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I. EU Competitiveness

1. EU leaders on the defensive in economic crisis debate

In short:

Challenged by members of the EU's national parliaments gathered in Brussels on 17 February, the bloc's leaders resorted to defensive rhetoric when asked to explain the modest scope of the Union's anti-crisis measures.

Members of national parliaments charged the Union's leaders with not doing enough to counter the world economic crisis. As French National Assembly member Pierre Lequiller pointed out, the measures to tackle the crisis at EU level are "difficult to observe", while those taken at national level are not harmonised.

Lequiller also compared the bold recovery measures pushed through the US legislature by President Barack Obama after less than a month in office to what he called a "shy" EU response. Commission President José Manuel Barroso did not challenge this statement. "Obviously, our recovery plan cannot be like America's," Barroso said.

More on: <http://www.euractiv.com/en/euro/eu-leaders-defensive-economic-crisis-debate/article-179529>

2. EIT chief hits back at 'monopoly' criticism

In short:

The chairman of the European Institute for Innovation and Technology (EIT), Martin Schuurmans, has denied claims by a leading academic that the institute's flagship innovation projects will become "monopolies of knowledge".

Speaking at the first of six European Policy Centre debates marking the European Year of Creativity and Innovation, Bengt-Åke Lundvall, a professor at the business studies department of Aalborg University in Denmark, compared the Knowledge and Innovation Communities (KICs) to Airbus, saying the lack of competition would lead to less innovation.

"I'm not so happy with KICs. I would like to rename them as 'competing communities'. I think what you are setting up now are two or three monopolies of knowledge. My experience is that competition is so efficient in stimulating scholars, researchers and entrepreneurs," Lundvall said.

More on: <http://www.euractiv.com/en/innovation/eit-chief-hits-back-monopoly-criticism/article-179531>

3. Eastern Europe gripped by political instability

In short:

Growing political instability in Latvia, Ukraine and Georgia are mainly triggered by the global economic crisis and deep internal problems, such as corruption. But problems with Moscow could be adding an extra "irritant" to an already bad situation, according to leading analysts questioned by EurActiv.

Ukraine, Georgia and Latvia are moving into a period of political instability as they sink deeper into economic recession.

On 13 February, the government of Ukrainian Prime Minister Yulia Tymoshenko survived a no-confidence vote in parliament. Her situation has been further complicated by a power struggle with President Viktor Yushchenko, once a close ally.

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A mission by the International Monetary Fund reviewing Ukraine's arrangement with the fund left Kiev last week without making it clear whether or not more funding will be released to keep the economy afloat. Ukrainian Finance Minister Viktor Pynzenyk quit his post on Thursday over budget and policy disagreements with Tymoshenko, the Associated Press reported.

More on: <http://www.euractiv.com/en/enlargement/eastern-europe-gripped-political-instability/article-179484>

4. MEP: Use procurement process to 'leverage innovation'

In short:

Public authorities should back innovative SMEs from the beginning of the procurement process, regardless of whether their product or service ultimately wins a public contract, MEP Malcolm Harbour (EPP-ED, UK) told EurActiv in an interview.

Harbour is the European Parliament's rapporteur on a report on pre-commercial procurement drawn up in the EU assembly's internal market committee. The document encourages public bodies to support innovation by SMEs.

"We invest hundreds of billions of euro in publicly procured projects. Authorities should encourage and fund research and development before they award a contract," the MEP said. Local governments can fund a range of small businesses to help them develop novel solutions to meet requirements set by funding bodies. Promising proposals can then be funded for a second phase of development.

More on: <http://www.euractiv.com/en/innovation/mep-use-procurement-process-leverage-innovation/article-179479>

5. EU states defy Barroso over €5bn recovery plan

In short:

The five billion euro of unspent EU money that the European Commission recently proposed to reallocate to clean energy and broadband projects as part of an economic recovery plan is legally unavailable, EurActiv has learned. The Commission's apparent blunder has raised eyebrows in national capitals, diplomats commented.

The legal service of the Council of the European Union has rejected Commission plans to reallocate unspent EU money, bringing to a standstill recently unveiled plans to spend €5 billion on "smart investments" across Europe.

Doubts over the legality of the proposals were raised soon after the EU executive officially unveiled its plans three weeks ago. Diplomats said they were surprised that Commission President Barroso's team had not cleared all the hurdles before announcing its initiative.

