

Hungary turns to economic and constitutional reform



Terényi, Schöpflin & Kaczyński

On April 26th, the day after the second round of the Hungarian Parliamentary elections, CEPS in cooperation with the Hungarian Institute of International Affairs (HIIA) organised a post-electoral briefing to assess the outcome and future prospects of Hungary in EU affairs. György Schöpflin, MEP in the EPP Group and member of the Hungarian Fidesz Party, outlined the major tasks his party faces following its landslide victory. With a two-thirds majority in the Parliament, Fidesz will focus on restoring the country's economy and reducing unemployment. The new government under Prime Minister Viktor Orbán will also introduce constitutional reform.

At the EU level, Schöpflin looked forward to the Hungarian rotating presidency in the first semester of 2011. He stressed that the government will emphasise the continuation of ongoing projects, such as implementation of the Lisbon Treaty, but will also focus on energy security and securing EU water resources. János Terényi and Csaba Törö, Director and Senior Research Fellow respectively of the HIIA, discussed the impact of domestic Hungarian politics on the international stage. The post-electoral briefing was the first in a series of briefings at CEPS aimed at examining Europe's political landscape in 2010.

The next two events in this series will be on May 7th and 31st, assessing respectively the UK and Czech elections – see page 4.

**CEPS welcomes a new
Corporate Member:
Brunswick**

Learning from the US experience?

Daniel Gros, Director of CEPS



Greece is now clearly on the brink of default. Should one regard as unthinkable that its fellow eurozone member countries would allow this to happen? The early history of the United States provides an interesting pointer given that the federal budget at that time was as small as the EU budget is today.

Shortly after the end of the American war of independence, the US Treasury assumed the \$21 million in debt (a large sum at that time) that had been accumulated by the 13 founding states. The states hardest hit were those without major harbours, which deprived them of the revenues that coastal states could earn from the duties imposed on overseas trade. In a scheme devised by the first US Secretary of the Treasury, Alexander Hamilton, the federal government assumed all of this debt in 1790. Today, many proponents of 'euro bonds', i.e. bonds issued by a common euro area authority, point to the US experience as a useful example to follow.

The reaction of the US authorities was radically different about fifty years later, however, when in the 1840s the federal government stood by and allowed a number of states to fail. The explanation lies in the different sets of historical circumstances leading to the US states' insolvency: the American Revolutionary War was a collective national effort to defeat Great Britain and the expenditures by the individual states went to finance this common goal, thereby providing a strong argument for the federal government to take over the debts. In the latter case, however, the debts had been contracted by the states to finance what were clearly home-grown, local projects, for example banks and railroads, aimed at advancing internal state interests.

It is also interesting to note that this latter set of defaults involved nine (mostly newer) states accounting for about one-quarter of the total population of the US and would thus be comparable to a collective default by Greece, Portugal, Ireland and Spain together. What's especially interesting about this episode in US economic history, however, is that no widespread contagion ensued. We can thus conclude that a default within a federation does not have to trigger catastrophic political consequences.

Consult the CEPS website for Daniel's latest commentaries on the unfolding crisis in the eurozone.

High-level symposium investigates transatlantic implications of capital markets reform



Keynote address by Governor Dan Tarullo

The 8th Symposium on Building the Financial System of the 21st Century, organised annually by CEPS and the Programme on International Financial Systems (PIFS) at Harvard Law School, was held in Armonk, New York on March 18-20. Against the background of high anxiety in Europe related to the Greek budget crisis and a looming vote in the US Congress on health care reform, the mood on both sides of the Atlantic was one of cautious optimism and hope for closer Euro-American coordination on global financial reform. The prestigious event focused on managing risk in the post-financial crisis period, the implications of capital markets reform in both the EU and the US, future crisis resolution procedures and the transatlantic implications of the Greek crisis.

Capital markets reform is moving ahead on both sides of the Atlantic. Whatever the outcome of the changes, it was clear from the discussions that the 'new normal' will be a scenario in which market conditions are not as benign as in the past. Thus, regulators are putting a significant effort into coordinating the changes to their regulatory frameworks to limit regulatory arbitrage and to converge on globally accepted standards. There was general agreement among participants, however, that both Europeans and Americans could do more to implement the global agenda agreed in the context of the G20. Some issues – especially the Volcker Rule, accounting and mutual equivalence – will serve as the test for the future of the EU-US dialogue.

