Speech by Minister for Jobs, Enterprise and Innovation
Richard Bruton, TD

Theme: “Driving Jobs, Trade and Competitiveness – Priorities for the Irish Presidency of the EU”

Excellencies, Ladies and Gentlemen
It is a great pleasure for me to be with you today and to speak to you on the Theme of “Driving Jobs, Trade and Competitiveness” in the context of our EU Presidency priorities. I want to especially thank the IIEA for giving me the opportunity to do so.

The EU economy is slowly starting to emerge from the deepest financial and economic crisis in decades. Although important action has already been taken and there are positive trends, we remain some distance from sustainable Union-wide recovery and in Europe we need to take decisive action to speed up that recovery.

A more competitive and productive European economy
A more competitive and productive economy is one that is more likely to sustain growth and create jobs. According to the European Competitiveness Report 2012 – “Reaping the benefits of globalisation”, in the long-run, growth will be enhanced and sustained by a combination of many factors, with openness and a business-friendly environment being two key ingredients. At a time of fiscal consolidation, when Government finances are under extreme pressures and investment business stimulus is constrained, the Report argues that simplifying the regulatory environment, increasing the efficiency of the public administration and pursuing an ambitious external trade agenda, are a cost-effective means open to Governments to stimulate growth and job creation.
This is very close to the prescription which Ireland is pursuing. At EU level we have argued that the austerity measures caused by the urgent need for fiscal consolidation and banking stabilisation should go hand in hand with robust action aimed at restoring economic growth, through trade and investment targeted at increasing the job rich character of the recovery. Therefore, for the Presidency, I am placing a strong emphasis on advancing measures that can boost the EU’s competitive edge globally.

Our Presidency achieved a major step last Friday by securing European leaders’ agreement on the EU’s new Budget (MFF). This deal represents a fair and a good deal for Ireland and for Europe. We will do our utmost as Presidency to work with the Parliament to gain its consent.

In Ireland, we are committed as a Government to building new foundations for Ireland’s future economic success. Our efforts in shifting growth from construction to more innovative sectors are already bearing fruit. Ireland already scores significantly above the EU average concerning many aspects of the business environment (ease of setting up a business, for example) and flexibility in the labour market including recent major productivity gains. We now are in the top 3 performers in the EU along with the UK and Denmark for ease of business and our labour productivity in manufacturing outperforms even Germany, The Netherlands and Sweden.

**A Presidency for Jobs, Growth and Stability – SME potential**

My Department is playing a central role in driving the overarching policy theme of our EU Presidency of “promoting sustainable economic growth and jobs and building Europe’s competitive advantage”. As Presidency, Ireland is focussing on measures to promote growth and employment in accordance with the “Compact for growth and jobs” as agreed by Heads of State and Government in June 2012.

SMEs remain the backbone of the European economy, accounting for more than 98% of all enterprises with some 20.7 million firms and more than 87 million employees. It is estimated that SMEs account for 67% of total employment and 58% of gross value added (GVA). Micro firms, with fewer than ten employees, make up the lion’s share (92.2%) of SMEs. In Europe’s fragile economic situation, decisive policy action to tackle the factors that determine SME formation and growth may tip the balance in allowing small firms to prosper.

Therefore, I very much support the proposals to establish a dedicated Programme for Competitiveness and SMEs (COSME Programme) which will provide targeted financial support for
SMEs. In particular, I welcome the proposed equity facility for growth-phase investment which will support the development of the EU wide Venture Capital market, as well as the Loan Facility which will provide direct or other risk sharing arrangements with financial intermediaries to cover loans for SMEs. As a priority, I will endeavour to achieve agreement on the structure and details of this Programme during my chairmanship of the Competitiveness Council.

Under our watch, as President, we will also be addressing measures proposed in the Commission’s recently published Entrepreneurship 2020 Action Plan. Implementation of this Action Plan will help us to create a more entrepreneurial-friendly Europe.

I will also be hosting, as part of an Informal Competitiveness Council of Ministers in Dublin on 2nd and 3rd May next, a debate on ‘SMEs as a driver of European Growth’. This is a signal of the importance Ireland attaches to job creation by helping our SMEs to grow and internationalise.

