

A first look at the UK elections



Bale, Rennie & Harley
(top to bottom)

The day after the UK general elections, on May 7th, CEPS organised a post-electoral briefing to assess the outcome and its likely impact on the UK's stance towards the EU. Tim Bale of the University of Sussex discussed the scenario in which no single party could form a majority government, clearly indicating that the electorate had grown tired of Labour but was not fully convinced that the Tories were a trustworthy partner.

Bale argued that the differences between the parties on key issues of defence, taxation and the EU will likely be the source of friction in the future.

David Rennie of The Economist continued on the European dimension by reassuring the largely Brussels audience that the Tories would most likely not choose to pick a fight with Europe, especially since the new British government would have to focus on dealing with the economic crisis. The final speaker, David Harley from Burson-Marsteller, expected that the Tories' euroscepticism would further isolate them from the Union. This scenario would not be favourable to the UK or to the rest of Europe, as they must fight the economic crisis together. CEPS Research Fellow Piotr Maciej Kaczyński chaired the meeting.

The next post-electoral briefing on June 10th assesses the Dutch elections. See announcement on page 4.

New British Cabinet: Good news for the EU?

Karel Lannoo, CEO



Amidst all the recent negative media coverage of the EU and the euro, the announcement of the new government in the UK is welcome news. The election of a majority Conservative government in the UK would only have added to the gloom. But with Nick Clegg's Liberal Democrats on board in a new coalition, it can be expected that the British government will become more constructive in its relations with Europe than in recent years.

The departing Labour cabinet was not unambiguous in its stance towards the EU. Gordon Brown's lack of interest in EU matters was widely known, as demonstrated by the fact that as Chancellor he was frequently absent in the monthly Ecofin meetings. During this period, the Blair-Brown duo missed the opportunity to bring a more positive message about the EU to the British public. This continued under Brown's premiership, and the lack of engagement will most likely have benefited the Lib Dems. Over the last few months, the UK voted some new pieces of financial regulation that impact on the free provision of services, without even informing its EU counterparts. Brown also blocked the promotion of a Brit as director general in the internal market DG of the European Commission, because he was thought to be too European. Alastair Darling's last words at the special Ecofin meeting on May 9th, during which he said that the budgetary crisis was a problem for the eurozone and that the UK would not participate in the stabilisation fund, spoke volumes.

In general, the Tory-Lib Dem government is favourably disposed towards the EU, as reflected in the statement in the coalition agreement: "We agree that the British Government will be a positive participant in the European Union." But with the further qualification there will be no additional transfer of powers to EU, and that the UK will not join the euro during this legislature, or start preparations to do so.

The coalition agreement contains some surprisingly progressive proposals on how to combat the financial crisis. It includes the introduction of a bank tax, measures against excessive bank bonuses, more diversity in the financial system with the promotion of 'mutuals', a bigger role for the Bank of England in financial supervision and the examination of the separation between commercial and investment banking. Another element of the agreement is the absolute priority of reducing the budgetary deficit.

Pro-European Lib Dem members in the cabinet, apart from Nick Clegg, are Chris Huhne as Secretary of State for Climate Change and Energy, and Vince Cable as Secretary of State for Business. They form a valuable counterweight to eurosceptics such as William Hague as Foreign Secretary and George Osborne in the Treasury. Huhne was a proponent of the British accession to the euro, and during his time in the EP chaired the launch of a CEPS Task Force on disclosure regulation in 2003 (as EP rapporteur on the prospectus directive). The Cabinet also contains a renowned pro-European Tory, Kenneth Clark, one of the longest serving British politicians. Another former Tory MEP, Theresa Villiers, rapporteur for MiFID in 2003, becomes Minister of State for Transport.

The new cabinet is an opportunity for the Tories to reconsider the wisdom of their withdrawal in 2009 from the European People's Party, as this move relegated them to a small fractious political group of eurosceptics and considerably reduced their influence in the European Parliament.

Belgian Crown Prince seeks policy advice and insights from CEPS



Prince Philip (3rd from right) with Staffan Jerneck, Sergio Carrera, Sally Scott, Paul De Grauwe, Katharina Müller, Daniel Gros, Karel Lannoo & Rym Ayadi of CEPS (left to right)

In preparing for the forthcoming Belgian Presidency of the EU Council, HRH Prince Philip of Belgium paid a visit to CEPS on May 5th to tap the expertise of researchers and acquire insights into the major problems that his country will grapple with during its six-month term.