Keynote speeches were delivered by Dan Tarullo, Governor of the US Federal Reserve Board, Martin Merlin of the European Commission, Malcolm Knight of Deutsche Bank and Lew Kaden of Citi.

RECENT EVENTS

EU climate action on the road to Cancún

In plotting the EU's strategy between now and the next major climate conference in Cancún, tentatively scheduled for 30 November - 10 December, Connie Hedegaard, European Commissioner for Climate Action, recommends a "stepwise approach" with considerably greater focus on the content of a comprehensive future global agreement rather than on the legal form and negotiation procedures. Speaking at a CEPS corporate breakfast meeting, chaired by Staffan Jerneck on April 13th, she outlined the EU climate action priorities after Copenhagen. Hedegaard suggested building on the political guidance contained in the Copenhagen Accord, which should be further developed and incorporated into substantive UN decisions that address a broad range of issues, including the shared responsibility to tackle climate change.



Hedegaard

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Reducing and streamlining business statistics

On April 8-9th, Jørgen Mortensen, Associate Senior Research Fellow, on behalf of CEPS, attended the kick-off meeting of a research project on data management for statistics at the premises in Rome of the Italian national statistical bureau, ISTAT, which is the coordinator. Known as 'BLUE-ETS', the project is sponsored by the EU's 7th Framework Programme with the particular objective of supporting and contributing to the success of the EU's MEETS programme on reducing and streamlining the compilation of business statistics and rendering economics statistics more relevant for understanding the knowledge society. In BLUE-ETS, CEPS is charged with two main tasks: i) to provide an interface between statistical theory and practice and the research endeavours undertaken to arrive at a better understanding of the role of intangible investment and assets in the economy and ii) to ensure a broad exposure to and dissemination of BLUE-ETS results among business and other stakeholders. The project started on 1 April and will run for three years.



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Far-ranging new project explores ways to foster Mediterranean prospects



On April 14-15th, CEPS hosted the kick-off meeting of a new project on Mediterranean Prospects (MEDPRO) involving a consortium of 18 diverse institutions from throughout the Mediterranean region, funded under the EU's 7th Framework Programme and coordinated by CEPS Senior Fellow, Rym Ayadi. Over the next three years, the MEDPRO research team will strive to deliver the best-available scientific underpinning for the policy decisions to be taken over the coming years within the framework of the Union for the Mediterranean and the EU's European Neighbourhood Policy. The research, ranging from governance and geopolitics, demography and human capital, economic and financial developments, to management of resources and climate change, will contribute to the reform process within the South Mediterranean countries and will form the basis for building new cooperation schemes with the EU. MEDPRO will benefit from a broad-based dissemination of the research output organised by CEPS, IEMED (European Institute of the Mediterranean), FEMISE (Forum Euroméditerranéen des Instituts des Sciences Economiques) and South Mediterranean partners in Egypt and Tunisia.

For more information, contact medpro@ceps.eu

CEPS hosts debate on the regulation of risks



Renda, Klingbeil, Jerneck & Calabrese

Recent developments in better regulation strategies were the subject of debate at a lunchtime seminar hosted by CEPS on March 25th, with a particular focus on risk regulation and the impact of different risk assessment techniques on the quantity and quality of rules. Edward Calabrese, University of Massachusetts Amherst, turned to current debates in toxicology and medical science to develop his theory on hormesis as an alternative method to assess health-related risks. Marianne Klingbeil of the European Commission briefed the audience on the latest progress in the EU's approach to smart regulation, stressing the key role that ex-post evaluation is expected to play in the coming years. CEPS Senior Fellow Andrea Renda brought a legal and economics perspective to the discussion, linking questions of risk management to broader policy and regulatory outcomes. Comments from the panel were followed by a lively Q&A session with interventions from the European Court of Auditors, national experts on regulation and industry.

... and more events in brief

Several major events took place at CEPS too late in the month to meet our printing deadline for the May issue of CEPS News. Please see the June issue for a full report on:

Reassessing European Citizenship: Citizens Rights and Citizens Acts – ENACT Conference, 27 April

The Transatlantic Financial Services Agenda, Post-Crisis – Special CEPS/ECMI event, 27 April

New perspectives in border security? The US under Obama and the EU under the Stockholm Programme – INEX Conference, 28 April

Implementing the Lisbon Treaty – EPIN Conference, 28 April



CEPS has launched a new series of Commentaries contributed by members of EuropEos, a multidisciplinary group of economists, jurists, journalists and academics devoted to fostering an ongoing forum for the discussion of European policy and institutional issues. In the inaugural issue, Pier Carlo Padoan, Deputy Secretary General and Chief Economist at the OECD, argues that the Greek crisis highlights the need to take steps to strengthen the economic governance of the euro area, including the introduction of stronger, growth-oriented surveillance (see title listed on page 4).

