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## COMPETITIVENESS DIGEST

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## **I. EU Competitiveness**

### **1. President Obama Outlines Long-Term Budget Priorities for 2009–19**

*In short:*

**Much higher taxes for upper-income brackets, less spending on defense, and more outlays for financial system stabilization. President Obama's budget, while sweeping in terms of its scope, did not contain any major surprises. His bold goal is to reduce the deficit significantly by the end of his first term, from a projected \$1.7 trillion in fiscal 2009 to \$581.3 billion in fiscal 2012.**

The president accomplishes this primarily by raising taxes on higher-income households and individuals, while reducing spending on defense contingency operations and certain healthcare programs.

The 2001 and 2003 tax cuts would be grandfathered for households earning less than \$250,000, but the president re-institutes the higher tax brackets of 36% and 39.6% for households with incomes above \$250,000. Also, with respect to the personal tax code, the president proposes to make the "Making Work Pay" tax credit permanent and expand the earned income tax credit over the long term.

With respect to business taxes, the budget makes upward adjustments to the net operating loss carry-back provision, which was substantially scaled back in the fiscal-stimulus legislation, makes permanent the R&D tax credit, and extends incentives for clean power generation.

*More on:* <http://www.globalinsight.com/Perspective/PerspectiveDetail16093.htm>

### **2. Commission warns against 'economic nationalism'**

*In short:*

**Preparing the ground for EU leaders meeting at a summit in Brussels on 1 March, the EU executive has outlined measures to tackle 'economic nationalism' looming large over the European car industry.**

Individual companies and their management are primarily responsible for solving the crisis currently facing the car industry, the European Commission said, urging manufacturers to tackle their own structural problems. Despite acknowledging that targeted, temporary and governmental support can help restructure the industry, but should not lead to protectionism, which would only deepen the crisis.

Competition Commissioner Neelie Kroes confirmed that the EU executive had received national support plans for car manufacturers from France, Germany, Italy, Spain, Sweden and the UK.

*More on:* <http://www.euractiv.com/en/transport/commission-warns-economic-nationalism/article-179761>

### 3. Nordics debate need for euro's shelter from crisis

*In short:*

**Europe's Nordic states on 26 February debated in Iceland whether to keep their own currencies or seek shelter from the global crisis in the euro zone.**

Danish Prime Minister Anders Fogh Rasmussen said the crisis was fuelling support among Danes for joining the euro zone, declaring that he could decide this year on whether to hold another referendum on euro membership after a 'no' vote in 2000.

"The financial crisis has made the costs of staying outside visible: both the economic and the political costs," Rasmussen told Reuters on the sidelines of a Nordic regional summit about globalisation, held about 40km from the Icelandic capital.

Sweden's Prime Minister Fredrik Reinfeldt said Swedes' views towards the single currency were "affected by what is happening" and cast doubt on the established political consensus that the euro issue should not be revisited until 2012. Swedes rejected joining the single currency in a 2003 referendum.

*More on:* <http://www.euractiv.com/en/euro/nordics-debate-need-euro-shelter-crisis/article-179825>

### 4. Croatia advised to 'morally dominate' conflict with Slovenia

*In short:*

**EU candidate country Croatia should voluntarily give up its right to veto future enlargements over bilateral disputes in an attempt to circumvent Slovenia's blocking of its accession negotiations, a leading MEP told EurActiv.**

Talks between Slovenian Prime Minister Borut Pahor and his Croatian counterpart Ivo Sanader held on 24 February in the Slovenian town of Mokrice failed to achieve tangible results, media from the two countries reported.

Until there is progress in solving the border dispute, Slovenia will continue to block Croatia's EU accession negotiations, Pahor reportedly said.

The two countries did not even agree on a framework for dealing with the conflict. Slovenia supports EU Enlargement Commissioner Olli Rehn's preference for Brussels mediation, while Croatia maintains that the border issue should be solved before an international court. However, that option could take several years, while Zagreb wants to join the Union in 2010.

