

Issue

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Ibec Europe & Global Focus

Challenges for Irish business
intensify as the EU turns 60



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From the editor



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From the editor

Brexit, Trump and the future EU27 - challenges for Irish business

The year has started at a rapid pace on the EU and global affairs front. The direction of Brexit has become even more challenging and the international policy environment continues uncertain. On the good news side, for the first time in almost a decade, all EU economies are expected to grow in 2017 and next year.

On 17 January, UK Prime Minister May delivered a speech outlining 12 objectives for negotiations on leaving the European Union. She said the objectives amounted to one big goal; “a new, positive and constructive partnership between Britain and the European Union.” However, her speech outlined a ‘hard Brexit’ position, with the UK leaving the single market and full membership of the customs union. The UK would instead pursue free trade deals with the EU and countries outside the EU, notable with the USA. If agreement cannot be reached then the UK will become an even more competitive neighbour. This moves future relations with the UK into a potentially much more contestable market space, with the threat of varying degrees of regulation in different sectors and aggressive taxation policy.

Also in January, the UK Supreme Court ruled that an Act of Parliament was required to give notice of the decision to withdraw from the EU. More important from an Irish all-island perspective were the Court decisions on the devolution acts that gave no comfort to Northern Ireland (or Scotland) despite public support to remain in the EU in the June 2016 referendum. Instead the Court confirmed the exclusive power of Westminster in the negotiations. The collapse of the Assembly further reduces the influence of Northern Ireland at a crucial time when its voice needs to be stronger.

Ibec continues to ensure that the Irish business voice is heard at national and EU level. We have stepped up our engagement with the Taoiseach, Ministers, key officials and the Brexit units of the government departments. Ibec’s team in Brussels is in regular contact with our Ambassadors and the Brexit unit in the Irish Permanent Representation to the EU, highlighting business concerns and also exploring opportunities - such as encouraging the European Medicines Agency to locate in Ireland. We also continue to emphasise Irish business priorities to the EU’s Brexit taskforces.

President Trump has taken up office in the USA and in his first month signed an executive order imposing a ban on travellers from certain Muslim-majority countries that has resulted in challenges in US courts and the firing of his acting attorney-general for refusing to defend the ban. He also signed an executive order withdrawing the US from a major trade agreement signed with trans-pacific countries and a summit meeting with the Mexican President was cancelled. The first month saw a series of resignations including Michael Flynn, national security advisor, after a controversy concerning contact with Russia prior to the President taking office. The US President has yet to get important cabinet positions in place including the United States Trade Representative. That said President Trump’s first address to Congress on 28 February used more conciliatory language than previous statements, focussing on, amongst other issues, a promised \$1 trillion infrastructure development plan.

While we face these major challenges and significant uncertainty there are also reasons for optimism. For the first time in nearly a decade, the European recovery is set to continue with all EU member states forecast to grow. Estimates for Eurozone GDP growth have been revised upward to 1.6% in 2017 and 1.8% in 2018 on the back of better than expected performance in the second half of 2016. GDP growth in the EU as a whole is forecast to grow by 1.8% this year and next. Ireland continues to be among the strongest growing EU countries, with GDP forecast to grow by 3.4% in 2017 and 3.3% in 2018.

The EU will celebrate the sixtieth anniversary of the Treaty of Rome, which founded the European Economic Community - the forerunner to the EU, on 25 March. Over the years, the EU has grown from six to 28 member states, including a major expansion to the East, coming through many challenging periods. From an Irish perspective being part of the EU has contributed to our economic development and also to the achievement of peace in Northern Ireland. It is ironic, and a real pity, that the UK will begin the process of leaving the EU at the same time that the EU celebrates its sixtieth anniversary. This, together with the migration and Syrian refugee crisis and greater uncertainty in the international environment, has led to a debate on the future of Europe. On 1 March, President Juncker published a white paper, outlining different scenarios for the EU27 by 2025, as a contribution to discussions over the coming months.

Ibec, with our European business partners, is contributing to this debate. Business needs a stronger and more efficient EU that can shape globalisation. An EU that addresses the genuine concerns of citizens while at the same time countering fear fuelled by populist sentiment. We must complete the single market in services and digital and reaffirm the value of international trade and investment. We need to speed up job creation not just in Ireland but across Europe. The EU should also drive investment forward. In this context, Ibec ensured that BusinessEurope's recent letter to the Five Presidents (Juncker, Tusk, Tajani, Draghi and Dijsselbloem) stressed the need for the Stability and Growth Pact (SGP) to allow for full flexibility to member states who wish to orientate their national budgets towards infrastructure and pro-growth expenditure.



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Brexit and the future of UK-EU Relations

Concerns mount as UK reveals hard Brexit plan

In a landmark speech on 17 January, Prime Minister Theresa May confirmed the UK's intention to pursue a hard Brexit, outlining her Government's 12 objectives to achieve "a new, positive and constructive partnership between Britain and the European Union".