State aid to the EU financial sector



Pesaresi

On April 9th, CEPS held the fourth meeting of its Task Force on State Aid to the EU Financial Sector at which participants discussed the preliminary draft of the final report. In addition, DG Competition Head of Unit Nicola Pesaresi gave a presentation on the Commission's position regarding the state aid packages that financial institutions have received. Based on input from

the meeting, CEPS will finalise and publish the report in the coming weeks.

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Urbanisation and climate change

In light of the crucial role cities play in the effort to reduce greenhouse gas emissions, CEPS formed a Task Force last year on Global Climate Change and the Increasing Role



Christian Egenhofer (CEPS) & Chair Laurence Tubiana

of Cities. At its final meeting on April 23rd, the group discussed the draft report with a focus on the policy recommendations for future city action, including issues of governance and empowerment, sources and access to funding, methodologies for emissions accounting and sharing of best practices. The report is expected to be published in June, and will be available for downloading on the CEPS website.

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RECENT EVENT

Advances in settling the Transnistrian conflict

The Transnistrian conflict settlement process has experienced some positive developments in recent months, including the promotion of direct contacts between the Moldovan government in Chisinau and the Transnistrian leadership in Tiraspol and other confidence-building measures. Looking to the next stage in the process, CEPS hosted a behind-closed-door discussion on April 15th, involving Moldova's Deputy Prime Minister Victor Osipov and Kalman Mizsei, the EU's Special Representative to Moldova.

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Applied RIA Training Course

5-day course in Regulatory Impact Analysis
Jointly organised by CEPS, Jacobs and Associates & LUISS

Two sessions:

3-7 May & 18-22 October, Rome

Among the teachers:

Andrea Renda, Senior Fellow, CEPS

Info: www.luiss.edu/academics/lifelong-learning/ria-training-course

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- 1. Banking Crisis Resolution Procedures**
Report 'Overcoming too-big-to-fail' launched 15 March, available at www.ceps.eu/books
- 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. A New Retail Credit Regime for Europe - Setting the Right Priorities**
Chair: **Rosa-Maria Gelpi**, former Vice-President of BNP Paribas **NEW!**
Personal Finance
1st meeting 11 May
- 7. Innovation Policy: Boosting EU Competitiveness in a Global Economy**
Chair **Maria Anvret**, Senior Executive, Scientific Expert and Advisor, Confederation of Swedish Enterprise
6th meeting 18 May
- 8. Critical Infrastructure Protection**
Chair **Bernard Haemmerli**, Vice President, Information Security Society, Switzerland (ISSS)
5th meeting 3 June
- 9. E-communications: Regulatory Challenges for the post-Lisbon Era**
Chair **Staffan Jerneck**, Director & Director of Corporate Relations, CEPS
4th meeting June/July
- 10. Transport and Climate Change** **NEW!**
1st meeting - date to be announced
- 11. Implementation of the Strategic Energy Technology (SET) Plan**
1st meeting - date to be announced **NEW!**
- 12. Asset Management** **NEW!**
1st meeting - date to be announced

From worse to worst? How Late Payments Squeeze SMEs' Liquidity

ECRI Breakfast Meeting
Jointly organised with Intrum Justitia

11 May, 8:30 – 11:15 at CEPS

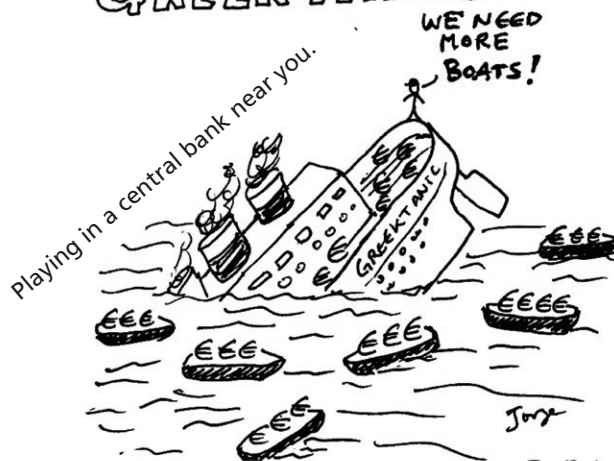
Among the speakers:

