LVMI-Europe Newsletter June 2013

Honorary member: HSH Prince Philipp von und zu Liechtenstein

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News

Our Polish colleagues, the Instytut Misesa are organizing an event called the Summer Austrian Seminar 2013 on Economics of the Eurozone, which will take place on September 13-15 2013, Hotel Ameliówka (Mąchocice, Poland).

To see detailed information on program of the Seminar, fee details, registration and trip tips please follow the link for further details here.
Coming Up

September 24th, 2013: The Mises Circle

November 12th, 2013: Conference “Decriminalization as a Step towards Legalization: Experience from Europe and the Americas”

We are looking forward to seeing you at our events! Check out our website, social media and of course our newsletter for future announcements!

Past Events

  - Dr. Brendan Brown, Executive Director and Head of Economic Research, Mitsubishi UFJ Securities International Plc., presented his book: “The global c(o)urse of the Federal Reserve”.

- April 22th 2013, Conference on “Public Debt”, followed by the presentation of the Ludwig Von Mises Institute Award by Herman de Croo, Minister of State, former Chairman of the House of Representatives, Member of Parliament.

- March 22nd 2013, Annual General Assembly of the Ludwig von Mises Institute Europe.

- November 27th 2012 dinner debate “Data Transfer regulations for Cloud Computing” Venue and time: Hotel Leopold, 7 30-10 pm organized by the Ludwig von Mises Institute and the Friedrich Naumann Stiftung für die Freiheit.
Presidential Address

Democracy Turkish Style

Democracy is a word that (almost) everybody likes and that is never really well used.

The whole discussion on this topic has been raked up again. This became absolutely clear in the Turkish conflict. According to Erdogan, democracy only counts on election day. According to him, he is the only person to decide about the order of the day. President of Turkey, Abdullah Gül, on the contrary, speaks of “democracy for every day”1.

All these elements and events of the last weeks make it clear that Erdogan should not become President of Turkey in 20142.

Let’s define democracy once more. It means that the people hold the power. That rulers are accountable towards their people (and voters).

Another element that is even more important than democracy is the Rule of Law. Let’s take a look whether that Rule of Law has been observed in Turkey.

The Rule of Law contains the following elements:

- Respect for human rights
- Freedom of the press
- Women’s rights (isopolitica= the same rights)
- Separation of powers
- Separation of church and state

Kemal Atatürk applied several of these principles:

- Women’s rights. In any case he started to emancipate women. His wife even wore trousers!

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1 Article “Papa, geh heim” in Die Zeit June 6, 2013, P. 7 ”Demokratie ist nicht nur am Wahltag”
2 The Economist “Democrat or sultan?”, June 8th p. 9
• Separation of state and religion was certainly very important. On top of that, Atatürk created the possibility for his people to behave more freely.

The way Erdoğan dealt with the protesters makes it clear that he has no respect for human rights, nor women’s rights. From newspapers we know, that none of these rights and elements are observed in Turkey.

• Freedom of the press hardly exists. There are more journalists in jail in Turkey than in China³.

• Separation of church and state is officially not an element of the Rule of Law. However, I want to add it, because that is exactly what Turkey and a whole lot of semi-Islamic countries need and until Erdoğan came into power, Turkey did have this Laïcité.

• By violently combating the generals, Erdoğan was fighting an old battle, but at the same time he wants to eradicate the whole inheritance of Kemal Atatürk. He has been doing this for a while.

• By planning to demolish the Atatürk Cultural Centre on the Taksim Place, Erdoğan’s message is clear: he wants to destroy Atatürk’s inheritance⁴. Furthermore, Erdoğan wants to undo all the (forced) modernization of Atatürk. Of course the democratization /emancipation by Atatürk did not come from the bottom-up (and was forced upon the population), but the generation(s) after him could live in freedom.⁵

• Perhaps that is the first political success of the Gezi park resistance in Istanbul: no Presidential System (à la Putin) for the power-hungry Erdoğan.⁶

In fact he managed to turn a demonstration into a political drama and in the end into a state crisis, while he could have managed these protests in a positive manner. ⁷

Democracy and Liberalism

In the context of this problem we should not only discuss democracy, but also Liberalism.

Hayek liked to speak of Demarchie:

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³ The Economist “Democrat or sultan? June 8th, 2013, p. 9
⁴ Erdoğan spoke of alcoholics who formerly ruled Turkey, meaning Atatürk. Die Zeit “Mit aller Gewalt” 13 Juni 2013, p. 3
⁵ “Die Zeit” Die Demonstranten sind die Kinder Atatürks 13 Juni 2013 p47
⁶ Die Zeit “Mit aller Gewalt” June 13, 2013 p. 3
⁷ Idem
"If we want to preserve the original ideal we may have to invent a new name for it. What we need is a word which expresses the fact that the will of the greater number is authoritative and binding upon the rest ... That word means that people rule not only by force and unrestricted will."

While Ortega Y. Gasset defined the two principles of democracy and liberalism like this:

"Democracy and liberalism are two answers to two completely different questions. Democracy answers this question: Who ought to exercise the public power? The answer it gives is: the exercise of public power belongs to the citizens as a body.

Liberalism, on the other hand, answers this other question: regardless of who exercises the public power, what should its limits be? The answer is that this power cannot be absolute. The individual has rights which are over and above any interference by the State."

So Democracy should of course count every day. This has as consequence that democracy is not possible without liberalism and respect of human rights.

