



A N N U A L R E P O R T

2008

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Members as at the beginning of June 2009. For further information about Bruegel's governance and its relationship with its members, see page 18.

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Bruegel's mission

BRUEGEL AIMS TO CONTRIBUTE TO THE QUALITY OF ECONOMIC POLICYMAKING IN EUROPE THROUGH OPEN, FACT-BASED AND POLICY-RELEVANT RESEARCH, ANALYSIS AND DISCUSSION.

Bruegel is defined by five key features:

Outward-oriented focus. The European Union is an open market economy and a major world player. It must enrich its policy debates, which too often suffer from an inward-looking bias, and develop genuine policy discussions with other international economic players. Bruegel aims to contribute to a better understanding of the economic challenges and responsibilities facing Europe in the context of globalisation.

Evidence-based policy recommendations. Bruegel does not stand for any particular policy doctrine. Its research, which is conducted both in-house and through partnerships with other research organisations, draws on state-of-the-art analysis to assess economic transformations, discuss policy options and propose recommendations – while always keeping an eye on their practical feasibility.

Demand-driven questions, independent answers. Bruegel's yearly Research Programme is set by the Board, which represents the diversity of Bruegel's stakeholders. Decisions on new research projects follow extensive discussions with Bruegel's members. Once a research topic is chosen, however, research and publications are fully independent. All publications are released under the signature of their author(s), and Bruegel itself abstains from taking any policy positions.

Linking government, research, business and civil society. Bruegel provides a forum for informed discussions between individuals from diverse backgrounds. It builds on the diversity of experience of its stakeholders to develop interaction between communities. Bruegel also aims to cooperate with leading European and international research institutions on specific research projects.

European reach. From the outset, Bruegel has adopted a pan-European approach. It addresses topics for which policy responsibility rests with individual states, the European Union, or international organisations. It intends to develop its presence in national debates across Europe, as well as Brussels and international discussion forums.

BRUEGEL'S NAME, while referring to a 'Brussels European and Global Economic Laboratory', pays tribute to Pieter Bruegel ('the Elder'), considered one of Europe's most innovative painters in the 16th Century. Pieter Bruegel's son and nephew were also renowned painters who spelled their names 'Breughel'; Bruegel the Elder, however, signed most of his masterpieces with 'Bruegel'.

Chairman's message

'BRUEGEL IN THE YEARS TO COME MUST CONTRIBUTE TO CREATIVELY ADDRESSING THE NEW POLICY CHALLENGES. THIS IS WHAT THINK TANKS ARE MADE FOR AND NOW IS THEIR MOMENT.'



In June 2008, the Bruegel General Assembly elected from among its membership a new Bruegel Board of eleven. I was deeply honoured both to be appointed Chairman to the Board and to have been proposed by Mario Monti, a man of high stature who was Bruegel's founding chairman. In recognition of his commitment and achievements, the Board decided to grant Mario Monti the title of Honorary President of Bruegel, and to propose him as Bruegel's first Honorary Member. His legacy is one of ambition, integrity and independence. These are values close to my heart.

The economic developments since 2007 have made economists and policy-makers question established thinking. This is no time to rely on conventional wisdom, and Bruegel in the years to come has to contribute to creatively address the new challenges policy is confronted with. This is what think tanks are made for and now is their moment.

Bruegel has contributed much to meeting the demand for continued innovative research and analysis in response to the events of 2008 and beyond. These responses have drawn directly on its core mission to contribute to improving the quality of economic policies in Europe and I am proud that, thanks to its achievements, Bruegel has been nominated European think tank of the year and second best new think tank worldwide.

Bruegel continues to grow, both as an organization and in its role as the leading European think tank of choice, focused on economic issues. It is the support of all of Bruegel's Members, together with the relationships that Bruegel has cultivated with its Members that gives the organization the freedom to continue critical and relevant work delivered independently. I would like to thank, on behalf of the Board, the Bruegel Membership for its continued support.

Leszek Balcerowicz

Director's introduction

'NEVER LET A SERIOUS CRISIS GO TO WASTE.' RAHM EMANUEL'S FAMOUS AND PROVOCATIVE STATEMENT APPLIES TO ECONOMIC THINK TANKS AS WELL AS GOVERNMENTS – ALBEIT FOR SOMEWHAT DIFFERENT REASONS.



For economists, crises are a time of opportunity as well as a time to take responsibility. They offer opportunities because many practical men (as Keynes called them), who usually have little appetite for research, suddenly want to listen to economists. Extraordinary times call for extraordinary responses and this is a moment when strategy and policy must draw on fresh thinking and lessons from distant experiences rather than mere know-how. But it is also a time to take responsibility, because precisely at the time economists are offered an unprecedented opportunity to see their advice become reality, they realise how much they have themselves been shaken by events and challenged by the fundamental questions those events raise. So there is room neither for diffidence nor hubris.