Reinforcing a 'hard' negotiating position, PM May revealed that the UK will not seek to remain in the single market or retain full membership of the customs union. Instead, the UK will pursue a free trade agreement with the EU-27 as well as bilateral arrangements with several other countries. The ultimate impact of the UK's decision to withdraw from the single market will only become apparent once the final UK-EU trade relationship is negotiated, a process which many believe will take far longer than the two years currently provided for. With the UK also likely to withdraw from the customs union, at least in its current form, customs procedures may apply to goods moving from Ireland to the UK, goods coming to Ireland from the UK, and Irish goods in transit through the UK to a third country. The extent to which this will impact Ireland's business and economic landscape is of enormous concern.

One early positive was May's insistence on protecting the Common Travel Area (CTA) between the UK and Ireland – "we will work to deliver a practical solution that allows the maintenance of the CTA [with Ireland] while protecting the integrity of the UK's immigration system". Although it is unclear how the two can co-exist, maintaining the CTA in its current form is also an Ibec and Irish Government priority.

The Irish business community has responded quickly to manage the competitive pressures of Brexit and plan for all eventualities. However, an urgent and targeted national policy response is critical. Considering our unique exposure, Ireland must also play a central and constructive role in the Brexit negotiation process, ensuring our interests are forcefully represented.

Given Ibec's concern at the UK's increasingly negative and hard line position, we remain committed to ensuring that the voice of Irish business is strong at both national and EU level. As we prepare for the formal launch of the Article 50 withdrawal process, Ibec's EU & International Affairs Unit has published an analysis of what the British Government's ambitions mean from the perspective of Irish business. The paper can be accessed here. Please contact any member of the team should you wish to discuss the contents in greater detail.



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Outlook as
Europe turns 60

Outlook as Europe turns 60

Rome plays host as EU marks its sixtieth anniversary

The Heads of State and Government of the EU-27 will gather in Italy on 25 March for a special summit to mark the sixtieth anniversary of the signing of the Treaty of Rome.

The signing of the Treaty by Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany on 25 March 1957 established the European Economic Community (EEC), which created a customs union and a single market for goods, labour, services and capital, as well as common transport and agriculture policies, all of which have now become core principles of the EU. The Treaty also formally established the European Commission.

Sixty years and seven rounds of treaties later, the EEC has become the European Union, swelling from six to 28 member states, its policies extending from mainly economic in nature to encompassing a myriad of other policy areas. Nevertheless, the event in March comes at a time of unprecedented challenge for the EU. As the UK prepares to withdraw, several other member states continue to grapple with economic and migration crises, while populism and anti-trade sentiment is on the rise across the continent.

The hashtag #RomaUE2017 has been assigned to proceedings, which you can use to follow the event on social media.



Outlook as Europe turns 60

Outlook as Europe turns 60 (Continued)

The future of Europe – the business view

European business has made several recommendations to Heads of State and Government on the ‘future of the EU’. In February, Ibec contributed to BusinessEurope message to the informal European Council meeting in Malta. With the UK leaving the EU and the rise in populism across the EU, the ‘future of Europe’ discussion will be key issue for 2017.

Business will create a positive narrative for the EU, which will require strong and efficient EU institutions pulling together in the right direction. The EU can and should shape globalisation, and should be able to tackle existing fears by having a serious, fact-based, transparent and open debate about trade. It is also important to speed up job recovery and spur investment, including by promoting productive public investment. It is time to prioritise measures that can bring concrete improvements to companies and citizens in terms of growth and employment to address the persistent uncertainty across the EU.

It emphasises the role of individual member states in carrying out effective national policies. There must be better coordination of actions, especially in the eurozone, to ensure convergence between member states, which is essential for the EU and the euro to function properly. There should also be a particular effort to modernise the European social model and especially to uplift the youth.

Protecting and advancing the single market should be at the core of EU efforts. There is still far too much fragmentation – different national requirements make it difficult for companies to go cross-border, and make foreign investors hesitate. The single market needs to be seen as an area of legal, regulatory and political stability if it is to attract long-term investment. This would be reinforced by completing the digital single market.

Business can be part of the solution by creating jobs and growth. However, the EU must create the right environment by ensuring stability and ease of doing business. It needs to prove the competitiveness and economic sustainability of the EU system, bringing benefits to all. Business benefits society even beyond creating employment and wealth – companies innovate to offer solutions to challenges, societal and environmental. Business also has responsibilities in relation standards on labour, environment, and consumer protection. As these are key objectives of the EU, businesses should be ready to develop a strong partnership with national and EU decision-makers.



**Outlook as
Europe turns 60**

Outlook as Europe turns 60 (Continued)

The European Parliament elects its new president

The European Parliament (EP) has elected Antonio Tajani of the centre-right European People's Party (EPP) as its new President. Ireland's Mairéad McGuinness MEP, also a member of the EPP, has been returned as one of the Parliament's Vice-Presidents.



