



# Annual Report 2014





# About the CER

The Centre for European Reform is a think-tank devoted to making the European Union work better and strengthening its role in the world. The CER is pro-European but not uncritical. We regard European integration as largely beneficial but recognise that in many respects the Union does not work well. We also think that the EU should take on more responsibilities globally, on issues ranging from climate change to security. The CER aims to promote an open, outward-looking and effective European Union.

Through our meetings, seminars and conferences, we bring together people from the worlds of politics and business, as well as other opinion-formers. Most of our events are by invitation only and off-the-record, to ensure a high level of debate.

The conclusions of our research and seminars are reflected in our publications, as well as in the private papers and briefings that senior officials, ministers and commissioners ask us to provide.

The CER is an independent, private, not-for-profit organisation. We are not affiliated to any government, political party or European institution. Our work is funded mainly by donations from the private sector.

The CER's work programme is centred on eight themes:

- ★ **The euro, economics and finance**
- ★ **EU institutions and policies**
- ★ **EU foreign policy and defence**
- ★ **Britain and the EU**
- ★ **Enlargement and neighbourhood**
- ★ **China and Russia**
- ★ **Energy and climate**
- ★ **Justice and home affairs**

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THE CER IN  
DECEMBER 2014  
FROM LEFT TO RIGHT,  
TOP TO BOTTOM:  
*Rem Korteweg,  
Christian Odendahl,  
Ian Bond, Simon Tilford,  
Yehuda Ben-Hur Levy,  
John Springford,  
Stephen Tindale,  
Agata Gostyńska,  
Lucy Katz, Camino  
Mortera-Martinez,  
Jordan Orsler, Anna  
Yorke, Charles Grant,  
Sophie Horsford and  
Kate Mullineux.*



# Three challenges for Europe

by Charles Grant

ABOVE:  
Emmanuel  
Macron and  
Charles Grant

*Lunch on  
'Reform in  
France and in  
the eurozone',  
London*

Since its foundation in the 1950s, the EU has seldom been free of troubles. But the challenges it faces in the coming years – as a new team of leaders takes over the Brussels institutions – are existential and have the capacity to destroy or greatly weaken the EU as we know it.

First, the EU has to work out what to do about a paranoid, nationalistic Russia that is prepared to solve problems by force and whose economy is starting to spiral downwards. Second, the eurozone's economy remains dangerously weak: growth has stalled, unemployment is unacceptably high and deflation is making debt burdens increasingly unsustainable in several member-states. Partly because of these economic difficulties, anti-EU or anti-euro populism, from the left and the right, is on the rise across much of the continent. The third challenge is the risk of a British departure from the Union, or 'Brexit' – a prospect which became more likely in 2014, with the successes of the United Kingdom Independence Party (UKIP) enabling it to set the tone of Britain's political debate.

Germany is pivotal to all three challenges. The actions and policies of Angela Merkel's government will play a huge role in shaping

the EU's response to events in Russia and Ukraine, the eurozone's attempts to revive its economy and any British move to renegotiate its membership of the EU.

The first problem, Russia, has the potential to either fracture or strengthen the Union. Russia's conduct in Ukraine has – so far – helped to engineer a unified European response. But the unity is fragile. And the nature of the EU means that it reacts slowly and uncertainly to events in Eastern Europe – as it did when Ukraine's president, Viktor Yanukovich, fled Kyiv in February; when Russia annexed Crimea in March; and when Russian forces moved into the Donbas in the summer of 2014.

The EU was not to blame for the tragedy of the fighting in Ukraine, which had killed nearly 5,000 people by the end of the year. But many on the far right and far left in Europe, as well

as Kissingerian realists, think that it was. They accuse the EU of provoking Russia by extending its reach – through ‘deep and comprehensive free trade agreements’ and ‘association agreements’ – into Russia’s sphere of influence. That is a fair argument only if one believes that big countries should be allowed spheres of influence, and that little countries nearby should not be free to run their own foreign policies.

Many European leaders rightly regard spheres of influence as incompatible with the principle of democratic self-determination, and therefore unacceptable. Nevertheless a lot of the 28 member-states did not really want strong EU sanctions against Russia. Some depend on Russian gas. Others think that foreign policy should be driven by commercial interests rather than strategic considerations. Some believe in Europe maintaining a kind of Gaullist equidistance between Russia and America. And in an alarming number of countries, Russian money has corrupted the political class.

Yet the EU has imposed several rounds of sanctions, some of which, notably those on the energy and financial sectors, are hurting Russia (even though the drop in the oil price, which began mid-year, hurts even more). How come? The answer is Angela Merkel. After the shooting down of flight MH17 by Russian-backed rebels in July, the normally cautious Merkel decided that the West had to present a strong and united front to the Russians. She badgered many reluctant European leaders to swallow the sanctions – though she was helped by pressure from Washington, London and Warsaw.

Earlier in the year, I had been commissioned (alongside other researchers) by Frank-Walter Steinmeier, Germany’s foreign minister, to write on ‘What is wrong with German foreign policy?’ My answer, published by the CER in May, argued that German foreign policy tended to be insufficiently strategic and more commercially-driven than that of some other countries. Subsequent events, and in particular Merkel’s role in the EU’s discussions on sanctions against Russia, have shown that German foreign policy is now evolving in a more strategic direction.

Russia’s actions, and especially its failure to implement the ‘Minsk protocol’ of September, which set out a path for de-escalation between Russia and Ukraine, have turned opinion in

Germany’s political, business and media elite towards a harder line than would have seemed conceivable in 2013. Nevertheless in many parts of the EU there remains much wishful thinking about Russia. For example some companies involved in Russia hope – for very understandable reasons – that relations with the West will soon return to the *status quo ante bellum*, as they did after Russia’s war against Georgia in 2008. And some analysts argue that moderates in the Kremlin, who understand that the Russian economy needs good relations with the West, will win the argument for a softer line on Ukraine.

*“Russia’s actions have turned opinion in Germany’s elite towards a harder line than would have seemed conceivable in 2013.”*

These optimists are unlikely to be right, at least in the short and medium term. Most EU governments would like to lower tensions and remove the sanctions – but that would require President Vladimir Putin to curtail his support for rebel forces in the Donbas (most EU governments can live with the de facto occupation of Crimea) and accept that Ukraine is free to tighten ties with the EU. Given the apparent belief in the Kremlin that Russia is at war, that the West (and especially the US) is out to encircle Russia and ultimately destroy its regime, that most Europeans are too soft and decadent to offer serious resistance to the use of force by Russia, and that economic autarky is the best option for the Russian economy, there seems scant prospect of a Russia that is willing to engage with the West. As a Russian commentator said in Washington in November at the Daimler Forum that the CER organises with the Brookings Institution and the Stiftung Wissenschaft und Politik, it may be at least a generation before Russia’s relations with the West improve. And this Russian did not rule out the risk of a hot war.

The year ended with the oil price, the rouble and Russian GDP heading downwards. Is it possible that a sufficiently grave economic crisis could make Russia not pricklier, but more willing to compromise? If it does, the EU will be ready to work with Moscow to help stabilise their common neighbourhood and the Russian economy.

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## The euro crisis

The EU will find it harder to deal with Russia and support Ukraine if its internal cohesion is undermined by persistent economic weakness.

The euro crisis appeared less acute after the summer of 2012, when Mario Draghi, the president of the European Central Bank (ECB),



announced that he would do whatever it took to save the euro, and then unveiled the (still unused) bond-buying scheme known as 'Outright Monetary Transactions'. Some of the troubled countries, notably Spain, Portugal and Ireland, have returned to economic growth. But the overall state of the eurozone economy (unemployment of 11.5 per cent and growth of 0.8 per cent) was dire in 2014.

There is very little prospect of the eurozone's performance improving in the short or medium term. It appears to be heading for Japanese-style 'lost decades', but with much higher levels of unemployment and much less legitimate political institutions than Japan had in the 1990s or the 2000s. The jitters in the markets at the end of the year – when it seemed likely that a left-populist Syriza government would take office in Greece – showed that confidence in the eurozone may quickly evaporate.

*“One French official said “the Germans don't think economically, but judicially and in terms of rules and the rapport de force.””*

The most alarming aspect of this enduring problem is the intellectual gulf that separates the German political and economic establishment (plus the Finns, Dutch and Balts) from the rest of the world. The former, which continues to set the parameters for the EU's response to the crisis, believes that fiscal discipline and structural reform will resolve the eurozone's problems; that the onset of deflation is little cause for concern; and that EU-wide attempts to boost demand would reduce the pressure on errant governments to enact reform and tighten fiscal discipline, while leading to even more dangerous levels of debt. They think that quantitative easing (QE) by the ECB is unlikely to revive growth but that it may in the long run lead to the mutualisation of debt.

