# Ibec Europe & Global Focus

Issue 11 July 2019

Ibec
For Irish Business

Analysis of a new European Parliament

Concerns about EU-US trade continue

Ibec sectors look ahead to Future of Europe

**Profile**

## Commission President 2019-2024 Ursula von der Leyen

# In this issue...

## From the Editor

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*Welcome to the July issue of Ibec Europe & Global Focus which covers a momentous period during which the EU held elections for the European Parliament and agreed new Presidents of the European Council, Commission, Parliament and Central Bank as well as the appointment of a new High Representative for Foreign Affairs and Security Policy.*

In this issue of our quarterly publication, we focus on the new European Commission President and what the appointment means for the next term of the EU institutions. Agreeing a candidate at the Council for this role again proved politically challenging with none of the *Spitzenkandidaten* put forward by the parties in the Parliament managing to secure enough support. After intensive discussions, EU leaders agreed to propose Ursula von der Leyen (Germany's Minister for Defence) who was elected Commission President after securing a narrow majority in the European Parliament following her hearing on 15 July. From a policy perspective, this role remains hugely influential, not only due to the President's own priorities but also because she has a big say in the portfolios allocated to each Commissioner. Phil Hogan, who has been nominated for a second time by the Irish Government, will be one of those Commissioner candidates holding discussions with von der Leyen over the coming weeks.

While the European People's Party (EPP) secured the European Commission top job, David Sassoli an Italian Socialist & Democrat MEP, was elected as President of the European Parliament. Charles Michel, interim Prime Minister and leader of Reformist Movement in Belgium (Renew Europe group in the European Parliament) will become the President of the Council from December. The other top EU posts went to the former French Finance Minister Christine Lagarde who leaves the IMF to become the President of the European Central Bank (ECB) and the Spanish Minister Josep Borrell who will become the EU High Representative for Foreign Affairs and Security Policy. Consequently, the EU has achieved substantial gender and political party mix in filling its top institutional roles in 2019.

This issue of Global Focus also includes an analysis of the results of the European Elections, which recorded an overall increase in voter turnout across the EU. The expected surge towards the political extremes and further fragmentation of the Parliament failed to materialise. In Ireland, 13 candidates were elected but two of these must await the exit of the UK to take up their seats in the Parliament. Mairead McGuinness was the first MEP to be elected in Ireland and the first MEP to be elected Vice-President in the new Parliament, with large majorities on both occasions. The European Elections was just one of numerous topics on the agenda when we met with Minister of State for European Affairs Helen McEntee TD with members of our EU Affairs & Trade Policy Committee on 26 June. Other items covered included the challenges facing the Finnish Presidency as they take the mantel of the Presidency of the Council of the EU and, naturally, Brexit.

Brexit continues to create uncertainty for business, with the extension of the Article 50 process until 31 October providing limited relief. On 23 July, Boris Johnson was elected the leader of the UK Conservative party and consequently UK Prime Minister. On 25 July PM Johnson announced his Cabinet which contains a number of senior members who are strong supporters of a hard brexit.

The Tory leadership contest made the desired orderly exit of the UK from the EU even more elusive and concerns about a 'no deal' exit are again heightened.

Ibec continues to engage at all levels with the Irish Government, including through the relevant Brexit

**Brexit continues to create uncertainty for business, with the extension of the Article 50 process until 31 October providing limited relief.**

Forum and the Customs Consultative Committee, and with the EU Article 50 Taskforce at the European Commission. Business has already incurred substantial costs preparing for Brexit and the massive uncertainty that remains poses a huge challenge, particularly for SMEs. As businesses navigate the coming months, contingency planning will continue and intensify. While a 'no deal' Brexit remains a possibility, we must avoid a cliff-edge exit and instead focus on a close future EU-UK alignment. The challenge for negotiators will be to find a positive way forward and ensure an orderly exit, including legal safeguards to protect the Good Friday Agreement.

In this edition our sector features include an overview of the Food Drink Ireland's (FDI) recently published 'Safe, Sustainable and Competitive – Policy Priorities for 2019'. The agri-food and drink sectors remain particularly reliant on the UK market and are the sectors most exposed to Brexit. In the event of a 'no deal' Brexit, alleviation measures will be needed to support businesses impacted severely. If the Withdrawal Agreement and a revised political declaration are approved, then minimisation of regulatory divergence will be a key focus of negotiations on the future relationship between the EU and UK. There are also updates from Ibec sector federations, the Alcohol Beverage Federation of Ireland (ABFI) and Financial Services Ireland (FSI). ABFI has recently signed up to a collaborative approach through a Memorandum of Understanding at EU level to ensure consumers get information in the most effective way possible to empower them to make informed choices.

FSI update us on their EU engagement including how they and other Irish financial services stakeholders are stepping up EU engagement ahead of the UK withdrawal from the EU. Dairy Industry Ireland features in this edition of Global Focus with an outline of the scale of Ireland's dairy sector and challenges it faces. From our policy desks, we hear how artificial intelligence has the power to improve policy-making, and we take a look at Ibec's new report on transitioning to a low carbon economy. We also review an OECD report that if fully implemented would represent fundamental change in global corporate tax policy and pose huge challenges for Ireland's FDI model.

On the international affairs front, Ibec and its sectors continue to work to highlight the value of trade and to fight against protectionism. We support negotiations on EU free trade agreements, seeking to ensure a balanced outcome and support for sectors which may be adversely impacted. We also continue to take opportunities to express concerns on why imposing tariffs is not the right answer to solving trade disputes between the EU and the US. Ibec is deeply concerned at the continued deterioration in the EU-US trade relationship. Additional tariffs on either side would negatively impact the Irish economy in terms of both imports and exports.

As always, we hope you enjoy this issue of Ibec Europe & Global Focus and we look forward to engaging with you further on any of the issues highlighted here. If you want to pick up on any of these items, don't hesitate to contact any member of the team.

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# Brexit and the future of EU-UK relations

The Brexit negotiations effectively paused as the leadership contest in the UK Conservative Party took place. With the recent selection of Boris Johnson as the new leader and Prime Minister, the next steps of the UK government still remain unclear. On 25 July PM Johnson announced his Cabinet which contains a number of senior members who are strong supporters of a hard Brexit. The EU has said that it will not reopen the Withdrawal Agreement but is open to considering changes to the agreed political declaration if the UK requests this.

Reacting to the election of Johnson, EU Chief Negotiator Michel Barnier said he looks forward to working constructively with the incoming Prime Minister. President elect of the European Commission, Ursula von der Leyen, congratulated Boris Johnson and said that they have many difficult issues to tackle together.

# Brexit and the Future of EU-UK Relations

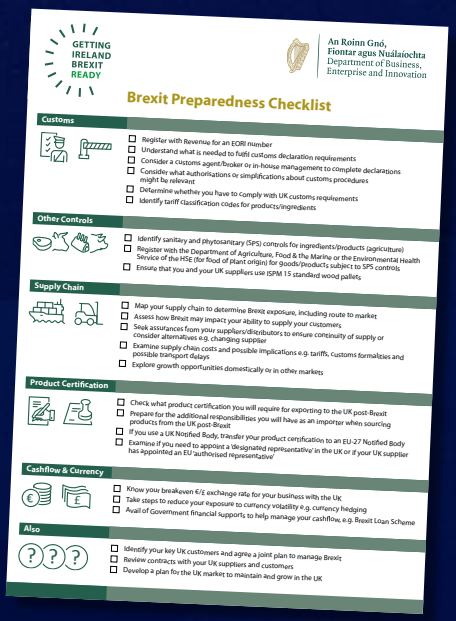
In June, the European Commission published its fifth Brexit Preparedness Communication, in which it takes stock of the European Union's Brexit preparedness and contingency measures. The Commission emphasises that a no-deal scenario remains a real risk. In light of the extension of the Article 50 period to October 31, the Commission screened these measures to ensure that they continue to meet their intended objectives. The Commission concluded that there is no need to amend any measures on substance and that they remain fit for purpose. The Commission does not plan any new measures ahead of the new withdrawal date and its role now is confined to monitoring and coordinating implementation by the member states.

In July, the Irish Government published its updated contingency action plan. The Government states that there are 'likely to be significant job losses in the most exposed sectors in a no deal scenario, with an estimated increase in unemployment of 50-55,000 after the UK leaves the EU.' The document continues to outline at a sectors and issues level the steps taken to date and the advice to business. Broadly speaking, the Government sets out a plan for between now and October 31 to: provide further additional infrastructure at the ports and airports, pursue commitments to the people of Northern Ireland, include Brexit related measures in Budget 2020, develop the next phase of their communications campaign targeting businesses in exposed sectors and continue engagement with the European Commission and member states.

The Department of Business, Enterprise and Innovation (DBEI) advises business and all stakeholders to take advantage of the extra time provided by the second extension to ensure that they have taken all necessary measures to prepare for the UK's withdrawal from the EU. DBEI published a checklist for companies to guide preparations.

The Conservative Party leadership race increased the no-deal risk. As we face into the countdown to October 31, we will see a change in faces on both sides of the negotiating table. It remains incredibly difficult for business to prepare in the context of such unknowns. The Government must do more to support business as it prepares for all eventualities. There must be a stronger delivery on Brexit preparation and mitigation measures domestically, including far reaching stabilisation measures in the event of a no-deal.

Ibec continues to support companies in contingency planning through online Brexit supports and bilateral engagements. In June, Minister of State for European Affairs Helen McEntee T.D. met with the Ibec EU and Ibec's EU Affairs and Trade Policy committee. In May, Minister for Business Heather Humphreys addressed Ibec members in Baggot Street. We are also continuing our bilateral engagement with member state governments and business associations as well as participating in Irish government Brexit forums and the Customs Consultative Committee chaired by the Revenue Commissioners.



