

# The Irish will be voting by referendum on 31st May 2012 on the European budgetary pact.

Corinne Deloy

Analysis  
1 month before  
the poll

The European Budgetary Pact, the so-called Stability, Coordination and Governance Treaty, was signed on 2nd March 2012 in Brussels by the heads of State and government of 25 EU Member States (except for the UK and the Czech Republic). This text aims to achieve greater convergence in terms of the economic and monetary union, and notably of the euro zone. It sets (apart from in exceptional circumstances) the balance (or the surplus of public administration budgets) of each country in principle and limits the national structural deficit of each Member State at 0.5% of the GDP (1% for the States whose public debt is below 60% of the GDP). If these thresholds are not respected, corrective mechanisms will automatically be set in motion. These factors, called the budgetary golden rule, must be introduced into national legislation within a year after the entry into force of the treaty, in the shape of binding, permanent measures, which are preferably of a constitutional nature.

The European budgetary pact will enter into force as soon as it is ratified by at least 12 Member States. It will become law in the EU in 2017.

On 29th February last Ireland's Attorney General declared that the treaty did not concern the general organisation of the EU and therefore had to be submitted to a popular vote. Ireland is the only EU country to be submitting the European budgetary pact to referendum. It will take place on 31st May. Notably there will only be one vote. Dublin will have no right of veto over the European treaty because the text will enter into force as soon as 12 Members have ratified it. The Irish will therefore not have a second chance to adopt it if the pact is rejected as was the case with the adoption of the Nice (2002) and Lisbon (2009) treaties.

Ireland has already held eight referenda on European issues: the first in 1972 was on the country's entry into the European Economic Union (83.10% voted in support); the second was in 1987 and involved the adoption of the Single Act (69.90% approved it); the third focused on the Maastricht Treaty in 1992 (69.10% voted "yes"); the fourth in 1998 was on the adoption of the Amsterdam Treaty (61.74% voted in favour). In the fifth referendum the Irish first rejected the Nice Treaty (53.87%

voted "no") before subsequently approving it by 62.89% in a second referendum in 2002. Likewise the Irish rejected the Lisbon Treaty (53.40% rejected it) in an initial vote in 2008, before approving it the following year with 67.13% of the vote.

## The "yes" campaign

*"Ireland's place is in the EU and the euro zone. The referendum offers us the chance to say to the world that Ireland believes in the future of the euro, that Ireland is central for the future of the euro zone, that Ireland agrees with Europe in building a system that enables responsible budgetary management across the entire euro zone. What credibility will Ireland have if it is the only country in the euro zone not to ratify the European treaty? I am confident that the Irish people will understand the importance of this difficult decision and will reject the idea of an Ireland outside of Europe,"* declared the Taoiseach (Prime Minister) Enda Kenny (Fine Gael, FG).

Irish Finance Minister Michael Noonan (FG) warned voters saying that if the European budgetary pact was rejected, Dublin would not be able ask for help

of the European Stability Mechanism (ESM) which will replace the European Financial Stability Facility (EFSF) on July 1st next or for any further loans from its European partners. He stressed that the countries which have invested in Ireland and which are helping the country revive growth will lose all interest in doing so if the electorate rejects the European treaty on 31st May next. *"Ireland cannot afford to enter a period of uncertainty which would result if the the new EU fiscal pact is rejected"* he added. *"The Irish electorate is a conservative one and likes to vote for certainty. Certainty is on the side of the "yes" vote, the leap into the dark, into the unknown is on the side of the "no" vote."*

Ireland avoided default in 2010 thanks to aid on the part of the IMF and the EU which paid out 85 billion € in all, including foreign aid of 67.5 billion € (45 billion from the EU and bilateral loans from the UK, Sweden and Denmark and 22.5 billion from the IMF). This loan is due to for reimbursement within the next ten years. Each of the payments has been conditioned by a progress report.

At the end of April the IMF, the Commission and the European Central Bank published their most recent report on Ireland's situation. The three institutions stressed positive points: the recovery of market confidence, deficit goals achieved *"with a comfortable margin"*, the reform of the employment market and the healthcare sector. But they noted that some *"significant challenges remained"*, notably low economic growth (0.5% forecast in 2012), the decline in domestic demand that is not compensating for greater productivity and they especially criticised weaknesses in the financial sector. And so Ireland is still convalescing, a reality experienced by its citizens.