Bruegel has been doing its utmost not to waste the crisis since it began and particularly since its heightened aggravation in the autumn of 2008. Bruegel scholars have contributed to many policy discussions in many fields, from regulatory reform to macroeconomic responses and from global governance to European crisis management. Some Bruegel proposals have quickly moved from out-of-the-box blueprint to accepted wisdom status. They have been proactively speaking to policymakers and practitioners, organising debates, and informing the public about economic perspectives and policy choices. Of course, with the benefits of hindsight, we would have wished to be more perceptive. But we hope we have done our part on the developments of the crisis and helped to define adequate responses.

This effort has resulted in some reordering of our research agenda. Some projects have had to be postponed or abandoned and resources reallocated to more pressing concerns. We would, for example, have wished to carry out projects on services and growth or the EU's neighbourhood policy – two important issues for the medium term. At least, we have been able to withstand the pressure of immediacy, to keep on publishing and to preserve important research investments that have resulted in publications in 2008 or that will bear fruits in 2009 and beyond – such as the project on the internationalisation of European firms. Such investments are needed: as the crisis has deepened and its developments affect the whole range of policy domains, the demand for strategic thinking and well thought-out recommendations is, if anything, increasing.

We can be certain of more surprises down the road. At the very least, the economic debate will develop and intensify, as governments struggle with increasingly tight constraints, unemployment worsens and citizens' resentment grows. In such an environment, we will have, more than ever, to concentrate on research and integrity: research because this is a time for new ideas and new solutions, and integrity because the bolder our recommendations, the greater our duty to base them on thorough reasoning and evidence.

In this venture, the confidence of our state and corporate members is an indispensable asset. Their continuing support in times of strain is a powerful motivation for the whole team.

Jean Pisani-Ferry

Operational review

RESEARCH

The research programme for 2008 was structured into five main areas:

- *Growth Drivers for Europe*, devoted to analysing the deep determinants of European economic performance. Research here aimed at uncovering the factors that shape growth five or ten years ahead.
- *Europe and the Global Economy*, focusing on the role of Europe as a player in a rapidly transforming global economy, with the goal to determine where the priorities or the governance of the EU's external economic relations need rethinking.
- *Companies and Competitiveness*, centred on the patterns of internationalisation of European companies and how they affect competitiveness and performance.
- *Institutions and Policies*, concentrating on the interplay between institutions and policies, including but not exclusively at the macroeconomic level.
- *Interdependence and Regulation*, covering the design of regulation at EU and national level and its impact on stability and performance in regulated sectors.

However, developments in the global crisis during the course of 2008 resulted in new demands and new priorities – which led Bruegel to reallocate resources away from some of its planned projects. Crisis management priorities became *de facto* a sixth, important research area.

A. GROWTH DRIVERS FOR EUROPE

Bruegel has started acquiring a reputation for research into the deep determinants of growth in Europe and is emerging as an acknowledged source of independent (and often critical) expertise. Building on earlier work on the Lisbon strategy, on innovation-based growth and on universities, a series of publications addressed several dimensions of the issue and evaluated the corresponding policy levers, providing inputs into Council discussions.

Bruegel research highlighted the potential role of finance in a growth strategy (Thomas Philippon and Nicolas Véron). It pointed out weaknesses in allocation of EU Structural Funds (Indhira Santos) and criticised the current research and development policy approach of spending targets (Bruno van Pottelsberghe). Building on a 2007 publication, it provided more detailed analysis of European higher education and provided recommendations for improvement (Philippe Aghion, André Sapir *et al.*).

A major field for research in the coming years is the potential role of clean technology as a driver of growth. Initial findings were presented by Philippe Aghion at a workshop on the topic organised in July 2008, which are expected to result in publications in 2009. However research into services and growth has had to be postponed.

As a whole, Bruegel research on growth policies has been widely commented on and has triggered significant policy-oriented discussions with policymakers at senior level.

2008 publications

- **Financing Europe's fast movers**, Policy Brief, Thomas Philippon and Nicolas Véron, January
- **Is structural spending on solid foundations?** Policy Brief, Indhira Santos, February
- **Europe's R&D: missing the wrong targets**, Policy Brief, Bruno van Pottelsberghe, February
- **Higher Aspirations: an agenda for reforming European universities**, Blueprint, Philippe Aghion, Mathias Dewatripont, Caroline Hoxby, Andreu Mas-Colell and André Sapir, July

B. EUROPE AND THE GLOBAL ECONOMY

Interest in *Europe and the Global Economy* as a broad research theme has from the very start been a trademark of Bruegel research. In 2007 the *Fragmented Power* book provided a systematic approach to the priorities and governance of the EU's external economic relations.

