

Lessons and consequences of the financial crisis

Before a large audience at CEPS on October 14th, CEPS Director Daniel Gros and its Chief Executive Karel Lannoo drew tentative conclusions and outlined future scenarios emerging from the current financial crisis. Gros, CEPS chief economist, opened the discussion by differentiating between the 'old' and the 'new' banking models, saying that the latter had failed to withstand the freezing of interbank lending. He said that the coordinated European response avoided a financial meltdown but it stopped short of being an EU-level bail-out plan.



Gros & Lannoo

Lannoo, an expert in financial markets, observed that European leaders were badly shaken to discover the vulnerability of European banks. He called for a European System of Financial Supervisors with much tighter coordination of national regulators in order to keep the internal market intact. Lannoo also attacked the inadequacy of current capital requirements rules for failing to prevent the present crisis.

Visit http://shop.ceps.eu/BooksList.php?category_id=21 to read the numerous commentaries published by Gros & Lannoo on the financial crisis

de Larosière Group taps Ruding



Onno Ruding, Chairman of the CEPS Board of Directors, has been appointed by European Commission President José

Manuel Barroso to the High Level Group on cross-border financial supervision, also known as the de Larosière group, after its chairman, former IMF President Jacques de Larosière. This body of experts will propose a set of actions to protect savers and investors and will suggest appropriate architecture to ensure that supervision of financial markets fits well with the realities of the single market. The group will present an official report on the topic at the Spring European Council.



Climate Change Policy after the Financial Crisis: The latest excuse for a new round of state aid?

Christian Egenhofer, CEPS Senior Research Fellow

The financial crisis has called into question the basic assumptions on the future course of many policies. This is no different for climate change. Increasingly people ask how the financial crisis will impact future climate change policy. While intuitively many assume that a recession will reduce the ambition of EU and other countries to press ahead with climate change policies, the opposite may well be the case.

Climate change has always meant financial outlays, big outlays to be precise. Until the recent financial meltdown, the mantra has been that this money will need to come from private investors and carbon markets such as the EU Emissions Trading Scheme (ETS), but politicians very rapidly have discovered climate change as the way to "spend themselves" out of recession. We should expect climate change to progressively become the area to which government spending will be directed. Former US President Bill Clinton has gone so far as to proclaim that creating the low-carbon, clean-energy economy presents the greatest economic opportunity for the United States since it mobilised for World War II. After the US has committed to provide subsidies to the car industry to help them to develop green cars, EU member states under the leadership of Nicolas Sarkozy and Angela Merkel want to do the same.

The German government wants to offer tax incentives to encourage consumption, such as the purchase of new, cleaner cars or the installation of energy-efficient heating systems for homes to support domestic consumption. Other governments have similar ideas. The list of new spending areas is long: green cars, green appliances, better insulation, more efficient lighting equipment, better public transport and so-called 'clean energy', including biofuels, renewables or nuclear. Hand-outs to consumers are also a move to make the highly unpopular rescue package for the banks more palatable to voters. And what is more, hand-outs will also make climate change policy acceptable. Soon DG Competition may have its hands full fending off subsidy requests from member states. It is only a question of time as to when the first member states will openly challenge the Stability and Growth Pact by demanding that climate change expenditure should be exempted from its restrictions.

But where will all the money come from? Ironically, climate change may also become a primary source of revenue to solve the EU's and other governments' fiscal problems. By instituting GHG emissions rights, the EU ETS and similar schemes elsewhere, governments have created significant value. If emissions rights are auctioned – as is foreseen under the EU ETS – governments will be able to collect at least €30 billion annually from 2012 onwards. This figure is likely to rise each year until 2020 and could reach up to €90 billion annually, by which time it is expected that all major OECD countries will be operating such schemes. Moreover, a growing number of individual states in the United States are going down this route. Studies estimate that the auctioning revenues from cap-and-trade bills currently under discussion within the US Congress amount to between 7 and 15% of total US states' budgets. Thus, even if they may be for the wrong reasons, such calculations in themselves may provide an important incentive for pressing on with climate change.

See related ECP reports nos. 6, 7 & 8 at http://shop.ceps.eu/BooksList.php?category_id=26
See related CEPS event on November 18th - More information & registration on the backpage

Conference showcases AIM research results



Spidla

European Commissioner Vladimir Spidla delivered the keynote speech at a CEPS conference on "How to make European pensions adequate and sustainable?" on October 20th. He stated the need to see pension systems as primarily social not economic mechanisms, even though pension funds also play an economic role. He also noted that the ongoing turbulence in the financial markets has revealed the need for better regulation of private pension schemes.