EP Presidents hold a mandate of two and a half years. Candidates with either the support of a political group or 5% of the total of 751 MEPs are eligible to stand for election. Mr Tajani was an early favourite among a number of declared candidates from across the political spectrum.

The final vote took place at the EP plenary session in Strasbourg on 17 January. Mr Tajani and fellow Italian MEP Gianni Pittella, leader of the S&D liberal socialists and democrats grouping, scored highest, progressing to a fourth and final ballot. Mr Tajani, supported by an alliance between his own EPP, ALDE (Alliance of Liberals and Democrats for Europe) and ECR (European Conservatives and Reformists), won the day with 351 votes to Mr Pittella's 282.

A seasoned politician and former air force officer, journalist and high profile broadcaster, Mr Tajani is the first Italian born President of the EP. He was first elected as a Member of the European Parliament for the Forza Italia party in 1994 and was returned three times more in 1999, 2004 and most recently in 2014. He served as European Commissioner for Transport from 2008 to 2009 (having been nominated by then Italian Prime Minister and close ally, Silvio Berlusconi), and as Vice-President of the European Commission and EU Commissioner for Industry and Entrepreneurship from 2010 to 2014.

Mr Tajani's pre-election platform promised a focus on "the things that really matter – security, migration, and jobs". His positive focus on enterprise, trade and industrial policy is all the more welcome as the EU prepares to renegotiate its relationship with the UK. Mr Tajani's approach is likely to be quite different to his predecessor, the S&D's Martin Schulz, who chose to return to his native Germany to contest federal elections in September rather than seek a third term as EP President.

Mr Tajani's election means that the EP, the European Commission and the Council of the EU are now all headed up by leading members of the EPP Group. Although this is unlikely to seriously impact EU policy making, since issues are generally split along national lines rather than European political groupings, it perhaps does question the validity of the checks and balances system between the European Institutions.

Interestingly the impact of the new EP coalitions has led VoteWatch to estimate that parties such as Forza Italia and the Democratic Party of Italy have gained influence in the Parliament, increasing Italy's dominance by 14%. On the other hand, Ireland is estimated to have lost 12% of its influence within the EP. This is a point of potential concern; given that the EU's final agreement with the UK will be subject to EP approval.



Economy and finance

Economy and finance

European Semester timeline:

October:

Eurozone countries submit draft budget plans for the following year

November:

Commission economic forecast; Commission opinions on eurozone budget plans (followed by Eurogroup scrutiny); Annual Growth Survey (common economic priorities for the coming year); Alert Mechanism Report

December:

Eurozone governments adopt final budgets

February:

Economic forecast, country reports (Commission staff analysis of all EU economies, taking into account eurozone budget plans, risks raised in AMR etc. - basis for spring recommendations)

April:

All EU countries submit medium-term budget plans (Stability/Convergence Programmes) and economic growth plans (National Reform Programmes)

May:

Economic forecast, country-specific recommendations on budgets and economic policies

June/July:

Council of Ministers (Ecofin –Finance ministers) formally adopts country-specific recommendations

Annual Growth Survey 2017(AGS)

[The Annual Growth Survey \(AGS\)](#) kick-started the European Semester process for 2017. Published on 16 November 2016, it outlines the most important economic and social priorities for the EU and member states for 2017. At the same time, the Commission publishes its [Alert Mechanism Report](#), an analysis of imbalances, at-risk countries flagged for further analysis.

The Commission responses are specifically tailored to address the varied policy challenges across EU member states. However, in line with the Juncker Commission's agenda for jobs, growth, fairness, and democratic change, there three are overarching themes:

- Boosting investment
- Pursuing structural reforms
- Ensuring responsible fiscal policies

The AGS urges member states to redouble their efforts in these areas and to focus on social fairness to deliver more inclusive growth. The Commission added that, while all member states are growing and investment is picking up, they cannot become complacent, for example regarding unemployment.

Boosting investment

According to the Commission, there still needs to be more efforts on access to finance. Completing the Capital Markets Union, the Banking Union, and extending the range of the European Fund for Social Investment would all help with this. Member states should also support the transition to a low-carbon and circular economy and do more to tackle barriers to investment. The Commission says work should continue on completing the Energy Union, the CMU, the Single Market and Digital Single Market Strategies, and international trade and investment agreements, as ways to remove these barriers. It identified investment in knowledge, innovation, education, and ICT as drivers of growth.



Economy and finance

Economy and finance (Continued)

Pursuing structural reforms

Member states need to invest more to encourage greater labour market participation and ensure equal opportunities. They must also tackle youth unemployment. Improving housing policies, modernising the welfare state, and rolling out the EU Youth Guarantee were identified as ways to achieve these objectives.

Other structural reforms aimed at benefiting investment and productivity include implementing the Single Market and Digital Single Market Strategies, raising productivity in the services sector, and modernising tax systems to support growth and fairness between businesses. The Commission has recently proposed the Action Plan on VAT and the proposal on CCCTB, in its attempts to build a 'modern, fair and competitive tax framework' for the EU.

