

## **BNE Review – January 2012**

2012 starts with the same questions Britain and Europe faced at the beginning of 2011. The drama of the European Council at the start of December has been replaced by a realisation that the agreement amongst eurozone countries is more an attempt to prevent a future crisis than to address the current one.

As European leaders continue to grapple with unaffordable bond yields in Italy and continuing economic difficulties in Greece, with a reluctant German electorate and French presidential elections this year, the problems and possible solutions remain largely the same. Some form of quantitative easing from the ECB or eurozone debt mutualisation will almost certainly have to go hand in hand with tighter fiscal rules in order to persuade the markets that Europe is serious about the euro.

Over the coming months we will be looking at these political and economic challenges in some depth through panel discussions, research and publications on the single market, the UK's place in Europe, financial services, trade and migration.

**Phillip Souta**  
*Director*

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**[1] REMINDER: Upcoming event this month – ‘A discussion on ESMA and the financial markets in Europe and the UK’**



*Picture: Steven Maijoor, Chairman, ESMA*

Date | **23 January 2012**

Time | **5.45pm**

Venue | **Goldman Sachs International, River Court, 133 Fleet Street, London EC4A 2BE**

ESMA, the European Securities and Markets Authority, came into being on 1 January, replacing the Committee of European Securities Regulators. It is one of the new three new European Securities Authorities (ESAs) alongside the European Banking Authority (EBA) and EIOPA (European Insurance and Occupational Pensions Authority).

The aim of this discussion is to examine the technical aspects of ESMA's work around OTC derivatives and clearing, in the context of the forthcoming European Markets Infrastructure Regulation (EMIR) and in light of the G20 principles which address reform of the OTC derivatives markets. The discussion will also focus on ESMA's new regulatory and supervisory powers in the securities and markets arena.

**Speakers**

Introduction by **Richard Gnodde**, co-CEO Goldman Sachs International and co-Head of the Investment Banking Division

**Steven Maijoor**, Chairman, ESMA

**Andrew Tyrie** MP, Chairman of the Treasury Select Committee

**Robin Vince**, Chief Operating Officer EMEA, Goldman Sachs

**Paul Tucker**, Deputy Governor, Financial Stability, Bank of England

Moderated by **Brooke Masters**, Chief Regulation Correspondent, the FT

[Click here for the online registration form >>](#)

**[2] BNE in Public Debates**

**Roland Rudd at IPPR Seminar - "Staving off collapse: Where next for the eurozone?"**

14 December 2011

Following shortly after Cameron's controversial EU Treaty decision, this timely seminar considered the UK's relationship with Europe and looked ahead to the necessary next steps for the eurozone, and indeed the wider EU. Roland Rudd strongly advocated that the UK government sought to ensure it has a place in eurozone negotiations, despite the developments during the 8-9 December European Council Summit.

Roland Rudd joined the panel alongside Emma Reynolds MP, Shadow Europe Minister and Jonathan Faull, European Commission director.

### **[3] The Times: "What's it like out in the cold? Just ask Norway."**

19 December 2011

*By Roland Rudd, BNE Chairman*

Norway has many qualities to commend it, including a beautiful rugged coastline and telemark skiing. But its relationship with the European Union is not one of them. A growing clamour in Britain says that we should be more like Norway by enjoying the benefits of the single market but without Brussels diktats.

Sadly, the attractions of Norway's icy Valhalla soon melt under the glare of reality. Norway has to follow all the EU's rules on the single market on the free movement of goods, services, capital and people yet cannot be involved in setting those rules. For example, upcoming EU regulations on offshore gas safety standards will have a big impact on Norway, but it will simply be informed of them and then have to follow them — so-called "fax machine diplomacy". Norway also has to pay about €340 million per year for access to the single market but, unlike members of the EU, gets nothing back.

[Click here to read more >>](#)

### **[4] City AM: "London needs EU strategy that does not lead to it being sidelined"**

19 December 2011

*By Roland Rudd, BNE Chairman*

Fear is stalking parts of the city that Brussels is determined to undermine its competitiveness. But ask any senior banker or businessman what particular measure it is that Britain needs saving from, they draw a blank.

The implementation of a Financial Transactions Tax (FTT) in the EU alone, and not on a global level, would deal a severe blow to the City of London. With 80 – 85 per cent of the tax gains coming from the City, London would be disproportionately affected. With London accounting for up to an estimated 80 per cent of the EU's financial services and with 12.1 per cent of the total government receipts for all taxes in the 2010/11 financial year, according to the City of London's recently released figures, the Government, and London Mayor Boris Johnson are absolutely right in fighting this levy.

