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On the project

Due to the new treaty provisions of the Lisbon Treaty and the economic crises the enlarged EU of 27 member states is on the search for a new modus operandi while also continuing membership talks with candidate countries. The EU-27 Watch project is mapping out discourses on these and more issues in European policies all over Europe. Research institutes from all 27 member states and the four candidate countries give overviews on the discourses in their respective countries.

The reports focus on a ***reporting period from December 2009 until May 2010***. This survey was conducted on the basis of a questionnaire that has been elaborated in March and April 2010. Most of the 31 reports were delivered in May 2010. This issue and all previous issues are available on the EU-27 Watch website: www.EU-27Watch.org.

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Ireland

Irish concerned about tax and treaties

Shane Fitzgerald*

The initial stabilisation achieved by the finance package agreed for Greece was broadly welcomed in Ireland. Contagion effects from the Greek debt crisis had begun to erode the gains made by the Irish government in reducing its cost of borrowing through austerity measures so steps to ameliorate the situation were viewed positively. The Taoiseach (Prime Minister) said he had "no hesitation" in signing up to the agreement.[1]

Owing to the sharp deterioration in its public finances since the onset of the financial crisis, Ireland remains on the target list of what has been described as a speculators' "wolfpack" that is currently circling the Eurozone herd. Ireland needs to borrow around 20 billion Euros annually to plug the gap in its finances. Happily, it succeeded in raising about 60 percent of its 2010 requirement before costs escalated in tandem with the Greek crisis, but any further prevarication could have proven disastrous for the Irish exchequer. In that context, expressions of European solidarity in the face of threat were gratefully received.

More recently, the Minister for Finance, Brian Lenihan, welcomed the announcement of the larger Eurozone stabilisation package on 9 May 2010, saying: "Member states are showing their resolve to support the overall European economy and the interests of all European citizens."[2] The Taoiseach meanwhile acknowledged that the Greek crisis and the Eurozone agreement means that economic governance will have to be pursued much more actively in the future.

Looking beyond the immediate public debt crisis of 2010, misgivings over the Eurozone's Stability and Growth Pact are to be found in Ireland as elsewhere. In an effort to slash the deficit, maintain a credible sovereign risk profile and renew commitment to the pact, harsh austerity measures have been taken by the government, resulting in a fiscal consolidation equivalent to 6 percent of the Gross Domestic Product since 2008. But Ireland still has a lot of cuts to implement if it is to get a deficit currently running at more than 14 percent down to the EU target of 3 percent by 2014. There is real concern that taking this much money out of the economy during a fragile recovery could have detrimental consequences. However, this concern is accompanied by the knowledge that even if the Commission decides to be lenient with Ireland on the deficit issue, the international bond markets will not. For example, former Irish European Commissioner Peter Sutherland argues that, regardless of the terms of the pact, further cuts are likely to be necessary on the basis of market confidence.[3]

Within Ireland, there is plenty of opposition to specific government measures, but a general sense prevails that severe belt-tightening is necessary if Ireland is to stabilise its economy and enjoy a recovery. The strongest opposition to the overall strategy in the European context has come from trade unions, some members of which have questioned why the government could not postpone the fiscal consolidation until the economy is in better health. The Greek crisis provides one answer to that question.

There is another important angle to the debt crisis from an Irish perspective, and that is the question of the Euro exchange rate. Last year, the Finance Minister, Brian Lenihan, accused the UK of a competitive devaluation of Sterling against the Euro, asserting that this was causing "immense difficulties" for Ireland.[4] In a letter to the Financial Times, Manus O'Riordan, Chief Economist of the Services, Industrial, Professional and Technical Union (SIPTU), noted that in the 24 months up to October 2009, sterling had devalued by 25 percent against the Euro. "If any other member state," he argued, "had sought to address its economic problems by slapping a de facto 25 percent tariff on imports from the rest of the EU, it would have been denounced as a rogue state."[5] In the context of these difficulties, John Whelan, of the Irish Exporters' Association, says that Irish exporters would be "quietly happy" with the Euro's recent sharp slide against the Dollar and Sterling. Ireland had 42.6 billion Euros worth of exports to the USA last year, and the shift in the exchange rate could be worth 6 billion Euros to the Irish economy.[6] Fears of a Sterling sell-off linked to an uncertain general election outcome did not materialise, providing another boon for Irish exports.

