



**Brexit &
Future EU**
An Ibec campaign

Ireland in the EU: Focus on the future

Irish business priorities for the
new EU institutional cycle

ibec.ie/europe





**Brexit &
Future EU**
An Ibec campaign

Contents

Introduction	3
Irish business priorities for the 2019 - 2024 EU institutional cycle	6
Overarching policy approach	9
Priority 1: Single Market	10
Priority 2: Digital transformation	12
Priority 3: Trade and investment	14
Priority 4: Taxation	18
Priority 5: Labour market and social policy	19
Priority 6: Climate change	21
Brexit	23
About Ibec	24

Introduction

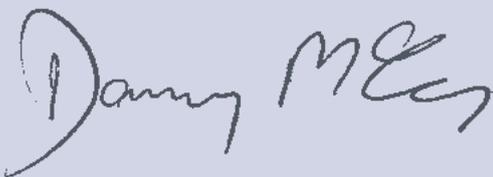
In 50 years Ireland has moved from being an inward-looking, protectionist economy to a highly competitive, innovative, globalised hub. The EU has provided a platform for greater opportunities to trade, attract investment, foster a skilled and flexible workforce and develop a fair and competitive tax regime. A strong and growing Ireland has helped shape a strong and growing EU.

Despite all its challenges, the EU remains a model of global success. We must use its existing institutions to effectively deliver a better, more prosperous future for all our citizens.

Over the coming years, and throughout the next institutional cycle, the EU must focus on being more innovative to face challenges at a European and global level. We need greater cooperation in areas where there is a clear collective benefit to all Member States and where the EU can deliver added value. This includes completing the Single Market, digital transformation, developing global trade and tackling climate change. It means championing innovation across all sectors of the economy, and ensuring that competitiveness is harnessed, not hampered through EU policy.

It also means applying the principle of subsidiarity in areas where Member States are best placed to act on their own. In areas such as taxation, labour market and social policy, individual governments are well-positioned to tailor policy to specific domestic needs and political preferences.

This paper sets out the ambition of Irish business for the new EU institutional cycle and identifies detailed and constructive priorities across a range of key policy areas that need to be progressed by the European Council, Commission and Parliament.



Danny McCoy
Ibec CEO







Ireland in the EU: Focus on the future

Irish business priorities for the 2019 - 2024 EU institutional cycle

1. Unlock the potential of the Single Market

The EU has created vast new opportunities for business, but there's much more to do. It must now prioritise the deepening of the Single Market, including completing the capital markets union, the banking union and enhancing our digital Single Market. By focusing on these 'big-wins', the EU can create enormous economic opportunities, drive growth, promote innovation, create jobs and raise the living standards of millions of Europeans.

2. Embrace digital transformation

The European Commission and Parliament can play a key role in preparing for further technological change. Member States must also play their part if the EU is to lead on digital development. The EU should lead further digital transformation, championing innovation and enterprise, and enabling everyone to reach their potential in the digital era.

3. Lead the world in trade and investment

The EU must strengthen its role as a global economic leader that facilitates trade and investment. It should continue to advance ambitious, balanced trade deals with key partners and work to promote rules-based trade and tackle global challenges. Trade policy should be designed for the 21st century, facilitating cross-border data flows, trade in services (including e-commerce) and unlocking the potential of EU business in a digitalised world.

4. Embrace competitive taxation policy

The EU must support companies, economies and Member States as they strive to compete effectively, grow and prosper. We need dynamic, competitive markets across the EU and the EU needs to be able to compete and win internationally. For this to happen, Member States must have the power to choose tax strategies that meet their economic needs.

5. Respect Member State competency to design labour market and social policy

The EU should focus on its core competencies and objectives, and avoid legislating in areas where Member States are better placed to act. In key areas of social policy, for example, local labour market needs mean that decisions should be left to national governments.

6. Tackle climate change

The EU must continue to lead international efforts to implement the 2015 Paris Agreement, reverse climate change, and build a truly circular economy. The EU must prioritise cost-effective decarbonisation, support low carbon investment, protect sectors at risk of carbon leakage, and ensure a just transition for vulnerable workers and communities.