Most non-German economists accept that structural reform is necessary but think that the EU has over-done the austerity. They argue that cuts to public spending during a recession have hit growth and thus – combined with the deflation afflicting Southern Europe – increased rather than lowered debt burdens. They believe that the eurozone as a whole needs an expansionary fiscal stance – and given that some member-states have little room to boost demand, that means Germany should do so. They would like schemes to boost investment at EU level, or, as second best, within Germany. They hope that QE from the ECB will help to raise expectations of inflation and revive demand. Many of them

believe that in the long run the eurozone requires some sort of mutualisation of debts – if not the 'eurobonds' that Germans find so toxic.

That is the view in France, among other places. As I wrote in a CER insight from Paris in December, the French find the Germans more uncompromising in their economic philosophy than they were a few years ago. I quoted one official as saying that “the Germans don't think economically, but judicially and in terms of rules and the *rapport de force*”.

Whatever the rights and wrongs of these arguments – and the CER is critical of the German case – the lack of a common analysis is worrying. What I wrote in the 2010 annual report remains the case: the euro is like a patient on a sickbed, and “the doctors examining the patient do not agree on the diagnosis or the medicine required”.

This argument, in essence, is between those who argue exclusively for supply-side solutions and those who want a combination of supply and demand measures. But there is another rift which cuts across this economic disagreement: between those who think that in the long run the eurozone requires much more radical fiscal, economic and political integration in order to survive, and those who think it can muddle through with incremental reforms. In the former camp are European federalists like Wolfgang Schäuble, Germany's finance minister; many senior people in the ECB, the Commission and the European Parliament; some policy-makers in Paris and Rome; many eminent academics; and a lot of British eurosceptics. I hope they are wrong, because the prospect of eurozone governments agreeing to a radical leap forward – involving the cession of sovereignty to EU or eurozone institutions – in the foreseeable future is zero. Any fresh attempt to shift substantial powers from national governments to the EU would prove unpopular with many voters and nourish euroscepticism.

I am with the incrementalists. Draghi spelt out some of the steps the eurozone needed to take in his Jackson Hole speech in August. He cited the three arrows of 'Abenomics': monetary easing, fiscal easing and structural reform. I would add three further arrows: a bigger, better banking union than the one agreed in 2014, which was a step in the right direction but lacks sufficiently strong back-stops; a reduction of the debt burden in some eurozone countries, through write-offs or maturity stretch-outs; and a rebalancing of the German economy, to reduce its 7 per cent of GDP current account surplus, so that Germans consume, invest and import more.



At the end of the year there seemed little prospect that many of these arrows would strike their target, though in January 2015 the ECB unveiled a substantive programme of quantitative easing. The best hope for the eurozone may be that if the economic data continue to be dire, German policy-makers will re-examine some of their assumptions; that if Germany's downturn becomes more serious, the case for a stimulus or more investment within Germany will become stronger; and that if political opposition to austerity strengthens in some member-states, German leaders will be obliged – however reluctantly – to compromise.

The anti-Brussels populists have fed off the eurozone's difficulties. They won about 150 seats in May's European elections (out of a total of 751), and topped the polls in Britain and France. Some of this insurgency has been driven by the

consequences of eurozone austerity, notably joblessness and/or declining wages and welfare payments – for example in Greece, Spain, Italy and, arguably, France. But populism is not all economically determined: it has been strong in Britain, Denmark and Sweden, which are not in the euro (and it has strengthened in the UK as the economy has revived). Hostility to immigration can fuel populism even more than economic under-performance.

Politics in general and populism in particular remain the Achilles heel of the existing arrangements for the eurozone system. The left-populist parties Syriza (in Greece) and Podemos (in Spain) say they are not against the euro per se but that they oppose the current, austere euro. In Italy, the three largest opposition parties are hostile to the euro. Nobody can be absolutely certain that the euro in its current form, and with its current membership, is eternal.

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ABOVE:  
Mario Monti

*Roundtable on  
'Prospects for  
the eurozone',  
London*

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## The Brexit question

The euro crisis has been harmful to Britain's own debate on whether it should remain in the EU. The economic stagnation and high unemployment that afflicts much of the eurozone is a bad advertisement for 'Brussels'. Europe's leaders are seen to have been incompetent. In 2014 it became received wisdom in the UK to say that the chances of the country remaining in the EU were no better than 50-50.

The rise of UKIP, and the Conservative-led government's response to that phenomenon,

has increased the odds of Brexit. Nigel Farage's party won 27.5 per cent in May's European elections and then two by-elections for Westminster seats in the autumn. At the end of the year it was scoring around 15 per cent in opinion polls, threatening to deprive the Conservatives (and the Labour opposition) of many of their target seats.

As with populist parties in other countries, UKIP has exploited the electorate's hostility to the establishment and to Brussels. But its campaign against immigration accounts for

much of its success. Many British people want fewer migrants in the country, and Farage has convinced them that Britain cannot control its borders unless it leaves the EU.

The government responded to the threat from UKIP by adopting a progressively tougher line on EU migration. Senior Conservatives highlighted the issue and proposed new ways of curbing the numbers. The Labour Party also talked more and more about this 'problem', though in a softer tone. The leaders of both main parties hoped that by showing voters they were 'listening' to their concerns on immigration, they would win back voters from UKIP. But this strategy did not appear to work: the more politicians talked about this UKIP issue, the more voters thought it important and the more likely they were to support the toughest party on immigration, namely UKIP.

*“The rise of UKIP has thrown the prime minister’s strategy off course.”*

The CER has taken an unambiguous line in favour of explaining the economic and cultural benefits of migration, and has argued against knee-jerk responses to peoples’ concerns. In doing so, we have at times annoyed British politicians. We were glad that, when Cameron made his big immigration speech in November, he pulled back from demanding quotas on EU migrants. Had he made such a demand, Britain’s partners would have opposed the idea – which threatens the basic EU principle of free movement – unreservedly; it would then have been hard for Cameron to campaign to keep Britain in the EU.

Nevertheless Cameron did ask for major changes to EU rules on the provision of benefits for migrants. As Camino Mortera-Martinez pointed out in a CER insight analysing the speech, several of Cameron’s proposals contradict fundamental EU principles such as freedom of movement and non-discrimination; they could therefore not be implemented without treaty change, which would be very hard to achieve.

When the prime minister made his Bloomberg speech, in January 2013, promising a referendum before the end of 2017, he made the case for membership and promised to campaign for Britain to remain in a reformed EU “with all my heart and soul”. That speech was supposed to satisfy the eurosceptics and give the government the chance to focus on other, domestic issues. But Cameron’s problem is that they are never satisfied – when fed red meat, the eurosceptic monster returns to demand more. The rise of UKIP appears to have thrown the prime

minister’s strategy off course: the perceived need to counter Farage has led the Tory right to ask for ever more eurosceptic policies, meaning that few ministers have felt able to make a positive case for Europe.

That is why the government wasted the opportunity of the review of EU competences that it set up in 2012. The point of this review was to analyse the benefits of the powers exercised by the EU, as well as the negative effects. This process led to 32 reports, written by officials and drawing on the expertise of outside experts (including the CER), which are detailed and authoritative. They concluded that most of what the EU does is beneficial for the UK. This annoyed Conservative eurosceptics, prompting the government’s spin doctors not to publicise the reports. The final batch, published just before Christmas, left no trace in the media. The government had missed an opportunity to shift the way the British people think about the EU.

Cameron’s critics in other member-states contend that he invariably gives in to pressure from eurosceptics. But that is not always true. He annoyed hard-line eurosceptics not only by refusing to ask for quotas on EU migrants, but also over the ‘block opt out’ that the UK exercised on EU justice and home affairs (JHA) measures. Cameron’s government wisely opted back in to the most important measures, including the European Arrest Warrant, Europol and Eurojust, in November 2014.

Nevertheless most Conservative ministers, and their friends in the media, constantly portray the EU in a negative light. This affects the UK’s image in the rest of the EU. Because Cameron has failed to follow up the Bloomberg speech by making the case for the EU within Britain, some leaders wonder how serious he is about avoiding Brexit. The eurosceptic rhetoric used by leading Conservatives has rendered the British brand toxic.

The way that Cameron handled the selection of Jean-Claude Juncker as Commission president did not help. As it happens, the CER agreed with Cameron that the *Spitzenkandidaten* system – whereby the lead candidate of the party which does best in the European elections is chosen – was not the best way to decide on the president. We doubt that it makes the EU more democratic and think it may deter the strongest potential candidates from seeking the job. We made these arguments in a series of CER pieces as well as in opinion pieces in newspapers such as the *Frankfurter Allgemeine Zeitung*. Nevertheless when, after the European elections, it became clear that Juncker (thanks to Merkel’s backing) would get



the job, Cameron's angry reaction, and his refusal to accept a deal that could have given Britain a big say over several other key appointments, did not enhance Britain's reputation.