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8 F.A.Hayek “Law, Legislation and Liberty” Part III, “Democracy or Demarchy?”, London 1979, p. 38-40 “Though I firmly believe that government ought to be conducted according to principles approved by a majority of the people, I must frankly admit that if democracy is taken to mean government by the unrestricted will if the majority, I am not a democrat. This demands a name indicating a system in which what gives a majority legitimate power is not bare might but the proven conviction that it regards as right what it decrees.”

Mises Essay Award 2013 – Interviews with Contestants Part 2: Featuring Interviews with Martin Vlachynsky, Pieter Cleppe and Arkadiusz Sieroń

In 2012 our Institute organized the first von Mises Essay Award, sponsored by and in close co-operation with the Goldmoney Foundation. The topic was sound money, inspired by the works of von Mises.

In the end the award was won by Mr. Kristoffer Hansen. You can find the interview with Mr. Hansen and Mr. Glynn in our May 2013 Newsletter.

In the May newsletter we promised to write about 3 other contestants, Mr. Martin Vlachynsky from Slovakia, Mr. Pieter Cleppe from Belgium and Mr. Arkadiusz Sieroń from Poland.

Mr. Sieroń’s interest in Austrian economics began at the Warsaw School of Economics. At that time he was active at the University's internet forum, where students argued about the causes of the business cycle. One day one of his colleagues wrote about the Austrian Business Cycle Theory... and that’s how it started.

His first Austrian book was Mises' Economic Policy: Thoughts for Today and Tomorrow, which had been translated into Polish as Ekonomia i polityka. Soon after that he read Hazlitt’s Economics in One Lesson (Ekonomia w jednej lekcji) and Human Action, which at that time (2007) was translated into Polish as Ludzkie dzialanie. After reading those books Mr. Sieroń became an Austrian.

Asked what inspired him to enter into our essay competition, he explains:

“The inspiration of my essay was Huerta de Soto’s thesis that the euro behaves like a gold standard in a certain sense, or at least that "we must view the euro as a clear, true, even if imperfect, step toward the gold standard ". The main aim of my paper was to prove that this is not true, that...
the euro does not limit inflation and government spending. Actually, the opposite is true, therefore we should opt for the abandonment of the euro.”

Mr. Sieroń adds:

“The emergence of Bitcoin is a very interesting development, both from the theoretical point of view (how it fits the regression theorem) and practical point of view (how and if it allows the creation of free market money). At least this is a decentralized initiative and immune to a government intervention payment system.”

Should the topic of the 2014 Mises award revolve around the pros and cons of Gold and Bitcoins?

As such, a suggestion for a next award could be to explore further the idea of sound money, maybe some topic about Gold vs. Bitcoin. But Mr. Sieroń would also consider a contest about the Euro Crisis - why it is not over yet, and what is the probable future course of events.

Our second featured interview was with Mr. Vlachynsky, who studied economic policy at the Masaryk University in Brno. During his studies he was inspired to look beyond the standard economics textbooks. He found many answers in the teachings of the Austrian school. Mr. Vlachynsky works in the Institute of Economic and Social Studies (INESS) in Bratislava (Iness) as an economic analyst. This institute works on exploring and promoting the working of free markets. As such the Austrian school is an important source of ideas and inspiration for Mr Vlachynsky and colleagues. Asked about the main message of his essay, he answered:

“My main message of my essay is hidden in the title. Monetary policy is a powerful tool which can directly influence lives of all citizens. We witness a small group of powerful men to exercise this power over people more and more intensively in the last years, unfortunately with quite severely negative consequences.”

Mr. Vlachynsky continues:

“It seems to me the debate about centrally planned economy versus free markets is coming back with similar intensity as there was in the 1930s, including the topic of fiat money. If Mises could say anything, I would bet he would say: “I told you this would happen!”
We find ourselves 80 years later having the same debate as J.M. Keynes and F.A. Hayek in the 1930s.

Mr. Vlachynsky sees the Mises award as a good promotion of Austrian ideas, both before and after the award:

“It has a great topic and motivational first prize, the potential to attract many nice essays in the future. And once the results are known, let the whole world have the opportunity to read the essays, spreading the message of Mises.”

We also had the pleasure to interview Mr. Cleppe, who studied Law at the Catholic University of Leuven, in Belgium. For 2 years he was president of the classical liberal students club LVSV, perhaps the most active political club in the country and also one of the centers of libertarianism in Belgium.

He also learned a lot from reading online, for example on mises.org. Not all of the scholars he came across are economists.

“I think Austrian economics is a lot closer to law and philosophy than to mainstream economics, which I studied during my “European Master in Law and Economics” program. That’s why lawyers make pretty good Austrian economists, in my opinion.”

Mr. Cleppe considers Austrian economics to be centered around a few principles:

I consider Austrian economics to be centered around a few principles, as for example that there can’t be a free lunch. Bernanke currently uses Milton Friedman’s theory to support his creation of money to achieve a stable monetary supply. Obviously the monetary supply isn’t stable, as money is just another good, which happens to be useful to store value and serve as an exchange medium. Logically, the number of these kinds of goods will drop during bad times. Clearly, when someone artificially creates such goods without backing them up with collateral this will have the same effect as when an ordinary criminal forges money: depreciation of purchasing power. When prices or wages are dropping, as we can witness in Europe at the moment, while at the same time Central Banks are printing money, there is only one logical conclusion possible: prices and wages would have dropped even more without the intervention by Central banks. That’s painful, but necessary to let the economy pick up. From the point central banks create money which isn’t backed up by real value,
money which is backed up by real value will lose purchasing power.”

Mr. Cleppe works at the think-tank “Open Europe”, which focuses on reforming the EU. Commenting on the euro crisis, he feels that a lot of libertarians still try to deny that the euro itself has played a role in Europe’s crisis.