Overarching policy approach

Ensuring innovation is at the heart of EU competitiveness and policymaking

A commitment to innovation as a central principle will underpin the success and prosperity of the EU, especially the Single Market, in the years ahead. The new Commission and Parliament must ensure that any new policies and laws help to foster and facilitate innovation rather than hamper it. This will be vital to boost EU competitiveness and to develop a regulatory environment that supports business in technological innovation and job creation. The EU must ensure that new ideas are stimulated, not stifled, and that Europe is the most attractive location to develop the ideas that will bring economic prosperity and societal benefits.

Subsidiarity and proportionality – getting the balance right

The principles of subsidiarity and proportionality govern the exercise of the EU's competencies. Applying these principles properly is essential if the EU is to achieve its full potential, both collectively and at Member State level. Where the EU does not have exclusive competence, the principle of subsidiarity must safeguard the ability and rights of the Member States to make decisions and to act. Properly applied, the principle of proportionality allows the EU to take the actions required to achieve the objectives of the treaties.

Working together, the Council, Commission and Parliament can achieve a great deal over the next five years. However, it is also critical for future economic development that issues of Member State sovereignty are fully respected, and that intervention by the EU is clearly linked to the guiding principles of an EU that 'adds real value' and that 'is more efficient'.

Championing smarter and better regulation

Poorly designed policy, legislation and regulation adds to the cost of doing business, hampers efforts to further liberalise the Single Market and inhibits job creation, growth and prosperity. EU regulation should always seek to harness innovation and maintain a growth-enabling competitive environment. The European Commission and Parliament must continue to commit to a better and smarter regulation agenda, promoting more effective legislation across all EU institutions. EU regulation should only be developed in full and proper collaboration with national representatives, business organisations and civil society, so that impacted actors can advise on the most suitable method of achieving successful policy outcomes.

Priority 1

An EU that unlocks the full potential of the Single Market

The EU must prioritise the deepening of the Single Market, including completing the capital markets union and banking union and enhancing our digitalised Single Market. By focusing on these ‘big-win’ areas, the EU can develop a framework which allows for economic growth, job creation, and fundamentally, a rise in living standards for our citizens. Only an economically competitive Europe can support a social Europe.

To unleash the true value of the Single Market, the EU should:

■ Refocus the Single Market as a core pillar of EU policy and regulation

- Enshrine the Single Market agenda in all sectors of the economy, including new emerging sectors.
- Bolster the European Commission’s role as guardian of the Single Market and ensure proper implementation, enforcement and compliance with existing rules to allow for a level-playing field and uniform approach.
- Champion and defend the Single Market for goods and counter recent trends towards renationalisation, protectionism and fragmentation.
- Renew efforts to liberalise the Single Market in services and ensure that progress to date is not lost despite current challenges.

■ Complete and strengthen the economic and monetary union (EMU)

- Build on progress made in the aftermath of the economic crisis and maintain steady momentum. Too many Member States remain reluctant to implement agreed country specific reforms as part of the European Semester process. The Commission should reinvigorate this process if the European economy is to be adequately protected from future external shocks.

- Strengthen the long-term stability of the EMU and its ability to handle asymmetric shocks, by providing support to European economies through a euro area stabilisation fund. This should not increase the overall tax burden and the Commission should commit to ensuring the function is rapid and temporary. Such a stabilisation fund should be tied with investment, ensuring that Member States are not forced to row back on essential infrastructure projects in times of economic uncertainty.
- Revitalise the Capital Markets Union (CMU) agenda to allow the EU economy to benefit from greater diversity of access to business finance and allow for greater job creation for SMEs. A complete CMU will also allow the EU to channel finance to smaller countries and regions of the EU, distributing risk and helping to prevent future economic shocks. Moreover, with a large portion of the EU's capital markets activity, expertise and capacity in the UK, the implications of Brexit are likely to have a profound impact on the timeline and success of the CMU. EU leaders should remain committed to this project and ensure that Brexit does not affect momentum.
- Secure an effective and fully functioning banking union that serves the needs of large and small business. This should include the rapid agreement and implementation of an EU deposit insurance scheme, alongside the existing supervision and resolution pillars which are needed to address the ongoing fragmentation of EU savings and credit markets. More integrated cross-border banking will increase financial stability and competition in the banking sector, which in turn will lead to an improvement in the availability of finance for firms to invest, innovate and create employment.