I am also working with Vice-President Tajani to host a special session of the High Level SME Finance Forum in Dublin prior to the May Informal Council meeting. The aim of this Forum is to encourage new, non-traditional approaches to improving access to finance for SMEs.

Reducing Business Costs and Red Tape

As Chair of the Competitiveness Council, I will have the opportunity to build on the progress already made in reducing business costs by the administrative burden reduction efforts of the Commission and Member States.

The cornerstone of the European Commission’s recent Communication is the REFIT Programme, which will be a new departure for Smart Regulation, emphasising the systematic evaluation of existing regulation over a multi-annual timeframe.

The Commission has already reported the results of their Administrative Burden Reduction programme, stating that they have made simplification proposals totalling 30.5%. Of that, 25% or €123.8 billion has already been agreed by co-decision of the Council and Parliament. The Commission wishes now to follow up with Member States on how they have transposed or adopted these proposed simplifications.

In Ireland, we have achieved a 19% reduction of administrative burdens on business to date and we continue to pursue avenues for further reduction. My own Department (along with the Revenue and the CSO) have already met the 25% target. To date, annual administrative savings totalling almost €300 million have been achieved for business.
I look forward to working with the Commission and the Member States on the second Communication, focusing on SMEs and micro enterprises, expected in spring 2013. This Communication is also expected to show the results from the recent online consultation conducted by the Commission into the “Top Ten most burdensome legislative acts”. These results will guide our future reduction efforts.

**State Aids**

Proposals on **State Aid Modernisation (SAM)** will be a prominent issue on our Presidency agenda. Ireland welcomes this initiative in light of post-crisis structural reforms and industrial restructuring which Member States are undergoing and the need for better alignment of State Aid with Europe 2020 objectives. The EU as a bloc is often competing with third countries for mobile Foreign Direct Investment (FDI) and recognition should be given to the positive benefits for the EU economy and society of facilitating investment which might otherwise be lost to the Union.

Our objective is to seek Agreement on the two Regulations (Procedural & Enabling) that govern the State Aid Controls framework at the May 2013 Council.

**Unlocking Single Market Potential**

The effects of Single Market fragmentation are felt most strongly in the SME sector. Therefore, further unlocking the potential of the Single Market and thereby lowering transaction costs for SMEs is particularly important.

We know that the European Council has been closely following progress in Single Market legislation. In its December 2012 Conclusions the European Council called upon the Council and Parliament to conclude the remaining **Single Market Act I** files as a matter of urgency, in particular those on **Professional Qualifications**, **Public Procurement**, **Posting of Workers** and **E-signatures**. It also called on the Commission to present all key **Single Market Act II** proposals by spring 2013, and for the Council and Parliament to assign them the highest possible priority.

The European Commission states that abolishing restrictions in the services sector – which accounts for more than 45% of EU GDP – could boost GDP by 2.6%. In that context, keeping the momentum behind building and deepening the single market in Europe is very important. During our Presidency we will be presenting a monthly state of play Report on all priority Single Market files and measures to our EU partners to help maintain focus on the pace of delivery.
Public Procurement potential

With the European public procurement market accounting for approximately 19% of EU GDP, the reform of the public procurement rules offers a significant opportunity to foster growth and innovation across Europe. The reform of the public procurement legislative framework is to be achieved through the implementation of three substantive pieces of technical legislation dealing with: general procurement rules; concession arrangements and procurement in the utilities sector.

A number of measures have been included in the proposed reform of the general procurement rules, which we are prioritising, that will result in simplified procedures and a consequent reduction in the administrative costs involved in the public tendering process, especially for SMEs.

Measures aimed at simplifying the EU procurement process will reduce the costs of participation, currently estimated to be almost €4,000 and encourage greater interest from the SME sector. The proposals also contain a provision encouraging the division of contracts above €500,000 into lots. The implementation of this measure can help promote innovative solutions as it will make contracts more accessible to SMEs and start-ups that would not have the financial capacity to fulfil a larger contract. The proposals will also allow contracting authorities to work towards achieving wider social and environmental objectives in the procurement process.