The conference was the concluding event of the AIM project on adequacy of old age income, a cooperative effort of 13 leading EU economic research institutes led by CEPS and funded under the Sixth Framework Programme. The event showcased the project's research results. Theoretical approaches to adequacy were described by Elsa Fornero of the Italian CeRP institute. Other presentations covered the statistical analysis of the situation of the elderly in Europe today and various simulations of policy reform options. CEPS was represented by Juraj Draxler, who spoke about the interaction of the labour market and the pension systems. The event was co-chaired by Georg Fischer, head of social protection unit, DG Employment and Social Affairs, and Jørgen Mortensen, CEPS Senior Fellow.

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

Meeting of experts on pension reform simulation models

The strengths and weaknesses of various economic models used to simulate the effects of pension reform were the subject of debate at a seminar hosted by CEPS on September 25th, in connection with AIM project on old-age income sustainability and adequacy in the EU. The event brought together experts from the European Commission and the OECD as well as creators of some of the successful micro-simulation models used at the member state level. The Belgian Federal Planning Bureau (FPB) also played a part in the organisation of the seminar.

The experts agreed on the need to start out by building relatively simple models, and adding levels of complexity when the ability of the model to provide transparent output has been proven.

Seminar on consumer protection in financial services



Staudenmeyer, Lester, Ducoulombier, Nicola Jentzsch (chair, head of ECRI) & Rutledge

A new report by the World Bank on "Good Practices for Consumer Protection and Financial Literacy in Europe and Central Asia" was presented at an ECRI seminar on October 16th.

This report sets out an initial set of good practices in financial consumer protection as a diagnostic tool for identifying priorities for future reform in this area. In addition to Rodney Lester and Sue Rutledge from the World Bank, the speakers included, from the European Commission, Dirk Staudenmayer (DG Health and Consumer Protection) and Eric Ducoulombier (DG Internal Market) and MEP Olle Schmidt. The speakers emphasised the importance of consumer protection especially in the context of the ongoing financial turmoil, and the need to provide clearer information to consumers, more transparency and dispute settlement mechanisms.

Download the latest ECRI Newsletter at www.ecri.eu/new/ECRINewsletter

Economic and geopolitical developments in Turkey



Serdengeçti, Kalaycioglu & Emerson

On October 13th, in collaboration with TEPAV (Economic Policy Research Foundation, Turkey), CEPS organised a conference on recent

economic, political and geopolitical developments in Turkey. Chaired by Michael Emerson (CEPS), the meeting opened with the presentation by Ersin Kalaycioglu (Sabancı University) on the marked shift he observed in Turkish voting behaviour from a moderately pluralist to a dominant-party system, which is prone to give rise to problems. Süreyya Serdengeçti (TEPAV), ex-governor of Turkey's Central Bank, commented on the impact of the current financial crisis on Turkey and argued that Turkey is actually suffering more from its own policies than from external ones. Mustafa Aydın (TOBB) evaluated Turkey's foreign policy discourses and pointed to the Middle East and the Caucasus as priority zones. Soli Özel (Bilgi University) focused on the relationship between Turkey and the West and argued that the latter should stop treating Turkey as an afterthought and encourage it to play an active role in decision-making on issues of mutual concern.

Building confidence in the Cyprus peace process



Erol Kaymak, Alexandros Lordos and Nathalie Tocci launched their book on the Cyprus peace process on October 30th at a public event in the buffer zone in Nicosia to a select group of Greek Cypriot and Turkish Cypriot politicians, officials, journalists and civil society leaders. The authors then privately briefed the negotiating teams of both sides on the results of their first study.

Purchase the book or download the PDF for free at the CEPS bookshop: http://shop.ceps.eu/BooksList.php?category_id=2

Flexicurity - Lessons from the Nordic experience



Roundtable on flexicurity

On September 26th, welfare policy experts met at CEPS for a workshop on Pathways to Flexicurity: The Nordic Experience and Its Application in Continental Europe, organised within the framework of EU-CONSENT, an EU network of excellence. Flexicurity has become the buzzword of policy discussions on labour market reforms around Europe and particularly in Brussels. Flexicurity remains a relatively vague concept and raised questions about the quality of discussion at the EU and member state level, which is sometimes fraught with clichés. What worked in the Nordic states due to their peculiar institutional setting, culture and demographic situation is not always easy to transpose elsewhere.

Architecture for financing climate change



ECP co-chairmen Kjellén and Convery on the far right

On September 30th, CEPS hosted the 6th European Climate Platform (ECP) seminar on the "The Financial Architecture for the post-2012 period". Co-chaired by Bo Kjellén, former Chief Climate Negotiator for Sweden, and Frank Convery, Heritage Trust Professor of Environmental Policy at University College Dublin. Three background papers were presented as the basis for discussion, in which several options for funding were analysed, including the amounts required, the provenance of the revenues and the modalities for their distribution. The third background paper covered the important issue of finance for adaptation, while issues of deforestation were further analysed in a separate presentation. The final report resulting from this seminar will be presented in December at the UN Climate Summit in Poznan, Poland.

