



## Ireland to Keep Its “Grand Coalition”

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The election to the lower house of Ireland’s parliament, the Dáil Éireann, on 29 November has set in motion the formation of a new government. This process is likely to end by February 2025 with the renewal of the “grand coalition” of centre-right parties Fianna Fáil (FF) and Fine Gael (FG). As it did after the previous general election in 2020, the nationalist-left party Sinn Féin (SF) took up the Opposition Front Bench leadership. The election campaign focused on the rising cost of living, immigration and the housing market, economic growth, and the green transition. The main international challenges for the new government will be—taking into account Ireland’s neutrality—the development of European defence policy, trade policy, and the 2026 review of the EU-UK Trade and Cooperation Agreement.

**Government Formation.** The election results confirmed the strong position of FG and FF, albeit with a smaller mandate compared to 2020. FG won 21.9% of the vote, which translated into 48 seats out of 174, while the FF won 20.8% and 38 seats, respectively. The previously co-governing Greens received only 3% and 1 seat. SF, on the other hand, received 19% of the vote and 39 seats. Smaller parties also entered the Dáil: the Social Democrats (SD, receiving 4.8% of the vote and 11 seats), Labour (Lab: 4.7%, 11), Independent Ireland (II: 3.6%, 4), Solidarity (People Before Profit–Solidarity: 2.8%, 3), Aontú (3.9%, 2), as well as 16 independent MPs and the non-partisan speaker of the chamber, Verona Murphy. This represents a decline in support for all governing parties and the main opposition party, exacerbated by a fall in turnout to 59.71% (-3 p.p.). In contrast, the ratings of all smaller left-wing parties increased.

Consequently, the balance of power struck in 2020 between the three leading parties, none of which is able to form a government on its own (while for the first 100 years of independence, FF and FG took turns doing so), has been consolidated, again [forcing the formation of a centre-right “grand coalition”](#). As FF and FG are two seats short of a parliamentary majority, it is most likely that a government will be formed with the support of independent or SD MPs. The Greens, on the other hand, were eliminated from the

government by the loss of 11 out of their 12 seats. The election also confirmed SF’s position as the main cross-border political party (SF’s vice-president is Northern Ireland’s first minister).

**Domestic Challenges.** The most important issues are the high cost of living and relatively high inflation (rising in 2020–23 from 0.33% to 6.3%, with its peak in 2022 at 7.8%), especially on basic goods, energy, telecommunications, and housing. In the housing market, demand far outstrips supply and prices relative to earnings have surpassed the peak of the 1980s–90s economic boom times. This problem is exacerbated by the continued growth of the population thanks to the great extent to the influx of immigrants (to 5.1 million from 3.75 million in 2000, with population density increasing from 53 to 72 persons/km<sup>2</sup>), especially in the cities. Government programmes, such as “Help to Buy”, have been criticised for actually inflating market housing prices by increasing demand without increasing supply. The “Housing for All” plan, which has been implemented since 2022, is intended to deliver an average of 33,000 dwellings each year until 2030 but requires improvements to the urban planning system. The previous prolonged rise in property prices led to a speculation bubble and to the 2008–2011 recession. The shortage of affordable housing delays the start of independent life for young people and hampers the competitiveness of the economy.

The housing problem is linked to Ireland's open immigration policy. This phenomenon has contributed to sustaining economic dynamism (steady GDP growth in 2012-24 from \$225 billion to \$545 billion, with high amplitude of change in the annual growth rate, from -0.13% to +24.5%). However, immigration has placed an additional burden on housing, healthcare, and other social services and accounted for the bulk of Ireland's population growth (e.g., in 2024 population increased by 99,000 against immigration of 149,000, including 87,000 persons coming from outside the EU or the Common Travel Area). The growing problems on cultural integration were demonstrated in 2023 by riots in Dublin and other cities after a knife attack by a man of Algerian origin on nursery school children. The radically progressive part of the main parties' programmes was also electorally problematic. In a referendum in March 2024, constitutional amendments supported by the government and Sinn Féin were rejected, with opposition from Aontú, among others. These concerned the replacement with gender-neutral wording of provisions on the special position of women in the family.

