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'No, No, No!' – the Coalition Government must reject the EU Common Corporate Tax proposals outright

Bill Cash MP

On Wednesday night of 11 May, I welcomed the Government's limited stand against the draft directive on the EU's introduction of a Common Consolidated Corporate Tax Base, for the reasons given in the motion endorsing the European Scrutiny Committee's report. I remain concerned, however, about one matter still hanging over the debate. It all goes back to a motion that was before a European Standing Committee which asserted, in the name of the Government, probably for the first time since 1640 – at the time of Pym and Hampden – that the British Government, as a sovereign Government, were only "primarily" responsible for direct taxation, whereas in fact our Parliament is exclusively responsible for it.

That motion was put to a deferred Division in the House and passed. That is pretty alarming. The Government must be clearer – at least clearer than the Treasury minister was the last time I put this point to her, because it must be made absolutely clear that Westminster is exclusively responsibility for direct taxation. After all, on Wednesday night's debate, the objective of this tax base is to raise money to pay for the profligate, incompetent and failing European project.

The Government was at pains to describe the context of this taxation measure in the light of the questions of subsidiarity but on 27 April I raised the matter with the Prime Minister, together with the proposed increase in the European budget and the Portuguese bail-out, not to mention prospective Greek bail-outs. I said that we expected the answer to be no to each of those proposals – 'No, No, No!' His reply referred only to the increase in the EU budget, and I hope that the Government remains unequivocal in reserving to ourselves the absolute determination, and not merely the right, to say no to these proposals. They infringe a number of important principles.

The Coalition Agreement says: "We agree that there should be no further transfer of sovereignty or powers over the course of the next Parliament." Our European Scrutiny Committee report looked at that and found it wanting in relation to the EU Referendum Bill. The Government have also said that they would reject any proposal that "might threaten or limit our ability to shape our own tax policy."

I have the greatest respect for what the Government are trying to do, as they well know, but the Minister in her speech left out the next bit, which was the word "but". After the words are "but under enhanced co-operation" the Coalition Government will "engage in discussions to help shape a CCCTB that does not undermine the competitiveness of the EU or the UK". Now that is a monumental exception, because it is obvious that the proposal will undermine the competitiveness of the EU and the UK. And the Government knows very well.

As light follows day, there is no reason for us not to put our foot down now and say no. We know that the Tax Commissioner is saying that this is going ahead under enhanced co-operation, and this it not something magicked out of the air, as he knows perfectly well that that is what Germany, France and other countries are intending to do.

The proposals before the European Scrutiny Committee are, for reasons set out in our conclusions of our report all profoundly objectionable, but the draft directive falls down particularly on four main issues: one, the sovereignty of the House; two, the insufficient legal base; three, an inadequate and unconvincing impact assessment; four, grounds of proportionality, making the doubling of tax regimes in the EU, the cost of establishing 27 new regimes and the apportionment formula excessively disadvantageous for certain Member States.

The Oxford University Centre for Business Taxation says in its policy briefing that "it is unlikely that the introduction of the CCCTB would bring significant benefits to the EU in aggregate in terms of employment, GDP or efficiency, although some individual countries could benefit significantly."

Under the formula of Roland Vaubel of Mannheim University, it is well known that there is such a thing as "regulatory collusion" and that through the clever use of certain majority voting systems, through negotiations in

the case of unanimity as in this instance or by enhanced co-operation, it is possible to arrive at a point where some countries benefit to the disadvantage of others. The Oxford University Centre for Business Taxation has its finger on the concerns here.

The objective of this tax base is to raise money to pay for the profligate, incompetent and failing European project. Countries such as Greece, Ireland and Portugal are either on the verge of or in danger of bankruptcy or are actually going bankrupt because of the systemic failure of economic policies. The Stability and Growth Pact does not work: there is no stability, no growth and no pact.

The creation of a two-tier Europe will exacerbate these problems, as was noted when we debated the European Union Bill, and will lead to ever-greater German domination over the European economy. The economic predominance of Germany in east and central Europe might be a good thing from its point of view, but we now have a transfer Union and a massive redistribution of resources. What we are also witnessing as a result of the failure of this project are riots and protests as Germany repatriates its profits at the expense of cheap labour unit costs from the countries in which it has put investment in the centre of Europe, as Portugal, Greece and even Ireland have found to their cost.

The pumping of money supports not so much the Member States as the French and German banks, which have lent money indiscriminately to suit themselves – and we are expected to engage in the bailout procedure, the covert mechanism for which is the stability mechanism, coming into effect in 2013.

As the European Scrutiny Committee has insisted, this whole proposal for direct taxation proposal is in breach of the principle of subsidiarity. This principle is intended to ensure that decisions are taken as closely as possible to the citizen. Direct taxation is such a policy. The national Parliaments are able to use the procedure under the Treaties to challenge breaches of subsidiarity. At present, there are only six countries whose parliamentary Chambers propose to or have issued a reasoned opinion. The House of Commons has done so – but interestingly enough, the House of Lords has not.

In passing the motion, the House challenged the breach of subsidiarity. As far as I know, of the 27 Member States, the five that are on our side are Ireland, Malta, Netherlands, Poland and Sweden. I am informed that Cyprus, Greece, Hungary and Slovenia have no plans even to scrutinise the proposal. Those yet to decide include Austria, Bulgaria, the Czech Republic (the lower chamber and the senate), Denmark, Estonia, France, Lithuania, and Luxembourg. Romania, Portugal, Italy and Spain believe that the draft directive complies with the principle of subsidiarity. The German Bundesrat is considering it only on the basis of content.

However, there is no guarantee that the accumulated number of reasoned opinions will be sufficient to meet the threshold requiring the European Commission to review the proposal – and because that will be known in advance, the EU Tax Commissioner will say that he has already received a demand to proceed with enhanced co-operation.

We have a serious problem on our hands. But we do have another card up our sleeve. Under Article 8 of Protocol 2, the United Kingdom Parliament can go to the European Court of Justice, which has jurisdiction to determine our claim as the House of Commons – which is regarded as a separate Chamber – that the principle of subsidiarity has been breached. That gives us the basis for a challenge.

I believe that if the Government are not prepared to say plain and simply 'No' (which I think that they should have done already), the House of Commons should take the matter to the European Court of Justice. Of course, it would save an enormous amount of time and trouble if we simply recognised that Parliament is sovereign – and that it has the right to take the action that it has taken.

Leaving aside the attack on Thatcherism, of all things, by the Deputy Prime Minister immediately after the disastrous showing of the Liberal Democrats in the polls, (which is probably why no Liberal Democrat Members were present at the debate on Wednesday night), there is every reason for the Liberal Democrats to back down and not veto the Conservative party veto simply because of the Coalition arrangements. The Prime Minister should do what I asked him to do at Prime Minister's Question Time only two weeks ago and say "No, no, no." That would save us a great deal of time and argument.

The UK corporate tax director of a major European bank has said that this proposal would increase our corporation tax and drive investment away, reduce our GDP by £73 billion over 10 years, increase administrative burdens and lose the UK an estimated total of £58 billion, again over 10 years. We already know that Mr Sarkozy and Ms Merkel are in favour of the competitiveness pact, which affects us although it is presented as a eurozone matter.

Whether this direct taxation proposal involves enhanced co-operation, the creation of a two-tier system, or whatever other means or machinations may be produced by the Faustian pact that is being devised in Europe, we must put our foot down, lead from the front, and say no. The window of opportunity to do this exists – but we need to hear it from the Prime Minister's own lips. He will then be able to enjoy as much success on this battle as he, and we, enjoyed in the context of the Alternative Vote – when the Liberal Democrats got their come-uppance.

Does a two-speed Europe need a two-speed Euro?

Howard Wheeldon

German GDP just continues to grow whilst the majority of the rest struggle to survive. A slight exaggeration perhaps but if evidence was needed of just how unfair the existing one size fits all standard that is the strategy of the European Central Bank then look no further than the first quarter 2011 GDP numbers from Germany to see that while it works for one it just isn't working for the rest.

Despite the grotesque sight of a still worsening sovereign debt crisis that has over the past few months 'forced' fellow Euro Member States such as Greece, Ireland and Portugal to go cap in hand to EU and IMF authorities for bail out funds it seems that while these nations suffer, the engine state of the Euro-economy continues to expand at the expense of others. With some eurozone nations now headed into recession as they are forced by the authorities to make severe and in most cases overdue cuts in public spending and to increase taxes these are tough times for some eurozone Member States that thought the long period of growth might never end.

Back in Germany it is a very different story. Not only did first quarter German GDP growth beat most analyst forecasts at a seasonally adjusted 1.5% it actually trashed them. Heavily export orientated German exports now account for around one third of the nations national output. In March alone German exports surged by 7.3% to the highest value since 1950 and at 7.1% unemployment here is not only running at its lowest level in the past nineteen years it is close to being the lowest within any eurozone economy. Germany has of course long been a strong advocate of closer European integration and yet these days its politicians often speak with forked tongues. Not surprisingly the Euro which some believe may be as much as 25% overvalued against the dollar surged on news of yet another rebound in German economic growth. Each rise in the Euro against the dollar, pound, yen or other currency makes exporting at a competitive level just that little harder. For Germany which is heavily manufacturing orientated and where exports are a key element of macro-economic policy the situation appears to be manageable due to its huge scale. But for most other members of the pack of struggling eurozone economies a rising Euro and relatively high interest rates is hardly fun.

Contrast 1.5% first quarter GDP growth in Germany and the smaller 1% gain in French GDP with the equally better than expected 0.8% figure Q1 growth across the whole eurozone region and it may highlight that something is wrong.