The Prince was briefed on several key issues ranging from how to organise orderly sovereign defaults and government debt restructuring within EMU, the financial regulatory agenda and the status of the climate talks in the run-up to the summit to be held in Cancun in November 2010. In thanking CEPS for its strategic and policy advice, the Prince expressed his appreciation for the valuable contribution made by think tanks like CEPS to the policy-making process.

**CEPS welcomes a new
Corporate Member:
Business Europe**

US Treasury official urges prompt action on sovereign debt crisis in the eurozone

Mark Sobel, Deputy Assistant Secretary for international monetary affairs and financial policy of the US Treasury discussed the transatlantic financial services agenda in the post-crisis period with participants at a special seminar on April 27th, organised by the European Capital Markets Institute (ECMI) at CEPS.



Sobel (right) with seminar participants

Sobel highlighted the three pillars of the US agenda in the post-crisis period: implementing financial reforms, promoting further global cooperation at the G-20 level and in other international organisations and improving EU-US cooperation to overcome regulatory differences in their legal systems.

On the topic of the crisis in the area of public finances, he urged Europe to act quickly and adopt a plan for troubled countries. The US government is acting to drastically reduce the deficit next year to 4% and the debt to 70% by 2020. But Sobel cautioned that only a quick return to solid and stable economic growth could drastically reduce the public debt burden.

Status report on implementing the Lisbon Treaty



Schöpflin, Pelkmans & Maselli

On April 29th, EPIN organised an event at CEPS in which representatives from 16 of its member think tanks from throughout the EU met at the European Parliament to present their

collective paper "Lisbon five months on: Surveying the new EU political scene". EPIN researchers discussed several topics related to the implementation of the Lisbon Treaty with György Schöpflin, MEP, Richard Corbett, Member of Herman Van Rompuy's Cabinet, and Guillaume McLaughlin, Policy Advisor to the Alliance of Liberals and Democrats in Europe (ALDE). The performance of the European Council President and the High Representative received special attention. The institutional implications of the crisis in the eurozone was another topic of discussion, introduced by Jacques Pelkmans and Ilaria Maselli, CEPS.

Download the EPIN Commentary at www.ceps.eu

Internal/external security continuum in Europe

The Justice and Home Affairs research unit at CEPS organised two recent events in connection with its INEX project on converging and conflicting ethical values in the internal/external security continuum in Europe, in partnership with the Law, Science, Technology and Society (LSTS) research centre at the Vrije Universiteit Brussel (VUB). On April 28th high-level representatives from the EU and the US Mission to the EU debated the question of "New Perspectives in Border Security? The US under Obama and the EU under the Stockholm Programme". A workshop on May 10th, which focused on "Data Transfer in the New AFSJ: Go with the flow?", examined the existing and upcoming information processing practices in the new Area of Freedom, Security and Justice and the implications of global transfers of data.

The INEX project, funded by the 7th Framework Programme of DG Enterprise, European Commission, is coordinated by the International Peace Research Institute, Oslo (PRIO).



European Payment Index reveals €300bn in write-offs

Lars Wollung, President and CEO of the credit management service company Intrum Justitia, predicted "massive additional write-offs" and a "dangerous north-south polarisation" in Europe at an ECRI breakfast meeting on May 11th, dedicated to the launch of Intrum Justitia's annual European Payment Index.



Weiler & Wollung

Despite decreasing growth rates of average written-off percentages, European companies wrote off €300 billion or 2.6% of their receivables in the past 12 months. In the ensuing panel discussion, MEP Barbara Weiler presented the main elements of her report on the Late Payment Directive and received widespread support from MEP Othmar Karas, inter alia, for the proposed solutions and swift legislative action against the problem of late payments in the EU.

For more information, see www.ecri.eu

European recovery seen as weak and uneven



Gros & Belka

On May 12th, CEPS hosted the launch of the IMF's annual Regional Outlook for Europe, under the chairmanship of CEPS Director Daniel Gros. Marek Belka, Head of the IMF's European Department, presented statistics that confirmed economic recovery

across Europe, but suggested an uneven pick-up in activity. He urged a coordinated exit from extraordinary policies and a stable financial framework. Wim Fonteyne, Senior Economist in the IMF European Department, argued that a single financial market needs an integrated financial stability framework. He called for an EU mandate on financial stability and a financial architecture in which banks are disconnected from sovereign issues and where the focus is on the location of risk rather than on the location of the institution.