* Institute of International and European Affairs.

The idea of a strong coordination of economic policies in Europe is received ambivalently in Ireland. Despite the Taoiseach's acknowledgement that better economic governance is necessary, Ireland will be reluctant to cooperate in any measures that compromise its budgetary and fiscal sovereignty at a time of great fragility. A key issue here is sovereignty over tax issues. Ireland's low corporate tax rate is seen as both a key driver of its recent economic growth and a necessary condition of its future economic recovery. Retention of unanimity in voting on taxation policy matters was an Irish priority during negotiations on the Lisbon Treaty. That aim was fully achieved, and was reiterated in the guarantees secured by the Irish government ahead of the second referendum on 2 October 2009.[7] Any attempt to revive discussions on a common consolidated corporate tax base is likely to be strongly resisted. The opposition Fine Gael party, traditionally a pro-European party, surprised many domestic commentators by coming out strongly against the recent Commission proposals on economic governance, saying they represented an erosion of national sovereignty and alleging that they had the potential to deny Ireland control over its corporate tax rate.

In response to this, and similar statements by the nationalist opposition party Sinn Féin,[8] Andrea Pappin, Executive Director of European Movement Ireland, called for an informed and adult debate on the issue, saying that it "is important to clarify […] that only an Irish government can change our corporate tax rate, no one else."[9] Pappin and the government are right to say that there is nothing in the Commission's proposals about tax harmonisation or a common consolidated corporate tax base, but, as they stand, these proposals do mean that if the Commission and EU finance ministers do not like Ireland's budget, and the state has already cut expenditure to the quick, then the government would be forced to raise taxes.

From an Irish perspective, another key issue in any discussion about greater economic governance in the EU or in the Eurozone is: will it necessitate treaty change? Any proposal that does will meet with great concern in Ireland as there is little appetite from any quarter for further referendum campaigns (Ireland is obliged by a Supreme Court ruling to hold a referendum on any international agreement that impinges on the state's constitutional sovereignty). If the EU can continue to find ways, such as the stabilisation fund, which deepen European economic cohesion without resort to new treaties, then Ireland will probably go along with them.

On the Lisbon Strategy and its successor, the Europe 2020 Strategy, the Fine Gael party noted that "[n]ot one of the Lisbon growth strategy objectives set by the EU has been met. Accelerated fiscal consolidation and a fund to act as a safety net are undoubtedly a significant step forward, but what is missing is a European growth strategy that can make an export-led recovery credible in highly indebted countries."[10] The government is supportive of the Europe 2020 Strategy, though it would like to see the agriculture and food sectors given more of an emphasis in the EU's common economic policy.[11] Neither one is included in EU 2020's five priority areas but both are central to Ireland's own economic plans. However, the emphasis on research and innovation in the Strategy chimes well with Ireland's own ambitions. The appointment of an Irish woman, Maire Geoghegan Quinn, as Commissioner for Research and Innovation was therefore viewed positively in Ireland.

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[1] Irish Times: Cowen says he had no hesitation in signing up to pact, 27 March 2010, available at: http://www.irishtimes.com/newspaper/world/2010/0327/1224267175393.html (last access: 18 May 2010).
[2] Reported by RTE News: Emergency EU funds won't solve long term problems, 10 May 2010, available at: http://www.rte.ie/news/2010/0510/euro_bailout.html (last access: 10 May 2010).
[3] Irish Times: Harry McGee: Ministers dismiss possibility of early budget due to Greek fiscal crisis, 10 May 2010, available at: http://www.irishtimes.com/newspaper/ireland/2010/0510/1224270049741.html (last access: 10 May 2010).
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[5] Accessed on the SIPTU website at: http://www.siptu.ie/PressRoom/TheEconomy/Name,11176,en.html (last access: 18 May 2010).
[6] Irish Times: Falling euro set to boost exports and growth, 18 May 2010, available at: http://www.irishtimes.com/newspaper/finance/2010/0518/1224270601272.html (last access: 18 May 2010).
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[8] Irish Times: European Commission budget proposals deeply undemocratic, 17 May 2010, available at: http://www.irishtimes.com/newspaper/opinion/2010/0517/1224270548498.html (last access: 18 May 2010).
[9] Irish Times: European role in Irish budget, 18 May 2010, available at: http://www.irishtimes.com/newspaper/letters/2010/0518/1224270596195.html (last access: 18 May 2010).
[10] Fine Gael Policy Summary, available at: http://www.finegael.org/polcol/a/32/article (last access: 18 May 2010).
[11] Irish Times: Cowen says he had no hesitation in signing up to pact, 27 Match 2010, available at: http://www.irishtimes.com/newspaper/world/2010/0327/1224267175393.html (last access: 18 May 2010).

