PEOPLE'S MOVEMENT
GLUAISEACHT AN PHOBAIL

Press statement **www.people.ie**

29 February 2012

A massive 'No' – and 'No' again if necessary!

From now to the forthcoming referendum, we should be informing and organising ourselves, our neighbours and friends in our neighbourhoods, trade unions, social and community groups about what the grandly named 'Treaty on Stability, Coordination and Governance in the Economic and Monetary Union' means for the future of this country and the anti-democratic and anti-social dangers that it poses. The treaty has been quite properly renamed the 'permanent austerity treaty'. It provides for a permanent balanced-budget rule or debt brake of 0.5% of GDP in any one year to be inserted into euro-zone members' constitutions or the equivalent.

But it has an equally obnoxious brother – the European Stability Mechanism (ESM) Treaty – which the government will not be holding a referendum on and will be trying to push through the Oireachtas in the next few weeks with an absolute minimum of public scrutiny. It is in fact a virtual coup with equally disastrous consequences for the country. Democrats of all political persuasions should be very concerned.

Yet as the preamble to the ESM Treaty states, it and the permanent austerity treaty are 'complementary in fostering fiscal responsibility and solidarity within the economic and monetary union'. So why a referendum on one and not on the other? This treaty sets up the European Stability Mechanism. This also includes a permanent €500 billion bail-out fund and the contributions each of the seventeen euro-zone members must make to it. In Ireland's case this will amount to €11 billion, 'irrevocably and unconditionally' in various forms of capital.

The changes represented by the two treaties would make euro-zone member states permanently into regimes of economic austerity involving deeper and deeper cuts in public expenditure, rises in indirect taxes, reductions in wages, sustained liberalisation of markets and privatisation of public property.

The European Commission and the European Central Bank are obsessed with 'economic governance' which would require smaller euro-zone states in particular to make themselves permanently amenable to a regime under which the larger EU states would on a regular and permanent basis vet members' fiscal policies and impose punitive fines on those failing to observe deflationary budget rules. It should not be forgotten that after 2014 and courtesy of the Lisbon Treaty voting arrangements for making EU laws as well as voting on euro-zone matters will see a doubling of Germany's vote in making EU laws from its present 8% to 16%, while France's and Italy's vote will go from their present 8% each to 12% each, and Ireland's vote will halve to 1%.

We should work for a powerful ‘No’ vote in the permanent austerity treaty referendum but we should also not be distracted from the anti-democratic process that the government is using to bring the European Stability Mechanism into being. The ESM Treaty was signed by EU ambassadors on 2 February – replacing an earlier ESM Treaty. The seventeen euro-zone states have agreed that this ESM Treaty no.2 will be ratified so that it can to come into force by July.

This ESM Treaty must therefore be brought before the Oireachtas for approval of its ratification in the next few weeks before Easter. There will also be an accompanying European Communities Amendment Bill to implement the amendment of Article136 of the Treaty on the Functioning of European Union as well as the provisions of the ESM Treaty in Irish domestic law. The ‘Decision’ of the twenty-seven prime ministers and presidents to give permission under EU law to the seventeen euro-zone member states to set up a permanent bail-out fund for the euro zone must be agreed by all twenty-seven EU member states in accordance with their respective constitutional requirements.

This means that the European Council ‘Decision’ to make this amendment requires approval either by the Oireachtas or by the people in a referendum. For the European Council to purport to authorise under EU law the setting up of a permanent bail-out fund for a sub-group of EU states can arguably be said to be a significant claim to increased powers for the EU as a whole, as hitherto the EU treaties provided for no such fund either directly or indirectly.

Arguably therefore this amendment would put the Economic and Monetary Union which Ireland signed up to when the people ratified the Maastricht and Lisbon Treaties on a new and different basis that entailed a significant moves towards a fiscal union for the euro zone, as well as an Irish commitment to a framework of accompanying supranational controls over national budgetary policy.

Therefore the People’s Movement believes that it would be unconstitutional for the Oireachtas to attempt to give the necessary approval of such a European Council Decision without a referendum of the people in Ireland especially when the government is prepared to hold a referendum on the Permanent Austerity Treaty.

The EU member states adopted the 3% and 60% of GDP rules to ensure that euro-zone member states would avoid excessive deficits and consequent borrowing, for that would affect all euro-zone states using the same currency.

But the excessive-deficit Articles were not enforced once Germany. France and others states broke the excessive-deficit limits in the early 2000s. When Germany and France broke the rules of the EMU by running big government deficits in 2003, the EU treaty sanctions to enforce the 3% and 60% deficit rules were not applied against them, and they were thereafter effectively dropped for everyone else. Ireland did not break these excessive deficit rules however.

Now Germany and France are seeking to change the whole basis of the economic and monetary union which Ireland signed up to by in addition establishing a framework of controls over national budgetary policy, including the permanent balanced-budget rule (0.5% deficit rule) through the permanent austerity treaty.

The ESM Treaty is to come into force once it is ratified by signatories representing 90% of the initial capital of the fund and the preamble to the ESM Treaty states that money from the permanent ESM fund will only be given to euro-zone states which have ratified the permanent austerity treaty and its permanent balanced budget rule or ‘debt brake’.

[Ends]