Decisions on the EU’s top jobs and future policy direction are expected to play out between now and the end of the year. The first chapter in this renewal of the EU institutions has just concluded. The newly elected European Parliament held its first plenary sessions in July. Mr Martin Schultz (S&D) was re-elected as the President of the European Parliament and Mr Jean Claude Juncker (EPP) was approved by the both the European Council and Parliament as the next President of the European Commission. While we await the selection of the next European Commission, we should ask what has changed and what does it mean for Europe?

The European Parliament had expected this election to be different. The results reflected a rise in euroscepticism or at least eurocriticism across some member states. Despite this trend, a delicate coalition of traditional pro-European parties is still likely to dominate the new Parliament with a two thirds majority for the next five years, and it is unlikely that euroscopic representatives will find enough common ground to form a blocking majority. With over half of the Parliament now consisting of new MEPs, the election results reflect a desire for change at EU level.

This election, the first since the Lisbon Treaty, also featured the rise of the ‘Spitzenkandidat’ process in influencing the choice of the future Commission president. This process involved the proposition of candidates for the post of Commission President by the European Parliament’s political groups. The Lisbon Treaty means that the European Council and Parliament now have a joint responsibility in the appointment of the President of the Commission. After the European elections and a well publicised political row, the European Council proposed Mr Juncker as the next Commission President. He was subsequently approved by the European Parliament on Tuesday 15 July.

This outcome has set a precedent and shown the strength of the Parliament in the post-Lisbon process, EU Heads of State and Government proposed a ‘strategic agenda’ of EU policy priorities to guide Mr Juncker over the next five years. They have also indicated their intent to review the future process of appointing the President of the European Commission, while respecting the European Treaties.

We would like to congratulate the incoming MEPs as well as those nominated to new roles with the EU institutions, we look forward to working with them. The electorate’s mandate for change offers the opportunity to deliver a European Union that works in every sense. The recovery across the EU remains fragile and we face increased international competition for markets, investment and resources. Ibec calls for a globally competitive EU that promotes smarter regulation and harnesses the single market as a platform to promote trade and prosperity. The new MEPs and next Commission can play an important role in shaping Europe’s future by understanding and responding to the needs of business for the benefit of society.

In this edition and an accompanying supplement, Ibec reviews the outcome and impact of the European Parliament elections. We also highlight EU policy developments in the second quarter of 2014 and preview the Italian Presidency of the Council of the EU and the formation of the next Commission. I hope you find the content informative and challenging.
June European Council

The first formal European Council since the EU elections in May took place in June. At the meeting, EU Heads of State and Government formally proposed Jean Claude Juncker for the position of President of the next European Commission, and set-out the strategic agenda for the EU over the next five years.

Mr Juncker's nomination followed weeks of political debate. As a result, the debate revolved more around personalities and process rather than the priorities for the next Commission. Ibec called on the European Council to highlight the need to focus driving job creation and growth.

The UK and Hungary were the only member states to oppose Mr Junker's nomination. In response, the European Council agreed that once the new Commission is in place, they would review the process for appointing future Commission Presidents. President Van Rompuy also indicated that a closer union in the future would allow for different paths of integration and a so-called ‘two-speed Europe’.

The Heads of State and Government outlined a new “Strategic Agenda for the Union in Times of Change”, and called for “closer involvement of national parliaments” to tackle the challenges faced by the EU.

The European Council called for immediate implementation of the European Commission’s communication on a European Energy Security Strategy, which aims to increase efforts to reduce Europe’s high energy dependency and increase energy security. The meeting did not produce any concrete decisions on the 2030 climate and energy framework, it is expected that it will be finalised by October 2014.

Finally, they stressed that regulatory fitness should remain a priority for the institutions. They want member states to make more use of regulatory flexibility provisions for the benefit of SMEs in implementing EU legislation.

