Crisis management at the crossroads

The financial crisis has prompted deep contemplation on how best to manage financial institutions worldwide. Issues such as the role of the deposit insurance fund, bank resolution procedures and burden-sharing among states for cross-border banks are intrinsically complex, but they drew a crowd of over 200 participants to the conference on Crisis Management at the Crossroads, co-organised by the National Bank of Belgium, the European Money & Finance Forum (SUERF) and CEPS on November 16th. Following opening remarks by Jan Smets (National Bank of Belgium), Onno Ruding (CEPS) and Catherine Lubochinski (SUERF), Paul Tucker, Deputy Governor of the Bank of England, stressed the importance of a return to banking market discipline in his keynote speech.

Four conference sessions tackled different aspects of crisis management: the provision of liquidity and lender of last resort operations by central banks; the problems of cross-border bank resolution; the ‘too big to fail – too big to save’ theses and how to re-establish consumer confidence. A conference report will be produced by SUERF.

See www.suerf.org

Fresh opportunities from the Treaty of Lisbon

Stefano Micossi*

These are not merry days in European capitals, as we struggle through the deepest economic and financial crisis in 70 years. The Union’s institutions are suffering even more, under the combined effects of weak leadership and the opaque scramble for the new posts created by the Treaty of Lisbon. And yet, these times could become the occasion for major advances in the construction of Europe, out of necessity if not political vision.

Despite its complexity and verbosity, the Treaty of Lisbon is a good Treaty that can resolve major political stand-offs that have poisoned the life of the Union since the Maastricht Treaty of the early 1990s. The new institutions and procedures it has created will considerably enhance the Union’s ability to act.

In concrete terms, the new Treaty has finally settled the long power struggle between the member states and the EU institutions on voting, the allocation of competences and the practical application of subsidiarity. The Union is not a state and will not become a state in the foreseeable future, but will continue to exercise sovereign powers on behalf of its members. It is a source of individual rights and obligations for its citizens, which may be upheld in court even against the member states themselves.

A stable President of the European Council, and a double-hatted High Representative for Foreign and Security Policy and at the same time powerful Vice-President of the European Commission, will no doubt enhance the capacity of the Union to speak with one voice and develop effective strategies. The remit of the European Parliament has been extended to new areas, most importantly the EU budget and internal security and justice. The Commission, albeit weakened, has managed to safeguard its powers as guardian of the Treaty and exclusive initiator of Community legislation. If President Barroso is prepared to use them, these are powerful levers, notably in times of crisis when large strata of public opinion still turn to the Union for solutions.

But the crux of the matter remains political will: stronger institutions and more effective decision-making procedures are instruments that must be infused with vision and common actions, or they will become irrelevant. In this context, I see three main challenges ahead.

The first is economic policies to confront the crisis. Clearly, the traditional blend of market liberalisation and fiscal discipline will not suffice; there is a clear need for common economic policies to raise aggregate demand for investment and improve the supply side of the economy and productivity growth. A major effort is needed to enhance human capital, upgrade material and immaterial infrastructures and meet the challenges of securing energy supply and clean air. The resources for these endeavours are available in international capital markets, if only the Union would start issuing its own bonds; rigorous project selection and appropriate burden-sharing arrangements are needed as a guarantee that these extra resources will not support fiscal profligacy in the member states.

The second challenge is social policy, including immigration. The Union needs to develop common policies to sustain labour mobility and integrated labour markets, for skilled and unskilled workers, including a potentially critical contribution of highly-skilled immigrants from outside the Union. It needs to modernise its labour and welfare policies along the lines advocated by the Lisbon agenda, where progress has been dramatically insufficient. A new political commitment here is urgent.

The third challenge is external: owing to its divisions as much as to the inward-looking attitude of its leaders, the Union has been a dwarf in international relations for too long. It must stand up to its international responsibilities and develop clear and consistent policy responses on Afghanistan, Iran’s nuclear programme, the peace process in the Middle East, regulatory reform of finance and the international monetary system, development and poverty. The present cacophony of voices on these vital questions must be overcome to form one effective and commanding position.

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Getting into the right lane for 2050

C EPS co-organised the presentation of a new report by the Netherlands Environmental Assessment Agency, which took place with the support of the Swedish Presidency at its Brussels representation on October 30th. Entitled “Getting into the Right Lane for 2050”, the report focuses on the strategic EU action required in the near-term to tackle issues related to land resources, energy and transport. Participants noted that increases in human activity have already led to a severe, possibly irreversible, impact on the earth, including climate change and the loss of biodiversity. The Swedish Secretary of State for Agriculture, Rolf Eriksson, stated that further population growth required urgent transition to an eco-efficient economy with sustainable energy systems. The report stressed the need for a power grid that allows both centralised production from fossils (with carbon sequestration) and renewables, as well as decentralised production by citizens. A reduction in greenhouse gas emissions and energy imports would be two of the benefits to result from a reduced use of fossil fuels in transport.

