Ireland seeks ongoing financial support after end of bailout

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Dublin is preparing to establish terms for ongoing aid to avert a potential financial collapse as the end of Ireland's three-year bailout programme from the troika of the European Union (EU), European Central Bank (ECB) and International Monetary Fund (IMF) approaches. This will be a second bailout in all but name.

According to finance minister Michael Noonan, the government is hoping to establish an agreement for the provision of financial assistance for another year from December. EU sources have indicated that such support would be unlikely to come from the ECB's outright monetary transactions programme—established last year when ECB chief Mario Draghi committed the bank to doing everything necessary to defend the euro. Instead, an application could be made to the European Stability Mechanism (ESM), the permanent bailout fund, which would inevitably come with conditions attached demanding a deepening of austerity measures.

Ireland has already made cuts equivalent to more than 20 percent of GDP since the outbreak of the economic crisis in 2008. Discussions are currently in progress within the Fine Gael-Labour coalition as to where the €3.1 billion (US$4.1 billion) of spending cuts planned for this year's budget will fall.

Renewed concerns over Ireland emerge as the crisis across Europe deepens. Figures published last week showed a sharp rise in state debt as a percentage of GDP in the first quarter of 2013 across the eurozone, and the steepest increases came in states where bailout programmes have been in force. Ireland's debt burden rose by 7 percentage points, to more than 125 percent of GDP.

The EU commission is reportedly working on a similar support package for Portugal to act as a "soft rescue" when its bailout expires mid-2014. According to the Spanish daily *El País*, the new programme would "work as a containment dyke, as a preventative measure to make sure that the exit from the [initial] programme, in May of 2014, is not a heavy burden."

In spite of the incessant claims by Irish government ministers that the bailout programme is performing well and that the situation is vastly different to that in the other countries in bailout programmes, Noonan was forced to admit in early July, "As we have seen in the past, we are susceptible to shocks elsewhere in the eurozone and we must ensure that the proper protection is in place to deal with such shocks. Over the last number of months we have opened initial discussions with the troika on the type of supports that may be available post-programme."

Accompanying the latest downturn in the economy, which contracted 0.9 percent in the first quarter, is an increase in the budget deficit. This reached more than 13 percent over the first quarter, with troika targets stating that it must be reduced to 7.4 percent for the year as a whole. Troika officials complained that Dublin had spent €5.8 billion more than had been set down in targeted spending in the first quarter. Although some of this was accounted for by interest rate payments and funding for the banks, it is to be clawed back through an intensification of the assault on public spending.

The next stage in this process will be October's budget. Both parties in the governing coalition are committed to implementing billions more in spending cuts, and Taoiseach (Prime Minister) Enda Kenny has announced that there will be no deviation from the original figure of €3.1 billion in cuts agreed with the troika. This was in response to claims by some Labour Party representatives that the austerity measures could be reduced slightly due to the deal reached with the EU on the restructuring of loan repayments to cover the costs of the bailout of Anglo Irish Bank.

Ireland's Central Bank warned explicitly against any attempt to slacken the pace of austerity. As "Ireland's deficit and debt levels remain very high," austerity packages over the coming two years should total no less than €5.1 billion, the bank argued, in order to "maintain the confidence of lenders."

Ireland's lenders in the troika have warned of the consequences of any let-up in austerity. During a visit to Dublin earlier this year, IMF head Christine Lagarde confirmed that her organisation would continue monitoring government spending until 2021.

In June, Noonan announced discussions were underway on proposals outlining plans to implement budget cutting until 2020. Last week, as the Irish central bank sharply downgraded its growth forecast for this year and 2014, he asserted that this would not necessitate a further intensification of spending cuts in October. The central bank figures predict that the economy will barely grow this year, expanding by only 0.6 percent. This still looks optimistic, given that Ireland, like the eurozone as a whole, is currently in recession.

In an interview with the *Irish Times*, chief of the ESM Klaus Regling defended austerity and the devastation of living standards for working people that it has produced. "Without the fiscal consolidation measures we would not have seen stabilisation of markets. The spreads show it very clearly. It's very painful for the population…. In this phase incomes are cut, consumption is weak, domestic demand is weak, GDP drops. This is unfortunately unavoidable. If one moves from a situation where incomes were too high, one has to move to a new equilibrium," he stated. Referring to future government policy, he went on to declare ominously, "I hope Ireland realises that a lot of help has been provided."

This assault has been implemented with the full support of all of the political parties, and with the collaboration of the trade union bureaucracy. The unions have imposed billions of euros in savings on behalf of the government by agreeing to pay cuts, layoffs and attacks on working conditions, while blocking any attempt by working people to resist by accepting no-strike deals.

At least €1 billion will be cut in the coming three years through the Haddington Road Agreement, which the unions have managed to force through over the past few months in the face of widespread opposition from public sector workers. It is the successor to the Croke Park Agreement negotiated in 2010, which facilitated the elimination of more than 10 percent of all public sector jobs.

After the initial deal negotiated with the government to replace Croke Park was decisively repudiated by their memberships, the public sector unions entered new talks with the government and capitulated to all of their key demands, including longer working hours, freezes to pay increments, pay cuts for staff members, and so-called redeployment measures which in reality pave the wave for job cuts.

The hostility of the trade unions to any resistance from public sector workers permitted the government to go on the offensive, implementing emergency legislation to enforce pay reductions and other cuts. Those unions whose members had previously rejected the deal then organised a second ballot of their members. Under conditions in which the unions had maintained the isolation of workers and proven utterly incapable of defending even the most minimal demands, the deal was accepted.