The country's debt totals 107% of the GDP and is due to continue rising. The budgetary deficit totalled 10% last year and is due to lie at 8.6% in 2012. It is only due to drop to 3% in 2016. Dublin has set the goal of returning to the financial markets in 2013 even though it is impossible at this stage to rule out completely the need for a second rescue plan.

Eamon Gilmore, Foreign and Trade Minister and the leader of the Labour Party (Lab), Fine Gael's government partner, asked his fellow countrymen to adopt the European treaty *"to provide stability to the euro zone and to help Ireland to solve the debt crisis"*. European Minister Lucinda Creighton (FG) indicated that a strong sign of confidence and stability was required. *"Voters have a moral duty to vote "yes" to guarantee our economic future and offer us the chance that will enable families to stay together and for young Irish people to live at home. The earlier we ratify this treaty, the better the message we will be sending out to the international markets,"* she said.

The Irish Employers' Confederation called to vote "yes" in the referendum on 31st May.

*"This commitment is an investment in the future of our children and our country. Never again will a government be able to behave carelessly or arrogantly with the people's money,"* declared Finance Minister Michael Noonan. Enda Kenny also placed particular emphasis on the corrective mechanisms planned for in the European budgetary pact (these would start automatically when the rules are about to be infringed). *"It is logical in these difficult times, it is a guarantee for those who are ready to offer financial aid to others which shows that the receivers of aid are prepared to undertake healthy, sensible policies,"* he said.

The main opposition party, the Fianna Fail (FF) supports the ratification of the European budgetary pact which it describes as *"good for Ireland and good for the euro zone."* *"In two years time Ireland will be able to raise 18 billion €. We want our country to be able to borrow at affordable interest rates on an open market. If this is not possible we want Ireland to have an alternative. Both demand budgetary control and access to the European Stability Mechanism. If investors know that we have a sound budget and that we are supported by Europe, they will accept to lend us money at minimum rates,"* declared the party's leader Micheal Martin.

The European Commissioner for Research and Innovation, Maire Geoghegan-Quinn (FF), maintained

that a “yes” vote would herald “*Ireland’s comeback*”.

### The opponents to the European budgetary pact

The “no” camp to the European budgetary pact rallies the parties on the far left including Sinn Fein (SF) and the United Left Alliance (UL) that comprises the Socialist Party (SP), the People’s Movement before Profit and several independent MPs.

The United Left Alliance maintains that the European budgetary pact will place Ireland in a permanent position of austerity and will herald many years of public spending cuts and tax increases. The movement says that it is convinced that an approval of the treaty will plunge Ireland into another crisis. Socialist Party leader Joe Higgins is against it for the same reasons. In his opinion the texts rules will oblige Dublin to undertake 5.7 billion euros in budgetary cuts and to levy further taxes. Joe Higgins has asked the government to renegotiate the budgetary pact and notably the clause that plans to provide aid only to Member States who have ratified the treaty. He says that this clause was a weapon to force people to vote “yes” in the referendum and used as a means of blackmail. Socialist MP Paul Murphy also sees the “no” vote as a chance for the United Left Alliance to develop an alternative capitalist option.

Independents Boyd Barrett and Joan Collins have estimated the total additional taxes and budget cuts that the Irish will have to bear in the event of victory by the “yes” vote at 5.7 billion €. They have said that whatever the result of the referendum on 31st May the EU will always come to Dublin’s aid if the need arises.

The People before Profits movement maintains that Ireland can find the financial means to settle its economic problems. According to the movement 40% of the Irish debt is in fact that of the banks and the private financial institutions. It advises on the creation of a tax on those who earn more than 100,000 € per year as well as a tax on healthcare for the wealthy, which would according to the Move-

ment bring in 10 billion euros.

Likewise Sinn Fein is against a text, which in its opinion, would institutionalise austerity. It accuses the Union and the European Central Bank of having made the Irish pay for the debt of the private banks to maintain the financial stability of the euro zone. The party’s deputy chair Mary Lou McDonald has accused the government of blackmail.