GETTING IRELAND BREXIT READY

An Roinn Gnó, Fiontar agus Nuálaíochta
Department of Business, Enterprise and Innovation

**Brexit Preparedness Checklist**

**Customs**

- Register with Revenue for an EORI number
- Understand what is needed to fulfil customs declaration requirements
- Consider a customs agent/broker or in-house management to complete declarations
- Consider what authorisations or simplifications about customs procedures might be relevant
- Determine whether you have to comply with UK customs requirements
- Identify tariff classification codes for products/ingredients

**Other Controls**

- Identify sanitary and phytosanitary (SPS) controls for ingredients/products (agriculture)
- Register with the Department of Agriculture, Food & the Marine or the Environmental Health Service of the HSE (for food of plant origin) for goods/products subject to SPS controls
- Ensure that you and your UK suppliers use ISPM 15 standard wood pallets

**Supply Chain**

- Map your supply chain to determine Brexit exposure, including route to market
- Assess how Brexit may impact your ability to supply your customers
- Seek assurances from your suppliers/distributors to ensure continuity of supply or consider alternatives e.g. changing supplier
- Examine supply chain costs and possible implications e.g. tariffs, customs formalities and possible transport delays
- Explore growth opportunities domestically or in other markets

**Product Certification**

- Check what product certification you will require for exporting to the UK post-Brexit
- Prepare for the additional responsibilities you will have as an importer when sourcing products from the UK post-Brexit
- If you use a UK Notified Body, transfer your product certification to an EU-27 Notified Body
- Examine if you need to appoint a 'designated representative' in the UK or if your UK supplier has appointed an EU 'authorised representative'

**Cashflow & Currency**

- Know your breakeven €/£ exchange rate for your business with the UK
- Take steps to reduce your exposure to currency volatility e.g. currency hedging
- Avail of Government financial supports to help manage your cashflow, e.g. Brexit Loan Scheme

**Also**

- Identify your key UK customers and agree a joint plan to manage Brexit
- Review contracts with your UK suppliers and customers
- Develop a plan for the UK market to maintain and grow in the UK

Profile

# Commission President Ursula von der Leyen

**Ursula von der Leyen, the President-elect of the European Commission will succeed Jean-Claude Juncker to become the first woman to hold this important EU position from 1 November 2019.**

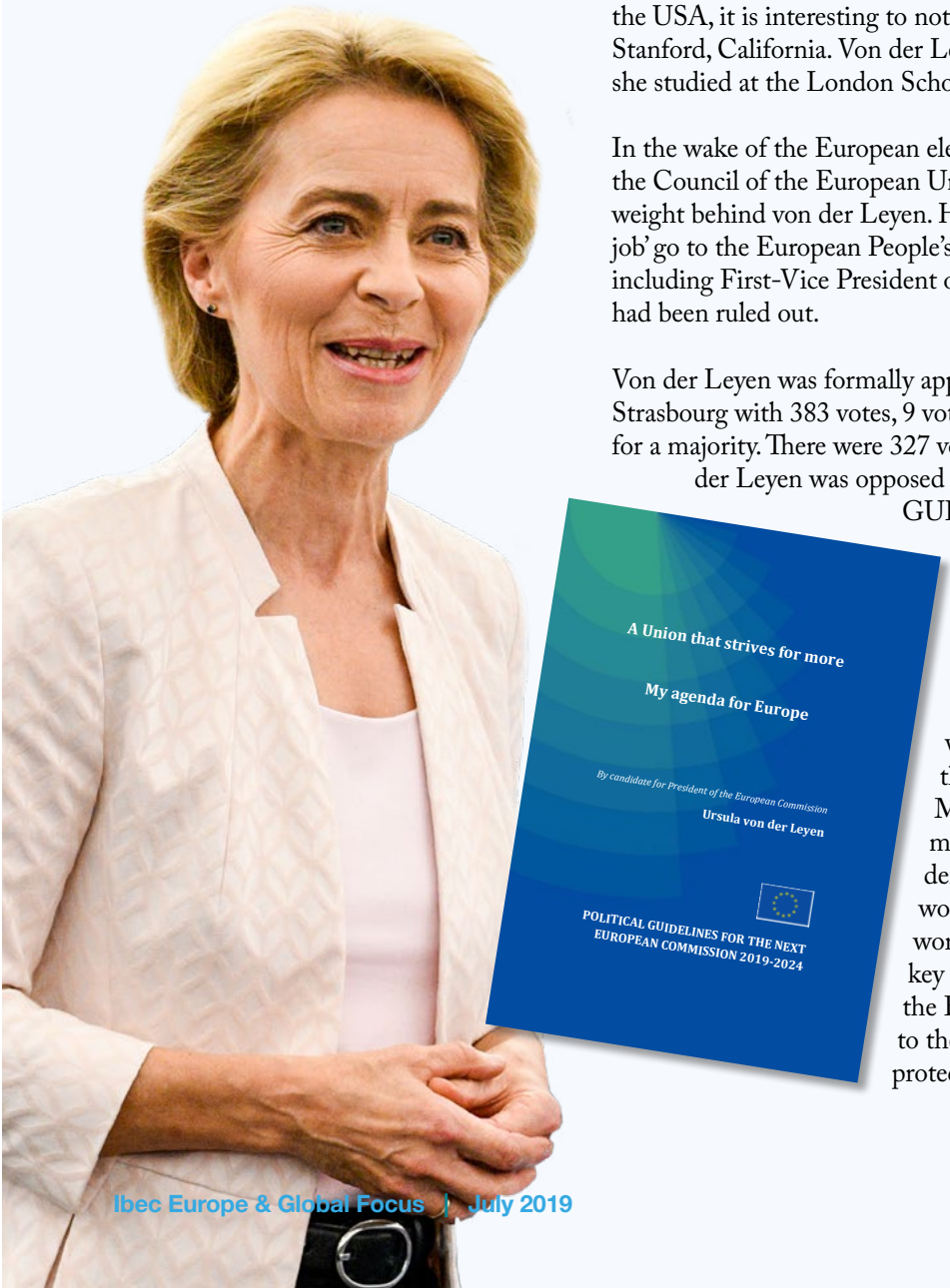
Von der Leyen was born and raised in Brussels, minutes from her new office in the Berlaymont, while her father Ernst Albrecht was first Chef de Cabinet and then Director General at the Directorate General for Competition. She is fluent in German, French and English, is an experienced Doctor of Medicine and a mother to seven children.

A distinguished politician, von der Leyen first became involved in local politics in Hanover, Germany as a member of the Christian Democratic Union (CDU) in the late 1990s. A long-time ally of Angela Merkel, von der Leyen served in the German federal cabinet between 2005 and 2019, as Minister of Family Affairs and Youth, Minister of Labour and Social Affairs and Minister of Defence.

As the European Commission seeks to maintain strong relations with the USA, it is interesting to note that von der Leyen lived four years in Stanford, California. Von der Leyen has also resided in the UK, where she studied at the London School of Economics.

In the wake of the European elections, a long and challenging summit of the Council of the European Union saw the Heads of State throw their weight behind von der Leyen. Her nomination saw the most coveted 'top job' go to the European People's Party, after a reported seven candidates including First-Vice President of the Commission Frans Timmermans had been ruled out.

Von der Leyen was formally approved by the European Parliament in Strasbourg with 383 votes, 9 votes above the required threshold necessary for a majority. There were 327 votes against her and 22 abstentions. Von der Leyen was opposed by MEPs from the far-left grouping GUE-NGL and the right-wing European Conservatives and Reformists as well as far-right Identity & Democracy.




Referencing the traditional social market economy values of the CDU, in her speech to the European Parliament von der Leyen said: "It's the economy that serves our people. In our Social Market Economy we must reconcile the market with the social." She identified demographic change, globalisation of the world economy, rapid digitalisation of the working environment and climate change as key challenges facing Europe now. She said the EU must respond "the European way" to these challenges and not move towards protectionism or authoritarianism.

## Von der Leyen further outlined her vision for the next five years making several pledges:

*On climate change:*

- That Europe will be the first climate neutral continent by 2050
- The CO2 emissions reduction target may be increased further
- A 'European Green Deal' – a suite of legislative proposals promised within first 100 days in office – to include a carbon border tax and a system of "just transition"
- A new Sustainable Europe Investment Plan with the EIB to partly become a green bank with €1 trillion available to all sectors

*On the economy:*

- Further action to strengthen the Single Market and the Capital Markets Union
- Further deepening of the Economic and Monetary Union
- Complete the Banking Union and a European Deposit Insurance Scheme
- Stability & Growth Pact to be interpreted in a more flexible way
- A commitment to 'tax fairness' and to fight to make CCCTB a reality

*On social affairs:*

- Action plan to fully implement the European Pillar of Social Rights
- Improve the labour conditions of platform workers by focusing on skills and education
- Unemployment benefit reinsurance scheme to be introduced and the Youth Guarantee Scheme to be revitalised
- Bring forward a European plan to fight cancer

*On making Europe fit for the digital age:*

- Define standards for the new generation of technologies
- Coordinated EU approach to human and ethical implications of Artificial Intelligence
- A Digital Services Act (new rules for platforms, services & products) and a Joint Cyber Unit
- Update the Digital Education Action Plan and triple Erasmus+ budget

