

# CEPS News

April 2009



Thinking ahead for Europe

## Securing European Energy



Birol & Ruete



The 4th Annual European Energy Policy

Conference on 17-18 March focused on making the right choices now in securing European energy supplies. Organised jointly by CEPS and Epsilon Events, the conference featured high-level speakers Fatih Birol, Chief Economist of the IEA, Matthias Ruete, Director General of DGTREN, and MEPs Buzek, Gacek and Turmes. Speakers gave an overview of recent political developments, notably the Second Strategic Energy Review, the implications of the energy and climate change package, an update on planned pipelines from Eastern Europe, and the role of the Mediterranean in securing additional energy supplies to Europe. A special session looked at energy in developing countries.

## Workshop debates EU-Gulf cooperation on climate change



A workshop on "Enhancing the EU-Gulf Cooperation Council Relations within a New Climate Regime: Prospects and Opportunities for Cooperation" was hosted by CEPS on February 26th, the framework of the Al Jisr project entitled "Public Diplomacy and Outreach Devoted to the European Union and EU-GCC Relations". Led by experts from the EU and the Gulf, the workshop envisioned combining policy and technical expertise in a future green energy market. The GCC region offers massive business potential for national, regional and international companies involved in power generation, lighting and renewable energy.

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

## How to reel the global economy back from the brink: Message to the G-20

Stefano Micossi, Member of the CEPS Board of Directors and Director General of Assonime



While policy-makers are struggling to stabilise financial markets and economic activity, discussion is raging about what changes are needed in global economic governance. We have two main policy recommendations to the leaders of the G-20 meeting in London on April 2nd: the international monetary system needs to restore external discipline over the macroeconomic and exchange rate policies of the main global economies, and regulators must severely and effectively constrain the leverage ratio of financial organisations and the financial system.

Indeed, the primary source of instability must be seen in the destabilising macroeconomic policies repeatedly pursued by the United States since the breakdown of fixed exchange rates. International monetary arrangements amplified the effects of lax US policies by maintaining large exchange misalignments and by financing, rather than correcting, burgeoning imbalances in international payments. The resulting massive accumulation of net asset and liability positions generated enormous flows of capital to and from the main financial centres, triggering a sequence of booms and busts in financial markets worldwide, until the centre of the system imploded.

Therefore, first and foremost is the need to establish new monetary arrangements whereby payment imbalances are corrected by means of appropriate changes in domestic policies, while exchange rates can vary consistently with international adjustment. Such discipline will not come about unless the main emerging countries assume their proper place in international institutions, notably including the IMF and the World Bank. The G-20 is the best candidate to foster and manage the new international policy cooperation.

Lax regulation wasn't the main culprit, but it played an important permissive role in the excesses leading to the speculative bubble by letting the leverage of financial organisations build up to unsustainable levels. There is no need to fundamentally change the regulatory architecture in which the core of prudential regulation concerns banking institutions, which are prone to excessive risk-taking due to deposit insurance, lending of last resort and the implicit state backing of the liabilities of large banks.

Banks should never again be allowed to exceed a maximum leverage ratio of ten, and that ratio should be calculated with reference to total unadjusted assets, including all potential risks. Additional capital charges should be imposed to penalise activities not belonging to normal banking business, such as proprietary trading or broker loans. A number of measures are also in order to strengthen risk management within financial organisations as well as transparency of information on all market participants and financial instruments. Appropriate disincentives should encourage OTC instruments to migrate to organised clearing platforms.

In Europe, as has been suggested by the High Level Group chaired by Jacques De Larosière, a drastic simplification of the regulatory structure is urgently needed, and implementing powers for EU legislation should be centralised at EU level. More specifically, it is high time that Level 3 Committees are given legal powers in coordinating the implementation of EU directives.