China and the transfer of clean technology

C EPS and the Heinrich Böll Foundation held a joint meeting on China and the transfer of clean technologies on November 17th in Brussels. Li Jungfeng, Deputy Director of the Energy Research Institute of China’s National Development and Reform Commission, presented a recent study that examined ways to accelerate technology transfer on a commercial basis. Thaddeus Burns (GE) and Antongiulio Marin (DG ENV, European Commission) provided input from the business and European Commission perspectives.

Exploring the internal/external security continuum

O n October 29th, the Justice and Home Affairs Unit at CEPS hosted the mid-term conference of the INEX research project “Conflicting and converging ethical values in the internal/external security continuum in Europe”, funded under the Commission’s 7th Framework Programme. Interim results of the project were presented around the following issues: values and security technologies; policing culture in Europe; conflicting and converging legal regimes in Europe; and securing the Neighbourhood – southern and eastern dimensions. Thought-provoking discussions followed each panel, involving INEX researchers, representatives from the European Commission, policy-makers and practitioners.

Fostering investment in SMEs in the Mediterranean

S mall and medium-sized enterprises are the driving force behind economic development in the Mediterranean. Various initiatives, such as the Euro-Mediterranean Charter for Enterprise, the Small Business Act and the recent Union for the Mediterranean include instruments to foster investment and development in the region. The attention is well founded: the development of enterprises presents a ‘win-win’ opportunity for the EU and its southern partners. While financing opportunities remain limited, growth prospects are huge. On November 5th, experts and policy-makers gathered at CEPS to discuss the state of play. The event, co-sponsored by the Mediterranean Bank Network (MBN), highlighted the need to enhance coordination of initiatives, deepening and diversifying financial markets as well as continuing with reforms to develop the regulatory, institutional and informational infrastructure. CEPS, in cooperation with the MBN, will launch a new initiative to look at ways to improve access to finance in the region.

European Parliament hosts Includ-ED project

I nclud-ED – Strategies for inclusion and social cohesion in Europe from education - held its first European conference on November 18th, hosted by the European Parliament. Successful practices for overcoming inequalities and promoting social cohesion in education and other social areas were presented by members of the research consortium, including CEPS researcher Anaïs Faure-Atger. This event was organised with the support of MEP Oriol Junqueras. Includ-ED is an integrated project of the 6th Framework Programme of the European Commission.

Progress in Cyprus peace talks assessed

O n November 3rd, CEPS hosted a lively debate on the current situation in the peace process in Cyprus. The main speaker, Mehmet Ali Talat, President of the Turkish Cypriot Community, offered valuable insights into the progress of negotiation talks on the island, which were re-launched in September 2008. Talat began by stating that the two sides agreed on the principle that Cyprus should be a bi-communal, bi-zonal federation with political equality of the two communities, explaining both the points of agreement and stumbling blocks to the negotiations. He identified property issues as a main sticking point, as well as security guarantees and territory. The President also made a plea for greater UN involvement in the peace process, an international actor he deems less biased and more experienced than the EU.

EU-Russia relations in the common neighbourhood

E U-Russian cooperation in policies towards their common neighbouring states remains an object of intense debate. Some analysts speak of increasing competition, and others see greater potential for cooperative action. To address these issues, CEPS held a seminar entitled “EU and Russia in the common neighbourhood: Competition or cooperation?” on October 23rd. The keynote presentations were based on two reports: Synergies vs. Spheres of Influence in the Pan-European Space edited by Michael Emerson, Senior Research Fellow at CEPS, and The Limits of Enlargement-Lite: European and Russian Power in the Troubled Neighbourhood by Andrew Wilson, Senior Fellow at the European Council on Foreign Relations. The presentations were followed by a panel debate between Michael Emerson, Andrew Wilson, Nikolay Kobrinites, Deputy Permanent Representative of Russia to the EU, and Vasyl Filipchuk, Deputy Head of the Mission of Ukraine to the EU. Gergana Noutcheva, Associate Research Fellow at CEPS, chaired the meeting.

