

## spotlight europe

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# Green Light from the Emerald Isle? Ten Questions and Answers about Ireland

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On 12 June 2008 Europeans will be looking intently at Ireland, for the Irish electorate is the only one in Europe which is being permitted to vote on the Treaty of Lisbon. For a long time the referendum seemed to be a foregone conclusion. However, as the poll approaches, a “Yes” vote is beginning to seem more uncertain. Ten questions and answers shed some light on the current situation.

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### How do the Irish vote on European issues?

Over the past 36 years there have been six [referendums](#) in Ireland on crucial decisions pertaining to the European integration process. Whenever there is a fundamental change in the European treaties, the electorate has the right to express its views on the subject at the ballot box. On five occasions the Irish voted in favour of the European project at issue - membership of the EC in 1972, and the revision of the treaties in 1987, 1992, 1998 and 2002. Thus in June 2001 it came as a complete surprise to other Europeans when the Irish rejected the Treaty of Nice.

The Irish electorate was the only one in Europe which was asked to comment on the Treaty of Nice, whereas in all of the other member states the decision lay with the national parliaments. In view of the unruffled nature of the previous referendums, the clearly pro-European attitudes of the voters, and Ireland’s positive economic development after 1973 in the wake of EC membership, the political establishment in Dublin and Brussels made the mistake of thinking that obtaining support for the Treaty would be a mere formality. As it happened, electoral participation dropped to 35 per cent, and 54 per cent of the Irish electorate voted “No”. The most famous slogan was “If you don’t know, vote No”. Almost one in two of those who had voted against the Treaty stated that

they felt they had not been given enough information.

The “No” camp was spearheaded by the Greens, Sinn Féin and the Socialist Party. Their campaign was based on polarization: “No to Nice, No to NATO”, and “You will lose Power, Money and Freedom”. The opponents of the Treaty warned against attempts to undermine the traditional Irish policy of neutrality by the introduction of the EU rapid reaction force, which they perceived as a forerunner of a European army. Furthermore, they believed that the smaller member states would be marginalized by the new decision-making system, and predicted the emergence of a European super-state and a “tidal wave of immigration” as a result of eastern enlargement.

## II

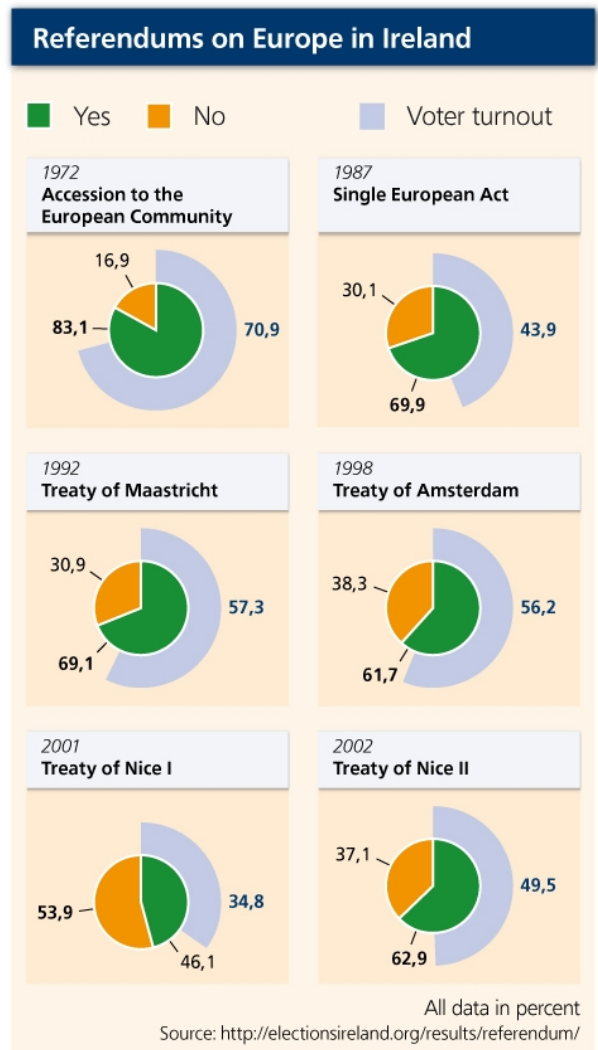
### What were the consequences of the “No” to the Treaty of Nice?