As for Declan Ganley, the millionaire businessman and founder of the Libertas movement, who was the leader of those against the Lisbon Treaty in 2008 and 2009, he has said that he would only vote “yes” if the ideas of the creation of a United States of Europe, the election of a EU leadership and the creation of eurobonds supported by a European tax were introduced into the text.

Fianna Fail MP Eamon O’Cuiv, is against the budgetary pact and repeats that the government “*has other choices to help Ireland recover growth*”. After adopting this stance he had to leave his post as the party’s parliament group leader. The MP asked for the regulation of the financial and banking sectors at European level and commitment of the part of the Union to no longer authorise the formation of technocratic governments in the EU and said he was against any type of fiscal harmonisation, suggesting a reform of the ECB so that it could purchase eurobonds. Eamon O’Cuiv also shocked his party saying that Sinn Fein, a nationalist far left party was Fianna Fail’s best partner in terms of a future government.

Finally some opponents to the budgetary pact highlight the defence of democracy and are protesting against the fact that the European budgetary pact will grant the European Court of Justice the right to supervise Member States’ economic choices.

For the very first time the Irish Congress of Trade Unions, (ICTU), that rallies 55 unions and has 600,000 members, has not provided any voting advice in the referendum on 31st May. The organisation supported all of the other European treaties over the last twenty years. “*Ireland is caught between the devil and the deep blue sea. At this point, the State will not have any money by the end*

Referendum in Ireland  
31<sup>st</sup> May 2012

of 2013 or at the start of 2014. Unless we can return to the markets to borrow we shall need a second aid plan," declared its secretary general David Begg.

According to a Red C poll for the newspaper The Sunday Business Post published on 2nd May last most Irish (47%) say they will vote "yes" and

just more than one third say they will reject it (35%). Around 18% of the electorate are still undecided.

the vote ahead of Tomislav Nikolic, who is due to win 33.4% of the vote. Moreover nearly half of the Serbs (47%) say they are satisfied with their head of State.

**Summary of the European Referenda previously organised in Ireland**

Questions submitted to referendum	Turnout	% of yes votes	% of no votes
<b>Membership of the European Economic Community (10th May 1972)</b>	70,90	83,10	16,90
<b>Adoption of the Single Act (26th May 1987)</b>	44,10	69,90	30,10
<b>Adoption of the Maastricht Treaty (18th June 1992)</b>	57,30	69,10	30,90
<b>Adoption of the Amsterdam Treaty (22nd May 1998)</b>	56,20	61,74	38,26
<b>Adoption of the Nice Treaty (7th June 2001)</b>	34,79	46,13	53,87
<b>Adoption of the Nice Treaty (19th October 2002)</b>	49,47	62,89	37,11
<b>Adoption of the Lisbon Treaty (12th June 2008)</b>	53,10	46,60	53,40
<b>Adoption of the Lisbon Treaty (2nd October 2009)</b>	58	67,13	32,87

Source : Internet site of the elections in Ireland (<http://electionsireland.com>)

## Uncertainty about the outcome of the Irish referendum on 31st May on the European budgetary pact.

**D-7**  
7 days before  
the poll

The Irish are being called to ballot on 31st May next in a vote on the European budgetary pact – the so-called treaty on Stability, Coordination and Governance (TSCG), signed on 2nd March in Brussels by the Heads of State and government of 25 EU Member States (except for the UK and the Czech Republic). The European budgetary pact will enter into force as soon as at least 12 Member States have ratified it.

Ireland is the only country to submit the European budgetary pact to referendum. Moreover the vote will happen only once since Dublin will not have any right to veto over the European treaty. Agriculture Minister

Simon Coveney, Fine Gael's campaign director, has repeated that the popular consultation comprised a one off vote. "The only ones to suffer in the event of a win for the "no" vote will be the Irish," he declared.

Fine Gael (FG), the party led by Prime Minister Enda Kenny, Labour Party led by Foreign and Trade Minister, Eamon Gilmore and member of the government coalition and also Fianna Fail (FF), the main opposition party led by Micheal Martin, are all in favour of the ratification of the European budgetary pact.