The stranglehold that Germany and France have on the Euro is increasingly plain to see and as each day dawns it appears to get worse. And yet, as few will have failed to notice, for self political ends senior German politicians continue to throw their toys out of the pram by constantly objecting to EU provision of bail out support for those nations that, through the lack of diligence of themselves and the EU and eurozone authorities, are struggling. The arrogance of Germany in the manner that it slates those who failed to keep their deficits in check knows few bounds in my view and yet I might ask where was the voice of Germany in the earlier years of the Euro's existence demanding that that deficit and borrowing rules were strongly adhered to buy all Member States? The answer is that they where nowhere to be heard.

As Europe's sovereign debt crisis continues to cut a swathe of discontent in global financial markets the powers that be in eurozone and the EU appear content to close their ears and eyes to any criticism that suggests Europe's single currency system failed at the first hurdle. It is of course in the interest of all of us whether we happen to be in the Euro or outside or whether we love or hate the concept of the Euro and the EU that the current appalling sovereign debt situation is handled with great care. We may well know that at some point Greece will have no choice but to default and we may feel very sorry for the Portuguese who really did very little wrong. It is of course yet possible that other nations such as Spain may also need to request support from the EU and the IMF over the coming month although I for one doubt that will occur. Whatever, we may be assured that for some considerable time the printing presses of the Euro are going to be kept very busy.

Whatever might pan out for the weaker countries that have failed to contain spending and balance their national accounts I take the view that if the eurozone authorities are to persist with a one size fits all strategy on Euro interest rates we can assume that the potential for the larger majority of Euro Member States to equal the growth level being enjoyed by Germany can only be slim.

The UK and the handful of other European nations that elected to stay outside the common European currency can with the benefit of hindsight be thankful that they did. It is true that the single currency concept has many advantages in terms if intra European trade but the bottom

line is that a common currency can only truly work if political union has also been achieved. Chances of that occurring during the lifetime of most who are reading this issue of 'The European' are now thankfully slim. Of course, for these nations that stayed outside the eurozone area by choice restraint on growth still comes in the form of the extended bureaurocracy that is the EU today and of its burgeoning regulation. Somehow I may believe that the world has moved on and that the eurozone authorities and those in the EU offices in Brussels and elsewhere are ignoring that day by day, week by week, month by month and year by year economic power continues to shift from west to east. Tied up in knots over sovereign debt and many other issues the European economy is being left behind. Not Germany of course and not France. Like ships of state all but oblivious to the rest of mankind the leaders of these two nations care not for the plight of those others that it encouraged into the eurozone fray. For Germany it is a case of you really can have your cake and eat it as it steams on a solid upward trend of growth leaving its eurozone partners standing behind. Something will soon have to give. The bottom line is that both Germany and France start thinking outside the box realising that the eurozone area as a whole can no longer cope with one size fits all interest rates or the situation will get much worse. For many the thought that German arrogance could eventually lead to the potential break up of the single currency will of course bring a smile but others will realise that turning the clock back is not an option. The single currency concept is indeed a fine enough idea provided that all those who join it can benefit on the basis of a level playing field. In the current format and having expanded its membership far too fast operating on a level playing field basis is just not possible. Time then to start thinking again!

The new EU lobby register: a step in the right direction

Natalie Hamill

The European Parliament's recent vote in favour of reforming the EU lobby register shows a sincere approach to improving legislative transparency, a reform badly needed after a string of high profile scandals. The decision sees the merging of the European Parliament and European Commission's separate lobby registers, and provides a golden opportunity to reform the EU's lax lobbying oversight procedures. Most importantly, European citizens should finally gain a better understanding of this opaque industry's influence on the laws emerging from Brussels.

The power of EU lobby groups has been an unknown quantity for too long. The EU's steady accrual of legislating power has seen Brussels' lobbying presence grow at an astonishing rate. With the EU's authority under constant expansion, making decisions for 27 countries on everything from food packaging to CO2 emission levels, businesses understand that Brussels is where they need to be to have an influential voice in modern Europe. Thus the EU capital has become a hive of lobbyists seeking to sway EU parliamentarians: Alter-EU estimates that there are more than 15,000 lobbyists in Brussels (Washington DC, the lobby-capital of the world, has approximately a third less than this).

Yet, despite Brussels' extraordinary boom in lobbying, the EU has until now failed to make any meaningful attempt to understand the influence and sums involved. The Commission's 2008 register was launched to great fanfare, but its voluntary nature made a mockery of any real attempt to regulate lobbying. It is estimated that only 40% of lobbying firms had joined the register by 2010 and, of those that had signed up, many significantly miscalculated their funds. Wednesday's vote in favour of joining the two registers is so monumental because it restores some credibility to the EU legislative process.

Firstly, the new transparency register will provide a better opportunity for keeping a watchful eye over influential lobby groups: more staff are to be allocated to oversee the new register and there are indications that rules will be tightened and financial loopholes closed. Secondly, the vote clears the way for mapping the EU's 'legislative footprint'. From the June launch onwards, all exchanges between MEPs and lobbyists will be linked to parliamentary reports. Under the new system the idea of dodgy backroom dealings (as recently uncovered by the *Times* cash-for-amendments scandal) will, hopefully, become a thing of the past.

Having said that, it will still be voluntary for lobby groups to join the new transparency register. However, this time there is at least an incentive to add your dealings - only those signed-up will get access to EU individuals, in the form of a pass to the European Parliament. Anyone seeking to influence EU legislators will need this golden ticket.

The EU's efforts to rejuvenate its lobby register comes just weeks after the EU attempted to tighten its 'code of conduct' for ex-commissioners, following a spate of high profile officials moving swiftly into lucrative lobbying roles after leaving their office. The EU has sought to clarify the permissible circumstances of accepting a lobbying role and reduce the prevalence of 'revolving door' syndrome, (previously considered a quirk of US politics), although it could still do more to clamp down on its pervasiveness.

The EU remains democratically deficient in many fields, but its latest attempt at opening up lobbying practises to public scrutiny and improving transparency of the legislative process is a significant step forward. More should be done to continue the effort – starting with the Council's addition to the register.

Neglected Diseases

Nirj Deva MEP

One of the things I have learned from the last 10 years in development activity is that sometimes we can lose the roots from the trees. By this I mean that certain subjects regarding humanitarian assistance become more important, though their prevention could be saving fewer lives at a higher cost than other initiatives which would save more lives at a lower cost. One of the areas that was neglected for a long time in development circles, but which is now gaining ascendency, is diarrhoeal diseases, particularly affecting children under the age of five. This long ignored subject has come to the fore partly because of the work done by my wife, Indra Deva, who very unfashionably started talking about diarrhoea, hand washing, child mortality and preventing children's death due to poor sanitation as far back as 2002, when the whole world was talking almost exclusively about the AIDS epidemic, cholera and malaria. Surprisingly, more children die of diarrhoeal diseases due to poor sanitation than all the children dying from AIDS, tuberculosis and malaria combined. But until the advent of this pioneering initiative, the former has gained attention from the development community while the latter was highly topical.

Indra Deva is the Chairman and founder of Hope for Children Belgium. Under her leadership, Hope for Children Belgium has been a pioneer in promoting the importance of funding Water, Sanitation and Hygiene programs to prevent infant and child mortality. For nearly fifteen years she has stressed the importance of providing clean water, hand sanitizing gels, food and zinc tablets to stop millions of at-risk children from dying because of dirty water and bad sanitation practices.

Zinc is known for being highly cost effective, costing only $0.02 per tablet. It is also proven to help reduce the duration and severity of diarrhoea in zinc-deficient or otherwise malnourished children and is recommended by the World Health Organization for treating diarrhoea. Another effective treatment is sanitation gels, which can prevent the spread of bacteria that causes diarrhoea by allowing people who otherwise don't have access to clean water a way of cleaning their hands without the use of water.

Diarrhoea is the number one killer of children under five, affecting five million children every year. Over the years Hope for Children Belgium has met with the ECHO committee on AIDS, The World Bank, Ambassadors, MEPs and other high level officials, as well as hosted awareness-raising events at the European Parliament to help promote the worldwide effort to provide water, sanitation and hygiene assistance.

Indra has focused on severely affects countries such as India, Nepal and Sri Lanka with a particular focus on remote areas where not even major development actors have allocated resources, simply because their strategies target mostly highly populated urban areas. Ten years later, policy makers are beginning to recognise they are mistaken. UNICEF's latest report published in September 2010 statistically proves that reaching the poorest and most marginalised children is pivotal to the full realisation of the MDGs, and that concentrating resources in urban areas is misguided and inequitable.

In Sri Lanka, for example, Indra has worked to help people affected by the 2004 Tsunami which devastated its maritime provinces.

At the time, she commented, "Children were dying of diseases and lack of clean water. They were living in tents, schools and churches. I knew something had to be done for them."

Indra has visited Sri Lanka every year for seventeen years. During her visits she has met with children in vulnerable communities where children are suffering.

After the war many children couldn't get access to clean water. She was able to access these vulnerable areas, including orphanages, and give sanitation and other aid directly to the people. Back then there was not any international funding to help them. Children around the world need the help urgently; they are dying one-by-one.

In 2010, the European Commission allocated €27.9 million to Pakistan which provided millions of people with drinking water, disinfection tablets, hygiene kits, constructed latrines and established diarrhoea treatment centres. ECHO plans to continue funding in 2011. The European Parliament has also recently passed a resolution, which was brought forward by Gay Mitchell, MEP, also co-signed by myself and several other MEPs, requesting funding for zinc treatments for prevention of diarrhoea and malnutrition. Over the years Hope for Children Belgium has been a key player influencing and informing Mr. Mitchell and other MEPs about this issue.