Future prospects for OTC derivatives

The European Capital Markets Institute (ECMI) – with sponsorship by Morgan Stanley, LCH. Clearnet and CME Clearing Europe – held an international conference on over-the-counter derivatives markets in London on May 18th. Over 250 attendees had the opportunity to discuss with regulators and key industry representatives the impact of new regulatory actions on this area of financial markets. Regulators urged actions be taken to strengthen financial stability, improve market transparency and restore confidence. Buy-side representatives, conversely, expressed concerns over the risks and cost of implementing the measures currently under discussion. It was argued that stringent legal requirements will reduce incentives to access these markets and will irremediably drive trading and clearing costs up. The panel of speakers included Daniela Russo, Director General at ECB, Theo Lubke, Senior Vice President at Federal Reserve Bank of New York and Patrick Pearson, European Commission.



Conference on global sectoral approaches to climate change assesses state of the art

On May 5th, CEPS hosted a conference that concluded a major project funded by the European Commission on global sectoral approaches to mitigating climate change. Panellists reviewed assessments of how sectoral approaches can contribute to climate change mitigation worldwide and examined further implementation steps by industry and governments. Among the distinguished speakers and guests were MEP Maria da Graça Carvalho and Artur Runge-Metzger, Director, International negotiations, DG Climate Action of the European Commission.

CORPORATE BREAKFAST

Guaranteeing security and fundamental rights

Speaking at a CEPS Corporate Breakfast on May 7th, European Commissioner for Home Affairs Cecilia Malmström outlined the Action Plan to implement the Stockholm Programme in the field of Justice and Home Affairs. She stressed the importance of cooperation between the EU institutions and member states over the next five years in several fields including immigration and asylum, cyber security and the fight against terrorism and organised crime. In this respect, she affirmed that the European Commission would do its utmost to guarantee security while respecting fundamental rights.



Malmström & Jerneck

The Commissioner also welcomed the enhanced role given to the European Parliament in this domain by the Lisbon Treaty, which she said would result in "increased transparency and accountability of EU legislation". Commissioner Malmström also emphasised the need to pursue an active dialogue with the US in these fields. The meeting was chaired by Staffan Jerneck, CEPS.

TASK FORCE NEWS

Fostering innovation in the Southern Med



Ayadi & Florensa

Micro, small and medium-sized enterprises (MSMEs) are a key driving force behind economic development in the Southern

Mediterranean countries, providing jobs and innovation that are essential for the economic and social sustainability of the region. On May 7th, a CEPS-IEMed (European Institute of the Mediterranean) Working Group, chaired by Ambassador Senén Florensa (IEMed), met in Barcelona to explore financial and policy avenues to improve the access to finance of MSMEs in the region.

The group held in-depth discussions on the future of credit guarantee systems and the role of banks and other financial intermediaries, such as investment funds and micro-credit institutions. On the basis of these discussions, CEPS Senior Research Fellow Rym Ayadi, as the group's rapporteur, drafted a Declaration containing policy recommendations aimed at contributing to the ongoing policy debate under the French-launched Union for the Mediterranean (UfM) and the potential re-evaluation of the 2004 Euro-Mediterranean Charter for Enterprise. The second meeting of the group will take place in Brussels on September 17th.

Info: rym.ayadi@ceps.eu

CEPS/ECRI Task Force on retail credit in Europe

On May 11th, CEPS and ECRI welcomed consumer representatives, financial services providers and Commission officials to the first meeting of a new task force dedicated to topics revolving around the provision of retail credit in Europe. Under the broad agenda of responsible lending and borrowing, the group will explore a range of topics, including the activity of credit intermediaries, financial advice standards, common European guidelines for personal insolvency procedures and the possible regulation of housing loans. Chair of the Task Force is Rosa-Maria Gelpi, former Vice-President of BNP Paribas Personal Finance.

