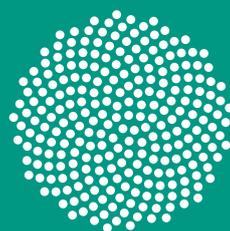
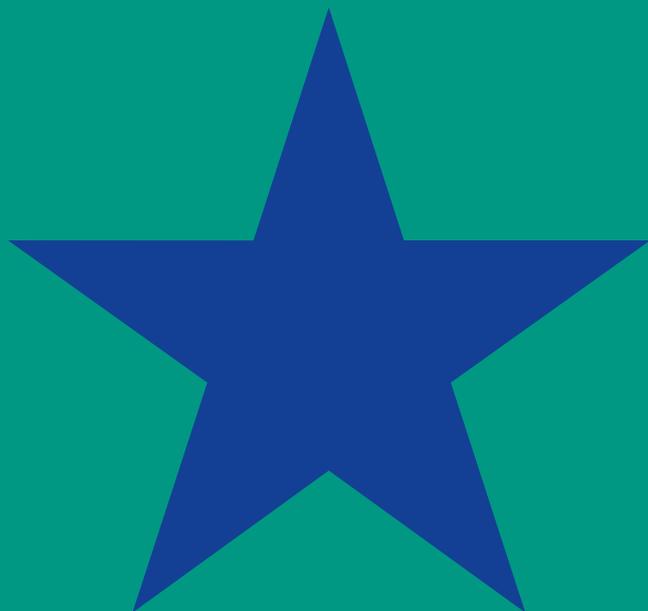


A European Union that works

Irish business priorities
for the new European
Commission 2014-2019



ibec
For Irish Business

“ A European Commission that **understands and responds to the needs of business is more important than ever** if Europe is to return to a path of strong economic growth that creates jobs for our citizens.”

Extend Ireland's global reach. Join the conversation.



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www.ibec.ie/irelandworks

Our vision for Europe

An effective, outward looking, globally competitive EU that enables business to create jobs and prosperity for Irish and EU citizens – A European Union that works. Membership of the EU and the actions of its institutions, including the European Commission, is important to business.

Our priorities for European Commission for the period 2014 - 2019

- A Commission that continues to strengthen engagement with business, that works to help Europe and its citizens:
 - be more entrepreneurial;
 - cut red tape;
 - be more innovative;
 - complete the Single Market;
 - invest in infrastructure for the future;
 - expand global trade and investment; and
 - be more skilled, flexible and mobile.

This document presents Ibec's main recommendations to the new European Commission.

The recommendations seek to extend Ireland's global reach as part of our ongoing campaign 'An Ireland that works'¹. It is necessarily a priority list rather than an exhaustive list. We believe that, taken together and pursued with vigour, these priorities will enable business to create jobs and prosperity in Ireland and across the EU.

1. www.ibec.ie/irelandworks

Ibec's priorities for the European Commission



Ibec
For Irish Business

Introduction

Ireland exited the EU/IMF/ECB bailout programme at the end of 2013, the first of four eurozone countries to do so, and has become Europe's fastest growing economy in 2014.

Ireland's recovery is testimony to the strength of the Irish business-model, built around innovative manufacturing and internationally traded services. Irish citizens as entrepreneurs, workers and tax payers have made a major contribution to getting Ireland back on track. In the years ahead Ireland will need to maintain and build on this momentum.

As an EU member, Ireland remains an open and globalised economy. Ireland's merchandise trade was 80% of its GDP in 2013. This is amongst the highest in the developed world. Ireland is also one of the most open OECD economies for trade in services². Sustaining and developing economic progress will be closely related to achieving higher EU growth rates and securing a stronger position for Europe on the global stage.

The EU is now at a crossroads. After years of crisis management it needs a new approach; an effective, outward-looking EU that can compete globally in order to create jobs and prosperity in Ireland and across the continent.

An effective, outward-looking European Commission matters

The majority of Ireland's laws are proposed and agreed at EU level. With every EU Treaty, including most recently the Lisbon Treaty, the EU has undergone change. The European Commission continues to play a critical role in setting priorities for action, proposing legislation, implementing policies and negotiating trade and investment agreements.

We need the European Commission to support an environment that enables business to boost employment and prosperity in Ireland and across the EU. The new Commission structure introduced by President Juncker provides an opportunity to more effectively address the challenges facing the EU. Ibec hopes that this new structure will ensure greater coherence on policy issues, effective communication between Commissioners and place competitiveness at the centre of the Commission's work programme.

2. Ireland has a lower Services Trade Restrictiveness Index (STRI) score than average in all 18 sectors examined by the OECD (2014)

Business matters to Europe

Business plays an important and positive role in Irish and European society. It provides goods and services that offer choice to consumers and create vibrant economies. Business provides income, training and job opportunities to citizens. The employment and taxation revenue business pays contribute to broader needs of society, such as healthcare and education. Companies paid €1.7 trillion in taxes on labour and corporate income alone - 33% of all tax.

A European Commission that understands and supports the needs of business is more important than ever if Europe is to return to a path of strong economic growth that creates jobs for citizens. In his address to the European Parliament in July, Commission President Jean-Claude Juncker said that 'it is mainly companies that create jobs, not governments or EU institutions.' Ibec welcomes this statement: getting the policy and regulatory mix right at EU level can enable business to provide investment, trade, jobs and prosperity.

A new European Commission: an opportunity for positive change

This year, the EU institutions have gone through a process of change and renewal that will impact European and Irish business over the next five years. Over half of the newly elected European Parliament consists of new MEPs, reflecting a desire and an opportunity for positive change at EU level. The European Council³ and President Juncker⁴, have both outlined their vision for the EU's political direction over the next five years. Many of their proposals are positive and reflect business priorities expressed by Ibec in the initial phase of its campaign, 'a European Union that works'⁵. However, some of the proposals require further reflection and work.

The proposals, coupled with the interim review of the EU's current growth and jobs strategy up to the year 2020 (known as 'EU 2020'), are likely to influence the thinking and work of the new European Commission. The aim of the Juncker Commission is to get Europe growing again. In this context, Ibec is outlining its business priorities for the new European Commission, which took office on the 1 November, 2014. This paper sets out how the Commission can achieve this shared goal. The choices made by this European Commission can help deliver a more effective and globally competitive Europe that can create jobs and prosperity for Irish and European citizens alike.

3. A strategic agenda for the union in times of change, June 2014

4. A new start for Europe, July 2014

5. A European Union that works – business priorities for the next European Parliament, 2014-2019

Ibec's priorities for the European Commission

Engage with business

A Commission that strengthens engagement with business in a fresh start for Europe.

