

Robert Schuman

The Treaty of Lisbon and the Irish Impasse

Francisco J. Lorca



Jean Monnet/Robert Schuman Paper Series
Vol. 8 No. 18
August 2008

Published with the support of the EU Commission.

The Jean Monnet/Robert Schuman Paper Series

The Jean Monnet/Robert Schuman Paper Series is produced by the Jean Monnet Chair of the University of Miami, in cooperation with the Miami-Florida European Union Center of Excellence, a partnership with Florida International University (FIU).

These monographic papers analyze ongoing developments within the European Union as well as recent trends which influence the EU's relationship with the rest of the world. Broad themes include, but are not limited to:

- ◆ EU Enlargement
- ◆ The Evolution of the Constitutional Process
- ◆ The EU as a Global Player
- ◆ Comparative Regionalisms
- ◆ The Trans-Atlantic Agenda
- ◆ EU-Latin American Relations
- ◆ Economic issues
- ◆ Governance
- ◆ The EU and its Citizens
- ◆ EU Law

As the process of European integration evolves further, the Jean Monnet/Robert Schuman Papers is intended to provide current analyses on a wide range of issues relevant to the EU. The overall purpose of the monographic papers is to contribute to a better understanding of the unique nature of the EU and the significance of its role in the world.

Miami - Florida European Union Center

University of Miami
1000 Memorial Drive
101 Ferré Building
Coral Gables, FL 33124-2231
Phone: 305-284-3266
Fax: (305) 284 4406
Web: www.miami.edu/eucenter

Jean Monnet Chair Staff

Joaquín Roy (Director)
Astrid Boening (Associate Director)
María Lorca (Associate Editor)

Florida International University
Elisabeth Prugl (FIU, Co-Director)

Inter-American Jean Monnet Editorial Board

Carlos Hakansson, Universidad de Piura, Perú
Finn Laursen, Dalhousie University, Halifax, Canada
Michel Levi-Coral, Universidad Andina Simón Bolívar, Quito, Ecuador
José Luis Martínez-Estay, Universidad de los Andes, Santiago de Chile, Chile
Félix Peña, Universidad Nacional de Tres de Febrero, Buenos Aires, Argentina
Stephan Sberro, Instituto Tecnológico Autónomo de México
Eric Tremolada, Universidad del Externado de Colombia, Bogotá, Colombia

The Treaty of Lisbon and the Irish Impasse

By Francisco J. Lorca[♦]

“An idea that is developed and put into action is more important than an idea that exists only as an idea”¹

Introduction

The construction of a unified Europe has become the most desirable but most difficult political goal to obtain of past centuries. After years of bellicose conflicts, a handful of visionary political leaders, led by Jean Monnet and Robert Schuman, convinced a great number of Europeans of the benefits of a unified Europe, despite the difficulty in persuading Europeans used to a long history of countries constantly changing names, boundaries, and religions. The closest Europe can be considered to have been to what could be considered “integrated” was during the “Pax Romana” under the Roman Empire. From its mythical beginnings with founding of Rome by Romulus and Numa-Pompilio it developed into an empire under the rule of Emperor Augustus. It achieved maximum splendor under the rule of the emperor Hadrian from the Hispania Province, who expanded the Roman Empire to England, as evidenced by his construction of the now famous Hadrian’s Wall, delimiting the frontier of the Empire.

The vision to unite European territory has remained over the years. Charlemagne, Napoleon I, and Hitler all tried to unify Europe following unique personal, political, economic, and social circumstances. However, the tyrannical view of constructing Europe, bringing about World War II, resulted in fracturing Europe into two after its conclusion. During the Postman Agreements on 1945, US Presidents Harry Truman—substituting for Franklin D. Roosevelt after his death—and U.K. President Winston Churchill, agreed to surrender the Eastern half of Europe to the Russians under Georgian politician Joseph Stalin (famous i.a. for his words “a single death is a tragedy; a million deaths is statistics.”)² Months after this agreement, a remorseful W. Churchill stated that “from Stettin in the Baltic, to Trieste in the Adriatic, an iron curtain has descended across the Continent ... The safety of the world requires a new unity in Europe, from which no nation should be permanently outcasts.”³

In response to this reality, the US developed the Marshall Plan, which came to mark the transition between Western and Eastern Europe. The US Marshall Plan represented not only economic aid, but was based on the conditionality of cooperation between beneficiary countries to reach agreement in the administration of the funds. This cooperation laid the groundwork for the development of the Schuman Declaration on May 9, 1950, leading to the creation of the European Coal and Steel Community (ECSC). The Europe evolving in the West worked through the challenges of achieving economic, monetary, and political integration, with political set-backs as well as triumphs.

[♦] **Francisco J. Lorca**, Ph.D. Financial Economics Universidad de Sevilla, 2006; Lic. Economics, Madrid, 2004; M.A. in Economics, University of Miami, 2000; B.B.A. in Finance, University of Miami, 1997, Cum Laude, is Adjunct Professor of International Business and Economics at Saint Louis University in Madrid, Spain. He is currently the Economic Editor at PinHawk LLC (New York, USA). Dr. Lorca’s area of specialization is International Business, with special interests in the geopolitics of multinationals, as well as Finance and Economics with special reference to financial time series analysis and pattern recognition algorithms.

¹ Siddhartha Gautama, “Who was Siddhartha Gautama?” Helium.com. <http://www.helium.com/items/520479-who-was-siddhartha-gautama?page=6> (Accessed February 15, 2008)

² Bloomsbury Biographical Dictionary of Quotations

³ Sherrill Brown Well, *Pioneers of European Integration and Peace, 1945-1963. A Brief History with Documents*, 2007, Bedford/St. Martin’s, Boston, MA.

The Road to the Lisbon Treaty: A Brief Overview

The actual path to political integration proved to be thornier than Jean Monnet and Robert Schuman could have imagined. The latter foresaw, however, that “Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity.”⁴ It is in this solidarity that we accomplish and share the common good that some countries, most recently Ireland, have failed to understand, and hereby nearly jeopardized the entire EU-constitutional project a second time after the French and Dutch vetoes to its earlier version. Hence, achieving a full union of nations, enriched by a vast variety of cultural, linguistic, religious, social, and even economic backgrounds, continues to be difficult.