Info: marc.rothemund@ceps.eu

TASK FORCE Agenda

Info: staffan.jerneck@ceps.eu

- 1. Internal Market for Retail Financial Services**
Chair **Anton van Rossum**, former CEO, Fortis Bank
Report to be published in June
- 2. Benchmarking for the EU ETS and beyond**
Chair **Anna Törner**, Head of Section, Ministry of Enterprise, Energy and Communication, Sweden
Report under preparation
- 3. Securing European Energy Supplies: Making the Right Choices**
Chair **Knud Pedersen**, Vice President, DONG Energy
Report under preparation
- 4. State Aid to the EU Financial Sector: Fragmentation or integration?**
Chair **Alastair Sutton**, Partner, White & Case
Report under preparation
- 5. EU and Global Climate Change Policy and the Increasing Role of Cities**
Chair **Laurence Tubiana**, Director, Institut du développement durable et des relations internationales, Paris
Report under preparation
- 6. Innovation Policy: Boosting EU Competitiveness in a Global Economy**
Chair **Maria Anvret**, Senior Executive, Scientific Expert and Advisor, Confederation of Swedish Enterprise
Report under preparation
- 7. Critical Infrastructure Protection**
Chair **Bernard Haemmerli**, Vice President, Information Security Society, Switzerland (ISSS)
5th meeting 3 June
- 8. The Carbon Market after Copenhagen - Challenges and the Way Forward for the EU NEW!**
Chair: **Benoît Leguet**, Chair of the JI Supervisory Committee and Vice President for Research, CDC Climat
1st meeting 2 July
- 9. A New Retail Credit Regime for Europe - Setting the Right Priorities**
Chair: **Rosa-Maria Gelpi**, former Vice-President of BNP Paribas Personal Finance
2nd meeting 5 or 6 July
- 10. MiFID Review: What is next for European capital markets? NEW!**
1st meeting 11 June; 2nd meeting 9 July; 3rd meeting 17 September; 4th meeting 8 October; 5th meeting 29 October
- 11. Implementation of the Strategic Energy Technology (SET) Plan**
1st meeting June NEW!
- 12. Transport and Climate Change NEW!**
1st meeting June
- 13. Asset Management NEW!**
1st meeting - date to be announced
- 14. E-communications: Regulatory Challenges for the post-Lisbon Era**
Chair **Staffan Jerneck**, Director & Director of Corporate Relations, CEPS
4th meeting July

CEPS Task Force provides input to EU innovation policy

At the final meeting of the Task Force on Innovation Policy in the EU on May 18th, participants reviewed the draft of the final report and decided to release the text in June as a timely contribution to the launch in July of the EU's flagship initiative 'Innovation Union', which is part of the Europe 2020 strategy. President Barroso's office has already commented on a preliminary draft of the report stating that urgent action on European innovation policy is needed, and that the European Commission agrees with many of the report's recommendations.

Info: andrea.renda@ceps.eu

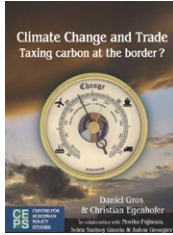


Rapporteur **Andrea Renda** (CEPS)



May Titles from CEPS - Download for free at www.ceps.eu

Books and Reports



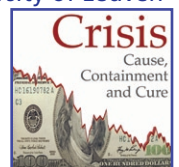
- *Climate Change and Trade: Taxing carbon at the border?*, Daniel Gros and Christian Egenhofer with Noriko Fujiwara, Selen Sarisoy Guerin and Anton Georgiev, CEPS Paperback
- *Benchmarking in the EU: Lessons from the EU Emissions Trading System for the Global Climate Change Agenda*, Christian Egenhofer and Anton Georgiev, CEPS Task Force Report
- *Beyond Flexibility and Security: A Composite Indicator of Flexicurity*, Ilaria Maselli, CEPS Working Document
- *The Foreign Policy of the EU in the Palestinian Territory*, Rouba Al-Fattal, CEPS Working Document
- *Towards a European Financial Supervisory Authority*, H. Onno Ruding, CEPS Policy Brief