[Click here to read more >>](#)

**[5] Daily Telegraph: Business leader letter “It is vital that the Government remains at the heart of Europe”**

20 December 2011

SIR – We welcome the Government’s decision to take part, albeit as an observer, in the new EU treaty negotiations, following the agreement on December 9. It is imperative that we are not outside when important decisions are taken, and as opportunities arise over the coming months for Britain to re-engage in the decision-making process in Europe, we must seize them. Writing in a personal capacity, we therefore urge the Government to continue to engage in the EU at every level for two simple reasons.

First, it is in Britain’s interest that the euro survives and we therefore should do everything we can to ensure the necessary steps are taken to guarantee its viability. Secondly, the EU’s single market, while not complete, is of great importance to Britain. It accounts for over half our trade, but we must deepen and widen it, and push for reform in services, telecoms, the digital arena and energy. The Government estimates that three million British jobs rely on exports to our European partners. The EU’s institutions exist mainly to safeguard the single market’s level playing field.

Protecting the single market has to be the bedrock of our re-engagement with Europe. We are more likely to achieve this by remaining closely involved in the EU decision-making process.

Roland Rudd  
Chairman, Business for New Europe

Sir Richard Branson  
Chairman, Virgin Group

Lord Brittan of Spennithorne  
European Commissioner for Trade (1993-1999)

Sir Andrew Cahn  
Vice-Chairman, Nomura

Tim Clark  
Deputy Chairman, Good Governance Group

Guy Dawson  
Vice-Chairman, Nomura

Lord Jay of Ewelme  
Non-Executive Director, Candover Investments

Lord Kerr of Kinlochard  
Deputy Chairman, Royal Dutch Shell

Paul Marshall  
Chairman, Marshall Wace

Ian Manocha  
Managing Director, SAS UK & Ireland

Dr Isabella Moore  
Managing Director, Comtec Translations, and former President of the British Chambers of Commerce

Vijay Patel  
CEO, Waymade Healthcare

Nicolas Petrovic  
CEO, Eurostar

Jan du Plessis  
Chairman, Rio Tinto

Sir Mike Rake  
Chairman, BT

Anthony Salz  
Executive Vice-Chairman, N M Rothschild & Sons

Sir Martin Sorrell  
CEO, WPP

Malcolm Sweeting  
Senior Partner, Clifford Chance

Sir Stephen Wall  
Advisor to the Prime Minister on Europe (2000-2004)

Bill Winters  
Partner, Renshaw Bay

#### **[6] BNE in the Press and Media**

We commented frequently in the media last month, appearing on BBC, Jeff Randall Live, France 5, CNBC and Sky News with Andrew Boulton.

The UK must now move forward from the Cameron's EU Treaty decision and look at how to resolve the situation - with the UK having a voice in negotiations. BNE strongly pushed the message - and will continue to do so - that safeguarding the eurozone and deepening the single market are vital for the UK's best interest.

## **BNE in Die Welt - "Nicht ohne die Briten - Not without the Brits"**

21 December 2011

*By Michael Stürmer, Chief Correspondent, Die Welt*

Seit dem Brüsseler Gipfel geht die Insel wieder auf Distanz zum Kontinent. Das ist gefährlich. Denn wenn Großbritannien draußen bleibt, gibt es kein im Weltmaßstab handlungsfähiges Europa. Brüssel vor elf Tagen: Es sollte der Krisengipfel sein, der alle Krisengipfel beendet. Stattdessen sieht es so aus, als koste der neue Euro-Rettungsversuch via Fiskal- und Stabilitätsunion einen fatalen Preis, nämlich den Verzicht auf ein im Weltmaßstab handlungsfähiges Europa. Das ist, jenseits aller drängenden Fragen der Währungsunion a conto Schiefelage der Südstaaten, die tiefere Bedeutung und die Folge dessen, was in Brüssel geschah: Großbritannien allein gegen alle.

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## **BNE in the Daily Mail - "3m jobs at risk if Britain does not stay at the heart of Europe"**

20 December 2011

*By Kerry McQueeney*

Twenty leading businessmen today warned that if Britain does not stay at the heart of Europe, three million jobs could be lost. Virgin boss Sir Richard Branson and British Telecom chairman Sir Mike Rake were among the leading business figures who urged the Government to seize opportunities to 're-engage in the decision-making process' in the European Union. They argued that Europe's future was vital to Britain's economic interests and said it was imperative the country was not outside the euro when important decisions are taken.

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## **BNE in the Daily Telegraph - "Staying outside EU risks millions of jobs, warn 20 UK businessmen"**

20 December 2011

*By Christopher Hope, Senior Political Correspondent, The Daily Telegraph*

In a letter to the Daily Telegraph, 20 businessmen say it is "imperative" that Britain has a place on the negotiating table when major decisions about Europe are taken. Signatories including Sir Richard Branson, the Virgin tycoon, and Sir Mike Rake, the chairman of British Telecom, argue that the future of Europe is vital to Britain's economic interests. Their intervention, which comes 10 days after David Cameron vetoed EU treaty reforms, will put pressure on the Prime Minister not to bow to the Conservative right and demand the repatriation of further powers from Brussels.