Despite the challenges, European leaders continue with the realization of Monnet and Schuman’s dreams as leaders following in the footsteps of the EU’s founding fathers, deserving the accolades for the accomplishments of just fifty years: as Isaac Newton once stated, “if I have seen farther than other, it is because I was standing on the shoulders of giants;”⁵ that is, they followed the vision of Monnet and Schuman. In this realm, EU representatives had the task to draft the Treaty establishing the Constitution of Europe, as agreed upon in the 2001 Laeken European Council, sometimes simply referred to as the European Constitution. It was not to replace national constitutions, but only to align the EU’s treaties into a coherent document. It was signed in 2004 by the representatives of the twenty-seven Member States (MS) and was subject to ratification by each one. Fifteen⁶ Member States ratified the Constitution by Parliamentary vote, three⁷ member states ratified it by popular referendum, and two countries—France and the Netherlands— rejected it during a popular referendum that postponed the decision of the other seven⁸ Member States and has sent the entire process to an impasse also known as the *period of reflection*.

On June 2007, the Reform Treaty emerged as one solution to overcome the failed European Constitution, and on December 13, 2007, EU leaders continued the path to the unification of Europe by signing the Treaty of Lisbon, bringing to an end two years of complex negotiations. Despite these efforts, one year later, on June 12, 2008, the Irish voted “No” to the new Treaty of Lisbon. By the time the Irish rejection came, the majority of the Member States had already ratified the new treaty but this time the ratification process has not been halted, in fact it has been ratified by Cyprus, Holland, Belgium and Spain. The table below provides a snapshot view of the status of the ratification process as of July 22, 2008.

Countries where the Treaty has been	Austria, Bulgaria, Cyprus, Denmark, Estonia, France,
-------------------------------------	--

⁴ Robert Schuman, “Declaration,” May 9, 1950. <http://mjp.univ-perp.fr/textes/schuman09051950.htm> (Accessed July 3, 2008)

⁵ Isaac Newton, “Isaac Newton Quotes,” Thinkexists.com. http://thinkexist.com/quotation/if_i_have_seen_farther_than_others-it_is_because/11096.html (Accessed June 2, 2008)

⁶ Austria, Belgium, Bulgaria, Cyprus, Estonia, Finland, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Slovakia

⁷ Luxemburg, Rumania, Spain

⁸ C. Republic, Denmark, Ireland, Poland, Portugal, Sweden, U.K.

approved	Finland, Germany, Greece, Hungary, Latvia, Lithuania, Luxemburg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, UK, Spain, The Netherlands, Belgium,
Countries where ratification is still in progress	Italy, C. Republic, Sweden
Countries which have voted against the Treaty	Ireland

The treaty of Lisbon only amends, but does not replace, the current Treaty of the European Union or Maastricht Treaty, and the Treaty of Rome. The major reason behind this amendment is that the Treaty of Lisbon represents an enlarged EU composed of 27 members. The actual EU could not properly function under the Maastricht Treaty that provided an EU of 27 with tools designed to work for only fifteen Member States. Further, the EU is evolving in a constantly changing political environment that today depicts a reality that has little resemblance with the state of the world 50 years ago when the Treaty of Rome was signed by the six founding Member States. It is for all these reasons that a new legal framework is needed. Unfortunately, some Member States have openly expressed their discrepancies not only with the need of a new Treaty resembling a European Constitution but also with the essence of the document. Those who favor the new Treaty reason that the new Treaty not only equips the EU with the right tools to operate in an environment composed of 27 Members states, but it also endows the right framework to institute the much sought after political integration process that was inaugurated by the speech made by Joschka Fischer on May 12, 2000:

Fifty years on, the European integration process, is probably the biggest political challenge, since its success or failure, even just the stalemate of this process of integration, will be of crucial importance not only to the future of each and every one of us, but to forthcoming generations. And it is this process of European integration that is now being called into question by many people; it is viewed as a bureaucratic affair run by a faceless, soulless Eurocracy in Brussels—at best boring, at worst dangerous⁹ (1).

For most, the Lisbon Treaty is viewed as one of utmost importance for the EU as a political entity since it is perceived as the final step needed to achieve complete EU integration.¹⁰ Regardless of the difficulties encountered with the political integration efforts, measured by the latest problems with the Treaty establishing the Constitution of Europe and the Lisbon Treaty, the EU should nonetheless be proud of its economic and monetary integration efforts which have propelled the EU to becoming a global player in economic and monetary affairs.

By 2004 the EU was facing a new political reality that called for a revised framework that would accommodate the accession of the latest EU candidate countries. After a two year period of reflection following the fiasco of the rejected Constitutional Treaty, the Treaty of Lisbon became the new solution under the German Presidency of the Union. It had to be ratified by all Member States before the Parliamentary elections in 2009. Nonetheless, fifty years of constructing the current EU framework, it seems that the idiosyncrasy of several Member States is making this final step even harder to accomplish.

Perhaps it would help if today's leaders would pause and analyze if this new Treaty is really so crucial for the future of the EU. If this were to be the case, today's founding fathers of the

⁹ Joschka Fischer, "From Confederacy to Federation: Thoughts on the Finality of the European Integration," Humboldt University in Berlin, 12 May 2000.

¹⁰ In this paper, I will only refer to political, economic, and monetary integration.

European Constitution should look back and reflect at what history has taught all of us. During the time the US Constitution was in the making, there were many instances of stalemates in negotiations. At one crucial point Benjamin Franklin used his well-known pragmatism to proclaim:

When a broad table is to be made, and the edges not fit, the artist takes a little from both, and makes, a good joint. In like manner here, both sides must part with some of their demands in order that they may join in some accommodating proposition¹¹ (49).

Unfortunately, we are not witnessing this type of reasoning among certain European politicians, leading some scholars and commentators who just feel disenchanting, to try to press forward to bring the matter to a speedy conclusion.

The Treaty of Lisbon: A quick overview

The Treaty of Lisbon is intended to overcome the weaknesses found in the Treaty establishing the Constitution of Europe. Even though the focus of this work is not to provide a thorough analysis of the new Treaty, it is vital that we highlight three key aspects.

Advancing a solution to the critique of the EU as suffering from a 'democratic deficit' is not automatic. Europe cannot follow the US constitution in this aspect: While the Founding Fathers of the US Constitution faced thirteen colonies proclaiming their independence in 1776 after abolishing British rule, they proclaimed that now that "we have swept away the King's rule, what will follow?" Without hesitation every member answered, 'The rule of the people!'¹² (9).

The much sought-after desire of building up of the EU from the bottom up has not been easy to achieve, especially in the aftermath of a war that torn apart countries, and if we consider the particular idiosyncrasy of the heritage of centuries of history, culture, and language of each individual country. Faced with this dilemma, the European leaders then opted for a top-down approach which is partly responsible for the well known "democratic deficit" that is facing Europe today, and so they tried to lessen this effect through the introduction of the Lisbon Treaty.