Mr. Cleppe explains:

“They confuse the idea of letting the rest of Europe adopt the D-Mark, not a perfect idea either, with letting the ECB fund banks in all Eurozone member states, which is at the heart of what the euro is about.”

He sees that without the euro, governments like Greece would never have been able to get into so much debt as they had done in the 2000s:

“The point I’m making is that the euro has served as a debt machine. Politicians in Belgium, Italy or Greece would have never managed to burden their citizens with so much debt without the European Central Bank’s easy money canal to any bank in Europe. Spain and Ireland would have never built up such a private debt bubble without this.”

Mr. Cleppe believes that it is impossible for the ECB to have a good monetary policy:

“Someone like Jesús Huerta de Soto, which I respect very highly, suggests that the ECB has done a bad job with its loose money policies but that it could have done a good job. I very much dispute that. The ECB couldn’t have manipulated the price of money for Europe’s very diverse economies in a better way than more decentralized central banks can do for these economies. While in the past we witnessed devaluation of capital at the national level, due to the interventions of central banks, we now suffer this devaluation at a much grander level, that of the Eurozone. Of course national currencies are damaging and a tool for politicians to tax people, but the solution is not to transpose this instrument to a more centralized level but rather to follow Hayek’s idea of Denationalization of Money.”

Could European governments get into so much debt without the ECB’s loose monetary policy during the 2000s?

According to Mr. Cleppe the most important development regard European monetary policy, is what’s
happening in Germany. Will it abandon the euro or not? This will decide the fate of the current fiat monetary system.
“Mises Circle: The Global C(o)urse of the Federal Reserve”

- **Organiser**
Ludwig von Mises Institute and the Brussels Network

- **Time and venue**
June 19th 2013 at 6pm, European Parliament, Brussels

- **Speakers**

  ➢ Introduction - **Annette Godart-van der Kroon**, President of Ludwig von Mises Institute- Europe

  ➢ Opening address - **Dr. Syed Kamall**, Conservative Member of the European Parliament for London

  ➢ **Dr. Brendan Brown** - Executive Director and Head of Economic Research Mitsubishi UFJ Securities International, plc. and Author of “The Global Curse of the Federal Reserve”

It is important to continue to educate people and make them understand the ideas of the Austrian school of economics.

As **Dr. Syed Kamall** and **Annette Godart- van der Kroon** gave their introductions, the importance of this education and continuation of the core ideas of classical liberalism were clearly seen.

The first in line to speak was Annette Godart-van der Kroon, who regarded this Mises Circle meeting as a special one and expressed her gratitude to Dr. Syed Kamall, who made this meeting possible.

She explained that the Mises Circle meetings were stopped for a short while, but now they were continuing thanks to Syed, who decided to host the Circle again.

The Mises Circle is meant to be a gathering of people who are interested in the theories of the Austrian School. Every Mises Circle meeting a whole book or separate chapters will be presented and discussed. It is important to do that since these theories are not well-known in Brussels, nor are these theories taught at the universities.

Dr. Syed Kamall seemed to join her sentiments, as he stated that the “battle of these ideas never dies.” There should always be a push for liberty. He stated that you “must be persistent” and reminded the circle that, “these things take time.”
Annette Godart-van der Kroon (seen here second from the right), President of the Ludwig von Mises Institute-Europe giving her introduction.

An example that Dr. Kamall gave was when people called for the British Telecom to be a privatized institution. He reminded the circle that at the time, those people were considered to be extreme right-wingers. It took almost 50 years, but eventually they won their battle.

It is through movements like this that have inspired the creation of the Wednesday meetings of the Brussels Network. Everyone has a responsibility to freedom and liberty and this responsibility was seen through the engagement of the Mises Circle.

Dr. Brendan Brown first began his lecture, speaking about the monetary chaos in Europe. He suggested that there was an essential question that must be asked: “What is monetary chaos?” This was a quote by Milton Friedman. Money can get out of control and become monkey wrenching creating a viral attack.

MEP Dr. Syed Kamall (seen here first from the right) delivering his opening address.

According to Dr. Brown, there are two sources of these attacks. The first one is goods and services inflation. The second is the asset-price inflation. The asset-price inflation can filter out risks but the same outcomes are still expected. If there is too high a risk, then there are not enough flows on outcome.

Milton Friedman was a proponent of methodological positivism in applying economics. The Federal Reserve inflicts the global economy by asset-price inflation and by the time inflation is recognized, deflation occurs.

Irrational exuberance¹ was the next topic Dr. Brown spoke about. There are three main links between irrational exuberance and monetary disorder.

One is when the central banks manage

¹ Irrational Exuberance - Alan Greenspan was the first to use this phrase to describe the overvaluation (by investors) of technology stocks during the Dot-com bubble.
interest rates below equilibrium and thus create “froth” (a mass of bubbles). The second link between irrational exuberance and monetary disorder is that it creates desperation among investors to attain real yield. The final linkage is that it creates an absence of fear in investors and makes them put on their “rose colored spectacles.”

There are two big costs and damages of asset-price inflation, according to Dr. Brown. These are malinvestment\(^2\) and the erosion of equity risk.

Malinvestment derives from “malpricing” (prices are distorted). The waste becomes apparent during the “bust”. The reason for the “bust” occurring is the overinvestment in certain sectors during the “boom” period.

The erosion of equity risk, according to Dr. Brown, is not as well known. An economic society with a *healthy appetite for risk* investment will eventually become more prosperous than a risk-averse society.