Much of the rest in the ongoing debate about new rules for financial markets appears at best a distraction: hedge funds, tax havens, structured products and credit derivatives were largely not responsible for what has happened. There is no need to redesign the entire financial system, and a massive wave of new rules should be avoided at all costs.

This Commentary draws from *Keep it simple: Policy Responses to the Financial Crisis*, by Carmine Di Noia & Stefano Micossi with Jacopo Carmassi & Fabrizia Peirce, CEPS Paperback, March 2009 (download at <http://shop.ceps.eu>).

## CEPS Annual Conference explores the quest for European leadership

The Opening Dinner of the CEPS Annual Conference on March 4th featured Mirek Topolanék, Prime Minister of the Czech Republic, as keynote speaker. The conference took place the following day at the Palais d'Egmont, chaired by CEPS Chairman H. Onno Ruding. In the 1st session Diego Lopéz Garrido, Spain's Secretary of State for European Affairs, and Dick Roche, Ireland's Minister of State for European Affairs, discussed "Reforming the EU Treaties: Improving ratification procedures and democratic involvement". In the 2nd session, José Luis Escrivá, Chief Economist at Banco Bilbao Vizcaya Argentaria, Roberto Nicasro, Deputy CEO of UniCredit Group and CEPS Director Daniel Gros debated "What role is left for the market?". A report of the conference will be published shortly on the CEPS website.



Topolanek

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*High-level De Larosière report scrutinised*



Sutton, Ruding & Wright

A lunchtime meeting to discuss the recently published De Larosière report was organised at CEPS on March 9th. Onno Ruding, member of the High Level Group tasked with drafting the report, and David Wright, Deputy Director-General at DG MARKT, shared their views at the event, chaired by Alistair Sutton, White & Case LLP. Referring to the institutional challenges that need to be tackled to prevent future turmoil in financial markets, Ruding highlighted the reciprocal relationship between adequate regulation and effective supervision. He outlined the two-level model for supervision laid down in the report with a macro-prudential supervisory council at the ECB and a micro-prudential component based on a new European System of Financial Supervision. Wright gave his firm backing to the report – which he called the “art of the possible”. Underlining Europe’s leading role, he stated that the new supervisory model sets standards that are likely to be replicated in other countries as well.

*NATO and the US in the Obama Era*



Volker

Kurt Volker, the US Ambassador to NATO, was the guest speaker at a CEPS meeting on February 23rd, chaired by Michael Emerson, CEPS Senior Fellow. Commenting on NATO affairs in a particularly challenging time, he observed that the main task currently facing the Alliance internally was to rebuild a sense of community (including shared values, the rule of law, democracy and market economies). The need for the US and Europe to reengage arises from the urgent security difficulties before them, notably the conflicts in Afghanistan, Europe’s East, the Balkans as well as other challenges that NATO is not yet well-equipped to address, e.g. terrorism, nuclear proliferation, failed states, energy security and cyber attacks.

*Read the full report at [www.ceps.eu](http://www.ceps.eu) (Events/Event Reports)*

*JHA conferences showcase major research projects*



ENEPO panellists Gros & Dabrowski

The Justice and Home Affairs unit at CEPS has recently hosted two major conferences on the results of research projects funded under the Framework Research Programme of the European Commission. The first event, on March 18th, focused on “The EU Eastern Neighbourhood: Economic challenges ahead”, and represented the conclusion of the ENEPO project (EU Eastern Neighborhood: Economic Potential and Future Development) led by the Center for Social and Economic Research (CASE) in Warsaw. CEPS’ contribution to the project specifically addressed the ENP dimension in the cooperation surrounding the area of justice, security and freedom.

The ENACT (Enacting European Citizenship) project provided the material for debate at the second JHA event, on March 23rd, on “Enacting European Citizenship of Third Country Nationals in the EU”. Participants at this workshop addressed the tensions inherent in differentiating between ‘nationality’, ‘residence’ and ‘integration’ as linking factors giving access to acts of citizenship, security of residence and participation in the European polity.