The primary aim of the Treaty of Lisbon has been to make the EU more democratic and transparent. Take for instance the role of the European Parliament which has clearly been strengthened by increasing the opportunity of citizens to be heard. Also, the Treaty introduces the European Citizens' Initiative which will allow one million citizens to "call on the European Commission to propose a change to European law".¹³ Another important aspect that makes the new treaty more flexible and respectable is that for the first time in the history of the EU, one treaty recognizes and provides Member States with the possibility to voluntarily withdraw from the Union. Further, in order to make the EU less abstract the treaty calls for the new post of the President of the European Council to be elected every for two and a half years.

Additionally, the Treaty of Lisbon also simplifies the working methods and voting rules which will make the Union function more efficiently. For instance, the qualified majority voting (QMV) system in the Council of Ministers is simplified based on the principle of the double majority of Member States. This double majority is achieved when a decision is taken by 55% of the member States representing at least 65% of the Union's population. The Treaty of Lisbon is

¹¹ Mery K. Phelan, *Our United State Constitution*, The perfection Form Company, 1987, Logan, Iowa, 1987.

¹² Mery K. Phelan, *Our United State Constitution*, The perfection Form Company, 1987, Logan, Iowa, 1987

¹³ Orsolya Balogh, "European Citizens' Initiative," Association des Etats Généraux des Etudiants de l'Europe, November 30, 2006.

<http://www.karl.aegeee.org/aeginfo.nsf/624f16e3e30ecf86c12568070008d107/4d062d0b24f0b9c3c12572170050b3ec?OpenDocument> (Accessed June 30, 2008)

eager to promote democratic values, citizen's rights and the Charter of Fundamental Rights. It also reinforces the four freedoms for European Citizens, encourages the principle of solidarity between member states, and the importance of security in order to make everything function properly. According to the Treaty, "members' vote shall be weighted as follows"¹⁴:

Belgium 12	Greece 12
Bulgaria 10	Spain 27
C. Republic 12	France 29
Denmark 7	Italy 29
Germany 29	Cyprus 4
Estonia 4	Latvia 4
Ireland 7	Lithuania 7
Luxemburg 4	Romania 14
Hungary 12	Slovenia 4
Malta 3	Slovakia 7
Netherlands 13	Finland 7
Austria 10	Sweden 10
Poland 27	United Kingdom 29
Portugal 12	

When the representatives of the Members States were drafting the 'Constitution' they were already aware that the EU needed to have the equivalent of a foreign minister and under the Constitution, the post of "Union Minister for Foreign Affairs" was created. However, it stirred a bitter debate between the UK and the rest of the Member States. The Treaty of Lisbon despite all the criticism creates a new foreign minister which is named the "High Representative of the Union for Foreign Affairs and Security Policy"¹⁵. The Treaty, hence, maintains as a major dogma that the EU should become an important world actor with a strong and coherent external voice embodied in the figure of the High Representative. This new post¹⁶ will represent at the same time both the Common Foreign and Security Policy and the EU since it merges the existing posts of the High Representative for the Common Foreign and Security Policy¹⁷ and the European

¹⁴ The Treaty of Lisbon, p. 160.

¹⁵ Présidence de la CIG, "Projet de Traite Modifiant le Traite sur l'Union Europeene et le Traite Instituant la Communauté Europeenne," article 9E, <http://www.consilium.europa.eu/uedocs/cmsUpload/cg00002.fr07.pdf>

¹⁶ This merger was already contemplated in the Constitution; however, it is the title of the post that has been changed.

¹⁷ The Council of the European Union.

http://consilium.europa.eu/cms3_applications/applications/solana/index.asp?lang=EN&cmsid=246

Commissioner for External Relations and European Neighbourhood.¹⁸ In essence, this merger has created a “double-hat” institutional player. This post is not designed to weaken member state’s foreign policy; on the contrary, it aims at complementing, not replacing, the foreign policy efforts of Member States. However, the surrounding controversy regarding this post has come from the UK who feels it is in frontal competition to its own Foreign Office post. Further, the treaty “seeks to make the EU’s foreign policy more efficient with the creation of an EU President and single envoy to represent the bloc abroad.”¹⁹ This apparent duplicity has raised eyebrows and evokes strong emotions especially among those who recall Henry Kissinger’s doubts about the unity of Europe when he once stated: “If I want to call Europe, who do I call?”²⁰.

These are just some of the benefits of the Treaty of Lisbon, but there is one major criticism that should be addressed. Some believe that after two years of impasses and political debate, “politicians hit on the cynical wheeze of writing the constitution main elements into the incomprehensible Lisbon Treaty, with the deliberate aim of avoiding the need to consult Europe’s voters directly again”.²¹ In fact, the Treaty per se is almost impossible to understand because it is an amalgam of footnotes that amends two treaties: the *Treaty of the European Union* (TEU) also known as the Maastricht Treaty and the *Treaty of Rome* which has been renamed Treaty on the Functioning of the European Union (TFEU)²². In fact, they are right; the Treaty of Lisbon has come about, as all previous Treaties through amendments to previous ones.

Despite this criticism, and given the format of the document, the real challenge is to believe in the concept of Europe and to be tolerant since this concept can be interpreted in a variety of ways. There are some who view Europe from an economic standpoint, while others from a bureaucratic one, and there are others who use an environmental framework. Others even see Europe from a regionalist perspective while others from a state oriented point of view, and even there are those who envision a two-speed Europe. But what they all seem to agree on is on the essence, and that is on the realization of the European Project. Metaphorically, it relates to the message of the well-known “Parable of the blind men and the elephant” where Buddha described that:

once upon a time a king gathered some blind men about an elephant and asked them to tell him what an elephant was like. The first man felt a tusk and said an elephant was like a giant carrot; another happened to touch an ear and said it was like a big fan; another touched its trunk and said it was like a pestle; still another, who happened to feel its leg, said it was like a mortar; and another, who grasped its tail said it was like a rope. Not one of them was able to tell the king the elephant's real form²³ (148).

Not a single man could describe how an elephant looked like but they all knew that elephants existed. The same idea could apply to the new Treaty. It is not the format but the essence of a project and the spirit and depth of its ideas that count; the essence of integrity is what

¹⁸ European Commission, Commissioner Benita Ferrero-Waldner. http://ec.europa.eu/commission_barroso/ferrero-waldner/index_en.htm

¹⁹ John Leicester, “Sarkozy Combative as France Assumes EU Presidency,” ABC News, June 30, 2008. <http://abcnews.go.com/International/wireStory?id=5280231> (Accessed July 20, 2008)

²⁰ James Meek, “What is Europe,” The Guardian, December 17, 2004. <http://www.guardian.co.uk/world/2004/dec/17/eu.turkey1> (Accessed July 23, 2008).