Europe needs an outward looking, effective European Commission to further develop the Single Market and the freedoms that the EU has promoted over the last four decades. This would benefit economies like Ireland that thrive in an open and competitive market. For this to succeed the Commission must continue to work with the other EU institutions, member states and business to build support for a fresh start for Europe.

The European Commission should:

- ensure that competitiveness, sustainable growth and job creation are top priorities for the EU;
- ensure that proposed regulation is necessary and does not impact negatively on Europe's global competitiveness. Promote early Commission engagement with business to ensure full cognisance of the implications of legislative proposals;

- develop a high level of cooperation among its new college of Commissioners and with the other EU institutions, work constructively with the newly elected European Parliament;
- strengthen engagement with member states to secure support on shared EU objectives; working closely with the European Council and the Permanent Representations to the EU; and
- communicate the importance of the European Commission's role to citizens and the positive contribution it can make to a better Europe. Confidence in the European institutions has been shaken in the past number of years. One of President Juncker's stated aims is to jointly work with stakeholders 'to regain citizens' trust in the European project'. It is this shared purpose that will contribute to growth and jobs across the EU.

Be more entrepreneurial

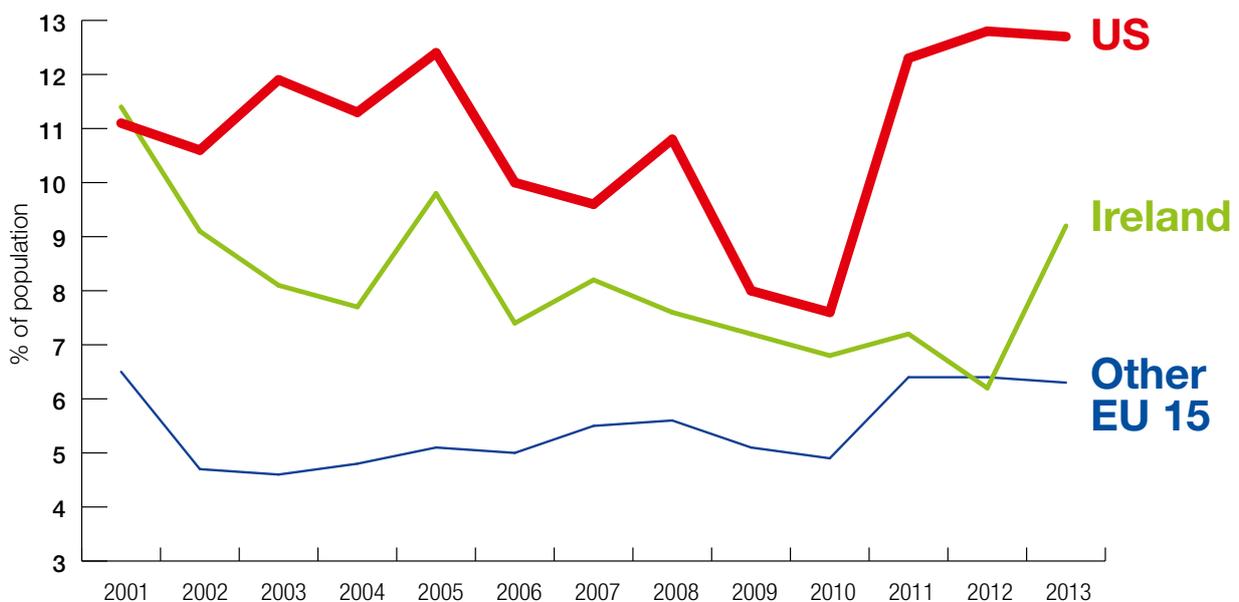
The EU should promote entrepreneurship by restoring economic confidence, increasing access to finance and promoting taxation policies that are globally competitive.

Europe must move beyond the recent crisis and ensure that both the EU and eurozone are resilient to future economic and financial shocks. Regulatory and balance sheet pressures post-crisis will put pressure on bank lending over the coming years. Greater financial market integration and liquidity will reduce the cost of finance and support cross-border trade and capital investment. Access to finance, on reasonable and comparable terms, is essential to all business.

The biggest obstacle to firm level investment continues to be challenging loan and credit conditions. The cost of credit remains a major barrier to investment especially for small and medium sized enterprises (SMEs). Europe needs sensible and globally competitive taxation policies that support stability and growth and have a real impact on Europe's attractiveness as an investment location.

The average national rate of early stage entrepreneurship in the EU15 is only half that of the US. Ireland is slightly better, with the accession countries again being higher but driven by necessity rather than opportunity.

Total early stage entrepreneurs



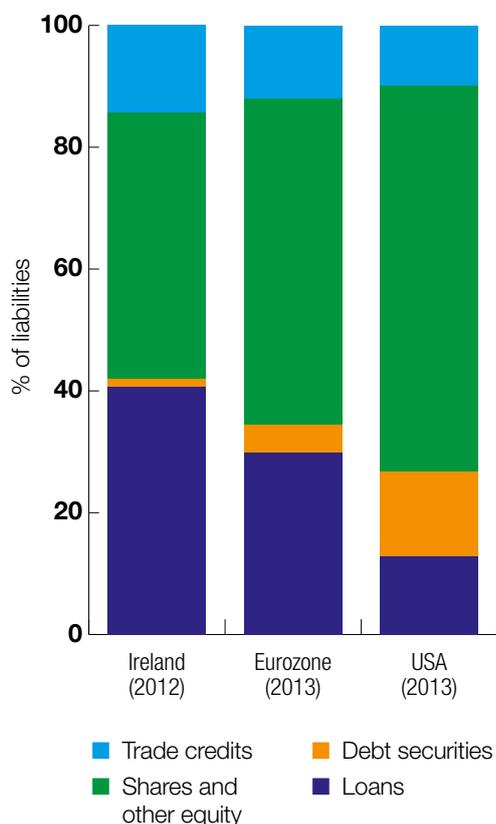
Source: GEM

The European Commission should work with the Council of Ministers and Parliament to:

- secure an effective functioning banking union that serves the needs of large and small business – implement the new single supervisory mechanism and single resolution mechanism;
- promote the European Semester process as a vehicle to encourage sound economic governance and build business confidence across the EU. Together with the National Reform Programme (NRP) the semester process must take on board the view of the business community in relation to economic and fiscal reform priorities;
- support reforms that increase Europe's financial stability and support companies' need for capital to encourage investment and growth. Striking the right balance in such reforms will be important in taking forward Solvency II and liquidity requirements;

- support other complementary sources of finance to bank lending such as venture capital and market-based development of financing instruments for SMEs; European companies rely more on credit than equity as opposed to their US counterparts;
- ensure that the costs and benefits of any EU proposals on taxation policies are subject to rigorous analysis of the impacts on the competitiveness of the EU. In this context, the EU would be better served by relinquishing proposals to create a financial transaction tax (FTT) and be particularly careful to ensure that any proposals on the taxation of the digital economy do not stifle innovation and a return to economic growth. A FTT carries the risks of distorting competition and off-shoring in European financial services to the detriment of access to finance and capital investment;
- ensure that any EU proposals around taxation policies do not pre-empt work by the OECD on international taxation initiatives, such as the Base Erosion and Profit Shifting (BEPS) project. The EU should not rush to unilateral implementation of recommendations arising from the BEPs project without thorough understanding of its impacts. The European Commission must continue to respect member state sovereignty on tax matters and focus on policy areas where it can make a positive impact on competitiveness, growth and jobs; and
- ensure the expected mid-term review of the EU's Multiannual Financial Framework, the EU budget for 2014-2020, supports a globally competitive European economy that is orientated towards the promotion of entrepreneurship, innovation and trade.