■ Spend more on research, development and innovation

- In an increasingly globalised and competitive world, the EU must demonstrate the utmost commitment to bolstering its potential in research, development and innovation. Scaling up EU funding in this area is essential as the EU looks for innovative solutions to the biggest societal and business challenges, such as cyber-security threats and climate change. It is vital to ensure that the EU remains a pioneer and leader in emerging fields and equips European innovators and researchers with the necessary funding and resources to be at the top of their game.
- Enterprises, particularly SMEs, must have simplified access to European programmes for research and innovation. This should include strong EU-level support for joint projects with universities and research institutions across Member States and specifically tailored support to ensure that SMEs can effectively engage with innovation and research programmes at a business level. The European Innovation Council and Horizon Europe are steps in the right direction to ensure that Europe remains at the cutting edge of research and innovation.

Priority 2

An EU that embraces digital transformation

Digital leadership is critical for Europe's future economic success and well-being. Embracing further technological change presents both opportunities and challenges. While progress is being made, the EU must not be complacent as much more needs to be done. The European Commission and Parliament can play a key role in preparing for further technological change. Member States must also play their part if the EU is to lead on digital development. Europe's digital frontrunners should support other Member States, share best practice and build an inclusive agenda that ensures a rising [digital] tide raises all boats.

To achieve a more digitalised and successful Europe, the EU should:

■ Lead an era of further digital transformation

- Prioritise further digital development across the EU and complete the Single Market. Reflect the strategic, horizontal and cross-sectoral impacts of further digitalisation in an integrated EU governance framework. Member States should intensify the level and pace of their national digital development.
- Work with, not against, technology in governance. The heterogenous nature of AI and its applications mean that a one-size-fits-all legislative approach would be problematic and even risks stifling the desired opportunities. There should be an evidence-based, risk-based and proportionate approach to AI governance. Existing governance frameworks should be harnessed where possible, complemented by voluntary initiatives for Trustworthy AI applications. Policymakers and stakeholders should work together to define any further appropriate safeguards needed for sensitive use cases, whilst continuing to encourage innovation.
- Intensify collaboration in developing international digital standards. EU engagement with its international partners can deepen our mutual understanding of the opportunities and overcome shared technical and policy challenges. Globally informed standards in emerging technologies and cyber security will further enable trust, fair competition and avoid market distortions. The EU must develop industry-led standards from the 'bottom-up', using the following principles: inclusiveness, consensus, transparency, effectiveness, technology-neutrality and impartiality.

- Lead by example in e-Government and digitalised public services, by sharing best practice. EU digital frontrunners should also intensify the pace and level of Europe's collective digital performance by demonstrating their success stories, building trust in digital transformation and deepening collaboration with the weaker performers in building a shared and inclusive agenda. The EU must also use the European Semester to promote adoption of digital opportunities and deliver the Tallinn Declaration on e-Government.

■ Enable everyone to reach their potential in a digital era

- Maintain trust and security in accessing further digital opportunities and take a human-centered approach to further digital development and adoption so consumers are prepared to access further digital opportunities. Strengthen cyber security to protect and enable further digital opportunities and ensure privacy standards enable further digital innovation.
- Ensure further investment and innovation in secure digital infrastructure and services. Competition and the right incentives must enable further investment and innovation in secure digital infrastructure and services.
- Enable everyone to accomplish more through the right knowledge training and skills. Everyone should be given the opportunity to reach their potential in an era of further innovation and technological change. The EU must encourage inclusion and diversity; invest further in education and digital skills; and share best practice. It must also build an indigenous pipeline of European digital talent, augment this pipeline, build partnerships and attract mobile digital talent.