²¹ The Economist, “Just Bury It”, June 21, 2008. http://www.economist.com/opinion/displaystory.cfm?story_id=115807329 (Accessed June 23, 2008)

²² For the sake of clarity, it is important to explain that the Treaty of Rome has suffered a number of names’ changes over the years. Originally, its full name was the Treaty establishing the European Economic Community. This name was changed to the Treaty establishing the European Community (TEC) during the [Treaty of Maastricht](#). With the Treaty of Lisbon amending both the TEU and TEC, the name of the TEC has been changed again to **Treaty on the Functioning of the European Union** (TFEU)

²³ Bukkyo Dendo Kyokai, The Teaching of Buddha, Topan Printing Co. Limited, 1966, Tokyo, Japan,

truly inspired the founding fathers. Hence, a key aspect in this discussion is to avoid any 'one size fits all' approach. The future of the EU should not rely in a common Constitution which does not recognize basic icons such as the common flag, the anthem, and the national day of Europe, among others. It must rest on the strength of the institutions established in Title III, Article 9, which are: the European Parliament, the European Council, The Council, the European Commission, the Court of Justice, the European Central Bank, the Court of Auditors, as well as, on two new posts created which are the President of the European Council and the High Representative of the Union for Foreign Affairs and Security policy. In essence, it is the strength and credibility of these institutions that will really help integrate the European project as the founding fathers, Monnet and Schuman had envisioned.

The Truth Behind to the Irish 'No Vote' to the Lisbon Treaty

On June 12, 2008, 53.1 percent of the population in Ireland voted the Lisbon Treaty. The result was more than demoralizing since 53.6 percent of those that turnout rejected the Lisbon Treaty with just 46.6% voting in favor.

If all the other member states ratify the Treaty Ireland would be left isolated with the rejection that needless to say, made the rest of the European countries shiver. There are two simplistic reasons that have been used to justify the rejection. On the one hand, Michael Martin, Irish Minister for Foreign Affairs and director of the referendum campaign, excused his co-citizens by stating that "people were on doorsteps saying 'I still don't know enough about this treaty.'"²⁴ Even, the Irish commissioner, Charlie McCreevy and the prime minister, Brian Cowen publically remarked that they had not read the Lisbon treaty "cover to cover", an honest and charming comment that certainly hindered the spirit of voter after voter.²⁵ On the other hand, according to the Irish European commissioner, the reason was that "the document is hard to sell because it does not bring a tangible benefit to the population."²⁶ Still, it was the duty of the EU to have made sure that the Treaty was properly explained to the people of Ireland which shows that there is a clear disconnect between the EU institutions and its citizens.

Accordingly, it is safe to proclaim that in the case of Ireland the say applies: eaten bread is soon forgotten. In fact, President Stipe Mesic of Croatia, denounced that "now that they (Irish) have used the accession and structural funds, when they have developed enormously, I'm a little surprised that the solidarity is at an end."²⁷ Furthermore, history is hard to erase and many of today's Member States still remember when in the 1970's, when Germany was Europe's most supportive country and thus the one to which the rest of the countries would turn to for economic help, the Irish politicians claimed that it was the "obligation" of the rich countries of Europe such as Germany to help the poorer countries on the "western periphery" of Europe.

Michael Hennigan harshly explains that now Ireland is a rich country and not only does it not remember the solidarity mantra it claimed thirty years ago but neither does it recoil from any comparable "obligation" today. In fact, now Ireland enjoys a privileged position because of the dominance of US world class high-tech, pharmaceutical and financial service companies, all of

²⁴ Irish Times Reporters, "Lisbon Treaty rejected by Irish Electorate," *Irishtimes.com*, June 13, 2008. <http://www.irishtimes.com/newspaper/breaking/2008/0613/breaking1.htm> (Accessed June 29, 2008)

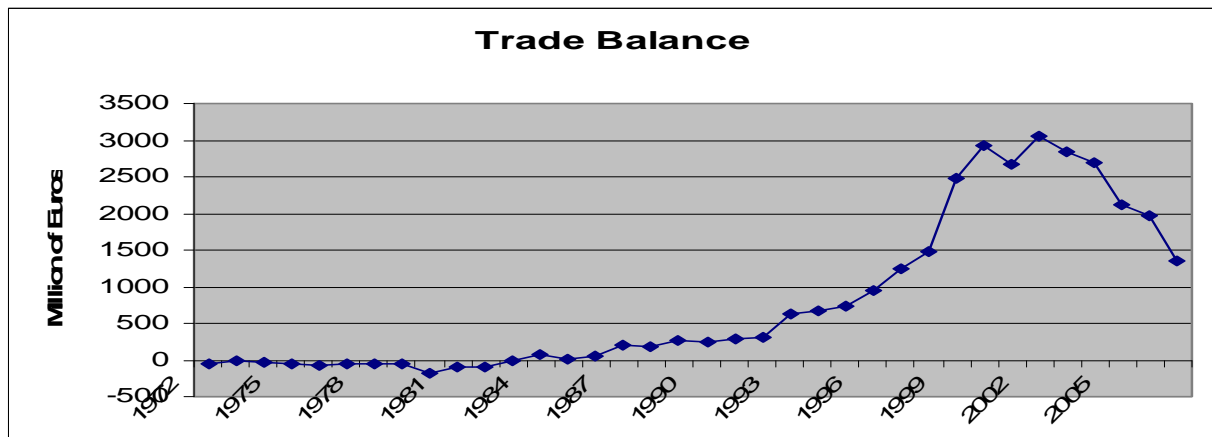
²⁵ Charlemagne, "Democracy in Europe," *The Economist*, June 21, 2008

²⁶ Honor Mahony, "Lisbon Treaty Not an Easy Sell, Admits Irish EU Commissioner," *EUoverserver.com*, May 22, 2008. <http://euobserver.com/9/26193> (Accessed June 27, 2008)

²⁷ Michael Hennigan, "Lisbon Treaty: In Perilous post-Celtic Tiger times, Ireland opts for Impotence in Europe's greatest success of past thousand years," *Finfacts*, June 14, 2008. http://www.finfacts.ie/irishfinancenews/Analysis_Comment_5/article_1013915_printer.shtml (Accessed June 19, 2008)

which have been only possible due to the support for structural investment and agriculture from Europe.²⁸

The graph below shows the economic trend in the Irish Trade Balance. The trade balance is the difference between the monetary value of [exports](#) and [imports](#) over a certain period of time. If a country exports more than it imports, the country will experience a positive balance of trade or trade surplus. However, if the country imports more than it exports they will have a trade deficit or trade gap. For the last forty years Ireland has been *breaking even* until 1990 when the efforts to adopt the euro forced the country to adopt certain policies that help improved Ireland productivity and competitiveness; as a consequence, the country experienced a trade surplus. This export led growth or trade surplus is behind the strength in its economy, or higher savings rate. However, ever since 2003 Ireland has been suffering a sharp reduction in its trade balance.



