

Ibec Statement on Future of Europe to Joint-Oireachtas Committee on EU Affairs

28.03.2018

Introduction

The debate on the Future of the EU27 has gathered significant momentum since the Commission published a white paper on the Future of Europe a little over a year ago. The position of Ireland and Irish business in this debate is critical, particularly given current and upcoming challenges posed by Brexit.

Chairman, I welcome the opportunity to meet with you and the Committee again and to present Ibec's document '**Ireland in the EU: A dynamic future**' that sets out the priorities of Irish business for the future of Europe. Ibec launched this document in Brussels last week at a joint Ibec-EPP event in the European Parliament, hosted by Sean Kelly, MEP. The event with over 300 guests, was addressed by some of the EU's most influential figures – Antonio Tajani, President of the European Parliament, Jyrki Katainen, European Commission Vice-President for Jobs, Growth, Investment and Competitiveness, Phil Hogan, European Commissioner for Agriculture and Rural Development and Michel Barnier, the EU Chief Negotiator for Brexit. Julian King, European Commissioner for the Security Union and former British Ambassador to Ireland also attended the event.

Ibec is the only Irish business group with such reach and influence, with Michel Barnier restating his deep commitment to working with us to reach the best possible outcome in the Brexit negotiations.

Following the event, we had a series of meetings with the Irish Permanent Representation to the EU and the European Commission, including with officials responsible for engagement with Ireland under the European Semester process.

Background

Ibec has been closely monitoring the debate on the Future of Europe as it unfolded over the last year in Brussels and across EU capitals. We carefully analysed the Commission's white paper and subsequent reflection papers. I was pleased to address your committee following President Juncker's State of the EU speech last September to outline our initial thoughts. Since then Ibec has met with Minister of State for European Affairs, Helen McEntee and her senior officials on several occasions to discuss Brexit and the Future of Europe. We took note of Taoiseach Leo Varadkar's address at European Parliament plenary in Strasbourg where he was the first EU head of state to outline his government's position on the future of the European project.

Throughout this process, Ibec has been in constant touch with our members, ensuring that Irish businesses are up-to-date on the future of Europe debate and indeed, that they recognise the value of contributing to this crucial debate at such an important juncture in the EU's history.

We truly believe that this is an opportunity to shape the future of the EU, which has a profound effect on our entrepreneurs and consumers alike, the way we do business, and the way we – as both Irish and EU citizens - live our lives. A key issue will be to identify how, together, we can all work to achieve shared objectives.

The paper that I present to you here today encapsulates the carefully considered views of Ibec members, from SMEs to Multinational corporations and across all sectors of Irish business and industry. The resounding view of our members is that membership of the EU, both today and in the future, is of huge importance both for their individual business but also for the Irish economy. One key message of our paper is that the EU is not broken. Despite all its challenges, the EU remains a model of global success. Now is not the time for a major change in direction and now is not the time to be distracted by a protracted debate about the constitutional architecture of Europe. Instead we must use the institutions we have to effectively deliver a better, more prosperous future for all our citizens.

Ibec positioning on the Future of Europe

In this context the EU must continue to focus on positive reform. We need greater cooperation in areas where there is a clear collective benefit and where the EU can deliver added value. It also means less integration in areas where member states are best placed to act and to tailor policy to different country needs.

To be more precise the major underpinning of our report is that all EU policy should be carried out with a few core principles at its heart. Firstly, all EU legislation should be crafted with reference to the ***innovation principle***. Innovation underpins the success and prosperity of the EU, especially the single market. We believe that all EU policy should be designed with the innovation principle at their core, meaning that whenever policy is developed, the impact on innovation is fully assessed. The principle should be applied by policy-makers and legislators to ensure that any new policies and laws help to foster and facilitate innovation rather than hamper it. For Europe to lead the world in science, technology, design, medical advancements etc., we need to ensure the EU provides a suitable environment for the development of new ideas which bring economic and societal benefits. The innovation principle would therefore ensure that new ideas are stimulated, not stifled in the EU.

The ***principles of subsidiarity and proportionality*** are key tenants of the EU treaties, and principles which Ibec believes should continue to be championed by EU policy makers into the future. The distribution of legislative responsibility between the member states and the EU is a critical issue for Irish business and our partners across Europe. We want the EU to act only in those areas where it has a proven value add, and refrain from legislating in those areas which are of a member state competence. In this regard, we welcome President Juncker's recent initiative to establish a Taskforce on Subsidiarity and Proportionality and encourage this taskforce to engage with business to fully understand the potential impact of regulation on economic growth. The future EU should continue to fully respect member state sovereignty and intervene only in the areas where the EU brings added value.

The principles I have just mentioned should be seen as a common thread which is woven through policy cycles of all EU-led initiatives. Further to these core principles, our report outlines six areas of priority which we have identified as areas where the EU can add real value. Those priorities are outlined in greater detail in the report, but to give you a flavour, they fall under the following headlines:

- 1) **An EU that unleashes the potential of the single market and digitalisation** – we want the EU institutions to build on what has already been achieved and complete the single market and digital single market. This is also true for the capital markets union, the banking union and the economic and monetary union. Completion of these 'big win' areas will allow for economic growth, job creation and a rise in living standards for our citizens.

