Santa Claus from Brussels - Fiat Euro! 51/2012

At the end of the year, we ratified the fiscal compact. Spain bids farewell to the year of bad news. Berlusconi is alive and well. The Great Greek Wall. EFSF had a successful year.

The last Fiat Euro! of this year begins unusually in Slovakia. This year the parliament has not taken a pause in passing new laws. In addition to the ESM, we have also approved the fiscal compact this week. After the Maastricht criteria, the Stability and Growth Pact, or the Sixpack, it is another tool which should make irresponsible states stand to attention. So far the success of these tools to limit politicians' appetite by any rules is similar to the success of Kenyan ice hockey players, but let's not get ahead of the things to come.

But the reality is that in the eurozone the atmosphere will still be boiling. House prices in Spain fell annually in the third quarter by a staggering 15,2 %. The level of delinquent (defaulted) loans reached a new record of 11,2 % in October. Seven regions report that they will need financial aid from the central government also in 2013. Not surprisingly, their financing needs will be about 34 % higher than this year.

We will also hear more about Ireland, which takes over the Presidency for the first half of 2013. This fact has tempted some people to speculations that the Irish use their position to get money from rescue funds for their banks, which they had to rescue (like at the turn of the millennium Slovaks had to) partly with their own money.

Their neighbor will be even louder. British Prime Minister David Cameron for the first time spoke the recently officially unthinkable words. "Brixit", the exit of this country from the EU is supposedly one of the options which have to be reckoned with, even if he does not prefer this one. Although the British were never the good children of Brussels, the possibility that the sheep start to run from the pen, didn't leave the euro leaders cool. French President Hollande responded clearly that the European Union is not À la carte where you can select options to taste, but it is "for life". If only the rules in the EU were also eternal and unchanging…

At the end of the year, the Italian celebrity Silvio Berlusconi woke up from the political grave. Headlines are not only about his fresh engagement to a woman 49 years younger, but also about his statements. It is said that Italy could be forced to leave the eurozone. Who is responsible for this? Of course the Germans are. They are selfish because they do not want to finance the problematic states. On the other hand, Italians enjoy generous lifestyle, their debt exceeded two trillion euros.

Greeks are already accustomed to the hard times. Financial results of the Greek banking sector should be published soon and they are expected to be disastrous even by optimists. In Greece every fifth loan is now delinquent. Still, they have found money to build a fence against immigrants on the border with Turkey. A slightly ironic act – at the same time the Greek emigration to other European countries is rising. Hopefully Greeks will not wake up one day to realize a fence has been erected also on the remaining borders …

Despite all the hardships, Hellenes have a modicum of hope. ECB started to accept Greek bonds as collateral once again. The credit rating agency S&P raised the Greek rating even six rungs up from selective default to the level of B-. They justify it by "the continuing commitment of the European Community to keep Greece in the euro zone." In other words, they believed that European politicians are willing to pour any quantity of our money into Greece to keep their project alive. They were proud of this commitment. "Year 2012 has been a very successful for the EFSF! " starts the current issue of the EFSF newsletter.

A new year will also bring a new Eurogroup chief, one of the most important positions in the eurozone. The first and only chief so far J-C Juncker retires, but the French and Germans do not want to let onto this position anybody from the opposite nation (you know, the EU converges nations, that's why it was awarded the Peace Nobel Prize). Finally, it is therefore likely that the position will be occupied by the moderate Dutch Minister of Finance Jeroen Dijsselbloem.

The positive news is that the free trade zone with Singapore is finally agreed, though not yet signed. Common sense is also heard from Portugal. After years of choking the economy by raising taxes, the Portuguese consider large corporate income tax cut from 25% to 10%. So far it is more of a shy idea than a real step in the right direction.

Eventually, some taxes will be cancelled. In particular, a special tax on salary of EU staff is cancelled. Overall, the crisis never really hit the EU and its employees. The Nobel Peace Prize delegation counted merely 70 members. However, it is nothing compared to the expenses on buildings. A palace costing 323 million is being built in Brussels for the President of the European Council, Herman Rompuy. Campaign to improve the image of Croatia will cost 20 million euros. If you no longer wish to finance these excesses of EU and local governments, you can simply move away. But you should appreciate this opportunity – first proposals suggest that the option to move to another country would be limited, at least within the EU member states. People willing to move would have to explain it to officials why they want to move. Does it not remind us of something?

I wish you in the New Year that Ded Moroz with a red star won't come to us again on Christmas. Neither from Moscow nor from Brussels.

Martin Vlachynsky