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ENACT panellists Apap, Vink, Carrera & Isin

*Evaluating the Lisbon agenda in the midst of crisis*

A report by Simon Tilford and Philip White, two economists at the Centre for European Reform (CER), *The Lisbon Scorecard IX: How to emerge from the wreckage?*, was launched at CEPS on March 13th. CER Director Charles Grant chaired the panel which consisted of Philip White, CEPS CEO Karel Lannoo, CEPS Associate Fellow Paul De Grauwe and Ann Mettler, Executive Director of the Lisbon Council. As in previous versions of their ‘scorecard’, CER identified ‘heroes’ and ‘villains’ in implementing the Lisbon agenda reforms. This year, however, the ‘Lisbon league’ was overshadowed by the financial crisis. Keynote speaker José Manuel Barroso (President of the European Commission) and Mettler stressed the need for a long-term policy perspective and reaffirmed the validity of the agenda’s targets. As highlighted by most of the panellists and the numerous interventions, the global scenario has changed since 2000 and some objectives will have to be redesigned.

*The CER paperback on the Lisbon scorecard is available at [www.cer.org.uk](http://www.cer.org.uk)*



Barroso & Grant

*Challenges to democratisation in the EU periphery*



Panellists Klitsounova, Alieva & Youngs

CEPS & FRIDE co-sponsored a 2-day conference to explore “Challenges to Democratisation: Trends and Responses in the European Neighbourhood”, 16-17 March. The various presentations examined the dynamics of the democratisation processes in the new EU member states (Bulgaria and Romania), in the aspiring states (Serbia and Turkey) and in other countries in the European Neighbourhood and beyond. Participants searched for answers to the questions of why democratic reforms stagnate after the accession of some new member states, whether sanctions are a blessing or a curse for the aspiring states, what is the effect of revolutions in building democratic institutions, and what happens when democracy meets Islamic tradition, oil, nationalism or a global economic crisis.

*Look out for forthcoming CEPS Paperback: *Democratisation’s Plight in the European Neighbourhood: Causes and Failing Responses*, Michael Emerson, Kristina Kausch and Richard Youngs (eds)*

*Regional cooperation & development in Central Asia*

A conference on regional cooperation and development in Central Asia was held at CEPS, on March 2-3. Co-sponsored by CAREC/ADB, Carnegie Endowment for International Peace, Wolfenson Centre for Development (Brookings Institute), FRIDE and CEPS, the conference brought together a broad range of interests, capacities and motivations as regards a more integrated Central Asia. Ambassador Pierre Morel, EU Special Representative for Central Asia, and Jan Marinus Wiersma (EP) weighed the merits of reform sponsorship versus pragmatism as strategy options. The ambassadors of Kyrgyzstan and Tajikistan called upon the EU to give greater consideration to the countries that do not have oil and gas reserves yet advocate regional cooperation. CAREC’s experience and strategic plans as regards facilitation of trade, investments and business development in Central Asia was complemented by presentations on small-scale, cross-border trade projects (World Bank) and achievements and shortcomings in the EU border control reform programmes (BOMCA/CADAP).

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Azylov, Morel, Emerson, Melvin & Wiersma

*Task Force on EU budget & climate change*

The Task Force on the EU Budget and Climate Change chaired by Anders Wijkman, MEP, and organised by Jorge Nuñez Ferrer, CEPS Associate Research Fellow, launched its work in the European



Nuñez & Wijkman

Parliament in Brussels on March 3rd, with a large attendance of corporate executives, EU officials, governments and EU parliamentarians, such as Göran Färm. The Task Force promises to be an exciting and complex one, aiming at creating political momentum in the new European Parliament and European Commission. The Task Force has received financial support for additional research and outreach activities from the European Climate Foundation.

