What deposit guarantee scheme for Europe?

A Commission proposal to introduce a further degree of harmonisation to deposit guarantee systems in the EU has encountered fierce opposition in some member states, not least in France and Germany. The Commission proposes a minimum level of ex-ante funding, a maximum pay-out period of seven days and mutual borrowing between schemes for cross-border failures. The Commission proposal goes too far for some, but not far enough for others, as became apparent at an ECRI-CEPS seminar on January 13th.

The two MEPs present at the seminar, Peter Simon (EP rapporteur) and Sven Giegold, called for more flexibility. Barnabás Dezséri of the Permanent Representation of Hungary stressed the importance of financial education of consumers to raise awareness of the existence of guarantee systems and increase confidence in banking systems.

Fund representatives Dirk Cupei from the Association of German Banks and Alex Kuczynski from the British Financial Services Compensation Scheme welcomed the harmonisation of ex-ante funding, information provision and the scope of consumer protection, but disagreed with the short pay-out periods and the calculation of risk-adjusted contributions.


The Tunisian revolution: An opportunity for democratic transition?

Rym Ayadi, Senior Research Fellow, CEPS & Nathalie Tocci, Deputy Director, Istituto Affari Internazionali (IAI)

The widely held impression of political stability and sustained economic growth in Tunisia was shattered on January 14th, when President Zine El-Abidine Ben Ali fled the country amidst widespread chaos and social unrest. Events in Tunisia raise sharp questions regarding the country’s future and more generally the policies of the European Union towards the region. Tunisia’s phoney stability had been procured at the cost of deep political repression since Ben Ali rose to power in 1987. Over the years, the country had become home to one of the most repressive and authoritarian regimes in the region, which had weakened any meaningful opposition and had encouraged the spread of endemic corruption at all levels. In spite of this, Ben Ali’s government had succeeded in securing the support of the population through social benefits partly derived from positive economic development. The European Union, alongside other external actors, had supported almost unconditionally Ben Ali’s regime in the name of the fight against terrorism and illegal immigration and in support of its unrestrained economic liberalisation.

The violence of the street revolution in Tunisia points to the bankruptcy of Ben Ali’s rule and draws attention to the fact that although many Arab regimes have proven particularly resilient to crises in the past, the risk of political and social instability is always hovering nearby. Political repression, coupled with a continuing worsening of living conditions, tends to increase people’s alienation, resentment and frustration, particularly among the young and the educated. In a hasty effort to contain the violent riots and insecurity, it is uncertain whether the agreement reached to form a unity government and the promises of radical reforms towards democratisation will convince the public. Opposition forces remain weak, poorly organised and divided and the country lacks a legal framework that is conducive to a vibrant political and civil society. A first step in this direction is the decision by the new national unity government to recognise all banned political parties and to extend an amnesty to all political prisoners. The challenge is to promptly organise credible campaigns that reflect the will of the population.

To contribute to this democratic transition, the EU, abandoning its former unconditional support for the previous regime (and hence the related party), ought to act promptly on its declaration of support in consultation with the political parties both within the transition government and all others preparing to run in the next elections. All efforts must be taken to ensure that these elections are free and fair, pursuing, inter alia, the constitutional reforms towards democratisation which will convince the public. Opposition forces remain weak, poorly organised and divided and the country lacks a legal framework that is conducive to a vibrant political and civil society. A first step in this direction is the decision by the new national unity government to recognise all banned political parties and to extend an amnesty to all political prisoners. The challenge is to promptly organise credible campaigns that reflect the will of the population.

CEPS among the world’s top ten think tanks for fourth successive year

The results of the Think Tanks Index 2010 were released in late January, and CEPS is once again (for the fourth successive year) in the top ten of think tanks worldwide (non-US). CEPS is ranked 6th, which is three places up from last year. In the ranking of Western European Think Tanks, CEPS confirms its position at number 4.

For the first time, this year the conductors of the survey have introduced a Top 25 of Think Tanks Worldwide (including US ones), in which CEPS features in 15th place.

