

Spring

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In Brussels, Spring is in the air, but is Europe in full bloom? The new European Commission has been in office and operating with the new European Parliament for six months now. This milestone offers an opportunity to reflect but also to examine the challenges ahead.

The new Commission has not let the grass grow under its feet. It has a new way of working and has developed a focussed work plan that reflects many business priorities. The first quarter in Brussels has seen a renewed policy focus on promoting investment, trade and completion of the single market in terms of energy and digital. The policy approach in these areas is the subject of debate.

The economic situation, although mixed, is improving across Europe. Recent moves by the ECB, more flexible enforcement of the Stability and Growth Pact, lower oil prices and a favourable exchange rate create a window of opportunity for growth and jobs. Ibec predicts that the Irish economy can continue to outperform the rest of Europe and grow by an impressive 5.4% this year, providing that we manage the recovery sensibly. Events at EU level are equally important.

Several member states are in election mode. Ongoing reforms, engaging business and addressing potential political uncertainty are key to sustaining confidence and Europe's shared economic recovery. Whether it is a question of a potential British referendum on EU membership or supporting business colleagues in Greece, working together in Europe makes business sense.

Secondly, we need to harness the power of our single market. It provides opportunities for inward investment, market access and growth but it remains incomplete. How we approach that completion in terms of capital markets, digital and energy is vital to business. We need a single market that:

- balances our energy costs, security and sustainability concerns;
- allows business to use digital tools to invest, innovate, compete, enter new markets and offer an increased choice in goods and services to consumers; and
- address our infrastructure deficits and increase access to finance for SMEs in order to stimulate growth and jobs.

The complexity of the issues means that a one size fits all regulatory approach is not necessarily the way forward. An evidence-based and flexible approach is required to seize the window of opportunity and allow business to provide Europe with the growth and jobs desired.

For its part, Ibec will continue to work with its partners and actively engage the Irish government and EU institutions on these issues. We hope you find the issues highlighted in this newsletter to be informative.



Erik O'Donovan
Head of Ibec Europe



Open for business

The European Commission, the European Central Bank (ECB) and the European Investment Bank (EIB) have taken action to promote investment and growth across Europe through a strategic investment plan, quantitative easing and the proposed integration of capital markets.

On the investment side, European finance ministers discussed President Juncker's Investment Plan for Europe and the creation of a European Fund for Strategic Investment (EFSI) at their meeting on 10 March. The investment plan aims to mobilise approximately €315 billion in new investments between 2015 and 2017. The EFSI is targeted specifically at SMEs with a focus on R&D, infrastructure, education, innovation, renewable energy and energy efficiency. Germany, France, Spain, Italy, Luxembourg and Poland have pledged contributions to the fund. The investment plan is not intended to replace existing EU and European Investment Bank programmes, but instead will complement them. Once the European Parliament finishes discussing its views on the EFSI, the fund is expected to be operational by the end of June.

In parallel, the ECB has begun a programme of quantitative easing to try and kick start economic growth. Quantitative easing is aimed at stimulating economic activity, such as increasing consumer spending. The ECB is essentially creating more money to buy bonds from governments and financial institutions which reduces interest rates which in turn leads businesses and people to borrow more so they spend more and create jobs to boost the economy. The ECB expects the quantitative easing programme to total €1 trillion and it is currently buying €60 billion of bonds per month until September 2016.

To help businesses with finance, the European Commission hopes to create more integrated capital markets in the EU by establishing a Capital Markets Union (CMU). The CMU is part of President Juncker's plan to complement the new European rules for banks. He hopes it will reduce fragmentation in financial markets, diversify financing sources, strengthen cross border capital flows and improve access to finance for businesses, especially SMEs. It is also aimed at reducing the high levels of dependence on bank funding.



Pictured (l-r) Pierre Muscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs and Danny McCoy, Ibec CEO debating the EU's macro-economic strategy at the Commission's high level event – a new start for social dialogue.

The Commission has launched a public consultation to get stakeholder views on the need for a CMU and on how to build it. The consultation includes a Commission Green Paper on the CMU and a staff working document on current obstacles to establishing a CMU. The deadline for submissions to the consultation is 13 May. In June the Commission will hold a conference on the lessons learnt from the consultation and in July an action plan on CMU will be developed. The Commission hopes to present the action plan in the first two weeks of September.