Source: Numerical data from Bloomberg.com. The author has imputed the data in excel to create this graph.

As Anatole Kaletsky well puts it, the No vote, although “surely ‘astonishing’, is a fair adjective to describe this overwhelming democratic reaction to the political direction of Europe, lead by three million people who have risen, in a single generation from penury to become the Continent's wealthiest nation, as a direct result of joining the EU.”²⁹

The economic data shows that Ireland and its citizens have benefited greatly from the EU. In fact, The Economist reports that, in the latest Euro barometer poll, more people in Ireland (87%) than in any other EU country said their country had benefited from membership in the EU.³⁰ Furthermore, the latest economic data demonstrate that Ireland has received €60 billion from the EU since joining in 1973 and had paid back €20 billion so far, the biggest gain been from the Common Agricultural Policy (CAP). The Department of Finance Secretary General David Doyle has stated that the contribution of the EU to the Irish economy had been "massive" and agreed "absolutely" with the suggestion that there were other non-cash benefits from Irish EU

²⁸ Michael Hennigan, “Lisbon Treaty: In Perilous post-Celtic Tiger times, Ireland opts for Impotence in Europe's greatest success of past thousand years,” Finfacts, June 14, 2008. http://www.finfacts.ie/irishfinancenews/Analysis_Comment_5/article_1013915_printer.shtml (Accessed June 19, 2008)

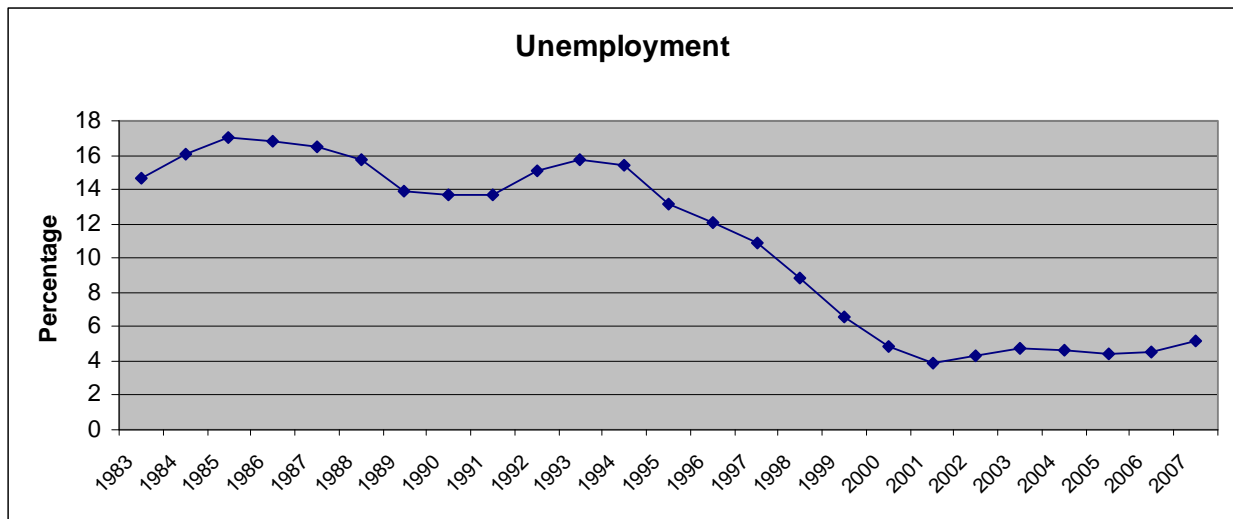
²⁹ Anatole Kaletsky, “The Ireland “no” vote: a big earthquake,” Time on Line, June 26, 2008. http://www.timesonline.co.uk/tol/comment/columnists/anatole_kaletsky/article4214721.ece (Accessed July 10, 2008)

³⁰ The Economist, "A Taoiseach in Trouble", June 21, 2008

membership.³¹ Interestingly enough, the Lisbon Treaty Referendum was opposed by a peculiar number of “bed patterns” which included socialist party Sinn Fein, the Irish Farmer Association— whose members have for years been the top per capita beneficiaries of the CAP— and by Ireland’s Tycoon Declan Ganley president of Libertas.³²

There is no doubt that Ireland has received help from the EU and it is also fair to say they have known how to take advantage of it in order to transform its society. In fact, the economic turnaround of Ireland is an example to follow by many of countries that have joined the EU from the 1980s onward. For example, the latest economic facts³³ reported that the population enumerated on census night 23 April 2006 was 4,239,848 persons, compared with 3,917,203 in April 2002, representing an increase of 8.2% in four years. At the same time, from 1986 to 2006 the number of persons in employment increased from almost 1.1 million to over 2 million.

In yet another case that shows Irish economic prosperity, the graph below portrays the unemployment evolution since 1983. Needless to say that it is impressive downward trend especially, once again, around the time of the inception of the euro.



Source: Numerical data from Bloomberg.com. The author has imputed the data in excel to create this graph.

Further, the pension coverage rate for all those employed in the fourth quarter of 2005 aged between 20 and 69 was 55%. Male workers (58.3%) continued to have a higher pension coverage rate than their female counterparts (50.6%). Good employment prospects are partly due to a solid educational system with high standards, which are the case in Ireland where in 2006 almost a quarter of those aged 15-64 had third level qualifications. Further, at age 19, 62% of females and 45% of males were in full time education in 2005/2006. In terms of economic performance, Ireland holds an impressive record.