Finance structure of non-financial companies



Source: OECD

Cut red tape

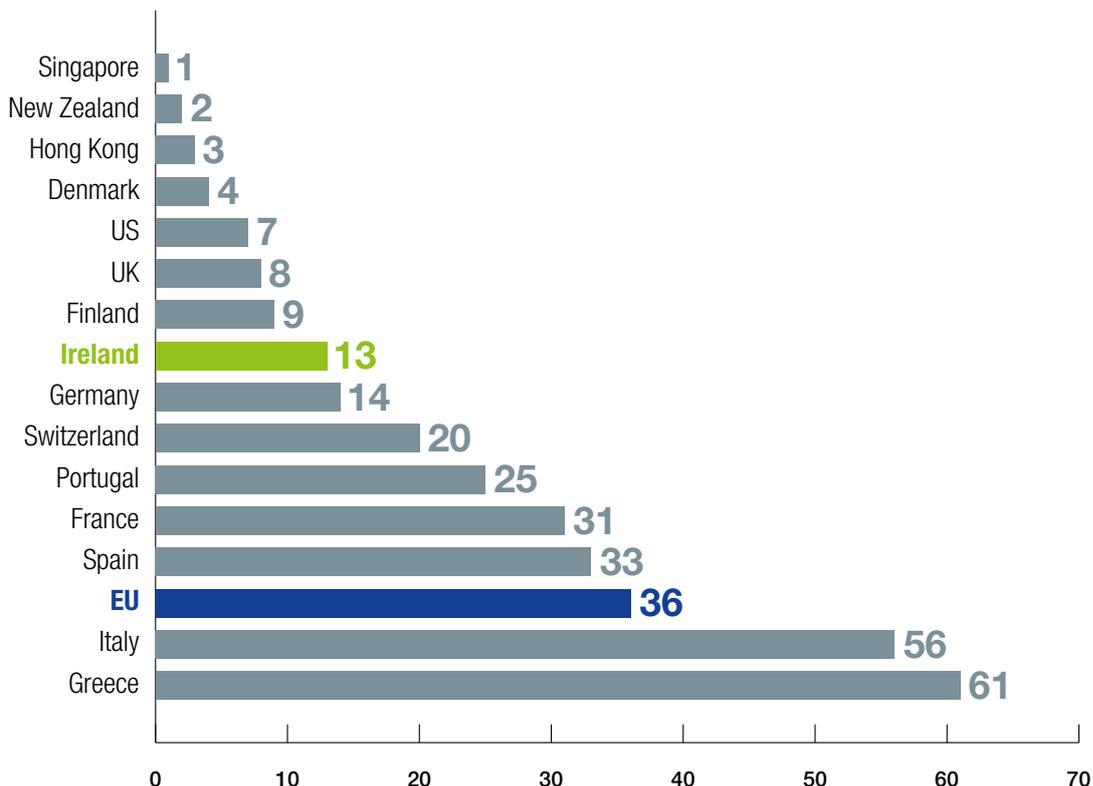
The EU must make it easier to do business by tackling red tape to enable investment, employment and prosperity across Europe.

Taking a smart approach to regulation means finding a more effective way of achieving agreed EU policy objectives. Making EU legislation more proportionate, simpler and less costly to business and citizens can enable investment, employment and prosperity. Tackling unnecessary regulatory burdens, which damage the EU's global competitiveness or impact negatively on business, particularly SMEs, is vital. Both the European Council and Commission President Juncker have acknowledged the importance of smarter regulation to creating a climate of entrepreneurship and jobs in Europe.

The Commission's regulatory fitness and performance programme has made progress in creating smarter regulation and reducing administrative burdens, but much more needs to be done. Ibec welcomes the decision of President Juncker to appoint Frans Timmermans, First Vice-President on 'Better Regulation, Inter-institutional Relations, Rule of Law and Charter of Fundamental Rights'. This has the potential to ensure a better cross sectoral approach to smart regulation across the Commission.

The EU is lagging behind its competitors in the World Bank ease of doing business rankings. In the ranking the EU is 36th and Ireland 13th, with the US ranked 7th and Singapore ranked 1st.

Ease of doing business rank



Source: World Bank, Doing Business 2015; Going Beyond Efficiency

The European Commission should work with the Council of Ministers and Parliament on horizontal issues to:

- ensure smarter regulation remains a core objective and deliverable of the Commission's work programme over the next five years;
- increase the scope and ambition of smarter regulation in Europe beyond proposed and existing legislation to look at reducing regulatory overlaps or inconsistencies that would unnecessarily increase administrative burdens;
- develop EU targets to progressively reduce regulatory costs in all policy areas. The minimum level of ambition should be that regulatory costs associated with new legislation are offset by a reduction in existing regulatory costs in a given policy area;
- enhance the evaluation of EU policy and legislative initiatives;
 - quality impact assessments should be carried out on all legislative and non-legislative initiatives of major impact, including implementing and delegated acts, and on amendments introduced during the legislative process in the Council and Parliament;
 - embed the value of SMEs and European competitiveness in the impact assessment process for all EU policy and regulatory initiatives;
- ensure realistic modelling and a sound evidence based scientific policy approach is undertaken in developing legislation on technical dossiers e.g. food, chemical and environmental legislation;
- ensure independent review of impact assessments;
- ensure that the impact assessment and stakeholder engagement processes are transparent and open to allow for timely and meaningful stakeholder engagement; and
- ensure that legislative proposals are compared with similar requirements in important trading partner countries and always assess whether international standards can be used for mutual recognition;
- engage with the Council of Ministers and the European Parliament to make the EU decision making process more efficient and faster;
- avoid gold-plating of EU legislation at national level. Member states must be more transparent when adding requirements that may negatively affect the Single Market, competitiveness and growth. Use the EU Regulatory Scoreboard to achieve harmonised implementation of EU legislation; and
- urgently reform the Working Time Directive, which has become an impediment to job creation, so that the Directive reflects the reality of the modern workplace.