Ibec supports the European institutions efforts to increase investment and growth and has worked to make sure these initiatives truly benefit business. Danny McCoy, Ibec CEO acknowledged the Juncker investment plan and outlined the need to address Europe's investment deficit at a high level conference on social dialogue hosted by the European Commission in March. Ibec and its sectoral group FSI are making submissions on the CMU consultation.

New recommendations on governance

The European Commission has made recommendations to member states on their economic governance as part of the European semester process for 2015. Its Country Specific Recommendations 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). This is the second time that Ireland is taking part in the EU semester process since it emerged from its EU-IMF programme.

Overall, the outlook for Ireland has improved markedly. Strong net exports made Ireland the fastest growing economy in the EU in 2014. While the Commission expects net exports to moderate slightly, strong investment growth and a recovery in private consumption should allow for real GDP growth of approximately 3.5% in 2015-2016. Although this is positive, Ibec believes this predication is too conservative and that real GDP growth will reach 5.4% due to higher expectations for investment and exports especially given the exchange rate movements in recent months. While this is lower than the exceptional growth experienced in 2014, it is still above the EU average. The recovery brought a decrease in unemployment to 10.6% at the end of 2014. Tax revenue also increased.

Private sector debt has fallen but is still high and remains above the EU average. SME access to finance still remains heavily reliant on bank lending and other options have yet to be developed.

With the rebalancing of the economy, a number of skills mismatches and deficits have emerged. The Commission has commended current efforts to tackle this with the development of the ICT Skills Action Plan for the 2014-2018 period. Furthermore, due to the surge in services exports and to secure growth in the digital economy, the Commission suggests increasing investment in ICT infrastructure and broadband coverage. National innovation is growing as Ireland is reaching its targets on national research and development intensity. Nevertheless, the Commission highlights a need to promote innovation amongst Irish SMEs.

The Commission has asked the member states to produce their national reform programmes, i.e. their actions plans, taking its CSRs into account, by the end of April. Ibec is engaging the Irish government on these plans. The Commission will then publish a new set of country specific recommendations in May. They will focus on what the Commission believes each country can achieve in the following 12-18 months. It is then up to the heads of state and government to endorse them at the June European Council.

Spring European Council

Greece was the focus of the 28 heads of state and government at the spring European Council on 18-19 March. The Council meeting had been scheduled to focus on the planned Energy Union. Also on the agenda were economic topics, relations with Russia and Ukraine, and the objectives of the upcoming Eastern Partnership summit in Riga. During an informal meeting held in the margins of the summit, Greece agreed to send a new list of reforms that will be implemented over the coming months, in exchange for receiving the next tranche of EU bailout money.

The European Council discussed the first steps to be taken to establish the Energy Union. The Council recognised the need for and motives behind an Energy Union and broadly endorsed the plans but they did not discuss or agree on any concrete details as of yet.

The heads of state and government also discussed the current economic situation in Europe as well as the implementation of structural reforms by the member states.

They supported the three priorities of the 2015 annual growth survey: investment, structural reforms and fiscal responsibility. Member states must now implement these priorities in their national reform programmes and stability or convergence programmes, which are expected in late April/ early May. There was also a focus on the European Fund for Strategic Investments which is expected to be operational in June once negotiations with the European Parliament have finished.

Despite constructive discussions on the issues above, little of substance was actually agreed upon. In their messages released prior to the summit, Ibec and BUSINESSEUROPE had encouraged the March European Council to make progress on the Capital Markets Union, the Digital Single Market and smarter regulation. Ibec hopes these issues will be discussed in more detail at the next meeting of the Council at the end of June.

Staying Competitive

European ministers for enterprise and trade reiterated the need to remove unnecessary barriers in the single market during their Competitiveness Council meeting on 2-3 March. The ministers focused on the digitalisation of industry, smarter regulation and resource availability.

The ministers recognised how quickly many industry sectors are moving in to the digital age and they agreed that more should be done to increase digitalisation across all sectors. This will feed in to the Commission's digital single market strategy, which is to be published on 6 May. Ministers also exchanged views on how Europe can better support and accelerate the transition to a data-driven economy through open, networked and data-intensive research.

