

Learning the Lessons

In all the discussions on the vast amounts of money injected into the banking industry and the economy by governments in Europe and the United States, and the frighteningly high levels of government debt that many countries, including the UK, are now committed to, there are two key issues on which the debate has hardly begun.

The first is that, as recent experience shows, whatever statutory restraints exist in theory on state aid for failing industries, political and economic expediency often overrides them. This means we must either strengthen the rules to block such assistance or, more pragmatically, be much clearer on when and how states may support companies in trouble.

Public intervention creates a significant additional burden for present and future taxpayers, including the business community, and thus penalises more prudent companies. There are also governance issues when governments inject additional funding and then effectively control the company being rescued.

The British government probably had to intervene when there were systemic risks to the financial sector. But there were no clear guidelines on what constitutes a systemic risk, or the optimum way to deal with it. It prevaricated far too long

before nationalising Northern Rock, compromised the financial stability of one bank to save another – and ended up rescuing both. The US government catastrophically refused to assist Lehman Brothers, but stepped in to support much larger banking institutions, and provided countless billions for the car industry while many small and medium-sized businesses were left to collapse. European governments have also supported companies that are “too big to fail”.

No they're not. It's time for a proper debate. There must be a clear distinction between collective international action to avert global systemic risks to the economic system, and action to preserve national (or local)

continued on page 2...

INSIDE THIS ISSUE OF LINKS

- **Changes at the COBCOE Executive and Public Affairs Commission**
- **COBCOE Regional Groups**
- **New COBCOE Services**
- **COBCOE Training Commission**
- **Chambers' Review**
- **BPCC Annual Conference Special Feature**
- **Brussels Watch** by Andrew Johnson, Vice Chair, COBCOE Public Affairs Commission
- **New VAT Rules** by László Kovács, EU Commissioner for Taxation and Customs Union
- **The Future for Financial Services** by the Lord Mayor of London Ian Luder
- **Europe's Thorny Way out of Recession** by David Marsh, Chairman of The London & Oxford Capital Markets plc
- **Europe's Crowded Agenda**, by John Peet, Europe Editor, The Economist
- **A view from Lord Davies, UK Minister for Trade, Investment and Business**, Department of Business, Innovation & Skills



*Howard Rosen CBE,
COBCOE President*

COBCOE (www.cobcoe.eu) is an independent, not-for-profit organisation representing British chambers of commerce throughout Europe. Acting as an umbrella organisation, we work with our member chambers to advance international trade and business with the United Kingdom. As such, we give a voice to about 8,500 businesses from all sectors of trade and

industry involved in business with the UK. Our aim is to protect and promote the interests of our constituent chambers – and their business members – through representation, cooperation and trade stimulation. To do this, we liaise closely with governments and organisations to ensure that our members' needs and concerns are addressed.

COBCOE represents British Chambers of Commerce in Albania, Austria, Belgium, Denmark, Bulgaria, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, FYRO Macedonia, Norway, Poland, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey and United Kingdom.



Howard Rosen continued from front page:

strategic interests. Otherwise, governments will be seen to support failure, effectively giving large companies in certain sectors a licence to gamble taxpayers' money, creating not just the moral hazard but encouraging commercial myopia.

In addition, much more needs to be done to ensure that systemic risks are carefully defined, effectively minimised, and efficiently regulated. The financial crisis has been as much about regulatory failure as about the greed of individual bank executives.

So it is clearly the proper role of government to provide legislation and legal recourse for investors in, or creditors of, failing companies. Government should have a strong regulatory duty regarding systemic risk (with liability if it does not carry out this duty correctly). But if government must intervene, this does not mean it should take equity stakes and board positions under the mantra of "protecting the taxpayers' interests". This puts the government on both sides of the table: regulating itself and corrupting the commercial governance of the company. Such an approach comes from short-termist political considerations that are bad for business and bad for government.

That leads to the second debate. Governments, as well as businesses, have been guilty for far too long of short-term thinking. Policymakers' newly discovered hero, John Maynard Keynes, may have remarked that in the long term we are all dead. But if we only think short-term, mortality arrives much quicker.

