

**EVERSHEDS O'DONNELL SWEENEY
ANNUAL CORPORATE SEMINAR**

**18TH SEPTEMBER 2009
CONRAD HOTEL, EARLSFORT TERRACE, DUBLIN 2**

Embargo: 1p.m. 18th September 2009

**Speech by Commissioner Charlie McCreevy to be delivered
at 1p.m. on Friday 18th September 2009.**

Good afternoon Excellencies, Ladies and Gentlemen:

We meet here at a time of unprecedented concern about jobs, living standards, and the future. We meet at a time when the European and world economies in which we trade remain fragile. And we meet at a time when as a nation we have several important decisions to make: How to protect and revive our banking system. How to restore it to health so that once again it can play an active and indispensable role in the provision of credit to oil the wheels of our economy. How to face the challenges of radically pruning public spending so as to urgently reverse the unsustainable escalation in our

national debt. And how to secure the vital outcome we need in the second referendum on the Lisbon Treaty.

So let me ask one simple question: Can Ireland afford to inflict any more damage on the domestic economy? The answer is clearly "No".

Those who say that the Lisbon Treaty will make little - or only a small - difference to our membership of the European Union may be right. At least it is a debatable point. But in my view they are missing the real point. Among international investors - who we need to get us through our difficult economic patch - perception, if it isn't all, it can be nearly all. And perception from a distance can be very different to perception from close up. We only occasionally make headlines in the international press. But as the ballot boxes for this referendum are opened on October 3rd the focus of the international media on Ireland will be intense. The reality is that good news always makes small headlines. But bad news invariably makes front page headlines. You don't need to be a clairvoyant to imagine how

Ireland will be presented by those competing with us for foreign direct investment and jobs in the international market if there is a "No" vote. : For the past few years some very influential parts of the international financial press - that is those parts of the media that international investors focus on - have taken every opportunity that was presented to them to do this country down. It has been there in large headlines, in feature items, columns and editorials – sometimes in black and white – and often in black and pink. Be in no doubt: Those sections of the international media whose audience is predominantly large international investors would use a No vote on October 2nd to stir up speculation about this country being forced out – or being forced to the margins - of the European Union - with no role, no influence, and no voice that is listened to. And be in no doubt either that they would use this to highlight the risks for international investment in this country. And when it comes to international investors, sentiment and perception very often trumps fact and reality. Indeed I was in Tokyo shortly after the last referendum and was

asked by Japanese businessmen if Ireland was leaving the EU.

At a time when international confidence in Ireland has never been so fragile we simply cannot afford doubts or more negative perceptions to take hold or indeed to be reinforced. And if anyone disputes our fragility, I suggest they take a look at the bond markets and see for themselves how interest rates on Irish government bonds have now risen to more elevated levels than for any other government in the eurozone. That in no way reflects the underlying economic realities because our fundamentals are still stronger in Ireland than in many other eurozone members. But the elevated level of our bond yields reflects current perceptions. It is those bond yields that directly affect the cost of borrowed money not just to our government but to our banks. That in turn determines the interest rates that the banks have to charge to businesses and mortgage holders. That is why - as someone who has never been misty eyed about Brussels - but as someone who cares greatly about this country and its economic future – I urge

people to face up to the potential damage that a "No" vote on October 2nd could do.

Of course, a "Yes" vote will be only one of several fundamental requirements for renewing and strengthening international confidence in Ireland. But it is an important and essential one to keep existing multinational investment here and to get new inward investment and jobs growing again; vital to secure sound and affordable funding for our banks and their customers; and vital to enable our government raise debt at an affordable price in the capital markets. Why brew up a lethal cocktail by sending a signal to international investors that we are becoming more distant from Europe and all of the opportunities it has to offer - just at the time we need their financial support most. Ladies and Gentlemen, my scepticism about certain aspects of the EU is no secret. But, on this occasion, a No vote would be a major gamble. As you know I am someone who has never been afraid to gamble – politically and otherwise. But I must say that in these fragile economic circumstances gambling on the

consequences of a No vote would, for me, be a gamble too far.

In good times things come easy. Success comes to be taken for granted. A downturn on the scale that we – and many others - are now suffering provides a reality check. It leads to adjustment – sometimes sharp – through downward pressures on costs, rationalization and adaptation. In this way competitiveness gets restored. But costs are only one aspect of competitiveness. As an advanced modern economy Ireland has to compete on a far broader front - quality, innovation, skills, taxes, infrastructure, branding, reliability, governance and reputation. Understanding the decision-making processes of those who make the critical decisions in multinationals on foreign direct investment - the decisions on where to invest and why - is critical to building and maintaining our share of this source of investment. It is invariably a set of complex inter-actions and perceptions that goes into the decision-making mix. Ireland has long been seen to be at the heart of Europe – and that alone has been an important

part of the mix in driving US direct investment in this country. A second "No" vote not just could send the signal that we are determined to move from the centre to the periphery. Much more immediately it would send a negative signal to the international money and bond markets – making it both harder and dearer for the government to raise capital – to fund our exchequer deficit - and for our banks to fund credit for businesses that create jobs and growth. It is the people of only one of the 27 Member States of Europe that would suffer from that - the Irish people. However difficult it is to gain entry or re-entry to the job market now as a result of the recession, that difficulty will be compounded if foreign direct investment in our country is not revived.

Of course there are always going to be pieces of any Treaty that are not to my or everyone else's liking either. I have never been prepared to swallow the Europhiles' agenda whole. But I must tell you that I honestly believe that the risk that international investors would take fright over a very short space of time in the event of a No vote is an unacceptably high risk at a time when

our government, our banks and our businesses need to raise more international capital than ever.

So however alienated and angry people feel currently – be it with the government, with the banks, or indeed with the entire system – I plead with them not to bite off their nose to spite their face: Not to tighten the noose around our own country's neck by conveying the wrong signal to international decision makers who look to Ireland as a place for possible future investment. We simply can't afford to do that when competition for investment and jobs from elsewhere is so tough and our financial position so stretched. That's why I urge everyone to go out and use their vote to strengthen the perception of Ireland internationally by voting "Yes". In that way we deny our detractors the opportunity to use the outcome to further undermine confidence in our long term economic future and in Ireland as a place to invest. Frankly my great fear is that a "No" vote would not just undermine confidence gradually – but could actually rapidly turn what is a very serious economic problem for Ireland into a full blown economic crisis.

Your vote counts, Make sure you use it. I urge you to vote yes and help in your own small way to getting our troubled country back on the road to recovery.

Thank you very much.

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