The ministers have asked the Commission to develop new targets for the reduction of red tape as part of the European Commission's ongoing REFIT programme aimed

at streamlining EU law. They also are in favour of stronger evaluation of completed legislative proposals.

Regarding industrial competitiveness, the ministers asked member states to simplify and streamline administration processes especially for setting up businesses and to concentrate on implementing single market legislation. The ministers called on the Commission to make concrete proposals to deal with critical challenges and opportunities facing European industry such as digitalisation, bio-based economy, resource efficiency, a stable and sustainable supply of raw materials, energy costs, and a fully integrated and interconnected internal energy market.

Ibec is engaging the EU institutions and supports the completion of the single market and the goal of smarter regulation.

Energy matters

Creating a European 'Energy Union' is one of the top policy priorities of the new European Commission. Vice President for Energy Maroš Šefčovič and Energy Commissioner Miguel Arias Cañete are leading the work. The strategy has five mutually supportive dimensions:

- Promote European energy security and solidarity on energy security
- Integrate national energy markets
- Reduce energy demand
- Decarbonise the EU's energy mix
- Develop a strategy for research and innovation in energy technologies.

The Commission's Communication on Energy Union, at the end of February, includes fifteen action areas. They cover enforcing existing legislation and a number of new legislative proposals to come over the next three to four years. Most important to Ireland is legislation and national targets for sectors outside the ETS, the new European electricity market design expected in 2015 and the new Renewable Energy Package in 2016-2017. Heads of state and government discussed the Commission's Energy Union strategy at the Spring European Council on 19 March. At the meeting, the discussion focused on energy security and transparency in gas contracts. EU leaders also agreed to develop strategies for a new generation of renewable energies, to increase energy efficiency and to step-up the EU climate discussions ahead of the Paris climate summit in December.

The European Council will review progress at its meeting on the 18 December.

Legislation is also expected by summer to revise the ETS Directive to address the threat of carbon leakage in the EU economy and to fund innovation and a modernisation of certain national energy systems. The Commission concluded a public consultation on this revision on the 16 March.

The Commission will engage in the UN negotiations, seeking an international climate deal, in Paris in December. The European Commission's Paris Protocol Communication includes the EU's Intended Nationally Determined Contribution (i.e. pledge) of a binding, economy-wide reduction target of at least 40% domestic reductions in emissions by 2030 compared to 1990. The Commission has also recently launched two public consultations in tandem on addressing greenhouse gas emissions.

Ibec has engaged with national stakeholders, the Permanent Representation of Ireland to the EU, the Commission and MEPs on energy issues. BUSINESSEUROPE sent a position paper on the Energy Union to Commission President, Jean-Claude Juncker. It welcomed the Energy Union as an important first step to balance the EU's energy, climate and industrial challenges but called for action to transform it into a true industrial growth driver. Future policy proposals must address high energy prices and have a targeted approach to remove policy-driven costs. It favours strengthened energy policy coordination among Member States in order to reap the benefits of the internal energy market.

Showcasing business priorities

BUSINESSEUROPE, the main horizontal European business group, hosted its annual conference on 25 March. This year's theme was 'Invest in Europe'. The goal of the event was to showcase business priorities to the new European Commission.

Representatives from national business federations, major companies and the European institutions discussed how best to enhance investment and growth in Europe. European Commission President Jean-Claude Juncker and President of the European Parliament, Martin Schulz, addressed the audience. Ibec's head of EU and International Development, Pat Ivory, participated in a debate on 'international trade as an investment driver' with Trade Commissioner, Cecilia Malmstrom, Director General of BUSINESSEUROPE, Markus Breyer, and Vice-President for Europe of the US Chamber of Commerce, Peter Chase. During the discussion Commissioner Malmstrom highlighted that the EU is a platform for businesses to conduct trade.

She asked businesses to engage with the EU as such a platform and underline its importance. To stress the importance of trade, Dr. Ivory explained how the Irish food sector has grown thanks to transatlantic trade and is creating jobs on both sides of the Atlantic. He added that trade by itself is not the only answer but that access to finance, especially for SMEs, is also crucial to investment. Finally he stressed the importance of a Capital Markets Union for future investment and growth.

In her speech, BUSINESSEUROPE President Emma Marcegaglia told President Juncker that private investment remains below pre-crisis levels in Europe. She added that our competitors are recovering much faster and that we must act fast. Ms Marcegaglia pointed out that recent actions taken by the ECB, more flexible enforcement of the Stability and Growth Pact, lower oil prices and a favourable exchange rate creates a window of opportunity. We must not lose this window of opportunity.