Info: www.gotothinktank.com
Moldovan PM commits to continued EU integration initiatives

Speaking at a CEPS policy debate on December 16th following the November parliamentary elections in Moldova, Prime Minister Vlad Filat highlighted the economic growth and progress in EU integration achieved by his outgoing government. He highlighted in particular the EU’s support for his government’s ‘Rethink Moldova’ strategy and its success in securing $2.6 billion in pledges for credits from Western governments. Filat allowed, however, that the main challenge is the formation of a pro-European coalition that would pursue the ongoing negotiations with the EU on a new Association Agreement and visa liberalisation and begin talks towards a deep and comprehensive free trade agreement. Nevertheless, he was confident that a solution could be found.

In the ensuing discussion, the Prime Minister pointed out that the new Alliance would still be unable to elect the President of Moldova without the support of the opposition, the Party of Moldovan Communists. This development in turn could call into question the pro-European trajectory on which he launched his country since taking office in September 2009.

Re-thinking European approaches to religious diversity

With religion assuming a growing prominence in public debates across the EU, the question of how to manage Europe’s religious diversity was the focus of an expert seminar organised by CEPS, the Catholic University of Leuven and the European Commission’s Directorate-General for Research on January 14th. The event took place in the framework of the Commission funded RELIGARE project, which explores how Europe’s largely secular legal systems can accommodate religious pluralism while respecting principles of equality and human rights. Project partners were joined by policy-makers from the European institutions to discuss early findings and potential policy recommendations. The presentations and debates highlighted the need to avoid treating religion as a problem, and instead to look for ways to accommodate religious diversity in different areas of life, Regarding the treatment of religious symbols and religious dress codes in public spaces, participants at the seminar considered that the exclusion of religion was not the only way to achieve neutrality in public institutions; it could also be achieved through the inclusion of a plurality of religions.

Sergio Carrera and Joanna Parkin (CEPS) presented their research on the place of religion in the policies of the European Commission, showing that questions of religious diversity are not limited to the national arena but are becoming increasingly relevant for law and policy at EU level. They called for more reflection on how the EU can develop a coherent strategy where policy actions touch on issues of religious diversity and ensure greater balance between religious organisations represented in the policy-making process at EU level.

Climate change policy post-Cancún

An evening debate on “Climate Change post-Cancún”, organised by CEPS and the International Emissions Trading Association (IETA), attracted an audience of some 150 participants on January 12th. With CEPS Senior Fellow Christian Egenhofer in the chair, speakers Artur Runge-Metzger, Director for International and Climate Strategy, DG Climate Action, European Commission and Henry Derwent, CEO & President of the International Emissions Trading Association, European Commission and Henry Derwent, CEO & President of the International Emissions Trading Association, debated the future of climate change policy following the international negotiations in Cancún in December 2010. After a discussion on the ‘meaning of Cancún’, the debate quickly moved on to the legal and political consequences of the gap in commitments that emerges in the absence of Kyoto-style emissions reductions.

The two main speakers explored the implications for the EU international climate change strategy, and the fallout for bilateral agreements, trading scheme linking, sectoral crediting and sectoral trading. In particular, they asked whether the EU should now move to a unilateral GHG reduction commitment of 30% by 2020 compared to 1990. The event concluded with a discussion of whether there is any hope for a new international binding climate change agreement on mitigation (targets) involving changes to the status of some developing countries and incorporating the US.
In the run-up to the European Union summit on energy and innovation on February 4th, the CEPS Task Force on “The Strategic Energy Technology Plan: From Concept to Practice” wrote an open letter to the heads of state and government, drawing on their preliminary findings and recommendations. An initiative of the European Commission, the SET-Plan aims to accelerate the development and deployment of cost-effective low carbon technologies. With a view to contributing to the high-level debate, the letter argues that innovation needs an efficient Strategic Energy Technology Plan; otherwise, the SET-Plan risks becoming simply another toothless EU policy.

