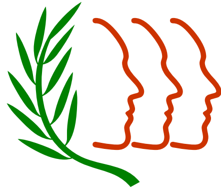

PEOPLE'S NEWS

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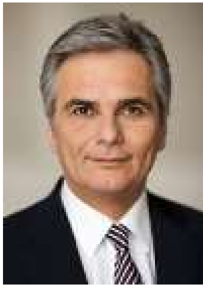
Austrian Chancellor issues threat



The Chancellor of Austria, Werner Faymann, has warned that Austria could take a case before the EU Court of Justice over the EU's intention to sign the Transatlantic Trade and Investment Partnership (TTIP) with the United States.

According to Faymann, corporations are *"already powerful enough and should not be handed all the power. We have looked the other way for too long while corporations were establishing a world of their own on a global level, such as tax loopholes. That led the world to the 2008 crash. It is contrary to the democratic ethics of countries like Austria that they should be given a special court and a special right to lawsuits,"* he said. He was *"convinced that the US as a country with the rule of law is strong enough to refrain from such special legal proceedings."*

He intends to find allies within the EU in order to *"protect the social and environmental standards in Europe."* The Irish government is unlikely to support the Austrian initiative, for fear of upsetting American transnationals or the EU Commission; but Faymann added that *"Austria will also resist it single-handedly, even up to the European Court."*

Brussels seeks to extend reach of "economic governance"

During the recent years of economic crisis the EU Commission has moved to expand its power, at the expense of the sovereignty of the member-states, depriving them of any possibility of escaping the crisis through investments.

The already stringent Stability and Growth Pact, through which budgetary deficits and national debts were controlled, was extended with the addition of stricter budget rules, such as the "Six-pack," "Two-pack," and "Fiscal Compact."

To co-ordinate and control the budgetary policies of the member-states a policy framework known as the European Semester was set up. This confers the power to impose sanctions when a member-state fails to abide by the budgetary rules, or does too little to address national problems, the implication being that these powers can be used to force reforms and the EU's power deepened still further.

Now the European Semester is to play a prominent role in the EU's enlargement policies. The EU commissioner for enlargement and European neighbourhood policy, Štefan Füle, recently declared his ambitions for the coming five years: "I'll do everything in my power to make progress on the necessary reforms in these countries, and in this the EU will provide every form of support."

In practice, non-EU countries will soon have to transfer actual powers to Brussels before they are even members of the EU. At a time when support for the EU is rapidly crumbling, this is an audacious course.

So it's very much a question of how the peoples of the candidate-states will react. Their interests and concerns will, in reality, be of little concern to Brussels. The existing EU framework of economic governance and budgetary consolidation is aimed primarily at guaranteeing the internal market and

preserving the euro at all costs.

Sitting pretty as a result of this policy will not be the citizens of EU member-states but that branch of capital that operates internationally and that, time after time, profits from a constantly growing EU that simplifies international investments and provides cheap labour.

It is expected of candidate-states that they will institute "reform" policies designed to bring their economies more in line with those of the rest of Europe—in other words, economies directed more towards competition and an improved climate for investment.

The EU Commission is planning to subject candidate-states to its strict budgetary control. With this the long arm of the EU will reach further than ever before into countries' economic government—into states outside the EU's boundaries. The fact that future members will be kept on the leash completely undermines the EU's democratic legitimacy.

The reforms pushed through by the EU reach deep into the national economies of the candidate-countries. Transport, energy, education, the environment, research, industry, infrastructure—hardly any area of policy remains unnamed on the Commission's hit list.

By riding roughshod over the sovereignty of the applicant-states in this way the Commission further weakens its own legitimacy and international credibility.

The imposition of European Economic Governance on non-EU states is increasingly seen not as the precursor of economic and social advancement but rather as a form of bondage.

No decision on ISDS until the end of TTIP talks

The EU won't decide whether to include the investor-state dispute settlement (ISDS) clause in the proposed Transatlantic Trade and Investment Partnership until the "final phase of the negotiations" with the United States. This is the clause that allows investors to take governments to international arbitration tribunals, bypassing national courts. It could be dropped, modified or kept in its present form if or when the deal is finally sealed. The United States wants it included in the agreement.