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### **BNE in The Independent - "Coalition partners put a brave face on their battered relationship"**

15 December 2011

After a torrid few days, Nick Clegg began yesterday among friends. He arrived at the Mandarin Oriental Hotel in London's Knightsbridge at 7.45am and had time, appropriately, for croissants and coffee as he prepared to address the Business for New Europe group.

Like him, the organisation is for the European Union and against David Cameron's use of the veto at last week's Brussels summit. It was the start of the Deputy Prime Minister's fight back on Europe as he tried to "pick up the pieces" on two fronts – ending both Britain's isolation in the EU and the bitter public split between Britain's two Coalition parties.

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### **Roland Rudd in The Independent - "UK still has a role in the EU, says Angela Merkel"**

14 December 2011

BNE chairman Roland Rudd said that members of the group were concerned at the position Britain has been left in by the use of the veto, and by Mr Cameron's threat to deny the new compact use of EU institutions like the European Commission and European Court of Justice.

"Business clearly wants a deepening and widening of the single market and that is what our message is in terms of wanting to see greater reforms," said Mr Rudd. "I think people are concerned about the position we are in but they are encouraged at what they have heard recently.

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### **BNE in the Daily Telegraph - "Nick Clegg says UK will face 'intemperate' Europe with calm"**

14 December 2011

The Deputy Prime Minister has promised Britain will negotiate with Europe in a "calm and reasoned" manner in the face of "intemperate remarks" from Brussels yesterday. Nick Clegg told business leaders that he was "absolutely determined" to re-engage with Europe, as British jobs depend on the single market.

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## **BNE in the Daily Mail - 'We need to re-engage with Europe,' declares Clegg ahead of PMQs in Commons"**

14 December 2011

The Government is 'absolutely determined' to ensure that Britain remains at the heart of the European single market, Deputy Prime Minister Nick Clegg said today. Despite the deep differences on Europe between the coalition parties exposed by David Cameron's decision to deploy the UK veto to block a new EU treaty last week, Mr Clegg insisted he spoke for the whole Government in asserting the need for Britain to 're-engage' with Europe.

The Deputy Prime Minister was addressing members of pro-single market group Business for New Europe (BNE), whose director Phillip Souta said Mr Cameron was mistaken to wield the veto.

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## **BNE in BBC News Online- "We will re-engage with Europe, says Deputy PM Clegg"**

14 December 2011

Deputy Prime Minister Nick Clegg has said ministers are "absolutely determined to re-engage with our European partners" following David Cameron's EU veto. He was addressing a meeting of Liberal Democrats and business leaders, and said he was speaking on behalf of the "whole government". Mr Clegg has called the veto "bad for Britain".

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## **BNE in the Press Association - "Clegg: We must re-engage with EU"**

14 December 2011

The Government is "absolutely determined" to ensure that Britain remains at the heart of the European single market, Deputy Prime Minister Nick Clegg has said. Despite the deep differences on Europe between the coalition parties exposed by David Cameron's decision to deploy the UK veto to block a new EU treaty last week, Mr Clegg insisted he spoke for the whole Government in asserting the need for Britain to "re-engage" with Europe.

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## **Phillip Souta in Le Figaro - "The City is concerned"**

13 December 2011

British Prime Minister raises growing doubts among the first representatives of the European financial marketplace. David Cameron wielded its veto in Brussels on Friday in the interests of the City. The Prime Minister defended his decision a few days later in Westminster but the stunt has caused sharp criticism from the opposition. It also raises growing doubts among the first representatives of the European financial marketplace.

The UK is an economic powerhouse - 10% of GDP, 300,000 jobs - and Cameron has the most to gain or lose in the gamble? "We have not won because we did not get what we wanted and we lost our credibility," stated Phillip Souta, Director of Business for New Europe, a body bringing together pro-European patrons.

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### **BNE in The Independent - "City warns Cameron veto may come back to haunt it"**

10 December 2011

Britain's decision to veto a European Union-wide treaty on the single currency in order to safeguard the interests of the City of London could backfire, senior members of the country's crucial financial sector warned yesterday.

David Cameron's refusal to sign any treaty that did not build in new safeguards for the City was welcomed by bankers – particularly the Prime Minister's insistence that Britain would not accept a new financial transactions tax. However, there was also widespread anxiety that Britain had left itself so isolated that Mr Cameron would find it almost impossible in future to prevent the City being adversely affected by European Union decisions

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### **Phillip Souta in Financial Times - "Business worries at lack of resolution"**

9 December 2011

Business for New Europe, a pro-European lobby group, warned that by preventing other countries from using EU institutions to oversee their agreement on limiting debt, the UK had "put the eurozone in danger and therefore British jobs and our wider economy at risk". Phillip Souta, the group's director, said that increased the risk of markets rejecting the deal, which could lead to a euro collapse. He warned that, by alienating other countries, Britain could find itself outvoted on future financial services issues.