*More on:* <http://www.euractiv.com/en/enlargement/croatia-advised-morally-dominate-conflict-slovenia/article-179730>

### 5. Bank nationalization gets EU green light

*In short:*

**As support grows in the US for outright nationalisation of weak banks and insurance firms, the European Commission was on 25 February suggested that governments should be able to take control of banks as a last resort to prevent the collapse of key financial institutions, provided that rescued banks fully clarify their exposure to toxic and impaired assets.**

In a set of guidelines to be sent to national capitals, Brussels invites member states to take into consideration "the option of nationalisation" of banks should restructuring prove

impossible. This is a major political shift for Commission President José Manuel Barroso's team, which has so far been a fierce supporter of the free-market economy.

The draft document suggests that member states value national banks' toxic and impaired assets, the Italian press reported on 24 February. The Commission openly acknowledges that exposure to junk assets is the primary cause of the current credit crunch, partially lifting the blame from the shoulders of banks, which have so far stood accused of having held extra liquidity, made available by monetary policy measures.

*More on:* <http://www.euractiv.com/en/financial-services/bank-nationalisation-gets-eu-green-light/article-179726>

## 6. Improving the competitiveness of the internal market through territorial cohesion

*In short:*

**On 25 February, BUSINESSEUROPE submitted its response to the Commission's consultation on territorial cohesion. The main purpose of this concept is to improve the territorial competitiveness of the internal market.**

Therefore, it should be developed on the basis of three main dimensions: develop Trans-European Network projects, promote the attractiveness of the European territory and its regions, and strengthen cross-border cooperation. BUSINESSEUROPE also believes that progressing towards stronger territorial cohesion should not divert funds and efforts from Lisbon goals, which should remain the ultimate priority.

*More on:*

<http://www.businessseurope.eu/Content/Default.asp?PageID=524&articleid=618>

## 7. Commission to launch European Research Council review

*In short:*

**EU Science and Research Commissioner Janez Potočnik is to establish a high-level panel of experts to review the work of the European Research Council (ERC), it emerged on 24 February.**

Potočnik met experts from the EU and US, who are expected to be appointed to the review group by the Commission within days. They will review the progress made by the ERC since its establishment in 2007 and provide advice on its future direction. Since the ERC's inception, the Council has considered some 11,000 grant applications and allocated over €850 million to 575 successful applicants.

The panel is expected to meet between February and July, and will draw up a report over the summer to enable the European Commission to offer an initial response in the autumn.

*More on:* <http://www.euractiv.com/en/science/commission-launch-european-research-council-review/article-179751>

## **II. Other**

### **1. Forfás - “Economic recovery will come from cohesion and flexibility, not from blame and recrimination”**

*In short:*

**“The winners in today’s global economy will be those who pull together and demonstrate flexibility, those who adapt rapidly to remain competitive. The losers will be those who focus on blame and where sections of society seek to protect their position at the expense of others,” commented Martin Cronin, Chief Executive of Forfás, the national policy advisory body on enterprise and science, delivering the UCD Engineering Graduates Association Annual Lecture on 26 February.**

Cronin continued “We have heard strident voices blaming the banks, the construction sector, the public sector, employers and the unions. Our difficulties do not stem from the failures of any one group but from a collective failure which extends far beyond Ireland.”

*More on:* <http://www.forfas.ie/newsevents/news/title,3485.en.php>

### **2. “It Begins with Energy” — US Council on Competitiveness Applauds President’s Commitment to Energy Investment**

*In short:*

**President’s Address to Congress highlights the importance of developing new energy technologies.**

President Barack Obama’s speech to a joint session of Congress Tuesday night directly addressed key recommendations from [Prioritize](#), The Council’s 100-Day Energy Action Plan for the new administration. This energy roadmap, which benefitted from the leadership of former Council on Competitiveness member and current Secretary of Energy Steve Chu, clearly aligns with the President’s priorities.

The Council’s membership of CEOs, university presidents and labor leaders is committed to seeing these key recommendations for the new energy economy fully implemented, and is pleased that fully funding research and development, expanding transmission, elevating efficiency and strengthening U.S. manufacturing were given strong emphasis in the President’s address.

*More on:* <http://www.compete.org/news/entry/646/it-begins-with-energycouncil-on-competitiveness-applauds-presidents-commitment-to-energy-investment/>