Irish cabinet reshuffle in July

Charlie Flanagan TD, has been appointed as the new Minister for Foreign Affairs and Trade. He previously served as Minister for Children and Youth Affairs. Mr Flanagan replaces Eamon Gilmore TD. Dara Murphy TD, has been appointed as the new Minister of State at the Departments of An Taoiseach and Foreign Affairs and Trade with special responsibility for EU Affairs and Data Protection.

Mr Murphy was previously the Vice Chairman of the Oireachtas Committee on European Union Affairs. Mr Murphy replaces Pascal Donohoe TD who has become the new Minister for Transport, Tourism and Sport. Ibec Europe congratulates the new Ministers and looks forward to engaging with them in the future.
Europe’s Agenda for the next five years

The European Council and the incoming President of the European Commission, Jean-Claude Juncker have outlined their visions for the EU’s political direction over the next five years.

The European Council proposal entitled, a ‘strategic agenda for the union in times of change’ was published on 27 June and accompanied its nomination of the next President of the Commission. Mr Juncker’s proposal entitled, ‘a new start for Europe’, was published on 15 July as he successfully sought approval of his nomination from MEPs in the European Parliament.

The European Council proposal calls for high level EU action in five areas:

• delivering jobs, growth and competitiveness;
• promoting fairness and social protection for a skilled workforce;
• migration, judicial co-operation and security;
• actions on the competitiveness and security of Europe’s energy supply and addressing climate change by 2030;
• and strengthening the EU’s role as a global player on the international stage.

Mr Juncker’s proposal contains 10 detailed priorities that cover the same political ground but with some differences.

Both programmes push growth and jobs high on the agenda. Three approaches are identified: the completion of the single market in digital and services; the conclusion of a successful transatlantic trade and investment programme (TTIP); and encouraging smarter investment and more flexibility when it comes to the use of public funds. Mr Juncker re-iterated the Commission’s commitment to increasing industry’s GDP make up from 16% to 20%. While the Council adds that it would facilitate shifting taxes away from labour, the Commission President says that less regulation will stimulate investment. He also would like to mobilise €300bn investment by February 2015 for infrastructure, education research and innovation. He also proposes an integration of EU capital markets to increase access to finance for business. Both agree on making use of the Stability and Growth Pact’s flexibility and say that growth and jobs depend on creating the right regulatory environment. To achieve this, Mr Juncker commits to giving a ‘better regulation’ portfolio to one of the new Commissioner Vice-Presidents and cutting red tape for SMEs. This may be a positive proposal providing it is not at the expense of central role currently played by the Commission President in promoting smarter regulation at EU level.

A more social and transparent Europe features strongly in Mr Juncker’s proposal, calling for mandatory registration of lobbyists, increased transparency for TTIP, stricter controls on banks and appointing commissioners to be directly responsible for human rights and migration issues. The Commission President commits to a review of the posting of workers directive, rather than better implementation of existing provisions. He also wishes to tackle tax fraud and evasion.

Both parties advocate for an energy union and action to address climate change by 2030. While the European Council emphasises energy competitiveness, Mr Juncker emphasises green growth. He wants a binding energy efficiency target for buildings and for Europe to be a world leader in renewable energy.

Overall Ibec welcomes both proposals as important contributions to the future direction of the EU. Overall many of the ideas are positive and reflect business priorities for growth and jobs expressed by Ibec in its campaign, a European Union that works. However the success of proposals will depend on making visions a reality and how the three institutions will work together when the new commissioners take their seats in November.

Mr Jean Claude Juncker, President-elect of the European Commission
Italian Presidency

On Tuesday 1 July Italy took over the rotating six-month Presidency of the Council of the European Union. It is the first country in a trio of presidencies with Latvia and Luxembourg. Under the trio system, they will work together to ensure consistency and develop an 18-month political programme, which will end 31 December 2015. The Italian Presidency aims to help shape the EU agenda of the next five years and steer some outstanding issues rather than taking on new files. This will be Italy's 12th Presidency.