Download or purchase Synergies vs. Spheres of Influence in the Pan-European Space at www.ceps.eu/books

Download or purchase People’s Peace in Cyprus and Building Confidence in Peace at www.ceps.eu/books
**Innovation Task Force explores EU patent policy.** Boosting EU Competitiveness in a Global Economy addresses the effects of current innovation policy on EU competitiveness. Chaired by Maria Anvret, Confederation of Swedish Enterprise, the meeting of November 6th focused on patent law and policy. Arguments for an EU-wide patent policy and a ‘Community patent’ were debated.

**Critical infrastructure protection in the EU**

The CEPS Task Force on Critical Infrastructure Protection in the EU was launched on November 3rd. Chaired by Bernard Haemmerli, the first session set out the key challenges, notably how technical disruptions and attacks on a wide range of networks, such as utilities, telecommunications or energy, are handled by regulatory bodies and businesses. Case studies on security of supply in the energy sector, ICT and financial services were presented at the meeting. The Task Force will seek to provide a unique forum for cooperation between public and private players, as the risk of significant disruption to critical infrastructure is serious enough to warrant attention from both players in the EU.

**CEPS presents report on flexible mechanisms**

On October 27th, the CEPS Task Force on the CDM and post-2012 flexible mechanisms, chaired by Ulrika Raab, Senior Advisor at the Swedish Energy Agency, presented its final report to key EU stakeholders. Following introductory remarks by the Chair, rapporteur Noriko Fujiwara presented the body’s key findings. Zofia Tucinska, the Swedish PermRep, commented on the policy recommendations, along with panelists Peter Zapfel (DG ENV, European Commission), Richard Folland (JP Morgan) and Sanjeev Kumar (WWF). The final report, which will be presented at a UN side-event in Copenhagen in December, is available at [www.ceps.eu/books](http://www.ceps.eu/books).

**Benchmarking in the EU ETS and beyond**

The final meeting of the Task Force on November 12th was chaired by Anna Törner of Sweden’s Ministry for Enterprise, Energy and Communications. Outlining the policy issues involved in benchmarking, primarily as applied to allowance allocation of the EU emissions trading scheme, the draft Task Force Report reflected the experiences from the industry sectors and EU member states. The Executive Summary will be available to negotiators in advance of the UN climate change conference in Copenhagen in December.

**Task Force report on EU budget & climate change**

At a CEPS lunchtime event on December 8th, Jorge Núñez Ferrer will present the report of the completed Task Force on the EU Budget and Climate Change. The report, entitled *For a future Sustainable, Competitive and Greener EU Budget – Integrating the Climate Change Objectives of the EU*, presents a framework for the integration of climate change objectives and will form the basis of several forthcoming events on the reform of the EU budget.

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**1. The Treatment of Exclusionary Abuses under Article B2**
Chair John Temple Lang, Cleary Gottlieb Steen & Hamilton LLP & former Director, DG COMP, European Commission

**2. CDM and post-2012 Flexible Mechanisms**
Chair Ulrika Raab, Senior Advisor, Swedish Energy Agency, former Member of the CDM Executive Board
Report published, to be presented in Copenhagen 10 December, available at [www.ceps.eu/books](http://www.ceps.eu/books)

**3. A Green Budget for a Sustainable Future:**
Adapting the EU Budget to Climate Change
Chair Anders Wijkman, former Member of the European Parliament
Report to be launched 8 December at CEPS

**4. Benchmarking for the EU ETS and beyond**
Chair Anna Törner, Head of Section, Ministry of Enterprise, Energy and Communication, Sweden
Report under preparation

**5. Internal Market for Retail Financial Services**
Chair Anton van Rossum, former CEO, Fortis Bank
Report under preparation

**6. State Aid to the Financial Sector: Fragmentation or integration?**
Chair Alastair Sutton, Partner, White & Case
3rd meeting 10 December

**7. European Investors’ Working Group**
Co-organised by ECMI & CFA
5th meeting 18 December

**8. Critical Infrastructure Protection**
Chair Bernard Haemmerli, Vice President, Information Security Society, Switzerland (ISSS)
2nd meeting 12 January 2010

**9. Benchmarking in the EU ETS and beyond**
Chair Staffan Jerneck, Partner, White & Case
4th meeting January 2010

**10. E-communications: Regulatory Challenges for the post-Lisbon Era**
Chair Staffan Jerneck, Director & Director of Corporate Relations, CEPS
4th meeting January 2010

**11. Securing European Energy Supplies: Making the Right Choices**
Chair Knud Pedersen, Vice President, DONG Energy
4th meeting January 2010