The key lesson from the recent financial and economic crises is that when countries and businesses think short term, analysing and being analysed on a quarterly basis, ultimately there is a huge price to pay. So we need to create business models to encourage more strategic thinking.

For example, company reserves should be tax deductible, corporate and government actual and contingent liabilities must be properly recognised in accounts and not concealed through "off balance sheet techniques"; and there should be tougher tax penalties for over leveraged businesses, with corresponding tax benefits for the well financed ones. This may slow business and government expansion, but the long-term benefits are clear.

Government needs to take the lead by looking critically at its role and actions, bearing in mind that it cannot police private sector compliance when it is itself abusing or neglecting the system, and that short term solutions are part of the long term problem.



Hungarian Prime Minister Gordon Bajnai speaking at the COBCOE CEE Executive Forum



Delegates and Presenters at the COBCOE CEE Forum

peakers included political leaders from the UK and CEE countries, including the then UK, Minister for Europe, the Rt. Hon Caroline Flint MP; the British Shadow Minister for Europe Mark Francois MP; Gordon Bajnai, Hungarian Minister for National Development and Economy (now the Hungarian Prime Minister); Milan Hovorka, Deputy Minister for the Ministry of Industry and Trade of the Czech Republic; Yavor Kuyumdjiev, Deputy Minister of Economy and Energy, Bulgaria, HE Dr Ion Jinga the Romanian Ambassador; HE Iztok Jarc the Slovenian Ambassador and Counsellor-Minister Krzysztof Trepczynski from the Polish Embassy in London as well as top European businessmen and representatives from various European development agencies.

Chamber of the Year Awards 2009

Congratulations to the British-Romanian Chamber of Commerce which became our Chamber of the Year 2009. The Franco British Chamber was awarded the Best Sponsorship Achievement Award, the British Swiss Chamber won the Best Membership Development Award, the British Chamber of Commerce in the Czech Republic won the Corporate Social Responsibility Award and the British Chamber of Commerce in Spain won the Best Event Award. The awards were handed out at the COBCOE Gala dinner by Guest of Honour Sir Andrew Cahn, Chief Executive UK Trade & Investment, and COBCOE Vice President David Crackett.



COBCOE Gala Dinner 2009; the winners of the Chamber of the Year Awards

**CENTRAL EUROPE
IN FOCUS CONFERENCE**
London, 25th March 2009

This COBCOE Executive Forum, organised in cooperation with the British Polish Chamber of Commerce and the COBCOE Carpathian Group, was a great success with delegates attending from various parts of Continental Europe as well as from the UK.

The forum took an in-depth look at commercial, trade and investment opportunities in Central and Eastern Europe.

Art, Business and Money - How did they interact?

Now is an excellent time to buy art concluded speakers at the "Art, Business and Money" seminar held in Basel on 11th June to coincide with the world-famous Art Basel event. The provocative discussion was organised by the British Swiss Chamber of Commerce, together with COBCOE and the British Chamber of Commerce in Germany. The unusual event featured the provocative views of Simon de Pury, the Basel-born but highly international Chairman of the auction house, Phillips de Pury; Leonard Bullock, an American artist now living in Basel; and Victoria Preston, the British-born Deputy Director of the Kunsthalle in Geneva. The event was moderated by Howard Rosen, CBE, President of COBCOE.

Although art is certainly a business and is often reliant on business for money, all speakers referred to the need for an emotional response on the part of the viewer for art to truly fulfil its purpose. Individually and collectively, our



Panelists at the Art, Business and Money Seminar

panelists confirmed that the most successful collectors and investors in art do not purchase for rational purposes alone. Many investors, individual and business, have not been willing to sell at the "top of the market" because they simply cannot bear to part with a beloved opus.

For those of you with money to spare, our speakers felt that the time is right to buy

art! Whilst the commercial value of a piece of art is often seemingly arbitrary and subject to considerable fluctuation, high prices generate excitement and stimulate interest in art. Pricing is also under pressure because of a new transparency in the art market, much of which is due to the internet transforming the way in which art is traded and accessed. Due to the limited time available, the implications of this were barely touched on and this is likely to be a major topic for our next "Art, Business and Money" seminar, scheduled for June 17, 2010, to coincide with Art Basel 41.