He used Japan as an example of this. Japan has been impoverished for quite some time after the collapse of their asset bubble. After the bubble burst, they did not take many risks and now

\(^2\) Malinvestment - is a concept developed by the Austrian School of economic thought that refers to investments of firms being badly allocated due to what they assert to be an artificially low cost of credit and an unsustainable increase in money supply, often blamed on a central bank.

the private sector is funding many of the public uses.

Dr. Brendan Brown (first from the right) delivering his fascinating speech on the global effects of Federal Reserve policy on the world economy.

Dr. Brown was very careful in stating that asset-price inflation did occur before the Federal Reserve opened its doors in 1913. However, asset-price inflation became a much more serious topic during the Fed-era (as the Fed pumps extra air into bubbles). Today the Federal Reserve is manipulating interest rates. This has bad consequences across the globe.

Another example is Germany in the 1920’s. Back then German interest rates were fixed by US rates. There was desperation for yield among investors; low interest rates to high interest rates. In the 1920’s, there were very low interest rates which were controlled by the United States. Germany became the biggest economic bubble, which made them the biggest crash.

Dr. Brown makes the observation that a monetary union in 1963 between Germany and France, would have been
easier to create. Then in 1998, when monetary union was actually created, Europe became defenseless against US instability and inflation of asset prices.

He says that Europe should have sheltered itself against the United States instability waves. The asset-price bubble is still bursting to this day. Dr. Brown believes that the Deutsche Mark zone defended Europe from asset-price inflation.

In 2003, two big monetary events occurred. One was that the Federal Reserve said that monetary inflation was too low and that they would need to allow the economy to breathe. However, the price deflation we experienced in 2003 was “an extraordinary occurrence”, according to Dr. Brown. Europe also wanted to fight deflation at the time.

There was a manipulation of interest rates and an influx of European nationalism occurred. The people in charge of European monetary policy embraced what the United States was doing (lowering interest rates to fight deflation) and as a result, asset-price inflation increased immensely.

Ben Bernanke was the topic of the last part of Dr. Brown’s lecture. He explained how Bernanke wants to prove that you can have a quick recovery in the economy after a burst. The United States is now experiencing the slowest recovery in its history. Milton Friedman said that inflation can only happen if people are in a state of excessive optimism. Businesses are not spending because they can foresee a crisis. As they expect a crisis soon, they abstain from investing, which on aggregate produces undesirable results like negative (short term) real interest rates, unusually high uncertainty due to “monetary terror” by the Fed, and it can create manipulation.

In his conclusion, Dr. Brown stated that there are several implications of what the world economy may be like in the future. He reminded the audience that Ben Bernanke is not the first person to continue with the policies and agenda that are set on now.

If there is a major high in the economy
there will most likely be a major low. In the 1930s, the markets had all become “frothy.” There were massive social experiments similar to what we are experiencing today. Dr. Brown ended by saying that we should “never lose faith in economical miracles.” We cannot foresee the future but there is still hope to be held onto.
“Turkish Business and the Transatlantic Trade and Investment Partnership”

- **Organizers**
  
  Turkish Industry and Business Association (TÜSiAD)
  
  FTI Consulting
  
  Istanbul Economics

- **Time and Venue**
  
  Wednesday, 4 June 2013 at 8.30am at the FTI Consulting, Avenue Marnix 23, 1000 Brussels.

- **Speakers**
  
  - **Sir Graham Watson**, Member of the European Parliament and President of the European Liberal Democrat and Reform Party (ELDR).
  
  - **Dr. Bahadir Kaleağasi**, International Coordinator, Turkish Industry and Business Association (TÜSiAD).
  
  - **İlkem Şahin**, CEO, İş Holding and President of Turkish-American Platform.
  
  - **Ignacio García Bercero**, Director, DG TRADE.
  
  - **Sinan Ülgen**, Founding Partner, Istanbul Economics Consulting.
  
  - **Moderator**
    
    - Ambassador **Marc Pierini**, Visiting Scholar, Carnegie Europe

The potential agreement on Transatlantic Trade and Investment Partnership (TTIP) will aim at overcoming trade obstacles in order to simplify trade and investment procedures between the EU and the US.

It is expected that negotiations for the transatlantic partnership will begin in July 2013. The latest draft of the EU negotiating mandate gives us a clear idea on what the EU will focus on in the Transatlantic Trade and Investment Partnership negotiations.

*The EU and the US are trying to create a transatlantic free trade area, which would be the biggest integrated market in the World.*
Nevertheless, a number of interested parties are contemplating about how the proposed market regulations will impact their country. One of these is Turkey.

The Turks are in a Customs Union with the EU. Therefore, the proposed transatlantic partnership between the EU and the US will directly influence the Turkish economy.

The EU and Turkey are currently in a Customs union. With the prospect of the EU and the US freely trading with each other, Turkey sees a window of opportunity to gain free access to the American market.

Turkey is preparing for the implementation of the transatlantic trade agreement by developing an appropriate market strategy for its international clients and for representatives of Turkish businesses.

Turkey is one of the fastest growing economies in Europe and the 16th largest economy in the World. In addition, the country finds itself in a unique cultural, geopolitical and economic position.

For instance, Turkey is a bridge between the Middle East and the Western World in the International Relations context and this is what makes the country attractive for foreign investors.

Turkey’s unique position also makes it an attractive trade partner for the EU as well as the US. By including Turkey into the EU-US trade negotiations both the Europeans and the Americans have much to gain.

The Turks have much to gain as well. If the EU-US trade negotiations will be successful, this will create the World’s largest integrated market. Having free access to this huge market will definitely boost the Turkish economy.