**12. Innovation Policy: Boosting EU Competitiveness in a Global Economy**
Chair Maria Anvret, Senior Executive, Scientific Expert and Advisor, Confederation of Swedish Enterprise
4th meeting 4 or 5 February 2010

**13. 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
4th and final meeting 8 February 2010

**14. European Security Forum**
Chair François Heisbourg, Chairman, Fondation pour la Recherche Stratégique
February 2010. Info & registration: [fs@ceps.eu](mailto:fs@ceps.eu)

**15. The Solvency II Regime: A Revolution for European (Re)insurance Companies**
Chair Jos Streppel, former CFO & Member of the Executive Board, Aegon
3rd meeting February 2010

**16. Completing the Doha Round of WTO Negotiations**
Chair Hanns Glatz, former Delegate of the Board of Management, Daimler AG
6th meeting February 2010

**17. Corporate and Commodity Standards and Sustainable Trade**
Chair Corrado Pirzio-Biropi, former Chef de Cabinet of European Commissioner Franz Fischler
2nd meeting February 2010
Thorsten Schneiders, Head of the Photovoltaic Industry Association (EPIA), noted that with the growing national targets. Adel El Gammal, Secretary General, European National Renewable Energy Action Plans (NREAPs), in which member states set out their paths to meeting the new EU High Representative.

By 2020, Thorsten Schneiders, Head of the European Wind Energy Association (EWEA), showed some 14-17% by 2020. Hans van Steen, DG TREN, European Commission, stressed the importance of the upcoming new renewable energy targets for the transport sector. The third is another EP framework contract for studies on the Southern Neighbourhood and Greater Middle East, led by Sofreco, Paris.

In the area of justice and home affairs, the imperative of balancing the implementation of EU law with the protection of fundamental rights and the rule of law was highlighted. The second is a framework contract of the European Parliament for studies on EU enlargement and foreign policy towards Eastern Europe and Russia, led by the IRIS research institute, Paris. John Bruton, former Head of the EU Delegation to the US, commented on the competencies and expected roles of the President of the Council and the new EU High Representative.

The panel urged EU member states to rethink the institutional structure of the Common Foreign and Security Policy and to seek intermediate solutions to the representation of the EU in international organisations. Christian Kjaer, CEO of the European Wind Energy Association (EWEA), showed that the share of wind alone in EU electricity demand could increase to around 12% to EU electricity demand could increase to some 14-17% by 2020.

In November 3rd, the European Investors’ Working Group (EIWG) – the prestigious panel of industry and market experts created by the European Capital Markets Institute (ECMI) and sponsored by the CFA Institute Centre – held its second informal hearing with Sharon Bowles, Chair of the Economic and Monetary Affairs Committee, European Parliament. The discussion focused on potential gaps in the current regulatory and supervisory systems. Bowles expressed concerns on issues such as transatlantic cooperation, the banking system, executives compensation, supervisory systems and long-term sustainable actions.

CEPS calls upon the new Commission to take immediate action

A panel of experts, consisting of CEPS researchers Daniel Gros, Michael Emerson and Piotr Maciej Kaczyński, presented a far-ranging action plan directed at the new European Commission on November 18th. The group identified priorities in key policy domains, notably the need to reform and stabilise the financial sector and to formulate a new climate and energy package aimed at reducing GHG emissions in the transport sector.

The first is supported by the Commission Delegation in Washington on strengthening EU-US cooperation on democracy assistance policies. The project is led by the National Democracy Institute in Washington. CEPS, along with FRIDE of Madrid, are European partners.

I am sure that the EU President will get the message.

Work in EIWG progresses

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

- 2 DEC Shoulder to shoulder. Forging a Strategic U.S. - EU Partnership - Joint CEPS event with other European and US-think tanks
- 13.15-15.00 Fran Burwell, Vice President, The Transatlantic Council; Dan Hamilton, Director, Center for Transatlantic Relations
- 8 DEC A sustainable, competitive and greener budget? Integrating the Climate Change Objectives of the EU in the Financial Affairs Committee, European Parliament. The panel of industry and market experts created by the European Capital Markets Institute (ECMI) and sponsored by the CFA Institute Centre – held its second informal hearing with Sharon Bowles, Chair of the Economic and Monetary Affairs Committee, European Parliament. The discussion focused on potential gaps in the current regulatory and supervisory systems. Bowles expressed concerns on issues such as transatlantic cooperation, the banking system, executives compensation, supervisory systems and long-term sustainable actions.
- 10 DEC Better Regulation
- 13.15-14.30 Tufyal Chudhury, Durham Law School, Senior Policy Advisor, OSI Muslim in EU Cities Project