This research strand was pursued in 2008 with contributions on the need for a rethink of the EU's migration policy priorities (Jakob von Weizsäcker), on the food prices crisis (Juan Delgado and Indhira Santos), on Europe's response to the rise of sovereign wealth funds (Lars-Hendrik Röller and Nicolas Véron) and on Asia-Europe relations (Jean Pisani-Ferry). A joint Bruegel-Peterson Institute project on the global role of the euro and transatlantic comparisons of policy responses to the crisis was also initiated (Jean Pisani-Ferry and Adam Posen).

The comparison of EU and US trade agreements (Henrik Horn, Petros Mavroidis and André Sapir) was carried out during the year and results were published in early 2009. However, the project on Europe and its neighbourhood had to be postponed and the comparison between patterns of internationalisation in Europe and America was not completed.

Bruegel's focus on Europe's external economic relations was highlighted by the organisation of two major conferences in Washington, DC in

October and in Beijing in December, with the participation of senior policymakers and experts (see the events section).

2008 publications

- **The end of Europe's longstanding indifference to the renminbi**, Policy Contribution, Jean Pisani-Ferry, January
- **Progressive governance and globalisation**, Policy Contribution, Jean Pisani-Ferry, April
- **Strait is the gate – Europe's immigration priorities**, Policy Brief, Jakob von Weizsäcker, July
- **The new food equation: Do EU policies add up?** Policy Brief, Juan Delgado and Indhira Santos, July
- **Divisions of labour: rethinking Europe's migration policy**, Blueprint, Jakob von Weizsäcker, October
- **Asia-Europe: the third link**, Working Paper, Jérémie Cohen-Setton and Jean Pisani-Ferry, October
- **Safe and sound: An EU approach to foreign investment**, Policy Brief, Lars-Hendrik Röller and Nicolas Véron, November

C. COMPANIES AND COMPETITIVENESS

Bruegel has invested significantly in the analysis of competitiveness and internationalisation on the basis of firm-level data. This approach has been applied both to major listed companies and the much broader set of manufacturing firms of all sizes.

In 2008 research involved several projects. The project on the euro's effect on firm cross-border activity (Gianmarco Ottaviano et al.) resulted in a publication in early 2008. That on corporate nationality (Nicolas Véron) resulted in a working paper. And data collection was carried out for the project on globalisation and executive pay.

Following the publication of *The Happy Few* in 2007, a Bruegel-led consortium of European research teams was in 2008 awarded a major European Commission research grant for a project entitled *European Firms in a Global*

Economy (EFIGE)¹. Thanks to this support the EFIGE team, co-directed by Bruegel fellow Gianmarco Ottaviano, will launch the collection of new, comparable data on the internationalisation of firms across a number of European countries. These data are expected to shed new light on the determinants of competitiveness, trade and foreign investment. Bruegel is therefore poised to develop research that is at the same time at the frontier of empirical methodologies and very policy-relevant.

2008 publications

- **The demographics of global corporate champions**, Working Paper, Nicolas Véron, July
- **The new corporation in Europe**, Policy Brief, Dalia Marin, September

D. INSTITUTIONS AND POLICIES

After years of relative indifference, interest in macroeconomic issues and policies has been strongly revived by the aggravation of the crisis and the discussion about the appropriate response strategies.

Bruegel's comparative advantage in this field is in making the link between macroeconomic policy priorities and the institutional set-up of European policy-making. Governance was indeed the focus of the *Coming of age* report on the euro area published in January 2008. Further research into the lessons of the crisis for the governance of the euro area and the EU was initiated during the course of 2008.

Bruegel scholars (Jean Pisani-Ferry, André Sapir and Indhira Santos) participated in several initiatives on the future of the EU budget, including through the organisation of Bruegel workshops, but publication was delayed as the issue moved off the 2008 policy agenda. Publications are scheduled for 2009. Research was also initiated on institutions and policies in the new member states (Zsolt Darvas). As to the policy evaluation

project (Jean Pisani-Ferry, André Sapir and Indhira Santos), it was initiated but not yet completed.

After the *Coming of age* report, the visibility of Bruegel research in the macro field was enhanced by papers published in the second half of 2008 on Europe's response to the crisis (see section F, overleaf).