The European Commission should work with the Council of Ministers and Parliament on sectoral issues to:

- allow for systematic post-implementation monitoring and evaluation of all EU legislation to identify excessive burdens, inconsistencies, obsolete or ineffective rules. Further work is required in making BREFs⁶ and REACH⁷ workable and proportionate;
- ensure that legislative proposals are assessed together with legislation dealing with the same product or service area to examine the full impact and avoid legal or political inconsistencies;
- ensure continued endorsement and support of the principles of the *European Voluntary Supply Chain Initiative*, with a commitment to maintaining a voluntary, flexible and fair approach to commercial relationships within Europe's business-to-business food supply chain, free of any unnecessary regulatory burden or unreasonable legal obligations on the retail sector;
- use the REFIT⁸ exercise to examine the functioning of the General Food Law regulation (178/2002) and other legislation related to agricultural innovation;
- win global business for financial services in Europe, with our educated workforce and specific financial services products, it can deliver jobs and growth;
- ensure that the new Commission structures will enable better and more effective governance across the Commission and financial services. Ibec welcomes the new role of the Commissioner for Financial Stability, Financial Services and Capital Markets Union; and
- support the European supervisory agencies ensuring that European and national supervisory efforts complement, rather than conflict with, each other.

6. Best available techniques reference documents
7. Registration, evaluation, authorisation and restriction of chemicals
8. Regulatory fitness and performance programme



An appropriate regulatory framework: Medical Technology

A balanced and appropriate regulatory framework that protects patients and world-class innovation in the medical technology sector will be vital if the sector is to achieve its full potential in Europe. The Commission's proposal for a regulation on medical devices and a regulation on in vitro diagnostic medical devices once adopted will provide a new regulatory framework. A strong competitive European medical technology sector supported by a smart regulatory environment will foster entrepreneurship and job creation, particularly for SMEs.

The European Commission should ensure that Europe remains an attractive jurisdiction for mobile innovation based investment:

- ensure the future funding of the regulatory framework for medical technologies across Europe is appropriate, sustainable and demonstrates benefits to both the regulator and the regulated. Medical technologies are becoming increasingly complex due to the iterative nature of their development. With the revision of the current legislation, attention has turned to resourcing the medical device regulation. Future funding of the European regulatory system should be considered in light of supporting innovation and SME's, the life blood of innovation in the sector. A single, transparent and predictable pan-European system for funding regulatory activities will benefit the sector and ensure that Europe is not disadvantaged in attracting mobile investment in the future in an increasingly competitive global med-tech market;
- ensure the efficient and sustainable reimbursement of medical technologies across Europe. The medical device industry plays a significant role in enhancing efficiency and ensuring the sustainable functioning of European healthcare systems. To guarantee future growth and prosperity, funding and reimbursement structures across EU member states need to be continuously reviewed and adapted;
- Current and new national funding and reimbursement policies and the manner of their development should become more transparent, which will result in well-defined publicly available funding and reimbursement criteria, processes and timelines;
- Medical device manufacturers can face unpredictable requirements and pathways towards funding and reimbursement of innovative devices. An established link between reimbursement decisions and fund allocation should ensure timely access of patients to novel medical technologies. It is vital that funding and reimbursement systems do not create barriers to the adoption of and access to innovative medical devices;
- The Commission should ensure that full stakeholder participation in funding and reimbursement systems is encouraged to safeguard effective decision making and hence better patient outcomes. Funding should be linked to the demonstrated value of innovative technologies that provide relevant benefits to the entire healthcare system and reimbursement structures should provide incentives for innovation across all realms of patient care.

Be more innovative

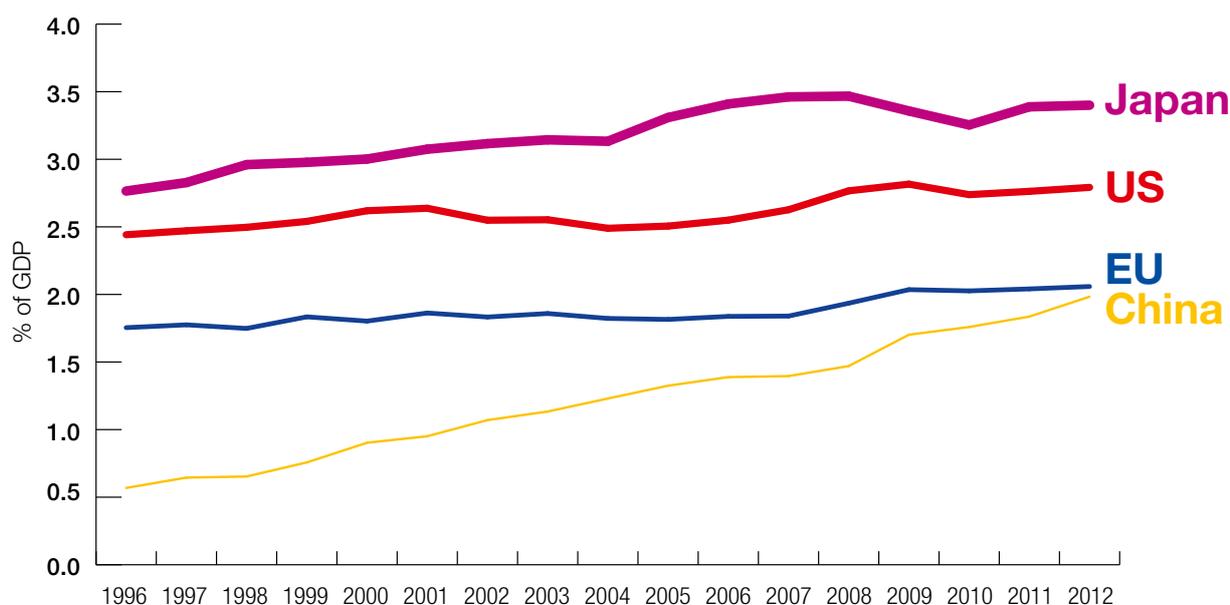
The EU should promote innovation by attracting investment and global talent, encouraging a digital economy and improving the procurement process across the EU.

To catch up with Japan's spend on R&D, Europe may need to spend an additional €300 bn a year on R&D. On current trends Europe will be outflanked by China as the 3rd highest spending region on R&D (as a percentage of GDP).