Italy's Prime Minister, Matteo Renzi, kick-started this Presidency with a public address to the European Parliament on 2 July. The Italian Presidency programme, entitled 'Europe, a fresh start', has three overarching themes:

• the promotion of a job-friendly Europe;
• moving Europe closer to its citizens; and
• promoting the EU’s role as a major actor on the international stage.

Growth is the key word and what this Presidency would like to be remembered for. The focus of moving “from austerity to growth” means establishing conditions that can achieve enduring prosperity. The Italians may be seeking some flexibility in the Stability and Growth Pact (SGP) to promote investment in strategic infrastructure. Even so, fiscal consolidation and structural reform will remain key with the implementation of the supervision mechanism and the number of secondary acts they will have to supervise.

While the Lithuanian and Greek presidencies worked on closing key dossiers before the parliament elections, the Italian presidency will face the political challenge of leading sensitive discussions. One such political priority is working with the EU institutions and international partners to avoid a potential UK exit from the EU. The Presidency also wants to use the public consultation on Europe 2020 to help revise Europe's priorities and will guide this work through the transitioning European Commission, having a concrete framework to present to the European Council in December.

On the technical dossiers, the Italians feel that they must achieve substantial progress on the Data Protection package and the development of a common European migration policy to address current problems in the Mediterranean Sea. Migration policy and data protection have been the subject of much debate during the EU elections. Ibec supports a balanced approach in both areas.

On global engagement, the Italian Presidency will continue to steer work on TTIP. It will pay particular attention to the external dimension of energy policy and energy security.

Further information on Italy's EU presidency, including its priorities and the latest developments may be found at: http://italia2014.eu/en

Pictured (L-R) Mr Matteo Renzi, Italian Prime Minister and Mr Martin Schultz, President of the European Parliament.
ECOFIN update

EU finance ministers have expressed support for structural reforms that enhance growth and improve fiscal sustainability as outlined in the Italian Presidency priorities. They said that this could be achieved by making use of the flexibility built into the Stability and Growth Pact.

A proposal from the European Commission to close a loophole in the EU’s parent-subsidiary Directive (2011/96/EU) was agreed. The amendment is aimed at preventing double non-taxation. This would mean that the member state of the parent company would only refrain from taxing profits from the subsidiary if those profits were not deductible by the latter. Member states have until 31 December 2015 to transpose the amendment into national law.

The Presidency updated ministers on work on the Financial Transaction Tax. The ten participating member states intend to work to progressively implement the FTT by focusing first on the taxation of shares and certain derivatives. They would like the first steps to be implemented at the latest by 1 January 2016. Ibec is opposed to enhanced EU cooperation on FTT. Ireland chose not to adopt the proposal and should not be affected indirectly.

Europe 2020 Strategy

The Europe 2020 strategy is the European Commission strategy for promoting jobs and growth. It is a part of the European Semester process and is built on five headline targets which cover: employment, research and development, climate and energy, social inclusion and reducing poverty.

The Commission found in a recent communication “Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth”, that while the EU is on course to meet or come close to targets for education and climate and energy, it is off course on employment, research and development and poverty reduction goals.

A public consultation on the EU 2020 strategy was established to try to draw lessons from the first four years of the strategy. Based on the results of the consultation, the Commission will present proposals for the mid-term review of the strategy in 2015. The Heads of State and Government will then discuss it at the next Spring Council.

The current Commission expects to use the consultation as a bridge to hand over the work agenda to the next Commission which is expected to be in place by November. The consultation is, therefore, a good opportunity for business to try to influence and shape the targets that will be up for discussion at the 2015 Spring Council. Ibec Europe is currently developing a response to the consultation and member comments are welcomed.