Far too often aid money to developing countries is lost, wasted, or simply stolen by corrupt officials. Time and again it is our tax payers who foot the bill for the inefficient and un-transparent delivery of aid. However, it is the simplest things that often remain the most effective in making a difference to those living in poverty. Providing children with the means of adequately washing their hands before meals, and teaching them its importance, can save millions from dysentery and other infectious diseases.

For many years this was a sensitive issue that no one wanted to talk about. Now I am so pleased that the European Commission is allocating substantial funds to finally tackle this easily treatable problem. But you can't just give the children these tablets and then stop, it has to be delivered to communities on a consistent basis. They have to know how to use the gels and zinc. Hygiene needs to be incorporated into education programs in schools. I hope that this is just the beginning and I am so pleased that this preventable killer disease is finally at the forefront of conversation at the international level.

Are the main pillars of European integration disintegrating?

Margarida Vasconcelos

The signatory states of the Schengen Agreement (France, Germany, Belgium, Luxembourg and the Netherlands) decided, in June 1985, to create a territory without internal borders – the Schengen area. Then, in 1995, the Convention implementing the Schengen Agreement abolished checks at the internal borders of the signatory states and created a single external border. In 1997, the Amsterdam Treaty incorporated into the framework of the EU the Schengen Agreements and the rules adopted under them. The Schengen agreement was, therefore, a huge step towards EU integration. In fact, it has been seen as one of the main pillars of the EU beside the euro. The North Africa's unrests and the massive displacement of people, particularly from Tunisia and Libya, have put the Schengen system under increasing strain, as thousands of migrants and refugees have arrived in Italy and Malta. The Schengen founders have not foreseen migratory pressures like the one Europe has now been subject to. The EU response to the emergency situation has exposed the weaknesses of the Schengen system and border management. The UK has not given up its right to exercise controls on persons seeking to enter its territory. The UK is not bound by the Schengen acquis. The UK has an opt out from Schengen and Justice and Home Affairs policy, however the Labour Government had given away a considerable amount of powers in this area. The former Government opted into several immigration and asylum measures rather than staying out. Therefore, the UK has been losing its sovereign power to control its own borders to the EU. One could wonder for what Member States gave up power over fundamental issues of economic and monetary policy, border controls and immigration. The EU is, clearly, not working. The main pillars of EU integration (Schengen and eurozone) are now falling apart.

Last February, the Italian government declared a state of emergency due to the arrival of thousand immigrants from Tunisia. Italy and Malta have been calling for the EU to help them to deal with the influx of illegal migrants from North Africa. They asked for financial aid and for the other Member States to agree to resettle some of the migrants. Italy and Malta have been invoking the principle of solidarity. However, Member States are divided over the issue as they want to defend their own national interests. Many EU Member States, particularly Germany, France, Britain and the Scandinavians countries have shown their unwillingness to share the burden of illegal immigrants and asylum seekers.

The Schengen system is not working. Italy and Malta cannot cope with the massive influx of migrants, and on the other hand, Member States cannot be forced to share such a burden. Last April, the Italian government has decided to grant migrants from Tunisia six-month residency permits, allowing them to move freely throughout the Schengen area. Many Tunisians, particularly French-speakers, started heading to France. France has contested the legality of such permits and reacted by re-imposing border controls, blocking trains at the Italian border and returning immigrants back to Italy. The EU Commissioner for Home Affairs, Cecilia Malmstrom, took the view that France has not broken any rules, "In a letter received this morning, France said it was a question of public order and a very limited, singular case." She noted "Based on the information we had so far, they were not in violation of the Schengen border code and they had the right to do it."

It is important to recall that Article 77 TFEU states that the Union "shall develop a policy with a view to ensuring the absence of any controls on persons, whatever their nationality, when crossing internal border." Moreover, the Regulation establishing a Community Code on the rules governing the movement of persons across borders (Schengen Borders Code) provides for the absence of border control of persons crossing the internal borders between the EU Member States. It sets out rules on crossing external borders and on reintroducing checks at internal borders. Under the regulation, Member States have the possibility of temporarily reintroducing border control at internal borders in the event of a serious threat to their public policy or internal security, but such measures are exceptional. The regulation provides "Where there is a serious threat to public policy or internal security, a Member State may exceptionally reintroduce border control at its internal borders for a limited period of no more than 30 days…" The Member State which is planning to reintroduce border control for internal borders is required to notify the other Member States and the Commission and provide information on it. Then, the Commission may issue an opinion. In cases requiring urgent action, Member States "may exceptionally and immediately reintroduce border control at internal borders", but they "shall notify the other Member States and the Commission accordingly,…"

The rules that France fervently defended when being introduced no longer suit it and it is demanding that they be changed. In fact, France and Italy have proposed a reform of the Schengen system, which would allow Member States to re-impose internal border controls

temporarily in case of a major influx of migrants. Last April, they agreed on a letter addressed to the European Council President and the European Commission President, demanding changes to be made to the Schengen system, which should be agreed by the European Council in June. They also called for the EU to activate the mechanism of temporary protection "if a mass influx of displaced persons from Libya were to occur."

Taking into account the current developments in the Mediterranean and the French and Italian demands on 4 May, the Commission adopted a Communication on migration, presenting several initiatives covering issues such as strengthening border control and completion of the Common European Asylum System. According to the Commission the uprisings in the Southern Mediterranean "have confirmed the need for a strong and common EU policy in the field of migration and asylum." Unsurprisingly, the present crisis has given an excused to the Commission to proceed with further integration. According to the Commission "the current crisis confirms the need for increased solidarity at the European level and better sharing of responsibility" but it has recognised "that the EU is not fully equipped to help those Member States most exposed to massive migratory movements." The general programme "Solidarity and Management of Migration Flows" provides for several funds, including the External Borders Fund, which for the period 2007-13 has resources amounting to €1820 million. The UK does not participate in this fund but it has opted in to the other funds, including the European Refugee Fund (€614 million) the Return Fund (€676 million) and the European Integration Fund (€825 million). The Commission pointed out that "these funds can not be mobilised easily; they are designed to intervene in a stable situation and not to tackle emergencies and crisis", thus it believes that these solidarity mechanisms are not enough for supporting those Member States, such as Italy, Malta, Greece and Cyprus, which are "more directly exposed to massive arrivals of irregular migrants". Consequently, it is suggesting that EU funding, under the next Multi-Annual Financial Framework, should be adapted so that it can be "mobilised much more rapidly and flexibly" in the event of emergencies. The amount allocated to the above-mentioned funds is very likely to be increased in the next EU financial framework.

The European Commission is therefore eager to increase solidarity at the EU level. Hence, it is planning to put forward further proposals during this year "on delivering solidarity in a holistic manner", which "will include the possibility of ad hoc measures that can be resorted to in case of particular temporary pressure on one or several Member States." The Commission has in mind to put in place "more structural means of ensuring solidarity, both financial and in the form of practical cooperation and technical assistance." It is important to recall that the Lisbon Treaty introduced a new legal base – Article 80, which states "The policies of the Union set out in this Chapter (border checks, asylum and immigration) and their implementation shall be governed by the principle of solidarity and fair sharing of responsibility, including its financial implications, between the Member States..." The Commission is therefore planning to implement this provision, which makes an explicit reference to "financial implications." One could wonder what the upcoming Commission proposals entail but it seems that Member States would have to share the costs of asylum, immigration and border control policies. The UK has an opt out in this area. Therefore, it remains to be seen which "financial implications" the UK will be subject to.

In the meantime, some Member States, particularly Malta, have asked for the temporary protection mechanism, foreseen in the Council Directive 2001/55/EC, to be activated, which would allow people fleeing Libya to be granted refugee status. This Directive establishes minimum standards for giving temporary protection in case of a mass influx of displaced persons. However, the European Commission and several Member States, particularly, Britain, and the Netherlands consider that the conditions to trigger the temporary protection mechanism have not been met yet. The Home affairs commissioner, Cecilia Malmstrom said: "There are perhaps over 2000 refugees from Libya, 800 in Malta – which is a lot for a tiny island, but not enough to trigger this mechanism." In the present Communication, the Commission said that it "will closely monitor the continuously evolving situation and may decide, if the relevant conditions are met, to trigger the Temporary Protection Directive to provide immediate and temporary protection to displaced persons from third countries that are unable to return to their country of origin." The Home Secretary, Theresa May has already shown the unwillingness of the UK government in participating in an EU scheme of 'burden sharing' of migrants from North Africa. However, it is important to note that the UK has opted into this directive, it is, therefore, bound by it. The directive provides that a Council Decision may establish the existence of a mass influx of displaced persons, adopted by a qualified majority on a proposal from the Commission. Such decision would also determine the Member States' obligations as to the conditions of reception and residence of persons enjoying temporary protection in the event of a mass influx of displaced person. The Directive provides for a solidarity mechanism aimed at reaching a balance of effort between Member States in receiving displaced persons in the event of a mass influx. Such mechanism may consist of financial aid (European Refugee Fund) and the actual reception of persons in the Member States. Under the Directive "The Member States shall receive persons who are eligible for temporary protection in a spirit of Community solidarity." Hence, the UK might be required to receive persons who are eligible for temporary protection, to alleviate burdens on the most affected Member States. This clearly should be a decision taken by the UK government, not imposed by Brussels.