Digital Markets

As I said previously, I believe that the untapped potential of the EU’s Single Market has an important contribution to make to delivering the jobs and growth agenda. It is estimated that completion of the Digital Single Market could add 4% to Europe’s GDP. Yet, Europe still does not have a fully functioning single market for digital businesses. Creating a Digital Single Market has enormous potential to transform the economic situation, for example, the value added of cloud computing in cutting costs for SMEs and Government. The Digital Single Market Agenda can also add value in relation to the welfare of society and people’s lives, e.g. education and life-long learning, and e-health in the context of the EU’s ageing population, provided measures are taken to improve and sustain consumers and citizens’ confidence or trust in using ICT/broadband/on-line shopping etc. and a sufficient level of security is ensured.

E-identification / e-signatures are crucial to instil trust in electronic interaction between businesses, citizens and government and agreement on this will have a significant effect on cross-border intra-EU trade and e-commerce. I know that this file is technically complicated. Nonetheless, the
Presidency will be making a Progress Report which should lay the groundwork for agreement later in 2013.

Likewise in the area of labour mobility, I intend to drive finalisation of the negotiations on two key measures. The first is the **Professional Qualifications Directive**. The ability of individuals in some professions to react quickly to job opportunities in other Member States can sometimes be hampered by long and complex recognition procedures which may apply.

This measure simplifies the procedures for the mutual recognition of professional qualifications, including the introduction of a **European Professional Card**, and as such will increase the mobility of workers within the Single Market which ultimately benefits both employers and consumers.

We are committed to working hard towards achieving an agreement but it will require compromise amongst Member States and within the European Parliament.

Secondly, I will also be working towards achieving agreement on the **Posting of Workers Enforcement Directive**. This measure enhances the legal framework related to the posting of workers and will help combat abuse of posted workers thereby enhancing labour mobility.

**Research and Development**

The current Seventh Framework Programme (FP7) for Research offers Ireland's SMEs, multinationals and research institutions an invaluable source of non-exchequer funding.

In the period from commencement of FP7 in January 2007 to July 2012, total awards to Irish researchers (industry and academia) are approaching €500 Million, broadly in line with our national target of drawing down €600 million over the seven year period to end-2013.

Funding to Private Industry was at €115m (accounting for 26% of all funding to date). This comprises of €90m to SMEs and €25m to Multinational Companies. And significantly, industry participation is substantially higher than that seen at the end stages of the previous Programme FP6. Participation in FP7 also contributes substantially to job creation and sustainability in Ireland.

**Horizon 2020**

The Irish Presidency will work with the European Parliament and the Commission to finalise the successor to FP7, Horizon 2020, building on the progress achieved so far.
In the negotiations on Horizon 2020 to date, Ireland has argued strongly, and successfully, in favour of a greater emphasis on the SME sector. In addition to new specific supports, such as access to finance and debt and equity facilities, for SMEs, it has now been agreed that the target for SME participation in relevant areas of Horizon 2020 should be increased from 15% to 20%. This is a significant change given the proposed scale of Horizon 2020.

In line with the Action Plan for Jobs we will pursue funding and other opportunities under EU Horizon 2020 for specific sectoral activities of national importance and in line with our national research priorities.

**Intellectual Property**

Agreement on the **Collective Rights Management Directive** is a Presidency priority. This proposed Directive both facilitates the online multi-territorial licensing of rights in musical works and improves the governance and transparency of collecting societies. Progress on this will also serve as a peg for a wider political policy debate, which I will be initiating in Dublin next May, on achieving an EU Copyright framework which is fit for purpose in the Digital age.

In the area of **Patents** we are now making remarkable progress to complete the Single Market in that sector. After protracted negotiations over 40 years, 25 Member States have decided to move ahead with progress in implementing a Unitary Patent using the mechanism for enhanced cooperation provided for under the Treaty. To complement this, I will preside over the signing of an **International Agreement on a Unified Patent Court** by participating Member States during the Competitiveness Council on 19th February next.

The current Patents reform package will bring patent and patent enforcement costs in Europe more into line with those of our major competitor states and regions. SMEs, in particular, stand to benefit from reduced costs and enhanced patent coverage and protection in most Member State markets.