In order to secure the support of the electorate in a second referendum held in October 2002, the Irish government implemented a number of specific measures:

- *National Forum on Europe:* The all-party [National Forum on Europe](#) was established in October 2001. Its members included both supporters of the treaty and euro-sceptics. The aim was to remedy the information deficit among voters and to facilitate a broad debate about Ireland’s membership of the EU and the future of Europe.
- *National Declaration of Ireland:* The Irish government emphasized in this [declaration](#), which is not legally binding, that the traditional policy of neutrality would not be affected by the Treaty of Nice. A “triple lock” was enacted for participation in EU military operations. In addition to assent from the Irish government

and the Dáil, it envisages a mandate from the UN Security Council.

- *Supplemental clause:* A new [clause in the Irish constitution](#) provided a guarantee that Ireland would not participate in the common European defence policy before the electorate had given its express assent to such a step in a referendum.



- *Parliamentary scrutiny:* The Irish government enhanced the rights of the parliament with regard to European policy issues by instituting a new “[Committee on European Affairs](#)” and by mandating a strict government duty to provide information.

As a result of all this, the second referendum was a success. A broad majority (63 per cent) of the Irish voters gave the green

light for eastern enlargement and the necessary institutional reforms. A decisive factor was the mobilization of voters who had abstained in the first referendum.

### III

## What is the current mood in the country?

Although more than 90 per cent of the Treaty of Lisbon is identical with the Constitutional Treaty, in Ireland support for the new European basic document seems to have evaporated. The large number of undecided voters makes it especially difficult to predict the result of the vote on 12 June. More than two-thirds of the Irish electorate is of the opinion that it does not know enough about what the treaty contains, and only one voter in ten feels that he has actually been given sufficient information. It is a noteworthy and perturbing fact that it was precisely this [lack of information](#) which led to the rejection of the Treaty of Nice in the referendum held in June 2001.

Voter participation will be of decisive importance for the outcome of the referendum on the Reform Treaty. In the past the average participation in referendums was slightly above 52 per cent. The situation will become rather precarious if participation, as in the case of the first unsuccessful referendum on the Treaty of Nice (35 per cent), were to sink significantly below the 50 per cent mark. The opponents of the treaty will no doubt, as always, manage to mobilize their supporters as the campaign progresses.

Thus in the run-up to the referendum the Irish political parties have an important task to accomplish. In Ireland the classic cleavages are of only secondary importance, and categories such as “right” and “left” are devoid of meaning. To this day the political parties owe far more to the struggle for Irish independence in the 1920s. It saw the rise of what are still the

two predominant parties. Fianna Fáil has been the strongest political force in Ireland since 1932, whereas Fine Gael has usually been in opposition. After the parliamentary elections in May 2007 and more than ten years of two-party rule under Fianna Fáil and the liberal Progressive Democrats, the government was expanded to include a new coalition partner, the Greens.

For a long time there was a danger that Prime Minister Bertie Ahern’s bad approval ratings might have an adverse effect on the result of the referendum. Whilst Ahern was being touted as a promising candidate for the forthcoming office of President of the European Council on the European stage, at home 54 per cent of the voters were dissatisfied with him, and as many as 78 per cent doubted his credibility. “Teflon Bertie”, who had always managed to shrug things off in the past, finally stepped down from all his political offices on 6 May on account of persistent criticism of his personal financial dealings and accusations of corruption. The danger of an anti-Ahern vote has thus been averted. It is now up to his successor Brian Cowen, hitherto Minister for Finance, to secure Irish approval for the Treaty of Lisbon.