2008 publications

- **Coming of age: report on the euro area**, Blueprint, Jean Pisani-Ferry, Philippe Aghion, Marek Belka, Jürgen von Hagen, Lars Heikensten and André Sapir, January
- **Government size and output volatility: should we forsake automatic stabilisation?** Working Paper, Xavier Debrun, Jean Pisani-Ferry and André Sapir, April
- **Public pensions and intra-EU mobility: an unfinished agenda**, Working Paper, Robert Fenge and Jakob von Weizsäcker, May
- **A tail of two countries**, Policy Brief, Alan Ahearne, Juan Delgado and Jakob von Weizsäcker, June

E. INTERDEPENDENCE AND REGULATION

Bruegel activity in this field is developing. Research on financial regulation and supervision (Nicolas Véron) has developed and is expected to result in further publications in 2009. Two workshops on climate policies (Juan Delgado) were organised in 2008, whose results will be made available in a report scheduled for summer 2009. And the project on intellectual property (Bruno van Pottelsberghe) has been completed, resulting in a publication in June 2009. Unfortunately projects on electricity and telecoms have been significantly delayed, in part for lack of access to adequate data.

2008 publications

- **Policymakers and the R&D-patent relationship**, Policy Contribution, Bruno van

1. Details can be found on www.efige.org.

Pottelsberghe, May

- **The London Agreement and the cost of patenting in Europe**, Working Paper, Bruno van Pottelsberghe and Malwina Mejer, May
- **Empower users of financial information as the IASC Foundation's stakeholders**, Policy Contribution, Nicolas Véron, July

F. THE CRISIS AND POLICY RESPONSES

In the course of 2008 several Bruegel scholars participated actively in the discussion on the crisis and policy responses to it, whether regulatory or macroeconomic. As is natural in such circumstances, part of the crisis-related output took the form of short pieces in the press and electronic media as well as participation in numerous discussions and seminars. Bruegel, however, strove to resist the pressure of immediacy and also contributed through more elaborate research-based papers.

2008 publications

- **Testing times for global financial governance**, Essay, Ignazio Angeloni, October
- **Will the current crisis trigger a revival of the IMF?** Policy Contribution, Jean Pisani-Ferry, October
- **Fair-value accounting is the wrong scapegoat for this crisis**, Policy Contribution, Nicolas Véron, May
- **A European recovery programme**, Policy Brief, Jean Pisani-Ferry, André Sapir and Jakob von Weizsäcker, Policy Brief, November
- **Avoiding a new European divide**, Policy Brief, Zsolt Darvas and Jean Pisani-Ferry, December
- **Estimating the size of the European stimulus packages for 2009**, Policy Contribution, David Saha and Jakob von Weizsäcker, December²
- **The international agenda: immediate priorities and long-term challenges**, Policy Contribution, Jean Pisani-Ferry, December

EVENTS

A. CONFERENCES

Bruegel organised or co-organised three major conferences in 2008: the first one, co-organised with the World Bank and held in Brussels, addressed economic challenges in Eastern Europe; the second, on the international role of the euro was co-organised with the Peterson Institute for International Economics and held in Washington, DC; the third, on the implications of crisis for Asia and Europe, was organised within the framework of the Asia-Europe Economic Forum and held in Beijing.

On 3 July Bruegel hosted *'From Transition to Convergence: Economic challenges in Eastern Europe and the Former Soviet Union'* with the **World Bank**. The conference looked at the record of economic development and convergence in countries – some of which are now members of the EU, and some of which are not – that initiated two decades ago their transition to the market. Speakers included **Theodore Alhers** (World Bank), **Bozidar Djelic** (Deputy Prime Minister, Serbia), **Yegor Gaidar** (Institute for the Economy in Transition, Moscow), **Shigeo Katsu** (World Bank), **Ali Mansoor** (Finance Secretary, Government of Mauritius), **Katharina Mathernova** (European Commission), **Ivan Miklos** (MP and former Deputy Prime Minister, Slovak Republic), **Pradeep Mitra** (World Bank), **Jean Pisani-Ferry** (Bruegel), **Hryhoriy Nemyria** (Deputy Prime Minister, Ukraine), **André Sapir** (Bruegel) and **Jakob von Weizsäcker** (Bruegel).

On 10 October Bruegel, along with the Peterson Institute, held a conference in Washington DC, *'The euro at 10: the next global currency?'* The conference, that was part of a joint Bruegel-Peterson project supported by the European Commission, was held at the time of the IMF-World Bank annual meeting. Beyond the presentation of research on the international role of the euro, it provided an opportunity for discussion on crisis-related policy issues.