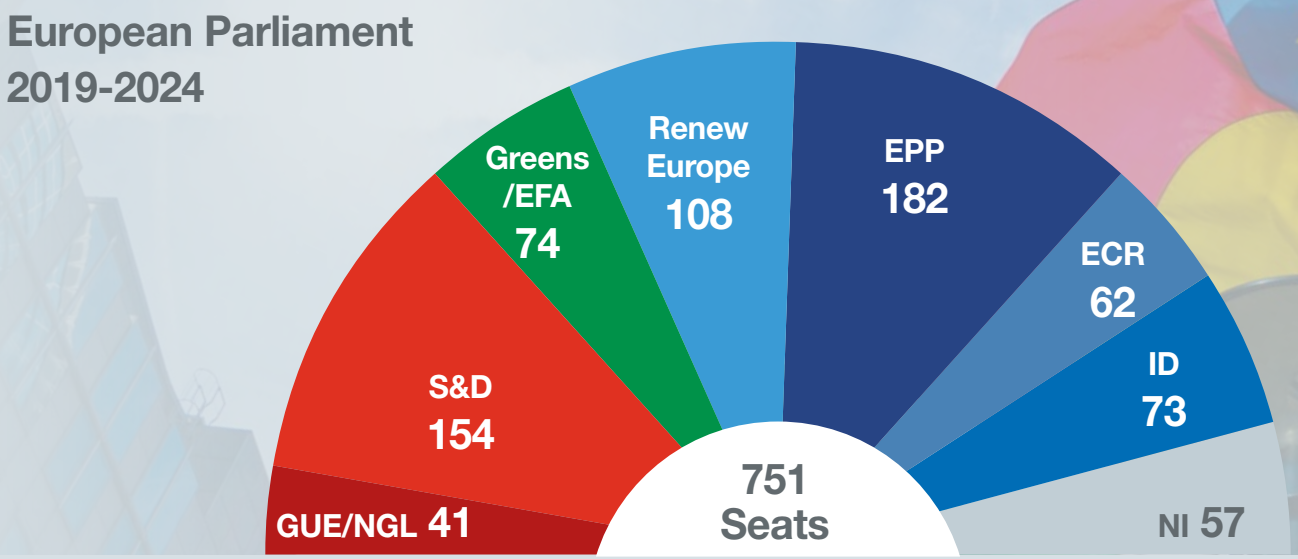
*On the international dimension:*

- Strengthening the EU's 'unique brand of responsible global leadership'
- A strong, open and fair trade agenda and lead reform of the WTO
- Brexit: the Withdrawal Agreement is "the only deal possible for an orderly withdrawal", a further extension "if good reasons are provided"
- A comprehensive strategy on Africa and reaffirm the EU perspective on the Western Balkans
- Steps towards a "genuine European defence union" and integrated approach to security

*On institutional affairs:*

- A new right of initiative from the EP – the Commission will propose legislation in response to a request agreed by an absolute majority of MEPs
- Gender balance in the incoming College of Commissioners
- A Conference of Citizens – a platform for enhanced consultation and engagement

**751 MEPs, representing 512 million people, were elected across 28 member states in the European elections which took place between 23 and 26 May. Centre-right group the European People's Party (EPP) emerged from the election with the highest seat share but fared worse than in 2014. Interpreted as a win for the EU, there was a spike in voter turnout across the continent at 51%, up from 42.6% in 2014.**
**The election witnessed a surge in support for environmentalist parties, particularly in Northern Europe, the so-called 'green wave', and a smaller swing of support than expected for Eurosceptic parties.**




## A fresh alliance:

As a consequence of the elections, the coalition between the EPP and the Socialists & Democrats (S&D) which has been maintained since 1979 will now be broadened to include Renew Europe (formerly the Alliance of Liberals and Democrats for Europe – ALDE) and the Greens/EFA. In the first sign of cooperation between the groups, the institutional 'top jobs' were given to a representative from each, only excluding the Greens/EFA.

## The Brexit conundrum:

As the UK had not withdrawn from the EU as expected at the time of the elections, the reduced Parliament of 705 MEPs did not come into effect and the total number of seats remained as it was in 2014. The European Parliament was prepared to reorganise into a 705 seat configuration to proportion further seats towards underrepresented countries once the UK has left the EU. As a result of the Article 50 extension to October 31, the two extra seats that had been expected to go to Ireland became 'hold' seats with candidates elected fifth in Ireland South and fourth in Dublin given no official status until the actual date of withdrawal.

## Ireland represented in three coalition groups:

Fine Gael (FG), a member of the now 182-seat EPP, secured five seats in the election, the most of any party in Ireland with 29.6% of first preferences. Seán Kelly and Mairead McGuinness topped the poll in their respective constituencies, with McGuinness returning to Strasbourg to be elected First Vice-President of the European Parliament. First time MEP Maria Walsh and former-Tánaiste Frances Fitzgerald also secured seats with Deirdre Clune elected into Ireland South's 'hold' seat.

Fianna Fáil secured one seat in Ireland South with Billy Kelleher who will sit with 108-seat Renew Europe and a 'hold' seat in Dublin with Barry Andrews who will take up his position once the UK leaves the EU.

The Green Party secured two seats after missing out in 2014. Ciarán Cuffe topped the poll in Dublin and Grace O' Sullivan took fourth place in South, echoing a 'green wave' seen in other member states including 29 Green seats in Germany and a jump of 22 extra seats for their Parliament group the Greens/EFA.

Sinn Féin's Matt Carthy was the only candidate from the party to secure a seat in the Republic and returns with Northern Ireland poll-topper Martina Anderson to sit in far-left GUE-NGL, the Parliament's smallest grouping post-election.

Three independent candidates were elected across the country's three constituencies including Clare Daly and Mick Wallace of the Dáil's Independents4Change in Dublin and South respectively and Luke 'Ming' Flanagan in Midlands-Northwest. All three sit alongside Sinn Féin in GUE-NGL.

## The United Kingdom:

Extension to the UK's membership of the EU resulted in the country returning 73 MEPs to the European Parliament.

The European elections closely followed the UK's local elections and largely reflected the results in that the main political parties of Labour and the Conservatives lost ground to smaller groups. The Conservatives returned only four seats while Labour halved their share of seats from 2014 to just 10.

Major victories in the European elections were felt by the Liberal Democrats and the Brexit Party. Nigel Farage's pro-leave Brexit Party – a replacement of the 24 seat UKIP delegation - secured 29 seats, the largest share. The Brexit Party ultimately did not find a European grouping and sit non-aligned in the European Parliament.

The pro-remain Liberal Democrats meanwhile achieved the second highest share of votes to sit with Renew Europe, the rebranded ALDE, putting them with other pro-Europe groupings in the Parliament such as likely coalition partners the EPP and S&D.

Of parties who were not in government at the time of the elections, pro-leave parties won 34.9% of the vote while pro-remain parties secured 40.4%. The UK's devolved regions elected at least one pro-remain or pro-second referendum MEP. In Northern Ireland, two pro-remain MEPs and one leave MEP were elected.

| Irish Party | European Group | No. of MEPS |
|---|---|---|
| Fine Gael | EPP (182) | 4 |
| Fianna Fáil | Renew Europe (108) | 1 |
| Green Party | Greens/EFA (74) | 2 |
| Sinn Féin | GUE/NGL (38) | 1 |
| Independents | GUE/NGL (38) | 3 |

The results left Ireland with an almost even split between the right and left political wings of the EP, with no MEPs sitting in long-time coalition partners S&D, the conservative ECR or the far-right groups ENF and EFDD.

## European Elections 2019

| UK Party | European Group | No. of MEPs | Number of seats won by European Parliament group |
|---|---|---|---|
| The Brexit Party | EFDD | 29 | N/A |
| Liberal Democrats | Renew Europe | 16 | 108 |
| Labour | S&D | 10 | 154 |
| Greens | Greens/EFA | 7 | 74 |
| Conservatives (Tory) | ECR | 4 | 62 |
| SNP | Greens/EFA | 3 | 74 |
| Plaid Cymru | Greens/EFA | 1 | 74 |
| Sinn Féin | GUE/NGL | 1 | 41 |
| DUP | NI | 1 | 57 |
| Alliance | Renew Europe | 1 | 108 |

## European Parliament: 2019-2024

The absolute majority once enjoyed by the EPP and S&D is no more and while the EPP remains the largest grouping and S&D the second largest, between them they lost 70 seats. Renew Europe benefitted from the successes of the UK's Liberal Democrats and France's La République en Marche to become the third largest grouping. The Greens/EFA secured 22 seats in a primarily Northern European 'green wave' to move into fourth place. All four pro-Europe groups are expected to collaborate towards a fresh coalition which may afford environmental issues a greater platform than previously. The fifth largest grouping is Identity and Democracy (ID) (formerly ENF) with 73 seats from nine countries.

Post-Brexit the most likely coalition possibilities will not change too significantly with the Greens/EFA slightly narrowing their seat percentage gap on ALDE/Renew Europe as the Liberal Democrats depart. The populist right and left will both decline post-Brexit, the most significant change of which will be the departure of the Brexit Party.

## The Aftermath:

As votes were finalised immediately after the elections in May, the major parties thrashed out coalition formations and routes for their *Spitzenkandidaten* or lead-candidates to take the institutional top jobs. With 63% of the new Parliament constituting first-time MEPs (including 70% of the UK's last-minute delegation), a number of seasoned and brand new candidates featured in the discussions. With so many new MEPs, and a lack of support for the *Spitzenkandidat* process from influential actors, including French President Emmanuel Macron, a variety of factors had to come into consideration when nominating candidates for top jobs. These included: gender balance, the balance between small and large member states, geographical spread and political grouping.

The far-right Europe of Nations and Freedom group (ENF) evolved to become Identity and Democracy (ID), a eurosceptic group which unites delegates from a total of nine countries but is dominated by France's National Rally party with 22 seats, Italy's Northern League with 28 seats and Germany's Alternative für Deutschland (AfD) with 11. On 20 and 21 June, the European Council held marathon sessions on the appointment of the institutional top jobs. The new European Parliament President and committees were formed during the first plenary meeting in Strasbourg in early July and the Parliament met again in mid-July to vote on the Commission President-designate.

The European Parliament will play an important role in screening, and then approving or rejecting the Commissioners-designate.

## European Elections 2019

Next steps in finalising the next Commission and Council are as follows:

### August:
27 nominated Commissioners and President-designate study their portfolio files and meet with respective DGs and senior officials. Nominated Commissioners assemble cabinets.