Changes in the Executive Committee

Howard Rosen was re-elected as COBCOE President at the last COBCOE AGM. Jeremy Jennings retired at the AGM as Vice President, but remains as Treasurer and a member of the Executive. David Thomas and David Crackett have both been elected as Vice Presidents.



Mariano A. Davies

Mariano A. Davies, the President of the British Chamber of Commerce in Denmark (BCCD) and Catherine Le Yaouanc, General Manager of the Franco-British Chamber of Commerce & Industry (FBCCI) were elected to the Executive.



Catherine Le Yaouanc

Mariano was the founding Chairman of the British Chamber of Commerce in Denmark. Catherine, a key participant at COBCOE meetings for many years has transformed the FBCCI into one of the most dynamic foreign chambers in France.

In July, Michael B. Humphreys and Gergely Mikola were also co-opted onto the COBCOE Executive.



Gergely Mikola

Michael has extensive experience on various aspects of EU policy as a senior member of the diplomatic section of the European Commission. He is also a certified accountant.



Michael Humphreys

Gergely is Director of Corporate Affairs with Provident Financial in Budapest and has been Chairman of the British Chamber of Commerce in Hungary since 2008. He is also a member of the COBCOE Public Affairs Commission.



Exclusive COBCOE Special Offer on Hotels in the UK for officers and members of COBCOE Chambers



COBCOE has entered into an agreement with the Radisson Edwardian Hotels which will give its member Chambers and their members a special deal at the group's hotels in the UK.

Under this exclusive arrangement you can book rooms at some of the best hotels in London and Manchester at the hotels' "best available rates" less 10%. In addition, COBCOE customers are entitled to the following additional privileges:

- Complimentary wireless access
- One complimentary drink voucher per guest per stay
- 20 % discount for in-hotel restaurant dining (room service & bar excluded)
- VIP services available at all Radisson Edwardian Hotels
- Complimentary bottle of mineral water and newspaper
- Complimentary access to hotel gym/fitness room and business lounge
- Complimentary upgrade to the next available room type upon check in subject to availability
- Frequent flyer points

Eligibility:

These privileges are open to:

- Officers and employees of COBCOE and their member organisations
- Companies and other entities which belong to a COBCOE member and their employees and officers
- Others authorised by COBCOE
- plus in each case respective family members.

Reservations:

To book your rooms and to view all special privileges as well as the applicable terms and conditions, just visit: www.radissonedwardian.com/cobcoe

At the same time, the commission is planning to offer all COBCOE chambers the possibility of soft selling certain relevant third party training services that could result in better perceived COBCOE value within chamber membership and useful revenue. As this service develops and individual chambers are able to provide feedback, the training commission will gain experience in how and which services to grow in an individual, regional and pan-European chamber context.

Some chambers already offer other chambers (and not necessarily just British chambers) mentoring services. The Training Commission intends to develop its own mini web area within the COBCOE members' area on the COBCOE web site, where such mentoring and other services, guidelines, any best practice summary information (via a standard template) and other information will be available for easy access.

Mariano A. Davies

COBCOE Training Commission Chairman



Directors' Training Seminar with Peter Byrne last March in London

COBCOE Annual Conference 2010

We have provisionally set the date for the 2010 Annual Conference as Tuesday, 23rd March with the Gala Dinner taking place that evening. In addition, we are also planning a half-day Training Seminar for chamber directors to take place in the afternoon on Monday, 22nd March.

Please mark these dates in your diary now and we will be announcing further details during the course of the year.

Would you like to help the British Business Community in Europe?

COBCOE is always on the lookout for bright students or experienced businessmen who would like to contribute their time to be part of COBCOE's dynamic development, either working in the COBCOE London office or from remote locations. If you are interested in working with us and the British business community across Europe, either on a temporary or permanent basis, then please write to the COBCOE President, Howard Rosen at howard.rosen@cobcoe.eu with a copy of your CV and giving the dates when you could be available to work for us.