2. This note was updated several times after its initial publication.

Speakers included **Joaquín Almunia** (European Commission), **Leszek Balcerowicz** (Warsaw School of Economics; Chairman of Bruegel's Board), **Fred Bergsten** (Peterson Institute), **Lorenzo Bini Smaghi** (European Central Bank), **Linda Goldberg** (Federal Reserve Bank of New York), **Jean-Claude Juncker** (chairman of the Eurogroup), **Mohsin Khan** (IMF), **Kristin Forbes** (Sloan School of Management, MIT), **Erkki Liikanen** (Governor, Bank of Finland), **Thomas Mayer** (Deutsche Bank), **Jean Pisani-Ferry** (Bruegel), **Adam Posen** (Peterson Institute), **André Sapir** (Bruegel), **Dominique Strauss-Kahn** (IMF) and **Larry Summers** (Harvard). The results of the conference discussions will be presented as a book in 2009.

On 8-10 December the Asia-Europe Economic Forum created by Bruegel with partners in China, Japan and Korea held its second conference in Beijing³. The topic was *'The Global Financial Crisis: Policy Choices in Asia and Europe'*. Speakers included **Agnès Bénassy-Quéré** (CEPII), **Ignazio Angeloni** (Bruegel and ECB), **Giancarlo Corsetti** (European University Institute), **Fan Gang** (National Economic Research Institute), **Miranda Goeltom** (Bank of Indonesia), **Masahiro Kawai** (ADB), **Ku-Hyun Jung** (Samsung Research Institute), **Rachel Lomax** (formerly Bank of England), **Erik Nielsen** (Goldman Sachs), **Yung-Chul Park** (Korea University), **Jean Pisani-Ferry** (Bruegel), **Klaus Regling** (Lee Kuan Yew School of Public Policy), **Gwang-ju Rhee** (Bank of Korea), **Dennis Snower** (Kiel Institute), **Hiroshi Watanabe** (JBIC), **Yi Gang** (People's Bank of China), **Yu Yongding** (CASS), **Naoyuki Yoshino** (Keio University) and **Zhang Jianhua** (People's Bank of China).

B. WORKSHOPS

Eight workshops were organised in 2008, all at Bruegel premises. These small-scale events typically involve 20 to 30 experts and policymakers for discussion on relevant policy issues.

- 14 January, *'Reforming the EU budget: the tale of two new member states'* saw presentations by **Mojmir Mrak** (University of Ljubljana, Slovenia), **Jaroslav Pietras** (Warsaw University, Poland) and **André Sapir** (Bruegel).
- 10 March, *'EU and US farm policies'* was a joint workshop with CEPII, the German Marshall Fund and IFPRI. It included contributions from **Lionel Fontagné** (CEPII), **Antoine Bouet** (IFPRI), **Loretta Dormal Marino** (European Commission, DG AGRI), **Indhira Santos** (Bruegel), **Joe Guinan** (German Marshall Fund), **David Blandford** (Pennsylvania State University) and **Lee Ann Jackson** (WTO).
- 13 March, *'The Financial Crisis in Asia and Europe'* was an AEEF workshop held at the National Bank of Belgium. Speakers included **Agnès Bénassy-Quéré** (CEPII), **Pervenche Berès** (European Parliament), **Marco Annunziata** (Unicredit), **Jean-Pierre Landau** (Banque de France), **Philip Lane** (IIIS Dublin), **Frank Moss** (ECB), **Jean Pisani-Ferry** (Bruegel), **Peter Praet** (National Bank of Belgium), **Klaus Regling** (European Commission), **Gwang-ju Rhee** (Bank of Korea), **André Sapir** (Bruegel), **Wataru Takahashi** (Bank of Japan), **Nicolas Véron** (Bruegel), **David Vines** (Oxford), **Yi Gang** (People's Bank of China) and **Naoyuki Yoshino** (Keio University).
- 26 May, *'The EU budget: which reforms are feasible and how to obtain them'* was a joint workshop with Demos Europa, the Polish think tank. It featured presentations from **Jaroslav Pietras** (University of Warsaw), **Jean Pisani-Ferry** (Bruegel) and **André Sapir** (Bruegel; Université Libre de Bruxelles).
- 24 June, *'EU climate policies: decision time begins'* was a workshop held within the framework of the French presidency of the EU, with the support MEEDDAT, the French Ministry for Environment, Energy and Sustainable Development. Speakers

3. AEEF now has seven members: The Asian Development Bank Institute (Japan); Bruegel; CEPII (France); The Institute of World Economics and Politics of the Chinese Academy of Social Sciences (China); Keio University (Japan); the Kiel Institute for the World Economy (Germany) and Korea University (Korea).

included **Philippe Aghion** (Harvard and Bruegel), **Juan Delgado** (Bruegel), **Vitor Gaspar** (European Commission), and **Roger Guesnerie** (Collège de France).