³¹ Finfacts Team, “Ireland’s 40-year bonanza of foreign aid from the European Union will amount to €41 billion by the time we become a net contributor in 2013,” Finfacts Ireland, http://www.finfacts.ie/irishfinancenews/article_1012675.shtml (Accessed July 6, 2008)

³² Michael Hennigan, "Lisbon Treaty: Campaigning for democratic accountability and transparency in Brussels but why not try it in Dublin first?," Finfacts Ireland, May 26, 2008. http://www.finfacts.ie/irishfinancenews/article_1012675.shtml (Accessed July 6, 2008)

³³ Finfacts Team, “Statistical Yearbook of Ireland 2007,” Finfacts Ireland, October 25, 2007. http://www.finfacts.ie/irishfinancenews/article_1011601.shtml (Accessed July 8, 2008)

While most of the EU countries are finding it increasingly harder to comply with the Stability and Growth Pact (SGP) and maintain the national debt as a percentage of GDP below 60%, Ireland has managed to lower it from 87.7% in 1990 to 20.4% in 2006. In addition, Ireland has had no problem meeting the balanced budget requirements and even make further improvements. The General Government Balance threw a surplus of 5,031million euros in 2006 compared with a surplus of only 1,627 million euros in 2005. As a curious fact, there were 103 mobile phones for every 100 people in the country in the second quarter of 2006.

The current account is clearly in a difficult situation particularly since 2004, when the trade balance statistic started to deteriorate.

All these facts clearly demonstrate that Ireland has prospered by the help of the EU economic measures and painful structural reforms that have transformed the nation. However, the Economic and Social Research Institute³⁴ has declared in its latest Quarterly Economic Commentary that Ireland is likely to experience a recession for the first time since 1983 and that the slowdown will have a negative impact in the public finances deficit and on the overall economic performance of the country.

The rejection of the Lisbon Treaty seems like “bad timing” for Ireland, since in the aftermath of the No vote, the Economic and Social Research Institute (ESRI) projected that Ireland was on the brink of a deep recession. This forecast constituted a “deep psychological blow to Ireland on the world business stage”³⁵. The deteriorating economic conditions arise from the inevitable bursting of a housing property bubble in the midst of an international credit crisis and with global inflation risks that pose a threat to the economy and could well lead to future interest rate hikes. This so called “bad timing” could not have come at a worst time for Ireland, especially since its economy is highly dependent on exports by foreign-owned firms, in fact, in 2006 more than 90% of its exports were made by American firms. The reaction by Brussels, Berlin and Paris has been swift: the ratification process must continue, “in fact, a ratification strike is what sank the constitutional treaty”³⁶ (9).

The French Presidency and the Treaty of Lisbon.

Since France took over the Presidency of the European Union on July 1st, 2008, President Sarkozy has struggled to find a solution to the Irish dilemma. To him, the solution can only be found in a second referendum; however, the difficulty lies in the timing of such a referendum. President Sarkozy, at first said that it should take place in October or December 2008 since Parliamentary elections in the EU are to take place in June 2009 and it is necessary to know which of the two treaties, Lisbon or Nice, is to be enforced.

In order to try and find a solution, Sarkozy travelled to Ireland, and after his visit, he lowered down his combatant tone and declared that he did not “want to push you into anything”³⁷, however, he emphasized the importance of “arriving at some solution before next year’s European elections”³⁸ mainly because he wanted to “make sure we move ahead as a family of 27 and nobody is left behind.”³⁹ The solution to the impasse that he proposed to the Irish Prime

³⁴ Alan Barrett, Ide Kearney, Martin O’Brien, “Quarterly Economic Commentary,” The Economic and Social Research Institute, Summer 2008, http://www.esri.ie/UserFiles/publications/20080623114553/QEC2008Sum_ES.pdf (Accessed July 10, 2008)

³⁵ Michael Hennigan, "Recession Ireland 2008: It may be like a Feast and a Famine as Celtic Tiger declared dead but all is not lost," June 24, 2008. http://www.finfacts.ie/irishfinanceneews/article_1013998.shtml (Accessed July 16, 2008)

³⁶ Wolfgang Munchau, "Europe's hardball plan B for the Lisbon treaty", Financial Times, June 16, 2008. pg. 9

³⁷ Fiona Sheahan, Aine Kerr, and Michael Brennan, “Sarkozy in Retreat over Demand for Fresh Vote,” The Independent. July 22, 2008

³⁸ Fiona Sheahan, Aine Kerr, and Michael Brennan, “Sarkozy in Retreat over Demand for Fresh Vote,” The Independent. July 22, 2008

³⁹ Fiona Sheahan, Aine Kerr, and Michael Brennan, “Sarkozy in Retreat over Demand for Fresh Vote,” The Independent. July 22, 2008

Minister, Brian Cowen, was that the Irish held a second referendum on the Lisbon Treaty “on the same day as the day of the elections to the European Parliament next June.”⁴⁰ The response to Sarkozy’s visit and proposal was that the Irish would only be ready to offer a ‘preliminary report’ on the October’s European Summit and “not a conclusive document detailing a way out of the impasse”⁴¹

German foreign minister Frank-Walter Steinmeier suggested that one way to implement the treaty was for Ireland to withdraw temporarily from the process of European integration. The most important prerequisite for this outcome would be if all other EU Members States except Ireland agreed to the Lisbon Treaty. If this were the case, because so far Ireland has been the only one rejecting it, it would face two alternatives. On the one hand, the alternative would be a humiliating U-turn in the voting result consisting of a second referendum with a Yes result to the same treaty without a material change of circumstances to make it more ‘readable’. On the other hand, Ireland would lose its full EU membership if the second referendum produces another No result. Munchau states that the second option would mean that “Ireland’s citizens would send the country back to the economic Dark Ages, from where it emerged only a few decades ago.”⁴² Sinn Fein “which campaigned against the treaty, said that ‘subtle threats’ of Ireland’s isolation within the union are ‘nonsense’ adding that a ‘new treaty negotiation is the only way forward.’”⁴³

The problem is that the Irish people have demonstrated to be the true guarantors of their sovereignty since they have not taken lightly any of the comments that the very combatant president Sarkozy has pronounced on the issue. As a matter of fact, Irish main newspaper’s headline article on July 21, 2008 read, “Back off on vote: Cowen warns Sarkozy”.⁴⁴ Sarkozy was in fact travelling to Ireland to meet with many opponents’ leaders to listen and understand their concerns and reasons behind the rejection. Sarkozy is meeting with Fine Gael, president of The United Ireland Party, but only because Irish Prime Minister Brian Cowen interceded for the meeting to take place, and with millionaire Declan Galey the leader of an influential anti-treaty group “Libertas”.

Final Word

The European project has required since its inception leaders with two particular characteristics: imagination and patience. Imagination will always be a requirement, according to Albert Einstein, ‘imagination is more important than knowledge’ in order to envision a grand project and finding solutions to setbacks. Further, leaders are required to have great doses of patience in order to persevere in the completion of the European integration; in fact, Isaac Newton warned them on the importance of patience from his own experience since he once said that “if I have ever made any valuable discoveries, it has been owing more to patience”⁴⁵.