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www.lentabusinesscentres.co.uk

The British-Polish Chamber of Commerce

www.bpcc.org.pl

British Polish Chamber of Commerce 6th Annual Conference offered responses to economic downturn



BPCC chairman David Thomas welcomed delegates to the Conference on 20th April 2009. Its slogan – “Creating a better business environment” – was reflected by the event's diverse programme, designed to give delegates the opportunity to gain useful insight and ideas for optimising their businesses and to provide input for policy change in removing barriers to business in Poland.



HMA Ric Todd opening the conference

British Ambassador HE Ric Todd officially opened the event with a strongly upbeat outlook for Poland. Setting the scene for the rest of the day, a panel of well-known chief economists representing BPCC member companies, moderated by Jan Cienski, the Financial Times' Warsaw correspondent, debated the prospects for Poland's economy. Witold Orłowski from PricewaterhouseCoopers, and Wiesław Szczuka, Maciej Reluga and Marcin Mróz representing BRE Bank, BZ WBK and Fortis Bank respectively, concluded that this year, Poland could expect GDP growth of between 0% - 1%, while next year, growth of between 1% and 1.5% would be possible; faster growth is not realistic. Opinions were also shared that Poland would not slide into recession – but if it did so, it would not be a deep one.

Although the Polish government is often criticised for not taking active measures to meet the challenges of crisis, panellists stressed that this is due to a carefully chosen communication strategy on the part of the Ministry of Finance. The government realises how serious the situation is and tries to use all the tools it has to ease the economic situation and steady foreign investors' nerves. Poland is one of the last EU economies to show positive GDP growth. Joining the eurozone would have been beneficial for Poland in 2008, but economists stressed that in the current uncertain economic climate entering the Exchange Rate Mechanism now might pose a risk to Poland's performance.

Michael Dembinski, the BPCC's head of policy, opened the second

panel discussion about how the recession will affect foreign investment in Poland with an overview of current trends. While investors already in Poland are expanding their presence in the Polish market. “yet we're not seeing newcomers. Businesses that know Poland can see it's worth increasing their investments here, but those outside are saying ‘this is not the time’,” he said.

According to Barbara Nowakowska, director of the Polish Private Equity Association (PSIK), there was interest among private equity funds active in the Polish market in acquisition of Polish companies which need growth financing. “Funds have at least €3 billion to invest. What's holding the process back, however, is a gap in valuations. Owners are slowly accepting the idea that their companies are not worth what they were back when the market was booming.”

Marek Czarny, a partner at Wierzbowski Eversheds saw interest among foreign investors in infrastructure projects in Poland. “The Euro2012 football championships are a high profile event but renewable energy and environmental protection are enticing areas for investors, with EU funds being an important factor”.

Adam Kostrzewa, a partner at TPA Horwath called for greater legislative and administrative predictability if Poland is to make the most of the opportunities offered by the downturn. Investors bailing out of rapidly-contracting economies to the east are also relocating their investments in Poland, which is seen as a safer option yet one which can still offer cost advantages over western Europe.

Agata Meżyńska, a director at Polish inward investment agency PAIIZ, told delegates that the agency is focused on positioning Poland as a place for locating outsourced services. “January 2009 was a record month for foreign direct investment, she said, with €1.5 billion coming into the country,” she said.

A topic that has become of great interest to members is participation in public-sector infrastructure projects. The new law on



BPPC Chairman David Thomas welcomes guests



The most recent event organised by the BCCCR was a "Women in Leadership" conference. Inequality between the sexes with regard to management positions in business remains an issue and this was addressed by the Chamber last June. Working together with partners US Business School Praha, the BCCCR organized a highly successful conference, followed by a workshop, on "Women in Leadership".

The event was attended by 100 key representatives of member companies and their business partners as well as delegates from government, financial and trade institutions in the CR and UK and leading Czech and International companies.