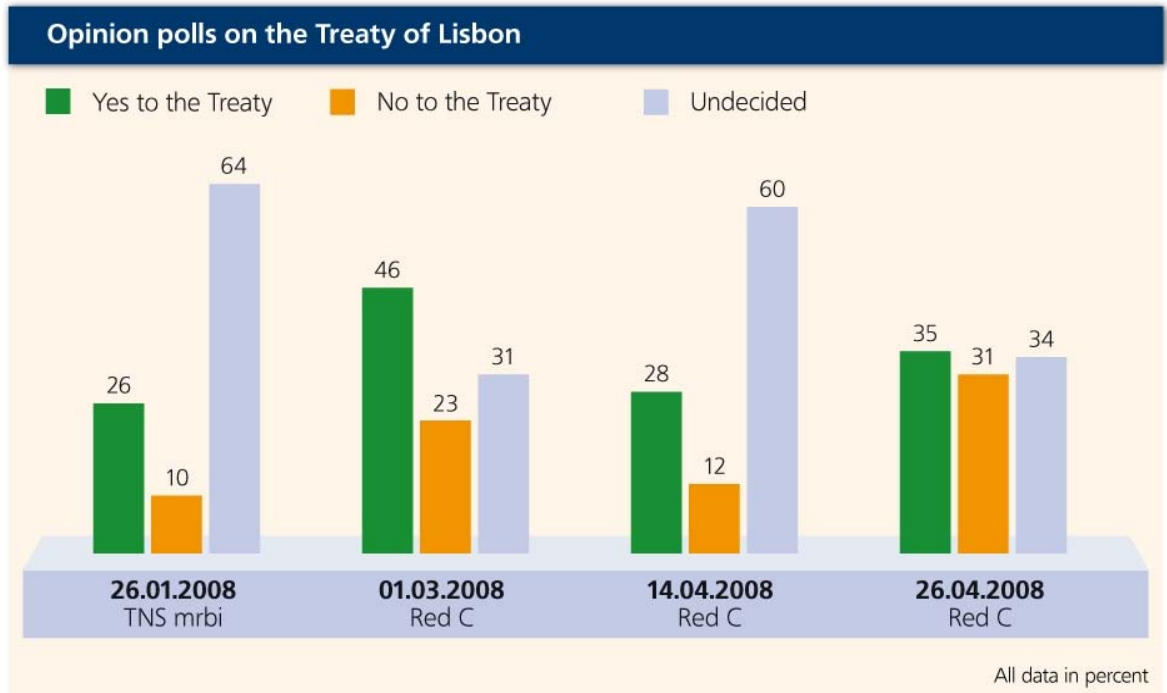
### IV

## Are the Irish still pro-European?

Ireland has always been one of the member states whose citizens have had the most positive attitude towards European integration. The figures published in the most recent [Eurobarometer](#) show that 74 per cent of the Irish – compared to an EU average of 58 per cent – believe that their country’s membership of the EU is “a good thing”. And as many as 87 per cent, which is the highest figure in the whole of the European Union, are convinced that Ireland benefits from its membership of the EU.

On account of the traditional Irish policy of neutrality, the Irish government has always expressed reservations about participating in the Common Defence Policy. However, 67 per cent of the Irish are in fact in favour of a Common Security and Defence Policy, and 66 per cent would welcome a Common Foreign Policy.

dom. One particular opt-out negotiated by its British neighbours has direct implications for the “Emerald Isle”. The two states have traditionally formed a “Common Travel Area” in which there are no border controls. Their geographical situation as islands without direct land borders with other member states is perceived in Dub-



Yet positive opinion poll results do not provide a guarantee that a referendum will turn out to be a success. Virtually identical results were obtained before the first referendum on the Treaty of Nice - and at the end of the day the Irish still said “No”. In Ireland there is obviously a large group of what are known as “soft supporters”. It is true that they are fundamentally pro-European, though without active mobilization they either do not vote at all, or in fact vote “No”.