Under pressure from France and Italy and in order to "safeguard the stability of the Schengen area", the Commission is considering introducing a mechanism

allowing for temporary re-introduction of internal border controls under very exceptional circumstances. Whereas Nicolas Sarkozy and Silvio Berlusconi have asked for more powers for the Member States in taking such decisions, the European Commission is likely to give more power to itself. The Commission is calling for a "coordinated Community-based response by the Union" in crisis situations, instead of Member State unilateral measures to temporarily reintroduce internal border controls.

According to the Commission such a mechanism would allow "the Union to handle situations where either a Member State is not fulfilling its obligations to control its section of the external border, or where a particular portion of the external border comes under unexpected and heavy pressure due to external events." Whereas presently the Member States may introduce border controls on their own, in case of a serious threat to public policy or internal security, the new mechanism will be activated by an EU decision in the above-mentioned cases, such as massive influx of migrants. According to the Commission the future mechanism would allow "for a decision at the European level defining which Member States would exceptionally reintroduce internal border control and for how long." Consequently, it would be for Brussels to determine "exceptional circumstances." Moreover, the Commission has stressed that such mechanism "should be used as a last resort in truly critical situations, until other (emergency) measures have been taken to stabilise the situation at the relevant external border section either at European level, in a spirit of solidarity, and/or at national level, to better comply with the common rules."

In the meantime, one day before the Justice and Home Affairs Council meeting to discuss the Commission's proposal to reinstate border controls under "exceptional circumstances", Denmark, without waiting for the ministers decision on the issue, notified the Commission of its decision to re-establish controls at its borders with Germany and Sweden. Denmark's decision was not based on external factors such as influx of migrants but by internal political factors and concerns with cross border crime. Denmark's Finance Minister Claus Hjort Frederiksen said "Over the past few years we have seen an increase in trans-border crime, and this is designed to curb the problem," This is another clear example that Schengen is not working. The chairman of the European Parliament's European People's Party, Joseph Daul, said "It is unacceptable that states pick and choose things they like from European integration but are not ready to stick to agreements in a responsible manner in a spirit of solidarity." However, if there is a crisis and Brussels does not respond accordingly Member States have to react and defend their interests. Denmark believes that this move is in accordance with Schengen acquis as it would not involve systematic passport checks.

The majority of the Member States as well as the European Parliament reprimand Denmark's decision to, unilaterally, re-establish border controls. Cecilia Malmström, has already announced her concern over the Danish government's intentions of establishing a permanent customs control at Denmark borders. According to the Commission's preliminary legal assessment there are concerns that, if such measures are implemented Denmark could breach its obligations under EU and international law. Mr Barroso, in a letter sent to the Prime Minister of Denmark, Lars Lekke Rasmussen, mentioned, in particular, the obligation to comply with the "free movement of goods, persons, services and capital, and the provisions of the Schengen Borders Code." The Commission will seek further information, but, in the meantime, Ms Malmstroem called "on the Danish government to refrain from taking unilateral steps and to make sure that any measures taken are in line with the relevant law." She stressed that the Commission "will, if needed, use the tools at its disposal to guarantee the respect of EU law." The European Commission is, therefore, threatening to launch infringement proceedings against Denmark, should it conclude that there has been a breach of the EU rules.

On 12 May, an extraordinary meeting of the Justice and Home Affairs Council discussed the Commission´s communication on migration, which, according to the Council's conclusions, "was broadly welcomed by Member States." Moreover, Member States have shown their "unanimous position that the free movement of persons is one of the main achievements of the European acquis and that it must be preserved." The interior ministers particularly focused their attention on the Commission's proposal for the introduction of a mechanism which would allow Member States to temporarily re-introduce border controls within the Schengen area under special circumstances.

Not all Member States, such as Cyprus, Belgium, Spain and Malta support the plans to restore border controls. Nevertheless, it seems that the majority of Member States agreed to change the Schengen rules and to clarify conditions under which Member States should be allowed to reinstate border controls. According to Hungarian Interior Minister, Sandor Pinter, the majority of the Member States take the view that internal border control should not be reintroduced based on unilateral decisions of Member States. However, no agreement has been reached yet on such conditions and how the decision to reintroduce border controls would be taken. The Commission takes the view that the decision allowing a Member State to reintroduce border checks should be taken at the European level. In fact, the Commission wants to have a leading role in deciding when border controls could be reinstated. According to Sandor Pinter, the majority of Member States support such idea. However, this is a national power therefore not all Member States, including Germany, France, Austria and the Czech Republic, are willing to have Brussels deciding this matter. They believe there should be an assessment at European level of the situation, and Frontex should be involved, then it should be up to the Member States to decide. Member States have therefore been divided over how to deal with a sudden influx of migrants from North Africa, whether to reintroduce border controls and on which

powers should be given to the Commission. An agreement on these issues is expected at the upcoming EU summit on 24 June. The Commission will present, next month, proposals to "clarify the circumstances", establish common criteria and procedures under which a Member State could introduce temporary border checks. It is important to note that several MEPs believe that the Commission should have condemned the idea of re-imposing border controls and not endorse it, as such move will put at risk freedom of movement. The European Parliament is very likely to be against the idea of reforming Schengen. The Commission is expected to put forward a proposal amending the Schengen Borders Code, which would require both approval of the European Parliament and the Council to be adopted.

The Commission has stressed "The creation of the Schengen area is one of the most tangible, popular and successful achievements of the EU." But, it acknowledged that the "Recent events have also triggered concerns about the functioning of the Schengen system." In order to "safeguard this achievement " the Commission is planning to introduce further measures to "strengthen external borders."

The Commission noted "the Union still relies on an intergovernmental system of peer reviews to ensure the application of the common rules" and called for the Schengen evaluation mechanism to be based on a Community approach. In fact, last November, the Commission proposed a drat Regulation on the establishment of an evaluation mechanism to verify the correct application of the Schengen acquis. According to the Commission, taking into account the recent events, the adoption of such proposal, is a "priority," as "A specific evaluation mechanism is necessary to ensure both mutual trust between Member States and the capacity to effectively and efficiently apply all Schengen provisions." Whereas presently, the European Commission has an observer status under the draft proposal would have the main role in evaluating the way border checks are undertaken. The Commission would be responsible for the implementation of the evaluation mechanism to assess whether Member States are correctly implementing the provisions of the Schengen acquis.

The Commission noted that "Weaknesses at some sections of the external border undermine confidence in the credibility of the Union's ability to control access to its territory, and undermine mutual trust." However, in order to ensure citizens "that external border controls are working properly", the Commission is planning to introduce more EU regulations. It is important to recall that the inclusion of the concept of an "integrated system of external border management", in the Lisbon Treaty, represents a huge step towards the creation of a 'European Border Guard' with consequences to national sovereignty. The creation of a European Border Guard entails external border control standards, which would have to be implemented by national forces in charge of border controls that have different powers and cultures. In the present Communication, the Commission reiterated its intention to create a European system of borders guards, which, according to the Commission, would imply "the creation of a common culture, of shared capacities and standards, supported by practical cooperation." It remains to be seen what the Commission proposal would entail, but one could say that Member States would be required to introduce significant changes to their national services in charge of border controls.

It is important to mention that in February 2010, the Commission adopted a proposal amending the Council Regulation establishing a European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (FRONTEX). In the present Communication, the Commission stressed, "it is now urgent, especially in the light of recent events, that the Council and the Parliament approve this proposal before the end of this semester…." The UK is not bound by the Frontex regulation, but it is allowed to participate in joint operations on a case-by-case basis. The UK has been contributing to the cost of joint operations as well as other activities in which it participates. Presently, the EU Member States voluntarily and upon request from another Member State, put equipment for border control and surveillance at disposal for a temporary period. However, under the Commission proposal Member states' contributions would become compulsory as well as contributions of border guards to participate in joint operations and pilot projects.

The Commission also wants to intensify coordination of border surveillance by putting forward, this year, a legislative proposal to set up EUROSUR. Since 2008, the European Commission is trying to develop EUROSUR, as it believes that it will strengthen the EU's borders by tracking illegal migrants and traffickers using modern technology such as satellites, unmanned planes and sensors. The Commission wants to integrate all present reporting and monitoring systems in sea areas under the jurisdiction of the Member States and in adjacent high seas into a broader network. The main aim would be "to allow Member States' authorities carrying out border surveillance activities to share operational information and to cooperate with each other and with FRONTEX." Presently, the UK Government has no intention in opt into such legislative proposal.

The Commission reiterated its willingness to set up new tools for the future development of an integrated border management strategy, such as a European entry-exit system intend to ensure that data on the crossing of the border by third country nationals would be accessible to border control and immigration authorities, as well as a registered traveller programme which would allow nationals from third countries to use an automated border control. Obviously, such proposals would require considerable investment by the EU and the Member States, and would be too costly.

The Commission has reiterated its call for a Common

European Asylum System to be completed by 2012. In December 2008, the European Commission put forward the first proposals of the second phase of harmonisation so that a single asylum procedure and a uniform international protection status can be established. The Commission presented proposals to amend the Directive on reception conditions for asylum-seekers, the Dublin Regulation and the Eurodac Regulation. In 2009, the Commission adopted proposals to amend the Qualification Directive and the Asylum Procedures Directive and proposed the establishment of a European Asylum Support Office. The European Asylum Support Office has already been established and it is expected to be fully operational by June 2011.