The BCCCR have various events planned for future months. In autumn 2009, BCCCR members will have a unique chance to form a team of 6-10 players and enter the Sue Ryder Sparta Cup to win a football match with a celebrity team in the final.

Our "Entropa" evening, an unusual art and networking mixer is open to all and will take place at DOX – the Centre for Contemporary Art, Prague. This evening is organised together with the French-Czech Chamber of Commerce, the German Chamber of Commerce and Industry and Italian-Czech Chamber of Commerce, and we are sure that it will be a repeat of last year's successful gathering.

Finally the "Svatovaclavsky Turnaj" golf tournament should not be missed. It will be held on September 23rd together with sponsors, the HRG company.

Danish-UK Chamber of Commerce

www.ducc.co.uk



DUCC Fashion Event 2009

announce that our first speaker, Courtney Fingar, Editor of fDi (Foreign Direct Investment) Magazine, will make the introductory Women's Forum speech on 28th September 2009.

A DUCC hosted fashion event took place in September in London entitled "Business in Fashion: What are the key drivers that make a fashion company survive in the UK Market and why does the city not play a role?"

The recent positive news that women are advancing and taking an ever-increasing percentage of leading positions and board memberships in companies prompted us to take the initiative to start a DUCC women's forum. The idea behind the Women's Forum is to bring together women from the Anglo-Nordic business world who wish to expand their network. Meetings will be held 4-6 times a year and with various themes reflecting on current issues or interests from members. We are pleased to

Finnish British Trade Association

www.fbta.fi



Membership of the FBTA has grown steadily during 2009 and we have stepped up our level of activities.

2009 began with a luncheon meeting held at the British Embassy. Our guest speaker was Pekka Lundmark, President and CEO of Konecranes who shared his experience of operating in the UK and the challenges of globalisation. At our AGM, Ole Salvén, Group Executive Vice President of Metsäliitto Corporation, Wood Products Industry, commented on Finnforest and its' UK business experience.



FBTA AGM: Presentation by Ole Salvén on his experience of doing business in the UK

In addition to our own events, we also continued our co-operation with UK Trade and Investment by jointly holding another regional event outside Helsinki. Our members had the opportunity to join a Hi-tech business breakfast in Oulu, a city well known for its hi-tech industry focus in Northern Finland.

Prior to the summer break we initiated a visit from Think London who came to Helsinki to explain to our members how they can take advantage of the trade opportunities presented by the London Olympics 2012. LOCOG, the London 2012 Organising Committee, joined by webinar and answered members' questions directly.

Franco-British Chamber of Commerce & Industry

www.francobritishchamber.com



The chamber's annual summer garden party was held in June in the gardens of the British Embassy in Paris. 250 guests joined us to celebrate the start of the summer and the event marked the end of a very busy first semester. The reception was sponsored by International Business Wales and HSBC. The British Ambassador, HE Sir Peter Westmacott, joined us and said a few words. Our President, Simon Gillham, thanked Sir Peter



Annual Summer Garden Party in Paris



BCCI President David Crackett watches the speaker at the Chamber's Business Lunch in May

Our speaker used humour and wit to outline the main cultural differences between these two nations, drawing on his ten years of experience as Italian correspondent in London for RAI, the Italian state broadcaster. He then engaged with the audience in an interesting and lively discussion on the unique relationship between Italy and UK.

Continuing its close cooperation with other foreign chambers BCCL has introduced a series of business-oriented joint business lunches featuring Lithuanian Government representatives. Prime Minister Andrius Kubilius, Minister of Finances Gediminas Semeta, Minister of Transport and Communication Eligijus Masiulis, Minister of Energy Arvydas Sekmokas & Minister of Foreign Affairs Vygaudas Usackas were invited to present their views and enter discussions on various matters with members and guests of the fellow chambers.

British Chamber of Commerce for Luxembourg



www.bcc.lu

Back in January, the chamber took steps to address members' concerns about the economic crisis by inviting Luc Frieden, Luxembourg's Minister of Justice, Treasury and Budget, to speak on "Luxembourg and the Financial Crisis: risks and opportunities".

