

Anxious EU's future at stake

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IRISH voters go to the polls again on Friday to decide whether to adopt the EU's Lisbon Treaty. The mood in European capitals is nervous; on two of the past three occasions the Irish have been asked to vote on an EU Treaty, they have rejected it.

For the EU, the stakes could not be higher. The Lisbon Treaty was the compromise agreed to by EU leaders in the aftermath of the rejection of the Constitutional Treaty in popular referendums in France and The Netherlands in 2005. Much negotiating blood has been spilled on the treaty, and another rejection would leave the union unable to ratify and implement its provisions; this would lead to policy paralysis and institutional decay.

The referendum campaign in Ireland has seen a resurgence of conflict between a familiar constellation of forces. On the yes side are all of the main political parties, trade unions, the business community and a broad network of civil-society groups. Their campaign has been more co-ordinated and intense than last time, with the aim of mobilising the maximum number of supporters and ensuring a high turnout, which most commentators assume will assist the yes vote.

On the no side, a disparate coalition drawn from both the far Right and the far Left, including ultra-Catholics and unreconstructed Marxists, has sought to whip up hysteria about supposed threats ranging from military conscription to euthanasia and abortion. But the no side has struggled to find a coherent point of reference and seems to have none of the dynamism and vigour it projected last time.

The main reason for this is that Ireland has been traumatised by economic misfortune over the past year. The hubris of the Celtic Tiger years is a distant memory, owing to the worst recession in Ireland's history as an independent state. This year economists expect the economy to contract by up to 8 per cent, with a further steep decline likely next year.

The budget deficit is now the largest in the EU, and public debt has ballooned as the government has struggled to compensate for the steep drop in revenues. The Irish banking system approached total collapse in September last year and was saved only by a E400 billion (\$676bn) government guarantee of all bank deposits. More recently, the state assumed the liabilities of rogue property developers by setting up a "bad bank" that could saddle Irish taxpayers with a mountain of debt for decades to come.

The depth of the economy's plunge has helped the Irish government in its effort to secure a yes vote. The European Central Bank has provided a monetary lifeline that has provided much needed liquidity within the financial system and helped the government to stem the crisis of confidence created by the banking collapse.

Government ministers and EU representatives repeatedly cite the example of Iceland in pointing out what might have happened to Ireland if it had been outside the EU.

Thus, the second referendum has brought back into play the economic dimension of Ireland's EU membership, which was largely absent from last year's debate on the treaty. Ireland has benefited disproportionately from EU largesse during its 35 years of membership, and last year was still receiving a net sum of E500million from the EU budget. Voters have been reminded of the potentially catastrophic cost of being excluded, not just from the single-market area but also from the decision-making structures in the Council of Ministers and the European Central Bank.

In addition, the Irish government secured legal guarantees from its EU partners on the issues that most concerned voters who voted no or abstained last time. These compromises state that nothing in the treaties will affect Irish prerogatives on abortion, military neutrality and taxation.

This is helping to mobilise a majority in favour of the treaty. Opinion polls conducted in recent weeks indicate that the yes side commands a strong majority of 62 per cent to 23 per cent, with 15 per cent of the electorate undecided. But nobody should take Irish voters for granted in the final days of the campaign.

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