Research and technology have the capacity to transform economies, change our perspectives on the world and create valuable new processes, products and services. Digital technology offers Europe an opportunity to stimulate growth across all regions and economic sectors. Innovations in cloud services, data analytics and intelligent connected machines could add more

than €2 trillion to Europe's GDP by 2030. The OECD, WTO and UN have highlighted the importance of Global Value Chains (GVCs) to trade, investment and jobs. Cross-border data flows are a key element of GVCs and have become a core part of day-to-day business activity. It is estimated that a failure to complete the digital market in the EU would cost 4.1% of GDP or €1,000 per EU citizen between now and 2020. The smart use of information communication technology (ICT) by public bodies can reduce costs of public administrations by 15-20%. Research, development and innovation in the digital economy will ensure that Europe remains competitive in the mid to longer term⁹.

R&D investment



Source: Eurostat

9. <http://ec.europa.eu/digital-agenda/en/pillar-i-digital-single-market/action-9-updating-ecommerce-directive>

Ibec's priorities for the European Commission / continued

The European Commission should work with the Council of Ministers and Parliament to:

- improve Europe's attractiveness to mobile innovation based investment and global research talent;
- work ambitiously toward reaching the Europe 2020 target of 3% of the EU's GDP invested in R&D - to reach its EU 2020 target it will need to be spending at least an additional €500 billion per annum by 2020;
- develop the European Research Area (ERA), to strengthen research activities from regional, national and European levels and deliver results in a concerted way to provide innovative solutions for Europe;
- provide incentives for companies and research institutes to cooperate in networks and clusters in order to facilitate the commercialisation of innovations;
- support the implementation of the EU's €79 billion Horizon 2020 programme to enable uptake of funding, protection of intellectual property rights and commercialisation of research. The SPIRE platform is of particular relevance to Irish manufacturing plants. Funding for green chemistry, energy efficiency and materials science will benefit the Irish pharmaceutical industry by enhancing its innovative capacity;
- ensure the expected mid-term review of the Multiannual Financial Framework (EU budget, 2014-2019) maintains a strong orientation towards the promotion of research, development and innovation (RDI) activities;
- ensure that the economic assessment of state aid does not lead to excessive administrative burdens for member states wanting to stimulate companies to carry out more RDI activities;
- support best practice and reduce the cost, complexity and length of the procurement process, which are detrimental to bidders and authorities alike. The public procurement legal framework should safeguard the principles of transparency, market openness and competitive tendering, vital for a healthy internal market. European governments should also swiftly transpose new governing rules for public procurement;
- address operational challenges faced by e-procurement, namely interoperability and security of sensitive data;
- ensure innovation is at the heart of EU agri-food policy making. Foster agricultural and food chain research to sustain innovation and knowledge transfer for a resource-efficient Europe;
- ensure that a sound evidence based scientific policy approach and rigorous regulatory impact assessment is undertaken in developing legislation on technical dossiers e.g. food and feed legislation; and
- increase science and risk-benefit communication and education by competent public authorities to improve public understanding of the safety of assessed products.



Creating a digital economy

It is vital that the European Commission implement a comprehensive digital agenda, incorporating an effective legal, regulatory and policy framework to support retail and consumers in the digital age. ICT must not only be seen as a sector in itself, but as an enabler of business growth in all sectors of the economy.

The European Union should:

- stimulate digital entrepreneurship and develop a policy framework that will promote ICT skills in conjunction with companies' needs;
- seize opportunities in cloud computing, data analytics and intelligent connected machines to maximise job creation and growth potential. Dynamic ICT and software clusters can help drive economic growth, to the benefit of consumers and business, but must be globally orientated not EU-centric;
- ensure a balanced data protection regime that fosters innovation and innovative companies to grow and prosper, while understanding the balance between the rights of the citizen and services innovation. Furthermore, the framework must be clear and technologically neutral so that the rules can be uniformly applied, creating a level playing field for companies;
- take a balanced approach to sanctions for data breaches, ensuring proportionality to the damage incurred;
- avoid restrictions on cross-border data flows that would negate the competitive advantage that technology can deliver to European business and reduce the benefit of technology for consumers;
- ensure that the right to be forgotten, to obtain rectification or deletion of personal data -that is inaccurate or not compliant with legislation, as required by the current data protection directive, is workable so that it does not result in excessive burdens imposed on controllers who lawfully process personal data;
- focus on the development of the Digital Single Market and cross-border e-commerce. There are still many barriers that hamper cross-border e-commerce, which need to be addressed rapidly, from fragmented consumer legislation, such as online divergent guarantee periods, to issues with cross-border payments, delivery and VAT; and
- develop a coherent data protection regime that strikes the right balance between privacy and enterprise.

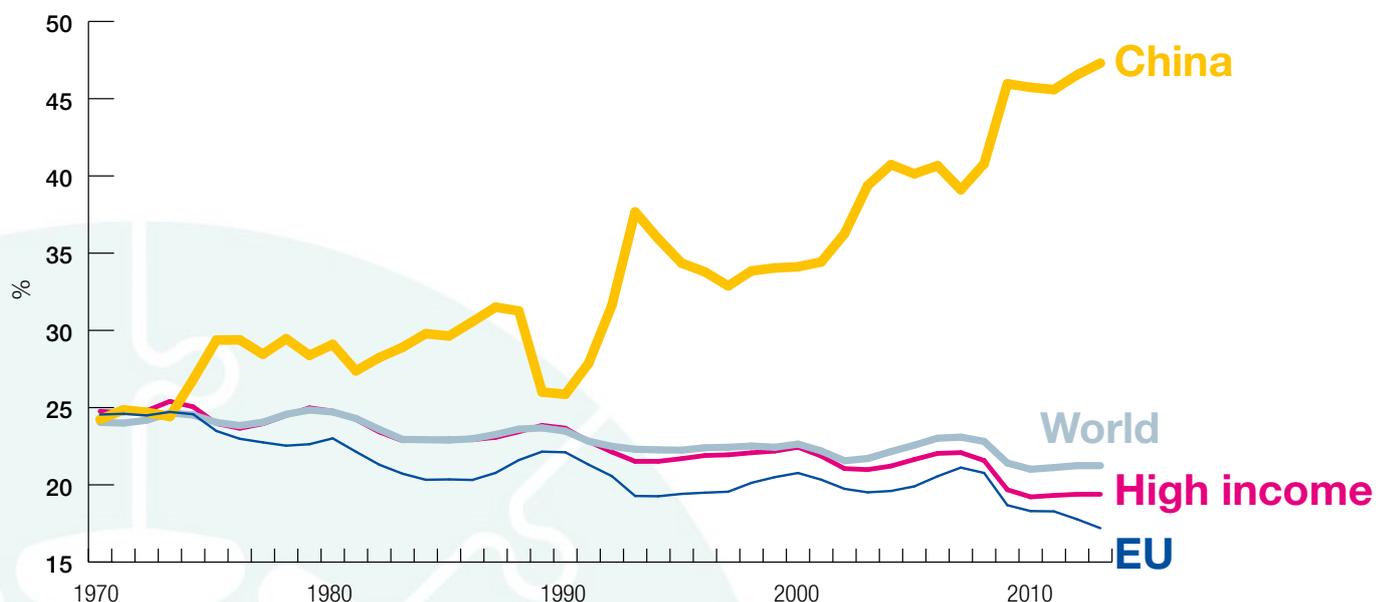
Complete the Single Market

The EU should adopt outstanding Single Market regulation and fully implement the Services Directive.

