



Aims and Programmes 2008 & 2009

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R&D and innovation in Europe

A conference on the promotion of a more innovative business sector in Europe was organised at CEPS on February 9th. Kristian Uppenberg, Senior Economist at the EIB, presented the findings of the new CEPS book on R&D expenditure in Europe, highlighting the huge discrepancy in expenditure between the EU15 and the US, which spends 0.8% more than the EU on R&D per GDP.



Malo, Peree, Jerneck & Uppenberg

This gap is largely due the EU's lack of R&D effort in the ITC sector, and also the fact that US university facilities have succeeded in attracting the best scientists from all over the world who build up centres of excellence and maintain research dominance. This point was underlined by Eric Perre, EIB Associate Director, who argued that more investment in Europe's R&D would first require the education of more engineers and researchers. The third speaker, Jean David Malo from DG Research of the European Commission, stressed that the EU has not reached its target of spending 3% of GDP on R&D and that expenditure on R&D had declined over the last decade.

The Quest for European Leadership

CEPS Annual Conference 2009

5 March 2009, Palais d'Egmont

Info on programme & registration: www.ceps.eu (events) & article page 2

CEPS welcomes a new Corporate Member:

The Bank of New York Mellon

Can we resist calls for greater nationalism and protectionism?

Felix Roth, CEPS Research Fellow



We are witnessing what is undoubtedly the severest economic crisis since the stock market crash of 1929, as suggested by a projected decrease of GDP in the euro area of around 2% and huge job losses for workers all over the world. The crisis has also begun to erode people's trust in market economies and severely knocked consumer and business confidence. Even more alarming, however, has been the response by citizens demanding more state intervention in their national economies.

The 'economic sentiment' indicator from DG ECFIN, which measures business and consumer confidence, has reached an all-time low since it was first compiled in 1990, and has now fallen significantly under the threshold of 70 points in the EU and the euro area. German polls suggest that only 23% of the population still have "some" or "a lot of" confidence in German banks, whereas 70% already have "little" or "very little" confidence. A poll conducted by the Globescan Company in 2007 revealed that more people in France disapproved of the market economy (45%) than approved of it (41%). And in Germany and Italy, some 60% of the public approved of the market economy model, whereas one-third disapproved of it. A closer look at the German case reveals that public approval of the "soziale Marktwirtschaft" (social market economy) had been waning even before the financial crisis, but it has now declined even further, reaching 34% in November 2008, compared to a 49% disapproval rate.

The trend is clear towards low confidence, but what is the consequence for public policy?

Trend data from Germany solidly underline that a decline in confidence in social market economies is strongly associated with a demand for more state intervention in the economy. Trust is a currency that is very difficult to rebuild; empirical evidence has shown that trust is crucial for three areas: political stability, economic reforms and economic growth. If trust falls below a minimum level, all three areas suffer severe consequences.

The crucial question now is how this declining public confidence and calls for more state intervention in the form of economic protectionism and less global integration will affect politicians' decision-making. Consider the insistence by the US Congress on a 'buy American' clause in the recently adopted \$787 billion stimulus package or Sarkozy's demand for Renault to pull production out of the Czech Republic and install it in France or British unions' demands for "British jobs for British workers". These calls might only be the tip of the iceberg with much more to follow when the crisis grows. European history has taught us that responding to economic crises by strengthening nationalistic sentiment and protecting one's markets can have devastating consequences. Thus the temptation to resort to protectionism and nationalism should be met with firm resistance.

This commentary draws on preliminary results from an ongoing research project on the impact of the financial crisis on European citizens' levels of systemic trust, financed by the Austrian Ministry of Finance.

Strategic implications of the global slowdown

The strategic consequences of the financial and economic crisis was at the centre of debate at the 31st session of the European Security Forum at CEPS on February 20th. Brad Setser (Council for Foreign Relations, NY) opened the discussion by providing indicators of the magnitude of the global economic slowdown. Despite the severity of the challenges brought on by the crisis, Setser emphasised that the US was the only country willing to act as a balancing global financial mediator. Richard Youngs (FRIDE, Madrid) claimed that the crisis reinforces the trend of change by calling into question the basic values of liberalism, in both the economic and political field. Fyodor Lukyanov (Global Affairs, Moscow) reported that Russia had taken strong measures to tackle the crisis but that no one can really predict the final political and economic outcome. Finally, Lanxin Xiang (Graduate Institute; Geneva) explained why the Chinese experience of the crisis was very different compared to those of the other Western countries.

