EDITORIAL

Dear Readers,

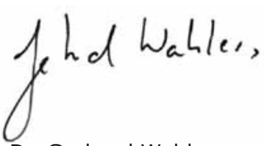
Week after week, Europe finds itself faced with making decisions that will set the course for the future of the eurozone and beyond. The Irish people made one of these decisions when they most impressively faced up to their responsibilities and voted with a 60 per cent majority to accept the European Union's Fiscal Compact in a referendum held on 31 May. In this edition, Dieter Benecke reports on this referendum, taking a look at the discussions in the run-up to the vote and the work being put in by Ireland to overcome the crisis.

Ireland's efforts to reduce its national debt and boost its economy are a good example of how a European country can find a way out of the crisis under its own steam. At the end of 2011 Ireland's national debt had reached 107 percent of GDP. It found itself forced to turn to the European rescue fund for help and as subsequently to subject its reforms to the scrutiny of the "troika" consisting of the European Union, the European Central Bank and the International Monetary Fund. Since then, its borrowing has fallen, its import trade is flourishing and the country's future is looking much better. However, media reports rarely focus on this encouraging example, preferring instead to turn their anxious gaze to Southern Europe. As the troika has recently pointed out, Greece in particular has failed to push through decisive reforms like those introduced in Ireland.

At European level, there is a great deal of debate about the direction that should be taken in order to find a way out of the crisis. While Spain, Italy and France are convinced of the need for the rapid introduction of financially strong mechanisms to combat the crisis in the eurozone, other countries such as Germany, the Netherlands and Finland are more focused on budget consolidation, fundamental structural reforms and improved coordination. At the EU summit held in Brussels at the end of June, a compromise was finally agreed whereby countries at risk would be offered the chance of financial assistance while powers of coordination and intervention would be transferred to a European financial supervisory mechanism. In addition, a 120-billion-euro European growth package is designed to tie in fast-acting measures to boost growth with long-term structural reforms.

The German government is well-aware of its special responsibility and has always stressed the need to support the establishment of a political union that involves transferring more supervisory and coordinating powers to the European Union. Despite significant opposition, it roundly rejected the idea of a common liability without enforceable obligations, along with the strict European monitoring of policies on national debt and the banking sector.

Today's political leaders are now called upon to have the courage to hand over such powers and to work hard to push through reforms in their own countries. Heads of government can rely on the intelligence and political maturity of the citizens of Europe. It may be protests and demonstrations that dominate the news headlines, but one thing is clear: Europe's citizens are ready to play their part when it comes to taking difficult decisions. In a survey carried out by the German newspaper *Handelsblatt* in July, a large majority of those questioned in all the affected countries agreed with the statement that debt reduction could not be postponed. The highest rate of agreement was in Germany (92 per cent), but it was also high in Italy (85 per cent) and Greece (79 per cent). There was also clear agreement with the statement that their countries urgently needed to undertake reforms. Statistics such as these prove that the people of Europe are prepared to support their governments in their efforts to overcome the crisis. The Irish have provided us with an excellent example in this respect.



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