More information on the consultation and how to get involved can be found in Ibec’s EU legislative tracker and by following the link: http://ec.europa.eu/europe2020/public-consultation/index_en.htm
Ireland’s first Country Specific Recommendations

The European Commission published Country Specific Recommendations (CSRs) in early June. The CSRs are addressed to 26 member states and are part of the European Semester process of economic and budgetary governance for the EU. They focus on what the Commission believes each country can achieve in the following 12-18 months. They are based on the general priorities from the Commission’s Annual Growth Survey, and information submitted by member states in their medium-term budgetary plans and national reform programmes (NRPs).

In March 2014, Ibec made a submission to Ireland’s NRP and recommended specific actions such as reducing taxation on work, investing more in infrastructure and encouraging labour market flexibility and entrepreneurship. These submissions have been reflected in some areas of the CSRs. The Commission recommends broadening the tax base, improving active labour market policies, and addressing the availability of bank and non-bank financing and debt restructuring for the SME sector.

The Commission puts a lot of emphasis on aligning education and training with the skills needed in the workforce. It proposes advancing further education schemes, apprenticeship programmes and referrals between Intreo offices and education and training boards. Ibec has its own detailed proposals with recommendations for reforming the junior and leaving certificate and incentivising engagement between higher education institutions and business to better equip students with skills needed in the jobs market.

Other recommendations by the Commission focus on reform of the healthcare sector to increase cost-effectiveness, reform of legal services to foster greater competition and further reforms in the financial sector.

The package has been presented as a post-crisis exercise where the shift should be from crisis management to strengthening conditions for growth and jobs with a focus on restoring lending to the economy, tackling unemployment and stability for the economy. This is the first time that Ireland is participating in the process following its exit from the bailout programme last year. Member states must now take the CSRs into account when deciding their national budget for next year.
Ibec Europe legislative tracker

The EU institutions put laws in place that impact business and citizens. The legislative process is on hold at the moment due to institutional changes, however this process will start up again once the new Commission is in place in November. The current Commission has withdrawn about 50 pieces of legislation. However some proposals remain in the legislative process and there are a number of Commission consultations that may become legislative proposals in the near future.

Ibec Europe has put this information in a legislative tracker to help you to keep up to date on those initiatives that may be important for your business. The tracker will be updated regularly to include new proposals as they are announced and to provide key voting dates for those already in the legislative process. The document will be available on our website for you to consult. You can find it by following the link below:


Since Ibec Europe’s April newsletter the Posting of Workers Directive has been formally adopted and was published in the Official Journal of the EU on 28 May. The directive on disclosure of non-financial information has yet to be formally adopted by the Council of Ministers, but the tracker will reflect any updates as soon as they are available.

If you have any questions, or specific files which you would like included in the tracker do not hesitate to contact us and we can include and follow them.

Below is a table of the European Commission’s current open consultations. More background information and links can be found in the tracker.

### Current Commission consultations

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EU publishes negotiating positions in key areas in talks with the USA

The European Commission published negotiating positions during the fifth round of talks with the US on a potential Transatlantic Trade and Investment Partnership (TTIP).

The five key areas covered are pharmaceuticals, chemicals, cosmetics, motor vehicles and textiles. In each sector, the papers focus on ways to:

- End the unnecessary duplication of product testing or plant inspections, e.g. good manufacturing practice
- Recognise each other’s existing regulations, or bring them more closely together
- Align respective procedures for approving or registering new products.

Addressing these issues is an important priority for Ibec and its sectors and should make the EU and US systems more efficient and thereby cut firms’ costs.

Chief negotiators Ignacio Garcia Bercero (EU) and Dan Mullaney (US) were pleased by the productive round and are now discussing proposed agreement in most of the negotiating areas, including technical barriers to trade, competition, state-to-state dispute settlement, and small and medium-sized businesses.

The European Commission recently published a state of play of the TTIP negotiations ahead of the sixth round of negotiations, hosted in Brussels. The sixth round of talks, held from the 14-18 July, marked one year of discussions. These talks were seen as paving the way for further political negotiations later in the process. Trade officials began analysing responses to a public consultation held by the European Commission on investment protection and investor-to-state dispute settlement (ISDS) in TTIP. A report on the results will be published by the Commission towards the end of 2014.