## V

### In which areas has Ireland secured opt-outs?

Like other member states, Ireland has negotiated opt-outs from European law in certain policy areas. Its past opt-outs show that Ireland has always tended to adopt the same measures as the United King-

dom. One particular opt-out negotiated by its British neighbours has direct implications for the “Emerald Isle”. The two states have traditionally formed a “Common Travel Area” in which there are no border controls. Their geographical situation as islands without direct land borders with other member states is perceived in Dub-

lin and London as an advantage in the fight against organized crime and illegal immigration. Furthermore, the UK and Ireland have similar legal systems, in which common law - and not statute law as on the Continent - plays a more prominent role.

Since 1999 Ireland, like the United Kingdom, has not participated in all of the measures provided for in the [Schengen Agreement](#), which regulates the abolition of passport controls at the internal borders between the member states. However, on the basis of a unanimous Council decision both states can adopt certain parts of the Agreement. Thus in June 2000 Ireland applied to participate in the implementation of certain provisions of the Schengen acquis, such as, e.g. drug enforcement and the Schengen Information System.

The [Treaty of Lisbon](#) makes provision for another opt-out. Ireland and the United

Kingdom fear that they may possibly be at a disadvantage in the area of police and judicial co-operation in criminal matters on account of the planned transition in the Council from unanimity to decision-making based on qualified majorities. Yet Ireland has retained the option of participating in EU activities on a case-by-case basis (“opt-in”). Three years after the Treaty of Lisbon has entered into force the opt-out will be reviewed and possibly revoked. Originally the Irish government had also toyed with the idea of joining the United Kingdom and Poland in the opt-out protocol relating to the Charter of Fundamental Rights.

## VI

### How was Ireland transformed?

In 1973, when Ireland joined the EC, it was an economically weak country with the lowest per capita income in the then Community of Nine. Right up to the end of the 1980s the Irish struggled to cope with economic stagnation, high unemployment, state debt and emigration. After a dramatic process of economic adjustment, the former “poorhouse of Europe” became one of the EU’s “model pupils”. This was the birth of the “Celtic Tiger”. In many areas Ireland has not only drawn level with the other member states, but has already left them a long way behind.

- *Economic growth:* In the second half of the 1990s Ireland had an average **economic growth rate** of 9.4 per cent per annum. Even the slower growth in evidence since the turn of the millennium still amounts to an impressive 5.5 per cent per annum.
- *Gross domestic product:* In 1987 the Irish per capita **gross domestic product** amounted to no more than 69 per cent of the EU average. Just two decades later Ireland is in the lead with 146 per cent, and has been surpassed only by Luxembourg.

- *Unemployment:* In the 1990s the **unemployment rate** declined from 15.6 per cent (1993) to 4.3 per cent (2000), and has since stayed at this level. In this period the number of **people employed** almost doubled.

- *State debt:* In the 1980s Ireland still had the highest per capita state debt in the world. On account of strict fiscal discipline, above-average economic growth and high tax revenues the **state debt** sank from 95 per cent (1990) to 25 per cent (2006) of the gross domestic product.

- *Balance of Trade:* 60 per cent of Irish **exports** are shipped to other EU states. In the meantime Ireland has become the third-largest per capita exporting nation in the world after Singapore and Belgium. In 2007 the trade surplus amounted to €26.4 billion.

- *Population development:* Ireland has changed from being a country of emigrants to being a country of immigrants. In 1971 the **population** numbered 2.9 million. By 1991 it had increased to 3.5 million, and has currently reached about 4.2 million inhabitants. This is nothing short of a historical and psychological revolution in a small country where emigration has been part of the local mythology for centuries.