In May, the Secretary General of FEDIL (Business Federation of Luxembourg) gave a presentation also related to the financial crisis, entitled "The Energy Market: the current situation and perspectives beyond the economic crisis".

Upcoming changes to company law, which plays an important role in Luxembourg's competitiveness, were the subject of a presentation in February - in particular the introduction of a more flexible new company structure, the SAS.

Many issues relevant to the private lives of our expatriate members were explored in a forum on "Marriage, Divorce and Inheritance: Luxembourg and cross-border; and a comparison between the Luxembourg and UK health systems".

Four new chamber sub-committees were created this year: Financial Services, Human Resources and Training, Media and Technology, and Taxation and Regulatory. The Media and Technology sub-committee has already organised a forum "Towards a Changing World in the Digital Age: how dematerialising media and services changes our day-to-day life", with APSI (the Association of Information Society Professionals).

British Chamber of Commerce in Lithuania



www.bccl.lt

2009 is an extremely significant year for Lithuania and for our chamber. Vilnius is European Capital of Culture 2009, coinciding with Lithuania's celebration of the 1,000th anniversary of the first written mention of its' country. Alongside these important moments in Lithuania's history, we are also proud to celebrate the 10th Anniversary of the British Chamber of Commerce in Lithuania.

The 10th chamber traditional annual charity Burns' Night event took place at the end of January, at which we joined people from around the world to celebrate the 250th anniversary of Robert Burns' birth.



HE Valdas Adamkus, President of the Republic of Lithuania at the BCCL 10th Anniversary Reception

220 high profile guests from various countries, naturally including Scotland and Lithuania, enjoyed a magnificent programme. The charity raffle raised 8,500 Litass to support two selected social projects.

Last April, the BCCL held an exclusive reception for members, partners and friends after its AGM in celebration of its 10th Anniversary. We were delighted that Valdas Adamkus, President of the Republic of Lithuania could join us, just as he did almost

10 year ago, when his support was so very important to us and he addressed the reception. President Adamkus thanked the chamber for its excellent accomplishments in uniting and promoting economic ties between the UK and Lithuania.

The chamber also continued its regular programme of monthly breakfast technical briefings (now into its 6th year). A new members' evening, which aims to provide better support for integration of new members and their business activities, took place at the residence of the British Ambassador HE Simon Bull in May.

Towards a Changing World in a Digital Age Forum: Dematerialising the relationship between citizen and government



Upcoming events include the chamber's annual Golf Day and, in October, following a very successful debut in 2008, a Members' Fair, when chamber members can present their businesses.

During our April BRCC business breakfast meeting heard the views of HE Robin Barnett, British Ambassador to Romania on the "Economic Crisis – Challenges and Opportunities for the UK, Romania and for the British Embassy in Bucharest". Mr Barnett presented an overview of the effects triggered by the economic crisis, the way they are felt by investors and on the way in which both the authorities and the business community can try to overcome these difficulties.

In June, the BRCC "EU Funding Opportunities Workshop" provided the chamber's members with up-to-date information regarding EU funding opportunities available in 2009 and provided a practical guide for EU funding application processes.

One of the most important events of the year, is the annual "British Days in Romania Business Dinner" which is combined with the awards ceremony for our photo competition "Romania's Hidden Treasures." The 2009 dinner took place in Bucharest on 30th June 2009.

British Chamber of Commerce in the Slovak Republic

www.britcham.sk



The 2009 AGM of the BCC SR was held on Thursday, 11th June at the residence of HE British Ambassador Michael Roberts. After introductions from our Chairman John Barter and from the Ambassador, Executive Director Livia Eperjesiova gave a presentation of the key events of the past year and the future goals of the chamber.



2009 BCC SR Annual General Meeting

The Board of Directors for the 2009-2010 term was elected and we were proud to welcome Mr. John Barter as Chairperson; Mr. Dalibor Kiselica and Ms. Renáta Proková as Vice-Chairpersons; Mr. Erich Hulman and Mr Rastislav Sadecký as board members.