Pictured (L-R) Jacki Davis, Moderator; Cecilia Malmström, European Commissioner for Trade; Pat Ivory, Head of EU and International Affairs, Ibec; Markus Breyer, DG, BUSINESSEUROPE; and Peter Chase, VP Europe, US Chamber of Commerce

Brussels goes green

Ibec Europe, held its annual St. Patrick's Day event in collaboration with Irish MEPs. The successful event was co-hosted with Séan Kelly, MEP and was attended by Ambassador Tom Hanney, Deputy Permanent Representative of Ireland to the EU, Ambassador Eamonn Mac Aodha, Irish Ambassador to Belgium, as well as Irish MEPs, business representatives and other EU stakeholders. The guest speaker was Minister of State for European Affairs and Data Protection, Dara Murphy TD. The event showcased Irish produce and was held in Ibec Europe's Brussels office, which participated in Fáilte Ireland's Global Greening Initiative.

Ibec reiterated its priorities for the new European Commission and European Parliament, and urged the heads of state and government to use their Spring summit to focus on investment and the development of equitable frameworks for energy and digital in the single market. Ibec would again like to thank FDII, ABFI and its sponsors and suppliers Diageo, Pernod Richard, Protégé, Tullamore Dew, Maison des vins, Dawn Farm Foods, Irish Dairy Board and Jack O'Shea's.



Pictured (l-r) Ambassador Eamonn Mac Aodha, Irish Ambassador to Belgium, Sean Kelly, MEP, Minister of State for European Affairs and Data Protection, Dara Murphy and Pat Ivory, Head of EU and International affairs, Ibec



Ibec Europe goes green for St Patrick's day



Pictured (l-r) Brian Hayes, MEP and Erik O'Donovan, Head of Ibec Europe

Growth can be byte sized

Due to its pervasive nature, information and communication technology must not just be viewed as a sector in itself, but rather as a positive enabling force for the broader economy and everyday life. On the 6 May, Vice-President Andrus Ansip of the European Commission will outline a policy framework for the digitalisation of the EU single market. The expected announcement has been the subject of much debate, so what is at stake?

Digital complements investment in our transport, energy, education and healthcare systems by making them 'smarter' in order to improve efficiencies and benefit European citizens. The smart use of digital tools by public bodies can reduce costs of public administrations by 15-20%. The effective use of digital tools and content could generate up to €250 billion of additional economic growth in the EU over the next five years.

Ireland is working to establish Europe as a global technology hub and there are over 105,000 people directly employed here in the technology sector. However digital also has positive spill-over effects for other businesses in Ireland and across the EU. The use of digital tools are enabling the creation of an economic ecosystem that offers businesses, particularly SMEs, the opportunity to connect to people, enter new markets, develop value chains and scale-up.

However, the full potential of digital for both businesses and consumers across the EU has yet to be fully realised in an incomplete single market. The College of European Commissioners met on 25 March and provided an early indication of their focus. The issues they highlighted included: 'better access for consumers and businesses to digital goods and services; shaping the environment for digital networks and services to flourish; and 'creating a European digital economy and society with long-term growth potential'. The issues were also discussed at the Informal Competitiveness Council on 26-27 March

in Riga. Heads of state and government will discuss the Commission's digital package at the June European Council; they must endorse it before the Commission proposes legislation. It is understood that implementation of the strategy will roll into 2016.

The rate of technological and behavioural change in our increasingly digital age can often outpace policy and regulatory processes. Therefore EU policy makers need to develop a flexible, outcome-based policy framework that avoids undue regulatory burden or obsolescence and unlocks the positive potential of a digital economy for businesses and customers alike. EU policy makers must work with business to develop a digital single market framework that:

- secures trust through smart regulation and by boosting awareness of the positive potential of data usage;
- ensures the free flow of data;
- unlocks a pro-investment climate in digital infrastructure to improve access and connectivity;
- encourages continued investment in quality digital content for customers;
- develops skills, encourages talent and promotes innovation; and
- encourages e-commerce by boosting awareness of its benefits and by cutting red tape.