Initial tariff offers were exchanged in February, ahead of the political stocktaking held by the two sides’ top trade officials – US Trade Representative Michael Froman and European Trade Commissioner Karel De Gucht. Negotiators also hope to make progress in a number of areas like sustainable development, labour, and the environment.

The talks, while aiming to cut tariffs between the two sides, offers the opportunity to build a bridge between both sides of the Atlantic on enhanced regulatory co-operation, which business believe would be the biggest source of gains from an EU-US pact. Further information on TTIP is outlined below:


Pictured at the Ibec Annual Lecture (L-R) Pat Ivory, Head of EU and International Affairs, Ibec; David O’Sullivan, guest speaker and EU Ambassador to the US, Danny McCoy, Ibec CEO; Brian Hayes, MEP; and Geraldine Byrne Nason, Second Secretary General, Department of An Taoiseach.

Pictured at the Ibec Annual Lecture (L-R) David O’Sullivan, guest speaker and EU Ambassador to the US, Danny McCoy, Ibec CEO; Pat Ivory, Head of EU and International Affairs, Ibec; and Geraldine Byrne Nason, Second Secretary General, Department of An Taoiseach. The theme of Mr O’Sullivan’s address was, ‘A New Political Landscape in Europe’.
Digital Agenda

Data Protection

Justie Ministers from the 28 member states met in Luxembourg for the Justice and Home Affairs Council in June. Discussions centred on the Commission’s proposed data protection legal framework. This consists of two legislative proposals: a general data protection regulation, and a directive on the protection of individuals on the processing of personal data by public authorities. Recent European Court of Justice Rulings on invalidating the data retention Directive and another ruling on the right to be forgotten seems to have created a renewed impetus to put in place EU law aimed at creating predictability for business and citizens.

Justice Ministers made some progress on the transfer of data to third countries or international organisations. They have also provisionally agreed that the regulation will apply to all companies with activities in the EU, even if their registered office is not in Europe. Views are still strongly divided on the ‘one-stop-shop’ system under which a dispute between a European citizen and a company would be handled by the national data protection authority of the country where the company is established. The justice council has agreed that the safe-harbour mechanism would be revised, meanwhile there has yet to be any structured debate on sanctions.

Data is a valuable asset in economic and non-economic terms and can be beneficial for society at large, it can improve healthcare, make the public sector more efficient and facilitate democratic participation. Europe can only take advantage of this potential if the regulatory framework is appropriate. Ibec welcomes a consistent data protection framework across the EU which will strike the right balance between privacy, enterprise and innovation.

The Italian Presidency has said that it will push for agreement between the Member States on the data protection proposals by December. This will enable the Council of Ministers to start negotiations with the European Parliament and Commission to reach a final agreement.

Taxing the digital economy

The Commission’s high level expert group on taxation in the digital economy published its finding on 28 May. It appointed the group in December 2013 do a study of possible solutions to taxation issues in the EU’s digital economy.

The digital economy is a source of growth and jobs and for it to develop and thrive, tax barriers should be kept to a minimum. Given the rapid pace at which the digital economy develops, the Commission called together this expert group to balance this fact against the possible deprivation of revenue for states.

While the group found that there should not be a special tax regime for digital companies, they did recommend that the new VAT rules which will apply to telecommunications and electronic services from 2015 should be extended to all goods and services. This will be charged where the customer is based. They also expressed support for introducing a common consolidated tax base in the EU, but recognised that for the time being this issue is no longer on the agenda of the European Commission.

The work done by this expert group will feed into work being done by the OECD on base erosion and profit sharing (BEPS). The aim is to provide a common EU position on this issue. The OECD report will be published in September. It is expected to provide a detailed report on tax challenges in the digital economy. After that, the Commission may put together a non-legislative communication for Member States on how to align their tax practices in this area. This work will fall to the next Commission, which should start work on the 1 November.