In addition to the official proceedings of the AGM, members were invited to experience a wealth of wine – wine tasting was provided with thanks to the generous sponsorship of Itella Information.

The chamber would like to thank the 2008-2009 board and our Honorary Member, Mr Tony Lamb, Head of the Commercial Section at UK Trade & Investment, for their hard work and effort throughout the year. We are grateful to Mr Peter Repka and Mr Maros Ožvald as our mandatory representatives at the AGM. Finally many thanks to the Ambassador for his continuing support and cooperation.

British Chamber of Commerce in Spain

www.britishchamberspain.com



Following on from a highly successful centenary year, 2009 continues to be as exciting for the BCCS.

Hosting interesting and informative events are a key and invaluable part of the service that the BCCS provides. Through our events we endeavour to present our members with the opportunity to meet successful business people who might otherwise be inaccessible, as well as promoting and encouraging new business relationships and re-affirming existing ones. We are proud to have received recognition for this at the COBCOE Gala Dinner in March where, against tough competition from the other chambers, the BCCS was presented with the COBCOE 'Chamber of the Year Award for Events'.



Salvador Alemany, CEO of Abertis

Barcelona is enjoying a busy agenda this year. In January we held a business luncheon with guest speaker Salvador Alemany, CEO of Abertis, who provided a useful insight and advice on the current financial crisis. A successful luncheon was organised in June in collaboration with the London School of Economics (LSE) and a number of key institutions in Catalonia. There, we welcomed the prestigious school as a new member and had the privilege of hosting Howard Davies, Director of LSE.

The chamber goes from strength to strength in Madrid and Andalucía, which have both seen an increase in membership and activity. Throughout the year there have been numerous successful networking events in both areas, further cementing the chamber's position as a business promoter in these important business areas in Spain.

Brussels Watch

The European Parliament flexes its muscles as the inter-institutional chess games starts in earnest.

The July Strasbourg plenary session of the European Parliament saw the start of the three dimensional chess game between European and national level political groups and the other institutions (the European Commission and the Council of Ministers), that traditionally characterises the carve up of the key posts.

This year's negotiations are particularly interesting due to the number of imponderables. The Lisbon treaty, if finally ratified, will create new top-level positions to add to the mix notably a President of the Council and a High Representative for a Common Foreign and Security Policy. On the other hand, The Treaty would in the long term reduce the number of Commissioners (as well as increasing the number of MEPs). Moreover, the Parliament will exercise an increased oversight in the approval of nominated Commissioners.

Despite the positive polling indications for an Irish yes vote and the German Bundesgerichtshof judgment probably clearing the way for German ratification, the reluctance of the Czech President to ratify and the threat of the British conservatives to hold a referendum upon coming to power, means that complete ratification is still not a foregone conclusion. Furthermore, there is no definitive timetable towards a decision. All parties are therefore forced to negotiate on the basis of a two scenarios: the Lisbon Treaty comes into force, or the Nice Treaty stays.

In any event, the shape of the new Parliament has become much clearer and one can already begin to identify who are likely to be key decision makers.

The plenary has already demonstrated a number of features of the new legislature: the European Peoples Party (EPP) has wasted no time in leveraging its electoral success by securing a number of key positions and by forcing through its position against the other groups. The Liberal ALDE group fortunes are less clear: although its new leader Guy Verhofstadt is already making his mark in the inter-institutional power play and although it succeeded in securing the chairs of two important committees (with agreement to chair a third temporary committee), it conspicuously failed to mount any real opposition to the EPP/Socialist deal on the Parliament Presidency. The socialists have undoubtedly lost ground, but have at least been able to maintain relations with the EPP. Both the Greens and the far left have been extremely vocal, but this has not been translated into significant key posts.

**By Andrew Johnson,
Deputy Chairman, COBCOE
Public Affairs Commission,
Head of EU Public Affairs,
EuroRSCG C&O, Brussels**



An ironic note was struck by the failure of the UK conservatives to capitalize on their electoral success. Internal dissension has already led to humiliation in the Vice Presidency and the Group leadership selections and their Group has already slipped from fourth to fifth place in the hierarchy. They will have to work hard if their old slogan "in Europe, not ruled by Europe" does not turn into "sleepwalking on the outskirts of Europe" (as alleged recently by the Financial Times). The Eurosceptics are now effectively split between several groups and their influence will depend on their ability to act cohesively.