The European Single Market provides benefits in terms of inward investment¹⁰, market access¹¹ and growth¹². However, the full potential of our Single Market remains untapped. Broadening the Single Market to new sectors of the economy and better implementation and enforcement of existing rules would generate further growth and employment across Europe by creating new opportunities for business.

Europe's services sector generates some 70% of the value added in the EU but accounts for only 20% of intra-EU trade¹³. In Ireland the internationally traded services accounts for half of total exports and offers significant future growth potential. Europe-wide, an ambitious implementation of the Services Directive could generate an additional 0.6%-2.6% of GDP over the coming decade¹⁴.

Investment % of GDP



Source: World Bank

10. From 1999 to 2012 alone, foreign direct investment climbed from €62 to €230 billion. As a percentage of GDP it rose from 75 to 142%.

11. Offers access to some 500 million consumers across 28 member states with a combined GDP of €12.6 trillion (http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-EI-13-001/EN/KS-EI-13-001-EN.PDF)

12. It adds 2.1% per annum to Ireland's GDP, equal to €3.2 billion (http://ec.europa.eu/internal_market/publications/docs/20years/achievements-web_en.pdf)

13. European Parliamentary Research Service, Mapping the cost of Non-Europe 2014-19

14. http://ec.europa.eu/economy_finance/publications/economic_paper/2012/pdf/ecp_456_en.pdf

The European Commission should work with the Council of Ministers and Parliament to:

Strengthen the Single Market:

- guarantee the functioning and further integration of the Single Market;
- secure agreement on outstanding Single Market Act I and II measures to deliver growth and employment across the EU;
- ensure timely and effective implementation and enforcement of Single Market rules:
 - Introduce more regular benchmarking and reporting on the state of Single Market that goes beyond quantitative implementation data and looks at the effective functioning of the market too; and
 - investigate obstacles and implementation issues in individual member states and swiftly apply infringement procedures where necessary;
- make it easier for SMEs to engage more in the Single Market, by simplifying administrative processes (e-Government); and improving national-level Points of Single Contacts (PSCs) offices;
- ensure effective market surveillance:
 - improving cross-border cooperation, including with third countries, as well as strengthening controls at external borders is the key to making market surveillance in Europe more effective and keeping harmful products off the market. At present, too much emphasis is being put on adding even more obligations on companies. This is disproportionate and ineffective;
- remove the remaining obstacles to the free movement of goods such as national requirements that exclude new products from the EU market, burdensome and unnecessary labelling requirements, overly complex legislation, fragmented application of rules and developing standards, which are not compatible with market needs;

- ensure food labelling does not encourage renationalisation of the EU marketplace or impose cost burdens due to unrealistic batching arrangements or restrictions on raw material supply sourcing; and
- provide a cohesive framework to support and promote the competitiveness of Europe's retail and wholesale sector. This can be achieved with reduced barriers and more open markets for European retailers.

Create a true Single Market for services:

- remove remaining obstacles linked to the quality of implementation of the 2006 Services Directive across Europe;
- address restrictions applied by member states at national level that make it difficult to access some regulated professions and that restrict real free movement of workers and limit competition;
- promote the principle of mutual recognition in all areas of Single Market policy, for instance, in certification, offering permits and recognising specific qualifications; and
- broaden access to public procurement by increasing electronic bids and open more public services to public-private partnership (PPP) solutions.

Invest in infrastructure for the future

The EU needs to invest in strategic infrastructure for the future in areas such as transport and energy.

Infrastructure is a key input to the EU's economy, our well being, as well as facilitating personal interactions that are fundamental to good business relationships. Capital expenditure can provide employment in the short term and provide long term returns in terms of improved European productivity and competitiveness. Despite its importance, strategic infrastructural gaps exist in a number of areas across Europe including communications, transport, energy and environmental services, education, health and social housing.

The recent economic crisis increased political pressure to reduce capital expenditure across Europe. Europe has underinvested for an extended period below most other high income nations or the global average and well below rates in developing countries such as China. Investment as a percent of European GDP is now over 4 pp lower than where it was in 1990 and 7 pp down on where it was in the 1970s. Now, the EU needs to facilitate investment in infrastructure that allows business and citizens to meet the demographic and competitive challenges facing Europe.

The European Commission should work with the Council of Ministers and Parliament to:

- fully implement the Single European Sky proposals EU-wide and develop integrated plans to address capacity deficits on the ground;
- the capacity and interoperability of the EU's transport, communication and energy networks need to be adapted to future needs through the Connecting Europe Facility (CEF) and EIB funding;
- work with the member states to continue to drive investment and strategic planning in transport infrastructure to facilitate haulage and passenger transport e.g. drive investment in core ports (such as Cork and Dublin) through the CEF;
- enhance cross-border trade in energy, facilitate market access to providers, and strengthen investment in strategic energy infrastructure to ensure full integration of all regions into the EU energy market, which are essential to maintaining a secure, competitive and sustainable energy supply;
- ensure that completion of the internal energy market and energy security initiatives are balanced with competitiveness concerns. Proposed energy interconnection, in the interest of public good and funded on a regulated asset basis, should be subject to sound cost benefit analysis that tests net consumer benefit and competitiveness impacts. Project costs should be assigned according to the principle of *cui bono*;
- avoid a fragmented EU approach to inter-regional policy on energy but safeguard the rights of EU member states to exercise discretion on fuel mix and infrastructure priorities. Major reforms are taking place in Ireland's all-island electricity market design that will contribute to completing the EU's single energy market. However, the design choices should remain a matter of national policy; and ensure the benefits accrued from Ireland's all-island electricity market are retained when implementing European energy and climate policies; and
- continue Commission's horizontal regulatory fitness checks on Europe's refining capacity and competitiveness underpinned by a working group of member state representatives to assist in the implementation of the resulting recommendations.

An equitable, cost effective EU climate action framework

EU leaders have set out the policy vision to 2030, and committed to reduce greenhouse gas (GHG) emissions by at least 40% compared to 1990 levels, and increase energy efficiency and renewables by at least 27%¹⁵. In order to maintain a sustainable and competitive framework, these policies must be implemented in a coherent and cost-effective manner.