- *Modern service society:* On account of the stepwise transition from agriculture to high technology and service industries, the number of **people employed in the agricultural sector** has decreased in recent decades from 255,000 (1973) to 110,000 (2007).

However, shortly before the referendum there have been signs for the first time for almost two decades that the Irish economic boom is coming to an end. The economic growth forecasts for the current year recently had to be revised downwards, and the unemployment rate has risen to the highest level for nine years. Ireland’s close connections with the battered U.S. economy, the ramifications of

the international financial crisis and the pressure exerted on its export-oriented economy by the strong euro, may well have a negative impact.

## VII

### To what extent does Ireland benefit from the EU?

As an (erstwhile) structurally weak country Ireland benefited significantly from subsidies after joining the EC in 1973. In the period between 1973 and 2005 (after subtracting its own contributions to the EU budget) Ireland received **net transfers** amounting to about €40 billion, that is, on average €1.8 billion annually. For the first time and as a result of its successful economic progress, Ireland will probably be one of the net contributors towards the end of 2007-2013 budget period.

The large net contributor countries such as Germany and France have repeatedly pointed out that the Irish boom can primarily be traced back to sizeable EU transfer payments. However, this theory does not explain everything. There can be no doubt that the subsidies accelerated the adjustment process in the economy. However, it tends to be forgotten that in the 1970s and 1980s Ireland also received money from Brussels, the effect of which seemed negligible at the time. On the other hand, the enduring economic weakness of the mezzogiorno area in Italy demonstrates that decades of financial support from the EU budget cannot guarantee that there will be economic recovery.

The **Irish economic boom** can be traced back to the interaction of various internal and external factors. The internal factors include:

- *Proactive direct investment policy:* Ireland was able to attract a large amount of foreign (and in particular U.S.) direct investment. On account of the comparatively low corporation taxes, numerous multina-

tional companies from the computing, pharmaceutical and financial services sectors chose Ireland as their “gateway” to the European internal market.

- *Repayment of state debt:* Since 1987 every Irish government has pursued a policy of fiscal discipline, and this has taken the pressure off the national budget.

- *Low labour costs:* It was agreed by the government, the trade unions and the employers in a number of employment pacts that employees would exercise a great deal of wage restraint. This was made up for by decidedly low rates of taxation.

The external factors were the introduction of the European internal market and **EU subsidies**. As a result of the reforms and reorientation implemented in 1988/89, the disbursements from the Structural and Cohesion Funds almost doubled. This significant increase at the beginning of the 1990s gave an additional boost to the Irish economy. However, the decisive feature was that in Ireland the money from the Structural Funds was invested first and foremost in “brains”, that is, in education and training. The classical infrastructure projects merely came in second place. This had a number of long-term effects on the supply side. The above-average qualifications of its workforce is the feature which now sets Ireland apart.

## VIII

### The Referendum: Who is for and who is against the Treaty?

The two government parties, **Fianna Fáil** and the **Progressive Democrats**, are asking the electorate to vote for the Treaty of Lisbon, and so are the opposition parties, **Fine Gael** and **Labour**. On the other hand, the traditionally eurosceptical **Greens**, who since 2007 have for the first time been part of an Irish coalition government, have