Thus all the parties involved have an incentive for involving Turkey into the negotiations. To accommodate the Turks into the negotiations, different aspects of competition and regulations are being analyzed and discussed. Analysis and discussion are needed to find out how to approach Turkey’s entry into the agreement, so that it is best for all parties.

The panel indicated that both the EU and the US are considering how Turkey can be included into a parallel discussion of the issue.
Beyond the perspective of reaching mutual consent to Turkey’s accession to the transatlantic trade agreement, the Americans, Europeans and the Turks are keeping their hopes high that a comprehensive transatlantic free trade area will result in a significant economic boost.

It is expected that an agreement will open new markets, foster trade and lead to further investment, liberalization and tariff elimination.

One can predict that negotiations will focus on binding the autonomous level of liberalization we have today. The agreement will be comprised of all parties, which currently have Free trade agreements (FTAs) in place. Furthermore, the agreement will reach across all supply sectors and models.

At the same time, discussion will aim at enabling access to new markets. Long-lasting obstacles to market access will be thoroughly examined. In this matter, the Transatlantic Trade and Investment Partnership should guarantee the same level of protection for all parties as well as decrease unwelcome delays and additional costs entailed in administrative procedures.

Principally, the draft mandate suggests mutual recognition, harmonization and improvement of economic and trade cooperation between the aforementioned sides.

In addition the transatlantic free trade agreement is expected to promote common rules for global trade regulation, competition policy and intellectual property rights. This will result in increasing trade and investment, diversify the product range and create a balanced structure of trade.

During the discussion the attention was particularly drawn on how the agreement will provide vast opportunities for investment in the sectors of health, energy, defense and construction.

The comprehensive advantages of the present alliance are clear. It is conclusive that the cutting of tariffs as well as an establishment of more comprehensible regulations would be beneficial for all sides.

However, with a close inspection of the technical and regulatory aspects, one
can notice distinct entrenched differences between countries. In addition, other critical issues appear which make signing the mutual agreement a more complicated process.

To illustrate an initiative to fasten the process of Turkish inclusion, past events were highlighted: letter from the Prime Minister of Turkey to US President Obama, letter from the Minister of Economy to the Trade Commissioner, meetings of the President, Prime Minister and Minister of Foreign Affairs of Turkey with the US Foreign Affairs Minister, meeting of the Minister of Foreign Affairs of Turkey with representatives of the EU.

In order to explore the potential opportunities and pitfalls it was agreed that a study group should be established. The study group will examine the impact and initiatives cases in Turkey, US and EU.

Taking into account the comprehensiveness and ambition of the potential partnership, reaching a mutual agreement in a relatively short period of time, could be challenging.

Most of the sectors that will be influenced by the agreement are already involved in the discussion. It is believed that civil society organizations will be concerned about data protection, food safety and environment sectors.

In like manner, it will be crucial for any stakeholders to follow the discussion attentively and to analyze all upcoming data concerning the aforementioned agreement. Therefore, it was stated that raising awareness and drawing attention to this matter in business circles is also very significant.

Overall, all speakers involved in the panel discussion agreed that a transatlantic free trade agreement promises to create new opportunities. The panelists highlighted that Turkey’s dynamic economy, tight integration with the EU and its unique location make it a potential strategic trade partner. The inclusion of Turkey into the negotiations for the Transatlantic Trade and Investment Partnership (TTIP) would not only strengthen the transatlantic economy but also boost trade and investment relations between the countries.
“Limiting Global Warming to 2°C: Can Europe and the United States Keep the Climate Window Open?”

The panel, from left to right: Fatih Birol, Corinna Hörst, Jos Delbeke, Tom Brookes and Simon Ashwell.

- **Organiser**
  The German Marshall Fund of the United States

- **Time and venue**
  Thursday, June 13 at 9 am at the Bibliothèque Royale de Belgique, 2 Boulevard de l'Empereur B-1000 Bruxelles.

- **Speakers**
  - **Corinna Hörst**, Deputy Director, German Marshall Fund of the United States

  - **Jos Delbeke**, Director General, DG Climate Action, European Commission.
  - **Simon Ashwell**, Senior Manager, Government Affairs & Policy, GE.
  - **Tom Brookes**, Director, Energy Strategy Centre, European Climate Foundation.

  - **Moderator**
  - **Miriam Maes**, Senior Fellow, German Marshall Fund of the United States

The German Marshall Fund of the United States organized a panel discussion on the topic of *global warming* and possible measures which Europe and the United States could possibly take in order to “*keep the climate window open*”.

Ludwig von Mises Institute Europe – Newsletter June 2013
Find more information about our past and future events on our website: www.vonmisesinstitute-europe.org
All participants had a chance to have an overview of a new report of the IEA’s World Energy Outlook, “Redrawing the Energy-Climate Map” presented by Dr. Birol.

The present report analyzes the current status and expectations of global climate and energy policy.

Moreover, it highlights ecological challenges, in particular, rising emissions of greenhouse gases which affect the global climate and the economy.

In addition, the report includes four short-term steps that countries could take to keep global temperature increases to no more than 2 degrees Celsius.

Principally, the attention was drawn on the energy sector which is also the largest source of emissions. The mentioned measures for the energy sector could be effectively and quickly implemented and would come at no net economic cost.

Those steps would be: preventing the leakage of methane in oil and gas production, improvement of energy efficiency, reducing the use of inefficient coal-fired power plants, and also reducing subsidies for fossil fuels.

Furthermore, the IEA’s report illustrates actions that could be taken to achieve further reduction. Dr. Birol also explained reasons for imperative interest in the aforementioned topic of the energy sector.