### September-October:
Hearings of nominated Commissioners by respective EP Committees.

### 17/18 October:
Autumn European Council

### 23 October:
EP Plenary: Final vote endorsing all Commissioners and Commission President.

### 1 November:
New President of the European Central Bank formally takes office.

### 4 November:
New Commission formally takes office.

### 1 December:
New European Council President takes office

## 2019-2024 European Parliament Committee configurations and positions:

| Acronym | Committee name | Seats | Chair |
|---|---|---|---|
| AFCO | Constitutional Affairs | 28 | EPP |
| AFET | Foreign Affairs | 71 | EPP |
| DROI* | Subcommittee on Human Rights | 30 | S&D |
| SEDE* | Subcommittee on Security & Defence | 30 | Renew Europe |
| AGRI | Agriculture & Rural Development | 48 | Identity & Democracy |
| BUDG | Budgets | 41 | ECR |
| CONT | Budgetary Control | 30 | EPP |
| CULT | Culture & Education | 31 | EPP |
| DEVE | Development | 26 | EPP |
| ECON | Economic & Monetary Affairs | 60 | S&D |
| EMPL | Employment & Social Affairs | 55 | ECR |
| ENVI | Environment, Public Health & Food Safety | 76 | Renew Europe |
| FEMM | Women's Rights & Gender Equality | 35 | S&D |
| IMCO | Internal Market & Consumer Protection | 45 | Greens-EFA |
| INTA | International Trade | 41 | S&D |
| ITRE | Industry, Research & Energy | 72 | EPP |
| JURI | Legal Affairs | 25 | Identity & Democracy |
| LIBE | Civil Liberties, Justice & Home Affairs | 68 | S&D |
| PECH | Fisheries | 28 | Renew Europe |
| PETI | Petitions | 35 | EPP |
| REGI | Regional Development | 43 | GUE-NGL |
| TRAN | Transport & Tourism | 49 | Greens-EFA |

* denotes a subcommittee under AFET, rather than a full standing committee

Mairead McGuinness returns as Vice President of the Parliament and a full member of the Committee on Agriculture and Rural Development (AGRI).

As a former Minister and Tánaiste, Frances Fitzgerald's profile helped her secure two influential positions including EPP Coordinator for the Women's Rights and Gender Equality Committee (FEMM) and a full member position on Economic and Monetary Affairs Committee (ECON) along with Billy Kelleher of Fianna Fáil.

Seán Kelly MEP returns as a full member of Industry, Research and Energy Committee (ITRE) and a substitute on the Committee for International Trade (INTA) and subcommittee on Human Rights (DROI), while first time MEP Maria Walsh takes a full member position on the Committee for Employment and Social Affairs (EMPL).

Second-term MEPs Matt Carthy of Sinn Féin and fellow GUE-NGL MEP Luke 'Ming' Flanagan will also serve as full members of AGRI.

First-time Green Party MEPs Ciarán Cuffe and Grace O' Sullivan secured full member positions with Cuffe on ITRE and TRAN and O'Sullivan joining the Committee on Environment, Public Health and Food Safety and Fisheries (ENVI and PECH). First-time MEP Mick Wallace will also sit on ENVI as a full member. Independents4Change MEP, Clare Daly will sit as a full member on the Committee for Civil Liberties, Justice and Home Affairs (LIBE).

## European Parliament group coordinators for committees:

Flanagan is GUE-NGL coordinator for AGRI. Cuffe is Greens/EFA coordinator for the Transport and Tourism Committee (TRAN) while O'Sullivan is Greens/EFA coordinator for Fisheries (PECH). Fitzgerald is EPP coordinator for FEMM.

## Chairs of committees:

No Irish MEP secured a Committee Chair or Vice-Chair position. Former President of the European Parliament Antonio Tajani MEP took up the Chair position on the Committee for Constitutional Affairs (AFCO), while Nathalie Loiseau of Renew Europe took up the Chair position on the Security & Defence (SEDE) subcommittee. Chair positions on ECON, Internal Market Committee (IMCO), INTA and ITRE were taken by S&D, Greens/EFA, S&D and the EPP respectively.

| MEP | Grouping | Full Member | Sub Member | Remarks |
|---|---|---|---|---|
| Fitzgerald | EPP | ECON / FEMM | DEVE | EPP Coordinator for FEMM |
| Kelly | EPP | ITRE | INTA / DROI | |
| McGuinness | EPP | AGRI | AFCO / ENVI | Reappointed as VP |
| Walsh | EPP | EMPL | PECH / LIBE | |
| | | | | |
| Carthy | GUE-NGL | AGRI | ECON | |
| Daly | GUE-NGL | LIBE | TRAN | |
| Flanagan | GUE-NGL | AGRI / CONT | INTA / SEDE | GUE-NGL Coordinator for AGRI |
| Wallace | GUE-NGL | ENVI / SEDE* | AFET | |
| | | | | |
| Cuffe | Greens-EFA | ITRE / TRAN | REGI | Greens/EFA Coordinator for TRAN |
| O'Sullivan | Greens-EFA | ENVI / PECH | | Greens/EFA Coordinator for PECH |
| Kelleher | Renew Europe | ECON | ENVI | |

## President of the European Parliament 2019-2022 David Sassoli

David Sassoli, an Italian MEP from the Socialists & Democrats group, was elected President of the European Parliament with 345 votes. Sassoli will serve as President for two and a half years of the Parliamentary term before the position moves to a member of the European People's Party.

Sassoli's nomination has been widely perceived as an attempt by the European Parliament to win back autonomy from the Council which sought to divide up the EU institutions 'top jobs' among the various European political groupings.

While a relative unknown beyond Italy, the former journalist and TV reporter from Florence has served two terms as an MEP and was elected as a Vice-President in 2014. Sassoli previously sat on a European Parliament intergroup for Human Rights and Extreme Poverty and is an active member of an Italian association which defends freedom of expression.

In his speech to plenary, Sassoli called on the Council and Commission to listen to European citizens and 'reinforce procedures' to give Parliament a greater role in the European Union – a response to the perception that the *Spitzenkandidat* process was cast aside by the Council.

Ireland's Mairead McGuinness (EPP) will join Sassoli for her second term as First Vice-President of the European Parliament after she secured 93% or 618 votes cast in Strasbourg for the position from a valid poll of 661.

## EU Institutional Update

### Agreement finally found on the EU's 'top jobs'

The summer meeting of the European Council on 20 and 21 June was the second opportunity for EU leaders to discuss the outcome of the European Elections, having originally come together over dinner on 28 May, when results were still coming in. Discussions quickly centred on the allocation of the coveted 'top jobs' – deciding who will be the four Presidents of the European Council, Commission, Parliament and Central Bank and who will be the EU High Representative for Foreign Affairs.

Although the Presidency of the European Central Bank requires a certain technical skill set, some commentators have suggested that the recent appointment of Ireland's Philip Lane as the ECB Chief Economist provided more scope for the European Council to focus on the political and diplomatic elements of the role. Meanwhile, the Presidents of the European Commission and the European Council continue to be considered the most powerful political roles and hence most open to political manoeuvring.

Who gets what job is always a complex puzzle requiring a choreographed balance between geography, gender and political affiliation. The situation in 2019 presented even more of a challenge given that recent general elections in several member states tipped the political balance of the Council from majority centre-right EPP to a much more diverse landscape with almost equal weighting between centre-right, liberals and social democrats. This is a stark contrast to 2014 when the centre-right EPP was in a much more dominant position during the discussions on the package of top jobs.

With no agreement reached, EU leaders reconvened discussions on a set of compromise candidates and finally, late on the evening of 2 July, the European Council found agreement on a package of appointments for the next cycle of EU policy making.

In addition to the formal nomination of Ursula von der Leyen (DE / EPP) as European Commission President, the others proposed were:

- President of the European Council
  *(From 1 December)*
  **Charles Michel (BE / Renew Europe)**
- President of the European Central Bank
  *(From 1 November)*
  **Christine Lagarde (FR / EPP)**
- Nominee for High Representative for Foreign Affairs & Security Policy (and Vice-President of the European Commission)
  *(From 1 November)*
  **Josep Borrell (ES / S&D)**

Member states are now formalising nominations for their respective European Commissioner and preferred portfolio. The Irish cabinet has formally approved the nomination of current European Commissioner for Agriculture & Rural Affairs, Phil Hogan, for a second mandate in Brussels. The process to assign portfolios and responsibilities is expected to be complete by end-August. Fewer than 10 of the current 28 Commissioners are expected to be returned by their Governments. All candidates will be assessed by MEPs at hearings in September and October with the overall composition of the new Commission subject to a final approval vote in Strasbourg on 23 October.

## A new strategic agenda for 2019 – 2024

In preparation for the next legislative cycle, the Summer European Council also saw EU leaders formally adopt a new 'strategic agenda for Europe', discussions on which had commenced at the Special Sibiu Summit on 9 May.

Considering that agreement on some more contentious issues proved impossible (particularly in the area of climate action given that four member states do not support the goal of achieving a carbon-neutral Europe by 2050), the document contains more political aspirations than concrete deliverables.

The document instead provides an "overall framework and direction" and is designed to "guide the work of the institutions over the next five years", focussing on four broad priorities:

- Protecting citizens and freedoms
- Developing a strong and vibrant economic base the European model for the future
- Building a climate-neutral, green, fair and social Europe
- Promoting European interests and values on the global stage


The strategic agenda is to be discussed again at October European Council where it will be read alongside President von der Leyen's own political guidelines for the next cycle of EU policy-making.

## Brexit

Although not formally on the agenda for European Council, EU leaders heard a short update on Brexit. This resulted in a joint assessment highlighting once again a strong sense of unity, summarised by President Tusk as follows:

- we look forward to working together with the next UK Prime Minister
- we want to avoid a disorderly Brexit and establish a future relationship that is as close as possible with the UK
- we are open for talks when it comes to the Declaration on the future EU-UK relations if the position of the United Kingdom were to evolve, but the Withdrawal Agreement is not open for renegotiation, and
- we have been informed on the state of play of planning for a no-deal scenario.

The Autumn European Council will take place in Brussels on 17 and 18 October.

## Greece

### *The centre strikes back in post-bailout Greece*

Opposition party New Democracy won 158 seats and nearly 40% of the vote in Greece's 7 July elections. The party's leader Kyriakos Mitsotakis has promised a new era of jobs, security and growth to his country which has seen a slow recovery since Tspiras' Syriza was installed in 2015. New Democracy has pledged to privatise services and cut taxes.

The 7 July election was called after a poor showing by Tspiras' Syriza in the European elections caused an internal party revolt. Tspiras came to power promising to remove Greece from its bailout programme and end the policies of austerity but quickly lost the support of his voters by signing up to a third bailout and implementing further austerity measures. Tspiras now leaves his European Council seat as the only representative of far-left GUE-NGL and returns to domestic opposition.