*Launch of CEPS Task Force on the treatment of exclusionary abuses under Article 82*

CEPS Task Force on the treatment of exclusionary abuses under Article 82 of



Renda, Temple Lang & Jerneck

the Treaty was launched on February 25th, chaired by John Temple Lang (Cleary Gottlieb Steen & Hamilton). The Rapporteur is Andrea Renda, CEPS Senior Research Fellow. Participants agreed on a list of proposed topics that will provide the overarching structure during the next round of meetings. The proposed issues encompass the definition of dominance, the theory of harm, retroactive and bundled rebates, margin squeeze, tying and the use of economic evidence.

**CEPS STAFF ACTIVITIES**

*Rejuvenating the EU's employment strategy*



On March 3rd, Jørgen Mortensen, Associate Senior Research Fellow, presented an assessment to the Employment Committee's Ad Hoc Working Group on the Post-Lisbon Employment Strategy of the employment challenges facing the EU. He argued that any employment strategy should take account of labour market rigidities and educational attainment of workers. He also argued that the employment consequences of the financial crisis will largely depend on the capacity of the economy to avoid fragmentation of the labour force and a strong rise in youth unemployment.

*CEPS climate change specialists in Japan*

On 25-26 February, CEPS, in cooperation with the Japanese Ministry for Economy, Trade and Industry (METI), held a 2-day workshop on "Global sectoral approaches as part of the post-2012 framework" in Tokyo. The workshop, attended by 50 participants from Japan, the EU, China and India, is part of the global sectoral approach study, supported by DG Enterprise. During the same week, CEPS researchers Noriko Fujiwara and Christian Egenhofer presented their latest research results on sectoral approaches at a meeting of the Economic and Social Research Institute, the Cabinet Office of the Japanese government.

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1. **Concrete Steps towards More Integrated Financial Oversight: The EU's Policy Response to the Crisis**  
Report published, available at <http://shop.ceps.eu>
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**  
**Chair Anders Wijkman**, *Member of the European Parliament*  
2nd meeting 1 April
4. **Bank State Aids and the Single Market** NEW!  
**Chair Alastair Sutton**  
*Partner, White & Case*  
1st meeting 28 April
5. **The Treatment of Exclusionary Abuses under Article 82**  
**Chair John Temple Lang**, *Cleary Gottlieb Steen & Hamilton LLP*  
& *Former Director, DG Competition, European Commission*  
Meetings: 3rd: 30 April, 4th: 12 May, 5th: 8 June, 6th: 24 June
6. **E-communications: Regulatory Challenges for the post-Lisbon Era**  
**Chair Staffan Jerneck**, *Director & Director of Corporate Relations, CEPS*  
3rd meeting 5 May
7. **CDM and post-2012 Flexible Mechanisms**  
**Chair Ulrika Raab**, *Senior Advisor, Swedish Energy Agency,*  
*Member of the CDM Executive Board*  
4th meeting 6 May
8. **EU and Global Climate Change Policy and the Increasing Role of Cities** NEW!  
**Chair Laurence Tubiana**, *Director, Institut du développement durable et des relations internationales, Paris*  
1st meeting 15 May
9. **The Solvency II Regime: A Revolution for European (Re)insurance Companies**  
**Chair Jos Streppel**, *CFO and Member of the Executive Board, Aegon*  
3rd meeting May/June
10. **Innovation Policy: Boosting EU Competitiveness in a Global Economy** NEW!  
1st meeting May/June
11. **Restoring Investor Confidence** NEW!  
*Joint Task Force by CEPS, ECMI & CFA*  
1st meeting May/June
12. **Completing the Doha Round of WTO Negotiations**  
**Chair Hanns Glatz**, *Delegate of the Board of Management, Daimler AG*  
6th meeting May/June
13. **Securing European Energy Supplies: Making the Right Choices**  
**Chair Knud Pedersen**, *Vice President, DONG Energy*  
2nd meeting 2 June, 3rd meeting 2 July
14. **European Security Forum**  
**Chair François Heisbourg**, *Chairman, Fondation pour la Recherche Stratégique*  
Next meetings: 12 June & 26 October; Info & registration: [esf@ceps.eu](mailto:esf@ceps.eu)
15. **Corporate and Commodity Standards and Sustainable Trade**  
**Chair Corrado Pirzio-Biroli**, *Former chef de cabinet of European Commissioner Franz Fischler*  
2nd meeting June
16. **Education - Human Capital in the EU** NEW!  
1st meeting June/July



