EU finance ministers demand more austerity at Dublin summit

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Despite new data indicating that Europe's recession will continue into the second half of this year, European finance ministers meeting in Dublin at the end of last week agreed to intensify austerity measures which will deepen the social and economic crisis.

At separate meetings, finance ministers from the 17-nation euro zone and the 27-nation European Union (EU) agreed on a loan package for Cyprus requiring greater budget cuts than originally stated. The original deal thrashed out by the troika pledged 10 billion euros ($13 billion) to cover Cypriot banks' bad loans. In exchange, Cyprus is expected to raise €7 billion through extensive budget cuts and privatisation measures.

The deal effectively lays waste to the island's banking system and is expected to slash Cypriot GDP by up to 15 percent this year. For the first time in its history, the EU demanded the confiscation of the savings of bank account holders. Depositors with over €100,000 euros are expected to lose up to 60 percent of their deposits.

On the eve of the summit, the 'troika'—the European Commission, European Central Bank and International Monetary Fund—abruptly upped the ante, "leaking" a document stating that Cyprus would have to raise an extra €5.5 billion. This was ostensibly to cover additional toxic debt uncovered in Cypriot bank vaults.

This means that Cyprus must raise nearly double the sum demanded by the troika, via even deeper budget cuts, the selling-off of gold reserves, and additional privatizations of national assets. The total costs of the Cyprus bailout for its population of barely over 1 million now equates to €27,000 for each man, woman and child.

In an interview with the *Süddeutsche Zeitung*, EU Internal Market Commissioner Michael Barnier confirmed that the deal struck in Cyprus would form a benchmark for EU policy across the continent.

Barnier told the SZ he was preparing legislation to be introduced this June formalizing the involvement of bank account holders in future bank bailouts. In the case of Cyprus, the partial liquidation of assets was restricted to depositors with savings of €100,000 euros or more, but there is no guarantee that this barrier will not be lowered.

Small depositors in Spain have already lost their savings in a number of the restructuring operations for state-owned Spanish banks.

Having planned the shipwreck of the Cypriot economy, EU bureaucrats in Dublin also stressed that there would be no let-up in the application of austerity in Greece. Euro group president Jeroen Dijsselbloem demanded in Dublin that Greece "speed up its efforts" to comply with the troika's program for further massive spending and job cuts.

Another significant decision taken by finance ministers in Dublin was an extension of the loan repayment agreements for two other targets of troika bailouts, Portugal and Ireland. The decision is in recognition of the fact that the deepening economic problems of both countries make it impossible for them to repay their loans on time.

The Portuguese economy contracted by 6.4 percent last year and is expected to contract a further 2.3 percent this year. Its unemployment rate is the third highest in the euro zone, at 17.5 percent in February, and its debt levels (public and total) continue to soar as a direct result of the punitive cuts imposed by the troika.

There is massive public opposition to the savage cuts imposed by the Lisbon government, and just two weeks ago Portugal's constitutional court issued a judgement

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declaring that many of the budget cuts dictated by the European Union violated the country's constitution. In return for the extension of its repayment period, Portugal's Prime Minister Pedro Passos Coelho has pledged to fully impose the EU cuts program.

The picture is similar in Ireland. A recent survey found that 1.8 million people in Ireland, or one third of the population, have less than €100 left each month after "essential bills" are paid. The slashing of wages across all economic sectors, the imposition of new taxes and levies to pay for the Irish bank bailout, thousands of job losses, and unemployment rising to over 14 percent all contributed to the growth of mass poverty.

Ireland has been awarded an extra lifeline for its debt, but it is estimated that it will take the Irish population a further 40 years to repay its bank debt.

Insisting that Portugal "maintain reform momentum despite the difficult economic and domestic conditions," Euro group chief Jeroen Dijsselbloem cynically applauded the Irish government for implementing the EU's cuts. He described Ireland as a "living example that adjustment programs do work, provided there is a strong ownership and genuine commitment to reforms."

The final major subject of debate at the Dublin summit was measures to deal with tax loopholes in Europe. These will strengthen the hand of northern European banks, particularly those of Germany, against their European and international rivals. Germany has played the leading role in insisting on austerity policies across the EU.

The prime aim of the loan repayment extensions for Ireland and Portugal is to prevent these two countries applying for a second bailout. After Cyprus, the next target for a bailout is Slovenia, whose banks are drowning in bad debts equivalent to a fifth of the country's GDP.

At the summit, the European commissioner for economic and monetary affairs, Oli Rehn, also criticized Italy and France for not pressing fast ahead with austerity measures and labour market reforms.

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