Breakaways – Fiat Euro! 12/2014

Saint Patrick did not help. Millions from a bank. Billions from all the banks.

The beginning of this article is dedicated to our beloved Silvio. Kicked out through a door, he is coming back through a roof window. His adviser has announced, that the Italy's former PM plans to run in European Parliament elections. Yet afterwards, Italy's highest appeals court confirmed a two-year ban from public office for him. There are no one-act comedy plays in Italy, so it is still possible that Brussels will once enjoy BungaBunga parties.

While the referendum over the Crimea's secession is taken seriosly worldwide, the vote for breakaway of Venice sounds more like a joke. However, a recent poll found that the attendance might reach a million people. Venice has lost it's independence in 1866 as it became a part of Italy. The main reason of their anger is the fact, that they have to bankroll the poorer south by more than 20 billion Euro each year (more than Slovakia's yearly budget). They see no problem in smallness of the country – seven out of the 10 new members of the EU have smaller populations than Veneto (3.8 million). Only the Spanish don't find this funny since Catalonia is getting ready for a similar step.

Another potential member is threatened by a breakaway as well. Moldavian region of Transistria has asked the Russian parliament to draft a law that would allow their territory to join Russia. Therefore, Romania (which is a historically close country) wants EU membership for Moldovia as soon as possible.

Although foreign-policy news make European headlines more than the economic ones, we still have many reports to pick out from. Suprisingly bad news has been delivered from Ireland, whose economy shrank by 2.3 % in the final three months of the 2013. Instead of the predicted 0.4% growth, the European role model economy for the salvaging countries has contracted by 0.3%.

By the end of the last year, Greek unemployment rate has dipped to 27.5%, which makes an increase of a 0.5 ppt against the third quarter and a 1.5 ppt increase year-over-year. The record-breaking Spanish unemployment rate has been stabilized, but there are still negative figures being reported from the real-estate market. The housing sales have fallen by 23.2% against the last year's figures and some parts of the country report even 50% falls.

Both countries are still in trouble despite of millions worth of rescue packages. In addition, they are not being rescued only by the most mentioned sources like European bailout funds and the Europen Central Bank, but also by other European offical institutions. For instance, the European Investment Bank has supported the improvement of the electricity network in Greece with a EUR 235 million loan to a local Greek power provider or EUR 120 million loan to Spain's Ministry of Agriculture, Food and the Enviroment in suport of its coastal and forestry protection programme.

Besides the traditional southern wild riots against reforms, the Portuguese government regularly runs into resistance of its courts and currently the president, which has refused to sign the rise in health and social system contributions of the state employees and retirees, which would save up additional EUR 133 million to the government budget.

Germany's constitutional court has made its decision too. However, it didn't surprise anyone, since it has rejected the complaints against the European Stability Mechanism and the European fiscal pact. Only Jens Weidmann, the Bundesbank president has evoked passion, when he criticized the coalition‘s plan of the minimum wage implementation and lowering the retirement age, which would make the labour market less flexible. He countered the calls for higher German wages followed by higher inflation in the context of the big current account surplus: „making the top Bundesliga football teams play all their matches wearing a backpack does nothing to improve quality of the Bundesliga as a whole."
The British PM has unveiled his plan to renegotiate the UK's membership of the EU. A seven-point plan includes priorities like an ability of national parliaments to block unwanted European legislation, retention of the national police forces and justice systems unencumbered by unnecessary interference from the European institutions, or free movement to take up work, but not free benefits.

A group of MEPs have unveiled some plans as well - they want to replace the troika. „The troika is a bit like the Three Musketeers – they were four," said French MEP Sylvie Goulard hinting, that the Eurogroup is the fourth one. In short, they don't like the role of Germany at creating a rescue program for indebted countries (the role of German purse at paying it is naturally O.K.). That is why they would like to substitute troika with some kind of „European Monetary Fund".

Conflicts about the second pillar of the banking union, the joint resolution fund should be solved by the end of the week. The French have figured out, that their concentrated bank system might be forced to contribute more than the German one under a certain configuration of rules, which evoked a new wave of furious negotiations. Tens of billions paid by one or other side are in stock. Let's get surprised by the final form. However, the ECB has declared in advance, that the zombie banks (banks living on the support of the ECB) will be disposed.

Plans for energetic goals determination for 2030 are being held up due to the Crimea events. Energetic safety of the EU has become the topic of the day. These are good news for Poland and some other countries, which are worried about economic impact of suggested tough emission and renewable resources limits. The decision is not supposed to be carried out before 2015.

Yet another improvement of our life conditions has been approved by the European Parliament. It passed a regulation about unified mobile phone chargers since 2017. Forget any market competition or innovations, public officials know the best which components should manufacturers use in their products.

Stay charged for the whole rest of the week.

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