

Extract from:

Aziliz Gouez (dir.), "Forty years a-growing. An overview of Irish-EU relations", *Studies and Reports No 94*, Notre Europe – Jacques Delors Institute, January 2013.

EXECUTIVE SUMMARY

The interviews gathered in this Study – with Pat Cox, Lucinda Creighton, Micheál Martin and Peter Sutherland – all provide essential keys to grasp the specificity and subtleties of the Irish debate on Europe, both historically and in its most recent developments. This executive summary gives an overview of some of the issues which the interviewees identified as having shaped Irish perceptions of Europe over the course of the last forty years, and of the rupture introduced by the unfolding crisis.

1. Structuring features and key milestones of the Irish debate on Europe

1.1. Peace and prosperity: two great European promises that find specific resonance in Ireland

In Ireland, the **notion of peace does not allude primarily to the Second World War**, an event that has more to do, in the Irish context, with the shaping of a national tradition of military neutrality than with the imperative of supranational cooperation between yesterday's foes. Nevertheless the European narrative of peace and reconciliation has been an inspiring one for the resolution of the conflict between Republicans and Unionists in the northern part of the island.

The second European promise which Ireland fulfilled in a most spectacular way is that of prosperity. Ireland, especially in its "Celtic Tiger" incarnation, has been held up as a **model for its ability to make blossom the economic benefits of European integration**, with European officials emphasizing the role of the Common Agricultural Policy and structural funds, and Irish analysts rightly reminding them of the equally important role played by an industrial policy tailored to attract foreign investment into the country.

1.2. Ireland's corporate tax rate: a bone of contention with European partners

The reform of the Irish taxation system played a crucial role in the shift from an “isolationist past” to an era of intense integration into European, and even global, trade networks. The **four interviewees unanimously make a case in favour of holding on to the current corporate taxation policy**, noting that federalisation may not necessarily rhyme with harmonisation.

Yet, current discussions at European level around fiscal union, and the Commission's proposals on the Common Consolidated Corporation Tax Base (CCCTB) bring the spotlight back on to the Irish corporate tax rate. And there may well be a **contradiction between Ireland's integrationist stance on some of the euro area's dossiers - e.g. on the banking union - and its reluctance to revise its position on corporate taxation**.

1.3. A special relationship with the USA and the UK

Economic relations with America, which are of huge importance to the small island, do not account for the full depth of Irish-American relations: there is also a strong, constitutive identity dimension to this connection. For all the benefits of membership in the EU, **a European equivalent to the American dream hasn't yet arisen in the Irish collective psyche**.

By granting the Irish new partners and giving them freer access to a wider space, EU integration has **loosened the exclusive, mirror-like relation between Ireland and Britain. Yet British influence remains significant** insofar as the media treatment of EU-related matters is concerned – the high penetration of eurosceptic tabloid British media does play a role in shaping a segment of the Irish public opinion on Europe. And the consequences for Ireland of its nearest neighbour's current hardening stance towards the EU remain to be fully measured.

1.4. The Irish method: pragmatism

The term “pragmatism” often comes up to characterize the Irish approach to European integration. In the first instance, the word can be used to describe

the **weight of material, rather than ideological, arguments in the Irish debate on Europe**, especially during referendum campaigns.

The term “pragmatic” is also commonly used to describe the approach of Irish Presidencies of the Council of the EU and, more broadly, of Irish diplomats in their daily dealings with Brussels and their European counterparts. Currently in Ireland the “f” word is simply “fix it.”

2. The debt crisis: a shift in Ireland’s relations with EU institutions and its European partners

2.1. The return of “sovereignty” in the Irish political debate

In 1973, to get a say equal to that of any other Member State – including Britain – at the European negotiation table meant much to the Irish. The **notion that EU membership gave Ireland a voice did play a role in shaping Irish people’s favourable opinion of European integration**. But this feeling was somewhat shattered by the succession of events which led the Irish State to accept an EU-IMF “Programme of Financial Support” conditional on implementation of a number of structural reforms.

The **tight supervision of domestic policies by outsiders has breathed new life into “sovereignty” as a category of the Irish political debate on Europe**. But Irish opponents to foreign-imposed ‘austerity’ have failed, so far, to convince a majority of voters that there is a credible alternative to the state’s funding by the EU and IMF until it can stand on its own feet again and get back to credit markets.

2.2. Increasing Irish concerns over the balance of power between small and large EU Member States

The notion that **core European States can tend to impose their will onto smaller countries** has been aired in Ireland ever since the two successive replays of the referendums on Nice and Lisbon, when those on the ‘no’ side argued that the will of the (small) Irish people was disregarded. These

suspensions have been soured by the financial crisis, with some Irish media invoking the “Merkozy” diktat.

Much of the resentment at the way the Irish sovereign debt crisis has been handled at EU level focuses on the European Central Bank. There is a widespread feeling, including among government officials, that the ECB applies “double standards” and that Ireland has been treated more harshly than larger countries such as Spain or Italy are currently. By putting pressure on Ireland to pay back bondholders, the ECB arbitrated in favour of protecting the banks of bigger European countries, thus placing the entirety of the banking debt burden on the Irish taxpayers. The ECB is also said to have strong-armed Ireland into accepting the EU-IMF rescue programme.

2.3. A test for notions of solidarity and cohesion at national and European level

In Ireland, political leaders have yet to articulate a discourse that can convey a sense of cohesion and collective progress, now that the powerful narrative of the Celtic Tiger years has deflated. In the meantime, **portrayals of Ireland as the “best performing programme country” are not of a nature to sway popular enthusiasm and faith in the future.** Irish political leaders have to answer a question that has a Europe-wide resonance: how are political and social expectations reframed when the future is no longer indexed on notions of “progress”?

The developments underway at national level – notably a polarisation between the richer and poorer segments of society – feed a negative inflexion of Irish views on the EU, the notion that the current European status quo favours an unfair deal for the Irish people. There is, first of all, a sense that the **money generated by cuts to public expenditure and the introduction of new taxes is used to reimburse holders of Irish banks’ bonds.** Thus Irish people are seen as footing the bill for European banks’ imprudent lending to reckless Irish banks.

2.4. The Irish have shown solidarity, and they expect European solidarity in return, in the form of a debt restructuring

The idea that by socializing bank debts, the Irish people have rescued not only their own domestic banks but also the entire euro-system is at the core of the government's strategy to obtain a debt restructuring. This strategy has focused on two main options:

The **first option was direct bank recapitalisation by the ESM**, the key objective being to obtain the use of the ESM for "legacy debt", i.e. *retroactive* bank recapitalisation. But the Irish government efforts along this line are strongly opposed by 'triple A countries.'

The second line of Irish diplomatic action is seeking **relief from the ECB on 30.6 billion euros of promissory notes** that were issued by the government to bail out Anglo Irish and Irish Nationwide Building Society. Without such restructuring, it is feared, market suspicions over the sustainability of the Irish debt will not be lifted.

In this context, there has been an upsurge of national stereotyping in the Irish debate on Europe, with Germany and Commissioner Rehn featuring prominently on the side of those who are insensitive to Ireland's bid for a gesture of European solidarity.

In Ireland as in many other European countries, the **conflict of interpretation** – on whether spendthrift welfare states or ruthless financial speculators are to be blamed for the crisis, **on who is responsible for what, and who should pay what – is far from settled.**