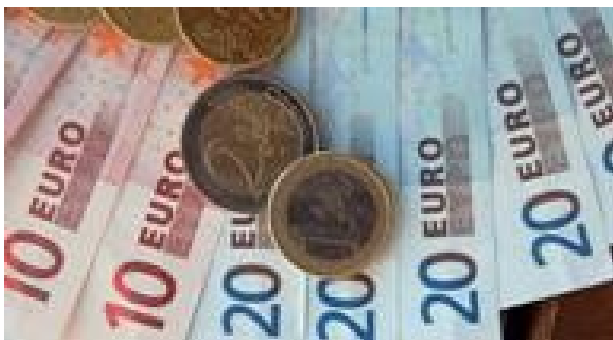
French finance minister Christine Lagarde warned there was still a risk that national parliaments could vote down the mechanism designed to defend the euro currency. 'We

shall defend the euro whatever it takes', EU economy commissioner Olli Rehn told journalists after Sunday's meeting. Although the remarkable U-turn is a further sign of Europe's determination to protect its economy, analysts said it also now places a huge question mark over the central bank's independence.

Meanwhile, the *Financial Times* reports that Germany's constitutional court refused to issue an injunction on Saturday stopping the newly agreed €22.4bn loan to Athens, despite claims that it is unconstitutional. They could still rule against the bailout at a later date, but refused an immediate intervention.

Five constitutional professors then tabled an immediate challenge to the ruling, arguing that the aid package is in defiance of EU law banning bail-outs and that it damages the rights of German citizens to the protection of property by the federal government.

EMU 'imposed on unenthusiastic electorates by political leaders in a hurry'



Writing in *Die Welt*, Gisela Stuart, a German-born British Labour MP who sat on the Convention on the European Constitution, argues that 'EMU was a political project imposed on unenthusiastic electorates by political leaders in a hurry. However, it was based on some very bad economics and ultimately bad economics leads to bad politics which we are beginning to see.'

She writes, 'There are only two "solutions" to the current mess. First, is a continuous transfer of funds from the current account surplus counties (in effect the German-bloc). A one-off payment (even if spread over three years) will not work: it would have to be an annual payment in perpetuity, on lines similar to the transfers from west to east Germany after unification ... The second "solution" would be a massive devaluation of the euro ... For obvious reasons, neither of those "solutions" will happen, or if they did would involve economic, financial (and possibly political) disaster in Germany.'

Meanwhile, Brussels has said that Britain's budget deficit is to surpass any other major European country – including Greece – by the end of the year. The

British government is to borrow some 12 per cent of GDP, putting the public debt at almost twice the European average. The *Financial Times* points out that crisis-hit Greece is predicted to have a 9.3 per cent deficit, with Ireland just behind Britain with a deficit of 11.7 per cent.

CAP millionaires increase by 20% in 2009



Farmsubsidy.org, a Danish/UK NGO activist group, said Germany has 268 millionaire recipients, while France has 174 subsidy

millionaires, including several banana-producing companies in French overseas territories. France's subsidy millionaires took over €1bn in 2009.

Sugar companies were big beneficiaries of the €55 billion CAP budget: In France, three giant sugar companies received the largest payments under the CAP: Tereos €178m, St Louis Sucre €144m, and Cristal Union €57m, while in Spain the top recipient of subsidies was sugar company Azucarera Ebro, €119m. In Germany the world's largest sugar processor and trader, Sudzucker, was the second largest recipient, €42.9m. Sudzucker's Polish subsidiary received a further €66m.

Some EU countries such as Greece and Ireland obfuscated research by publishing the figures in a hard-to-decode format that required special software. The net amount paid out under the CAP in Ireland for 2009 was €1,930,994,768, with 137,736 beneficiaries. The average payment for 2009 was €14,019.54 – [Irish database](#). 434 individuals and companies received more than €100,000 each under the welfare scheme.



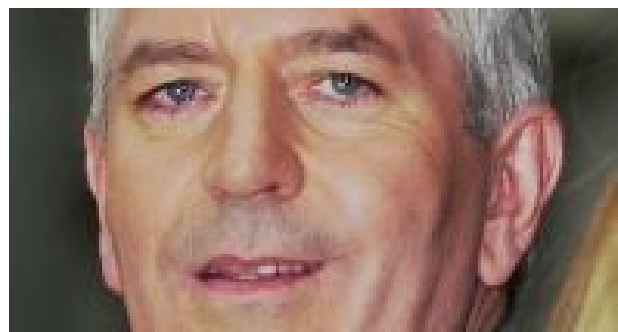
Top ten Irish beneficiaries:

- The Irish Dairy Board Co-op, Lower Mount Street, Dublin 2 – €7,928,238;
- Commercial Mushrooms PRS Co-Op, Monaghan – €4,771,652;
- Bailie Foods Ltd, Bailieboro, Co Cavan – €3,344,459;

- Glanbia Ingredients Virginia, Virginia, Co Cavan – €3,175,708;
- Abbott Irl, Cootehill, Co Cavan – €1,725,126;
- RA Bailey Ltd, Nangor, Dublin 12 – €1,131,479;
- Wyeth Nutritionals Ireland, Askeaton, Co Limerick – €1,092,144;
- Rosderra Irish Meats Group, Edenderry, Co Offaly – €515,115;
- Irish Agricultural Development, Dundalk, Co Louth – €506,453; and
- Walter Furlong, Enniscorthy, Co Wexford – €402,252.