The example set by these two brilliant scientists demonstrates that achieving goals is not easy and that Europe and its leaders should be patient and imaginative in order to undergo a complete and successful integration process, due to the myriad of benefits it provides. Robert Schuman explained that when “a united Europe was not achieved we had war.”⁴⁶ Hence,

⁴⁰ Leigh Phillips, Sarkozy suggests Irish Revote in June 2008,” EUobserver.com, June 22, 2008. <http://euobserver.com/9/26522/?rk=1> (Accessed July 22, 2008)

⁴¹ Leigh Phillips, Sarkozy suggests Irish Revote in June 2008,” EUobserver.com, June 22, 2008. <http://euobserver.com/9/26522/?rk=1> (Accessed July 22, 2008)

⁴² Wolfgang Munchau, “Europe’s Hardball Plan B for the Lisbon Treaty”, Financial Times, June 16, 2008. Pg. 9

⁴³ Honor Mahony, “Sarkozy Heads to Dublin Amid Tension Over EU Treaty Solution,” The EUobserver.com, July 21, 2008. <http://euobserver.com/9/26517> (Accessed July 21, 2008)

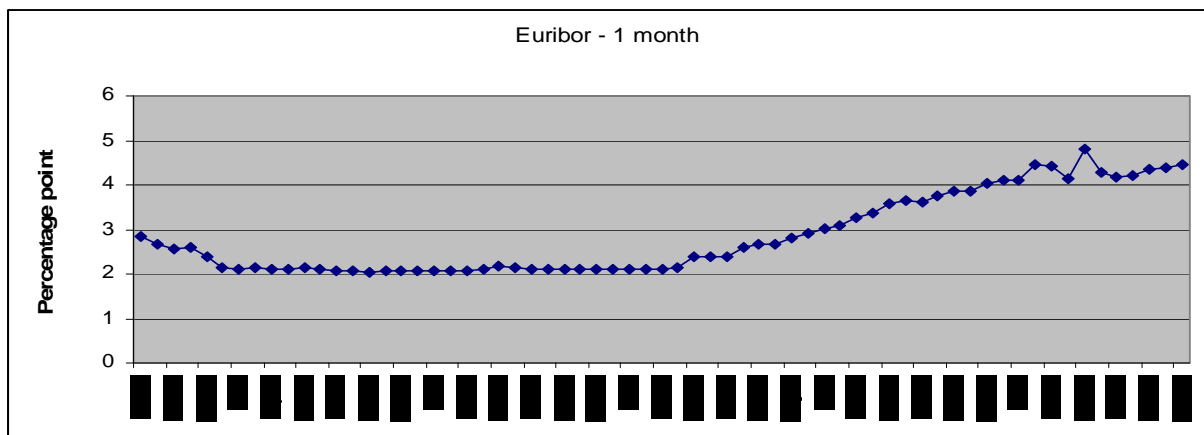
⁴⁴ Ine Kerr and Fionna Sheahan, “Back off on vote: Cowen warns Sarkozy,” The Independent, July 21, 2008.

⁴⁵ Isaac Newton, Quotation # 2202. Quotation page. <http://www.quotationspage.com/quote/2202.html> (Accessed June 3, 2008)

⁴⁶ Robert Schuman, “Declaration,” May 9, 1950. <http://mjp.univ-perp.fr/textes/schuman09051950.htm> (Accessed July 16, 2008)

economic, monetary and politically integrated area tends to avoid future wars. The larger market that comes with integration fosters competition and boosts incomes which increase the living standards and well-being of European citizens which should be the first priority in the agenda of European politics and political leaders. These should not be hesitant to go back to the origins of the European project and realize that Monnet and Schuman founded Europe during very difficult times, when hard feelings still existed between long time enemies such as France and Germany, and yet they were able to work those differences around to plant the seeds of this thrilling project called the European Union. Nonetheless, each success was achieved with small steps and through consolidating every single achievement. In fact, as Roy explains, the founding fathers “rejected the invention of grandiose pseudo-federal schemes equipped with no political will that led nowhere in terms of providing economic and social stability”⁴⁷ (3). Maybe, Europe now needs some time off to digest all the efforts made and goals accomplished during these years.

The current heated debate on the future of the Treaty is bound to loose momentum if the increasingly adverse economic climate were to deteriorate even further. One key economic statistic that many economists are watching closely is the medium term tendency of the Euribor (Euro Interbank Offered Rate), which is the rate at which euro interbank term deposits within the euro zone are offered by one prime bank to another. It is the benchmark most commonly used to price floating-rate mortgages in many EU member states such as Spain, Italy or Ireland. According to the graph below, ever since the European Central Bank started its hiking campaign by late 2005, the one-month Euribor has risen from a low of 2% in early 2004 to 4.482% as of July 23, 2008. Nonetheless, for well over a year the Euribor rates have deviated substantially upwards from the ECB policy rates, as financing conditions have tightened all over the world and there is substantial risk that events could spiral out of control. Unless some pre-emptive action is taken by the authorities, “this could go beyond just a normal recession. With this credit crisis it could turn into a very uncomfortable situation, with a real economy-wide crunch that we cannot stop”⁴⁸. The concern by many political leaders and the general public, who have called on the ECB to cut rates, easing the upward pressures on the benchmark rate, reached its climax when in November 30, 2007 the one-month Euribor spiked violently by 60 basis points to 4.87%, the biggest one day increase ever recorded. On that day, the Telegraph newspaper’s front-page *headline* read that the Euribor had gone mad.



Source: Numerical data from Bloomberg.com. The author has imputed the data in excel to create this graph.

⁴⁷ Joaquin Roy, “Reflections on the Treaty of Rome and the Today’s EU.” In *Regional Integration Fifty Years after the Treaty of Rome: The EU, Asia, Africa, and the Americas*, Edited by Joaquin Roy and Roberto Dominguez. 1st ed., Dexter. Mi: Thomson-Shore, 2008

⁴⁸ Ambrose Evans-Pritchard, “[ECB Rate Cut Pleas Grow as Euribor Goes Mad](http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/11/29/bcneuri129.xml),” July 12, 2007. <http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/11/29/bcneuri129.xml> (Accessed July 12, 2008)

The last graph we are presenting is the US Dollar Index which measures the performance of the US Dollar against a basket of currencies which includes the Euro, the Japanese Yen, the British Pound, the Canadian Dollar, the Swiss Franc and the Swedish Krona. Whenever the index goes up, the US dollar appreciates and vice versa. According to the graph, since 2003 the index has been on the decline recording a 30% fall ever since January 2003. Economic theory explains that the factors that influence the spot value of a currency vis-à-vis another currency are: the (differences in) market interest rates, the views of market participants about its future value and the perceived risks involved in holding that currency⁴⁹. The significant depreciation of the US dollar currency has helped to alleviate the USA's current account deficit. The reality is that the current downward cycle could be coming to an end, at least that's what many think-tanks and supranational agencies have reiterated especially all along 2008. According to the IMF's first deputy managing director, the decline in the dollar over the past six years, and in particular over the past year of the credit crisis, has more or less gone far enough⁵⁰.