More on: <http://www.euractiv.com/en/opinion/eu-states-defy-barroso-5bn-recovery-plan/article-179589>

6. Swedes to prioritise transparency at EU helm

In short:

The European Ombudsman on 17 February expressed his conviction that the incoming Swedish EU Presidency would make progress on making the EU more transparent and accountable to its citizens. Meanwhile, MEPs insisted that "no legislative documents should be kept secret" under a reformed access to documents policy.

"Transparency is a big issue this year," EU Ombudsman P. Nikiforos Diamandouros told EurActiv, insisting that "all three [EU] institutions agree that access to documents must be revisited".

"It will be a big event for citizens if the Council moves forward on access to documents in the autumn," Diamandouros continued. Sounding a cautious note, however, the Ombudsman warned that "it's one thing to have declarations, but it's quite another to see how they're applied". "I would be inclined to think that if [incoming EU presidency holder] Sweden doesn't get an advancement of the current regime, it will drop the [current] proposals for fear of going back on what we already have," the Greek said.

More on: <http://www.euractiv.com/en/pa/swedes-prioritise-transparency-eu-helm/article-179559>

7. Eastern EU members seek shelter from economic storm

In short:

Governments and EU officials are struggling to formulate a coherent response to the economic and financial turmoil that has started to engulf the eastern part of the Old Continent. EurActiv presents a round-up of national situations with contributions from its network.

Leaders of EU countries from central and eastern Europe will meet on 1 March ahead of an extraordinary summit on the same day with the bloc's other members, it emerged on 19 January. Polish Prime Minister Donald Tusk has invited his counterparts from the Czech Republic, Slovakia, Slovenia, Romania, Bulgaria, Lithuania, Latvia and Estonia for the talks to ensure the 27-nation meeting on the financial crisis is not dominated by the interests of Western member states, Reuters reported.

Joaquin Almunia, the EU's economic and monetary affairs commissioner, expressed concern on Wednesday (18 February) in a speech external over the sudden fall of currencies in some the EU's Eastern member countries.

More on: <http://www.euractiv.com/en/euro/eastern-eu-members-seek-shelter-economic-storm/article-179614>

8. Brussels to fund 'Erasmus' for SMEs

In short:

Entrepreneurs will be paid up to €1,100 per month to move to other EU countries to learn from experienced business owners as part of a pilot project designed to encourage young business owners to make more of the internal market.

The [scheme](#) is part of the [Small Business Act](#) which was unveiled in July 2008 and will help 870 entrepreneurs to spend between one and six months in another EU member state in 2010.

People starting their own businesses will be paired with established SMEs with the help of local chambers of commerce and other intermediary organisations. Funding for expenses varies according to the cost of living in member states and ranges from €560 in Latvia to

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€1,100 in Denmark, but entrepreneurs keen to avail of the scheme will be expected to raise additional funds and demonstrate that they have a viable business plan.

More on: <http://www.euractiv.com/en/innovation/brussels-fund-erasmus-smes/article-179628>

9. EU leaders to push financial regulation at G20

In short:

EU leaders on 22 February agreed to back oversight of the world's financial markets and products, including hedge funds, calling for a clampdown on tax havens as they forged a common position on global financial reform ahead of a summit of the G20 group of leading industrial powers in April.

"We're dealing with an extraordinary international crisis the likes of which we have not seen for decades, both as regards financial markets and the global economy. We believe that such an international crisis can only be solved jointly," said German Chancellor Angela Merkel.

According to a joint statement, leaders "underscored once again the conviction that all financial markets, products and participants must be subject to appropriate oversight or regulation, without exception and regardless of their country of domicile. This is especially true for those private pools of capital, including hedge funds, that may present a systemic risk".

European leaders proposed that the International Monetary Fund (IMF) and the Financial Stability Forum (FSF) be charged with monitoring and promoting the implementation of the international recommendations.

More on: <http://www.euractiv.com/en/euro/eu-leaders-push-financial-regulation-g20/article-179662>

10. Economic crisis dims EU enlargement success

In short:

The European Union's historic eastward expansion has been an economic and political success, but recession poses a challenge for the bloc's unity, a report from the EU's executive arm said on 20 February.

"Enlargement has served as an anchor of stability and a driver of democracy and the rule of law in Europe," EU Enlargement Commissioner Olli Rehn said in a statement.

In the report on published on Friday, the Commission said enlargement had brought about huge economic and political benefits for both sides. "Economically, enlargement has led to increased living standards in the new member states, while creating export and investment opportunities for the old ones," the report said.