Increasing unemployment and a shrinking economy were issues seized upon by opposition parties in the election which saw Greece vote a year on from exiting the controversial bailout. Unemployment statistics have carried younger voters to New Democracy as many have not seen the improvements promised at the last election. The younger base has increased in size as a number of 17-year olds have had the right to vote for the first time ever in this election.

Mitsotakis, the son of the country's former Prime Minister, is considered a political reformer and garnered a reputation for being pro-business and anti-bureaucracy. Given the extent of Syriza's loss, expectations for the New Democracy administration will be high.

## Denmark

### *Ambitious climate pledges follow a win for the Danish left*

The elections to Denmark's national parliament on 5 June saw 175 seats contested in Denmark, and two seats each in the Faroe Islands and Greenland. The elections took place in the wake of the European elections and saw the Social Democrats win over 900,000 votes totalling 48 seats.

The left of the parliament known as the 'red bloc' (comprising of the Social Democrats, Social Liberals, Socialist People's Party, the Red-Green Alliance, the Faroese Social Democratic Party and the Greenlandic Siumut) won a 93-seat majority between them. The incumbent government led by Prime Minister Rasmussen of centre-right liberal party Venstre fell to 76 seats.

Government negotiations commenced on 7 June and following what is known as a 'Queen's round' of talks, endorsement by the Social Liberals, the Socialist People's Party and the Red-Green Alliance afforded the country's youngest ever Prime Minister Mette Frederiksen the approval of Queen Margrethe II. Frederiksen was installed as Prime Minister on 27 June after the longest negotiation period for a government in Denmark – 20 days – since 1988. Her cabinet took office on the same day.

Issues which dominated the campaign included climate, immigration and welfare. On immigration, the Social Democrats prioritised the already hardline stances taken by Rasmussen in order to fortify the country's robust welfare system and win a working-class vote. On climate, the Social Democrats reached an agreement with two of its partner parties in the red bloc committing to reduce emissions of CO2 by 70% by 2030. Frederiksen has refused to issue a traditional government 'white paper', instead deferring to the 18-page political understanding she reached with her parliament.

## Belgium

### *Potential political stalemate after Belgium's 'Black Sunday'*

Following regional, federal and European elections in May, Belgium appears more polarised than ever with the right-wing N-VA and Vlaams Belang securing significant vote-shares in the Flanders region and the parties of the left and centre holding in the Brussels capital region and Wallonia.

Belgium's business federation, FEB, has warned against a repeat of 2010-2011 when the country took 589 days to reach an agreement about a federal government, setting a political record. In a public release, FEB stated that the stable economic situation could only be prevented from slowing should there soon be a federal government in place to install a budget and secure the country against potential international economic shocks. FEB stated economic growth of up to 1.25% is still possible if the international situation remains stable.

The elections saw right-wing N-VA of the majority Flemish-speaking Flanders region take the top spot with a surge in support for far-right Vlaams Belang. Following the success of Vlaams Belang, King Philippe held a consultation with their leader, the first time a Belgian monarch has held a meeting with the far-right since 1936.

The Parti Socaliste and outgoing Prime Minister Charles Michel's Mouvement Reformateur won large seat shares in the majority French-speaking Wallonia and the Brussels capital region. Brussels saw a surge in support for green party Ecolo, in keeping with the northern European 'green wave' seen in the May European elections.

The results leave Belgium in a challenging political reality as leader of the N-VA Bart de Wever has refused to enter a government without a 'clear Flemish majority', leaving open the possibility of the inclusion of Vlaams Belang who have long been excluded from federal government.

As Prime Minister Charles Michel prepares to take on the job of Council President from Donald Tusk, his country faces the mainstreaming of radical political parties and the possibility of no federal government until late this year.



## Finland

### *Cross-party compromise moves Finland back to the left*

A new five-party coalition took power in Finland in June, headed up by Prime Minister Antti Rinne of the Social Democratic party. Rinne's party partnered with the Centre Party, as well as the Green League, the Left Alliance and the Swedish People's Party. The coalition marks a significant political change from the previous right-wing governing alliance.

Elections in Finland in April saw the Centre Party, who were governing in a coalition with the National Coalition Party and the Finns Party (later replaced by a splinter group known as the Blue Reform Party) since 2015, face their worst vote share since 1917 with all parties finishing under 20% of the vote.

The elections followed the collapse of the governing coalition after it failed to push through reforms on healthcare and welfare. The coalition had overseen a politically tumultuous but economically strong tenure in which government debt fell and the employment rate rose above 72%. In Kainuu County, where the coalition had invested a billion euro in resurrecting the mining economy and halved unemployment, the Centre Party lost all of its seats.

Centre Party leader Juha Sipila will step down as party chair in September after the election upset for the group which saw seat gains for rivals in the Social Democratic Party, the Green League and the Left Alliance following a campaign in which climate change played a significant role.

While the Social Democratic Party won 17.7% of the vote, the big story of the election was the far-right Finns Party who took second place offering them a significant voice in opposition.

# 1. EU-US trade relationship continues to face challenges

The EU-US relationship on trade issues continues to face significant challenges, the latest of which comes in the form of threatened retaliatory tariffs from the EU over US threats to impose tariffs on European car imports. This issue comes on top of the ongoing dispute regarding subsidies to aircraft manufacturers which Brussels and Washington DC are contesting at the WTO.

Speaking on 23 July, at the inaugural meeting of the new European Parliament Committee on International Trade, Trade Commissioner Cecilia Malmström announced that the EU was ready to retaliate with tariffs of €35bn against US imports should Washington proceed with imposing auto tariffs. Those proposed US tariffs relate to the Section 232 report prepared by the US Department of Commerce which found that imports of foreign cars and car parts, namely from Europe and Japan, could pose a threat to US national security. President Trump has delayed taking action on the report's findings until the end of October, but the sense is that additional duties on EU autos will be imposed. The Trade Commissioner has now stated that the EU has already prepared retaliatory tariffs stating, "We will not accept any managed trade, quotas or voluntary export restraints and, if there were to be tariffs, we would have a rebalancing list…It is already basically prepared, worth 35billion euros. I do hope we do not have to use that one". What items the EU has included on that list are as-of-yet unclear.

The EU and US are also locked in a parallel dispute in relation to alleged state subsidies being provided to aircraft manufacturers Airbus in the EU and Boeing in the US. Both the EU and US have separate cases on this dispute at the WTO.

On 15 May 2018, the Appellate Body of the WTO found in favour of the US that Airbus was receiving subsidies from the EU including four named member states: France, Germany, Spain and UK. Based on that ruling the US requested sanction to impose countermeasures worth $11.2 billion on certain EU imports. The WTO is currently evaluating that claim and is due to publish its arbitrator's report on the matter later in the summer which will outline the value of tariffs that can be imposed.

On 8 April 2019, the US Trade Representative (USTR) released a provisional list of European goods that could be targeted with additional sanctions in relation to the WTO findings. The list is split into two sections:

1. Tariff items targeting imports from specific countries (Germany, France, Spain and UK- all countries with Airbus manufacturing facilities)
2. Tariff items from all EU 28 countries.

Numerous Irish exports to the US, for example dairy products, could be affected by tariff items on the second list. A subsequent list of products was released by the USTR on 5 July 2019 which also includes products sensitive to Ireland, such as Irish whiskey.

The EU has also published a provisional list of tariff lines which it will impose in response to the WTO findings that the US provided subsidies to Boeing aircraft manufacturer. The level of subsidies given was found to cause damage to Airbus' market opportunities. While the arbitrator's report will not be finalised until March 2020, the European Commission has issued a provisional tariff list. The Commission has estimated that the adverse effects caused by US subsidies to be in the order of €10.16bn.

Ibec is deeply concerned at the continued deterioration in the EU-US trade relationship. Additional tariffs both on the US and EU side would negatively impact the Irish economy in terms of both imports and exports. Ibec is a proponent of a liberal trading system which contributes to job creation and consumer choice. We encourage the EU and US to urgently engage in trade talks in order to de-escalate this worrying situation.

# 2. Further development of EU FTAs

## Mercosur

After 20 years of protracted negotiations, the EU-Mercosur Free Trade Agreement (FTA) was agreed on a political level at the end of June. The deal represents the largest ever FTA concluded by the EU in population terms, creating a market of 780m consumers. Talks between the EU and the South American trading bloc consisting of Argentina, Brazil, Paraguay and Uruguay, began in 2000 but faced many hurdles, primarily around the substantial differences in levels of liberalisation parties were offering on market access, agricultural goods, services and public procurement. Negotiations were relaunched in 2016 and regularly scheduled talks finally produced a political agreement on 28 June. Both sides will now conduct a legal revision of the agreed text before a final version of the agreement is published.

The final text will then be translated into all official EU languages and submitted to the European Parliament and national parliaments of EU member states for approval.

The deal will see Mercosur liberalise 91% of tariff lines with a phase-in period of up to 15 years whereas the EU will liberalise 95% of tariff lines with a phase-in period of 10 years. While the deal has been heavily criticised by farming groups and environmental organisations, it does send a strong signal that the EU is committed to pursuing a free trade agenda. Mercosur does not have a free trade agreement with any other global trading partner meaning EU companies will have preferential access to this emerging market.