The flipside to the bottoming out of the US dollar is the inevitable topping out of the Euro currency. The rapid appreciation of the Euro vis-à-vis the US has been more painful for exporting countries to the US than for American themselves⁵¹. An appreciation of the euro reduces the profits of European companies, because their product becomes less affordable when expressed in dollars. "A positive effect is that the resources imported from abroad are cheaper for European companies. So, a strong euro leads to less import inflation and will mitigate consumer price inflation in the euro area"⁵² (4). Back in 2003, *The Economist* stated that the euro was slightly overvalued against the dollar judged by its purchasing power parity (PPP), but it affirmed that it would rise even further⁵³. To defend its position, it used the example of the Deutsche mark that during the 1985-1987 period it climbed by 90% against the dollar. If history were to repeat itself, the euro could well reach 1.60, if it were to raise as much as the Deutsche mark back then. The Economist today and always according to PPP, still maintains the thesis that the Euro is highly overvalued. For the IMF the euro is now overvalued relative to medium term fundamentals⁵⁴.

Besides fundamentals, the statistical methodology, such as exponential smoothing studies and linear regressions, also point to a topping out of the Euro against the US dollar. Similar studies also conclude that the price of oil despite its recent retrenchment could very well continue its ascent. The reason for having introduced the oil into the equation is because a continued rise in the price of crude as well as a medium to long term weakening of the Euro, these two pieces of economic data alone could have devastating economic implications for the EU. It could well be

⁴⁹ Bank of England, "Money and Asset Prices," Bank of England, *Quarterly Bulletin*, February, 2003. Quoted in Sylvester C.W. Eijffinger, "What Are the Factors behind the Appreciation of the Euro?" Briefing Paper on the Conduct Of Monetary Policy and an Evaluation of the Economic Situation in Europe," European Parliament, May 2003. http://www.europarl.europa.eu/comparl/econ/pdf/emu/speeches/20030612/q2_eijffinger.pdf (Accessed July 14, 2008)

⁵⁰ Krishna Guha, "IMF Warns of Currency Mismatches," *Financial Times*, July 22, 2008. <http://www.ft.com/cms/s/0/1cec7070-5811-11dd-b02f-000077b07658.html> (Accessed July 22, 2008).

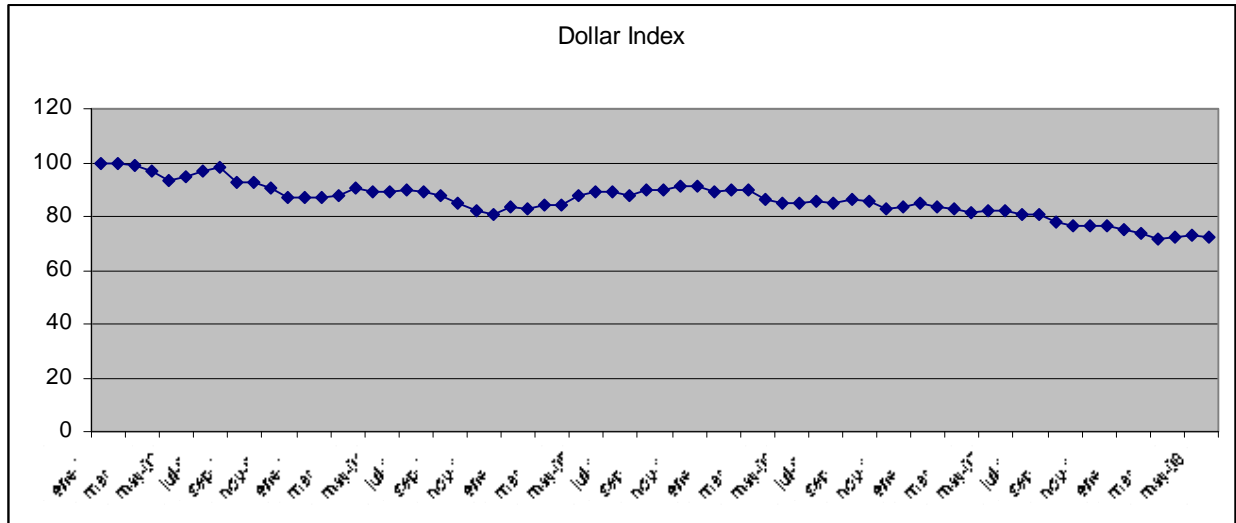
⁵¹ Mark Landler, "No One's Cheering Euro's Rise," *The New York Times*, May 8, 2003. <http://query.nytimes.com/gst/fullpage.html?res=9C05E0DB173FF93AA35756C0A9659C8B63&sec=&spon=&pagewanted=all> (Accessed July 22, 2008)

⁵² Sylvester C.W. Eijffinger, "What Are the Factors behind the Appreciation of the Euro?" Briefing Paper on the Conduct of Monetary Policy and an Evaluation of the Economic Situation in Europe," European Parliament, May 2003. http://www.europarl.europa.eu/comparl/econ/pdf/emu/speeches/20030612/q2_eijffinger.pdf (Accessed July 14, 2008)

⁵³ *The Economist*, "Super-euro: Europe's Once Sickly Single Currency Is Flexing Its Muscles," May 10, 2003. Quoted in Sylvester C.W. Eijffinger, "What Are the Factors behind the Appreciation of the Euro?" Briefing Paper on the Conduct of Monetary Policy and an Evaluation of the Economic Situation in Europe," European Parliament, May 2003.

⁵⁴ Krishna Guha, "IMF warns of currency mismatches," *Financial Times*, July 22, 2008. <http://www.ft.com/cms/s/0/1cec7070-5811-11dd-b02f-000077b07658.html> (Accessed July 22, 2008)

the moment of truth for the UE which could really suffer a “real” increase in the cost of energy. This is a frightening scenario but on the other hand, it could well serve to deflect the tension away from the institutional debate.



Source: Numerical data from Bloomberg.com. The author has imputed the data in excel to create this graph.

As difficult economic times are predicted, Europe should, like good sailors, be prepared to ride the storm by strengthening positions and avoid more than necessary turbulence that could make the project sink in deep waters.