Responsible fiscal policies

The average public deficit of the eurozone has reduced, reflecting progress made in recent years. However, there are large differences across member states. Member states need fiscal policies that support growth while ensuring longer term debt sustainability. Those with fiscal space should use it to help stabilise demand, whereas those without should deliver on the requirements of the Stability and Growth Pact. However, the Commission should also take into account the budgetary impact of the exceptional inflow of refugees and of exceptional security needs when making use of the flexibility built into the SGP.

[The AGS is accompanied by: 2017: Autumn Package;](#)

[Recommendation for the euro area;](#)

[Communication on a fiscal stance;](#)

[Joint draft employment report;](#) and

[Assessment of the euro area member states' draft budget plans 2017](#)

Next steps

The European Commission has already launched the second stage of the European semester process publishing of the Country Reports in the Winter Package 2017 on 22 February.



Economy and finance

Economy and finance (Continued)

European Commission Winter Package; next step in the European Semester Process

The overall economic situation across the EU, Ireland included, is improving according to the European Commission's economic and social analysis of the EU. The Winter Package, 22 February 2017, follows the Commission's [Winter Economic Forecast](#) 13 February, and the Autumn Package, including the Annual Growth Survey (AGS), which starts the European Semester process, the EU's system of economic governance. It also includes an analysis of remaining macroeconomic imbalances.

Ireland has made a number of improvements, with strong productivity growth contributing to improved competitiveness over the last few years with fast-paced, broad-based and employment-rich recovery. The Commission adds that Ireland has been remarkably successful in stabilising public finances, returning to growth and bringing the budget deficit under control. However, infrastructure – housing, health etc. still needs some work. Ibec has been calling for increased investment in infrastructure including a relaxation of EU fiscal rules to help investment.

However, there are still a number of risks – such as Brexit and uncertainty around US tax policy. There is also concern that Ireland has been relying too heavily on a surge in “buoyant and volatile” corporation tax receipts to fund permanent increases in current expenditure. It adds that the previous property bubble in Ireland shows how dangerous it can be to rely too heavily on a small number of tax headings. The report says the banking sector still faces a number of challenges; while the stock of non-performing loans is declining, it remains high and the high proportion of long-term arrears is still a concern. Additionally, the cost of servicing government debt, representing just below 80% of annual economic output, is “a significant burden”.

Finally, Ireland, along with Germany, Spain, the Netherlands, Slovenia and Sweden are still experiencing economic imbalances. It says that Ireland has broad based sources of imbalances linked to large stocks of external, public and private debt as well as a high level of non-performing loans, all making Ireland vulnerable to adverse shocks.

As for the rest of the EU, the Commission finds that, in most member states, economic recovery has contributed to reducing unemployment rates. However, they remain above pre-crisis levels. While member states are also making progress in implementing their individual policy guidelines from the 2016 CSRs, there is still room for improvement and risks remain. The guidelines are based on the so-called “virtuous triangle” of boosting investment, pursuing structural reforms and ensuring responsible fiscal policies.



Economy and finance

Economy and finance (Continued)

The [27 Country Reports](#) – excluding Greece, which is under the stability support programme - have a specific national focus to help member states to prepare for publication of the Country Specific Recommendations (CSRs) in spring. The Juncker Commission decided to publish the Country Reports in February, rather than at the end of the process in spring, to streamline and strengthen the European Semester by ensuring the final CSRs reflect the situations in each member states and avoid any 'surprises'. This is in line with the Five Presidents' Report and Commission plans to complete Economic and Monetary Union (EMU).

It is now up to the Council of the EU to discuss the Country Reports. The Commission will then consult individual member states on their respective reports. Following that, member states will prepare their National Reform Programmes and Stability or Convergence Programmes ahead of the publication of the final CSRs in spring.



Services Package: Will the Commission's latest suite of proposals go far enough?

On 10 January, the European Commission published its latest package of measures aimed at boosting the single market in services and making it easier for professionals and companies to provide services in another member state.

The long-awaited proposals to tackle unjustified and disproportionate restrictions to cross-border trade in services and to allow European businesses to better exploit the single market contains four key elements, perhaps the most noteworthy of which is the 'services passport', which is now referred to as the European Services e-Card. This standardised electronic database will allow business and construction service providers an easier method of having their existing status recognised in applying for market access in another EU member state.

With applications managed and processed online by the "home" public administration, the "host" member state retains the power to grant access to its market and can cancel, revoke or suspend the validity of the e-card at any time. There is no impact on workers' rights and employer obligations, consumer protection considerations, or health, safety and environmental standards. The e-card will likely be particularly helpful to SMEs and smaller companies who until now have lacked the resources or capacity to expand across borders. The system allows for temporary or permanent market access.