Cameron wants to reform the EU before holding a referendum on membership in 2017. But he cannot achieve reforms without the support of large numbers of friends and allies. The Juncker affair revealed how few he can count on, when it really matters: only Hungary voted with Britain against the appointment of Juncker. Many countries agree with Cameron on several of the reforms that he has hinted he wants – such as a bigger role for national parliaments, safeguards for the single market or curbs on migrants' benefits – but few will say so in public, because the British are perceived to be destructively anti-European.

Many member-states hope that the Labour Party will win the general election in May 2015. That would make a referendum on EU membership in the next Parliament unlikely. But Britain's partners should realise that there will be a referendum one day – if not in 2017, then whenever the Conservatives next win an election, which could be in 2020.

It is far from certain that the British will vote to leave the EU when the referendum comes. It helps that the EU has shown itself capable of reform. For example the Common Fisheries Policy was greatly improved – with decision-making decentralised – in 2013. The deal on the seven-year budget cycle negotiated in 2013 cut spending. And the new Commission, which took

office on November 1<sup>st</sup>, seems willing to embrace reform. As Agata Gostyńska pointed out in a CER bulletin, many of Juncker's priorities – such as deepening the single market in services, energy and digital goods, and reducing the regulatory burden – fit those of the UK. "Juncker understands that his own political fate depends to a great extent on whether he can turn the Commission into a vehicle for reforming the EU", she wrote.

Juncker has divided his commissioners into clusters (as the CER had urged him to do), which should lead to fewer superfluous laws: in the past each commissioner tended to come up with his or her own ideas, but now the vice presidents heading each cluster have a mandate to weed out unnecessary proposals. The new Commission has already announced plans to withdraw 80 draft legislative proposals, in an unprecedented effort to cut red tape. Britain is particularly fortunate that its commissioner, Jonathan Hill, has been given the key financial services portfolio.

It may also prove useful for Britain that Donald Tusk, the former Polish prime minister, has become European Council president (even though Cameron did not initially support him for the job). Before his appointment, the CER wrote that the European Council presidency should go to someone of experience and stature, with a small ego, who would be well placed to bring together rival camps on economic policy. Tusk fits the bill very well. He will play a leading role in any renegotiation with Britain and, since he comes from a country outside the euro, may be sympathetic to some British concerns.

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ABOVE:  
Michael Gove

*Keynote  
speaker at  
the CER's 16<sup>th</sup>  
birthday party,  
London*



If Cameron wins the election in May and demonstrates that he is willing to make the case for Europe, other leaders may be more willing to help him than they have been hitherto. Much will depend on the rhetoric that he and his ministers use: if their language is moderate and constructive – and thus inimical to eurosceptics – they should be capable of winning friends in Europe.

The Scottish referendum in September 2014 may offer some encouraging lessons. Most big businesses wanted Scotland to stay in the UK, and their views helped to defeat the Scottish National Party. But they only made their views clear in the last days of the campaign. Many

big firms in Britain want to keep it in the EU and we can expect more of them to speak out sooner on that question. Scotland also showed that in the final phases of a referendum campaign, voters may be wary of change and economic uncertainty.

Our chairman, Lord Kerr, made his own intervention in the Scottish referendum campaign, with a CER insight pointing out that it would be much harder for a Scotland outside the UK to join the EU than many nationalists acknowledged. This piece was reprinted in the *Financial Times*, which also published several of our opinion pieces on the Brexit debate.

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## The CER's work in 2014

If those who want Britain to stay in the EU wish to win a referendum, they will need to find leaders who are as charismatic and persuasive as Farage or Boris Johnson (the eurosceptic mayor of London). Though not a campaigning organisation, the CER is the thinking wing of Britain's pro-EU coalition – providing facts, ideas and arguments to those who will campaign. That is what we did with the report of our commission on the economic consequences of Brexit (see the next article); with 'The green benefits of EU membership', a policy brief by Stephen Tindale, arguing that Britain would have much dirtier water and air without EU regulations; and with the pieces written by John Springford and Camino Mortera-Martinez on the economic benefits of EU migration and on the government's proposals for curbing it.

universities minister, spoke at a London breakfast and at the Polish-British roundtable in Kraków, both in June; Michael Gove, the then education secretary, was the guest of honour at our 16<sup>th</sup> birthday party, hosted by the Italian ambassador, in June; David Lidington did a breakfast with us in London in November; and Jo Johnson MP, head of the 10 Downing Street Policy Unit, spoke at the launch of Hugo Dixon's CER paper on the case for an EU capital markets union, in December.

Despite our scepticism about *Spitzenkandidaten*, we gave a platform to one of the godfathers of the system, Klaus Welle, secretary-general of the European Parliament. Speaking at a CER breakfast in Brussels in May, a few days after the European elections, Welle predicted – correctly, as it turned out – that Juncker would become Commission president. Welle returned to a CER platform in Bodrum in October, at the annual conference that we organise with the Turkish think-tank EDAM, to debate the EU's institutions alongside Enrico Letta, the former Italian prime minister, Daniel Korski, David Cameron's EU adviser, and Carl Bildt, the outgoing Swedish foreign minister.

*“The CER is the thinking wing of Britain's pro-EU coalition – providing facts, ideas and arguments to those who will campaign.”*

The Brexit question loomed large at the fringe events that we organised at the party conferences (together with the anti-EU Business for Britain and the pro-EU Business for New Europe): at the Labour conference in Manchester in September our panel included then shadow Europe minister Gareth Thomas and YouGov's Peter Kellner; with the Conservatives in Birmingham in the same month, speakers included David Lidington, the Europe minister, and Vicky Ford MEP, chair of the European Parliament's single market committee; and at the Liberal Democrats' conference in Glasgow in October, business secretary Vince Cable led our panel.

Though we have a notable difference with the British government on migration, we make a point of engaging with Conservatives, and did so throughout the year. David Willetts, the then

Our biggest institutional event of the year was the conference that we held in March, to launch 'How to build a modern European Union', a report that we had published the previous autumn, setting out a range of proposed reforms. Nick Clegg, the deputy prime minister, gave the keynote speech, endorsing most of our ideas (except for our wish to take human rights clauses out of free trade agreements). The panel discussion that followed included George Eustice, the eurosceptic Conservative fisheries minister, Margot James, a pro-EU Conservative MP, Labour's Gareth Thomas MP, the Greens' Caroline Lucas MP, Business for Britain's Matthew Elliott, the German Council on Foreign Relations' Almut Möller, Oxford University's Timothy Garton-Ash and John Kerr, the CER chairman.



ABOVE:  
Nick Clegg

*CER launch of  
'How to build  
a modern EU',  
London*

Several of our Brussels breakfasts focused on institutional questions, including those in February with Martin Selmayr, then chief of staff to Viviane Reding, and now playing that role for Juncker; Stefano Sannino, the Italian permanent representative, in June; Emily O'Reilly, the EU ombudsman, in October; and Rafał Trzaskowski, Poland's new Europe minister, in November. Just after the European elections we analysed the results at a roundtable with the *Guardian's* Nick Watt and Counterpoint's Catherine Fieschi. In October we hosted Italy's Europe minister, Sandro Gozi, at a roundtable in London.

Our most substantive institutional publication of the year was 'Twelve things everyone should know about the European Court of Justice', by Hugo Brady. The culmination of many years of research, this report explains for the layman how the ECJ works and what motivates its most prominent legal minds. Hugo proposed several reforms, including the idea that the Commission should take more cases of EU law before national courts, thereby relieving the workload on the ECJ.

The bulk of the CER's output in 2014 was in the areas of economics and foreign policy, which are covered in the next two articles. But two other areas of growing importance to the CER are energy and climate, and JHA.

To its credit, the new Commission has made building an 'energy union' one of its top priorities. In a series of shorter insights and bulletin pieces we looked at aspects of Europe's energy market. Stephen Tindale wrote one that called for more

binding rules on energy efficiency, and another setting out a series of measures by which the EU could reduce dependency on Russian gas (including more carbon capture and storage, nuclear power, renewables and new sources of gas); Rem Korteweg wrote about Cyprus's gas fields, arguing for the Cypriot government to work with Israel and Turkey in order to exploit them and reap geopolitical dividends; and Nick Butler, from King's College London, proposed that the EU should construct an energy union by creating an electrical super-grid, and by devoting R&D to improving capacity for storing electricity.