The report said that income per capita in new member states rose from 40 percent of the old member states' average in 1999 to 52 percent in 2008, while economic growth averaged 5.5 percent per year in 2004-2008 compared to 3.5 percent in 1999-2003.

More on: <http://www.euractiv.com/en/enlargement/economic-crisis-dims-eu-enlargement-success/article-179657>

11. European business priorities for the Czech Presidency

In short:

BUSINESSEUROPE President Ernest-Antoine Seillière and Director General Philippe de Buck were in Prague on 16 February 2009. Accompanied by the President of the Confederation of Industry of the Czech Republic Jaroslav Míl, they met the Czech Prime Minister Mirek Topolánek (photo) and Deputy Prime Minister for European Affairs Alexandr Vondra. European companies expect concrete measures to improve the economic situation, enhance energy security and complete the WTO trade negotiations. Ensuring that viable businesses do not file for bankruptcy as a result of short-term liquidity constraints is vital.

More on: <http://www.businesseurope.eu/Content/Default.asp?PageID=524&articleid=609>

12. Single market at the centre of the European recovery

In short:

In advance of the Competitiveness Council meeting on 5-6 March, BUSINESSEUROPE sent a letter to its Chairman, Czech Minister Martin Riman, on the follow-up to the Commission's Single Market Review. Philippe de Buck urges national governments to place the single market high on their political agendas and at the centre of the economic recovery plans. Existing barriers and increasing national protectionism can put at risk the single market's potential to generate growth and jobs. BUSINESSEUROPE called for greater efforts to ensure that the single market functions well and is freed of barriers and protectionism.

More on: <http://www.businesseurope.eu/Content/Default.asp?PageID=524&articleid=603>

13. EU nations call for better financial regulation

In short:

Leaders from the EU's largest economies have called for stricter regulation of the financial sector to prevent a repetition of the current crisis after meeting in Berlin on 22 February.

"All financial markets, products and participants - including hedge funds and other private pools of capital which may pose a systemic risk - must be subjected to appropriate oversight or regulation," a summit statement said.

Sunday's meeting was called by German chancellor Angela Merkel earlier this month to help the EU hammer out a unified position ahead of the G20 meeting on 2 April, which will be attended by Barak Obama on his first visit to Europe as president of the United States.

Leaders from France, Germany, the UK, Italy, the Netherlands and Spain all took part in the meeting, as well as Czech prime minister Mirek Topolánek, as Prague currently holds the EU presidency. The conclusions from the meeting will feed into two EU summits of its 27 leaders in March and the G20 gathering of developed and developing nations in London. The leaders agreed on the need to improve market transparency, setup regulation on hedge funds, crack down on tax havens and to compel banks to save more capital.

More on: <http://euobserver.com/9/27659/?rk=1>

II. Other

1. Peterson Institute for International Economics Publication – ‘Reforming the IMF’

In short:

Publication by John Williamson, Peterson Institute for International Economics

It is widely recognized that many of the small economies of the world do not possess the resources to expand demand in order to limit their contraction of output in the face of the adverse gales now blowing. Over sixty years ago the world created an institution (the IMF) intended inter alia to help them act against cyclical downturns. Today most countries do not wish to use it except as a last resort, and so it sits hardly utilized in the face of what some people regard as the most severe shock the world has faced since the outbreak of the First World War.

More on: <http://www.petersoninstitute.org/publications/opeds/oped.cfm?ResearchID=1116>

2. Peterson Institute for International Economics Article – ‘Why this Financial Crisis Could Have Been Worse’

In short:

Article by Arvind Subramanian, Peterson Institute for International Economics

When the history of the impact of this global financial crisis on emerging markets is written, two questions that will have to be answered are whether residents in emerging market countries behaved differently from nonresidents and indeed differently from the way they behaved in the earlier emerging market crises of the 1990s; and if so, why?

The financial shock to emerging market countries in this episode was a "sudden stop" of capital flows. This shock was predominantly externally-triggered because nonresidents, for reasons related to developments in their home markets (US and Europe), needed liquidity. This so-called deleveraging process that emerging market countries witnessed entailed sharp reductions in stock prices and currency values. But as these asset prices declined, it appears—and there is still no hard evidence on this—that residents did not feed the asset-selling by foreigners.

More on: <http://www.petersoninstitute.org/publications/opeds/oped.cfm?ResearchID=1110>