The EU Commission will issue policy recommendations after further discussions early this year with member-states, the EU Parliament, and other organisations, such as NGOs, trade unions, and business associations, according to the commissioner for trade, Cecilia Malmström.

Negotiations on investment in TTIP were suspended in January 2014 and will resume only when the Commission believes its new proposals will guarantee, among other things, that the jurisdiction of national courts will not be limited by special regimes for investor-to-state disputes.

The final decision, which must be ratified by the EU Council and EU Parliament in a full vote, will be taken only with the agreement of the first vice-president of the EU Commission, Frans Timmermans. The president of the Commission, Jean-Claude Juncker, gave Timmermans this veto. He is tasked with ensuring that ISDS complies with the rule of law and the principles of equality and transparency, according to a memo published by the Commission in response to its on-line public consultation, showing an intention to plough ahead with its inclusion in TTIP despite mounting opposition.

Whether or not national parliaments have a say in the final outcome of the negotiations will probably depend on the outcome of a case before the EU Court of Justice regarding the EU-Singapore Agreement, which also includes

an ISDS clause.

The Commission pointed out that it was given a unanimous mandate by all EU governments (including Ireland) to include ISDS in the agreement, and none have yet asked for the mandate to be changed to remove it—though it would appear that Austria, faced with huge domestic opposition, might, the Chancellor having recently threatened to take the matter to the ECJ. However, given that body's penchant for extending the powers of the Commission, it's not likely that it will change its spots!

For ISDS to be dropped, the negotiating mandate would have to be changed. That would not be possible without a qualified majority vote in the EU Council.

"All market and no social"—ETUC

Commenting on the EU Commission's statement on its work programme, the general secretary of the European Trade Union Confederation, Bernadette Ségol, said: *"There is not a single proposal to improve worker, consumer or environmental protection. This does not seem the best way to restore public confidence in Europe. It is a business agenda, with no sign of Juncker's commitment to the social market economy: it is all market and no social."*

It is just another step in the continued incremental retreat from "Social Europe"—increasingly seen as a convenient construct for bringing the trade unions on board what is essentially a corporate project but whose gloss has definitely gone off.

And, in a reaction to the result of the Commission's consultation, the ETUC tweeted: *"ETUC is against ISDS said so in public consultation, and will continue to do so in the next consultation round,"* and *"Public consultation results in yet more consultation! Just drop ISDS—it's what most people want!!"*

Asia pushes ahead while Brussels dawdles

The EU Commission has been desperately trying to put flesh on the bones of Jean-Claude Juncker's flagship €315 billion investment plan for kickstarting EU economies. The Commission wants the EU Parliament and government ministers to "fast-track" the laws so that the fund, which relies on €21 billion in guarantees from the EU budget and the European Investment Bank being leveraged fifteen-fold and attracting private and public investments, can be set up by June.

But while EU hand-wringing was going on in Brussels, China's prime minister, Li Keqiang, was beaming at the ribbon-cutting ceremony for a 1½-kilometre bridge over the Danube in Serbia, financed and built by China. The Chinese apparently built it on time and within budget, to the delight and admiration of their Serbian hosts.

In December, China signed with Serbia and Hungary a €1½ billion project for a high-speed train connecting Belgrade and Budapest, which will cut the journey time to a little more than two hours, from about eight hours at the moment. The line will eventually be extended all the way down to the port of Piraeus in Greece to complete a new "Maritime Silk Road" to Europe.

The signing of that project was part of

China's third summit meeting with sixteen central and eastern European heads of governments held in Belgrade last December.

And, in stark contrast to the confusion in Brussels, the European wish-list presented to Chinese investors in Belgrade was clear and precise, including airports, railways, motorways, and special industrial zones.

A number of infrastructure projects sponsored by China are under way in central and eastern Europe; but all this amounts to very little compared with the vast transport, communications and energy networks implemented and planned in Asia.

Airports, energy pipelines, dams and power plants are also part of Asian infrastructure schemes mainly financed by China's huge financial resources, part of which will now be channelled through the 21-member Asian Infrastructure Investment Bank. Of particular note is the fact that the AIIB has been joined by India and Indonesia, the two countries actively working on their huge infrastructure requirements.