RECENT EVENTS

SECURE - Europe's Energy Supplies

The SECURE project (which stands for "Security of Energy Considering its Uncertainty, Risks, and Economic Implications") organised a meeting on "New Approaches to Secure Europe's Energy Supplies" on January 29th at CEPS. SECURE aims to measure security of energy supply in the EU and assess the potential risks related to geopolitics, price formation and the economic and technical design of energy markets. The conference presented results of the project so far to selected energy stakeholders and covered long-term energy security risks for Europe, energy security indicators, cost assessment of sustainable energy systems (CASES) and energy scenarios for Europe.

See *Long-Term Energy Security Risks for Europe: A Sector-Specific Approach*, A. Checchi, A. Behrens & C. Egenhofer, CEPS Working Document 309, January 2009.



Panelists Arianna Checchi, Christian Egenhofer (CEPS) & Pedro Moraleda

What's next for Europe after the French Presidency?

Franck Debié, Director of the Centre for Strategic Studies at École Normale Supérieure, spoke at a CEPS meeting on February 18th on the legacy of the French Presidency of the EU. In his view, France's six-month tenure in the latter half of 2008 changed the way national leaders perceive EU presidencies fundamentally. In addition to serving as a very useful political resource, he observed that the role of holding a presidency proved to be a unique opportunity to reconcile national bureaucracy with EU affairs. Debié also addressed the geopolitical implications of the French Presidency and its impact on the decision-making process in the EU. Among the major successes were the continuation of the Lisbon Treaty ratification process, as well as keeping the EU united vis-à-vis the Caucasus conflict.



Debié & Jerneck (CEPS)

Info on the French Presidency: www.ue2008.fr

Reaching the EU 2°C target



Panelists Berghout, Fujiwara, Metz & Neufeldt

The fourth in a series of CEPS/ADAM policy seminars on February 11th dealt with

the EU's target of stabilising the rise in global temperatures at levels below 2°C in relation to pre-industrial levels. Under the chairmanship of Bert Metz, former co-chairman of the IPCC Working Group III on the mitigation of climate change, government officials and representatives from the corporate sector met with researchers to discuss the implications of such a target in terms of policy portfolios, including costs, technology, and impacts on industry, households, conversion and transport sectors in Europe. The EU-funded research project "Adaptation and Mitigation Strategies: Supporting European Climate Policy" (ADAM) supports EU policy analysis and formulation in the next stage of the climate change negotiations.

The results of ADAM-related research together with the results of the workshop will be published in an upcoming CEPS/ADAM Policy Brief. Previous Policy Briefs in the series are also available from the CEPS online bookshop. Info: monica.alessi@ceps.eu

Study gives qualified nod to EU-Moldova FTA



Panelists Mahmut Tekce (Marmara University), Matthias Lücke (Kiel Institute for the World Economy), Alex Oprunenco (Expert-Grup), Emerson & Lilia Paliu (Mission of the Republic of Moldova to the EU)

A feasibility study on a Free Trade Area between Moldova and the EU was presented at a CEPS seminar on February 17th, chaired by Michael Emerson, CEPS Senior Research Fellow. The authors of the study, which was coordinated by the Moldovan centre "Expert Grup", gave an overview of strengths and weaknesses of the Moldovan economy and the key issues standing in the way of a comprehensive EU-Moldova FTA, namely regulatory convergence, improvements in the investment climate and implementation of phyto-sanitary standards. The authors concluded that the current Autonomous Trade Preferences regime had eliminated most tariff barriers and the transition towards an FTA would be feasible and desirable, particularly due to the legally binding nature of the FTA. The European Commission representative, Mia Hurttu (DG Trade), welcomed the study, but pointed to the fact that a clear commitment on Moldova's part for more economic reform and regulatory improvements is necessary in order to withstand the effects of an FTA with the EU.

UPCOMING EVENTS

Central Asia Conference



Promoting Regional Cooperation and Development in Central Asia is one of the key challenges for the governments and societies of the region and for the international community as a whole. This will be the subject of a conference on 2-3 March 2009 at CEPS, as part of EUCAM (a joint CEPS-FRIDE project) in cooperation with the Wolfensohn Centre for Development, the Carnegie Endowment and the Asian Development Bank. The conference will look at the key development challenges in Central Asia in a European context, particularly in the fields of trade, transport and energy and argue that raising equitable forms of prosperity and enhancing regional cooperation is likely to generate a broad range of positive impacts on Central Asia, including genuine and long term stability. The conference will also address the obstacles – local, regional and international – that stand in the way of advancing development in Central Asia and consider ways of overcoming these barriers.