- 23 September, *'The European patent system, drawbacks and challenges'* looked at the EU's patent system, and discussed proposals for change from Bruegel senior fellow, **Bruno Van Pottelsberghe**.
- 24 September, *'The right climate for agreement: designing the post-2012 world'* was the second workshop for the French Presidency under the auspices of MEEDDAT. It heard contributions from **Joseph Aldy** (Harvard Project on International Climate Agreements and Resources for the Future), **Louis Bono** (US Mission to the EU), **Karl Falkenberg** (European Commission), **Jaroslav Pietras** (Council of the European Union), **Rajiv Kumar** (Indian Council for Research on International Economic Relations), **Xianli Zhu** (UNEP Risoe Centre on Energy, Climate and Sustainable Development), **Carlo Carraro** (University of Venice), **Robert Stavins** (Harvard Project on International Climate Agreements and Resources for the Future) and **Laurence Tubiana** (Institute of Sustainable Development and International Relations).
- 27 October, *'Challenges in the World Economy'* was a workshop organised jointly with the Center for Strategic and International Studies (Washington, DC). Billed as a 'dialogue between the European Union and the United States', the workshop included contributions from Bruegel fellows **Jean Pisani-Ferry**, **Nicolas Véron** and **André Sapir**, as well as **Hugo Paemen** (Hogan & Hartson), **Bruce Stokes** (German Marshall Fund), **Rolf Langhammer** (Kiel Institute), **Riccardo Perissich** (APCO Worldwide) and **Laurens Jan Brinkhorst** (University of Leiden).

C. POLICY PANELS AND SEMINARS

On 25 June, Bruegel held a Joint Policy Panel with Notre Europe to discuss the report *'A European strategy for globalization'* by **Laurent Cohen-Tanugi**, chair of the 'Europe in the Global

Economy' taskforce appointed by the French government. The panel consisted also of **Daniel Gros** (CEPS), **Gert-Jan Koopman** (European Commission), **Håkan Jonsson** (Secretary of State for European Affairs, Sweden) and **Tommaso Padoa-Schioppa** (Notre Europe).

On 7 July Bruegel held a joint seminar with EUROAD, *'IMF structural conditionality: more than cosmetic changes?'* with **Ruben Lamdany** (IMF Independent Evaluation Office) and **Nuria Molina** (Eurodad).

On 29 October Bruegel held a joint seminar with the Peterson Institute entitled *'Maghreb regional and global integration: a dream to be fulfilled'*. It featured contributions from **André Sapir** (Bruegel), **Stuart Eizenstat** (Covington & Burling LLP), **Dean DeRosa** (ADR International), **Francis Ghilès** (European Institute of the Mediterranean), **Mustafa Faïd** (SPTEC Conseil), **Abderrahmane Hadj Nacer** (former Governor, Central Bank of Algeria) and **Hughes Mingarelli** (Deputy Director General, DG RELEX, European Commission).

On 2 December, Bruegel, with the Banque de France in Paris held a presentation of the Bruegel blueprint *'Of markets, products and prices – the effect of the Euro on European firms'*. It was presented by the authors **Lionel Fontagné** (CEPII), **Thierry Mayer** (CEPII, CEPR) and **Gianmarco Ottaviano** (Bruegel, Bocconi University).

D. SEMINARS

Bruegel holds regular presentations and discussions in four events series: **Economic Policy Seminars**, **Finance Focus Breakfasts**, the **Energy and Climate Exchange** and **lunch-talk@bruegel**, and a number of events not related to a particular series.

The **Bruegel Economic Policy Seminar**, coordinated by Research Fellow Indhira Santos provides an opportunity for speakers to present research papers with a bearing on policy discussion. The seminar had ten sessions in 2008:

- 17 January, *'The effect of the euro on intra-EMU trade: smaller than initially estimated but continuing to grow?'* with Jeffrey Frankel (Harvard University) and Paul De Grauwe (KU Leuven) as discussant.
- 19 February, *'Understanding differences in institutional quality – the economic and political effects of individual values'* with Guido Tabellini (Bocconi University) and Ton van Schaik (Tilburg University) as discussant.
- 10 April, *'What a different world... Costs and policy for a low carbon society'* with Carlo Carraro (University of Venice) and Jos Delbeke (European Commission, DG Environment) as discussant.
- 15 April, *'Asset price bubbles and economic policy'* with Jaume Ventura (CREI; Pompeu Fabra University) and Tom Mayer (Deutsche Bank) as discussant.
- 20 May, *'Quantifying the gains of migration and trade: the case of western and eastern Europe'* with Giovanni Peri (University of California Davis) and Jakob von Weizsäcker (Bruegel) as discussant.
- 19 June, *'Food prices, tariffs and poverty: why isn't the Doha round more development friendly?'* with Alan Winters (University of Sussex) and Péter Balás (European Commission, DG Trade) as discussant.
- 13 October, *'What's up with exchange rates anyway? Explaining the relationship between exchange rates and macroeconomic fundamentals'* with Philippe Bacchetta (University of Lausanne) and Rafael Wouters (National Bank of Belgium) as discussant.
- 6 November, *'The subprime-mortgage financial crisis: Lessons for a new regulatory system'* with Martin Hellwig (Max Planck Institute for Research on Collective Goods, Bonn) and Nicolas Véron (Bruegel) as discussant.
- 10 November, *'Happiness in transition: Why are citizens in transition economies relatively unhappy?'* with Sergei Guriev (New Economic School Moscow) and István P. Székely (European Commission, DG ECFIN) as discussant.