- 2) **An EU that leads the world in trade and investment** – Ireland is the perfect example of how globalisation can bolster an economy. We have benefitted hugely from having an open approach to international trade, become a leading exporter and benefit from multinational investment in a wide range of sectors in a relatively short period of time. We believe that the EU should continue with this open approach, building international partnership with strategic investors, pursuing ambitious free trade agreement in a balance manner. This includes ensuring trade in services is a top priority when it comes to free trade agreements. It also means that a new trading relationship with the UK is as close as possible to current situation.

- 3) **A dynamic EU that embraces a competitive taxation policy**- the EU must respect member state sovereignty when it comes to decision-making on all taxation matters. A competitive taxation policy will ensure that member states have the tools to keep their economies innovative and competitive. Supply chains, business operations and transactions are now global and increasingly internet-based. Any change to the current taxation arrangements should be carried out at a multilateral level to mirror this, such as through the OECD's BEPS project.

- 4) **An EU that respects member state competency to design labour market and social policy**- having too much labour and social policy catered for at an EU level will leave citizens feeling disenfranchised and isolated from policy-makers. The EU should continue to ensure that member states have autonomy in designing bespoke labour market and social policy which can best consider nuances in societal culture, local labour market realities, demographics and citizens' needs.

- 5) **An EU that champions Better Regulation**- poorly designed policy, legislation and regulation add to the cost of doing business and are obstacles to job creation, growth and prosperity. This can be remedied through the Commission's continued commitment to the Better Regulation agenda, promoting better and more effective legislation across the EU institutions. We are asking that the EU institutions continue to use platforms such as the REFIT programme to ensure that regulation is designed in a way which is growth-enabling and doesn't infringe upon competitiveness in the EU economy.

- 6) **An EU that ensures fiscal rules are in tune with all member states**- the individuality of member states' needs should be considered at European level. Each state has a diverse and nuanced set of requirements which should be considered by EU level policy-makers. We want to see a robust, rules-based approach to spending, but capital investment projects should be treated significantly more favourably. This is of particular important in the current Irish context- Ireland needs to invest now in essential infrastructure to ensure we are well equipped to face current and future challenges in vital areas such as housing and transport. The EU's policies should reflect this.

Multiannual Financial Framework (MFF)

Of course, how the EU divides its finances is ultimately the best indication of where its priorities lie. An essential element of our future of Europe paper is our positioning on the next Multiannual Financial Framework of the EU, on which the Commission will publish its first proposal in May for the post 2020 period. Ibec has three key priorities for the MFF Post-2020:

- The MFF Post-2020 should be ***'big on the big things, small on the small things'*** and dedicate money only in areas in which the EU can have real value and achieve tangible results;
- Increase funding in ***research and innovation***. The EU needs to be a global leader when it comes to spending on research, development and innovation. Currently, we are lagging behind our international competitors when it comes to research intensity, spending only 2.0% of GDP on research and innovation compared with 3.6% in Japan and 2.7% in the USA. This needs to change if we are to maintain global competitiveness and lead the way in new technologies. Spending on research and innovation must be bolstered in the MFF Post-2020;
- ***Uphold current commitments to the CAP*** and other areas of 'traditional' spending which have a proven value-add. The EU must not underestimate the importance of spending in these traditional areas. In the Irish context, continued commitment to the CAP is essential not only to ensure the quality of the produce which is essential to our food and drink sector, but also in protecting our rural communities, and bridging the urban-rural divide.

Of course, a major challenge to the MFF Post-2020 will be the significant drop in contributions with the UK's exit from the Union. How this shortfall is made up is ultimately a political decision, but we are asking that the EU pays close attention to the three aforementioned priorities.

Brexit and the Future of Europe

It would be impossible to speak about the future of the EU without mentioning Brexit. Indeed, the departure of the UK from the EU presents an unprecedented and profoundly unwelcome challenge to the Europe we know, but we also believe that the UK will continue to be a vital partner in our future relationship with the EU.

In that context, I wanted to restate Ibec's priorities for Brexit:

1. A smooth exit
2. Comprehensive transitional arrangements
3. The closest possible relationship with the UK in the future
4. Unique Irish challenges addressed.

Conclusion

This year marks 45 years of Ireland's membership of the EU. Since joining in 1973, our economy and society have experienced many challenges, and faced many hurdles. Ultimately however, EU membership has helped Ireland build an open and resilient economy. Irish businesses enjoy unfettered access to the world's largest single market. Irish citizens can work and live freely in any other EU member state and Irish companies can employ talented people from across the EU. Trading in the EU bloc has also helped Irish companies avail of market access opportunities in previously untapped global markets. Irish farmers have benefited from CAP funding, which in turn has supported the development of a world class food and drink sector. Being part of the EU has also helped Ireland become the dynamic innovative economy that it is today – in areas such as biopharmaceuticals and medical technology and in services, particularly computer services. Irish business remains committed to the EU project and we are proud to help shape the conversation as to how the EU will continue to grow and develop into the future.

I want to thank you all for your work on this important committee and I look forward to engaging with you further as the debate on the future of Europe continues to mature throughout the coming weeks, months and into the new legislature of the European institutions.

Dr Pat Ivory,

Director of EU and International Affairs

Ibec

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