- *How to deal with sovereign default in Europe: Towards a Euro(pean) Monetary Fund*, Daniel Gros & Thomas Mayer, CEPS Policy Brief, February 2010/updated 17 May 2010
- *The Merits of Sectoral Approaches in Transitioning towards a Global Carbon Market*, Noriko Fujiwara, CEPS Special Report
- *Sectoral Approaches to Climate Change: What can industry contribute?*, Noriko Fujiwara, CEPS Special Report
- *Medium-Term Employment Challenges*, Iain Begg, Christine Erhel and Jørgen Mortensen, CEPS Special Report
- *Quantum Surveillance and 'Shared Secrets': A biometric step too far?*, Juliet Lodge, CEPS Liberty and Security in Europe
- *Whose European citizenship? The Role of Individuals' Litigation and the Act of Mobility*, Sergio Carrera and Anja Wiesbrock, CEPS Liberty and Security in Europe
- *Proportionality Overrides Unlimited Surveillance: The German Constitutional Court Judgment*, Katja de Vries, Rocco Bellanova and Paul De Hert, CEPS Liberty and Security in Europe

CEPS MEMBERSHIP MEETINGS

- 1 JUNE 9.15-18.00 *Dialogue on Reform in the Arab World – in cooperation with Freedom House*
Malika Benarab-Attou, MEP; **Tomás Duplá Del Moral**, Director, Middle East and North Africa, DG RELEX, European Commission; **Eva-Britt Svensson**, MEP and Chair of the Committee on Women's Rights and Gender Equality; **Anwar El Sadat**, El Sadat Association for Social Development and Welfare, Egypt; **Fethi Touzri**, Founder, Reform and Development Party, Tunisia; **Anas Al Abdah**, Chairman, Movement for Social Development and Welfare, Syria; **Amal Al Basha**, Director, Sisters Arab Forum for Human Rights, Yemen
- 7 JUNE 13.15-14.30 *EU enlargement: The Croatian experience*
Andrej Plenkovic, State Secretary for European Integration, Croatia
- 8 JUNE 10.00-13.00 *Compliance in Public Procurement: 'Self-cleaning' as the best way to fight corruption?*
Nico Spiegel, DG MARKT, European Commission; **Alan Gourley**, Partner, Crowell Moring; **Heide Rühle**, MEP
Hans-Joachim Priess, Head of the Public Procurement Group, Freshfields Bruckhaus Deringer LLP
Michael Fruhmann, Austrian Federal Chancellery; **Klaus Moosmayer**, Compliance Operating Officer, Siemens AG
- 10 JUNE 13.45-14.30 *The Dutch Elections: A First Assessment*
Kees Aarts, Director, Institute for Innovation and Governance Studies, University of Twente
- 15 JUNE 11.30-14.30 *European Capital Markets: Walking on Thin Ice – Joint CEPS-ECMI Seminar*
Giovanni Calice, University of Southampton; **Daniel Gros**, CEPS; **John Berrigan**, Director for Macrofinancial Stability, DG ECFIN, European Commission; **Paul De Grauwe**, Senior Fellow, CEPS, Professor, University of Leuven
René Karsenti, Executive President, International Capital Market Association and Chairman, ECMI
- 17 JUNE 13.15-14.30 *Crisis: Cause, Containment and Cure – Book launch*
Thomas F. Huertas, Director for the Banking Sector, UK Financial Services Authority, book author
- 22 JUNE 13.15-14.30 *Weathering the Economic Storm: The Role of Industry*
Emma Marcegaglia, Chairwoman, Confindustria; **Daniel Gros**, Director, CEPS
- 23 JUNE 13.15-14.30 *The Area of Freedom, Security and Justice ten years on: Successes and future challenges under the Stockholm Programme*
Book launch with: **Emilio De Capitani**, European Parliament, Head of Unit responsible for the Secretariat of the Committee on Civil Liberties, Justice and Home Affairs; **Johannes Vos**, Council of the European Union; **Karl von Wogau**, Secretary General of the European Security Foundation, former Chairman of the European Parliament's Subcommittee on Security and Defense; **Peter Hobbing**, CEPS
- 24 JUNE 9.30-12.00 *Towards a European Demos? 2009 European Elections in Comparative Perspective – Book launch*
Jacek Kucharczyk, Director of the The Institute of Public Affairs, Warsaw; **Andrew Duff**, MEP
Doru Frantescu, EU VoteWatch



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.

Registration: Please contact Anne-Marie Boudou, per e-mail: amboudou@ceps.eu or fax: +32 (0)2 201.46.89.