Several of our seminars focused on energy questions. In January, Cypriot energy minister George Lakkotrypīs talked up the relevance of his country's gas discoveries. In April, the new director general for energy, Dominique Rostori, spoke at a breakfast in Brussels on 'What priorities for EU energy policy in 2015?' And in October, in London, Finnish Prime Minister Alex Stubb delivered a CER lecture on 'Smart climate and energy policy'. He defended the rationale for most of the EU's green regulations – which he thought would promote innovation and thus growth – and urged green parties to embrace nuclear power as a tool for reducing carbon emissions.

In September we published Stephen Tindale's 'International climate negotiations should focus on money, not targets'. This argued that money spent by richer countries on fossil fuel subsidies should be diverted into the Green Climate Fund, to help poor countries cut greenhouse gas emissions and adapt to climate change. This policy brief was launched at a roundtable in

November with Simon Henry, CFO of Shell, and Amal-Lee Amin of E3G. The discussion generated some optimism that China was becoming serious about limiting CO<sub>2</sub> emissions.

*“Governments should try harder to tackle the problem of those entering the EU legally but then over-staying.”*

Our focus on justice and home affairs led the CER and the Open Society European Policy Institute to create the ‘Amato Group’, a forum for experts and officials to debate key JHA issues in an informal and relaxed setting. Giuliano Amato, a former Italian prime minister and a former CER board member, kindly agreed to chair the group. The first meeting, in Brussels in October, focused on migration, with António Vitorino, a former justice and home affairs commissioner, and

Tobias Billström, a former Swedish immigration minister, introducing the discussion.

The group discussed possible reforms to the EU’s asylum rules, including the need for a greater emphasis on deporting those refused asylum; this would help to restore public confidence in the system. Participants also thought that governments should try harder to tackle the problem of those entering the EU legally but then over-staying; such people accounted for the largest category of illegal migrants. The Amato group also discussed the need for increased integration of migration and development policies: the EU could not expect its neighbours to do more to curb irregular migration unless it increased its offer to them. Finally, the group urged governments to work more closely with EU institutions to counter threats to European security.

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## Personnel

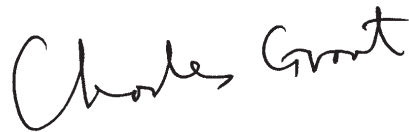
It was a year of great flux at the CER. Following the death of Clara Marina O’Donnell, our longstanding defence analyst, at the start of the year (her obituary is in the 2013 annual report), we established a fellowship in her honour. We have done this in partnership with the Brookings Institution (the Centre for the United States and Europe), Cambridge University (the Department of Politics and International Studies) and King’s College London (the Department of European and International Studies) – all of which Clara worked with. The fellowship is aimed at those at the start of their careers who are interested in foreign, defence and security policy. The first Clara Marina O’Donnell memorial fellow, Yehuda Ben-Hur Levy, started at the CER in October.

Hugo Brady, our JHA researcher for ten years (and for much of that time our Brussels representative), left in February for the EU Institute for Security Studies in Paris. But in the autumn Donald Tusk, the new European Council president, hired Hugo as his speech-writer. We also bade farewell to two stalwart members of our administration team: Catherine Hoyer, who had been responsible for making the CER run smoothly for 13 years; and Susannah Murray, one of Catherine’s key lieutenants for ten years.

Three new researchers joined the staff: Christian Odendahl became our chief economist, having previously worked for Roubini Global Economics; Agata Gostyńska joined us from PISM, the Polish think-tank, to work on institutions; and Camino Mortera-Martinez became our JHA researcher, having previously worked at ICF-GHK, a Brussels-based consultancy. These arrivals mean that half

our researchers are non-British. We also took on Sophie Horsford (who had worked at Open Europe) to lead the admin team, Anna Yorke to help with communications and social media, and Lucy Katz as an events assistant.

Our advisory board continued to guide the staff, not only at its twice-yearly meetings but also at the brainstormings between board and staff that the Czech ambassador, Michael Žantovský, regularly hosts at his Hampstead residence. Two board members retired after long service: David Marsh and Stuart Popham. There were two new recruits: Stephanie Flanders, who had been the BBC’s economics editor and is now with JP Morgan, and Philip Lowe, who has retired from being the Commission’s director-general for energy.



Charles Grant



# The CER's work on economics

by **Simon Tilford**

In 2014, the CER's economics work was dominated by the twin themes of the eurozone crisis and the impact of a possible UK withdrawal from the EU. The early part of the year saw some optimism that the eurozone was turning the corner, with growth picking up and signs of improvement in some of the problem countries. However, we remained sceptical – a stance that was borne out as the year progressed, as growth stalled, deflationary pressures strengthened and political differences between governments hardened rather than softened. The euro was supposed to boost economic growth and living standards, while strengthening public finances and hence the sustainability of welfare states. Politically, it was supposed to bring EU member-states together, fostering a closer sense of unity and common identity. Yet it has failed to meet any of these objectives.

There is a deal to be done to save the euro: a big programme of macroeconomic stimulus, debt restructuring and a substantive risk pooling, in exchange for structural reforms and the surrendering of budgetary autonomy. But time is running out to broker such a deal: the longer the slump continues, the bigger the policy changes needed to reflate the eurozone economy and the harder it will be to secure the necessary political buy-in.

Without action, the currency union may be condemned to continuing slump and high unemployment. This is unlikely to be consistent with the maintenance of political stability within and between member-states, as is indicated by rising populism within eurozone economies and by the erosion of the key political relationships underpinning the EU – most seriously the Franco-German one, but also the German-Italian relationship.

ABOVE:  
Benoît Cœuré

*Dinner on  
'Is eurozone  
governance fit  
for purpose?';  
London*



In a series of insights, the CER's economics team focused on the confused macroeconomic thinking behind the eurozone's handling of the crisis. In 'What explains Europe's rejection of macroeconomic orthodoxy?', I argued that the eurozone was ignoring both monetarist and Keynesian economic thinking. The result was that the currency union now resembled a modern-day gold standard, a theme I built upon in 'The eurozone's ruinous embrace of competitive devaluation' and 'The eurozone is no place for poor countries'. The eurozone had become a mechanism for divergence between rich and poor, which posed questions about its political sustainability. Christian Odendahl highlighted this in 'The eurozone's real interest rate problem', showing that the weakest eurozone countries have the highest real interest rates, and the strongest countries the lowest, thus guaranteeing further divergence.

*“The weakest eurozone countries have the highest real interest rates, and the strongest countries the lowest, thus guaranteeing further divergence.”*

Germany's role in the continuing eurozone crisis was central to our work. Far from being a beacon of stability holding the eurozone together, Germany had become a significant part of the problem: it stood in the way of more expansionary macroeconomic policies and the creation of genuinely federal institutions in the eurozone. In 'The eurozone's German problem', I argued that Germany's uncompromising stance was damaging its own economic and political interests: the country needed a proper debate about the choices it faced, much as the German government had repeatedly demanded of the French, Italians and others. Unfortunately, there was little sign that this would happen without greater outside pressure. In 'More investment for Germany's sake' Christian demonstrated that Germany was suffering from very weak levels of investment and that the public sector needed to do more to rectify this. Similarly, in 'Public investment: A modest proposal', John Springford argued that higher investment across the eurozone would not only boost economic activity and help ward off deflation, but also lead to lower levels of debt.

In a number of shorter publications, CER researchers stressed that the German hold on eurozone policy-making needed to be broken if the economy was to recover. In 'The ECB is not the German central bank' Christian argued that the European Central Bank should push ahead with quantitative easing, even in the face

of German opposition; it was failing to meet its inflation target because of its perceived need to gain full German backing. Other eurozone governments, notably Paris and Rome, needed to point out to Berlin that the eurozone might not endure in its current form unless it was willing to make significant compromises.

The thrust of our analysis was echoed at two small events that we held at the end of the year at the CER in London: a lunch with Emmanuel Macron, France's new economy minister, and a roundtable with Pier Carlo Padoan, Italy's new finance minister.

These themes were also explored in a report for the CER by a former economic adviser to the European Commission, Philippe Legrain. In 'How to finish the euro house', Philippe argued that eurozone governance was politically unsustainable because its rules and institutions favoured creditor over debtor countries. So long as a fiscally federal eurozone remained out of reach, governments should work towards a flexible one comprising a genuine banking union, a reformed ECB and greater fiscal leeway for governments. We held launches for this report in London with the LSE's Paul de Grauwe and in Brussels with Shahin Vallée, then Herman Van Rompuy's economic adviser.

The CER held numerous events to discuss the economic challenges facing Europe, including dinners in Brussels with László Andor, the then employment commissioner, and Joaquín Almunia, the then competition commissioner; dinners in London with Benoît Cœuré, an ECB board member, and Jonathan Faull, director general for the single market; breakfasts in London with Mario Monti, the former Italian prime minister, on the eurozone, Sir Jon Cunliffe, deputy governor of the Bank of England, on the global financial system, Stephen King, group chief economist of HSBC, on the economic stagnation of Western economies; and a breakfast in Brussels with Alexander Italianer, director general for competition policy.