Continuing its existing efforts, India intends to invest $1 trillion over the next five years in roads, railways, energy, and communications. Indonesia is saving money by raising fuel prices and cutting subsidies so as to invest $1 billion in vitally needed irrigation systems during 2015. That sprawling archipelago of more than eighteen thousand islands also needs roads, ports, railways, communications, and water systems.

The AIIB's lending facilities will be a much-needed additional source of funds for India and Indonesia, as their present shortages of domestic savings amount to 2–3 per cent of their gross domestic product.

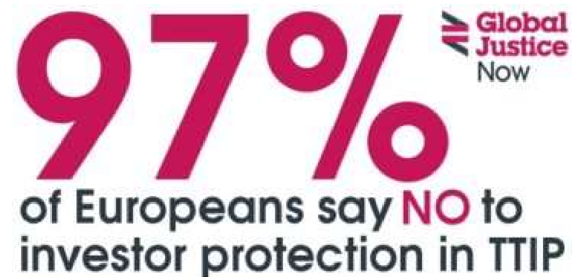
China, however, has no such problems. With a savings rate of more than 50 per cent of GDP, the country is by far the world's largest exporter of capital and the prime mover in Asia's colossal infrastructure projects. With excess savings in all other large east Asian economies, there is a considerable potential to finance investments that will expand the region's prodigious possibilities for growth.

India's former prime minister Manmohan Singh, a trained economist, used to say that Asians should be investing their savings at home (i.e. in Asia) instead of financing current-account deficits in the rest of the world. That, of course, was a very pointed political statement. But the idea was also that Asian countries could find it more profitable to invest in regional growth projects than in fixed-income assets of heavily indebted countries.

China seems to have heard the message and is increasingly moving in that direction. Other Asian countries with a trade surplus may follow by using financial vehicles like the AIIB or other institutions, concentrating on regional development.

Meanwhile back in Brussels … ?

Results of Commission's on-line consultation published



More than 97 per cent of submissions in an on-line consultation on TTIP conducted by the EU Commission were opposed to the inclusion of ISDS. The commissioner for trade, Cecilia Malmström, said that the volume of negative submissions had sent a "very clear signal" of public scepticism about the talks, adding that the investor-protection provisions were "clearly something that a large number of European citizens are engaged with."

ISDS could be used by companies to take legal action against governments if new regulation threatened their investments. Since 1994 European governments have been forced

to pay at least €3½ billion in compensation to firms, though a lack of publicly available information makes it likely that the real figure is far higher.

According to EU Observer, more than 130,000 signatures were collected by Friends of the Earth Europe, AK Europa, Sum of Us, 38 Degrees and the Munich Umwelt Institute. Three thousand individual citizens and more than 450 business groups, trade unions, consumer organisations, lawyers and academics also contributed submissions. Thirty-five per cent of the submissions came from Britain, with Austrians contributing the second-largest number. The People's Movement also made a submission.

The main concerns raised in the submissions were about protecting governments' right to regulate; how ISDS tribunals can operate in practice; the relationship between national judicial systems and ISDS tribunals; and the possible use of an appeal mechanism to revisit an ISDS decision.

The Commission will not take a decision on whether to include ISDS until "the final phase of the negotiations," and it has not given up on including the mechanism in an agreement. "It is too early to say what investor protection will look like in TTIP," said Malmström. The Commission had "no specific deadline" for deciding its next move, but "by the spring we need to come up with a proposal on this." However, the Commission still seems determined, despite mounting opposition, to include it in some form.

The French and German governments have since stated that investor protection can be guaranteed by their national courts, while several of the largest political groups in the EU Parliament have vowed to oppose any trade agreement that includes ISDS; and Euractiv reports that the EU Parliament's Trade Committee is opposed to including the ISDS clause in TTIP.

Draft agreement on EU's accession to European Convention on Human Rights is not compatible with EU law—ECJ

The EU Court of Justice has ruled that the draft agreement on the accession of the EU to the European Convention on Human Rights is not compatible with EU law. The ruling deals a blow to the efforts to make the Union accede to the convention, as the Lisbon Treaty requires. Readers will recall that accession was a big selling-point for those on the Yes side in the first Lisbon referendum.

All 28 members of the EU are also members of the 47-member Council of Europe and therefore bound by the European Convention on Human Rights. The Lisbon Treaty committed the EU as a whole to signing the convention, alongside its twenty-eight member-states as well as nineteen other European countries, including Russia, Turkey, and Ukraine, that are not members of the EU.