Barbara Weiler & Othmar Karas, MEPs
Lars Wollung, CEO, Intrum Justitia

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Registration: www.ceps.eu/events_upcoming

RESCUING THE GREEKTANIC



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New titles for free downloading at www.ceps.eu

Commentaries

- "It is high time the integrity of economic statistics is seriously safeguarded", Alberto Giovannini, 28 April
- "Implications of a Greek default for the euro", Daniel Gros, 27 April
- "Lisbon five months on: Surveying the new EU political scene", EPIN Commentary No. 5, 27 April
- "The Greek Fiscal Adjustment Programme: An evaluation", Daniel Gros, 21 April (updated 27 April)
- "A stronger, growth-oriented surveillance for EMU?", Pier Carlo Padoan, EuropEos Commentary, 20 April
- "Turkey's Genocide Diplomacy: What's in a word?", Piotr Zalewski, 20 April
- "Who can save Greece?", Daniel Gros, 13 April
- "How social the single market?" Jacques Pelkmans, 13 April
- "Painful Politics in Poland", Piotr Maciej Kaczyński, 13 April



Reports

- *Lessons from the Asian Monetary Fund for the European Monetary Fund*, Yonghyup Oh, CEPS Policy Brief No. 208, April
- *Getting Started Now: Capacity Building for the Data System Foundations of Sectoral Approaches to Climate Change*, Noriko Fujiwara, Christian Egenhofer and Anton Georgiev, CEPS Special Report, April
- *The Foreign Policy of the EU in the Palestinian Territory*, Rouba Al-Fattal, CEPS Working Document No. 328, April
- *EU Counter-Terrorism Action: A fault line between law and politics?* Elspeth Guild, CEPS Liberty and Security in Europe, April
- *Shaping Reforms and Business Models for OTC Derivatives: Quo vadis?*, ECMI Research Report No. 5, Diego Valiente, April
- *The MiFID Metamorphosis*, Karel Lannoo and Diego Valiente, ECMI Policy Brief No. 16, April
- *Regulatory Challenges for the EU Asset Management Industry*, ECMI Policy Brief No. 15, Karel Lannoo, April
- *Messages from Copenhagen: Assessments of the Accord and Implications for the EU*, Monica Alessi, Anton Georgiev and Christian Egenhofer, ECP Paper No. 9, April
- *The Future of Retail Banking in Europe: Competition and Regulatory Challenges*, Nicola Jentzsch and Christian Wey (eds), ECRI Research Report No. 12, April
- *On High Stakes, Stakeholders and Bulgaria's EU Membership*, Antoinette Primatarova, EPIN Working Paper No. 27, April

CEPS MEMBERSHIP MEETINGS

- 7 MAY *The UK Election: A first assessment*
13.15-14.30 **Tim Bale**, Senior Lecturer, University of Sussex, author of *The Conservative Party from Thatcher to Cameron*
David Rennie, Brussels Bureau Chief, The Economist
- 11 MAY *Towards Low-Carbon Energy: Lithuania's Strategy and the New EU Energy Policy - POSTPONED TO JUNE*
16.30-18.30 Venue: Permanent Representation of Lithuania to the EU, Rue Belliard 41-43, 1040 Brussels
Arvydas Sekmokas, Minister for Energy, Lithuania; Chair: **Christian Egenhofer**, Senior Fellow, CEPS
- 12 MAY *Building Sustainability – Launch of the IMF's Regional Economic Outlook - Europe*
13.15-15.00 **Marek Belka**, Head of the European Department, IMF, former Prime Minister of Poland
Wym Fonteyne, Senior Economist, European Department, IMF; Chair: **Daniel Gros**, Director, CEPS
Info & Registration for this event: isabelle.tenaerts@ceps.eu
- 20 MAY *Is US-EU security cooperation living up to its potential?*
13.15-14.30 **Edwina Campbell**, Professor, U.S. Air Force (USAF) University, Maxwell Air Force Base, Alabama
- 31 MAY *The Czech Election: A first assessment*
13.15-14.30 **David Kral**, Executive Director, Europeum, Prague

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.