■ Champion digital innovation, enterprise and trade

- Invest and collaborate in further digital innovation, deployment and adoption. The EU must deliver the investment promised to support further digital innovation and adoption in the next long-term EU budget – the European Multiannual Financial Framework (MFF), for the 2021-2027 period. We consider the €9.2 billion proposed for the Digital Europe programme as a minimum required for Europe's ambitions.
- The EU must intensify work with partners to lower global barriers to digital trade and innovation and champion further international digital trade and innovation. It must also ensure that the outcome of Brexit enables data flows, digital innovation and trade and that our tax policy framework remains outward looking and supports further digital innovation and investment in Europe.

Priority 3

An EU that leads the world in trade and investment

Businesses have built global supply chains, selling goods and services to customers all around the world; Ireland is a model of how globalisation can bolster an economy, exemplifying the journey of a country which was once inward-looking, protectionist and overly reliant on primary industry to one which is a world-renowned business hub. An open trade and investment environment has been crucial to this and Irish companies are now doing business all around the world. However, the global trading environment has become increasingly challenging (and challenged) recently. These global uncertainties impact investment decisions and trade in goods and services. It is critical that the EU continues to champion trade and investment within the EU and externally with global partners.

To be a global leader in trade and investment, the EU should:

■ Advance EU trade policy and agreements at the bilateral level

- Continue to pursue ambitious free trade agreements (FTAs) with third countries in a balanced manner. FTAs should improve market access and reduce tariff and non-tariff barriers (for example through the harmonisation or recognition of standards) to trade for EU business. Once delivered, fair implementation of FTAs by both partners is critical to the success of the agreement.
- Create and promote a fit-for-purpose trade framework, that takes account of the role of services in the economy and supply chains; Services make an increasingly strong contribution to the global economy, facilitated by digitalisation, as more and more businesses trade services across borders including through global manufacturing supply chains. It is essential that barriers to trade in services are removed and markets liberalised to the benefit of businesses and consumers. An open services market will enable global value chains, reduce costs for SMEs and multinationals, support entrepreneurship and increase competitiveness.
 - FTAs must contain ambitious provisions for trade in services facilitating establishment (mode 3), market access (mode 1), movement of people (mode 4) and EU businesses to repair products and train staff in their head office (mode 2).

- Clear global rules are needed to facilitate the movement of data across borders to promote economic growth, innovation and inclusion. Cross border movement of data is an integral process for businesses trading both goods and services. The EU can be a global leader but must make the right decisions to embrace trade and investment in a digitalised world.
 - Negotiators of the WTO agreement on e-commerce should be ambitious and seize the opportunity to allow for the flow of data across borders, prohibiting forced data localisation requirements. In this context, privacy rules for the protection of personal data should be non-discriminatory and proportionate. The final agreement should establish clear rules for e-commerce including but not limited to: market access, prohibition of mandatory disclosure of source code, non-discriminatory treatment for digital products, recognition and acceptance of e-contracts and e-signatures. Market liberalisation for digital trade will benefit business and consumers across the globe.
 - A permanent prohibition on the imposition of customs duties on electronic transmissions should be agreed at WTO level.
- Show that trade policy can be competitive and sustainable: Ibec supports the development of policies that are both economically and environmentally effective. Sustainability is the responsibility of many actors such as the ILO and the UN. The EU should support rather than duplicate these efforts by promoting sustainability provisions in FTAs.
 - Business is committed to sustainability through CSR initiatives and responsible business conduct. There must be a careful balance to ensure that FTAs and trade policy do not become the sole vehicle for achieving sustainability goals to the detriment of improving market access and customs facilitation.

■ Lead in developing rules-based trade at the multilateral level

- Continue to work with partners to invigorate and modernise the World Trade Organisation rules and bodies. The WTO faces numerous structural challenges but should remain the forum for international rule setting, monitoring and negotiations;
- Continue to participate and show leadership in the ongoing joint statement initiatives at the WTO such as the work on trade related aspects of e-commerce;
- Continue to negotiate with trading partners on the global challenges we all face. Nobody benefits from protectionism and the threat of unilateral retaliatory tariffs. Trade liberalisation has brought efficiencies to businesses and increased the availability of products for consumers.
- EU trade policy must continue to facilitate trade and investment within the EU but also globally, taking a reasoned approach to investment screening and trade defence instruments.
- Ensure the integrity of the Single Market is balanced with the opportunities presented by trade agreements. The cumulative impact of numerous agreements on economically significant, job-intensive sectors such as agriculture must be considered and reflected in the Commission's negotiating positions.