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### LATEST CEPS PAPERBACKS

**Keep it simple: Policy Responses to the Financial Crisis**, by a team of economists, proposes new rules for governing the macro-economic and exchange rate policies of the main players in the global economy.



**A People's Peace in Cyprus** delves into the thorniest questions of the conflict and assesses how, once the specifics of a package deal are entered into, convergence between Greek Cypriots and Turkish Cypriots is possible.



Both books are available for free downloading or purchase in print at <http://shop.ceps.eu>

### CEPS Head of Politics and Institutions joins European Commission

After six years at CEPS, **Sebastian Kurpas**, Head of the Politics and Institutions section and Research Fellow, has joined the European Commission. He will remain true to his field of expertise, working in the 'Institutional Questions' unit of the Commission's General Secretariat. At CEPS, Kurpas published extensively on issues such as the Constitutional Treaty and the Treaty of Lisbon, the impact of the 2004 enlargement on European institutions, European elections and EU communication policy. His most recent publication, *The Ever Changing Union*, chronicles the history, institutions and decision-making processes of the EU, co-authored with Christian Egenhofer and Louise van Schaik.



Free download or purchase (€12) "The Ever Changing Union" at <http://shop.ceps.eu> (Paperback Books)

### CEPS MEMBERSHIP MEETINGS

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

- 2 APRIL 13.15-14.30 *'Self-Cleaning' in Business – A New Compliance Tool in Fighting Corruption*  
**Hans-Joachim Prieß**, Partner, Freshfields Bruckhaus Deringer LLP  
**Andreas Pohlmann**, Siemens AG; **Richard J. Bednar**, Senior Counsel, Crowell Moring  
**Nico Spiegel**, Legal Officer, DG Markt, European Commission; **Andreas Schwab**, MEP
- 3 APRIL 13.15-14.30 *The New Northern Dimension of the European Neighbourhood– Launch of a CEPS paperback*  
**Paami Aalto**, Jean Monnet Professor, Department of Political Science and International Relations, University of Tampere; **Helge Blakkisrud**, Head, Department of Russian and Eurasian Studies, Norwegian Institute of International Affairs; **Marius Vahl**, Officer, EEA Coordination Division, EFTA Secretariat
- 6 APRIL 10.30-13.00 *A People's Peace in Cyprus - Findings of the 2nd CEPS inter-communal survey of public opinion in Cyprus – Launch of a new CEPS paperback (see announcement above)*  
**Alexandros Lordos**, Director, Cyprus Institute for Policy Analysis  
**Erol Kaymak**, Chairman, Department of International Relations, Eastern Mediterranean University  
**Nathalie Tocci**, Senior Fellow, Istituto Affari Internazionali & Associate Fellow, CEPS
- 16 APRIL 13.15-14.30 *The Crisis of Globalised Finance (For this event, please register per e-mail to [isabelle.tenaerts@ceps.eu](mailto:isabelle.tenaerts@ceps.eu))*  
**Anton Brender**, Chief Economist, Dexia Asset Management  
**Florence Pisani**, Associate Professor, University of Paris-Dauphine  
**Paul De Grauwe**, Professor of International Economics, University of Leuven

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: Anne-Marie Boudou, CEPS, Place du Congrès 1, B-1000 Brussels, fax: +32 (0)2 229.39.22 or e-mail: [amboudou@ceps.eu](mailto:amboudou@ceps.eu).

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