In any event, one constant can already be discerned: the power and the political influence of the European Parliament have significantly increased. The decision to ignore the wishes of the Council of Ministers and to delay consideration of the candidacy of Barroso as Commission President is a clear illustration of this.

In any event, the shape of the new Parliament has become much clearer and one can already begin to identify who are likely to be key decision makers.

How these political groupings will coalesce into decision-making in the uncertain period surrounding the appointment of the new Commission and perhaps the coming into force of the Lisbon Treaty, should interest not only the political addicts, but all of us: this Parliament, more than any before, will stamp its mark on the legislation and the policies of the European Union. More than 50% of the parliamentarians are elected for the first time: understanding them will be crucial to a comprehension of the new Parliament.

Europe's Crowded Agenda

By John Peet
Europe Editor, The Economist



It will be a busy autumn for the European Union, as Sweden's EU presidency draws to a close. There is an election in Germany, a second Irish vote on the Lisbon treaty and the appointment of a new European Commission. Looming further off is the likely challenge of a new Conservative government in Britain with a strongly anti-EU flavour.

But it is the economy that will be the top concern. The G20 group of rich and big developing countries is now the main forum for discussing the economic crisis. At its Pittsburgh summit in September, the G20 will take stock, not push new initiatives. The world seems slowly to be coming out of its worst recession since the war, thanks to big bank rescues and substantial fiscal stimulus. Yet many in the EU feel they have suffered unduly from a crisis that began in the United States – so they will be galled to find that the US may recover faster than Europe.

Attention will now turn to two longer-term worries: unemployment and public finances. Unemployment, a lagging indicator, is likely to rise everywhere over the next 12 months, especially in Germany, France and Spain. This will bring new attention on EU governments' failure to reform their labour markets. It is notable that countries that have reformed – such as Scandinavia and Britain – do much better on employment than those that have not.

As for public finances, this crisis will leave most EU countries with large budget deficits, bloated levels of public spending and far too much debt. Everywhere the biggest challenge for governments will be to cut the public sector and try to make it more efficient. And this applies as much to eastern as to western Europe. Cutting the public sector down to size will be a task that may take years to achieve, and will require tough and determined political leadership.

Certain individual countries may pose particular worries. The Baltics, especially Latvia, continue to be a concern, as is Hungary. Ireland and Spain who are suffering badly. Italy has been in economic difficulties for years. And this time round Britain, with one of the biggest budget deficits in Europe, is also looking dodgy. Probably all these countries will pull through, but further IMF or EU assistance may yet be needed for some.

Yet it will be important for the EU's leaders not to be preoccupied only with internal economic problems. Other issues need attention too: climate change, with the Copenhagen conference fast approaching; dealing with Russia; and encouraging neighbours such as Ukraine and the Caucasus countries. In this context, one important priority must be to keep the doors of the EU open to new members.

Enlargement is getting a bad press in many countries. Bad economic times make it harder to be generous. Continuing problems in Romania and Bulgaria have fanned the notion that these countries joined before they were ready. The French and Germans are against admitting Turkey. Yet enlarging their club to take in new countries has proved by far the EU's most effective foreign-policy tool, helping to spread democracy and economic reform across the region in a way that the US has never managed with countries to its south.

Given this crowded agenda, the choices for Europe's top jobs will be critical. Jose Manuel Barroso will surely be confirmed for five more years as president of the European Commission. But if Lisbon is ratified, there will be two other posts to fill; a permanent president of the European Council and a new foreign-policy supremo. These high-profile jobs need to be filled by world-class leaders, not unknowns – eg, Tony Blair or Felipe Gonzalez for the first, Carl Bildt or Joschka Fischer for the second. Sadly, the EU's record of filling top positions is lamentable, so we may end up with unknowns after all.

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