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CEPS Annual Conference: The Quest for European Leadership

CEPS is pleased to invite you to its Annual Conference 2009, which will take place on Thursday March 5th between 9.00 and 15.30 at the Palais d'Egmont, 8 Place du Petit Sablon, 1000 Brussels. The list of distinguished speakers at the event includes Michel Barnier, Minister for Agriculture and Fisheries of France; Diego López Garrido, Secretary of State for the European Union of Spain; Dick Roche, Minister of State with Special Responsibility for European Affairs of Ireland; Roberto Nicastro, Deputy CEO of UniCredit Group; Lars Heikensten, Member of the European Court of Auditors and former Governor of the Bank of Sweden.

Full programme & registration: www.ceps.eu/events

Emerging from the Ashes: Prospects for European Wholesale Banking in the Wake of the Crisis

ECMI Conference, in cooperation with the Duisenberg School of Finance & Centre of Global Governance Studies, Leuven University

31 March 2009, 9:00-17:30; Venue: De Warande, Brussels



Registration: www.eurocapitalmarkets.org
Info: christopher.napoli@ceps.eu

New Task Force to explore security of supply

Starting on 31 March, a new CEPS Task Force will deal with the highly topical issue of how Europe can better address energy security of supply risks. Impetus for the initiative comes from the recently adopted energy and climate change package, the Second Strategic Energy Review and the Russia-Ukraine gas dispute. Under the chairmanship of Knud Pedersen, participants in the Task Force will discuss how Europe's energy sector can deal with risks and opportunities associated with the EU's internal energy market, global energy markets and climate change.

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CDM and future flexible mechanisms



Panellists Kyte, Boot, Raab (chair) & Fujiwara (CEPS)

The CEPS Task Force on the CDM (Clean Development Mechanism) and future flexible mechanisms convened in a meeting on February 19th, chaired by Ulrika Raab. First, Ann Condon (USCIB) presented a perspective on US climate policy. The following presentations, by Pieter Boot (IEA) and Bill Kyte (Eurelectric), outlined technology challenges and possible approaches. Afterwards, the question 'which future mechanisms were needed for the transition' was addressed. Discussions closed with the suggestion from Aimie Parpia (New Carbon Finance) to take account of the current financial and economic circumstances in discussions on future mechanisms.

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New CEPS Task Force on article 82

CEPS has launched a new Task Force on the treatment of exclusionary abuses under Article 82 of the EU Treaty. Meeting for the 1st time on February 25th, the participants focused on the recent Guidance Document issued by the European Commission in December 2008. Other issues to be tackled in future sessions include the treatment and definition of dominance, the theory of harm in the definition of abuse, barriers to expansion and entry, anti-competitive foreclosure of 'not yet as efficient' competitors, bundled and retroactive rebates, the 'profit sacrifice' test for predatory pricing and stifling of follow-on innovation.

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Task Force on EU Budget & Climate Change

CEPS launches the Task Force "A Green Budget for a Sustainable Future: Adapting the EU budget to Climate Change". Chaired by Anders Wijkman, the Task Force analyses the merits and weaknesses of the present budget to fulfil the mitigation objectives of the EU, in particular the energy package. The first meeting will take place in the European Parliament, Brussels, on March 3rd.

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Thinking ahead for Europe

1. **Concrete Steps towards More Integrated Financial Oversight: The EU's Policy Response to the Crisis** NEW!
Report published
2. **Internal Market for Retail Financial Services**
Chair Anton van Rossum
Former CEO, Fortis Bank
Report under preparation
3. **A Green Budget for a Sustainable Future: Adapting the EU Budget to Climate Change** NEW!
Chair Anders Wijkman
Member of the European Parliament
1st meeting 3 March
4. **Securing European Energy Supplies: Making the Right Choices** NEW!
Chair Knud Pedersen
Vice President, DONG Energy
1st meeting 31 March, 2nd meeting 2 June, 3rd meeting 2 July
5. **CDM and post-2012 Flexible Mechanisms**
Chair Ulrika Raab
Senior Advisor, Swedish Energy Agency, Member of the CDM Executive Board
4th meeting 6 May
6. **The Treatment of Exclusionary Abuses under Article 82**
Chair John Temple Lang
Cleary Gottlieb Steen & Hamilton LLP and
Former Director, DG Competition, European Commission
2nd meeting 25 March
7. **The Solvency II Regime: A Revolution for European (Re)insurance Companies**
Chair Jos Streppel
CFO and Member of the Executive Board, Aegon
3rd meeting April
8. **Completing the Doha Round of WTO Negotiations**
Chair Hanns Glatz
Delegate of the Board of Management, Daimler AG
6th meeting April
9. **Corporate and Commodity Standards and Sustainable Trade**
Chair Corrado Pirzio-Biroli
Former chef de cabinet of European Commissioner Franz Fischler
2nd meeting April
10. **Global Climate Change Policies and Cities** NEW!
Chair Laurence Tubiana
Director, IDDRI (Institut du développement durable et des relations internationales), Paris
1st meeting May
11. **E-communications: Regulatory Challenges for the post-Lisbon Era**
Chair Staffan Jerneck
Director & Director of Corporate Relations, CEPS
3rd meeting to be announced
12. **European Security Forum**
Chair François Heisbourg
Chairman, Fondation pour la Recherche Stratégique
Next meetings: 12 June & 26 October
Info & registration: esf@ceps.eu
13. **Education - Human Capital in the EU** NEW!
1st meeting June