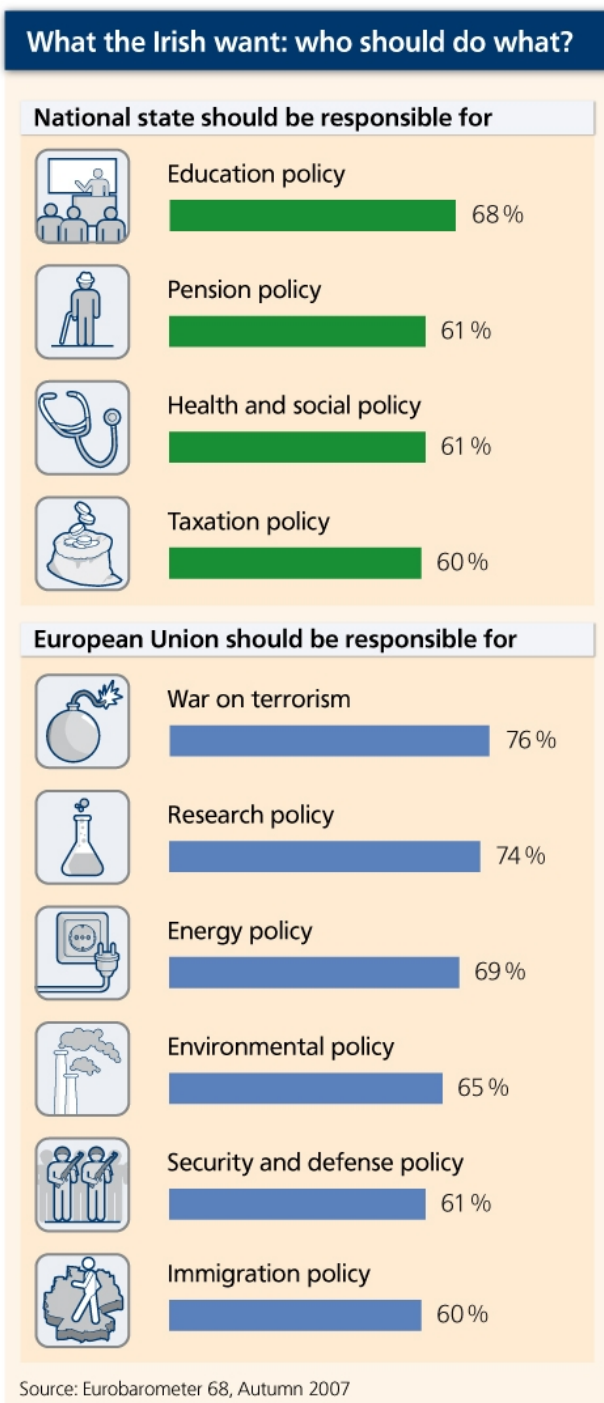
been unable to reach agreement on a common approach and are permitting their members to be involved in whatever side they choose. The party leadership has attempted to engineer a change of direction with regard to European policy on account

make support for the Treaty of Lisbon official party policy.

Thus the nationalist **Sinn Féin** party is the only one in the Irish parliament which is openly in favour of rejecting the Reform Treaty. A new actor among the ranks of the opponents of the treaty is the **Libertas** group under the leadership of the entrepreneur Declan Ganley, who is funding an expensive “No” campaign in the media.

The arguments of the “No” camp are not new. It interprets the introduction of the dual majority, the restriction of veto powers, and the occasional loss of a permanent EU Commissioner on account of the new rotation system as evidence of a greater centralization of power in Brussels at the expense of the small member states. The opponents of the treaty once again point to anxieties about a possible militarization of Ireland as a result of the new solidarity clause and the European Defence Agency. The “No” camp has also criticized the new “bridging clause”, which it sees as a telling example of a European democratic deficit. At some point in the future the European Council, without having to resort to an official amendment of the treaty, could use it to implement a transition from consensus to majority decision-making. The subsequent referendum and approval from the Irish electorate would thus no longer be needed.

“Facts, not politics” is the slogan Sinn Féin and Libertas have decided to adopt. However, their campaign is full of untruths and myths about the EU. They give the impression that the entry into force of the Reform Treaty will bring with it a Europe-wide harmonization of taxes, compulsory NATO membership, and the liberalization of abortion law. On the other hand, they are doing everything they can to conceal the fact that such decisions will continue to be made on the national level.



of the pressures emanating from the participation in the government. However, a special party convention in January failed by a narrow margin to secure the two-thirds majority of the delegates required to

## IX

### Has the European Agenda been postponed and delayed?

In recent weeks leading European politicians have literally been falling over each other in Dublin in order to try to persuade the Irish to vote “Yes” in the referendum. German Chancellor [Angela Merkel](#) has tried to rally support at the “National Forum on Europe”, and so have the President of the Commission, [José Manuel Barroso](#), and the President of the European Parliament, [Hans-Gert Pöttering](#).