We hosted the London launch of the book by Jean Pisani-Ferry, the French government's head of policy planning, 'The euro crisis and its aftermath'; and a debate between Standard Chartered's head of macroeconomic research, John Calverley, and James Mackintosh of the *Financial Times*, on the outlook for emerging markets. We held a workshop with the European Commission on the supply-side challenges facing the UK and other EU economies (speakers included Gianmarco Ottaviano from the LSE and Peter Stephens from the Department for Business, Innovation & Skills). We also hosted



a discussion in Brussels on the use of scientific evidence in EU policy-making with Anne Glover, the then chief scientific advisor to the president of the European Commission, and Geoff Mulgan, chief executive of Britain's Nesta.

The CER's annual economic conference at Ditchley Park in November brought together a high-powered group of economists, policy-makers and commentators to discuss these issues. The conference focused on the extent to which Europe's economic stagnation was a cyclical phenomenon or a structural problem. The broad conclusion was that, although there were structural shifts underway (such as population ageing and globalisation) that were

aggravating the challenges facing Europe, much of the weakness of the European economy could be traced to policy choices made by eurozone governments and the ECB.

Participants included commissioners Almunia and Andor; Marco Buti, the Commission's director-general for economics; Andrea Enria, chairman of the European Banking Authority; Paul Tucker, former deputy governor of the Bank of England; Jeromin Zettelmeyer, chief economist at the German economics ministry; and economists such as Charles Goodhart, John Kay, Zanny Minton-Beddoes, Henrik Enderlein, Jean Pisani-Ferry, Richard Portes and Gavyn Davies.

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ABOVE:  
Peter  
Mandelson

*Launch of the  
final report  
of the CER  
commission  
on the UK  
and the EU  
single market,  
London*

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## The economics of Brexit

A second major theme of the CER's economics work in 2014 was to analyse the economic impact of a possible 'Brexit'. In May 2013 we had set up a commission to examine the economic consequences of leaving the EU, and its final report was published in June 2014. The commissioners included Martin Wolf, Lord Mandelson, Sir Richard Lambert, Wendy Carlin, Paul De Grauwe, Jonathan Portes, Sir Mike Rake and Mariana Mazzucato. They heard evidence from various experts on the impact of Brexit on each of the 'four freedoms' of the single market: goods, services, capital and labour. John Springford acted as the commission's secretary.

The final report, written by John, Philip Whyte and myself, argued that the EU's single market rules did little to hold back Britain's economy or

to limit its trade with fast-growing economies outside Europe. The report found that trade, investment and financial flows between Britain and the continent were much larger than would be the case if the single market did not exist. Immigration from the rest of the EU had raised Britons' wages and improved the public finances, since EU migrants paid far more in tax than they received in public services or benefits. And the freedom to move to other EU member-states was a right enjoyed by over 1.8 million Britons. Upon leaving the EU, Britain would face a difficult dilemma: should it seek maximal access to the European single market, but with zero influence on the rules that govern it (on the model of Norway)? Or should Britain seek freedom from EU rules, but thereby gain only limited access to the market? Given that both



ABOVE:  
Charles Grant  
and Joaquín  
Almunia

*Dinner on 'Is  
EU competition  
policy fit for  
a globalised  
world?'*  
Brussels

options are unpalatable, the report concluded that remaining in the EU was strongly in the UK's interest.

The commission's final report was based upon three interim reports written by CER researchers: 'Is immigration a reason to leave the EU?', by John Springford, published in October 2013; 'The Great British trade-off: The impact of leaving the EU on the UK's trade and investment', by John and myself, in January 2014; and 'The consequences of Brexit for the City of London', by John and Philip Whyte, in May. Together with the final report, these pieces were the most cited CER publications of the year, discussed by reporters and columnists in the *Financial Times*, the *Guardian*, the *Daily Telegraph*, the *Wall Street Journal*, *Forbes*, the *Irish Times*, *Project Syndicate* and the *Scotsman*, as well as in Bloomberg and Reuters. At the launch event Peter Mandelson and Conservative MP Jesse Norman spoke alongside economists Martin Wolf, Roger Bootle and Mariana Mazzucato.

argued that leaving an unreformed EU would be preferable to the status quo, despite the report containing no evidence for this assertion. And by using UN trade cost data in 'Would Britain's trade be freer outside the EU?' John showed that the only economic region with which Britain's costs of trade had significantly fallen in the last two decades was Europe – another piece of evidence that access to the single market is of great importance to the UK. By contrast, Canada and Australia's free trade agreements with the US had had little impact on the Americans' cost of trade. The UK would find it difficult to make up for lost market access in Europe with free trade agreements elsewhere, if it left the EU.

Simon Tilford

*“The UK would find it difficult to make up for lost market access in Europe with free trade agreements elsewhere, if it left the EU.”*

The CER's approach to the Brexit question has been to try to inject some empiricism into an increasingly ideological debate. In 'Johnson, Lyons and policy-based evidence making', John Springford criticised a report by Boris Johnson's economic advisor, Gerard Lyons, which had



# The CER's work on foreign and defence policy

by Ian Bond

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EU foreign policy could point to some successes in 2013, with the interim agreement on Iran's nuclear programme, and the normalisation of relations between Serbia and Kosovo, which led to the start of accession talks between Brussels and Belgrade. By contrast, 2014 was a year of tension in the EU's neighbourhood, both east and south. The prolongation of the interim agreement with Iran in November was as close as the EU came to a foreign policy achievement. Russia's intervention in Ukraine and its aggressive posturing towards EU member-states, as well as the rise of the Islamic State, led to a narrowing of Europe's focus to problems on its own borders; though important things also happened in Asia, most of Europe was not paying attention.

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ABOVE:  
Carl Bildt

*Roundtable on  
'The UK-EU  
relationship'  
and 'The future  
of Ukraine',  
London*

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## Russia and the EU's Eastern Neighbourhood

When the year started, President Viktor Yanukovich of Ukraine was still resisting demonstrators demanding that he sign the association agreement with the EU. By the time Sweden's then foreign minister Carl Bildt spoke about the future of Ukraine at the CER in March, urging greater Western efforts to stabilise the country, Yanukovich had fled Kyiv, pro-EU interim authorities had taken power

and Russia was in the process of annexing Crimea. I warned in an insight after the flight of Yanukovich that Russia risked making a bad choice in seeking to destabilise the new authorities in Kyiv rather than working with them. By the end of 2014, with Crimea proving to be a financial burden on Russia, and Ukrainians more pro-EU and pro-NATO than ever before, Putin's error was clear.



The seizure of Crimea was a watershed moment in Europe's history. For the first time since the end of the Second World War, one European country had annexed another's territory. That action and Russia's subsequent involvement in the Donbas violated several international agreements to which it was a party, and forced the West to reappraise its relations with Moscow. The EU surprised Russia, and perhaps itself, by imposing several rounds of sanctions, starting in March with visa bans and asset freezes on individuals associated with the move into Crimea.

*“For the first time since the end of the Second World War, one European country had annexed another's territory.”*

In April, my policy brief, 'The EU and Russia: Uncommon spaces', argued that two decades of EU efforts to make Russia more European had failed, and that it needed a more hard-headed approach to defending its interests and values in dealing with Russia. Launch events in London (with Sir Andrew Wood, former British ambassador to Russia) and in Brussels (with Vincent Degert from the European External Action Service and Heather Grabbe from the Open Society European Policy Institute) showed broad support for the idea that the EU should enforce its own rules in trading and other relations with Russia, rather than treat it as a special case.

The West's policy on Russia was a key theme of our Daimler Forum, which met in Paris in May, bringing together senior British, American, French and German officials and think-tankers. They agreed that the principle that borders cannot be changed through referendums organised unilaterally was crucial for Central Asia and the Balkans; and that the West needed to do more to counteract the propaganda emanating from Russia. A Russian commentator told the forum that Putin's actions in Ukraine were being driven, in part, by the weakness of the Russian economy. But the conflict was creating a vicious circle, further weakening the economy, leading to more pressure for populist wars.

Ukraine was also an important issue at the Polish-British roundtable organised by the CER, Chatham House and the Polish think-tank demosEUROPA, in Kraków in June. Those taking part – including Britain's universities minister David Willetts, and Poland's Europe minister Piotr Serafin – debated whether sanctions on Russia should be expanded; what Vladimir Putin's aims

were in Ukraine and in Europe; and what could be done to support Ukraine.