"We are benefiting from an aid programme; as a result present and potential investors see Ireland as a part of Europe. They want security, clarity and the guarantee of Dublin's ability to take decisions. The earlier we are able to give them a clear sign over our future, the earlier we shall see investors continuing and starting to invest in Ireland," repeats Enda Kenny. The Taoiseach (head of government) knows that his fellow countrymen have suffered and are still suffering from the serious economic crisis that has affected the country: Dublin has witnessed 5 austerity plans since 2008. "Limiting the public deficit is one of our biggest challenges at present. But once we have overcome this challenge we will be able to invest in the sectors of employment and growth," he said reassuringly, adding "the message that the 'yes' vote will give is that Ireland is an open country and that the worst of our problems is now behind us." Micheal Martin (FF) stressed that the European budgetary pact "belonged to a growth and job creation agenda." "The 'yes' vote will enable Ireland to borrow at better prices and give it access to more funds for our public services," he declared.

As for those against the treaty three parties are represented in the Dail Eireann, the lower chamber of the Oireachtas (Parliament): Sinn Fein (SF), a far left nationalist party led by Gerry Adams, the Socialist Party (SP) led by Joe Higgins and the People before Profit Movement (PBP), the latter two have formed an alliance – the United Left Alliance (UL). In the "no" camp there are also several independent MPs such as Declan Ganley, the millionaire and founder of the Libertas organisation who maintains that "voting 'yes' is like taking a ticket on

the Titanic."

Gerry Adams, the Sinn Fein leader, believes that the budgetary pact is an austerity treaty. In his opinion the ratification of the text will condemn Ireland to a "continuous cycle of public spending cuts and tax increases," which will "open up a wide gulf in Irish society". Gerry Adams has asked the Irish to join their Greek counterparts by rejecting the austerity policies that have failed to solve the debt crisis. "A powerful 'no' on 31st May could strengthen all of those in Europe who are against the austerity policies," he declared. "Sinn Fein is strategically the best placed party in Parliament because it is against austerity and Europe. This allows it hope for votes on the part of all of those who are discontent," analyses Eoin O'Malley, a political analyst at the University of Dublin. The timing is lucky: the nationalist party is holding its Ardfeis (congress) on 25th and 26th May next which will provide it with an additional chance to air its view as the referendum campaign is in full swing.

The True Finns (PS), a Finnish populist, euro-sceptic party and the Party for the UK Independence Party (UKIP), a British anti-European party – both members of the delegation of the Europe Freedom and Democracy group (EFD) in the European Parliament are guests in the 'No' campaign in Ireland.

The most recent poll by the Millward Brown Lansdowne institute, published on 17th May last by the daily The Irish Independent shows that 37% of the Irish are going to vote in support of the ratification of the European budgetary pact whilst one quarter (24%) say they will vote 'no' to the treaty. One third of those interviewed, a high percentage, are still undecided.

"It will be a tightly run vote" anticipates Charlie Flanagan, former chairman of Fine Gael's parliamentary group. "The Fine Gael and the Labour Party have to undertake a real information campaign which will require an amount of energy and commitment as great as that used in the general elections," he added.

## Results

## The Irish largely approve the European budgetary pact.

Irish voters approved the European budgetary pact by a wide majority on 31st May: 60.29% of them voted "yes" to the ratification of the treaty on stability, coordination and governance (TSCG) signed on 2nd March 2012 in Brussels by the Heads of State and government of 25 EU Member States (all except the UK and the Czech Republic). Less than four voters in ten (39.71%) rejected the European text.

Three quarters of the electorate in the constituency of Dublin South and Dun Laoghaire voted in support of the TSCG (75.84% and 74.21% respectively); more than seven people in ten did the same in the constituency of Dublin South East (72.30%). The "no" vote won the majority in only 5 of the 43 of the country' constituencies. These were Donegal North East (55.63%), Donegal South West (54.95%), Dublin North West (53.24%), Dublin Central South (50.70%) and Dublin South West (50.70%). Farmers and the middle classes voted in support of ratification whilst workers, employees (and the unemployed) and also the youngest voters rejected it.

