THE EU AND IRELAND: A LOVE-HATE RELATIONSHIP?
FOREWORD

by Yves Bertoncini

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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.

While located at the periphery of Europe, Ireland has long been at the core of many key debates regarding European integration. This is especially true today, and explains why *Notre Europe – Jacques Delors Institute* publishes this Study, which will help its readers put into perspective the complex relations between Ireland and the EU. Before you can read insiders' views on the way the EU is perceived in Ireland, let me share with you some personal thoughts on the way Ireland was and is seen from the EU.

1. A "success story"

During the last two decades, Ireland was the "success story" so often told when highlighting the fertile combination between the European single market and EU structural funds[1] – not to mention the CAP funding, equally important for the country. As a former official of the Directorate General of the European Commission in charge of Regional Policy, I remember that the impact of the structural funds on the transformation of the Irish economy was the primary example taken to illustrate how European integration could bring a rapid and impressive convergence of living standards up to EU level (from around 60% of the EEC average in terms of GDP/capita in 1980 to more than 120%, including in the recent period).

I also remember a Brussels' working dinner with Commissioner Charles McCreevy in 2005, in which I participated as a representative of the business sector. At that time he was praised as a key actor in the "Irish economic miracle," which was not only based on CAP and structural funds' contributions, but also on a range of other causal factors, among which are tax and fiscal reforms, wage agreement and structural measures, particularly in the education and

1. Yves Bertoncini, "European solidarity in the Eurozone crisis: another Irish success story?", *Tribune*, *Notre Europe*, May 2012.

training areas. McCreevy was then perceived as an influential leader, including in his position of Commissioner in charge of the Internal Market and Financial Services, promoting "better" – i.e. less – regulation.

The recent crisis has shown that part of the "Irish miracle" was based on problematic choices as regards the deficient regulation of the banking sector and the development of a real estate bubble. The economic and financial crisis hit Ireland so violently that the Irish authorities had to take on the huge debts of the country's banks, which led the public debt to jump suddenly from around 40% of GDP to more than 110%… The time when the low Irish public debt was held up as an example of good compliance with the Stability Pact provisions has vanished. This Stability Pact has now been reformed so as to take into account private debts as well, and this reform is partly due to the Irish "failure story".

2. A "programme country"

Even if the roots of the Irish crisis are far different from the Greek's ones, both countries have been treated in quite a similar way by the EU, on the basis of a solidarity-control dialectic. After having lost access to bond markets, Ireland could indeed benefit from a 67.5 billion euros "bail-out programme" co-financed by the Eurozone countries, the IMF, Britain, Denmark and Sweden: it is this three-year aid programme that enabled Ireland to face its financial commitments, and to have more room for manoeuvre to find its way out of the economic and social turmoil. In return, Ireland has also "received" clear demands for in-depth structural reforms, the detail content of which was formalised by a so-called "Memorandum of Understanding," with the implementation of this being followed up periodically by the "Troika." In this context, three political facts particularly struck me when I last came to Ireland, in May 2012, right before the referendum on the so-called "Fiscal Compact".

The first one is that, when dealing with the actors responsible for such a difficult situation, the Irish people are partly tempted to blame the EU but, all in all, a large majority of them tend rather to blame national actors, be they private – the banking sector – or public – their political representatives. When meeting members of the government and department officials, I was frequently reminded that the financial crisis was the outcome of previous policy choices and preferences which were now being firmly revised: many underlined that the crisis had forced Ireland to change its vision and practices on a number of economic points, but that this was not yet clearly perceived by other Europeans.

Another political fact is certain, which may also be underestimated: the economic and social costs of the adjustments undertaken by the Irish authorities and people are extremely substantial in terms of wage reduction, jobs redundancies, pensions cuts, etc. And the results of such efforts are impressive: new jobs are being created in Ireland, even if unemployment remains a serious matter of concern; Foreign Direct Investment started flowing in again; Irish exports have slowly begun to rise up; more importantly, Ireland's growth prospects are no longer negative… Ireland's situation is encouraging when compared with that of other "programme countries" as well as with that of other European ones. Ireland could become a "success story" again, and a source of motivation and inspiration for other struggling countries, but also for the EU as a whole – even if the current recovery signs still need to be confirmed.