Priority 4

An EU that embraces a competitive taxation policy

The EU should ensure that it continues to develop in a manner which facilitates companies, economies and Member States to innovate and grow. An essential part of this is respecting Member State competence to maintain full sovereignty when it comes to decision-making on all taxation matters.

To embrace competitive taxation policy, the EU should:

■ Ensure that its policies are always in line with supporting competitiveness and growth

- Ensure that essential taxation issues are dealt with through international agreement at OECD level and do not pre-empt the work of initiatives such as the Base Erosion and Profit Shifting (BEPS) project. The EU should not attempt to supersede these positive developments by implementing its own EU-level taxation strategies which would be harmful and costly to businesses.
- It is imperative that the measures which are agreed are adopted on a multilateral basis and do not produce significant losers. It is also crucial that the potential for administrative complexity and disputes between jurisdictions is minimised. If these standards are not met, then the proposed reforms will come at considerable cost with no offsetting increase in global stability or certainty.
- Ibec continues to support the multilateral basis of the BEPS programme of work. Tax reform must not be a temporary patchwork of contradictory unilateral changes but an overarching international agreement on how to fundamentally define where value is created, and substance is held in the value chains of companies. It is worth stating upfront, that we believe a considerable amount has already been achieved through the BEPS process. We also accept that the process will need to go further in order to achieve global certainty and agreement on tax issues.

Priority 5

An EU that respects Member State competency to design its labour market and social policy

To prosper, the EU must act only in the areas in which it can add real value for European societies and avoid mission creep. It must uphold the principles of subsidiarity and proportionality and ensure that in areas such as labour market and social policy, Member States retain competency. By keeping labour and social market policy at a Member State level, national governments and policy-makers can best consider societal nuances, local labour market realities, demographics and citizens' needs. The EU already has the best living standards and labour rights in the world, and the treaties already include the important areas of a social Europe. Having too much EU-level labour and social policy will leave citizens feeling disenfranchised and isolated from their national policy-makers.

To address labour market and social policy challenges the EU should:

■ Respect Member State competency and keep decision-making close to people

- Respect and uphold the principles of proportionality and subsidiarity and act only where it has competency and ability, leaving the rest to Member States.
- Tackle issues of inequality and the urban-rural divide through policy areas in which the EU already has competency, such as better utilising CAP and cohesion funds.

- Offer solutions to unemployment, and in particular, youth unemployment, by ensuring that EU policies are business friendly and can support businesses' ability to innovate, grow and employ by creating a simple and secure regulatory and economic environment. It is companies, not social policy, which create employment.
- Assist Member States to reform education and training systems which upskill people; particularly in science, technology, engineering and mathematics (STEM). This means improving both specific and transversal skills and retaining existing competence and talents in the EU. It also means that the EU should be ahead in the global race for talent by attracting skilled workers from outside the EU.

■ Take a fresh approach to labour market reform

- Intensify a project-based approach to developing initiatives to support Member States to deal with the challenges posed by demographic changes across the EU.
- Implement a learning framework which facilitates sharing of best practices and policy learning exercises across Member States, so that we can face these challenges together.
- Encourage Member States to reform education and training schemes to implement learning programmes in line with labour market needs, reflect improving data on job vacancies and anticipate skills needs. Life-long learning will help employees adapt to changing work environments, allow for upskilling and retraining and enable workers to successfully manage transitions in the labour market.
- Promote the removal of labour market barriers and rigid employment regulations, to facilitate the integration of new entrants. Employers across Member States should be allowed to facilitate different forms of employment contracts to ensure attractiveness of employment to individuals at various stages of their lives.
- Reinforce the effectiveness of the tax and benefit systems to ensure that work pays, including measures such as reducing the tax wedge on employment and avoiding unemployment traps.