Individuals cannot challenge EU laws and practices at the European Court of Human Rights in the same way that they can challenge national laws and practices. However, EU member-states can be—and have been—held accountable in that court for putting into practice decisions agreed at the EU level.

The ECJ observed that, first of all, as a result of accession by the EU the European Convention on Human Rights, like any other international agreement concluded by the EU, would be binding on the institutions of the EU as well as on its member-states and would therefore form an integral part of EU law. In that case the EU would be subject to external

control to ensure the observance of the rights and freedoms provided for by the convention. The EU and its institutions would thus be subject to the control mechanisms provided for by the convention and in particular to the decisions and judgements of the European Court of Human Rights, which is not an EU institution.

The ECJ noted that it is admittedly inherent in the concept of external control that on the one hand the interpretation of the convention provided by the European Court of Human Rights would be binding on the EU and all its institutions and, on the other hand, that the interpretation by the ECJ of a right recognised by the convention would not be binding on the European Court of Human Rights.

However, it stated that this cannot be so as regards the interpretation of EU law, including the Charter of Fundamental Rights of the EU, provided by the ECJ itself.

It pointed out in particular that, in so far as the European Convention on Human Rights gives the contracting parties the power to lay down higher standards of protection than those guaranteed by the convention, the convention should be co-ordinated with the EU charter. Where the rights recognised by the charter correspond to those guaranteed by the European Convention on Human Rights, the power granted to member-states by the convention must be limited to what is necessary to ensure that the level of protection provided for by the charter and the primacy, unity and effectiveness of EU law are not compromised. The ECJ found that there is no provision in the draft agreement to ensure such co-ordination.

The court also considered that the approach adopted in the draft agreement, which is to treat the EU as a state and to give it a role identical to that of any other contracting party, specifically disregards the intrinsic nature of the EU.

■ The ECJ’s decision is at: www.curia.europa.eu/jcms/upload/docs/application/pdf/2014-12/cp140180en.pdf

Falling euro—a cause for concern?

European manufacturers are happy with the falling value of the euro, which allows them to export their goods more easily. But the mood is tempered by the threat of deflation, particularly harmful to indebted countries and increasingly a worry for the ECB, which may begin a policy of buying up sovereign debt from 22 January.

The dramatic devaluation of the euro, from $1.36 to $1.18 since July 2014, is seen by some as a cause for celebration. For exporting manufacturers the decline has been a windfall. To counter the risk of deflation the president of the European Central Bank, Mario Draghi, may employ tactics similar to those used by the US Federal Reserve, namely providing massive injections of cheap liquidity in the hope of revitalising the EU economy.

At a time when the ECB appears to be moving towards a policy of quantitative easing, the Federal Reserve is taking the opposite approach and is likely to put up interest rates this year. The collision of these two monetary policies could further devalue the euro against the dollar, which is already at its lowest point in nine years.

The CEO of the aerospace and arms company EADS (the parent company of Airbus), Louis Gallois, said that an increase of 10 cents in the value of the euro against the dollar

would wipe out 2 per cent of the group's profit margin. The devaluation of the euro was clearly one of the ECB's objectives, but in the absence of growth and inflation it will be forced to draw out its policy of monetary easing in 2015.

The governors of the ECB will discuss their options for buying sovereign debt (also known as quantitative easing) at a meeting on 22 January. The buying and cancellation of sovereign debt is a practice that has been widely used in Japan and the United States since the crisis began but never before in the EU, where it is increasingly seen as a necessary measure.

The effect of deflation in the euro zone would be particularly damaging to the indebted European countries. Just as inflation alleviates debt, deflation increases its value. The phenomenon of a long-term decline in prices can cause consumers to sit on their money in the hope of lower prices to come, depressing the dynamism of consumption, investment and, consequently, economic growth.

Reports suggest that the ECB is studying three options for buying sovereign debt before its meeting on monetary policy on 22 January. The first option is to inject liquidity into the system by allowing the ECB to buy government bonds in proportion to the contribution of each member-state to the capital of the ECB.

The second option is for the ECB to purchase only AAA-rated debt, with the aim of pushing other investors towards the riskier government and corporate bonds.