### Key elements of the deal:

- EU will liberalise 82% of agricultural imports, with the remaining imports subject to partial liberalisation commitments including tariff-rate quotas for more sensitive products (e.g. beef)
- Mercosur can export 99,000 tonnes of beef to EU per year, subdivided into 55% fresh and 45% frozen with an in-quota rate of 7.5%. This liberalisation will be phased in in six equal annual stages
- Mercosur can export 180,000 tonnes of poultry to the EU made up of 50% bone-in and 50% boneless, phased in in six equal annual stages
- Mercosur will remove duties for over 90% of EU car and car parts exports to the region. EU's exports of passenger vehicles to the bloc will be fully liberalised over 15 years
- In relation to public procurement, Mercosur countries have agreed to sign up to the WTO Procurement Agreement and reciprocal treatment equivalent to the EU's own GPA schedule
- The deal secures liberalisation of maritime services, a big win for the Greeks and Danes
- The agreement will include reciprocal tariff rate quotas on cheese (30,000 tonnes), milk powder (10,000 tonnes) and infant formula (5,000 tonnes) all to be phased in in ten annual stages reducing to zero from the base rate
- Significant win for the EU on recognition of geographical indications (GIs) which will improve the situation for EU producers selling to the region. 355 GI names of food, wine and spirits will be protected in Mercosur at a level comparable to that of the EU, this includes protection for Irish whiskey and Irish cream liqueur
- The deal upholds the EU's high standards when it comes to sanitary and phytosanitary measures (SPS), ensuring that the EU's SPS standards are not relaxed in any way- this is a non-negotiable element of the deal
- The deal contains a chapter on Trade and Sustainable Development (TSD) which includes provisions on respect for International Labour Organisation Conventions, agreement to respect multilateral environmental agreements, such as the CITES Convention on wildlife trade and implementation of the Paris Agreement
- A chapter on Dispute Settlement establishes a mechanism for the purposes of resolving any dispute between the EU and Mercosur concerning the interpretation or application of the agreement. This mechanism includes an initial opportunity for amicable resolution and if that fails, the establishment of an arbitration panel. The panel is to be composed of three arbitrators with expertise and experience in law and international trade.

*Ibec welcomes the new market access opportunities that Irish companies could be set to gain from the EU-Mercosur deal. However, we equally recognise the adverse effects certain sectors, for example the Irish beef industry, could experience as a result of increased competition from Mercosur. We look forward to seeing the final text of the deal once that is signed off by the negotiating parties.*

### New Zealand

The fifth round of negotiations between the EU and New Zealand took place in Brussels on the week of 8 July. Initial offers have been exchanged and the ambition of both sides is reportedly high. The offer from New Zealand reflects the provisions of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) to which it is a signatory with other Pacific rim countries. The EU opening position is the recently agreed FTA with Japan. The negotiators have yet to turn to the 'hard' issues of GIs, rules of origin etc. The digital chapter is open but slow given the parallel process in the WTO on ecommerce. On data flows, the Adequacy Decision between the two parties provides a solid foundation for the negotiation of provisions on data flows in the FTA.

On Tuesday 16 July, Ibec met with the Minister David Parker who holds the portfolios of Trade and Export Growth, Environment and Attorney General in the New Zealand government. Brexit, the economy, trade and New Zealand's proposed Zero Carbon Bill were some of the items discussed. Ibec looks forward to continued engagement with the Embassy of New Zealand in Dublin as the FTA negotiations progress.

### Vietnam

The EU-Vietnam FTA was officially signed on 30 June 2019 and could be ratified in 2019. Vietnam is a very dynamic, young country that has been growing at a steady rate of more than 6% (World Bank expects 6.5% GDP growth in 2019). It is a country of almost 100 million people. The EU-Vietnam FTA will allow European companies to be present and active in the region of South East Asia, which has strong political and economic ties with China. The agreement includes rules on labour rights and environmental and intellectual property protections. Vietnam is also participating in the CPTPP.

## 3. Trade policy in the EU institutions

As the European Parliament and European Commission in Brussels enter their next mandates, Ibec and European business partners have set out the business position on the global trade environment and the principles that the incoming European Commission should pursue in its trade policy. The Brussels launch of BusinessEurope's 'A Trade Strategy Fit for the 21st Century' on 8 July included a keynote address by Celcilia Malmström, EU Commissioner for Trade, and a strong group of panellists, including David O'Sullivan, Special Advisor to the President of the European Commission and Heidi Hautala, Green MEP member of the Parliament committee on trade.

The future trade strategy of the Commission should reflect the below key points:

- The EU must remain open to trade and investment, safeguarding its political and economic interests through multilateralism and rules-based open trade. The paper calls for continued commitment to the WTO system
- Trade policy must be transparent and coherent with other EU policy areas; Single Market, industrial policy etc.
- The future EU-UK future relationship should be as frictionless as possible while protecting the Single Market. The EU and UK should collaborate on mutual global priorities at multilateral level
- The EU must rebalance its relationship with China by promoting a framework that takes into account differences of economic models
- The EU must maintain its strong and stable relationship with the US and must continue to look for opportunities to develop a positive agenda that reduces the costs of trading and investing across the Atlantic
- The EU should increase implementation and enforcement of trade rules and agreements to ensure more EU companies benefit from FTAs
- The EU must continue to liberalise trade in services with global partners.

### In relation to services specifically, the incoming European Parliament and European Commission must:

- Understand the importance of services for European competitiveness (in terms of trade volume, of value added and of job-creation) and ensure that future trade policy reflects it
- Support ambitious WTO negotiations towards agreements on e-commerce, on domestic regulatory disciplines in services and on investment facilitation
- Pursue an active bilateral FTA policy, keeping in mind the services sectors priorities
- Ensure better visibility and enforcement strategy for the services provisions in EU FTAs

Ibec will communicate the Irish business position on the trade policy of the incoming European Commission with all major stakeholders in Dublin, Brussels and Geneva. The EU must continue to pursue a rules-based liberal approach to trade while, at the same time, proving it is able to adapt to the current challenges of the geopolitical environment.

## INTA committee

Formal election of the chairs of the 20 committees and 2 sub-committees of the European Parliament took place on 10 July. Bernd Lange, a Socialist & Democrats MEP from Germany was reappointed as Chair of the Committee on International Trade (INTA), initially for a two-and-a-half-year term, as per internal rules, with an opportunity for extension. Lange has significant experience in developing EU trade policy and gaining consensus between parliamentarians at committee stage of the legislative cycle.

The committee will be composed of 41 members in total, including four vice-chairs: Julian Zahardil, ECR; Iuliu Winkler, EPP; Anna-Michelle Asimakopolou, EPP; and Marie-Pierre Vedrenne, Renew Europe. Political groupings within the parliament have also announced their coordinators for the INTA committee, they are Christophe Hansen, EPP; Kathleen Van Brempt, S&D; Karin Karlsbro, Renew Europe; Heidi Hautala, Greens; and Geert Bourgeois, ECR.

## European Commission

Sabine Weyand, former Deputy Chief Negotiator of the European Commission's Brexit Taskforce, has been appointed as Director General of DG Trade. Weyand takes over the role from Jean-Luc Demarty who has been appointed to the Secretariat-General with responsibility for multilateralism and WTO reform. Weyand's new position will feature negotiations on key global trade discussions with the US, China and on WTO reform. She has already travelled to Washington DC to meet her counterparts at the US Trade Representative to conduct discussions the ongoing dispute on aircraft manufacturing subsidies and threatened retaliatory sanctions. Also featured on that agenda was a stock take of how talks between the EU and US on conformity assessment and regulatory cooperation are progressing. It is unclear if negotiations on the future EU-UK relationship will become a responsibility of DG Trade or if an alternative structure will be established. However, with a stellar work history in the Commission, including as Deputy Director in DG Trade and as a member of cabinet under Pascal Lamy's tenure as Trade Commissioner, Sabine Weyand is well-equipped to deal with any challenging dossiers that come her way.

It is still unclear who will take over the mantel of Commissioner for Trade from the incumbent Cecilia Malmström. Political negotiations on the formation of the new College of Commissioners are ongoing, with the European Parliament due to receive a list of Commissioners-designate in August. The hearings for the new Commissioners will take place in the Parliament between 30 September and 8 October.

*| Bernd Lange*

*| Sabine Weyand*

# Memorandums of Understanding signed by ABFI

The Alcohol Beverage Federation of Ireland (ABFI) has recently signed up to a Memorandum of Understanding (MoU) between the European Commission and SpiritsEUROPE to enable producers to provide ingredient and nutritional information to consumers. In June, the MoU was formally signed by European Commissioner for Health Vytenis Andriukaitis at a SpiritsEUROPE General Assembly. The objective of the MoU is to ensure that the collective total EU market share of spirits products placed on the EU market provides energy information on-label and ingredients information online by 2022.

Additionally, the Brewers of Europe has also committed to signing a similar MoU with the European Commission which will provide consumers with clear information regarding ingredients and energy values on labels by 2022. ABFI has also agreed to sign up to the MoU on behalf of the brewing sector. The formal signing of the MoU will take place in September which follows significant engagement between industry and the European Commission, demonstrating the benefits of a collaborative approach.

## European Elections

During the European election campaign, various ABFI members invited local candidates to visit their respective breweries and distilleries. Several candidates accepted the invitations and toured some of the facilities within their constituencies and had valuable face-to-face interactions with both staff and facility managers. These site visits gave a unique opportunity for drinks manufacturers to showcase the operational activity to key political stakeholders.

The site visits followed a direct mailing campaign to European candidates to highlight; trade agreements, single-country labelling and the drinks industry's economic contribution to the local community. In total six candidate visits took place.

*"This collaborative approach at EU level is the best way to ensure consumers get the information they need in the most effective and efficient way, further empowering them when making purchasing choices."*

*– Patricia Callan, ABFI Director*


*FSI is the Ibec trade association representing the financial services sector in Ireland on a whole-of-industry basis. Our members span banking, insurance, fund and investment management, aircraft leasing, fintech, payments and others. Audrey Crummy, Senior Executive in FSI, gives an overview of current engagement and issues.*

## European Elections

The international financial services ('IFS') industry in Ireland accounts for 44,000 local jobs, and we are the fourth largest exporter of financial services in the EU. The volume of cross border trade conducted from Ireland globally and within the EU Single Market means that engagement and representation at EU level is of critical importance. The May European elections were a major focal point for the financial services industry, with FSI members participating in the Ibec European elections campaign and MEP candidate debates.

In particular, the continued full membership of an Irish MEP on the European Parliament's Committee on Economic and Monetary Affairs (ECON) has been a discussion point for our members. In February, FSI met with the previous ECON mission to Ireland and in April, was signatory to a public letter outlining the importance of having an Irish representative on ECON. The nomination of both Frances Fitzgerald and Billy Kelleher to the Committee in early July was very welcome news and presents continued opportunity for Ireland to be a vocal, engaged and effective party in EU policymaking.