On the other hand, Irish policymakers were not particularly happy about the [disruptive statements](#) emanating from Paris. In April the French government announced that during the forthcoming EU presidency it would seek to define corporation tax assessment principles which would be applicable in all EU member states. This was highly provocative as far as Ireland was concerned, since the low levels of corporation tax have for many years been seen as one of the key elements of the Irish “economic miracle”. The Irish government has described such plans for the harmonization of taxes through the back door to be “untimely, unhelpful and inappropriate”.

Furthermore, Dublin is wary of French initiatives in the area of the European Security and Defence policy. The subject is considered to be an especially sensitive one in traditionally neutral Ireland. In fact, for its opponents one of the most powerful arguments against the Reform Treaty is that it will lead to the erosion of Irish neutrality. This was one of the reasons why the Irish government wanted to hold the referendum before the start of the French EU Presidency in July 2008.

The current WTO negotiations may also have a negative influence on the outcome of the referendum, even though there is

actually no direct connection with the Treaty of Lisbon. Irish [farmers](#) are afraid that EU Trade Commissioner Peter Mandelson may be about to make far-reaching concessions in the area of agricultural subsidies. The Irish Farmers’ Association has thus threatened that its members will vote “No” in the referendum if their incomes are slashed as a result of the WTO negotiations.

In the Irish media there has been a great deal of [speculation](#) about the existence of secret agreements between the government in Dublin and the EU Commission. According to this theory, all controversial initiatives which might unsettle the Irish electorate will be shelved until after the referendum. Officially both sides have vehemently denied that such an agreement exists. However, in recent weeks there have in fact been noticeable delays in the timetables of various projects, for example, in that of the negotiations about the reform of the EU budget or in that of the submission of the draft health services directive on cross-border healthcare.

## X

### What happens if the Irish say “No”?

For a long time it seemed as if Irish approval of the Treaty of Lisbon were a foregone conclusion. So as not to encourage doubts about a positive outcome, European policymakers have studiously avoided speaking about what the alternative options would be if the Irish returned a “No” vote. But what in fact could the EU and Ireland actually do if the Reform Treaty were to be rejected?

First option: After the dust has settled and an appropriate period of time has elapsed, the Irish electorate will be asked once again to give its assent to the treaty. Leading European politicians would try even harder than before to convince the electorate that Europe needs an Irish “Yes” vote.



This scenario is not particularly probable. Why, in contrast to the French and the Dutch in the case of the constitutional treaty, should the Irish vote a second time on an unchanged treaty?

Second option: The treaty is amended. However, it is unclear which areas Ireland might actually wish to modify. Furthermore, the whole process would have to go back to square one, which is what happened after the rejection of the Constitutional Treaty. This option also seems highly unlikely, since in the eyes of citizens the EU would no longer have any credibility whatsoever.

Third option: Ireland is offered new opt-outs. This would, it is true, be conceivable without amending the treaty as a whole and embarking on a new ratification process in all of the member states. But in the sensitive areas such as foreign and security policy which play such an important role in its national politics, Ireland has al-

ready secured far-reaching opt-outs. Where else might Ireland wish to go it alone?

Fourth option: The EU abandons its attempt to introduce comprehensive treaty reforms. It decides to pursue minimal reforms which will be introduced either in the shape of a mini-treaty or below the level of treaty amendments by means of what are known as inter-institutional agreements between the European Parliament, the Council and the Commission.

These options are not especially exhilarating, and that is the reason why the EU and the Irish government are putting all their bets on one horse. A “No” in the Irish referendum would simply be a catastrophe for Europe.

#### Responsible

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