The presentation was followed by further debate on effectiveness of the presented policies, possibility of transatlantic cooperation for achievement of mutual purpose, to achieve these measures, and also the role of renewables.

The main focus was on a plan called the, “4-for-2°C.” This is a short-term scenario which holds four main policies.

The “4-for-2°C” scenario was designed to limit the effects of climate change to a maximum increase in temperatures by 2°C until the end of the century.

The first one is that it targets “specific energy improvements for industries, buildings, and transport sectors.”

The second measure is that it would help limit “the use and construction of inefficient coal-fired power plants.”
The third measure would be the “minimizing methane emissions in upstream oil and gas production.”

While the final measure would be to “further partial phase out of fossil-fuels subsidies to end-users.”

These four measures will help lower the CO2 emissions without affecting any economic growth.

This scenario would help in other areas besides limiting climate change. It would also be addressing the pollution in the air, and help “increase energy security,” but would not hurt any region’s economic growth.

This plan helps address the climate issue and helps policy makers negotiate and create a more permanent solution for climate change that could be more centralized for their area.

Today, the United States, European Union, and China are accountable for 85% of renewable subsidies and by 2020, they will be accountable for 77%.

The United States, alone, could reduce almost a quarter of CO2 and CH4 emissions just by reducing their least efficient coal stations through the “4-for-2°C” plan.

China, which has big problems with pollution, would also see a reduction in CO2 and SO2 emissions.

The panel members each had their own opinions and comments regarding the ideas on the presentation. One panel member, Jos Delbeke, director general for Climate Action, asked “What was the role of Europe?” He said that Europe could help be a facilitator to the climate change for the United States and Asia.

Tom Brookes, managing director of the Energy Strategy Center at the European climate Foundation, focused more on de-carbonization. He believes that this scenario would be to hold over policies and help “push alignment trade by the powers.”

In conclusion, there was a sense of urgency to take action on the “4-for-2°C” plan. The members stressed that the longer that action on climate control takes, the harder it is going to be to bring emissions down and reach
the goal of 2°C. They proposed the focus should be on the United States, China and India. The overview of this plan seemed to be welcomed by many in the audience and the overall experience was positive and encouraging.
In June 2013, the European Legislative bodies implemented Regulations and Decisions on various topics such as the register of economic operators and tax warehouses, measures applicable to the notification of personal data breaches and the ecodesign requirements for computers and computer servers.

**Commission Implementing Regulation (EU) No 612/2013 of 25 June 2013 on the operation of the register of economic operators and tax warehouses, related statistics and reporting pursuant to Council Regulation (EU) No 389/2012 on administrative cooperation in the field of excise duties.**

(1) Regulation (EU) No 389/2012 establishes a framework for the simplification and the strengthening of administrative cooperation between Member States in the field of excise duties.

(2) Article 21 of Council Directive 2008/118/EC of 16 December 2008 concerning the general arrangements for excise duty and repealing Directive 92/12/EEC requires the verification of details of a draft electronic administrative document by the Member State of dispatch before excise goods may be moved under duty suspension. Commission Regulation (EC) No 684/2009 of 24 July 2009 implementing Council Directive 2008/118/EC as regards the computerised procedures for the movement of excise goods under suspension of excise duty specifies the content of the draft electronic administrative document. Since the information in that administrative document relating to excise authorisations is subject to verification against the details of the corresponding national registers the details of each national register should be made available to each Member State of dispatch regularly and should be kept up to date.

(3) The information contained in the national registers concerning economic operators engaged in moving excise goods under duty suspension arrangements is to be automatically exchanged through a central register of economic operators (Central Register) to be operated by the Commission as provided for in Article 19(4) of Regulation (EU)
(4) To facilitate the exchange of information through the Central Register it is necessary to lay down the structure and content of the standard formats to be used, including the codes to be entered into those formats.

(5) To ensure that the available data in the Central Register is correct and automatically updated, the central excise liaison office or liaison department should notify and forward modifications of their national registers to the Central Register.

(6) In order for the data stored in the national registers to be correct and up-to-date, the central excise liaison office or liaison department should update the national register on the same day that a modification to an authorisation occurs and should forward modifications to the Central Register without delay.

(7) In order to ensure that Member States have an accurate copy of the details of other national registers the central excise liaison office or designated liaison department.

(8) It is necessary for economic operators to have a means to verify that their authorisation details have been accurately processed and distributed by the Central Register and to check the details of a trading partner before submitting a draft electronic administrative document. In order to enable such verification of the validity of the excise numbers as provided for in Article 20(1) of Regulation (EU) No 389/2012, the Commission should provide the necessary key details of an authorisation kept in the Central Register upon production of a valid unique excise number. Moreover, rules for correcting inaccurate information in relation to the authorisation of an economic operator should be laid down.

(9) To ensure that the Central Register is being operated efficiently, the guaranteed maximum time to process a notification of the modification of a national register or a common request, it is necessary to specify the level of availability of the Central Register and of the national registers as well as the circumstances under which the availability or performance
of the Central Register or the national registers may be allowed to fall below these levels.

(10) In order to provide for the evaluation of the operation of the Central Register the Commission should extract statistical information from the register and deliver it to the Member States on a monthly basis.

(11) In order to allow the Commission and the Member States adequate time to make arrangements to be able to meet obligations concerning time limits and the availability of services required by this Regulation the application of Articles 8, 9 and 10 should be deferred until 1 January 2015.