The UK government has decided not to opt in to the revision of the EU Directive on Reception Conditions for Asylum Seekers. This was the first time that the Labour Government decided to opt out from an asylum measure. The former Government has opted into the 2005 Procedures Directive and the 2004 Qualification Directive. But it has decided not to opt into the recast proposals of the Qualifications Directive and the directive on minimum standards on procedures in Member States for granting and withdrawing international protection as they "would pose a significant risk to the UK's asylum system." However, the former Government has decided to opt into the recast proposal of the Dublin II regulation. The Dublin Regulation provides the criteria to establish which Member State is responsible for examining an asylum claim. The main principle is that the Member States, which allows an asylum seeker to enter the EU (whether legally or illegally) is responsible for deciding his claim. The Commission's proposal would introduce a new procedure allowing for the temporary suspension of Dublin transfers. Under the Commission's proposal, Member States may request that the transfer of applicants for international protection to be suspended if they are facing a particularly urgent situation which places an exceptionally heavy pressure on their reception capacities, asylum system or infrastructure and the Dublin transfer would make the situation worse. This procedure of suspension of transfers may also be used in cases where the Commission considers that Dublin transfers could result in applicants for international protection not benefiting from adequate standards of protection in the responsible Member State. The Commission would be required to notify the Council of such a decision, which would then have one month, acting by qualified majority, to take a different decision. The temporary suspension of the Dublin system has been the most controversial issue during the negotiations. The UK, as well as other Member States, is opposed to such mechanism. In the other hand, Member States, including Malta, Italy and Greece favour the proposal. It remains to be seen whether, taking account the recent events, more Member States would be willing to accept such proposal for EU-wide suspension mechanism, and what it will come out from the negotiations with the European Parliament. In the present Communication, the Commission pointed out that "A balanced agreement on the revision of the Dublin Regulation must be reached, including on a last resort emergency mechanism in case of exceptional pressures, and on the revised Eurodac system." The Commission has also announced that will present modified proposals on the Reception Conditions and the Asylum Procedures Directives in order to circumvent further deadlocks in the Council. Ms Malmström believes that a political agreement will be reached by the summer. The Hungarian Interior Minister, Mr Pintér, pointed out "that the great majority of the Ministers are committed to establishing a Common Asylum System in 2012."

The European Commission has been calling for the resettlement of refugees to become an integral part of EU asylum policy. Hence, it has urged the European Parliament and the Council to adopt, as soon as possible, the EU joint resettlement scheme proposed by the Commission, in 2009, which is presently blocked in the Council. The planning of resettlement activities is mainly done through bilateral contacts between resettlement countries and the UNHCR. Each EU Member State has its own resettlement criteria. However, the Commission wants more coordination of resettlement activities at the EU level. The first step has already been taken towards full harmonization of resettlement criteria. The Member States participation on the joint EU Resettlement Programme is voluntary, but Brussels will coordinate, through the EASO, the resettlement activities of the participating Member States. Consequently, Member States will have reduced influence in deciding resettlement priorities themselves.

One could say that the recent events in North Africa and the influx of migrants to the EU are challenging Schengen and threatening the free movement of people as Brussels is considering re-introducing checks at internal Schengen borders. Is this the beginning of the end of Schengen? According to *EuObserver*, Ms Malmstrom said: "No, absolutely not. It would be very dangerous if it was, Schengen is one of the fundamentals of freedom of movement in the EU." The recent events have put Schengen at stake, but it has also given an excuse to Brussels to further develop common policy responses. Brussels refuses to accept that its policies, particularly the cornerstones of the EU integration, euro and Schengen, are not working. Unsurprisingly, the European Commission has called for more EU intervention and regulations diminishing Member State's role in ensuring security of their borders. Member States would be asked to give away further national competences and to share more sovereignty. The EU is set to have increasing powers to manage frontiers, taking into account the "gradual introduction of an integrated management system for external borders" as foreseen in the TFEU. Moreover, the Commission proposals would entail more financial and administrative burdens for the Member States.

Media Manipulation at the EC

Glen Ruffle

On the 6 May the European Commission held a conference about Media Freedom, bringing together 400 participants to promote the importance of media freedom in the Western Balkans and Turkey. Entitled 'Speak Up', the conference coincided with World Freedom of Press day.

Of course, the idea that the media in Europe is without manipulation is wildly wide of the mark. The BBC is the first institution to come to mind here. Its constant pro-European reporting, especially when Labour were in power and during the Treaty of Lisbon debates (when Labour rigged the voting to avoid controversial topics and had instead had entire debates dedicated to the words in Article 191 "in particular combating climate change") revealed what has already been widely reported, that the BBC has incubated an inherent left-wing bias.

Of course many of the 'right-wing' papers have little to celebrate in the way of reporting accuracy either, but when they are reporting what researchers in Westminster have spent months investigating, then Brussels should really stop trying to defend itself and its statist agenda.

Talk to the people inside the EU institutions, and they freely admint that plans exist for national tax harmonisations and integration of health services, but admission of this publicly is political anathema and the people who say admit this are easily silenced. The Commission has also resorted to spending our money on 'debunking' what it says are 'myths' on its internet homepage. The myths it wants to 'correct' include *The Times* reporting that Brussels issued regulations that Banana's had to be straight. Unfortunately, the Commission did issue regulations regarding the straightness of bananas. Commission Regulation (EC) No 2257/94 from the 16.09.1994 clearly states in Annex 1 of the regulation that banana's must be "free from malformation or abnormal curvature".

Or how about the *Daily Mail* reporting that Eurocrats wanted to introduce a common European CV format? Unable to deny this, the Commission defends itself simply by arguing that it would not be enforced, just suggested because discrimination could occur if you did not use it.

Both this and the bananas regulation clearly shows the problem. The Commission, from European culture, feels a need to regulate to such a detailed and minute level, that they even dictate how a CV is written and whether a banana has the appropriate curvature. The problem with this is that it destroys human creativity, market competition and human ingenuity. The best people get jobs sometimes because their CV's are the best! A standard format might help those who did not show ingenuity, but for those who take a risk, and innovate, the result would be failure.

Then there was the claim that a short film promoting the EU with the title "Let's come together" was soft porn. Anyone who has seen the film can not really deny this (see for yourself at : *http://www.spiegel.de/international/europe/0,1518,492131,00.html*). The softly smutty message and usage of sex to try and sell the EU is a sign of how low Brussels can go. Interestingly, it shows how disconnected Brussels is as well. In an era when the Health Directorate-General is warning about the rising numbers of sexually transmitted diseases across Europe, and as there is growing awareness of the psychological consequences of pornography, the Media arm of the Commission went about promoting promiscuity.

The list of course is endless, but issuing daft and pointless regulations and then trying to justify them will win no-one's respect. The European media is right to ridicule the Commission; it is just a sad reflection that instead of listening, the bureaucrats continue as before, becoming more detached from the incredulity of the public of Europe's nations.

Coalition's call for an EU 2012 budget freeze fell on deaf ears

Margarida Vasconcelos

David Cameron has been calling for the EU budget to be cut or, at least, to be frozen. Last December, David Cameron, Angela Merkel, Nicolas Sarkozy, Mari Kiviniemi and Mark Rutte wrote a letter to the President of the European Commission, Mr Barroso, saying "The action taken in 2011 to curb annual growth in European payment appropriations should … be stepped up progressively over the remaining years of this financial perspective and payment appropriations should increase, at most, by no more than inflation over the next financial perspectives." However, the calls for an EU 2012 budget freeze fell on deaf ears. The European Commission has ignored the Member States pleas for a freeze or, at least, a limited increase, according to the inflation rate, in the 2012 EU budget.

The European Commission has presented the 2012 EU's Draft Budget on 20 April. The Commission has not proposed to cut the 2012 EU budget, but to increase it, and above the rate of inflation. In fact, the Commission has proposed a considerable increase in the overall budget. The Commission proposed the 2012 draft budget – €147.4 billion in commitments appropriations which represents an increase of €5,324,3 million or 3.7% comparing to the 2011 budget, and €132.7 billion in payments appropriations. At a time of severe strain on the majority of Member States' public finances, where governments are reducing public spending, the Commission proposes an increase of €6.2 billion or of 4.9% on the 2011 budget. Martin Callanan, MEP stressed "Every other public sector organisation is tightening its belt and the EU must do the same." It has been reported that the European Commission's proposal for the EU's budget in 2012, calling for a 4.9% increase to the budget, will increase the UK contributions to the EU budget at £600m. Consequently British taxpayers will end up paying over £10 billion to the EU in 2012.

Janusz Lewandowski, the Budget Commissioner, describes the draft EU budget 2012 as "A delicate balancing act combining austerity and growth boosting measures for 500 million Europeans." According to the European Commission "The key objective of the 2012 Draft Budget is to fully support the European economy and EU citizens" and "reinforce growth and employment opportunities, while sustaining the actions implemented within Member States' budgets." However, citizens of several Member States are facing austerity measures, public spending cuts and job insecurity. In fact, as Jan Kees de Jager, the Dutch finance minister, noted, "How can we explain to our citizens who are tightening their belts that the European budget simply keeps on growing?" The UK government has already said that the Commission's proposals are "unacceptable."

The Commission has proposed €15,223,6 million in commitment appropriations for Competitiveness for Growth and Employment (heading 1a), which represents an increase of 12.6%, compared to the 2011 budget, and €12,566,1 million in payment appropriations. Commitment appropriations of €52,738,9 million are proposed for Cohesion for Growth and Employment (heading 1b) and €45,134,8 million in payment appropriations. The Commission believes that this "will support the EU economy and contribute to shaping the conditions for sustainable growth, both in the short and longer term." The Commission has proposed €62,6 billion in commitment appropriations for spending at the centre of the Europe 2020 strategy. There is a considerable increase, (5.1%) in a strategy spending which would be a failure as the Lisbon agenda. For Preservation and Management of Natural Resources (heading 2), the Commission has proposed €60,158,4 million in commitment appropriations, which represents an increase of 2.6% compared to 2011 and €57,948,4 million in payment appropriations, representing an increase of 2.8% compared to 2011. The 2012 Draft Budget also foresees a 6.8% increase in payment appropriations for Freedom, Security and Justice (heading 3a) (EUR 868,3 million) and an increase in commitment appropriations of 17,7%, which has risen to €1,340,4 million. The Commission has proposed €9,009,3 million in commitment appropriations for the EU as a Global Player (heading 4) which represents an increase of 2.9%, and €7,293,7 million in payment appropriations.