Participants at both the Daimler Forum and the Kraków roundtable foresaw the need to reassure allies that NATO would stand by them; this became an increasingly important issue in the run-up to the NATO summit in Wales in September, as the active involvement of Russian forces in Ukraine, and threatening military activities near NATO borders, made the Baltic states more and more nervous. Ahead of the summit, the CER organised a dinner discussion with the then British defence minister Andrew Murrison, at which there was a strong sense that European states needed to do more, and to show that they were doing more, for their own defence.

At the foreign policy forum that the CER and demosEUROPA organised in Warsaw in September, which took place a few days after the NATO Summit, participants argued that the conflict in Ukraine should be the key driver for Europe's future defence plans, rather than the situation in the Middle East; they also despaired that the EU lacked the tools to prevent crises such as that in Ukraine. Some thought that Ukraine would in the long run be better off without the Russia-leaning Donbas. The viewpoints of two speakers – Poland's then foreign minister, Radosław Sikorski, and Germany's political director, Hans-Dieter Lucas – was less divergent than would have seemed possible a year previously.

The need for more European defence co-operation was a key theme at a roundtable which the CER organised in Brussels in October with France's Institut français des relations internationales, as part of the Franco-UK Defence Forum (which is run by a cross-Channel consortium of think-tanks). Speakers included Sir Peter Ricketts, the British ambassador in Paris, and Marcus Rantala, state secretary in the Finnish defence ministry. The meeting looked at the contrasting approaches of Franco-British bilateral co-operation and the regional framework of Nordic Defence Co-operation (NORDEFECO). The discussion underlined that as long as different regions of Europe had different perceptions of the security threats they faced, it would be easier for them to work in regional groupings than as a unified whole. There were also evident French concerns that Britain's interest in Nordic co-operation could weaken its commitment to Franco-British ventures.

When the Daimler Forum met for a second time, in Washington in November, it was clear that the situation in Ukraine was (at best) likely to result in a prolonged frozen conflict, though open



warfare could not be ruled out. The European and American participants – who included American officials Victoria Nuland and Charles Kupchan, and European officials Thomas Bagger and Justin Vaïse – discussed different ways of supporting Ukraine. One American worried about Russian webs of influence throughout the EU – for example in infrastructure projects, banks, media organisations and political parties – and thought that Europeans should be more concerned.

By the end of 2014, Ukraine had a newly-elected parliament and a coalition government. The ceasefire in the east, though very fragile in some places, was generally holding. But as Charles Grant wrote in an insight from Kyiv in September, and I wrote in another one after the October elections, the Ukrainian state remains alarmingly weak. It needs more support than Western

governments have hitherto felt able to offer. We wrote that the weaker Ukraine becomes, the more likely Russia is to interfere.

Whatever happens in Ukraine, the EU's neighbourhood policy clearly needs a shake-up – both for the east and the south. The enlargement and neighbourhood commissioner, Štefan Füle, chose the CER as the venue for his last event before stepping down. Füle gave a frank assessment of what had gone wrong, notably the EU's difficulty in crafting and sticking to policies that were consistent both with European interests and European values. He called for more support for democratisation, and better communication to neighbouring countries of the benefits of partnership with the EU; but he also backed attempts to forge a relationship between the EU and the (Russian-led) Eurasian Economic Union.

ABOVE:  
Štefan Füle and  
Charles Grant

*Roundtable  
on 'The  
future of the  
EU's Eastern  
Partnership  
and the  
European  
Neighbour-  
hood Policy',  
London*

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## The Middle East

The focus on the conflict in Ukraine obscured for some time the rise of the terrorist group Islamic State in Iraq and Syria. Discussions at the Daimler Forum in November revealed a difference of emphasis between Europeans and Americans. The sessions on Iraq and Syria – with speakers including the National Security Council's Philip Gordon, US Deputy National Security Adviser Tony Blinken and the UK Deputy National Security Adviser Hugh Powell – suggested that while the Americans see the fight against Islamic State mainly in relation to regional security (particularly in Iraq), the Europeans, though willing to act against Islamic State in Iraq, were primarily concerned about

the risk to their own security from returning jihadis.

A recurrent question at the Daimler Forum for over a decade has been the Iranian nuclear talks. In November we discussed whether tactical co-operation between the West and Iran over Islamic State would encourage a nuclear deal by showing that they shared certain interests; or obstruct a deal, by suggesting to the Iranians that they could barter support in fighting Islamic State for more concessions on nuclear issues. These subjects were discussed in a series of shorter pieces by Rem Korteweg, which concluded, correctly, that the interim nuclear

agreement was likely to be extended, and that the longer the talks continued, the stronger would be the West's negotiating position, given Iran's continuing economic decline.

*“Japanese policy-makers saw parallels between Russian expansionism in Eastern Europe and Chinese moves in the South and East China Seas.”*

The many problems facing the Middle East were the focus of the Bodrum roundtable, organised by the CER with the Turkish think-tank EDAM in October. Turkish and European officials and experts found it easier to identify the threats than suggest workable solutions. For instance, for Turkey, both Islamic State and the PKK Kurdish terrorist group pose huge security challenges, but the PKK's Syrian affiliate is one of

the few groups able and willing to fight Islamic State effectively. The battle between Kurdish fighters and Islamic State for Kobani, a stone's throw from the Turkish border, divided the Turkish participants; some wanted the Turkish government to do more to help the Kurds defending the town.

With so many other intractable conflicts in the Middle East, US Secretary of State John Kerry might have been forgiven if he had neglected the Israel/Palestine peace process; but he gamely struggled to bring the two sides closer together. His work was fruitless: in July and August Israeli operations in Gaza killed more than 2000 Palestinians, in retaliation for rocket attacks (more than 60 Israeli soldiers were killed). The arrival at the CER of Yehuda Ben-Hur Levy, a young Israeli researcher who has started to write pieces on Europe's troubled relationship with Israel, was therefore timely.

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## Asia

In any other year, events in Asia might easily have dominated foreign policy discussions. China's assertive policy in the South and East China Seas made life uncomfortable for its neighbours. In May, it placed a drilling rig in disputed waters near Vietnam; this led to riots in Vietnam in which Chinese nationals were attacked. In the same month, Chinese and Japanese aircraft came dangerously close to each other near disputed islands in the East China Sea.

At the Daimler Forum in May, US and European officials – including the NSC's senior director for Asia, Evan Medeiros, and the Foreign Office's permanent under secretary, Simon Fraser – had a similar analysis of China's new assertiveness and the risks to regional stability. But there were differences over whether Europe was attaching excessive importance to economic concerns as against its interest in international law and security. In an article for the CER bulletin in June, Rem described how Japanese policy-makers saw parallels between Russian expansionism in Eastern Europe and Chinese moves in the South and East China Seas; he underlined the need for European countries to take Japan's worries about China more seriously, given Japan's support for EU foreign policy goals elsewhere.

The CER tackled broader aspects of Europe's role in Asia in a policy brief by Rem, 'A presence farther east: Can Europe play a strategic role in the Asia-Pacific region?' He argued that Europe's important economic relations with countries in East and South-East Asia were

threatened by increasing tensions in the region, and that the EU should contribute more actively to finding a peaceful resolution to disputes in the South and East China Seas. Europe should put together a co-ordinated agenda for increasing regional stability: the UK and France should use their military ties, Germany its economic weight and the EU as a whole its experiences of reconciliation, regional integration and conflict prevention.

China's place in the international system also came under scrutiny in the context of poor relations between the West and Russia. President Putin's visits to China in May and November were intended to underline that Russia could (like the US) 'pivot' to Asia and turn its back on Europe. China and Russia signed a long-term agreement in May on the supply of Russian gas; but as Rem and I pointed out in an insight, China seemed to have driven a hard bargain, and it would be a long time before Russia saw any profits from the deal. Overall, China seems to have played its hand well, earning Russian gratitude for opposing sanctions and refraining from overt criticism of Russian actions, while avoiding any suggestion that it supported the annexation of Crimea.