(12) The measures provided for in this Regulation are in accordance with the opinion of the Committee on Excise Duty,


(1) Directive 2002/58/EC provides for the harmonisation of the national provisions required to ensure an equivalent level of protection of fundamental rights and freedoms, and in particular the right to privacy and confidentiality, with respect to the processing of personal data in the electronic communication sector and to ensure the free movement of such data and of electronic communication equipment and services in the Union.

(2) Under Article 4 of Directive 2002/58/EC, providers of publicly available electronic communications services are obliged to notify the competent national authorities, and in certain cases also the subscribers and individuals concerned, of personal data breaches. Personal data breaches are defined in Article 2(i) of Directive 2002/58/EC as breaches of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data transmitted, stored or otherwise processed in connection with the provision of a publicly available electronic
communications service in the Union.

(3) In order to ensure consistency in implementation of the measures referred to in Article 4(2), (3) and (4) of Directive 2002/58/EC, Article 4(5) thereof empowers the Commission to adopt technical implementing measures concerning the circumstances, format and procedures applicable to the information and notification requirements referred to in that Article.

(4) Different national requirements in this regard may lead to legal uncertainty, more complex and cumbersome procedures and significant administrative costs for providers operating cross-border. The Commission therefore considers it necessary to adopt such technical implementing measures.

(5) This Regulation is limited to the notification of personal data breaches and therefore does not set out technical implementing measures concerning Article 4(2) of Directive 2002/58/EC on informing the subscribers in case of a particular risk of a breach of the security of the network.

(6) It follows from the first subparagraph of Article 4(3) of Directive 2002/58/EC that providers should notify to the competent national authority all personal data breaches. Therefore, no discretion should be left to the provider whether or not to notify to the competent national authority. However, this should not prevent the competent national authority concerned from prioritising the investigation of certain breaches in the way it sees fit in accordance with the applicable law, and to take steps as necessary to avoid over- or under-reporting of personal data breaches.

(7) It is appropriate to provide for a system for the notification of personal data breaches to the competent national authority, which consists, where certain conditions are fulfilled, of various stages, each subject to certain time limits. This system is meant to ensure that the competent national authority is informed as early and as fully as possible, without however unduly hindering the provider in its efforts to investigate the breach and to take the necessary measures to confine it and remedy the consequences thereof.

(8) Neither a simple suspicion that
a personal data breach has occurred, nor a simple detection of an incident without sufficient information being available, despite a provider’s best efforts to this end, suffices to consider that a personal data breach has been detected for the purposes of this Regulation. Particular regard should be had in this connection to the availability of the information referred to in Annex I.

(9) In the context of the application of this Regulation the competent national authorities concerned should cooperate in cases of personal data breaches having a cross-border dimension.

(10) This Regulation does not provide for additional specification of the inventory of personal data breaches that providers are to maintain, given that Article 4 of Directive 2002/58/EC specifies its content exhaustively. However, providers may refer to this Regulation to determine the format of the inventory.

(11) All competent national authorities should make available a secure electronic means for providers to notify personal data breaches in a common format, based on a standard such as XML, containing the information set out in Annex I in the relevant languages, so as to enable all providers within the Union to follow a similar notification procedure irrespective of where they are located or where the personal data breach occurred. In this connection, the Commission should facilitate the implementation of the secure electronic means by convening meetings with the competent national authorities where necessary.

(12) When assessing whether a personal data breach is likely to adversely affect the personal data or privacy of a subscriber or individual, account should be taken, in particular, of the nature and content of the personal data concerned, in particular where the data concerns financial information, such as credit card data and bank account details; special categories of data referred to in Article 8(1) of Directive 95/46/EC; and certain data specifically related to the provision of telephony or internet services, i.e. e-mail...
data, location data, internet log files, web browsing histories and itemised call lists.

(13) In exceptional circumstances, the provider should be permitted to delay the notification to the subscriber or individual, where the notification to the subscriber or individual may put at risk the proper investigation of the personal data breach. In this context, exceptional circumstances may include criminal investigations, as well as other personal data breaches that are not tantamount to a serious crime but for which it may be appropriate to postpone notification. In any event, it should be for the competent national authority to assess, in each case and in the light of the circumstances, whether to agree to the postponement or require the notification.

(14) While providers should have contact details of their subscribers, given their direct contractual relationship, such information may not exist for other individuals adversely affected by the personal data breach. In such a case, the provider should be permitted to notify those individuals initially through advertisements in major national or regional media, such as newspapers, to be followed as soon as possible by an individual notification as provided for in this Regulation. The provider is therefore not obliged as such to notify through media, but rather is mandated to act in this way, if it so wishes, when it is still in the process of identifying all individuals affected.

(15) The information about the breach should be dedicated to the breach and not associated with information about another topic. For example, inclusion of information about a personal data breach in a regular invoice should not be considered as an adequate means to notify a personal data breach.

(16) This Regulation does not set out specific technological protection measures that justify derogation from the obligation to notify personal data breaches to subscribers or individuals, as these may change over time as technology advances. The Commission should, however,
be able to publish an indicative list of such specific technological protection measures according to current practices.

(17) Implementing encryption or hashing should not be considered sufficient by itself to allow providers to claim more broadly they have fulfilled the general security obligation set out in Article 17 of Directive 95/46/EC. In this regard, providers should also implement adequate organisational and technical measures to prevent, detect and block personal data breaches. Providers should consider any residual risk that may be present after controls have been implemented in order to understand where personal data breaches may potentially occur.

(18) Where the provider uses another provider to perform part of the service, for example in relation to billing or management functions, this other provider, which has no direct contractual relationship with the end user, should not be obliged to issue notifications in the case of a personal data breach. Instead, it should alert and inform the provider with which it has a direct contractual relationship. This should apply also in the context of wholesale provision of electronic communications services, when typically the wholesale provider does not have a direct contractual relationship with the end user.


