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DUBLIN: Recession will be the wild card in second Irish treaty referendum

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by John O'Brennan

After December's European Council, there is renewed optimism that the second referendum promised by the Irish government for this autumn will see the Lisbon treaty carried. But in reality, it's far from being in the bag. The economic crisis is already making the ruling Fianna Fáil party deeply unpopular and there is no guarantee that the electorate won't punish Taoiseach (prime minister) Brian Cowen with a second No vote.

One of the reasons that Irish voters rejected the Lisbon treaty in mid-2008 was concern that Ireland's voice in the European Union would be diminished, particularly through the loss of an Irish member of the European Commission. As a first step towards a second referendum, Cowen sought EU-wide agreement that the "one member state, one commissioner" rule would be resuscitated. His success gives Dublin the breathing space it needs to run a more effective referendum campaign.

Part II of the plan agreed by the European Council will see the EU making several binding declarations on some of the other subjects that worry Irish voters. These include Ireland's right to decide on issues such as abortion, corporation tax and participation in European security operations. The legal substance of these statements will be worked out under the Czech presidency, but it is already clear that they will be designed to prevent any repeat of the sort of distorted arguments typical of the last No campaign. The text of the Lisbon document will remain unchanged but the concessions for Ireland will get treaty status, probably by being attached to the accession agreement for Croatia, which is expected in late 2009 or early 2010.

Is all this likely to be enough to persuade Ireland to vote Yes? The answer may depend on the state of the economy. Ireland has benefited hugely from European largesse; in 2007, for instance, it still received €500m net from the EU budget. So the government will remind voters of the potentially catastrophic cost of being excluded, not just from the Single Market but also from the Council and the European Central Bank. The recent turmoil in global financial markets has reinforced the point: Ireland's cannot seriously contemplate an economic future outside the Union. Irish ministers have, indeed, consistently argued that Ireland would have gone the way of Iceland in recent months were it not for the country's membership of the EU. The economic trauma suffered by other small states, such as Hungary and Serbia, underlines how vulnerable Ireland would become without the protection of the eurozone.

the economic crisis also contains a potential sting in the tail, however, for the second Lisbon referendum. Economists expect output to contract by up to 5% this year and the budget deficit to balloon to more than 10% of gross domestic product. The Irish property bubble has burst and small businesses are hurting from the worldwide squeeze on credit; unemployment is soaring and emigration has resumed. The Celtic Tiger is dead.

Cowen’s government already faces a popular backlash against the recent budget and the situation is likely to get worse as the recession deepens. Opinion polls showed support for his Fianna Fáil party collapsed last year. If the trend continues in 2009, it might well result in voters castigating the government by rejecting the Lisbon treaty for the second time around.