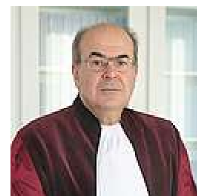
The third option is similar to the first but with the national banks, not the ECB, buying the debt. This would place the risk in the hands of the country in question, according to the paper, not the ECB itself. The ECB has declined to comment.

Farmers protest against TTIP

Just before Christmas, farmers and trade unionists were protesting in Brussels against TTIP, which they fear would leave them out in the cold at the expense of big transnational corporations. Farmers built fires and set off firecrackers close to EU headquarters, where only a few hours earlier an EU summit meeting had ended.

A coalition of trade unionists, environmentalists and farmers fear that TTIP would weaken environmental protection standards and further decrease subsidies to an agricultural industry already squeezed by the crisis.

OMT OK!



The most senior legal adviser to the EU Court of Justice, the advocate-general, has found that the European Central Bank's "outright monetary transactions" (OMT) are compatible in principle with EU law if certain conditions are met.

The case concerns an action taken by the German leftist party Die Linke and a group of citizens against the German government for failing to take action against the ECB's bond-buying programme.

OMT, which is credited with calming the euro-zone debt crisis when it was announced in September 2012, involves the ECB buying the bonds of euro-zone countries in a bail-out programme. The advocate-general said that the objectives of OMT are "in principle legitimate and consonant with monetary policy," noting that the ECB must give "a proper account of the reasons for adopting an unconventional measure such as the OMT programme, identifying clearly and precisely the

extraordinary circumstances that justify the measure.

"The OMT programme is necessary as well as proportionate in the strict sense, since the ECB does not assume a risk that will necessarily make it vulnerable to insolvency," he said, though adding that the finding is conditional on how the OMT scheme is actually implemented.

OMT will have to be implemented in such a way that a market price for the government bonds can be formed, so that there continues to be a real difference between the purchase of bonds on the primary and the secondary market. This opinion is not a binding decision, with a final decision expected in four to six months' time.

The ECJ generally upholds the opinion of its advocate-general but in some notable cases has disagreed with the original opinion. Nonetheless the failure of the advocate-general to outlaw OMT at this juncture is likely to be welcomed by the ECB, which is expected to announce some form of full-scale quantitative easing next week.

The OMT scheme is widely seen as a precursor of a more wide-ranging quantitative easing or bond-buying scheme. The ECB has been facing increasing pressure to announce further stimulus for the euro-zone economy as the bloc struggles with low inflation and weak economic growth. However, Germany is opposed to such a scheme, which many analysts believe is essential for stimulating the euro-zone economy.

Now on-line EU negotiating texts in TTIP

A final agreement on the Transatlantic Trade and Investment Partnership would have twenty-four chapters, grouped in three parts: Market access, Regulatory co-operation, and Rules.

New two-page factsheets have been published, covering negotiating texts that have been given to the American negotiators, EU textual proposals on parts 2 and 3 of the TTIP (setting out how they would want a final deal to read, line by line), and EU position papers (what they want to achieve in a chapter).

The Commission says it will publish further texts as they become available and will make the whole text of the agreement public once the negotiations have been concluded, long before its signature and ratification.

"Position papers" set out and describe the EU's general approach on topics in the TTIP negotiations. They are tabled for discussion with the United States in negotiating rounds.

"Textual proposals" are the EU's initial proposals for legal text on topics in TTIP. They are also tabled for discussion with the United States in negotiating rounds. The text in the final agreement will be a result of negotiations between the EU and the United States.

Canadian tar-sands oil won't be labelled "dirty," thanks to CETA

Just before Christmas the EU Parliament passed, by a mere twelve votes, controversial rules on fuel quality that do not penalise imports of polluting tar-sands oil from Canada.

The plenary vote on the Fuel Quality Directive saw 337 members vote against the bill, more than the 325 in favour but not enough for the qualified majority of 376 needed for rejecting it. In October the EU Commission scrapped a mandatory requirement to label tar-sands oil as highly polluting, after years of opposition by industry.

Oil from tar sands is to be given the same emission value as conventional petrol or diesel fuel, meaning that its higher emissions of greenhouse gases will not be accounted for. The proposal only requires refiners to report an average of the feedstock used: they do not have to single out tar sands.