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## [7] Comment: The outlook for UK European policy at the year's end: long winter ahead or chance of an early spring?

23 December 2011

*By Dr Daniel Furby, Associate*

The final months of 2011 were intemperate ones for UK European policy. The government's victory over Conservative Eurosceptic MPs in the House of Commons proved fleeting; October's motion on whether to hold a referendum on continued EU membership may have been defeated, but the true measure of its impact can be understood best in light of the December European Council.

Some have argued that there was little justification for a negotiating position whereby the UK sought *quid pro quos* - including the right to exempt Britain from some EU financial regulations – for something which perhaps should never really have been ours to grant: the reopening of the Lisbon Treaty to introduce new rules for fiscal governance within the eurozone. Given that Britain would have experienced little difficulty in exempting itself from these rules, it may have been better (for the UK and eurozone alike) to permit treaty change and thus show solidarity with allies at a time of deepening crisis.

The recent snows in northwest Europe are in keeping with the cold winds currently blowing through UK-European relations. The principal question for 2012 is whether these inclement conditions will persist.

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## [8] Month ahead in EU affairs

**9 January:** Nicolas Sarkozy and Angela Merkel met for bilateral summit in Berlin to discuss the FTT and the agenda for the 30 January European Council meeting

**10 January:** Mario Monti and Angela Merkel will meet to discuss Italian economic reforms

**11 January:** Launch of the Danish Presidency of the Council of the EU

**12 January:** Bank of England and ECB interest rate decisions

**16-19 January:** European Parliament Plenary Session

**23 January:** Economic and Financial Affairs Council to discuss progress on latest Greek economic reform plan

**30 January:** European Council meeting to discuss growth and competitiveness

## [9] News in Brief

### **EU summit paves the way for new fiscal treaty**

The European Council meeting on 8-9 December produced an agreement among the majority of EU member states to work towards a new intergovernmental treaty that will increase fiscal co-ordination within the Eurozone and impose financial penalties upon states which do not comply with budgetary rules. The choice of an intergovernmental treaty - rather than introducing new provisions into the EU Lisbon Treaty - followed Britain's refusal to permit treaty change without concomitant concessions to protect the UK's financial services industry. Britain is the only EU member state not to join the negotiations on the new intergovernmental treaty and instead, holds observer status at the talks.

[Reuters](#) [Telegraph](#) [Economist](#)

### **Eurozone leaders highlight continuing challenges in 2012**

The New Year messages of Eurozone leaders emphasised the on-going nature of the continent's economic difficulties and the significant problems still to be overcome. German Chancellor, Angela Merkel, and French President Nicholas Sarkozy, both stressed the historic proportions of the current crisis, and Italian President, Giorgio Napolitano, and Greek Prime Minister, Lucas Papademos, both underlined the necessity of present 'sacrifices'.

[EU Observer](#) [BBC](#) [Financial Times](#)

### **Spain outlines sweeping spending cuts**

At the end of December, the new Spanish government, led by Mariano Rajoy, announced €8.9bn in public expenditure reductions and more than €6bn in tax rises. The government has also frozen public sector pay and new employment decisions. The country's difficult economic situation includes an unemployment rate of over 20%, low growth and rising borrowing costs. The 2011 budget deficit was 8% of GDP, and the new government is committed to reducing it to 4.4% this year.

[RTE](#) [Wall Street Journal](#) [The Globe and Mail](#)

### **EU moves towards Iran oil sanctions**

The EU appears likely to halt Iranian oil imports when EU foreign ministers meet later this month to discuss a collective response to the Iranian nuclear programme. Britain, France and Germany are leading the move towards sanctions and believe the Iranian programme to be aimed at the development of a nuclear weapon (Tehran insists the programme is designed for peaceful purposes only). Greece, Italy, and Spain have existing oil deals with Iran and wish to ensure that the implementation of EU sanctions does not unduly damage their economic interests.

[EurActiv](#) [Bloomberg](#) [European Voice](#)

### **EU diplomacy central to Durban climate change conference**

The EU played a pivotal part in the deal reached at the Durban climate change conference on 12 December. Participating countries agreed to negotiate a new climate change pact, which should come into force by 2020. Agreement was reached on the need for the new pact to have an 'outcome with legal force', which will make any emissions targets binding upon all major economies (including China and India, who have previously refused to accept a legal commitment). To secure this agreement, the EU has pledged to prolong existing Kyoto provisions, which were due to expire in 2012.

[Guardian](#) [EU Observer](#) [New York Times](#)

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BNE is a coalition of business leaders articulating a positive case for reform in Europe.

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