4th Annual European Energy Policy Conference 2009
Jointly organised by CEPS & Epsilon Events
17 & 18 March, The Management Centre, Brussels
Info & Registration: www.epsilonevents.com

NEW PAPERBACKS

Publication of Reader on the EU

The Ever-Changing Union is a concise overview of the EU's history, institutional structures and decision-making processes. It examines the progress of European integration from its beginnings in the early 1950s to the current ratification problems and implications of the Treaty of Lisbon. There is a clear presentation of the EU's main institutions and how they interact with European decision-making processes as a whole. Written by CEPS Researchers Sebastian Kurpas and Christian Egenhofer, along with Louise van Shaik from the Clingendael Institute, this Reader is a comprehensive and accessible guide for those who encounter the EU in their work.



Free download / book € 15 at <http://shop.ceps.eu>

Radicalisation in Europe

A new CEPS paperback, edited by Michael Emerson, gives a comprehensive account of Islam-related tensions and violence in Europe, from the jihadist terrorist acts seen in the aftermath of 9/11, through to the urban riots of the type seen in France in the winter of 2005-06. These events are analysed with a common typology together with detailed accounts of the social context in six country case studies. Also included is an interpretation of the fundamental nature of Islamist terrorism in Europe, with an outline of a strategy to repel it.



Free download / book € 25 at <http://shop.ceps.eu>

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CEPS EU foreign policy expert testifies at parliamentary hearings



Michael Emerson has been invited to make presentations at three recent public hearings. At a session at the European Parliament on February 10th on «The Human Rights Dimension to the Union for the Mediterranean» (UfM), Emerson observed that this consideration had virtually disappeared from the UfM programme, to be supplanted by a focus on concrete investment projects. Emerson also spoke at a conference organised by the NATO Parliamentary Assembly at CEPS on the «Future of EU-Russia Relations» on February 13th, with a special focus on President Medvedev's proposal for a new pan-European security architecture. The latter relates to the 3rd presentation Emerson gave on the theme «Does Europe need a new security structure?» which was debated at a joint meeting of the European Parliament with members of the OSCE and Council of Europe parliamentary assemblies on February 16th.

Jorge's musings...



CEPS MEMBERSHIP MEETINGS

Please tick the meeting(s) you wish to attend:

- 9 MARCH 13.15-14.30 *The 'de Larosière' Report: An insider's view*
H. Onno Ruding, Chairman of the CEPS Board of Directors, Member of the High Level Group on Cross-border Financial Supervision
David Wright, Deputy Director-General, DG Internal Market and Services, European Commission
Register for this event per email to isabelle.tenaerts@ceps.eu
- 13 MARCH 12.00-14.00 *How to emerge from the wreckage – Launch of the CER's 9th Lisbon Score card*
Keynote speaker: **José Manuel Durão Barroso**, President of the European Commission
Panellists: **Philip Whyte**, Senior Fellow, Centre for Economic Reform, London (CER)
Karel Lannoo, CEO, CEPS
Pervenche Berès, MEP and Chair of the Economic & Monetary Affairs Committee, EP (tbc)
Register for this event per email to isabelle.tenaerts@ceps.eu
- 30 MARCH 13.15-14.30 *The EU Response to the Economic Crisis: The European Investment Bank's contribution*
Philippe Maystadt, President, European Investment Bank
Register for this event per email to amboudou@ceps.eu

Attendance at CEPS Membership Meetings is a benefit of membership. Non-members may be admitted for €50 per session, paid in cash at registration. An informal sandwich lunch is served at 12.30 before lunchtime meetings (€6). For organisational reasons, we cannot accept telephone registrations. Please complete this form and return to person mentioned above (email or post: CEPS, Place du Congrès 1, B-1000 Brussels, fax: +32 (0)2 229.39.22).

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