€700,000 worth of subsidies was given to the daughter of a former Bulgarian Agriculture Minister, Dimitar Peichev, who was responsible for the handling of EU funds until July 2009. Funds were also given to a Swedish accordion club (€59,585); a Danish billiards club (€31,515); an Estonian school alumni society (€44,884); a Dutch ice-skating club (€162,444); a Dutch amateur football club (€354,567); and the Netherland's Schipol Airport (€98,864).

McCreevy cleared for Ryanair post



The European Commission's Ethical Committee has given the green light to ex-internal market commissioner Charlie McCreevy to take up a position with low-cost airline Ryanair. Meanwhile, lobbying watchdogs have complained that taking top corporate jobs after leaving office 'is becoming the normal career path for commissioners'. Three commissioners from the first Barroso college so far have given

notice to the current commission of plans to take up corporate executive positions.

Former external relations commissioner Benita Ferrero-Waldner has moved in with re-insurance giant Munich Re, and last week, EUobserver reported that ex-industry commissioner and German Social-Democrat Guenter Verheugen has joined what was until recently the largest financial institution in the world, the now nationalised British bank RBS.

Transparency pressure group Corporate Europe Observatory believes that EU officials are increasingly viewing public office as a fast-track to the high salaries of the corporate world. 'Commissioners are more or less for sale to the highest bidders. If this is becoming the normal career path for commissioners, this will of course influence their decisions while in office, who will ensure that what they do does not endanger their job prospects'. 'A company like RBS is really buying Verheugen's network of contacts and his prestige as a commissioner. In the case of McCreevy and Ferrero-Waldner, the only restriction the committee has mentioned is a transmission of specific information ... It seems like they are not restricted from now lobbying the institution they just left'.

Commissioners pledge to work independently of governments



The twenty-seven members of the new European Commission, which started work on

10 February, swore a formal oath in Luxembourg pledging to act independently of national governments and to respect the EU's treaties.

The oath states that the commissioners promise to 'be completely independent in carrying out my responsibilities, in the general interest of the Union'. They also pledged 'neither to seek nor to take instructions from any government or from any other institution, body, office or entity' and to 'to refrain from any action incompatible with my duties or the performance of my tasks'. The commissioners are also bound to respect 'the duty to behave with integrity and discretion' when it comes to accepting 'certain appointments or benefits' after leaving office.

EU cross-border healthcare 'is going to happen'



The *Financial Times* notes that the issue of cross-border healthcare in the EU is again in the spotlight after a Swedish patient sought treatment in several EU member states and then claimed for a reimbursement from his home country's health system. The article suggests that despite several European Court of Justice rulings saying that the EU Treaties give patients the right to access healthcare anywhere in the EU, doubts over how to deal with the administrative burden of such a system have so far prevented the adoption of an EU health directive. However, an EU diplomat is quoted saying, 'nobody loves the cross-border healthcare directive. You're effectively telling health Ministers that part of their budget will end up overseas. But some version of it is going to happen: the ECJ has ruled it must'.

Martin forgets EU line on Greece?



The Government has disowned comments from Foreign Minister Micheál Martin supporting the idea of Greek debt restructuring. Mr

Martin said that restructuring was ‘a legitimate initiative that they may in time have to take’. And indeed they may!

Commission to vote on member states’ budgets



European Voice reports that the Commission is to propose a big advance in EU co-ordination of euro-zone national economic policies. Proposals will include the creation of a ‘permanent crisis resolution mechanism’ to handle any future Greek-like scenario, offering financial support through bilateral loans from other euro-zone countries, with lending conditions fixed in advance. They will also include a toughening up of the stability and growth pact – through the application of sanctions, such as withholding EU structural funds – and mutual reviews of draft budgets.

EU Monetary Affairs Commissioner Olli Rehn will propose that euro-zone finance ministers vote by qualified majority on whether draft national budgets are in line with EU economic guidelines and rules on fiscal discipline, though

it is unclear what would happen if euro-zone leaders voted against a national budget.

The euro-zone would also adopt recommendations about what should be in countries’ budgets.

MEPs criticise budgets – but not their own

Both the budgets of the EU Council of Ministers and the European Police College were harshly criticised by MEPs debating the EU’s 2008 budget in Strasbourg. MEP Ryszard Czarnecki argued that ‘the Council [whose budget in 2008 was €743 million] leaves a lot to be desired when we talk about budgetary matters’. The UK-based European Police College, whose budget in 2008 was €8.7 million, was also under attack. ‘The audit carried out shows there are irregularities, blatant ones, in terms of administration and finance’, explained Véronique Mathieu MEP.

