Conflicts within EU stall Irish debt deal

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The Irish government's aim of securing a write-down on state debt by the end of October has failed amid growing conflicts within the European Union (EU).

After an agreement by EU leaders in June to look at Ireland's debt position with a view to making it more sustainable, Prime Minister Enda Kenny and EU Commissioner for Economic Affairs Olli Rehn had both vowed that negotiations would proceed quickly. But after last week's summit in Brussels, at which sharp divisions emerged over a banking supervisory system, officials in Dublin have admitted that no deal will be possible until well into 2013.

The proposal was discussed in a 30-minute telephone conversation between German Chancellor Angela Merkel and Kenny on Sunday, out of which emerged a joint statement from the German and Irish governments confirming that a deal on debt restructuring was still being considered.

The statement asserted that Ireland was being treated as a "special case" in order to make clear that Germany was not agreeing in general to retroactive recapitalisation. This was a message with which French president Francois Hollande agreed when he met with Kenny in a bilateral discussion in Paris on Monday.

Government officials sought to hold up the designation of Dublin as a "special case" as a sign of the successful implementation of the bailout programme. Deputy Prime Minister and Labour Party leader Eamon Gilmore declared, "There's a very strong view that Europe needs a winner and needs a country to come out of the programme and Ireland is the best-placed country to do that."

The reality is the exact opposite. As Colm McCarthy asked rhetorically in the *Irish Independent*, "If things are going fine, why is there any need for debt relief?"

Outlining a potential scenario over the next few years, he continued, "The debt is not sustainable and will reach 150 percent of national income; the economy is flat and will remain so; the politics of further retrenchment are getting too difficult and debt relief is inevitable."

This disastrous state of affairs has been exacerbated by four years of budget-cutting, which has led to widespread impoverishment across the population. At its recent world summit, the International Monetary Fund (IMF) acknowledged that its calculations on the negative impact of austerity measures on the broader economy had been grossly underestimated. For Ireland, the consequences of pursuing such policies have been severe, provoking a deep economic contraction and an unemployment rate of almost 15 percent that would be much higher were it not for a sharp rise in emigration.

The prospect of a debt deal would do nothing to change the miserable conditions that working people confront. A restructuring of state debt would be a mechanism through which the dictates of the financial elite could be imposed even more directly on working people. As the example of Greece shows, a precondition for any such deal on state debt would be a commitment from Dublin to intensify budget-cutting to facilitate the transfer of wealth from working people to the financial elite.

The €85 billion bailout package put together by the EU, European Central Bank and the IMF, or "troika," which began in 2010 has been hit by slowing economic growth as the threat of a recession across Europe deepens. Doubts have been expressed as to whether budgetary targets set under the bailout programme for next year can be met. The latest delay in negotiating a deal will only strengthen such concerns, making it likely that Dublin will require additional support when its bailout package runs out in autumn of next year.

The IMF earlier this month raised concerns about the ability of the government to cut spending sufficiently, particularly in the area of health. The health budget is expected to overrun the target set in negotiations with the troika by €500 million this year, despite an emergency package of cuts implemented last month of €250 million.

As the latest review of the bailout programme got under way on October 16, an EU commission representative said that the main aim of the current review would be to "focus on strengthening budgetary management in the health sector to ensure that it can deliver desired objectives within budget."

Reflecting their complicity in imposing austerity measures totalling more than €25 billion, representatives of the Irish Congress of Trade Unions (ICTU) held a meeting on Monday as part of the troika's review. Separate discussions took place between the troika and the pseudo-left United Left Alliance (ULA), which attended an October 17 meeting along with other independent parliamentarians.

These discussions will shape the budget that Finance Minister Michael Noonan is due to present at the start of December. Although it has been suggested that he will put forward spending cuts and tax hikes amounting to €3.5 billion, this figure could well rise given recent developments.

These measures will pile further misery on a population that has suffered a massive decline in living standards since 2008. A report released earlier this week by the Irish League of Credit Unions noted that 20 percent of the adult population had no money left after paying essential bills each month. For 1.85 million people out of a population of around 5 million, disposable income was no more than €25 per week. Close to half of those surveyed stated they had been compelled to borrow money to pay for essential bills at least once in the past year, while 70 percent said they were unable to save any money.

Eighty percent of respondents were concerned about their ability to heat their homes over the winter in the face of rising energy costs. Major energy suppliers have announced their intention to roll out prepaid metres to more customers, which will limit the availability of utilities through the winter. Estimates suggest that more than 600 households every week are having them installed.

These are only the latest signs of a vast transfer of social wealth from working people to the ruling class. Overseen by successive governments, with the full collaboration of the trade unions, these policies are forcing wider sections of the population into a daily struggle to survive in a society that is becoming ever more unequal.

According to the *Irish Times*, figures for the period 2008-2009 show that the poorest 10 percent saw their share of overall income slashed by a staggering 26 percent. For the next poorest 10 percent of the population, the drop was 14 percent. By contrast, in the same period, the richest 10 percent of the population saw their incomes grow on average by 8 percent.