Download the CEPS Commentary, “Innovation Requires an Efficient Strategic Energy Technology (SET) Plan” of 19 January at www.ceps.eu

**What is next for EU capital markets?**

In the hope of contributing to the long-awaited consultation on the Markets in Financial Instruments Directive (MiFID), launched on December 10th by the European Commission, the CEPS Task Force on the MiFID Review has brought its deliberations to a timely conclusion. Its final report, to be released at the MiFID Review has brought its deliberations to a timely conclusion. Its final report, to be released at

Download the final report after February 9th at www.ceps.eu/books

**Tackling climate change via transport**

CEPS has launched a new Task Force to develop practical steps to reduce GHG emissions from transport in line with EU short- and long-term targets. At their first meeting on January 17th, chaired by Arie van Bleijenberg of TNO, the members were briefed by Matthias Ruete, Director General, DG Transport and Mobility, on the status and the main questions of the forthcoming White Paper, due March 2nd. This was followed by a presentation of an issues paper – published as a CEPS Policy Brief – to introduce the main themes of the Task Force. The afternoon discussion focused on the interaction between transport (demand) and infrastructure, highlighting the decreasing infrastructure spending, growing congestion, trans-European networks as well as the requirement to decarbonise EU transport.

Several topics were selected for future debate:

- Drivers for transport demand and measures to influence it
- Incentives to promote a low-carbon transport sector
- The need for transport pricing to increase economic efficiency but also to ensure long-term investment for infrastructure and innovation.

Download The EU should not shy away from setting CO2-related targets for transport, by Christian Egenhofer, CEPS Policy Brief No. 229, January 2011 at www.ceps.eu/books

**CEPS awarded major FP7 contract on EU labour markets**

CEPS is proud to have been awarded a 4-year contract by the European Commission to analyse future developments of European labour markets. The winning proposal was premised on the assumption that European societies are now facing four main transitions that will have a major impact on employment, especially for certain groups in the labour force or sectors of the economy: 1) socio-ecological transition, 2) societal transition, 3) new territorial dynamics and 4) skills transition. The output of the project, called “NEUJOBS” for short, will be based on a mix of quantitative and qualitative analysis and foresight activities. Special attention is dedicated to policy-making, as reflected on the one hand by the inclusion in the project of three work packages specifically dedicated to developments and labour relations in welfare states, and on the other, by the creation of a transversal task force on the EU policy dimension.

NEUJOBS involves 29 universities and research institutes, and CEPS is the coordinator for the research as well as for the management.

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Upper house of UK Parliament taps CEPS expertise

CEPS researchers have recently contributed to two separate inquiries by the UK House of Lords. In the first instance, the JHA unit participated in the call for evidence issued by the Home Affairs Committee concerning the EU’s internal security strategy (ISS), as detailed in the Commission’s communication of November 22nd. The inquiry solicited views on how the Commission’s legislative proposals could foster better cooperation among member states, while, at the same, preserving their powers over national security. CEPS’ response took the form of a sharp critique of the ISS by Sergio Carrera and Elspeth Guild, Towards an Internal (In)security Strategy for the EU? (available for free downloading at www.ceps.eu).

On January 11th, CEPS Research Fellow Jorge Núñez Ferrer and Iain Begg of the LSE spoke at a public hearing on the “EU Financial Framework from 2014” held by the HoL Select Committee on the European Union. The Lords sought the researchers’ opinions on the role the different areas of expenditure should play in a future budget, with a focus on increasing efficiency while reducing expenditure where the value added is low. Núñez Ferrer expressed concern with today’s rather poor level of debate in all member states, which centres on reducing expenditure without much regard for policy. He suggested that the UK could use the rebate more effectively as a negotiating tool on policy quality, especially on the CAP.

The lively debate touched on all areas of the budget and can be viewed at www.parliamentlive.tv/Main/Player.aspx?meetingId=7395

New CEPS study for free download at www.ceps.eu/books

The EU Emissions Trading System and Climate Policy towards 2050: Real Incentives to Reduce Emissions and Drive Innovation, Christian Egenhofer, Monica Alessi, Anton Georgiev and Noriko Fujiwara, CEPS Special Report, January 2011