## Policy Themes

A number of files with cross-industry relevance reached important milestones in the first half of 2019. March saw the end of protracted negotiations on the proposed Review of the European Supervisory Authorities. Political pressure led to watering down of some of the original, controversial proposals which were considered to overreach into new areas of supranational decision-making. In particular, the deletion of proposed new powers of oversight for European supervisors on Outsourcing & Delegation arrangements was welcomed.

The Commission's March 2018 Action Plan on Sustainable Finance progressed further with the publication in June of an outline 'Taxonomy', which will be used to classify and measure the sustainability of financial services products. The taxonomy is the subject of a public consultation until 13 September 2019, and the Commission is now shifting its focus to Social & Governance elements of Sustainable Finance.

Investor protection, outsourcing and cyber risk will continue to be driving themes for the Commission and European Supervisory Authorities into H2, and the sectoral reviews of AIFMD, Solvency II and PRIIPs are all anticipated to be underway before the end of 2019.

## EU Engagement

FSI's umbrella representative body is BusinessEurope (BE), specifically the BE Financial Affairs Working Goup, meeting twice per year in Brussels. The most recent meeting of the group considered issues such as supervisory convergence under Capital Markets Union; supervisory forbearance on Strong Customer Authentication under the second Payment Services Directive; continued impacts on Non-Financial Counterparties under EMIR; the Review of PRIIPs; and Sustainable Finance.

The Central Bank of Ireland, as a member of the European System of Financial Supervisors (ESFS) has signalled its intention to play an ever-more-active role at EU level, through the Supervisory Convergence Network. This reflects an important, shared intention to engage more actively, particularly with the loss of the UK as a traditional negotiating partner. A new Irish FS trade forum has been established in Brussels, announced in May as an action under the 'Ireland for Finance' Strategy.

The forum comprises the respective Heads of EU Affairs of FSI, BPFI, Irish Funds and Insurance Ireland. Complementing the above, FSI has launched a new Regulatory & EU Affairs Committee, which will flex a whole-of-industry voice to influence policymaking and regulation at an early stage. The first meeting of the new Committee is 25 September.


*A new Irish FS trade forum has been established in Brussels, announced in May as an action under the 'Ireland for Finance' Strategy.*

# Safe, Sustainable and Competitive

Paul Kelly, Director, Food Drink Ireland provides an overview of the sector's recently published *Safe, Sustainable and Competitive - Policy Priorities for 2019*. Two of the main priorities are addressing Brexit and improving the EU Single Market.

## Addressing the Brexit Challenge for Food and Drink

Brexit involves an unprecedented fracture of the Single Market, with Ireland particularly exposed. Agri-food and drink remain particularly reliant on the UK market and is the sector most exposed to Brexit. Whilst the UK as a percentage of our overall exports has dropped in recent years and now stands at 37%, in absolute value terms it continues to increase and now stands at €4.5bn (a 32% increase since 2010). This demonstrates the importance of maintaining our market position in this high value, high quality market that has a substantial food deficit and not relinquishing the market to global competitors. Irish food and drink exposure in absolute value terms is similar to other large exporters to the UK (France, Belgium, Netherlands, Germany, Italy). However, in percentage terms we are 4 – 5 times higher. Typically, less than 10% of those other member states agri-food exports are to UK. This highlights the unique circumstances faced by Irish agri-food and the need for exceptional mitigation measures.

A further €4bn of exports go to the other EU-26 with most using the UK land-bridge. Protecting our connectivity to continental EU markets is critical. It is also an important trade route for food ingredients and finished goods travelling from the continent to Ireland.

In the event of a no-deal Brexit and the immediate imposition of tariffs, it is therefore vital that the EU institutions and national governments recognise the potential for economic disruption and take decisive steps to offset such risks. Tariffs are in effect a tax on trade and commerce. They would decimate much of Ireland's agri-food exports to the UK. In order to support businesses during a hard Brexit, alleviation measures will be needed to support Irish agri-food. Tariffs flow back to central exchequers at national and EU level and must be recycled into a tariff stabilisation fund to offset serious damage to exports and job losses.



# Europe – Our Single Market

With 34% of food and drink exports going to the EU-26 it is critical that policy-makers champion and defend the EU Single Market for goods and particularly food and drinks. There is a need to counter recent trends towards renationalisation (country of origin labelling, single country labelling), protectionism and fragmentation. Agri-food and industry must be at the top of the political agenda of the European Union during the new institutional cycle (2019-2024) with CAP and industrial policy as top priorities for the Commission's 5-year Work Programme. FDI is also calling for the appointment of a dedicated Vice-President for Industry.

The new Commission must swiftly prepare and present an ambitious long-term EU industrial strategy that aims at safeguarding the world leadership of the European industry and manufacturing jobs in Europe whilst promoting the circular economy through easier access to green finance and more support for eco-design, eco-innovation and entrepreneurship. We also need to see equality for producers of all drinks categories in EU laws and funding; including an end to the unfair and unjustified discrimination against small spirit and ciders producers who cannot qualify for excise relief under the EU Excise Structure Directive.

## #FoodDrinkExplained About the campaign

In conjunction with our European association FoodDrinkEurope, Ibec's Food Drink Ireland has started a social media campaign to explain food processing in a positive and proactive way. The tweets appear under the theme #FoodDrinkExplained; each one contains an infographic showing how a particular food is produced along with an interesting fact or message

The campaign began with tweets about the production of frozen vegetables (see example below), ham and coffee. The next tweets to appear covered bread (19 July), canned tuna (24 July) and chocolate (30 July). The campaign will continue over the summer and autumn.

## Aim of the campaign

The campaign aims to highlight the importance of different processing techniques for food safety, convenience and taste. Like and retweet the #FoodDrinkExplained posts as they are posted from the @FoodDrink_Irl account.

*Conor Mulvihill, Director of Dairy Industry Ireland, explains the scale and significance of the sector and the role of Brussels-based representation in advancing its interests.*

# Ireland: A 'Tiger' Dairy Country

***Ireland is currently seen as a tiger economy in the global dairy industry, with one of the fastest growth rates on the planet.***

What might be less known is that the current renaissance in the industry is built on the back of a policy decision in the heart of Brussels: namely the ending of the EU dairy quota regime in 2015.

Since the lifting of this quota regime the industry has flourished in the south of Ireland, jumping from producing just over 5 billion litres of milk in 2015 to a staggering 8 billion litres today. Irish dairy processing is an all island industry, so when you count activity in the North, the industry will pass the 10 billion litre mark this year.

The fact that over 90% of this output is exported makes the industry not only a huge contributor to the Irish economy, but it also makes it Ireland's largest natively owned industry. The scale of this growth allied with the quality of the output off grass fed systems have meant that Ireland's traditional primary processors like Dairygold, Kerry, Glanbia and Lakeland have been joined here by huge multinational Specialised Nutrition manufacturers like Abbott, Danone and Wyeth/Nestle.

These companies are now at the vanguard of innovating and creating a range of value-added functional foods from Irish dairy such as sports nutrition products, infant formulas and foods for special medical purposes for sale around the globe.

This means that as the umbrella body for these companies, Dairy Industry Ireland have to be extremely active at a Brussels level, working also with our Ibec central colleagues, to deliver the political and regulatory services to allow these companies the support they need to succeed in Europe and internationally.

To this end, Dairy Industry Ireland are members of both the European Dairy Association and Specialised Nutrition Europe and are regular visitors to Brussels to vigorously represent and advance the interests of the industry. This is also augmented through global membership of the International Dairy Federation and the International Special Dietary Foods Industries association.

Our most recent mission to Brussels in mid-July involved a heavy agenda which included:

- Meeting the chair and CEO of one of the world's biggest dairy companies Fonterra of New Zealand looking for areas of collaboration on climate change and emissions reduction.
- Representing Ireland on the Board of the EDA.
- Meeting the head of DG SANTE Dr. Anne Bucher to discuss issue such as Brexit and dairy food safety.
- Meeting the Director of Markets in DG Agri Michael Scannell to discuss developments in the Single Market and global dairy trade.
- A series of meetings with fellow trade associations such as the Danish Dairy Board and Eucolait the Dairy Trade Association to name but a few.

The industry is facing the twin challenges of dealing with the sustainability challenge and Brexit, so Brussels and international work will continue to be an integral part of the Dairy Industry Ireland agenda for the foreseeable future.

From our policy experts

# The Irish business blueprint to a low carbon economy

*In May Ibec launched a major new report 'Building a competitive low carbon economy – An Irish business roadmap to 2050'. The report sets out an industry-wide response to climate change, an ambitious vision for a competitive low carbon economy in 2050, and a plan to make that happen. The report was developed in consultation with Ibec members from a wide range of business sectors and with guidance from the SFI MaREI Centre's Energy Policy and Modelling team at University College Cork.*

Ibec's central message is that the low carbon transition presents a no-regrets opportunity to enhance energy resilience, boost competitiveness, improve quality of life, and create thousands of sustainable jobs across the country. But this requires a strong focus on cost-effective and evidence-based polices. Poor decisions could erode competitiveness, undermine energy security, and see efficient and sustainable Irish businesses lose market share to international competitors with inferior environmental credentials.

The Ibec roadmap shows how these trade-offs can be avoided and includes six key policy recommendations; a redesign of the domestic carbon tax to support low carbon investment, the introduction of short-term carbon budgets, the formation of a social dialogue on climate action, a full review of energy security, climate smart planning and development, and new state supports to leverage private investment.

In June the Irish Government launched a new Climate Action Plan which represents a significant increase in the Irish climate ambition. The plan sets out over 180 actions and proposes some very challenging targets for 2030 including a 70% renewable electricity share, 1 million electric vehicles, 500,000 deep energy retrofits and the installation of 600,00 electric heat pumps. The new plan adopts many of Ibec's policy recommendations and Ibec will now work with Government, policymakers and other relevant stakeholders on the implementation of the new climate strategy.

The Ibec low carbon report is part of Ibec's Better Lives, Better Business campaign and can be accessed here.