- 18 December, *'Conventional pseudo-wisdom: does a flexible exchange rate regime really facilitate current account adjustment?'* With Menzie Chinn (University of Wisconsin) and Jean Pisani-Ferry (Bruegel) as discussant.

The **Finance Focus Breakfast** series, coordinated by Research Fellow Nicolas Véron, is specifically targeted at market participants, policymakers and academics interested in financial market issues. Twelve sessions were held in 2008:

- 17 January, *'Has the financial sphere become too large?'* with Thomas Philippon (Stern School of Business) and Bernard Delbecq (EFAMA) as discussant.
- 27 February, *'New business models for a borderless financial marketplace'* with Phil Bruce (NYSE Euronext), Peter Norman (Journalist and writer), Philippe Tastevin (NYSE Euronext) with Olivier Lefebvre (Euronext Brussels) as discussant.
- 19 March, *'The 'Padoa-Schioppa Proposal' for EU banking supervision'* with Giovanni Sabatini (Ministry of Economy and Finance, Italy) and Laura Segni (Ministry of Economy and Finance, Italy).
- 29 April, *'Global financial regulation: can it bite?'* with Howard Davies (London School of Economics), David Green (UK Financial Reporting Council) and Freddy Van den Spiegel (Fortis) as discussant.
- 14 May, *'The unique features of competition in financial services'* with Stijn Claessens (International Monetary Fund) and Robert McLeod (MLex Market Intelligence) as discussant.
- 21 May, *'How institutional investors are reshaping European companies'* with Pedro Matos (Marshall School of Business, UCLA) and Xavier Dieux (Willkie, Farr & Gallagher LLP) as discussant.
- 24 June, *'Options for burden-sharing in EU banking crisis management'* with Peter Nyberg (Ministry of Finance, Finland) and Dirk Schoenmaker (Ministry of Economics, the Netherlands) and Grégory Nguyen (National Bank of Belgium) as discussant.

- 15 July, *'Is leveraged equity investment good, bad or ugly?'* With Norbert Reis (The Carlyle Group), Emma Thorpe (The Carlyle Group) and Pervenche Berès, MEP.
- 16 September, *'The financial crisis: what comes next?'* with Alberto Giovannini (Unifortune Asset Management) and Vitor Gaspar (European Commission, BEPA) as discussant.
- 3 October, *'Banking supervision: is there a Spanish model?'* with Jesús Saurina (Banco de España) and Sergio Lugaresi (UniCredit) as discussant.
- 12 November, *'How will the Obama administration reform financial regulation?'* with Jon Levy (Eurasia Group) and Ed Cody (The Washington Post) as discussant.
- 2 December, *'Central and Eastern European financial systems in the crisis'* with Jean Lemierre (BNP Paribas) and György Surányi (Intesa SanPaolo) as discussant.

The **Energy and Climate Exchange** series was launched in 2008 and co-ordinated by fellow Juan Delgado. It was designed as a reference discussion forum in Brussels for professionals in the energy and climate change fields and other interested parties from various communities (academia and think tanks, policy institutions, selected press, business, NGOs, civil society) to discuss issues related to the economics of energy and climate change policies. Six sessions were held in 2008:

- 3 June, *'Business opportunities from climate change'* with Lorraine Bolsinger (Ecomagination, GE).
- 14 July, *'Putting the renewable target in place'* with Mario Ragwitz (Fraunhofer-Institute for Systems and Innovation).
- 17 September, *'The role of the Clean Development Mechanism in a post-2012 global climate agreement'* with Axel Michaelowa (Zurich University).
- 7 October, *'Securing Europe's energy supply'* with Claude Mandil (former Executive Director of the International Energy Agency).
- 27 November, *'Global carbon markets'* with Denny Ellerman (Massachusetts Institute

of Technology).