2012 will be no exception to the rule as the EU budget wastes millions of taxpayer's money. There is no clear added value in spending such amounts at the EU level. The EU has been spending UK taxpayer's money on policies that clearly do not benefit them. The EU budget commissioner has to justify the EU budget increase to pay the bills, particularly the bills for projects in the area of EU regional policy, and he said "The main reason for the

increase is that we must pay the bills coming from projects from across Europe. (…) to stop funding them is unthinkable." It is important to recall that the European Court of Auditors for the 16th year in a row has not signed the EU accounts. According to the Court "payments from the budget continue to be materially affected by error…" According to the Court several spending areas in the budget continue to be materially affected by errors, particularly the cohesion policy, where the error rate estimated by the Court is above 5% (very serious).

The administrative expenditure includes expenditure for human resources (salaries, allowances and pensions) as well as expenditure for buildings, equipment, energy, communications, and information technology. The EU administrative costs represent around six per cent of the EU budget. It might not be much comparing to other expenditures, but Brussels has not kept these costs as low as possible and has been wasting taxpayers' money.

The European Commission has decided to freeze its own administrative expenditure for 2012. Mr Lewandowski asked the other EU Institutions to do the same, as according to him "That would send a positive signal to the European public opinion, demonstrating that the European institutions are acting responsibly in the light of the difficult economic and budgetary conditions." One cannot forget that the 2011 EU's budget foresees €126.5 billion in payments, amounting to a 2.9% increase on 2010 and now the Commission is proposing €132.7 billion in payments appropriations, amounting an increase of €6.2 billion or of 4.9% on the 2011 budget. The Commission plans to limit administrative expenditure are too little too late.

The Commission has proposed €8,281,5 million in commitments and €8,281,6 million in payments for Administrative expenditure (heading 5) for all Institutions, which represents an increase by 1.3%. The Commission has frozen its own administrative expenditure (excluding Pensions and European schools), but it has not followed by the other institutions as there is an increase of administrative appropriations for the other Institutions of 1.7%. There would also be an increased funding for the European External Action Service. The Commission has allocated €490,916,129 to the EEAS, which represents an increase of 5.8% compared to the 2011 budget.

It remains to be seen what will come out of the negotiations between the Council and the European Parliament. The negotiations will start in June with a trilogue meeting, between the European Parliament, the Council and the Commission. Whereas the Council is planning to make considerable cuts to the Commission's draft EU budget, in fact Member States might demand a budget freeze, to reflect economic and budgetary constraints at national level, the MEPs, unsurprisingly, want to increase it. The Council shall adopt by QMV the draft budget and forward it to the European Parliament. David Cameron should not give up on his effort to achieve a 2012 EU budget freeze. The UK cannot veto the Commission's proposal but it will not have difficulties in finding a blocking minority. The UK is not alone in its fight against the proposed increase in the EU's 2012 budget. In fact, several Member States are also eager to reduce EU spending. The European Parliament's first reading is scheduled for October. The budget is deemed to have been adopted if the European Parliament within 42 days from the Council communication approves the Council draft budget or has not taken a decision. If the European Parliament amends the draft budget, the Lisbon Treaty provides for a Conciliation Committee to be convened. Such Committee will be composed of Council representatives and representatives of the European Parliament aimed at reaching an agreement on a joint text.

It is very likely that a conciliation committee would be convened, as happened last year, it would therefore be essential for the UK to achieve a blocking minority in the vote on the conciliation agreement. If the Conciliation Committee does not agree on a joint text within 21 days, the Commission shall submit a new draft budget. Last year, the Member States and the European Parliament could not agree on the 2011 budget. The Conciliation Committee could not reach an agreement before the deadline. Consequently, the Commission had to put forward a new draft budget. If the EU 2011 budget has not been approved before the end of the year, spending would have been frozen at 2010 levels. Obviously, Brussels did not want to work under the system of the "provisional twelfth." The Commission, the European Parliament and the Council Presidency all worked at speed of light so that a deal could be reached before the end of December.

It is important to mention that, according to the Office for National Statistics, the UK's contribution to the EU budget has risen from £5.3bn in 2009 to £9.2bn in 2010. It is important to recall that Tony Blair gave up £7bn of the UK rebate in return for reform of the CAP and there is no serious reform on the way. In fact, the Commission wants to scrap the UK rebate in the next Financial Perspective, for the period 2007–2013. The EU budget commissioner, Janusz Lewandowski, has said, "The rebate for Britain has lost its original justification." Downing Street replied to such comments, saying "Without the rebate, the UK's net contribution as a percentage of national income would be twice as big as France's, and one and a half times bigger than Germany's." It was noted that the UK is paying €38 billion and without the rebate it would have paid €75 billion over the period 2007 to 2013.

Galileo: An EU Vanity Project

Roger Helmer MEP

The curiously named Mr. Berry Smutny, until recently CEO of a major German contractor to the EU's Galileo satellite project has, according to Wikileaks, described Galileo as "a stupid idea that primarily serves French interests". He has a point. And Galileo may have a nasty sting in the tail.

The American GPS system which is widely used (it supports the SatNavs in our cars, for example) is tried and tested and it's free. But of course Brussels and Paris hate to be beholden to the Americans. Suppose, they say, there was a military situation where the Americans chose not to support the EU's position? Or to make it specific, suppose the Americans chose to switch off their GPS for French Exocet missiles? (I believe that technically it's possible for the US to be quite selective on the availability of the service).

My reply (which I gave in a EuroParl TV discussion programme) was that I'd trust the Americans before I trusted the French. And in any case, the multibillion cost of Galileo seems to be an excessive insurance premium against a rather unlikely problem.

The whole thing seems to me to be predicated on the principle of "If the Americans can do it, then we can do it, and if they've got one, we want one too". This is the policy strategy of four-year-olds in the nursery.

Galileo was originally intended to be funded largely be the private sector. There was brave talk of the commercial potential (how much do you pay to use your SatNav, by the way? I don't seem to have got a bill yet). But the private sector took a close look and decided against participation. The project was only saved when the Commission took €2.4 billion (raided from EU agricultural funds, as it happens) and ploughed it in. Now, like Oliver Twist, they're back for more. €1.9 billion more, as it happens. And given the history of public procurement, it would be a brave man who'd bet that it would stop there.

Galileo is also six years behind schedule. What was planned as a cutting-edge system may well be behind the curve if and when the satellites fly.

In April I was up against Edit Herczog on Europarl TV, a socialist Hungarian MEP. I see a lot of Edit as she's very sound on nuclear energy, and runs the nuclear forum in the parliament. But on Galileo, we disagreed. By great good fortune, and in a wonderful piece of serendipity, I had previous to the interview attended a lunch in the parliament with the UK space industry, organised by my good friends and colleagues Jacqueline Foster and Geoffrey Van Orden.

Lest I hear mocking laughter in the background, let me hasten to assure you that despite the demise of Black Knight and Blue Streak, there is indeed a thriving space sector in the UK. We may not have an independent launch capability (unlike India, a recipient of UK foreign aid). But we do make and deliver a great deal of the technology used in the space business. It's an industry not to be sniffed at, and while I am opposed in principle to Galileo, I nonetheless support the UK industry in securing a share of the action, even if the action itself is misplaced.

The industry says that one reason for its lack of primary involvement in Galileo was the overt politicisation of the bidding process by the Commission. I can well believe it. Nevertheless the industry is heavily engaged in supplying components, systems, software and so on.

Supporters of Galileo point to the projected growth of space and associated industries, and insist that the EU must be represented. I have no objection in principle to Europe's involvement in space, though I'd rather see it done through the intergovernmental European Space Agency than through the Commission. But I'm against reinventing the wheel. Is it smart to put a huge investment of taxpayers' money into developing something that the US developed ten years ago? And satellite systems are only a sector of the space industry. You don't have to own the satellites to run a successful SatNav business, for example.

And the sting in the tail? A frightening suggestion was put to me over dinner one evening. The EU, if it succeeds in developing Galileo, will want to make money out of it. But why would users switch from the perfectly good US GPS system? Could Brussels mandate the use of the Galileo system in Europe? And could they then charge for it? Would we end up paying a second time for a white elephant? Monthly bills for SatNav use? Surely not, in a free market. And yet ..... stranger things have happened. I can just hear the sophistry of the European Commission as they explain that harmonisation of SatNav use is essential to ensuring a level playing field in the Single Market.

Be warned. Brussels believes in a Single Market, not a free market.

EU Bailouts: not the answer

Margarida Vasconcelos

Angela Merkel has been saying that the single currency is"the glue that holds Europe together" and "If the euro fails, then Europe fails." The Euro has failed! The eurozone should accept once and for all that the Euro and the common monetary policy do not work.