Meanwhile, *De Standaard* reports that a critical report on the European Parliament’s budget by Green MEP Bart Staes faced heavy criticism by other groups in the EP who have threatened to water it down. Staes is quoted saying, ‘we make very critical reports on other institutions but on our own that’s apparently not admissible. I’m called a spoiler’. Staes’ report criticised various aspects of the EP’s spending, including the €121 million deficit run up by the controversial second pension fund.



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NGOs warning over EU foreign service

EUOBSERVER reports that the European development NGO community has attacked the EU's already quite well advanced plans to subsume aid policy under the rubric of its new diplomatic corps, arguing that the new set-up will make development a mere pawn of foreign and security policy and that this is illegal under the Lisbon Treaty.

A coalition of almost the entire community of development organisations have warned that legal action could be taken against foreign affairs chief Catherine Ashton's proposal for the External Action Service to prevent the EAS from taking over development policy.



Concord, the umbrella group of all European development groups, sought legal advice from White & Case, a UK law firm, whose analysis came back saying: 'The EAS may be in breach of objectives and competencies laid down in the Lisbon Treaty'. 'The role of the EAS under the EU treaties is restricted to the EU's Common Foreign and Security Policy (CFSP), which represents only part of the EU's external action'.

'Development co-operation is outside the scope of the CFSP and therefore the EAS has no capacity in respect of it', the legal analysis reads. The CFSP is the agreed foreign policy of the EU for mainly security and defence diplomacy and actions. 'Detracting from the exclusive competence of the commission would require a formal treaty amendment'.

They worry in particular that with the development area being placed in the hands of the EAS, the member states will now have their fingers in the pie and will subordinate poverty

reduction in the third world to less altruistic foreign policy imperatives.

'The European Parliament has sent cases to ECJ in the past to challenge the legality of EU decisions and the misspending of the EU development money. It has the power to force member states to reverse their decision', Ms Ford continued.

EU may give Ukraine tied aid



The European Commission has given the Ukrainian government a to-do list of eighteen reforms which could trigger extra EU aid. 'I presented to the Ukrainian side a list

of key reforms which Ukraine needs urgently to develop together with possible incentives and responses from the EU', enlargement and neighbourhood policy commissioner Stefan Fuele told MEPs following his visit to Kiev.

The document is a six-paged table outlining concrete measures and possible EU aid in response to them, covering political reforms, macro-financial stability, the business environment, the energy sector, the environment and civil aviation. Ukraine is hoping to conclude an 'Association Agreement' with the EU this year, which includes a free-trade agreement and may lead to visa-free travel. It does not include a promise on EU enlargement but does not exclude the possibility either. Mr Fuele described the new list as a 'political steering' instrument for the new Ukrainian government which is set to present its ruling programme in June.

More powers for Eurojust



Brussels will be given powers to launch criminal investigations under plans announced by the European commission. Plans to

turn Eurojust into an investigator will enable it to order arrests and trials and represent a move towards creating an EU public prosecutor.

Eurojust is currently non-binding and brings together prosecutors, magistrates and police officers to help investigate national serious crimes through information sharing. The commission document says, 'The administration of justice must not be impeded by unjustifiable differences between the member states' judicial systems'. It adds that proposals to give 'Eurojust powers to directly initiate investigations' would help the EU create a 'solid common European procedural base'.

Where do we fit in the HEAP?

The Irish Congress of Trade Unions and TASC recently launched the Hierarchy of Earnings, Attributes and Privilege (HEAP) report, designed to present the facts about income inequality in Ireland in an accessible form. The report was authored by NUIG academics Professor Terrence McDonough and Jason Loughrey.

The report shows that:

- Five per cent of families live on incomes exceeding €134,000.
- Fifty-eight percent of families live on less than €40,000.
- Twenty-six percent of families live on less than €20,000.
- When analysed in terms of occupation, only the managerial/professional occupation

category makes its way to the very top of the HEAP (an annual income of €600,000).

- Income distribution became more unequal between 1987 and 2005. The distance between those at the top and those at the bottom widened.
- Conventional measures of income inequality, such as the Gini Coefficient or quintile share ratios, fail to capture the increase in inequality.
- Relative poverty levels before social welfare transfers increased from 35.6 per cent to 41 per cent from 2001 to 2007. Social welfare played a critical role in reducing poverty levels from 21.9 per cent in 2001 to 16.5 per cent in 2007.
- Women's income was around two-thirds of men's income; adjusting for differences in hours worked, women's hourly earnings were around 86 per cent of men's. Women were also more likely to be at risk of poverty.
- There is a striking 'education premium': the median gross income of those with no formal education, or primary education only, was €13,489, while those with a university degree had a median income of €45,707.

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