The proposals also contain two measures to encourage member states to identify and reduce out-dated or excessive national regulation on professional qualifications which make it unreasonably difficult for qualified candidates to access opportunities and provide a service in another member state, to the detriment of competitiveness and consumers. Finally, the existing notification requirement obligating member states to alert the Commission to draft national legislation which may impact single market rules is to be further enhanced to bring the free movement of services more in line with that of goods.

Ibec and BusinessEurope have responded positively to these measures considering them to be useful tools in further realising the potential of the single market in services. In particular, if properly implemented, the e-Card may allow Irish service providers an opportunity to diversify their markets and reduce reliance on the UK as we prepare for the inevitable impact of Brexit.



Services Package: Will the Commission's latest suite of proposals go far enough? (Continued)

The next challenge is to ensure that the ambition and scope of the proposals are not further diluted as they move through the legislative process under the current Maltese and forthcoming Estonian Presidency. We have quite a way to go before the proposal will become a reality and as always, Ibec will stay close to its progress in cooperation with our partners at BusinessEurope.

For more information about the European Services e-card, the wider Services Package and how your company may benefit, or indeed to discuss any aspect of Ibec's position on internal market policies, please contact shane.lyster@ibec.ie



Digital economy

Digital economy

Data flows are essential to the digital economy

Harnessing data and digital tools can enable new business models, enhance products, drive services and generate growth in our economy. Digital and data can also be leveraged to enhance efficiencies in our infrastructure and in public administration for citizens.

It is estimated that the EU's 'data economy' (that is the impact of data on the broader EU economy) employed 6 million people and was worth €272 billion in 2015. With the right policy conditions, the EU data economy could employ as many as 7.4 million people and be worth €643 billion by 2020.

However, unjustified restrictions on data flows and data location requirements can impede innovation and the functioning of the proposed DSM – the Digital Single Market. In the run up to the European Council last December, Ibec and other European business representatives, in tandem with a number of member state governments, stressed the need for effective legislative action on completing the DSM in a timely manner.

Subsequently, on 10 January, the European Commission published a non-legislative communication, Building a European Data Economy, examining issues surrounding data ownership, access, reuse, portability, liability and localisation. A public consultation process has been launched to gather further evidence of these in order for the Commission to consider further initiatives. Ibec highlighted the business imperative on the free flow of data to both Vice-President of the European Commission and European Commissioner for the Digital Single Market, Andrus Ansip, and European Commissioner for Justice, Consumers and Gender, Vera Jourová, when they both visited Dublin recently. Ibec will formally respond to the Commission's consultation during April.



Pictured (L-R) at the Ibec industry roundtable discussion with the Commission on implementing a European DSM that works, in November: Erik O Donovan, Head of Digital Economy Policy, Ibec; Věra Jourová, European Commissioner for Justice, Consumers and Gender Equality; Barry O'Brien, Event Chairperson and Government & Regulatory Affairs Executive, IBM; and Kara McGann, Senior Labour Market Policy Executive, Ibec. The meeting was kindly hosted in co-operation with Facebook.



Digital economy

Data flows are essential to the digital economy (Continued)



Pictured (L-R) at the Ibec industry roundtable discussion with the Commission on implementing a European DSM that works, in November: Pat Ivory, Director of EU and International Affairs, Ibec; Barry O'Brien, Event Chairperson; Věra Jourová, European Commissioner for Justice, Consumers and Gender Equality; Niamh Sweeney, Head Public Policy, Ireland; and Thomas Myrup Kristensen, Managing Director of EU Affairs, Facebook. The meeting was kindly hosted in co-operation with Facebook.

Meanwhile, the Irish government has granted the Irish Data Protection Commission extra resources as part of its ongoing investment programme in both national and EU data protection capacities – a cumulative four-fold increase in funding and doubling of staff since 2014. Ibec warmly welcomes this proactive commitment in meeting the needs of business and citizens both in Ireland and across Europe. Ibec will engage with stakeholders and deliver initiatives aimed at helping business with preparations for the EU General Data Protection Regulations (GDPR) throughout 2017.

For further information about Ibec's Digital Policy activities please visit us at www.ibece.ie/digitaleconomy



Pictured (L-R) Minister of State for European Affairs, Data Protection and the Digital Single Market Dara Murphy; Taoiseach Enda Kenny; and Data Protection Commissioner Helen Dixon; open the new offices for the Irish Data Protection Commissioner.



Environment,
energy and climate

European Parliament approves draft plans for a reformed Emissions Trading System (ETS)

The European Parliament has voted in favour of reforming the EU's flagship emission trading system for the 2021 to 2030 period. On 15 February, MEPs approved the reform package with 379 votes in favour, 263 against, and 57 abstaining.