Questionnaire for EU-27 Watch, No. 9

Reporting period December 2009 until May 2010 – Deadline for country reports 21 May

All questions refer to the position/assessment of your country's government, opposition, political parties, civil society organisations, pressure groups, press/media, and public opinion. Please name sources wherever possible!

1. Implementation of the Lisbon Treaty

On the 1 December 2009 the EU-reform ended with the entering into force of the Lisbon Treaty. However, the new treaty provisions still have to be implemented. Some procedures and conditions have to be determined. In other cases, procedures, power relations, and decision-making mechanisms will change due to the new provisions.

- How is the work of the new President of the European Council, Herman Van Rompuy, assessed in your country? Which changes to the role of the rotating council presidency are expected?
- How is the work of the new High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, assessed in your country? Please take into particular consideration both her role within the European Commission and her relationship to the Council of the European Union.
- On 25 March 2010 a "Proposal for a Council Decision establishing the organisation and functioning of the European External Action Service" was presented. How is this concept perceived in your country? Which alternatives are discussed?
- On 31 March 2010 the European Commission presented a proposal defining the rules and procedures for the European Citizens' Initiative (ECI). What are the expectations for the ECI in your country? What are the various positions concerning the rules and procedures?

2. Enlargement and European Neighbourhood Policy

The European Commission has given its opinion on Iceland's application for EU-membership and a decision from the Council is expected before the end of June. Croatia seems to have settled its border dispute with Slovenia. Against this background:

- Which countries does your country expect to become members of the European Union in the next enlargement round? What are the opinions in your country on the membership of these countries?
- How are the membership perspectives of those countries discussed, which are not expected to become a member in the next enlargement round?

The Eastern Partnership and the Union for the Mediterranean were the last major projects dealing with the European neighbourhood:

- How are these projects assessed in your country?

3. European economic policy and the financial and economic crisis

The European Council agreed on 25/26 March on the key elements of the Europe 2020 strategy, the successor of the Lisbon strategy. While not being on the formal agenda the economic and financial situation in Greece was discussed. The European Council agreed on a finance package combining bilateral loans from the eurozone and financing through the International Monetary Fund.

- How is the finance package for Greece assessed in your country? Are there any opinions on the process, how the agreement on the package was reached?
- Which lessons should be drawn from the Greek case for a reform of the Stability and Growth Pact?
- How is the idea of "a strong coordination of economic policies in Europe" perceived in your country? What concepts of an European economic governance are discussed in your country and which role do they assign to the Euro group?
- How is the Europe 2020 strategy discussed in your country? What are the priorities for the Europe 2020 strategy from your country's perspective?

4. Climate and energy policy

The climate conference in Copenhagen took note of the Copenhagen Accord but did not reach a binding agreement. The next conference of the parties (COP 16 & CMP 6) will take place at the end of November 2010.

- How is the Copenhagen conference assessed in your country? Please take into consideration the negotiation strategy of European Union and the results of the conference.
- Does the European Union need to change its own energy and climate policy in order to give a new impulse to the international negotiations?
- Is a global agreement within the UNFCC the best strategy to fight climate change? If not, which alternative strategy should the European Union follow?
- What is your country's position on financing mitigation and adaptation efforts in developing countries?

5. Current issues and discourses in your country

Which other topics and discourses are highly salient in your country but not covered by this questionnaire?