But the approved law will make oil companies report the origin and trade name of their crude oil. That could be the first step towards a more robust system after 2020, according to the NGO Transport and Environment.

The debate about labelling oil from tar sands, also known as oil sands, dates from 2009, when EU member-states approved legislation with the aim of cutting greenhouse gases from transport fuel sold in Europe by 6 per cent by 2020, but they failed to agree on how to implement it. In 2011 the Commission agreed that tar-sands oil should be given a carbon value a fifth higher than conventional oil, before the rule was weakened in October.

According to research commissioned by the EU, tar-sands oil is 23 per cent more carbon-intensive than conventional oil. The Fuel Quality Directive is important in promoting cleaner transport fuels and is part of the EU's push to cut carbon emissions by 20 per cent by 2020. Transport is responsible for 31 per cent of the EU's total emissions of carbon dioxide.

The decision to weaken the directive, and the vote in December, have removed an obstacle to Canada shipping crude oil from tar sands to Europe, and one would hardly have to be a conspiracy theorist to suspect that the weakening of the proposal was linked to talks over the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada and its EU-US equivalent, TTIP.

Earlier this month the EU Parliament's Environment Committee voted to support a resolution objecting to the Commission's weakening of the Fuel Quality Directive. Before the vote the trade association Business Europe said that members needed to take energy security into account. The Ukrainian crisis has drawn attention to the need for the EU to diversify its energy supply.

The director-general of Business Europe, Markus Beyrer, said: "In the CETA agreement the EU and Canada agreed to liberalise trade, including energy. Canada is working on new technological solutions to reduce the environ-mental impact of producing oil from oil sand. By blacklisting oil sand imports from Canada, such a decision would risk imposing trade restrictions on a stable, reliable and democratic country which is a strong economic partner of the EU."

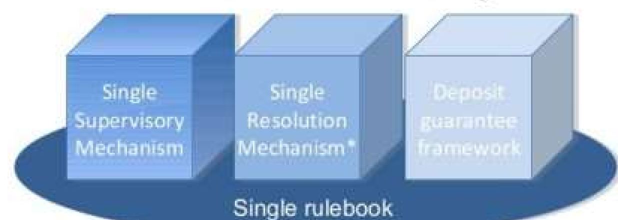
The United States is the only country that refines and exports Canada's tar-sands petroleum to Europe, blended with domestic fuel in its export barrels. A spokesperson for the Green Party, Bas Eickhout, commented: "Despite the spin, tar sands oil has nothing to do with European energy security but is instead merely about placating the Canadian govern-ment in the context of the EU-Canada trade agreement. We should not be making EU laws to the order of the Canadian government."

■ For the full text of CETA see: http://trade.ec.europa.eu/doclib/docs/2014/september/tradoc_152806.pdf

Another step towards banking union

The Single European Mechanism will be launched over the next three months, with the aim of rescuing or winding up stricken banks with minimal recourse to taxpayers' money.

Main elements of the banking union



* Plus ESM direct bank recapitalisation instrument.

The mechanism, comprising a board and a fund, will cover banks overseen by the Single

Supervisory Mechanism, which became operational last month as a concluding part of the new Banking Union. The board will be the European resolution authority for the Banking Union and will work in close co-operation with the national resolution authorities of participating member-states. For the first three months of next year it will operate as a transitional task force from the EU Commission, after which it will take up its own premises in Brussels. It will be the only such self-financing agency based there, to be run on operating contributions from the banking industry, with a budget estimated at €22 million for the first year.

The board will have broad powers to prepare for the resolution of stricken banks. On notification from the EU Central Bank that a bank is failing, or likely to fail, the board will adopt a resolution scheme, including relevant resolution tools, and will determine how much of the Single Resolution Fund should be used. The board will monitor decisions of the national resolution authorities but will have the power to intervene if the national authorities do not comply with its decisions.

The total target size of the fund will equal 1 per cent of the covered deposits of all banks in member-states participating in the banking union. The fund should be about €55 billion when it is fully operational, according to EU officials.

Lithuania adopts the euro

Lithuania has become the nineteenth member of the euro zone. The Lithuanian currency, the litas, was in use between 1993 and 2014. For its supporters the euro is a panacea that will ease the level of the country's emigration, which is beginning to produce chronic labour shortages.