A third striking fact is that having its policies and efforts regularly assessed by the Troika and, more indirectly, by the other EU Member States, is costly for Ireland in political and psychological terms. One episode has been particularly challenging for the country: some "*Bundestag*" members are reported to have expressed their views on Ireland's 2012 draft budget before it was officially examined and approved by the "Oireachtas" (the Irish National Parliament). Even if the "countries under programme" have temporarily and *de facto* lost part of their sovereignty,[2] this episode shows how sensitive it remains to establish a more rigorous monitoring and more automatic sanctions over the national economic and social policies of the Eurozone Member States. This lesson from the Irish case must be drawn in Brussels and in other European capitals, even though the situation of countries that are "not under programme" is substantially different in terms of sovereignty.

2. Yves Bertoncini, "Debt crisis, sovereignty crisis", *Notre Europe's Viewpoint*, November 2011.

3. A country saying 'no'

The Irish people were the only ones in the EU to vote for the ratification of the “Fiscal Compact”, which confirmed that civic control over the European integration process is particularly extensive in this country. Even though they were asked to vote ‘no’, including by opponents from other European countries wishing to vote by proxy, the Irish opted to vote ‘yes’: they thereby accepted the legal and symbolic link established between the disciplines deriving from Eurozone membership and the possibility of benefiting from EU solidarity devoted to help its struggling members. Will this recent ‘yes’ change the image of Ireland, often perceived as “the country saying no?”

The reaffirmed opposition of the new Irish government to any substantial change of the emblematic 12.5% corporate tax rate has confirmed a clear will to resist European pressure when some national “red lines” are under threat. The Irish authorities are right when claiming that there are many economic reasons to explain such a low level of taxation, as well as when underlining the fact that the comparison of effective taxation rates shows up less substantial differences between countries. This being said, the Irish fiscal strategy remains quite negatively perceived abroad, even more so when there is objection to the way some companies may optimise their profits through their Irish location.

When the Irish people refused to ratify the Treaty of Nice, they were asked to vote again, and they finally accepted it. The same “double vote” was organised to ratify the Lisbon Treaty… I often wondered whether these ‘no’ were not also a way for the Irish voters to say that they like European integration as it is, and hence don’t want any substantial changes – a kind of conservative ‘no’. And I still wonder if there isn’t a need to revisit the relations between Ireland and the European integration process, going back to the debates around the country’s accession to the EEC, which was also led on rational grounds, because Ireland’s major economic partner – the UK – was doing so, and not only because the Irish wanted to start a passionate “love affair” with Brussels.

4. A transformed country?

The national stereotypes that are proliferating with the ongoing crisis (*e.g.* "Greek = lazy", "German = nazi", etc.) confirm that it takes a long time to modify the European image of a country in our "Federation of nation states". The "Irish success story," the "programme country" and the "country saying no" are three phrases which can only partially and superficially describe the complex relationship established between Ireland and the EU over the course of the last forty years. If a fourth phrase were to be added at this stage, it could be that of the "transformed country", which had to desperately struggle with its grave banking crisis, and which could then become the first "programme country" to recover – but the details of this new story remain to be told…

In this context, this Study's aim is to present much more precise elements of analysis and to shed light on the main issues structuring the perception of Europe in Ireland. To this end, Aziliz Gouez has gathered the insights of four major Irish actors and observers of the "European political life" of their country, by asking them a series of questions covering these issues. She added her own analysis of the current situation, marked by the grip of debt, and she also solicited the views of an Irish analyst on the May 2012 referendum campaign on the Fiscal Compact, as well as those of three non-Irish observers of the European debate in Ireland, including the author of this foreword.

What comes out of this collection of articles is that, due to the debt crisis, something has happened in Ireland as regards Europe. But has something happened in Europe as regards Ireland? Or is this country still looked at as the Cheshire cat of *Alice in Wonderland* – the animal has gone, but the smile is still there. Given the crisis, the smile has probably disappeared in Ireland, together with the flash image of the "Celtic Tiger" across Europe. But a new smile is about to appear, and maybe a new "Tiger": let us read on to know what smile and which tiger this is all about.