Ian Bond

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# CER longer publications 2014

## **The Great British trade-off: The impact of leaving the EU on the UK's trade and investment**

policy brief by John Springford and Simon Tilford  
*January 2014*

## **The EU and Russia: Uncommon spaces**

policy brief by Ian Bond  
*April 2014*

## **The green benefits of Britain's EU membership**

policy brief by Stephen Tindale  
*April 2014*

## **The consequences of Brexit for the City of London**

policy brief by John Springford and Philip Whyte  
*May 2014*

## **The economic consequences of leaving the EU**

report by John Springford, Simon Tilford and Philip Whyte  
*June 2014*

## **How to finish the euro house**

report by Phillipe Legrain  
*June 2014*

## **A presence farther east:**

### **Can Europe play a strategic role in the Asia-Pacific region?**

policy brief by Rem Korteweg  
*July 2014*

## **Twelve things everyone should know about the European Court of Justice**

report by Hugo Brady  
*July 2014*

## **International climate negotiations should focus on money, not targets**

policy brief by Stephen Tindale  
*September 2014*

## **Unlocking Europe's capital markets union**

policy brief by Hugo Dixon  
*October 2014*

## **Is Europe's economic stagnation inevitable or policy-driven?**

report by Christian Odendahl and Simon Tilford  
*December 2014*





# CER events 2014



**15 January**  
 CER/Kreab Gavin Anderson breakfast on 'Is EU competition policy making us less competitive?'  
*with Alexander Italianer, Brussels (top left)*



**16 January**  
 Roundtable on 'Can Cypriot energy hopes match expectations?'  
*with George Lakkotrypis, London*



**30 January**  
 Dinner on 'Is eurozone governance fit for purpose?'  
*with Benoît Cœuré, London*



**11 February**  
 Breakfast on 'Is the global financial system more stable than it was in 2008?'  
*with Sir Jon Cunliffe, London (second from top, left)*



**12 February**  
 Allianz-CER European forum dinner on 'What should the EU do to reduce unemployment?'  
*with László Andor and Jean Pisani-Ferry, Brussels*

**19 February**  
 Roundtable on 'Prospects for the eurozone'  
*with Mario Monti, London*

**27 February**  
 CER/Kreab Gavin Anderson breakfast on 'The political future of the EU and the eurozone'  
*with Martin Selmayr, Brussels (middle, left)*

**28 February**  
 Roundtable to launch 'Challenges for European Foreign Policy in 2014'  
*with Daniel Keohane, London*

**5 March**  
 Launch of CER report 'How to build a modern European Union'  
*with a keynote speech by Nick Clegg MP and panellists including George Eustice MP, Matthew Elliot, Timothy Garton Ash, Margot James MP (second from bottom, left), Lord Kerr, Caroline Lucas MP, Almut Möller and Gareth Thomas MP, London*

**12 March**  
 Roundtable on 'The UK-EU relationship' and 'The future of Ukraine'  
*with Carl Bildt, London*

**7 April**  
 Dinner on 'The future of Europe's single market'  
*with Jonathan Faull, London*

**9 April**  
 CER/Kreab Gavin Anderson breakfast on 'What priorities for EU energy policy in 2014?'  
*with Dominique Ristori, Brussels*

**8-9 May**  
 CER/SWP/Brookings Daimler US-European Forum on global issues  
*speakers included Carl Bildt, Simon Fraser and Evan Medeiros, Paris*

**12 May**  
 Roundtable on 'Is the emerging markets success story over?'  
*with John Calverley and James Mackintosh, London*

**20 May**  
 London launch of CER policy brief 'The EU and Russia: Uncommon spaces'  
*with Sir Andrew Wood, London*

**22 May**  
 Breakfast on 'Is the West condemned to economic stagnation?'  
*with Stephen King, London*

**28 May**  
 CER/Kreab Gavin Anderson breakfast on 'What the results of the European elections mean for Parliament and the European Union'  
*with Klaus Welle, Brussels (bottom left)*

**29 May**  
 Launch of 'The euro crisis and its aftermath'  
*with Jean Pisani-Ferry and John Peet, London*

**30 May**  
 Roundtable on 'The European elections: Consequences for the EU and the UK'

*a panel discussion with Catherine Fieschi and Nick Watt, London*

**2 June**

Brussels launch of CER policy brief 'The EU and Russia: Uncommon spaces' with Vincent Degert and Heather Grabbe, Brussels

**5-6 June**

CER/Chatham House/demosEUROPA Polish-British roundtable speakers included David Willetts and Piotr Serafin, Kraków

**10 June**

CER/Kreab Gavin Anderson breakfast on 'Italian priorities for EU reform' with Stefano Sannino, Brussels (top right)

**11 June**

Launch of the final report of the CER commission on the UK and the EU single market with a keynote speech by Lord Mandelson and panellists including Roger Bootle, Mariana Mazzucato, Martin Wolf and Jesse Norman MP, London

**18 June**

Dinner on 'The future of NATO and European defence co-operation' with Andrew Murrison MP, London

**23 June**

Allianz-CER European forum dinner on 'Is EU competition policy fit for a globalised world?' with Joaquín Almunia, Brussels

**24 June**

Brussels launch of CER report 'How to finish the euro house' with Philippe Legrain, Shahin Vallée and Cinzia Alcidi, Brussels

**30 June**

CER 16<sup>th</sup> birthday reception with a keynote speech by The Rt Hon Michael Gove MP, hosted by the Italian Ambassador to the UK, London

**4 July**

London launch of CER report 'How to finish the euro house' with Philippe Legrain and Paul de Grauwe, London

**9 July**

Breakfast on 'Is the EU holding back innovation?' with The Rt Hon David Willetts MP, London (second from top, right)

**10 July**

Roundtable on 'Can the EU make better use of scientific evidence?' with Anne Glover (third from top, right) and Geoff Mulgan, Brussels

**8-9 September**

CER/demosEUROPA forum on 'Europe's foreign policy agenda' with a keynote speech by Radosław Sikorski, other speakers included Pierre Vimont, Peter Hill and Hans-Dieter Lucas, Warsaw

**21 September**

BfB/BNE/CER fringe event at the Labour Party conference: 'Can Britain lead in Europe? Will EU reforms deliver growth and jobs?' speakers included Peter Kellner and Gareth Thomas MP, Manchester

**30 September**

BfB/BNE/CER fringe event at the Conservative Party conference: 'Can Britain lead in Europe? Will EU reforms deliver growth and jobs?' speakers included Vicky Ford MEP and The Rt Hon David Lidington MP, Birmingham

**3-4 October**

Conference on 'Is Europe's economic stagnation inevitable or policy-driven?' participants included Joaquín Almunia, László Andor (second from bottom, right), Marco Buti, Andrea Enria, Paul Tucker, Jean Pisani-Ferry and Jeromin Zettelmeyer, Ditchley Park

**7 October**

BfB/BNE/CER fringe event at the Liberal Democrat Party conference: 'Can Britain lead in Europe? Will EU reforms deliver growth and jobs?' speakers included The Rt Hon Vincent Cable MP and Allister Heath, Glasgow

**7 October**

CER/Kreab Gavin Anderson breakfast on 'How to make the EU more accountable and transparent' with Emily O'Reilly, Brussels (bottom, right)



### 8 October

Keynote speech on 'Smart climate and energy policy'  
with Alexander Stubb, London



### 10 October

Roundtable on 'Franco-British defence co-operation in the broader picture: Going beyond the bilateral dimension?'  
with speeches by Marcus Rantala and Sir Peter Ricketts, Brussels



### 13 October

Roundtable on 'What reforms are possible at national and European level?'  
with Sandro Gozi, London (top left)

### 17-18 October

CER/EDAM 10<sup>th</sup> Bodrum roundtable  
speakers included Carl Bildt, Enrico Letta, Klaus Welle and Kemal Derviş, Turkey



### 23 October

Conference on 'Europe 2020: Priorities for UK growth'  
speakers included Gianmarco Ottaviano and Peter Stephens, London



### 28 October

First meeting of the Amato Group on 'Humane borders: fair movement – Managing European frontiers in line with European values in the post-Stockholm era'  
with António Vitorino, Giuliano Amato and Tobias Billström, London

### 29 October

Roundtable on 'The future of the EU's Eastern Partnership and the European Neighbourhood Policy'  
with Štefan Füle, London

### 6-7 November

CER/SWP/Brookings Daimler US-European Forum on global issues  
speakers included Thomas Bagger, Tony Blinken, Philip Gordon, Victoria Nuland and Hugh Powell, Washington

### 11 November

Breakfast on 'The UK's place within the European Union'  
with The Rt Hon David Lidington MP, London

### 17 November

Lunch on 'Reform in France and in the eurozone'  
with Emmanuel Macron, London

### 18 November

CER/Kreab Gavin Anderson breakfast on 'Poland and the new institutional setup: Challenges and opportunities'  
with Rafał Trzaskowski, Brussels (second from top, left)

### 19 November

Roundtable on international climate negotiations  
with Simon Henry and Amal-Lee Amin (second from bottom, left), London

### 21 November

Roundtable on 'Reforms and growth in Italy and the EU'  
with Pier Carlo Padoan, London (bottom left)

### 11 December

Launch of CER policy brief 'Unlocking Europe's capital markets union'  
with Hugo Dixon and Jo Johnson MP, London



# CER snapshots 2014



ABOVE: Carl Bildt and Kemal Derviş  
*CER/EDAM 10<sup>th</sup> Bodrum roundtable, Turkey*