The Greek debt crisis has thrown the eurozone into the most serious crisis of its history. On 23 April 2010, Greece made a formal request for emergency financial aid from the eurozone and IMF. Then, on 2 May 2010, the Euro area finance ministers unanimously agreed to activate the financial aid to Greece through bilateral loans, which are pooled by the European Commission. They agreed a three year joint lending programme aimed at avoid a sovereign default by Greece, and prevent the crisis from spreading to other eurozone countries. The financial aid facility to Greece (€110 billion) has been funded jointly by the eurozone Member States (€80 billion) and the IMF (€30bn). Those who doubted that would be enough to save Greece from default have been proved right. The eurozone countries contribute to the support mechanism according to their proportion of capital in the European Central Bank. Portugal and Ireland, which could not afford, in fact they are now being bailed out, have contributed to the Greek bailout, increasing, in this way, their public debt.

In order to see the financial aid activated, Greece has adopted and committed to implement a programme of austerity measures. The Council adopted a decision, under Articles 126 and 136 TFEU, aimed at strengthening budgetary surveillance and asking Greece to take measures to reduce its government deficit. However, none of these provisions could have been used as a legal basis to the financial aid package. The financial aid to Greece is, therefore, based on an intergovernmental agreement. Nevertheless, it ignored the "no bailout clause", provided in Article 125 TFEU. The Treaty forbids Member States for being liable for the debts of another. The Member States are providing loans and not grants, however it is now clear that they are becoming directly liable for Greece's debt obligations.

The Maastricht rules were introduced to avoid situations as the present one whereas eurozone Member States have been disregarding the Stability and Growth Pact (SGP) rules, running large debts and deficits, threatening to default, weakening the euro, and now the other Euro-area members will pay for their debt. Hence, the EMU pillars have failed, the SGP does not work and the bail out clause has been breached.

Before the introduction of the euro there was no risk of a Member State fiscal deficits spill across the other Member States, but that is no longer the case. In May 2010, the eurozone leaders alarmed by the possibility of the euro being at danger issued a statement aimed at ensuring financial markets that the Greek debt crisis would not spread to other Member States. The eurozone leaders were desperate "to ensure the stability, unity and integrity of the euro area." Hence, in order to respond to escalating concerns on financial markets, they agreed to establish a European stabilization mechanism to prevent the Greek debt crisis from spreading to other countries. The EU emergency mechanisms have failed, the Greek debt crisis has spread to other eurozone countries.

The Council adopted a regulation establishing a European Financial Stabilisation Mechanism based on Article 122 (2). The "difficulties caused by national disasters or exceptional occurrences beyond" a Member State control, foreseen in the provision, have been broadly interpreted to be also caused "by a serious deterioration in the international economic and financial environment." However, the Greek, the Irish, and the Portuguese crisis have not been caused by "…exceptional occurrences beyond [their] control …". Brussels went beyond the powers conferred by the treaties to provide a legal basis for the emergency funding. The European Financial Stabilisation Mechanism (EFSM) breaches, therefore, the "no bailout" clause, that forbids Member States for being liable for the debts of another. It is also a misuse of Article 122 (2), which is meant for national disasters. The Commission is allowed, thought the facility created by Article 122.2, to raise up to €60 billion in funds on international markets, on behalf of the European Union, using the EU's annual budget as collateral, to provide EU loans to Member States facing financial difficulties. Hence, if a beneficiary country fails to pay back the loan, all 27 EU Member States are jointly liable for any payments due and would have to pay into the EU budget to cover the default.

Then, fearing that this financial mechanism would not be enough, the eurozone Member States created a temporary instrument, the European Financial Stability Facility (EFSF), worth €440 billion, to provide financial support to eurozone countries having difficulties refinancing their debts. The EFSF sells bonds and other debt instruments on the open market, which are secured against guarantees from eurozone states. Presently, in order to maintain its AAA credit rating only €250bn of the EFSF can be used as loans as the rest of the money has to be kept in a cash reserve. The EFSF is not based on a Treaty provision but on an intergovernmental agreement. It is important to note that the Member States, which take part in the EFSF, guarantee funds raised by the EFSF from third parties, but not those provided by the EFSF to the Member States. They are not directly assuming the liabilities of other eurozone Member States but they are exposing themselves to significant losses.

The euro debt crisis has not ended with Greece, in fact it had just started. The Greek debit crisis has spread to other eurozone countries. Yet, one year ago, we have been told that the creation of the EFSF and the ESM would prevent that from happening. Ireland had been subject to pressure from

the European Institutions and Member States into accepting a rescue package in order to stop "contagion" to other eurozone Member States, particularly Portugal and Spain. Then, last November, Ireland became the second eurozone Member State to be bailed out (EUR 85 billion package). And now, Portugal becomes the third euro-zone country to be bailed out, and there is no guarantee it would be the last. As Dan Hannan MEP said "Greece, Ireland and Portugal have not been rescued: they have been sacrificed to save the euro."

Portugal's government fell just one day ahead of the European Council meeting last March. All the opposition parties rejected the package of austerity measures proposed by the minority Government and as expected, Jóse Sócrates announced his resignation. The Portuguese President, Cavaco Silva, has called an early election on 5 June. The political crisis has further increased the cost of Portugal's borrowing, and José Sócrates, who has been saying that Portugal did not need external financial aid and on 7 April, made a formal request for the activation of the EU financial support mechanisms. This is not the first time that Portugal required external financial aid, but in the 1980s Portugal was able to devalue whereas nowadays it is in the eurozone straitjacket. In fact, since Portugal joined the euro, the economy has not grown.

One could say that it was against the national interest to ask for EU financial aid. By accepting the bailout Portugal has lost sovereignty over economic and financial policy. Moreover, the financial aid programme is very unlikely to work. The bailout won't help Portugal, as it has not improved the Greek or the Irish situation. According to Jonathan Loynes, chief European economist at Capital Economics, "While the confirmation of the bailout should provide some reassurance that Portugal will be able to meet its upcoming bond redemptions, it won't put an end to speculation that - along with Greece and perhaps others - it will sooner or later need to undertake some form of debt restructuring (…)" Hence, one could come to the conclusion that it would have been better for Portugal to restructure its debt now. However, Mr Socrates said that if Portugal had decided to restructure its debt now that would have put at stake the European project and the euro. On the other hand, the eurozone leaders were against it. The interest rates demanded by the EU are too high. It would be very difficult for Portugal to pay its increasing debt. Angela Merkel has already shown her opposition to the possibility of a eurozone Member State restructure its debt, before 2013. Ms Merkel said "It would raise incredible doubts about our credibility if we simply were to change the rules in the middle of the first programme."

The EU leaders agreed to amend the Treaty in order to allow the creation of a permanent crisis mechanism by the Member States of the euro area. The permanent European Stability Mechanism (ESM) will replace the European Financial Stability Facility (worth €440bn) and the European Financial Stabilisation Mechanism (worth €60 billion) in 2013. According to a "Term Sheet on the ESM" recently agreed, the participation of private sector creditors on any future eurozone bailout would be decided on "a case by case" basis. If a Member State has a liquidity problem, ESM support will be subject to an "adjustment programme and private creditors will be encouraged to maintain their exposure," If a country is considered to be insolvent, on the basis of a sustainability analysis made by the Commission, the IMF and the ECB, that country would have to "engage in active negotiations in good faith with its creditors to secure their direct involvement in restoring debt sustainability." Then, "The granting of the financial assistance will be contingent on the Member State having a credible plan and demonstrating sufficient commitment to ensure adequate and proportionate private sector involvement." Private creditors would participate in future eurozone debt restructuring by collective action clauses annexed to eurozone government bonds issued after 2013.

Obviously, EU financial support to Portugal can only be provided under a strict conditionality programme. The terms of the financial rescue package have been negotiated between "troika" (officials from the European Commission, the European Central Bank and International Monetary Fund) and the Portuguese caretaker government. They reached an agreement on a financial rescue package, over three years, worth €78 billion from the EU and IMF. Portugal's main political parties have supported it. Portugal has to repay €4.9 billion by June 15 and it was therefore under pressure to reach an agreement on the rescue package, before the 5 June general election, in order to avoid default. The Eurogroup and ECOFIN Ministers' "welcomed the support expressed by opposition parties and call on all political parties to ensure a rigorous and swift implementation of the programme." The future government would be bound by the memorandum of understanding terms. The Commission has said "It's not their programme any more. It's ours,". In fact, Jürgen Kröger, Head of European Commission Mission has stressed, "In the present election campaign, it should be clear that the next government has to take responsibility for the programme and implement the measures." So much for democracy.

It is important to recall that under the Regulation establishing the European Financial Stabilisation Mechanism, the Council, on the basis of a qualified majority vote, following a proposal from the Commission, adopts a decision granting EU financial assistance. In order to release funds from the eurozone-only European financial stability facility, a unanimous decision by the eurozone Member States is required. No national parliament's approval is required to operate the fund except in Finland. Hence, when the True Finns, who are against bailouts, won 19% of the vote, becoming the third biggest party in the Finnish Parliament, and the possibility of this party being part of a coalition government has raised concerns that Finland could veto the Portuguese bailout. However, an agreement has been reached between Finland's two biggest political parties so there was a parliamentary majority in favour of the bailout to Portugal.

The EU's finance ministers met on 16-17 May to endorse the Portuguese bail out deal. On 16 May, the eurozone ministers formally endorsed the financial assistance to Portugal, by unanimously approving the loan from the European Financial Stability Facility (EFSF). On 17 May, the Council adopted a Decision on granting Union financial

assistance to Portugal. The EU finance ministers approved the €26 billion loan from the EFSM. The bailout of Portugal is therefore shared in equal parts, amounting to a total of €78 billion. The IMF will contribute with €26 billion and the EU with €52 billion from which €26 billion will come from the European Financial Stability Mechanism (EFSM) and the European Financial Stability Facility (EFSF), respectively.