There were however some notable last minute amendments to the package of measures as prepared and agreed by the Environment, Public Health and Food Safety (ENVI) committee in December last. As expected, the controversial proposal to create a carbon border adjustment mechanism for the cement and lime sectors was roundly rejected. Under this proposal, said producers would no longer be allocated free permits under the EU ETS carbon leakage facility. However MEPs agreed to keep this option under review. MEPs also rejected an earlier proposal to increase the linear reduction factor from 2.2% to 2.4%. This would have resulted in a faster reduction in the number of carbon credits issued each year. While the European Commission's original 2.2% target has been retained, it will continue to be monitored with a view to increasing it to 2.4% by 2024 at the earliest.

Overall, the measures adopted are more ambitious than the Commission's July 2015 original proposal. Amendments previously tabled by ENVI have been accepted which should lead to a higher price of carbon in the system. Most notably, new proposals will see 800 million allowances removed from the ETS Market Stability Reserve (MSR) as of 1 January 2021 and a doubling of the rate at which the MSR keeps excess allowances in each auctioning year, to 24% in the first four years.

Certain sectors have also been targeted directly. Emission from the shipping sector will be included for the first time while the aviation sector will receive 10% fewer allowances than it averaged in 2014–2016. Additional amendments to the Commission's original plan should strengthen carbon leakage protection. For instance, the measures allow for the share of auctioned allowances to be reduced by up to 5% in order to protect industries covered by the ETS against the impacts of the Cross Sectoral Correction Factor (CSCF). Text has also been added which should allow for carbon leakage assessment at lower levels of disaggregation – a particularly important issue for Ireland's dairy sector.

The Parliament's Rapporteur for the ETS file, British Conservative MEP Ian Duncan, will now commence 'Trilogue' negotiations with the Council of the EU and the European Commission. Meanwhile, Environment Ministers from each member state will discuss the Parliament's text at their next European Council gathering. As always, Ibec will continue to monitor the process closely and engage with MEPs and the Permanent Representation of Ireland as work continues to finalise the package of measures.



**Transport
and infrastructure**

Transport and infrastructure

Ibec's Irish Ports Association agrees policy priorities in response to Brexit

The potential impact of Brexit on Irish ports was discussed at January's meeting of Ibec's Irish Ports Association.

Hundreds of thousands of passengers and cruise ship visitors as well as 47.5 million tonnes of cargo were handled through Irish maritime routes in 2015.

The Common Travel Area allows raw materials, semi-finished and finished products to move freely and unimpeded between Ireland, Northern Ireland and Britain. The extent to which the introduction of border checks may impact on operational efficiency and turnaround times of ships and ferries have been highlighted as a critical area of concern by IPA members.

Border checks may necessitate long wait times with significant congestion at peak times. The introduction of new trading barriers may require the installation of new customs, security, agriculture and passport screening facilities, significantly impacting the capacity of Irish ports if additional space and resources are needed.

Preclearance facilities may offer a possible remedy. Elsewhere in Europe, French customs authorities carry out their checks at Dover with their British counterparts doing likewise at Calais. This could mitigate the longer-term impact on Irish ports, although a change in legislation would be required. Similarly, passport preclearance for foot passengers has also been highlighted by IPA members as a potential solution to time delays. That said, requesting ferry operators to reschedule arrivals and departures and extend their turnaround times will necessitate an extensive logistical overhaul of current operations and patterns.

Members also discussed potential impacts on the lucrative cruise industry. Many cruise itineraries originate or stop-off in the UK before reaching an Irish port. New immigration protocols will present a significant challenge and clarity is sought on how cruise passengers originating in the UK will be processed upon arrival into EU (i.e. Irish) territory.

Close cooperation between customs officials on both sides of the Irish Sea will be essential in bringing clarity to these technical issues over the months ahead. Meanwhile, Ibec's Infrastructure Policy Unit will continue to monitor the situation closely.



Global trade

International trade update

European Parliament endorses Canada-EU free trade agreement (CETA)

CETA was ratified by the European Parliament on 15 February 2017. 408 MEPs voted in favour, 254 voted against and there were 33 abstentions. This is a positive development for EU trade policy, particularly in light of the uncertainty surrounding US trade and foreign policy. Once the European Parliament and Council have voted in favour of ratification of the deal then it could enter provisional application in the first half 2017. As CETA is a mixed competence agreement national/regional parliaments must vote in favour of the agreement before it can fully come in to force; it can only be applied in full on ratification in national parliaments.

Ibec welcomes the vote in the European Parliament and will work to ensure a positive business outcome at national level when the Dáil votes on the agreement. CETA presents opportunities for many Irish sectors. Wine and spirits will benefit from the elimination of import tariffs on spirits, improvements to the cost of service arrangements operated by provincial Liquor Boards. The meat industry will benefit from improved market access for beef and lamb.

Ibec and Embassy of Japan roundtable

On 23 January, Ibec hosted Professor Shirai, former board member of the Bank of Japan. The roundtable discussion was organised with the Embassy of Japan to celebrate 60 years of diplomatic relations between Ireland and Japan. Professor Shirai gave a presentation on the economic challenges facing Japan, analysing Abenomics and the policy of monetary easing which has been pursued since 2013.