Info: monica.alesi@ceps.eu
http://www.ceps.be/Article.php?article_id=484

IMF sees sharp slowdown, but no deep recession



Leipold, Gros & Sgherri

Senior economists from the IMF presented their annual Economic Outlook for Europe at a meeting at CEPS on October 21st, starting with an overview by Alessandro Leipold, head of the European Department. While acknowledging that the report had been prepared before the outbreak of the acute crisis, he was nevertheless confident that the projections of the IMF were still valid because European governments had since taken decisive steps to stabilise the European banking system. Hence the basis line forecast for next year should be approximately unchanged (0.2 %), which for Europe implies a sharp slowdown in growth, but, for most countries, no deep recession. Sgherri concentrated her remarks on financial markets and in particular the European credit cycle. In her view there exists some evidence that bank lending is pro-cyclical in Europe, but it seemed that for most of advanced Europe (most of the old EU-15) the impact of the financial market crisis should be minor.

Read full event report: http://www.ceps.eu/Articles1.php?category_id=11

TASK FORCE NEWS

Towards more integrated financial oversight



The third and final meeting of the Task Force took place on October 1st, in the midst of the unfolding financial crisis. A consensus emerged around the first draft of the final report, which calls for a quantum step in upgrading and adapting the structure of financial oversight in the EU. It also calls for a study along the lines of the Paulson report in the US, to outline the contours of an optimal system of financial oversight in the EU. As the dust of the financial crisis settles, the report will be finalised in the coming weeks and introduced into the policy process, particularly in the context of the newly created de Larosière group (see related article on page 1).

Info: klannoo@ceps.eu

New Task Force on the CDM and future flexible mechanisms

There is agreement that flexible mechanisms will continue in the post-2012 period, and there are many ideas for adapting and modifying the existing flexible mechanisms in line with the post-2012 GHG reduction requirements. A new CEPS Task Force on the CDM and Future Flexible Mechanisms will examine these issues. The first meeting, on November 20th, takes stock of the CDM discussions in the EU, the UN and among stakeholders and present various approaches for future flexible mechanisms. Two further meetings (January & February 2009) concentrate on the key issues leading up to the final meeting in April 2009 to review and reach agreement on policy findings and recommendations.

Info: christian.egenhofer@ceps.eu

http://www.ceps.be/Article.php?article_id=608

New CEPS group formed on e-comm

CEPS is launching a new Task Force on Electronic Communications to explore some of the main policy challenges facing Europe in this sector and the review of the 2002 EU regulatory framework. This initiative is a follow-up to three previous successful CEPS task forces in 2001, 2005-06 and 2007-08. CEPS plans to organise four meetings of the new body, with the first one scheduled for November 26th. The new task force will treat a number of important topics, including network neutrality, universal service, investment in NGNs, state funding of infrastructure deployment and fixed-mobile convergence including termination.

Info: sarah.cheliout@ceps.eu or andrea.renda@ceps.eu

CORPORATE ACTIVITY

Commissioner for economic and monetary affairs at CEPS corporate event



Almunia, Staffan Jerneck & Daniel Gros

On September 16th, CEPS Corporate Members were invited to a Corporate Breakfast with guest speaker Joaquín Almunia. The European Commissioner for economic and monetary affairs shared his views on the outlook for the European economy, the measures taken to stem the crisis in the European banking sector and the contribution Europe could make towards a more stable global financial system.

Info: staffan.jerneck@ceps.eu

TASK FORCE Agenda

Info: staffan.jerneck@ceps.eu



- 1. EU ETS Review III**
Chair Ulrika Raab
Senior Advisor, Swedish Energy Agency,
Member of the CDM Executive Board
Report under preparation
- 2. Concrete Steps towards More Integrated Financial Oversight in the EU**
Report under preparation
- 3. Internal Market for Retail Financial Services**
Chair Anton van Rossum
Former CEO, Fortis Bank
Report under preparation
- 4. CDM and post-2012 Flexible Mechanisms** **NEW!**
Chair Ulrika Raab
Senior Advisor, Swedish Energy Agency, Member of the CDM Executive Board
1st meeting 20 November
- 5. E-communications: Regulatory Challenges for the post-Lisbon Era** **NEW!**
1st meeting 26 November
- 6. Completing the Doha Round of WTO Negotiations**
Chair Hanns Glatz
Delegate of the Board of Management, Daimler AG
6th meeting November /December
- 7. Corporate and Commodity Standards and Sustainable Trade**
Chair Corrado Pirzio-Biroli
Former chef de cabinet of European Commissioner Franz Fischler
2nd meeting December
- 8. The Review of Article 82 of the EU Treaty** **NEW!**
Chair John Temple Lang
Former Director, DG Competition, European Commission
1st meeting December
- 9. Education - Human Capital in the EU** **NEW!**
1st meeting December
- 10. The Solvency II Regime: A Revolution for European (Re)insurance Companies**
Chair Jos Streppel
CFO and Member of the Executive Board, Aegon
3rd meeting December
- 11. European Security Forum**
Chair François Heisbourg
Chairman, Fondation pour la Recherche Stratégique
Next meeting: 20 February 2009
Info: esf@ceps.eu