But moving over to the euro has always been a thorny issue. An opinion poll in November suggested that 39 per cent of the population were against it, recognising that it is a classic error to see some sort of automatic link between membership of a widely used currency area with improved economic performance, whether present or future. They saw that various countries in the euro zone are ailing and staggering, and that Lithuanian institutions will not be able to determine interest rates and the budget deficit, essential features of sovereignty that have been surrendered by adoption of the euro.

The prime minister, Algirdas Butkevičius, adopted the standard line. "The euro will be a guarantee of our economic and political stability. It will allow us to more rapidly develop the economy, create jobs, and increase incomes. I firmly believe that we will strengthen the European family."

In principle, at least, the more the merrier. Government borrowing rates are predicted to drop by 1 per cent, while a single-currency bloc has advantages in the minimising of investment risks.

During the financial crisis of 2008–11 more than 80,000 people a year left Lithuania. According to Associated Press, business-owners in industries such as construction are unable to retain workers, despite massive wage increases of 10 to 20 per cent.

Suspicion of the euro is well founded. While supporters believe that the adoption of the currency will lead to easier foreign loans and investments, the opposite may turn out to true. Dealing in euros does not make loans any less troublesome if other parts of the economy are dragging.

Lithuania's Department of Social Statistics is unnerved by the annual leak of educated recruits who find work in western Europe. According to a spokesperson for Vilnius University, Nijolė Bulotaitė, "retaining talent is one of our most pressing problems, along with demographic changes." UNESCO's data on the global flow of third-level students for 2012 shows that 8,230 Lithuanian students were

studying abroad, more than half of them at British and German universities.

Scandinavian countries have a long tradition of involvement in European institutions while resisting the adoption of the common currency.

Lithuania's admission to the euro club comes at a time when the currency itself has been battered. The *Economist* noted on 25 October 2014 that the entire zone was feeling the deflationary phenomenon. "A region that makes up almost a fifth of the world's output is marching towards stagnation and deflation."

Lithuania's price of admission may not have been worth it.

Opposition to the euro increases in southern Europe

A growing number of political parties in Italy are publicly voicing opposition to the euro, and a growing number of Italians think the single currency is bad for their country, while in Spain and Greece anti-euro parties, such as Podemos and SYRIZA, are topping the opinion polls. These parties are not openly against the euro but support economic policies that are incompatible with membership of the euro zone.

Last week the Spanish minister of finance, Luis de Guindos, said that the economic plan of Podemos "would take Spain out of the euro," adding that it is "irresponsible to generate doubts over the repayment of Spanish public debt." Meanwhile a new opinion poll conducted for the daily *El País* has Podemos in the lead, with 28 per cent, the social-democratic PSOE with 24 per cent, and the ruling centre-right People's Party with 19 per cent—less than half the 45 per cent the party won in the 2011 general election.

And then there is Italy, where a growing number of parties are publicly voicing opposition to the euro. Lega Nord (Northern League) has been campaigning for some time to free Italy from the "euro cage." After a financial scandal brought the party to its knees, support for Lega Nord is on the increase again. Fratelli d'Italia (Brothers of Italy), a smaller right-wing party, also wants Italy to give up the euro.

Significantly, the Five-Star Movement has moved to the openly anti-euro camp. Its leader, Beppe Grillo, has announced that his party would begin collecting signatures for a referendum on Italy's membership of the euro zone. Such a referendum is not permitted by the Italian constitution, but the number of signatures the party will be able to collect may exert considerable political pressure as well as confirming the public mood.

The latest opinion polls show that the Five-Star Movement is nowhere near the 26 per cent it won in the 2013 general election, and there is some uncertainty over the future direction of the party, as Grillo has admitted that he is "tired" and inclined to gradually relinquish leadership to a board of five members of parliament. However, the Five-Star Movement remains Italy's largest opposition party and would still win a significant share of the vote in an election.

Silvio Berlusconi, who has toyed in the past with the idea of abandoning the euro, recently floated the idea of introducing a "parallel currency" that would be printed in Rome and would allow Italy to get back at least part of its monetary sovereignty.

Taking these four parties together, and the results of the latest opinion polls, we are looking at a potential anti-euro bloc that would gain about half the vote in a general election.