The Commission should work to:

- ensure a reformed, cost-effective EU emission trading scheme (ETS) becomes the central driver of any new 2030 EU energy and climate change policy framework. The current 2020 EU energy and climate policy framework is over-specified with several competing member state targets (e.g. GHG emission reduction, renewables, energy efficiency and biofuels) that distort the incentives for action at member state level. The result is unnecessarily costly for consumers and business alike;
- ensure a reformed, cost-effective ETS can fund the required decarbonisation of the energy sector if renewable subsidies are to be phased out after 2020. We must also ensure adequate investment in technologies that complement intermittent renewables. The EU low carbon roadmap to 2050 highlights the importance of a sufficient long term carbon price signal and the importance of the ETS in driving low carbon technologies into the market;
- avoid unnecessary top-down 2030 targets for energy efficiency to ensure a coherent policy framework. While energy efficiency will be part of the mix of measures adopted by the market to meet a 2030 GHG emission reduction target, EU leaders have confirmed that the GHG emissions reduction target is the central piece of the 2030 climate and energy policy framework;
- allocate 2030 mitigation targets at EU level on the principle of economic efficiency. The current 2020 targets, based on GDP, place an unfair burden on some member states;
- establish a transparent, liquid market mechanism for trading 'surplus' compliance between member state governments. The continued absence of such a mechanism is damaging, both economically and environmentally¹⁶;
- ensure that 2030 non-ETS obligations can be realised in the most cost-effective manner;
- develop an appropriate methodology to encourage food production. Ireland provides the ideal location to produce high quality food of low carbon intensity within the EU utilising sustainable production systems. However, the current 2020 target for the Irish non-ETS sector perversely penalises this opportunity. The 2030 policy framework recognises the need for coherence between food security and climate change objectives, and invites the European Commission to develop policies to offset agricultural emissions through afforestation after 2020. This framework must be established in a timely fashion to provide clarity on the rules that will apply; and
- avoid further unilateral EU commitments on climate change action. Leading by example on emission reduction and adaptation at UNFCCC¹⁷ level is a worthy ambition. However, climate change is a global challenge and unilateral EU commitments will simply result in a loss of European cost competitiveness.

15. European Commission, 2014, (A policy framework for climate and energy in the period from 2020 to 2030, COM 2014/ 15 final)

16. European Commission, 2012 (Analysis of options beyond 20% GHG emission reductions: Member State result, SWD 2012/5 final) assumed that Member States that underachieve their targets acquire excess emission allocations from Member States that overachieve their target

17. United Nations Framework Convention on Climate Change

Expand EU global trade and investment

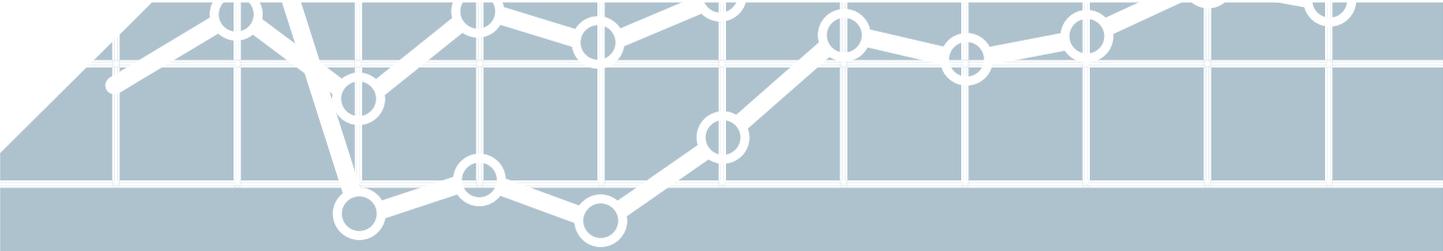
Strengthen the role of the EU in the world economy by completing the Transatlantic Trade and Investment Partnership (TTIP) and free trade deals with global partners including Japan and India.

The IMF estimates that 90% of world demand will be generated outside the EU. Completing all current EU negotiations on Free Trade Agreements (FTAs) could add 2.2% to the EU's GDP or €275 billion. This is the equivalent of adding a country as big as Austria or Denmark to the EU economy. In terms of employment, these agreements could generate 2.2 million new jobs or an additional 1% of the EU total workforce.¹⁸

The European Commission should work with the Council of Ministers and Parliament to:

- put in place a proactive and ambitious market access policy to restore a level playing field by triggering the opening of third-country markets;
- complete negotiations with the US on the Transatlantic Trade and Investment Partnership (TTIP), which covers half the world's GDP. An ambitious TTIP should make goods available in the market cheaper and faster. It should make doing business easier by better cooperation on regulation and standards. TTIP should support innovation, cross-border data flows and a wider choice of services. It should also make access to public contracts easier;
- fully implement the Comprehensive Economic and Trade Agreement (CETA) with Canada and make sure to pave the way for an extended EU-North American market in the future;
- inject new impetus to trade negotiations with India, which is emerging as a key EU trade partner. An EU-India trade agreement should deliver significant market access and investment improvements for European businesses;
- complete a comprehensive free trade agreement with Japan to reduce the cost of the regulatory burden on business and liberalise services, investment and public procurement markets;
- evaluate trade and investment relations with the Mercosur countries to see what steps can be taken to improve the overall business environment for EU companies;
- fully implement the free trade agreement negotiated with Singapore as a stepping stone towards a broader agreement with other ASEAN countries;
- complete an investment agreement with China, with strong provisions on market access, investor protection and enforcement of Intellectual Property Rights (IPR) protection;
- pursue efforts to open up aviation markets with the EU's main trading partners with particular focus on EU neighbouring countries across the Mediterranean and to the East and countries in the BRIC & ASEAN regions. Connectivity is essential for the growth of the aviation industry and air traffic agreements are the primary method by which connectivity can be enhanced for national and EU consumers;
- ensure that trade negotiations are balanced and fair reflecting offensive interests but also defensive interests in areas including various sectors in the agri-food industry, life sciences and internationally traded services;
- support implementation and capacity building in least developed countries (LDCs) under the WTO Trade Facilitation Agreement agreed in Bali; and
- advance the Trade in Services Agreement (TiSA) being negotiated in Geneva.

18. European Commission, 2013



Complete a dynamic EU-US trade and investment partnership

The EU and US economies account for half the entire world GDP and a third of world trade flows. A Transatlantic Trade and Investment Partnership (TTIP) has the potential to lay the foundation for a new dynamic phase of economic renewal in both the EU and the US, across manufacturing and services sectors. The benefits of TTIP would not be at the expense of the rest of the world. On the contrary, liberalising trade between the EU and the US would have a positive impact on worldwide trade and income, increasing GDP in the rest of the world by almost €100 billion¹⁹.