Ibec is establishing a digital economy policy committee that will act as a platform for members and is engaged with policy makers in Ireland and Brussels on the issue. Alistair Blair the Managing Director of Accenture Ireland will chair the committee.

TTIP can be positive for Ireland

Minister Richard Bruton has published an independently commissioned report on the impact of the transatlantic trade deal in Ireland, known as the Transatlantic Trade and Investment Partnership (TTIP). According to the [report](#), 'TTIP will have an overall very positive impact on the Irish economy' with a predicted increase of real national income in Ireland of €2.4bn as a result of a trade deal.

For Ireland, it is believed that the main benefits will include the reduction of unnecessary burdens on exporters, gains for consumers, an enhancement of trade and growth, substantial reductions in the few tariff barriers that still exist, an increase in exports from Ireland to the rest of the world by around 4%, an increase of imports into Ireland of slightly above 4%, an improvement of the trade balance by €2.4bn and an increase in investment into Ireland of around 1.5%. While these figures are obviously estimates based on the same economic model that was used for the European Commission's EU-wide report, they nonetheless show important trends.

Within Ireland, the impact is most likely to be in the manufacturing sector (including both electronic machinery and Pharmachemical production), with more limited impacts to be seen in agriculture, the food sector (particularly dairy and processed food) and the services sector (in particular an expected boost to the insurance sector).

With as much as 49% of Irish exports outside the EU destined for the US market significantly exceeding the EU average of 16%, it is clear why the agreement is so important for Ireland.

Ibec welcomed the report as a strong endorsement of the economic value that an agreement with the US could bring to Ireland.

Complementing that work, on the 20th April, the European Commission published a report on the [Transatlantic Trade and Investment Partnership and SMEs](#). The report found that 150,000 SMEs already export to the US from the EU, mostly from sectors linked to food and drink, agriculture; clothing, textiles and leather and finally chemicals.



A tale of two cities - Dublin. Pictured at the launch of the Government report on the Transatlantic, Trade and Investment Partnership: Chief Executive of Chambers Ireland Ian Talbot; ICTU Secretary General Patricia King; Minister for Jobs, Enterprise and Innovation Richard Bruton TD; European Commissioner for Trade Anna Cecilia Malmström; IFA President Eddie Downey; and Ibec Head of EU and International Development Pat Ivory.



A tale of two cities - Washington. BUSINESSEUROPE Delegation engage stakeholders in the USA, pictured (l-r) Luisa Santos, Director International Relations BUSINESSEUROPE, Pat Ivory, Ibec and of Chair of the BUSINESSEUROPE US Network, Emma Marcegaglia, President of BUSINESSEUROPE Bruce Andrews, Deputy Secretary of US Department of Commerce, Marcus Beyrer, DG and Eleonara Catella, BUSINESSEUROPE.

European Commission consultations¹

Open consultations

Consultation title and web link	Policy area/DG	Closing date of consultation
Public consultation on building a Capital Markets Union	Banking and Finance	13 May 2015
Public consultation on the Review of the Prospectus Directive	Banking and Finance	13 May 2015
Public consultation on an EU framework for simple, transparent and standardised securitisation	Banking and Finance	13 May 2015
Public consultation on service provision to long-term unemployed	Employment and Social Affairs	15 May 2015
Public consultation on a review of Regulation (EC) N° 1889/2005 of the European Parliament and of the Council of 26 October 2005 on controls of cash entering or leaving the Community	Taxation and Customs Union	01 June 2015
Guidelines on the application of the specific rules set out in Articles 169, 170 and 171 of the CMO Regulation for the olive oil, beef and veal and arable crops sectors	Competition	05 June 2015
Consultation on the evaluation of the EU Timber Regulation two years after its entry into application	Environment	05 June 2015
Consultation : Aviation package for improving the competitiveness of the EU Aviation sector	Transport	10 June 2015
Consultation on the preparation of a legislative proposal on the effort of Member States to reduce their greenhouse gas emissions to meet the European Union's greenhouse gas emission reduction commitment in a 2030 perspective.	Energy	18 June 2015
Consultation on addressing greenhouse gas emissions from agriculture and LULUCF in the context of the 2030 EU climate and energy framework	Energy	18 June 2015

¹ Link to the full list of open European Commission consultations http://ec.europa.eu/yourvoice/consultations/index_en.htm

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