The EFSF does not entail the UK's participation. As abovementioned, the Council, acting by a qualified majority on a proposal from the Commission decided to grant financial assistance to Portugal, under the EFSM. Consequently, the UK cannot veto it. Such a facility is guaranteed by the EU budget and all EU Member States, including the UK, are jointly liable for any payments due. Hence, if Portugal fails to pay back the loan, all Member States would have to pay into the EU budget to cover the default. According to the Government the UK's contribution to the EU 2010 budget have been estimated at 13.8% so the UK's liability would be around €3.6bn. The UK is not part of the eurozone but even so is trapped in this mechanism, as it is required to contribute to it. The UK has already contributed to the Irish bailout on all fronts: as a member of the IMF, being part of the EFSM (€2.5bn) and with an extra bilateral loan (€3.8bn). Britain's contribution to the Portuguese bailout has been estimated to be around £4.4 billion.

The EU leaders have recently agreed to amend the Treaty so that the eurozone Member States could create the permanent European Stability Mechanism. The UK has veto power over any treaty amendment yet David Cameron has not used his negotiating power effectively. At the UK's request, the EU leaders agreed that Article 122 (2), once the new mechanism enters into force, would no longer be needed to safeguard the financial stability of the euro area. The UK has, therefore, a political commitment but no legal guarantee that the EFSM, based on Article 122.2 will be repealed in 2013. The future crisis mechanism will only be effective from 2013, so consequently, until this happens the UK will contribute to any eurozone bailout through the European financial stabilization mechanism. During the Treaty amendment negotiations, David Cameron should have demanded that any future bailout should use just eurozone money and that Article 122.2 TFEU should not apply even before 2013. Article 122(2) TFEU is not an appropriate legal base for the European Financial Stabilisation Mechanism and the UK could have challenged the mechanism, bringing an action for annulment before the European Court of Justice. Alistair Darling agreed to the mechanism, David Cameron, during the negotiations at the European Council, have not endeavoured for new arrangements to be decided so that aAticle 122.2 is no longer used and UK would be no longer liable, consequently British taxpayer are now under the obligation to underwrite eurozone Member States' bailouts. As Bill Cash MP said "The eurozone decided on its own course in creating the euro with its economic policies and must pay for its own failures. Britain can't afford them."

The EU/IMF financial aid to Portugal will be provided on the basis of a three-year rescue programme, which was negotiated with the Portuguese caretaker government, by the Commission, the ECB and the IMF, and endorsed by the EU finance ministers. The economic and financial programme includes structural reforms, so that Portugal is therefore required to reform its labour market, judicial system, public services and housing and services sectors, a fiscal consolidation strategy including "an ambitious privatisation programme." The progammme also includes "Measures to ensure a balanced and orderly deleveraging of the financial sector and to strengthen the capital of banks, including adequate support facilities." The Commission will make the EU financial assistance to Portugal available by instalments. Portugal should receive the first instalment, around €18 billion, by the end of May. According to the Council Conclusions "The EFSM loan will have a maximum average maturity of 7.5 years and a margin of 215 basis points on top of the EU's cost of funding." Jose Socrates has said, "The government has reached a good agreement that defends Portugal." However, under the terms of the memorandum of understanding, including higher taxes and spending cuts, Portugal will face two years of recession. This will make it even more difficult for Portugal to return to a financially healthy path and to pay its debt.

It is important to note that the EU ministers said in a statement, "At the same time, the Portuguese authorities will undertake to encourage private investors to maintain their overall exposures on a voluntary basis." Portugal has therefore been asked to encourage private bondholders to maintain their exposure to Portuguese debt on a voluntary basis. This was one of the conditions imposed by Finland for supporting the Portuguese bailout. Although Olli Rehn said debt restructuring is not on the cards for Portugal, he noted that this clause is an open door for a renegotiation of Portuguese debt.

Portugal is now the third eurozone country to be bailed out. We have been told that this would be the last bailout but we have heard this before. When Portugal asked for financial aid, Spain said immediately that it wouldn't be the next. Elena Salgado, the Spanish Economy Minister, said that the risk of contagion "is absolutely ruled out...it has been some time since the markets have known that our economy is much more competitive." However, there are no guarantees and if Spain asks for a bailout, one could wonder how Brussels would react as presently none of the EU funds have enough money to bail out Spain. Last March, the Euro-area leaders agreed that the effective lending capacity of the EFSF should be 440 billions euros until the entry into force of the ESM. Nevertheless, no agreement has been reach yet on the details on how to expand the effective lending capacity of the EFSF. They could not reach an agreement whether they should increase the amount of state guarantees beyond the €440 billion or use cash contributions. Additional guarantees would place a further burden on AAA-rated countries, including France, Germany and Finland. According to Jyrki Tapani Katainen, Fimland would support the proposal to extend to €440bn the EFSF effective lending capacity as well as the creation of the permanent European Stability Mechanism

(ESM). However, at their meeting on 16 May, the eurozone Finance Ministers have not reached an agreement yet on this issue. It is important to recall that the eurozone leaders agreed on a European Stability Mechanism with a capital base of €700bn. Hence, when it enters into force in 2013, the ESM would have an effective lending capacity of €500 billion, through a combination of €80bn of paid-in capital and €620bn in the form of callable capital and of guarantees from eurozone states.

There are no reasons to celebrate the first anniversary of the Greek bailout, which has proven to be a failure. In May 2010, eurozone finance ministers and the IMF agreed on a €110 billion aid package to Greece. At the time there was no guarantee that Greece would not default even with the eurozone financial help. Last March, the eurozone leaders have decided to adjust Greece interest rate on its loans by 100 basis points (1%). Moreover, they decided to extend the maturity of the loans to Greece from three and a half to seven and a half years. Greece obtained a lower interest rate on its €110bn bailout in exchange for further austerity measures. Greece has mainly been required to complete its privatisation programme, and sell off €50bn in government assets. Angela Merkel has accepted extending the term of the EU's bailout to Greece, amid concerns that the country could not avoid a sovereign default. The EU has been avoiding the unavoidable. Since the bailout, Greece has not cut its budget deficit. The austerity measures have not reached the desirable outcome. There is widespread opinion that Greece's default on its debt is inevitable. The European taxpayers won't see their money back. However, the European Commission, eurozone and particulalry Angela Merkel have been against any form of Greek debt restructuring, at least until 2013. They say that debt restructuring would be "devastating" for Greece and above all devastating for eurozone. Unsuprinsingly, the eurozone is particualry worried with the risk of contagion to other countries.

Not long ago, the Economic and Monetary Commissioner, Olli Rehn, said "We do exclude restructuring, (…) We have a solid plan. It is based on a very careful analysis of debt sustainability." However, Greece was supposed to return to the markets for financing in 2012, as foreseen in the bailout programme, but that is very unllikely to happen. The eurozone Member States and EU institutions have now realised that Greece needs more money, from the EU or other international institutions, around €60bn, to cover debts in 2012 and 2013, as it wont be able to return to the capital market.

On 16 May, a Greek debt restructuring has been considered for the first time. Jean-Claude Juncker, the president of the eurozone finance ministers, said, after the meeting "If Greece makes all these efforts (raise €50 billion through privatizations), then we must see if it is possible to make a soft restructuring of Greek debt." He stressed "Greek must privatise a large part of its heritage(…)" Soft restructuring has been understood to entail delaying repayments of Greece's debts agreed with its creditors as well as lowering of the interest rate on the debt. It would entail creditors agreeing on a voluntary basis to accept later repayment, in the end of the day it's default. Moreover, Mr Juncker, expressely said, according to the Europeanvoice, that he opposes to a "hard restructuring" of Greece's debt because "the contagion effect on other eurozone economies is too great". The so-called hard restructuring would, therefore, entail a forced default.

It is important to recall that the ECB has bought around €40 billion worth of Greek sovereign debt and so it would be seriously affected by a Greek debt restructuring. Unsuprisingly, Mr Trichet is rejecting a Greek debt restructuring. It is also important to note that the major holders of Greek debt are German and French banks. Ms Merkel is against any debt restructuring before 2013. Furthermore, Christine Lagarde said "A restructuring or a rescheduling, which would constitute a default situation, what we would call a credit event, are off the table for me." Nevertheless, sooner or latter Greece would default.

A second bailout to Greece is not off the cards. Bearing in mind that UK has not participated in eurozone financial help to Greece, consequently it should not participate in any further bailout. George Osborne has to put his foot down so that any further financial help to Greece would not come from the EFSM.

One could wonder whether the bailed out countries would be able to implement the austerity measures with their population protesting on the streets. If ever any more proof was needed that the bailouts do not work, of just piling up debt, it is Greece's current situation. In fact, what the eurozone tried to prevent one year ago – the restructuring of Greek debt, is now unavoidable.

The bailouts have not improved Greece and Ireland's situation but it has increased their level of debt. Eventually Ireland and Portugal, as Greece, would have to restructure their debts. British taxpayers would not see their money again. One could say that it would have been better for these countries to withdraw from the euro. However, the other eurozone Member States would never allow this, as it would be the beginning of the end of the euro. It is important to note that under the Lisbon Treaty Member States may withdraw from the EU but not just the eurozone. The Treaties provide no exit clauses from the EMU.

How the eurozone would get out of the mess remains to be seen. Brussels is doing whatever it can do to save the euro, but rush solutions, particularly when laws are broken cannot proven to be useful. However, the EU institutions and EU leaders refuse to admit the failure of eurozone. For how long are Member States willing to pay for the debt of eurozone countries to avoid defaults? Would we see the collapse of the eurozone or would there be further integration – a formalised fiscal transfer Union?