From our policy experts

# AI – Smarter Technology, Smarter Policy?

*Artificial intelligence (AI) is seen as transformative technology that can bring social and economic benefits for example through better healthcare, more efficient public administration, safer transport, a more competitive industry and sustainable farming.*

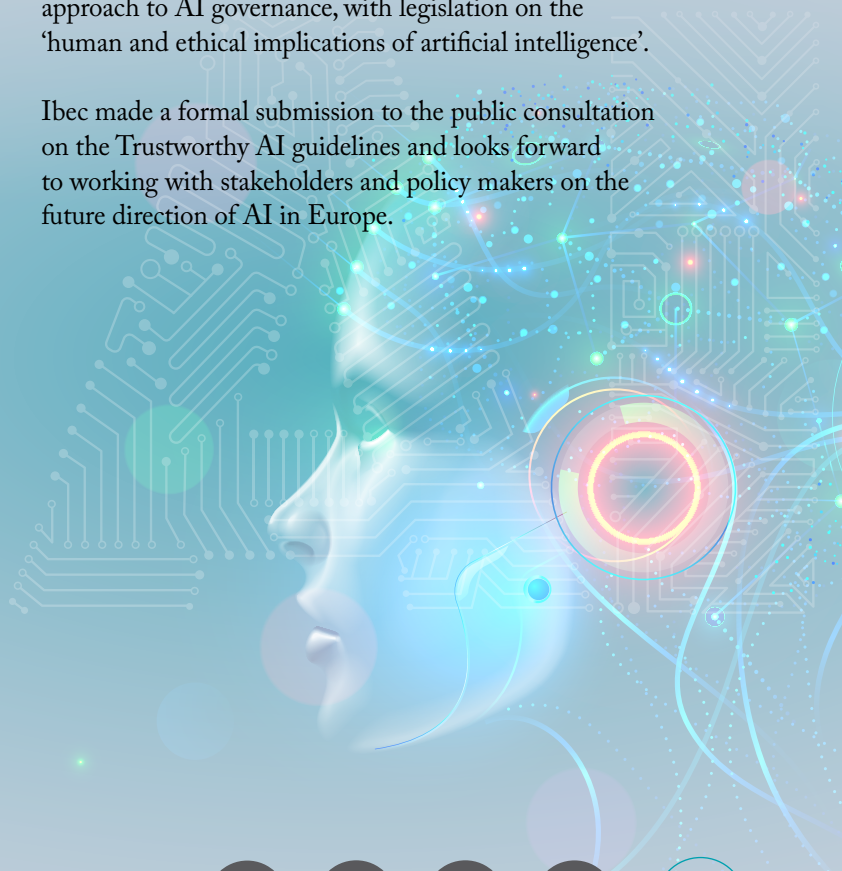
AI can be described as a suite of technologies or systems aimed at reproducing certain human cognitive processes – technologies that can be combined to sense, comprehend, act and learn. While sometimes misunderstood or misrepresented, there has been significant recent progress in AI development through a combination of investment, technical progress and increased volumes of computing power and data. The World Intellectual Property Organisation (WIPO) report that there has been 1.6 million scientific papers and 40,000 AI-related patent applications since the 1950s, with the majority (more than half) of all AI-related patent filings published since 2013.

The European Union strategy towards AI, involves: the co-ordination of member states' AI strategies; support for AI adoption by the public and private sector; support for relevant education and skills that prepare Europe for potential socio-economic change associated with AI and further digitally enabled automation; and governance and ethical guidance around AI.

The European Commission established a multi-stakeholder forum (AI Alliance) to enable a broad and open discussion of all aspects of AI development and its impact on the economy and society. The Commission also appointed an independent High-Level Expert Group on Artificial Intelligence (AI HLEG), comprising representatives from academia, civil society, as well as industry. The general objectives of the AI HLEG are to act as a steering group for the AI Alliance and support the implementation of the EU strategy on AI.

The AI HLEG have made an important contribution to the ongoing policy debate around making AI a success for Europe. To date, the AI HLEG has developed guidelines on AI ethics, called 'Trustworthy (lawful, ethical and robust) AI' (April 2019); and policy and investment recommendations for developing trustworthy AI in the EU (June 2019). The guidelines on AI ethics and its assessment list are being piloted at present, to test how they can be applied in practice across sectors. Firms are encouraged to participate in the pilot. Some interesting AI HLEG recommendations include capability building (e.g. developing relevant skills and data infrastructure) and governance (using regulatory sandboxes and a proportional risk-based approach). Ursula von der Leyen, the next European Commission President, has indicated that she may favour a harder approach to AI governance, with legislation on the 'human and ethical implications of artificial intelligence'.

Ibec made a formal submission to the public consultation on the Trustworthy AI guidelines and looks forward to working with stakeholders and policy makers on the future direction of AI in Europe.



# OECD G20 BEPS tax report significant

*The proposals in the OECD/G20 BEPS programme of work for global tax reform, if implemented, would represent the most fundamental change in global corporate tax policy in a century.*

The report, entitled 'Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy' contains a number of proposals, including a minimum effective global corporate tax rate which could pose significant challenges for Ireland's FDI model over the coming decade.

The proposals of the OECD/G20 are a significant step in a process which may result in real change in the Irish business model. There is now clear renewed political momentum behind global multilateral tax reform through the OECD/G20 BEPS process. Proposals under Pillar 1 will mean some re-allocation of taxing rights to larger importing countries and, as a small exporting country, may mean the Irish exchequer will lose a proportion of its corporate tax base. Irish business, however, is more concerned about proposals under Pillar 2 which would introduce a minimum effective corporate tax rate globally. It is crucial for small open economies that this rate, if introduced, is set at a level which focuses on addressing actual profit shifting concerns and does not infringe on our right to set competitive tax rates.

Although we are early in the process, it is very likely that significant change is coming to how companies are taxed globally. The Irish Government will need to react proactively by significantly strengthening other areas of our FDI regime. This will require significant investments in areas such as education, innovation, and quality of life.

*Danny McCoy, CEO Ibec with Russel Mills, Secretary General, Business at the OECD at the OECD Ministerial Forum, May 2019.*

# Minister of State for European Affairs Helen McEntee TD addresses EU Affairs & Trade Policy Committee

Minister of State for European Affairs Helen McEntee TD addressed members of Ibec's EU Affairs & Trade Policy Committee on 26 June in a roundtable discussion on topics including Brexit, European elections, and the Finnish Presidency of the Council of the EU.

The Minister outlined recent developments on the Brexit negotiations highlighting the ongoing support from the European Commission and member states for the Brexit backstop provision. She explained the stance of EU negotiators on refusing to consider a time-limited backstop, the mechanism outlined in the Withdrawal Agreement designed to avoid a hard border on the island of Ireland. Minister McEntee also outlined the Government's call to companies to continue preparing for the UK's impending departure from the EU and to engage with Revenue and avail of all supports Government have put in place to help with the transition.

On the European affairs agenda, Minister McEntee explained the new strategic agenda of the European Commission, the appointment process for EU top jobs at the Council, Commission, Parliament, EEAS and ECB. The Finnish Presidency of the Council of the EU was also up for discussion including the challenges envisaged in finalising the EU's Multiannual Financial Framework (MFF). The MFF sets out the broad budget lines the EU can have in core policy areas such as the Common Agricultural Policy, Cohesion Funds, Research & Development and more.

Members present at the meeting also had the opportunity to engage with the Minister on a wide range of matters of importance to their business. These included highlighting the importance of completing the single market for goods and services, and ensuring the Government continues its work on pursuing a liberal trade agenda and fight against protectionism. Ibec also took the opportunity to express concerns around the EU-US trade dispute around aircraft manufacturing subsidies and the adverse impact this could have on Irish trade.

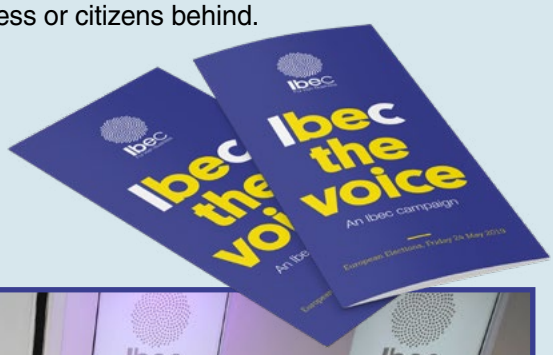

*L-R Pat Ivory, Ibec's Director of EU and International Affairs with Minister of State for European Affairs Helen McEntee TD and Edel Creely CEO of Trilogy Technologies and Chair of Ibec EU Affairs & Trade Policy Committee.*

**Next meeting Thursday, 14 November**

# Ibec's European elections campaign 2019 tours Ireland


Ibec's European Parliament election campaign was launched on 29 April with a breakfast briefing addressed by former President of the European Parliament Pat Cox. At the launch at Ibec offices in Dublin, Danny McCoy CEO set out key business priorities and said that the elections were an opportunity to strengthen Ireland's influence in the European Parliament, its political parties and policy committees.

Ibec hosted three debates with MEP candidates in Dublin, Cork and Galway in May. Candidates engaged with the major issues of relevance to business including Brexit, the status of international trade agreements and Europe's sustainable economic future and support for carbon-reduction goals which are ambitious, achievable, cost-effective and do not leave business or citizens behind.




*These roadshow debates were attended by high profile candidates from across the political spectrum in Ireland and provided a unique platform for Ibec member companies and stakeholders to communicate and connect with the future MEPs.*


Ibec
For Irish Business

Ibec the voice
An Ibec campaign

# Europe's Council of Presidents travels to Helsinki as Finland takes over Council Presidency

On 13 and 14 June, Ibec travelled to Finland for the latest meeting of the Council of Presidents of BusinessEurope. Coming just days before Finland assumed the Presidency of the Council of the European Union, this was a great opportunity for Ibec to join with our counterparts from across Europe in discussions with newly elected Prime Minister, Antti Rinne.

As the first Presidency of the new Institutional cycle, Finland's role in guiding legislative developments will be more limited. The headline priorities of the Finnish Presidency including a strengthening of common EU values and the rule of law, enhancing competitiveness and social inclusion, strengthening the EU's position as a global leader in climate action and more action on security and migration.

Ibec looks forward to working with the Finnish Government and our counterparts and friends at EK – the Confederation of Finnish Industries – over the coming six months.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