The situation in Greece

With a general election on 25 January that offers the possibility of SYRIZA forming the next Greek government, the debate on the debt, rather than Greece leaving the euro zone, has

returned to the centre of European politics.

The rise of SYRIZA is a result of the "adjustment programme" imposed on Greece in 2010. The troika provided huge bail-out loans, at the price of unprecedented cuts in public expenditure, tax increases, and a collapse in wages. It was a standard—if extreme—austerity package, with one vital difference: austerity could not be softened by devaluing the currency, as, for instance, had happened in the Asian crisis of 1997–98. Greece's membership of the euro zone had closed off all escape routes.

Brutal austerity succeeded in stabilising Greece and keeping it in the economic and monetary union by destroying its economy and society. The budget deficit has been drastically reduced, the current-account deficit has turned into a surplus, and the prospect of default on foreign debt has receded. But GDP has contracted by 25 per cent, unemployment has shot above 25 per cent, real wages have fallen by 30 per cent, and industrial output has declined by 35 per cent.

The human cost has been immeasurable, amounting to a silent humanitarian crisis. Homelessness has rocketed, primary health services have collapsed, soup kitchens have multiplied, and child mortality has increased.

Since the summer of 2014 the depression has been drawing to a close, helped by the strong performance of the tourist industry. Yet the damage from the troika's policies is so severe that the prospects for growth are appalling. The weakness is manifest in foreign trade, which the IMF expected would act as the "engine of growth." In 2014 exports will probably have contracted, while imports began to rise as soon as the depression showed signs of ending. This is a deeply dysfunctional economy.

In the midst of this catastrophe the troika is insisting on further austerity to achieve massive primary budget surpluses of 3 per cent in 2015, 4½ per cent in 2016, and even more in future years. Its purpose is to service the enormous foreign debt, which has risen to 175 per cent of GDP, from about 130 per cent in 2009. Astonishingly, the IMF still expects Greece to register average growth of 3.4 per cent during the next five years—provided, of course, that it goes full speed ahead with privatisation, the deregulation of labour, and liberalisation of markets. The troika has truly embraced the economics of the absurd.

In 2010–11 the Greek people actively opposed the disastrous policies of the troika and its domestic allies but failed to stop them. After 2012, however, as unemployment and poverty increased, it became difficult to organise popular protest.

SYRIZA promises first to achieve a substantial write-off of debt and, secondly, to lift austerity by aiming for balanced budgets, instead of the surpluses demanded by the troika. Its promise to call an end to the budgetary austerity policies mandated by the EU, which both social-democratic and centre-right governments have been following since 2010, are not new: politicians of the left and the right in much of Europe have been promising to ease austerity over the past

couple of years.

There is nothing radical, much less revolutionary, in these policies. SYRIZA has repeatedly declared its intention to keep the country within the economic and monetary union, and to avoid unilateral actions. The trouble is that the EU is far from amenable to SYRIZA's ideas. Germany's exporters and banks have benefited substantially from the euro and have no incentive to abandon austerity. The German government has its plate full anyway, as the euro zone is exhibiting renewed weakness, with France and Italy on the ropes.

There is also Mario Draghi at the ECB, rambling on about quantitative easing, a policy that the German government detests. The last thing Germany would welcome is SYRIZA and its programme.

A scaremongering campaign is likely in the coming weeks to deter Greeks from voting for SYRIZA. Should the campaign fail, a SYRIZA government can expect hostility from the EU, which is not short of weapons. SYRIZA's programme lacks secure funding; Greece also needs substantial finance to service its debts in 2015, perhaps up to €20 billion. There are some debt repayments in the spring that might be manageable, but further repayments—€6.7 billion—must be made in July or August, which will need fresh funding from abroad. And, needless to say, Greek banking would be rapidly asphyxiated if the ECB stopped providing liquidity.

A SYRIZA government would probably face an ultimatum to capitulate, perhaps by being offered some watered-down version of austerity. This would be a disaster for Greece and a major defeat for the opponents of austerity in Europe.

The results of the Commission's on-line consultation on ISDS

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Don't ignore the 97%+ of us who said #no2isds in #TTIP, @TimmermansEU. Put people first & scrap corporate tribunals.