Finally, it has been a challenge to maintain economic growth in an environment of high energy prices and the [European Green Deal](#), especially [in the context of agriculture](#), dominant in the rural areas. These policies have had the effect of increasing the cost of living and/or the need for public financial support. Problems in this area have been exacerbated by the gas and oil price crisis caused by Russia's invasion of Ukraine. Irish farmers' concerns about increased competition from South American imports and potential environmental impacts were also increased by the [EU-Mercosur trade agreement](#). The outgoing Irish government has pledged to study it carefully before deciding whether to support it.

**Foreign Policy Challenges.** The new government will have to adapt the country's policy of neutrality, which has consistently enjoyed high public support (at 60-70%), to the realities of EU defence policy consolidation. The problem is not so much the formal status of Ireland (partly constrained by Article 47(7) of the Treaty on the European Union), but the unprecedentedly low level of defence spending, preventing Ireland's sovereign control of its air and maritime space. According to SIPRI data, Finland—comparable to Ireland in, GDP and population—spent in 2021 (while still being a neutral state) 1.85% of GDP, or \$4.8 billion, on defence, while Ireland spent 0.25%, or \$1.2 billion, respectively. In 2022 alone (the first year of the Russian full-scale invasion of Ukraine) Finland's defence spending increased by 36% and the country applied for NATO membership

President-elect Donald Trump's announced protectionist trade policy is also likely to prove a challenge to the upcoming Irish government, especially when combined with [changes to EU tax policy](#). Such dynamics pose a fundamental problem for the Irish economy, the growth of which is mainly generated by large U.S. corporations (e.g., Google, Apple, Airbnb) operating in the EU single market and attracted to Ireland by the exceptionally low levels of taxation that have been the subject of disputes with the European Commission in the recent past. Finally, Ireland ([as in 2017-2020](#)) will be sensitive to changes in the [EU-UK Trade and Cooperation Agreement \(TCA\)](#), which will be up for a review in 2026, both because of economic ties and [the unique situation of Northern Ireland](#).

**Conclusions and Perspectives.** The 2024 elections upheld the "grand coalition" model, while the likely replacement of the Greens by the Social Democrats in the coalition will lead to a more centrist programme. The three strongest parties organising the government and the opposition also will need to reckon with growing public discontent, reflected by, among others, the 2023 anti-immigrant riots and the 2024 referendum results.

The extension of a stable government, suggested by the re-election of Murphy as *Dáil* speaker on 18 December on the FF and FG's initiative, will be key to implementing changes in foreign, defence, and economic policies, so far based on close transatlantic ties, fiscal competitiveness, and "disarmed neutrality". In terms of European policy, the new cabinet will be challenged not only by the steady integration of defence policy but also by the potential need to fund new EU programmes through European taxes. Ireland will also be hampered by the need to maintain support from EU partners for its position in the 2026 TCA review, including on the harmonisation of sanitary and phytosanitary regulations. Effectively addressing domestic concerns will require significant public investment at a time when rebuilding just the basic capabilities for "armed neutrality" will require several times more defence spending. Neutrality has been limiting Ireland's support for Ukraine to humanitarian aid and the supply of non-lethal equipment totalling €130 million.

In the context of the [Polish presidency of the Council of the EU](#), Ireland's support for Ukraine's EU membership or its critical assessment of the Mercosur agreement will be worthwhile, but the two countries will have divergent preferences on issues of EU tax policy, among others. From the point of view of the defence interests of Poland and other NATO countries, it would be desirable for Ireland to develop an effective air-defence system. This would allow for a more flexible use within NATO of British forces carrying out these missions for Ireland at present.