Turnout was low: only one voter in two went to ballot: (50.60%).

The European budgetary pact targets greater convergence within the Economic and Monetary Union and notably within the euro zone. It sets budgetary balance (or surplus in the public administration budgets) in every country (except for in exceptional circumstances) as a principle and limits the national structural deficit of every Member State at 0.5% of its GDP (1% for States whose public debt is below 60% of the GDP). If these thresholds are not respected, corrective mechanism will automatically be launched. These measures comprising the golden budgetary rule have to be integrated into national legislation within one year after the entry into force of the treaty in the shape of binding, permanent, preferably constitutional, measures.

Ireland was the only Member State to organise a referendum on this text.

The government, led by Enda Kenny (Fine Gael, FG), which also includes the Labour Party (Lab), campaigned in support of the European treaty. It notably indicated that the "yes" vote was vital to bring Ireland "stability and confidence in the euro that the country needed to create jobs." The ratification of the European budgetary pact by Dublin is effectively good news for Europe and a strong sign when the latter is experiencing a serious economic and political crisis and also two weeks before the Greeks go to vote again to renew their parliament (17th June next).

"I welcome the positive result to the referendum in Ire-

land on the budgetary pact. Thanks to this vote the Irish people has committed in support of European integration. This result is an important step towards recovery and stability," said President of the European Council, Herman van Rompuy. "This treaty is key to the European response to the present economic crisis," declared the President of the European Commission, José Manuel Barroso.

The camp against the European text denounced what it qualified as "the austerity treaty" and had hoped to take advantage of the Irish discontent with regard to the austerity measures they have been suffering for the last few years. They also tried to integrate a wider opposition movement using as a support the Greek vote in the elections on 6th May and the election of François Hollande as President of the Republic. "Millions of Europeans who are fighting against austerity will be glad to see an "Irish no", declared Despina Charalampidou, a Greek MP of the Radical Left Coalition (SYRIZA) who travelled to Dublin to support those opposed to the treaty.

"Greece was present in the campaign on the side of the "no" vote with the idea that it had to rally the rejection of austerity. As for the "yes" vote the argument ran that Ireland must not be assimilated to Greece on any account," indicated Michael Gallagher of Trinity College. "This referendum boils down to an operation to frighten people (of bankruptcy) on the one hand and the expression of anger

*(against repeated austerity plans) on the other,"* said David Farrell, professor at the University College Dublin.

Ireland, which avoided default in 2010 thanks to aid totalling 85 billion € paid by the IMF and the EU, is still struggling. Although Dublin is the only one of the three Member States that have been the focus of a rescue plan (with Greece and Portugal) to have recovered growth (0.7% in 2011 and 0.5% expected in 2012), the country still has a high public deficit (10.3% in 2011 31.3% the previous year), since the debt totalled 108.2% of the GDP in 2011 and unemployment rate reached 14% of the working population. Some analysts believe that Ireland will need a second financial support plan in 2012 the year in which it is hoping to return to the financial markets in order to fund its requirements. Apart from Ireland, six other EU Member States have

already ratified the European budgetary pact: Greece, Portugal, Slovenia, Romania, Latvia, Denmark, (the last 3 countries ratified on the same day as Ireland)

The new French president of the Republic François Hollande (Socialist Party, PS) hopes that a growth chapter will be added to the European treaty and Chancellor Angela Merkel (Christian Democratic Union, CDU), who needs the support of part of the leftwing opposition to achieve the vital two thirds majority for the ratification of the text, recently postponed the act by one month.

The European budgetary pact will enter into force as soon as it is ratified by at least 12 Member States in the euro zone. It will become law in the EU in 2017.

#### The results of the referendum on the European TSCG of 31st May 2012 in Ireland

Turnout: 50.60%

Question submitted to referendum	% of « yes » votes won (the number of votes is in brackets)	% of the « no » vote won (the number of votes is in brackets)
<b>Ratification of the treaty on stability, coordination and governance.</b>	60,29 (955 091)	39,71 (629 088)

Source : Irish elections internet site (<http://electionsireland.org/results/referendum/refresult.cfm?ref=2012R> )

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