According to the European Commission, the average legal costs for patent litigation can be up to €1.5 million in some member States. It has been estimated that users of the Unified Patent Court could save somewhere between €148 and €289 million per year, compared to the present costs of gradual litigation.

**Trade as a source of growth, jobs and economic recovery**

We have a deep interest in the EU maintaining its dominant position in international trade and investment. Reducing barriers to trade will help more SMEs export and accelerate their
internationalisation. Only 13% of EU SMEs export outside the Union. Expanding opportunities for small and medium sized companies to grow into global markets also spreads the benefits of trade into the EU’s regions and improves competitiveness. Under Ireland’s Presidency of the EU, we attach great importance to promoting the EU’s external trade agenda for the benefit of Irish companies and for the wider EU economy and its exporters. Trade is essential to job creation: 30 million jobs or 10% of the EU workforce depend on exports. Their spending also helps Irish jobs as Irish exporters build market share in the EU’s consumer markets. As our exporters deepen their integration with value chains across the EU we also gain for example, from exports of German technology and UK services.

An ambitious trade agenda can lead to an overall increase of 2% in growth and the creation of over 2 million new jobs across the EU (1% of the EU’s total workforce), at a time when there are so many unemployed across the EU.

Overall, exports of goods and services from Ireland are now above pre-crisis levels. Total exports of goods and services increased 11% and reached €173 billion in 2011, the highest on record, with 47 per cent of our exports in services. Encouragingly, the latest trade data shows further increases in 2012. At €92 Billion, the value of goods exports last year were the highest since 2002.

Today, in Ireland, for example, approximately 115,000 people are directly employed in over 700 US firms. Irish companies directly employ an estimated 120,000 people across the USA. In 2011, US firms contributed enormously to the economy both through their taxes and the €14 billion in expenditure to the Irish economy in terms of payrolls, goods and services employed in their operations.

The stimulus to trade, growth and jobs in both the EU and across the Atlantic from a new and historic economic and business pact is an opportunity that we cannot dismiss. Today the EU and the US announce their agreement to move forward with an unprecedented trade and investment partnership. This will reinvigorate the transatlantic economy, adding worthwhile jobs and economic growth to struggling economies. Starting negotiations on a new style trade and investment partnership with the U.S. will involve the broadest spectrum of interests and stakeholders. It will present many challenges for both sides. These have to be negotiated and met head on if we really want the dividend and undoubted benefits of a deeper and better integrated transatlantic economy. If we are to bind the transatlantic economic and political relationship more firmly we have to rise to the challenge, and quickly. This is indeed an historic moment is modern trade and business relations between the largest economic blocs in the world.
Under my Chairmanship, the Informal Trade Council taking place in Dublin over the 17th/18th April next is designed to move along this agenda with a view to securing the mandate for formal negotiations by end-June 2013.

The EU-Canada Comprehensive Trade Agreement (CETA) negotiations are nearing a conclusion. The importance of this Agreement to the Irish economy is emphasised by the fact that in 2011, total trade between Canada and Ireland was €2.2 billion and growing strongly.

Substantive negotiations with Singapore have concluded and negotiations with Japan are due to begin later this year while we look forward to further progress on already advanced negotiations with India. Talks with the exciting and fast growing markets in ASEAN countries Vietnam and Malaysia, are at various stages of maturity. They offer enormous potential for both our indigenous and EU exporters. For example, with the Free Trade Agreement with South Korea now well in place, our exports there jumped 20% last year.

We have a considerable agenda in advancing many other important bilateral trade deals under the Presidency. In addition there is considerable effort underway to keep the WTO’s multilateral agenda progressive and productive. Momentum on the Doha agenda is being maintained and there are new initiatives in Geneva to extend trade liberalisation into new technology sectors and services.

**Conclusion**

The global nature of the current crises will make a swift return of EU economies to recovery difficult and protracted.

The EU, through its Institutions, policies, legislation and expenditures has a major role to play in getting growth and jobs back into the Irish economy again and throughout Europe. And while each Member State must ultimately find its own path towards recovery, there are many shared challenges and common approaches which we can take to help ourselves and our neighbours through these turbulent times.

I look forward to discussing these issues with Ministers from across the EU and making progress on implementing proposals such as I have outlined today that can make a real difference to our people and economies.