PSD & SEPA - Designing the way forward for European Payments



ECRI / VISA Europe Seminar

5 November 2008, 12:15 - 17:15, CEPS

Info & registration: <http://www.ecri.eu/new/node/72>



Energy: A Cross-Cutting Influence on EU Widening and Deepening

CEPS workshop within the framework of EU CONSENT

12 November 2008, 9.00 - 12.30, CEPS

Info & registration: juraj.draxler@ext.ceps.eu



Competition and Regulation in Network Industries

1st Annual Conference on Competition and Regulation in Network Industries

28 November 2008, 9:00 - 17:30, CEPS

Info: donatas.mykolaitis@ceps.eu

Registration: http://www.ceps.eu/Events_all.php?month=11&year=2008

CEPS researcher awarded prestigious prize in European studies



Padoa Schioppa & Tocci

Nathalie Tocci, CEPS Associate Fellow and Senior Fellow at the Istituto Affari Internazionali, received the distinguished Anna Lindh Award at a ceremony in Brussels on October 10th. Created by three European research foundations – the Compagnia di San Paolo, Riksbankens Jubileumsfond, and the Volkswagen Foundation – the award recognises outstanding work in the field of European foreign and security policy research. The ceremony was presided over by Tommaso Padoa Schioppa, President of the French think tank Notre Europe and former Minister of Finance in Italy, and the laudatio was delivered by Lord Wallace of Saltaire, deputy leader of the House of Lords and Spokesperson on Foreign and Commonwealth Affairs. In her acceptance speech, Tocci focused on the importance of independence for researchers, vis-à-vis both politicians and funders, as well as on their role within the policy-making process.

Download the full text of Nathalie's lecture at <http://www.ceps.eu/files/TocciAnnaLindh10102008.pdf>

EU sustainability requirements: A challenge for Brazil's ethanol?



Correa do Lago

A half-day seminar organised by CEPS and the Brazilian Trade and Investment Promotion Agency on October 7th focused on the role Brazil could play in future EU renewable energy policy. The seminar was chaired by Staffan Jerneck (CEPS) and speakers included Minister André Correa do Lago (Brazilian Government), Weber Amaral (University of Sao Paulo) Paul Hodson (European Commission) and Claude Turmes (MEP). The debate explored many critical issues including the impact of ethanol production on land-use change and the extent to which ethanol is an environmentally sustainable way to reduce greenhouse gases given its potential effects on food production and deforestation. Turmes reported on the status of the EU Renewables Directive, which he hoped would be approved by the Parliament and Council by the end of November.

The European Union in the 21st century

CEPS event, in cooperation with the Konstantinos G. Karamanlis Foundation

4 November 2008, 10:30 -17:00, CEPS

José Manuel Barroso, President of the European Commission

Kostas Karamanlis, Prime Minister of Greece

Hans-Gert Pötinger, President of the European Parliament

by invitation only; info: amboudou@ceps.eu

• CEPS
• Place du Congrès 1
• B-1000 Brussels
• Tel: 32(0)2.229.39.11
• Fax: 32(0)2.219.41.51
• Website: www.ceps.eu
• Bookshop: <http://shop.ceps.eu>

Belgique - België
P.P.
1000 Bruxelles
1/758

Jorge's musings...



CEPS MEMBERSHIP MEETINGS

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

18 NOV
13.15-14.30

Defining the Financial Architecture of the New International Climate Change Regime

Noriko Fujiwara, Research Fellow, CEPS

Arno Behrens, Research Fellow, CEPS

27 NOV
12.30-15.00

Credit Crunch and Late Payments - in cooperation with Intrum Justitia

Gert-Jan Koopman, Director (European Commission, Economic and Financial Affairs DG, Economic Service and Structural Reforms

Othmar Karas, MEP, Vice Chairman, EPP-ED, Austria

Michael Wolf, CEO of Intrum Justitia Group

Erik Musch, Former Secretary General of the Basel Committee on Banking Supervision

(to register for this event: return registration form (www.ceps.eu/files/340.doc) to: isabelle.tenaerts@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:

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

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