Professor Sayuri Shirai of Keio University addresses the Ibec and Embassy of Japan joint roundtable discussion on 23 January

Negotiations on the EU-Japan Economic Partnership Agreement (EPA) will continue in 2017. EU Chief Negotiator, Mauro Petriccione, has said that both sides aim to conclude the agreement this year.



Global trade

International trade update (Continued)

Ibec supports the conclusion of these negotiations and the commencement of the ratification process. The EPA will create further opportunities for Irish business seeking to export or invest in Japan. Ireland has a trade surplus with Japan which is unusual for EU members. Japan is Ireland's largest export market in the Asia Pacific region and bilateral trade totalled €9.8 billion in 2015.

Transatlantic trade and investment partnership (TTIP)

The European Commission and the US government published a joint statement on the progress made in the TTIP negotiations ahead of the inauguration of US President Donald Trump. The document is available [here](#).

EU trade commissioner, Cecilia Malmstrom, has indicated that TTIP negotiations are paused for the foreseeable future. Despite strong opposition from negotiating partners such as Australia, President Trump has withdrawn the US from the Trans Pacific Partnership (TPP). However, the position of the new administration on TTIP remains unclear.

Trade Defence Instruments (TDIs)

The European Commission has presented a proposal for a Regulation to amend the existing basic anti-dumping and anti-subsidy regulations. These must be amended following the expiry of certain provisions in China's Protocol of Accession to the WTO. The Commission has proposed to change the methodology used to calculate the dumping margin to capture market distortions linked to state intervention in third countries that mask the true extent of dumping practices. The proposal is 'country neutral' changing the practice of naming specific non-market economies in the legislation.

In December 2016, China initiated the WTO dispute resolution process by requesting consultations at the WTO against the EU and the US based on the existing legislation. Consultations have been concluded and a panel is expected to be established soon, which will then report its findings and conclusions on the substance of the dispute.



Ibec Europe events
and activities

Ibec Europe hosts high profile event debating the future for Irish business in a changed world

December saw the latest in Ibec's series of flagship events in Brussels, with the hosting of our annual festive mixer. Welcoming 150 attendees drawn from our member companies, business representation partners and stakeholders from across the European policy and political community, Ibec President, Anne Heraty, CEO, Danny McCoy and Director of EU & International Affairs, Pat Ivory, were joined by Fabian Zuleeg, CEO of the European Policy Centre and long standing friend of Ibec, and Mairead McGuinness, EPP MEP and Vice President of the European Parliament, to speak under the theme "Irish business in a changed world – new challenges in a new reality".

Despite stark assessments of the implications of Brexit and an unfamiliar new political agenda in the United States, the evening allowed us to toast the festive season in style and to thank our partners and friends for their support of Ibec's EU and international affairs outreach during 2016.

We now turn our attention to our next signature event – our annual St Patrick's Day celebratory event at the European Parliament. This year's event will be hosted in cooperation with the office of Seán Kelly, EPP MEP for Ireland South, and will take place on the evening of Tuesday, 21 March. Our members and stakeholders are always encouraged to participate in our Brussels events. Please contact ibec.europe@ibec.ie for an invite and to join our mailing lists for future events.





Ibec Europe events
and activities

Ibec – proud to support Ireland’s bid to host the European Medicines Agency

On 6 February, an Ibec delegation met with Minister for Health, Simon Harris TD, at the Permanent Representation of Ireland to the EU.

On 6 February, an Ibec delegation met with Minister for Health, Simon Harris TD, at the Permanent Representation of Ireland to the EU. In attendance were senior officials from the Health Products Regulatory Authority of Ireland and the Department of Health in the company of Ireland’s new Deputy Permanent Representative to the EU, Ambassador Joe Hackett. On the agenda was Ibec’s role in supporting the Irish Government’s formal campaign to host the European Medicines Agency after its relocation from London.

Given Ireland’s unique profile as a leading global hub for the medical technology and pharmaceuticals industry, as well as the obvious ease of relocating 900 EMA staff and their families to Dublin from London, Ibec is proud to partner with the industry in supporting the Government’s campaign. As the European Commission continues to consider the specific criteria for the new host city, Ibec’s EU & International Affairs team in cooperation with our colleagues at the Irish [MedTech Association](#) and [BioPharmaChem Ireland](#) look forward to continued engagement with the Permanent Representation of Ireland to the EU as we work to encourage the European medicines regulator to choose Dublin as its new home.





Ibec Europe events and activities

On 8 December, Ibec travelled to Paris to partner with the Business and Industry Advisory Committee to the OECD as sponsor of the 2016 BIAC Business Day.



Ibec's President, Anne Heraty, addressing the 2016 BIAC Business Day at the OECD in Paris.