(20) The proposed Data Protection Regulation also makes a limited number of technical adjustments to Directive 2002/58/EC to take account of the transformation of
Directive 95/46/EC into a Regulation. The substantive legal consequences of the new Regulation for the Directive 2002/58/EC will be the object of a review by the Commission.

(21) The application of this Regulation should be reviewed three years after its entry into force, and its content reviewed in the light of the legal framework in place at that time, including the proposed Data Protection Regulation. The review of this Regulation should be linked where possible to any future review of Directive 2002/58/EC.

(22) The application of this Regulation may be assessed based, inter alia, on any statistics maintained by competent national authorities of the personal data breaches of which they are notified. These statistics may include, for example, information on number of personal data breaches notified to the competent national authority, number of personal data breaches notified to the subscriber or individual, the time taken to resolve the personal data breach, and whether technological protection measures were taken. These statistics should provide the Commission and the Member States with consistent and comparable statistical data, and should reveal neither the identity of the notifying provider nor of the subscribers or individuals involved. The Commission may also hold regular meetings with competent national authorities and other interested stakeholders for this purpose.

(23) The measures provided for in this Regulation are in accordance with the opinion of the Communications Committee,

(1) Under Directive 2009/125/EC, ecodesign requirements are to be laid down by the Commission for energy-related products that represent significant volumes of sales and trade, have a significant environmental impact and present significant potential for improvement in terms of their environmental impact without entailing excessive costs.

(3) Article 16(2)(a) of Directive 2009/125/EC provides that the Commission, in accordance with the procedure referred to in Article 19(3) and the criteria set out in Article 15, and after consulting the Consultation Forum, has to introduce, as appropriate, an implementing measure for office equipment.

(4) The Commission has carried out a preparatory study which analysed the technical, environmental and economic aspects of computers. The study involved stakeholders and interested parties from the Union and third countries, and the results have been made publicly available.

(5) The preparatory study showed that the cost-efficient improvement potential in the electricity consumption of computers should be established.

(6) Since a lot of the energy-savings potential of desktop thin clients, workstations, small-scale servers and computer servers is linked to the efficiency of their internal power supplies and since the technical specifications of internal power supply for these products are similar to those for desktop computers and integrated desktop computers, the provisions on internal power supply efficiency of this Regulation should also apply to the former. However, other environmental performance aspects of desktop thin clients, workstations, mobile workstations, small-scale servers and computer servers could be addressed in a more specific measure implementing Directive 2009/125/EC.

(7) Displays have distinct characteristics and should therefore be excluded from the...
However, considering their significant environmental impact and their significant potential for improvement, they could be addressed in another measure implementing Directive 2009/125/EC and/or Directive 2010/30/EU of the European Parliament and of the Council of 19 May 2010 on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products.

(8) The ecodesign requirements should not have any significant negative impact on the functionality of the product or on consumers, and in particular as regards the affordability of the product, the life cycle costs and the industry’s competitiveness. Furthermore, the requirements should not impose on manufacturers proprietary technology or excessive administrative burden, nor should they negatively affect health, safety and the environment.

(9) Improvements in the energy efficiency of computers should be achieved by applying existing non-proprietary and cost-effective technologies that can reduce the total combined costs of purchasing and operating them.

(10) The ecodesign requirements should be introduced gradually in order to provide a sufficient time frame for manufacturers to redesign products that are subject to this Regulation. The timing should be such that negative impacts on the supply of computers are avoided, and costs for manufacturers, in particular small and medium-sized enterprises, are taken into account, while ensuring timely achievement of the objectives of this Regulation.

(11) A review of this Regulation is envisaged no later than three and a half years after its entry into force.

(12) The energy efficiency of computers should be determined through reliable, accurate and reproducible measurement methods, which take into account the recognised state of the art, including, where available, harmonised standards established in conformity with the applicable European standardisation legislation.
(13) As ecodesign requirements for standby and off mode electric power demand of electrical and electronic household and office equipment are not fully appropriate for the characteristics of computers, the requirements of Commission Regulation (EC) No 1275/2008 of 17 December 2008 implementing Directive 2005/32/EC of the European Parliament and of the Council with regard to ecodesign requirements for standby and off mode electric power demand of electrical and electronic household and office equipment should not apply to computers. Consequently, specific requirements for power management, as well as for sleep mode, off mode and lowest power state in computers should be set in this Regulation, and Regulation (EC) No 1275/2008 should be amended accordingly.


(15) In accordance with Article 8 of Directive 2009/125/EC, this Regulation should specify the applicable conformity assessment procedures.

(16) In order to facilitate compliance checks, manufacturers should be requested to provide information contained in the technical documentation referred to in Annexes IV and V to Directive 2009/125/EC in so far as that information relates to the requirements laid down in this Regulation.

(17) To ensure fair competition, the achievement of potential intended energy savings and provision of accurate information of products’ energy performance towards consumers, this Regulation should make clear that the tolerances prescribed for the national market surveillance authorities when conducting physical tests to establish whether a specific model of an energy related product is in compliance with this Regulation should not be
(18) Benchmarks for currently available products with high energy efficiency should be identified. This will help to ensure the wide availability and easy accessibility of information, in particular for small and medium-sized enterprises, which will further facilitate the integration of best design technologies and the development of more efficient products for reducing energy consumption.

(18) The measures provided for in this Regulation are in accordance with the opinion of the Committee established by Article 19(1) of Directive 2009/125/EC,
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