TTIP should include the following elements to maximise the benefit of the agreement:

- dismantling of tariffs, while recognising the needs of sensitive products, will benefit consumers and business on both sides of the Atlantic, offering a wider choice of goods at more competitive prices;
- addressing non-tariff barriers, while maintaining appropriate high levels of protection of consumers and the environment, can improve regulatory cooperation to support growth and jobs in sectors such as pharmaceutical, medical devices, services and food and drink;
- mutual recognition agreements and similar initiatives can remove unnecessary parallel testing processes and support the development of compatible high standards in the transatlantic market and beyond. For example TTIP should establish a Mutual Recognition Agreement (MRA) covering GMP inspections of pharmaceutical facilities, thereby reducing inspection time and costs;
- the opening up of US federal and state public procurement processes would level the playing field for European business;
- trade agreements tend to focus in the first instance on trade in goods, but modern economies include an important and growing share of trade in services. Clear and modern rules can reduce barriers to trade in services to stimulate growth and create jobs;
- digital technology can drive innovation to the benefit of EU business and citizens, with the ability of data to move across borders important for both manufacturing and service sectors. TTIP can help develop a clear and balanced regulatory approach to the transfer, storage and processing of data. This should include binding cross-border data flow provisions in compliance with appropriate data protection standards and rules;
- TTIP presents an opportunity to put in place a modern, transparent and efficient mechanism of investment protection through an appropriate Investor to State Dispute Settlement (ISDS) system. Such a mechanism could become a blue print for future trade agreements; and
- the establishment of transparent, non-discriminatory rules in access to energy and raw materials markets.

TTIP can benefit EU citizens, consumers and businesses, particularly SMEs who are most challenged by unnecessary differences in regulatory regimes. Independent economic studies of the impact of TTIP estimate significant gains in GDP, exports, real wages and investment.

19. An ambitious Transatlantic Trade and Investment Partnership (TTIP) agreement could generate economic gains of €119 billion a year for the EU and €95 billion a year for the US. This translates on average to an extra €545 in disposable income each year for a family of four in the EU. Source: Centre for Economic Policy Research, London

Be more skilled, flexible and mobile

The EU should help develop a skilled, flexible and mobile workforce that meets business needs.

Unemployment remains a chief concern across the EU. With only 7% of the world's population and 20% of global GDP, Europe accounts for 40% of global public expenditure on social protection. The crisis has had a particularly negative impact on young people. Between 2008 and 2013, the rate of youth unemployment across the EU increased from 16% to 24% leaving about 5.7 million young people unemployed. In some countries the rate of youth unemployment is close to 60%.

While Ireland's youth unemployment rate at 24% is lower, it is a serious problem which must be addressed with the utmost urgency in tandem with other member states. Experience from past recessions has shown that prolonged periods of unemployment at a young age leave permanent scars on the lives of the young people concerned. This unemployment problem co-exists with unfilled job vacancies in certain sectors.

Both the European Council and the President of the European Commission have acknowledged the need to ensure that the workforce has the right skills for the modern economy and the need for labour mobility in areas with persistent vacancies or skill mismatches. These challenges point to a need for Europe to modernise its labour markets, education and social protection systems to facilitate growth and job creation.

The European Commission should work with the Council of Ministers and Parliament to:

- use the European Semester process to identify and recommend to member states the structural labour market reforms they need. To achieve this, the Commission needs to ensure better implementation of country-specific recommendations. In Ireland's case, these include enhancing the capacity of the Intreo public employment service, reform of the apprenticeship system, the continuation of targeted employment subsidises such as JobsPlus and the expansion of employment focused training schemes;
- share insights and encourage collaboration among member states on promoting education, training and work based learning that provides EU citizens with the skills and flexibility necessary for the 21st century workplace. An important part of this is to address in the short-term shortages in terms of science, technology, engineering, mathematics – STEM – skills;
- promote partnerships between education and business to adapt education and training systems closer to the needs of companies, especially SMEs;
- further encourage intra-EU labour mobility by promoting language and cultural learning; simplifying procedures for the recognition of qualifications; and reviewing the extent to which certain professions need to be regulated in some member states; and
- improve the sustainability of pensions. The EU should ensure that the ongoing revision of the Directive on Institutions for Occupational Retirement Provision (IORP) supports the further development of the internal market without undermining the cost effective provision of occupational pensions by employers.

Conclusion

An effective, outward-looking European Commission that understands and supports the needs of business is more important than ever if Europe is to return to a path of strong economic growth that creates jobs and prosperity for our citizens.

Membership of the EU and the actions of the European Commission are important to business in Ireland. This year, the EU institutions have completed a process of change and renewal that will impact European and Irish business over the next five years. The recent European Parliament elections reflected a desire and an opportunity for positive change at EU level. Europe must use this opportunity.

Ibec supports a vision of an effective, outward-looking, globally competitive EU that enables business to create jobs and prosperity for Irish and EU citizens. The new European Commission offers an opportunity for a fresh start and a European Union that works more effectively.

Our priorities for the European Commission for the period 2014 - 2019

- A Commission that continues to strengthen engagement with business, that works to help Europe and its citizens:
 - be more entrepreneurial;
 - cut red tape;
 - be more innovative;
 - complete the Single Market;
 - invest in infrastructure for the future;
 - expand global trade and investment; and
 - be more skilled, flexible and mobile.

About Ibec

Ibec represents Irish business; home grown, multi-national, big and small, spanning every sector of the economy. The organisation and its sector associations, work with government and policy makers nationally and internationally, to shape business conditions and drive economic growth. It also provides a wide range of professional services direct to members.



Alcohol Beverage Federation of Ireland (ABFI)
www.abfi.ie



Information Communication Technology - ICT Ireland
www.ictireland.ie



Food and Drink Industry Ireland (FDII)
www.fdi.ie



Irish Medical Devices Association (IMDA)
www.imda.ie



Financial Services Ireland (FSI)
www.fsi.ie



Industrial Products and Services Group (IPSG)
www.ipsg.ie



Retail Ireland (RI)
www.retailireland.ie



PharmaChemical Ireland (PCI)
www.pharmachemicalireland.ie



Small Firms Association (SFA)
www.sfa.ie



Telecommunications and
Internet Federation (TIF)
www.tif.ie

For further information

Ibec is working on behalf of its members at home and abroad to extend the global reach of its members. If you are interested in finding out more about the issues raised in this paper or Ibec's EU and international policy activities, please see attached contact information below.

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