Ibec President addresses major OECD event in Paris

On 8 December, Ibec travelled to Paris to partner with the Business and Industry Advisory Committee to the OECD as sponsor of the 2016 BIAC Business Day. The event discussed the latest business topics of interest in the area of global governance and focused on the OECD's contributions to the G20 and B20 meeting of global political and business leaders, which are taking place in Germany during the first half of 2017. A recurring theme of the day was the need for governments and business leaders to respond to rising populism, anti-globalisation sentiment and trade protectionism.

Ibec's President, Anne Heraty, addressed the event on the importance of developing skills and education in the global economy, emphasising the need to prepare young people for an uncertain and constantly changing future by focusing on their employability skills. She pointed out that the OECD had argued that skills development is more effective if the world of learning and the world of work are linked. Learning in the workplace helps students to develop 'hard' skills on modern equipment and 'soft' skills such as teamwork, communication and negotiation, through real-world experience. Anne also emphasized the need to speed up progress on the issue of maximising labour force participation by under-represented groups – particularly women. There is also a need for an increased focus on the provision of appropriate education and training opportunities for those in employment, particularly lower skilled workers to support career development and future participation.



Pictured at the 2016 BIAC Business Day event at the OECD are BIAC's Director of Policy & Communications, Ali Karami-Ruiz (centre) with members of the Ibec delegation, from left to right; Siobhán Masterson, Pat Ivory, Anne Heraty and Danny McCoy.



Ibec Europe events and activities

Ibec President addresses major OECD event in Paris (Continued)

Pat Ivory, Ibec's Director of EU and International Affairs, participated in the panel discussion on trade and investment, emphasising the need to reaffirm the value of international business in supporting well paid jobs, providing better standards of living and lifting people out of poverty. He also asked that the OECD work with business to better understand how digital trade can support the development of innovative SMEs and higher labour force participation.

Our activities in Paris also included an exchange of views with Director General of our French counterparts MEDEF, Michel Guilhaud, as well as a visit to the Irish Embassy for a discussion on Ireland-France business and trade relations with H.E. Ambassador of Ireland to France, Geraldine Byrne Nason.



Pictured following discussions at the Irish Embassy in Paris are H.E. Ambassador of Ireland to France, Geraldine Byrne Nason, with Ibec's Pat Ivory and Danny McCoy.



Ibec Europe events
and activities

Ibec's Neil Walker assumes chairmanship of BusinessEurope's Environment Group

Dr Neil Walker, Ibec's Head of Infrastructure, Energy and Environment Policy, has started his term as Chairperson of BusinessEurope's Environment Working Group. Leading European business priorities and outreach on the circular economy, air quality, industrial emissions, REACH, as well as biodiversity and nature legislation, we wish Neil all the very best with his two year term.

Neil's appointment brings Ibec's chairing of BusinessEurope groups to three. Neil joins Fergal O'Brien, our Director of Policy & Public Affairs, who is chair of the Economic & Finance Committee and Pat Ivory, our EU & International Affairs Director, who is chairperson of BusinessEurope's USA Relations Network. For more information about BusinessEurope's activities, projects and campaigns, visit the organisation online via this [link](#).

EU Legislative Tracker

Relaunched in December 2016, Ibec Europe's EU Legislative Tracker identifies and monitors several key legislative proposals and consultations of greatest interest to Irish business. The paper also lists the competent Institution, committee or unit responsible for each draft policy as well as providing links to the latest supporting documents and resources, where available.

While not intended to be an exhaustive list, our EU Legislative Tracker provides a useful overview of the major business-relevant proposals in addition to a helpful glossary of EU terminology.

The latest version can now be accessed on our website at www.ibec.ie/europe



Ibec Europe events
and activities

Ibec Europe participates in Brexit debate with Oireachtas Joint Committee on European Union Affairs

Ibec took part in a roundtable discussion with members of the Oireachtas Joint Committee on European Union Affairs in Brussels on 7 February. The Committee was in Brussels to participate in a number of Brexit-focused meetings with various stakeholders. Participants - cross-sectoral Brussels based industry representatives, government agencies, think tanks and members of the committee - exchanged views on Brexit related issues which could impact Ireland. The debate was hosted by the Permanent Representation of Ireland to the EU.



Participating in the OJC on EU Affairs Brexit debate at the Permanent Representation of Ireland to the EU were, front row from left to right: Seán Crowe TD; Seán Haughey TD; Sarah Shiel (Vice-Chair of IIEA Brussels); Minister of State for European Affairs, Data Protection and EU DSM, Dara Murphy TD; Chair of the JOCEUA, Michael Healy-Rae TD; Aoife Doyle (Ibec). Back row from left to right: Evelyn Smith (Enterprise Ireland); Alison Graham (Irish Cooperative Organisation Society); Senator Gerard Craughwell; Senator Neale Richmond; Niamh O'Donnellan (Banking and Payments Federation of Ireland); Bernard J Durkan TD; Liam McHale (Irish Farmers' Association).

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