Priority 6

An EU that tackles climate change and supports a sustainable economy

Climate change is the single greatest challenge facing humankind today. Global temperatures are increasing, our environment is changing, with man-made greenhouse gas (GHG) emissions being the main driver. The point of no return is fast approaching. The EU must continue to lead international efforts to implement the 2015 Paris Agreement, reverse climate change, and build a truly circular economy. If Europe is to be the first climate neutral continent, new policies and flexibilities will be needed. Critically, the EU must prioritise cost-effective decarbonisation, support low carbon investment, protect sectors at risk of carbon leakage, and ensure a just transition for vulnerable workers and communities.

To support effective climate action, the EU should:

■ Lead international efforts to implement the 2015 Paris Agreement

- Work with social partners to develop a European Green Deal that prioritises cost-effective emissions reduction, boosts competitiveness, and leaves nobody behind.
- Lead international negotiations on climate action and ensure trading partners adopt similar climate ambitions to prevent carbon leakage.

■ Support investment in renewables and low carbon solutions

- Create the market conditions to drive public and private investment in energy efficiency and low carbon technologies.

- Align EU VAT rules with EU climate goals and support emissions reduction.
- Ensure the European Investment Bank is directed and resourced to support low carbon investment across the economy.
- Progress the development of a secure, competitive, efficient and fully integrated internal energy market (IEM).
- Encourage afforestation and better land-use management, by removing Member State limits on carbon sequestration.
- Ensure that support schemes developed under the Common Agricultural Policy reward sustainable farming and production.

■ **Protect vulnerable sectors and communities**

- Help displaced workers by supporting national/local reskilling programmes and the roll-out of targeted measures in affected communities
- Recognise that Member States all have different starting points and face unique challenges in the pursuit of climate neutrality.

Brexit

Brexit presents an unprecedented and profoundly unwelcome challenge to the Europe we know. For Ireland, the relationship with our closest neighbour and key trading partner is set to change fundamentally.

Close economic, political, cultural and historical links with the UK mean that Ireland is uniquely exposed to the discord and disruption of Brexit. The land border with Northern Ireland, and the need to safeguard the Peace Process, present additional complex challenges that demand specific, legally binding and far-reaching provisions in any Brexit settlement.

Ibec's Brexit priorities

1. A smooth exit

An orderly withdrawal of the UK from the EU, which includes a fair financial settlement and a comprehensive agreement to secure the rights of EU citizens in the UK, and UK citizens in the EU, must now be delivered.

2. Unique Irish challenges addressed

Both the Withdrawal Agreement and the future EU-UK relationship must address unique Irish challenges. A clear legal commitment is needed to protect the Good Friday Agreement and avoid a hard border on the island of Ireland. The unique economic and political challenges that Brexit presents to Ireland must be recognised and a range of specific measures to address these put in place.

3. Comprehensive transitional arrangements

Continuity with existing arrangements should be maintained until the point where a new relationship takes effect. The timing and nature of transition must also be flexible and responsive to the business needs that different scenarios may ultimately present. A temporary, targeted EU state aid framework will be required to help companies trade through any period of adjustment.

4. The closest possible future relationship

Any EU-UK deal must facilitate the closest possible, tariff-free economic and trading relationship between the EU and UK. An EU-UK free trade agreement should be as broad, comprehensive and as ambitious as possible, covering both goods and services. Ireland's energy security must also be safeguarded and cooperation on skills and education preserved. However, a deal must not undermine the coherence and integrity of the Single Market. Clear, legally binding and enforceable provisions will be needed to ensure fair competition and resolve disputes; and regulatory divergence must be avoided or kept to an absolute minimum.

About Ibec

Ibec is Ireland's largest lobby group, representing Irish business both domestically and internationally. Our members span all sectors of the economy, collectively employing over 70% of the private sector workforce. Our policy work seeks to improve business conditions and thereby promote sustainable economic growth.

www.ibec.ie

Contact us

Pat Ivory
Ibec Director of EU and International Affairs
Tel: +353 1 605 1571
Email: pat.ivory@ibec.ie
EU Transparency Register: 468313744-50



**Brexit &
Future EU**
An Ibec campaign

ibec.ie/europe