ABOVE: Charles Grant and Jonathan Faull  
*Dinner on 'The future of Europe's single market', London*



ABOVE: Jo Johnson, Charles Grant and Hugo Dixon  
*Launch of 'Unlocking Europe's capital markets union', London*



ABOVE: Anne Glover, Simon Tilford and Geoff Mulgan  
*Roundtable on 'Can the EU make better use of scientific evidence?', Brussels*



ABOVE: Timothy Garton Ash, Lord Kerr, Charles Grant and Almut Möller  
*Launch of 'How to build a modern European Union', London*



ABOVE: David Lidington and Charles Grant  
*Breakfast on 'The UK's place within the European Union', London*



# Advisory board

**Esko Aho**

Senior Fellow, Harvard University, Consultative Partner for Nokia and former Finnish Prime Minister

**Nick Butler**

Visiting Fellow and Chairman, King's Policy Institute at King's College London

**Tim Clark**

Former Senior Partner, Slaughter & May

**Iain Conn**

Group Managing Director and Chief Executive, Refining & Marketing, BP plc

**Sir Robert Cooper**

Former Counsellor, European External Action Service

**Stephanie Flanders**

Chief Market Strategist for the UK and Europe, JP Morgan Asset Management

**Timothy Garton Ash**

Professor, European Studies, University of Oxford

**Heather Grabbe**

Director, Open Society European Policy Institute, Brussels and Director of EU Affairs, Soros Network

**Paul De Grauwe**

John Paulson Chair in European Political Economy, London School of Economics

**Lord Hannay**

Former Ambassador to the UN and the EU

**Lord Haskins**

Former Chairman, Northern Foods

**François Heisbourg**

Senior Adviser, Fondation pour la Recherche Stratégique

**Simon Henry**

CFO, Royal Dutch Shell plc

**Susan Hitch**

Manager, Lord Sainsbury of Turville's pro bono projects

**Wolfgang Ischinger**

Global Head, Government Affairs, Allianz

**Lord Kerr (Chair)**

Deputy Chairman, ScottishPower and Director, Rio Tinto

**Caio Koch-Weser**

Vice Chairman, Deutsche Bank Group

**Sir Richard Lambert**

Former Director General, Confederation of British Industry

**Pascal Lamy**

Director General, WTO and former European Commissioner

**Philip Lowe**

Former Director General for Energy, European Commission

**Dominique Moïsi**

Senior Adviser, Institut français des relations internationales

**Lord Monks**

Former General Secretary, European Trade Union Confederation

**Christine Ockrent**

Former CEO, Audiovisuel Extérieur de la France

**Michel Petite**

Lawyer of Counsel, Clifford Chance, Paris

**Lord Robertson**

Former Secretary General, NATO

**Roland Rudd**

Chairman, Business for New Europe

**Kori Schake**

Research fellow, Hoover Institution and Bradley Professor, West Point

**Sir Nigel Sheinwald**

Former UK Ambassador to the EU and the US

**Lord Simon**

Director, GDF Suez and former Minister for Trade and Competitiveness in Europe

**Lord Turner**

Former Chairman, Financial Services Authority

**António Vitorino**

President, Notre Europe and former European Commissioner

**Sir Nigel Wicks**

Chairman, British Bankers' Association

**Igor Yurgens**

Chairman, Institute for Contemporary Development, Moscow

# Financial support 2014

Corporate members of the CER included:

**Accenture | AIG Europe Limited | AIRBUS Group UK | American Express | BAE Systems | British American Tobacco | Barclays Bank | Bayer | BG Group | BP PLC | BT PLC | Clifford Chance | Daily Mail and General Trust | Deutsche Bank AG | Diageo PLC | The Economist | EDF | Ford | Goldman Sachs | HSBC | JP Morgan | Kingfisher plc | KPMG | Macro Advisory Partners | Mars | Merifin Capital | Montrose Associates | Nomura | North Asset Management | Prudential | Rio Tinto | Rothschild | Shell | Standard Chartered | Tesco | Vodafone**

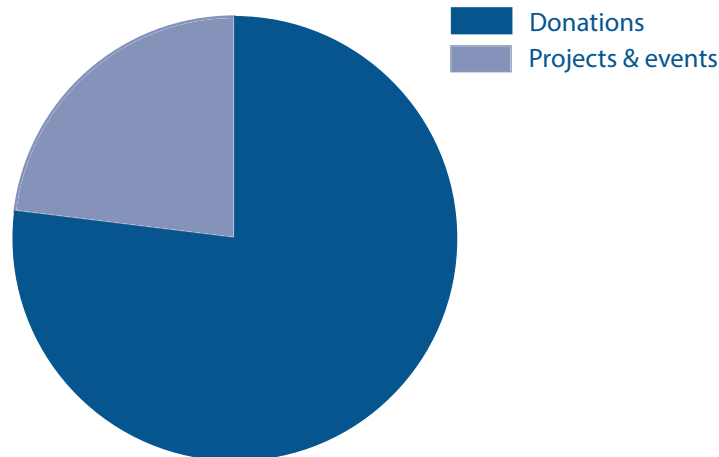
In addition to our corporate members, numerous other companies have supported specific publications, projects and events.

## Financial information

Audited accounts for year ending 31.12.2013

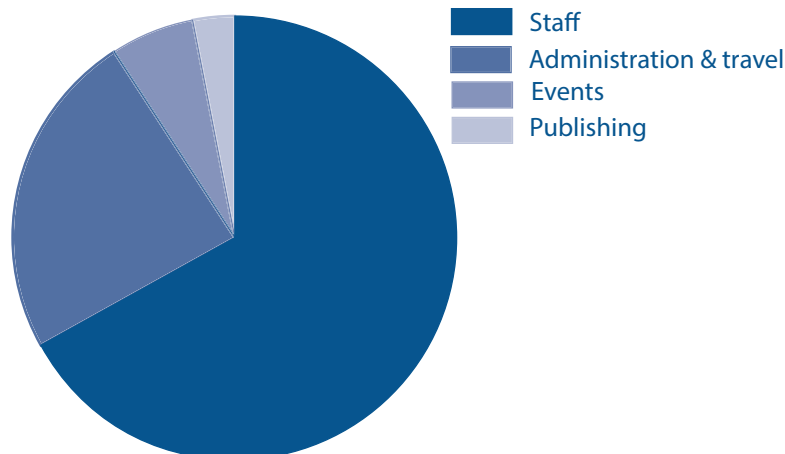
### Income for 2013:

Total £1,191,479



### Expenditure for 2013:

Total £1,249,430



# CER staff 2014

**Charles Grant** is the director. His interests include European institutions, the euro, European foreign and defence policy, Russia and China.



**Simon Tilford** is the deputy director. He focuses mainly on competitiveness, macroeconomics, economic reform and the euro.



**Ian Bond** is director of foreign policy. He specialises in Russia and the former Soviet Union, European foreign policy, Europe-Asia relations and US foreign policy.



**Christian Odendahl** is chief economist. He focuses on macroeconomics, the eurozone, the ECB and Germany. He also covers trade and financial markets.



**Hugo Brady** was a senior research fellow. He specialised in justice and home affairs as well as the reform of EU institutions.



**Rem Korteweg** is a senior research fellow. He specialises in transatlantic, Europe-Middle East and Europe-Asia relations, the geopolitics of energy and security and defence policy.



**John Springford** is a senior research fellow. He specialises in the single market, labour markets, international trade, the economics of migration and fiscal policy.



**Stephen Tindale** is a research fellow. He specialises in climate and energy policy, as well as agricultural policy and the EU budget.



**Agata Gostyńska** is a research fellow. She specialises in EU institutions and decision-making, as well as Poland's European policy.



**Camino Mortera-Martinez** is a research fellow. She specialises in justice and home affairs, and in particular migration, internal security, privacy, criminal law and police and judicial co-operation.



**Yehuda Ben-Hur Levy** is the Clara Marina O'Donnell fellow. The fellowship is aimed at those at the start of their careers who are interested in foreign, defence and security policy.



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**Catherine Hoye** was the director of operations and finance.



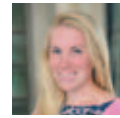
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**Kate Mullineux** is publications manager and website editor. She designs all CER publications and organises their production.



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**Sophie Horsford** is fundraising & operations manager. She is responsible for the day to day management of the CER, particularly finance and fundraising.



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**Susannah Murray** was the events co-ordinator. She also provided administrative support to the researchers and managed the CER's database.



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**Jordan Orsler** is events co-ordinator. She also provides administrative support to the researchers and is PA to Charles Grant.



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**Anna Yorke** is communications & administrative officer. She is responsible for the CER's communications strategy and press enquiries.



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**Lucy Katz** is events intern. She assists in the co-ordination of events, and provides administrative support to the researchers.





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