- 4 December, *'A critique of EU climate change policy'* with Dieter Helm (New College, Oxford).

The **lunchtalk@bruegel** series typically highlights current topics and features a presentation by a guest speaker followed by a response from an expert in the same field. It was coordinated by Research Fellow Juan Delgado in 2008. During the year Bruegel held four lunchtalks:

- 5 February, *'The genesis of GATT: Lessons for today's trade negotiations'* with Douglas Irwin (Dartmouth College) and Petros Mavroidis (Université de Neuchâtel; Columbia Law School) and Roderick Abbott (London School of Economics; ECIPE) as discussant.
- 13 February, *'But can the EU deliver? Policy outputs and Europe's political landscape to 2009'* with Maurice Fraser (London School of Economics).
- 21 February, *'US electricity restructuring: what have we learned?'* with Frank Wolak (Stanford University) and Yves Smeers (Université catholique de Louvain) as discussant.
- 6 March, *'Making regulation and competition compatible: what is the recipe?'* with Vivek Ghosal (Georgia Institute of Technology) and Marcel Canoy (European Commission, BEPA) as discussant.

E. ANNUAL MEETING

On 11-12 June, Bruegel held its third **Annual Meeting** as a high-level event bringing together its Members, Board and Staff at the Hilton Hotel, Brussels and the Palais d'Egmont. At the dinner on June 11th, Bruegel members and guests heard from IBM CEO **Sam Palmisano**.

The theme of the Annual Meeting was *'The new world economic landscape'* and included guest speakers **Ignazio Angeloni** (SACE), **Jeffrey Currie** (Goldman Sachs), **Caio Koch-Weser** (Deutsche Bank and Bruegel Board), **Almos**

Kovacs (Ministry of Finance, Hungary), Kevin O'Rourke (Trinity College Dublin), Adam Posen (Peterson Institute and Bruegel Board), Paul Seabright (Université de Toulouse and Bruegel Scientific Council) and Herman Verwilt (Fortis).

PUBLICATIONS

All Bruegel research is for publication. **Bruegel Blueprints** are reports presenting economic analyses leading to policy recommendations. Three Blueprints were published in 2008 (see section on the execution of the research programme).

Policy Briefs continue to be the main vehicle for Bruegel's research output. In 2008 ten Policy Briefs were published; these have also been covered in the section on the execution of the research programme.

Bruegel Working Papers present work in progress by Bruegel scholars or research associates. During 2008 Bruegel published five working papers.

Policy Contributions are short texts on specific policy questions, including testimonies at hearings, responses to consultations and presentations to policy panels. During 2008 Bruegel published six policy contributions:

The **Essay and Lectures Series** provides a compact record of the views of scholars and practitioners as they write for, or lecture at Bruegel events. In June 2008 **Ignazio Angeloni**, former Director for International Financial Relations at the Italian Ministry of Economy and Finance, joined Bruegel as a visiting scholar. As part of his work at Bruegel he completed 'Testing Times for Global Financial Governance'.

WEBSITE

All Bruegel's publications, event reports, opinion pieces and other output are made available on www.bruegel.org. The website enjoyed more than 168,000 unique visitors in

2008 (a **68 percent** increase on the previous year) and more than 1.1m pages viewed (a **36 percent** increase on 2007).

PRESS AND MEDIA

Bruegel is prominent in the relevant national and international press, with 700 articles published during 2008 including a reference to Bruegel or a quote from, or interview with, a Bruegel scholar. The total included 117 opinion pieces or columns written by Bruegel research staff for leading European and international newspapers such as *Cinco Dias*, *Corriere della Sera*, *Les Echos*, *Financial Times*, *Financial Times Deutschland*, *Gazeta Wyborcza*, *The Irish Independent*, *The Irish Times*, *Handelsblatt*, *Le Monde*, *Rzeczpospolita*, *La Tribune*, *La Vanguardia*, and *The Wall Street Journal*.

Bruegel scholars also regularly contribute to online media through opinion pieces or blogs such as *Eurointelligence*, *FTD-Wirtschaftswunder*, *The Guardian Business Blog*, *Telos-eu*, *La Voce* and *Vox-eu*.

Bruegel scholars also contributed to the non-print media, including interviews for *ABC National Radio* (USA), *Al Jazeera*, *Arte*, *Associated Press TV*, *Bloomberg TV*, *Canal Argent* (Canada), *CNBC Europe*, *Czech National Television*, *Deutsche Welle Radion*, *LCI*, *Bloomberg TV*, *Sveriges Television SVT*, *France 3*, *BBC Radio 5 Live*, *BBC1*, *BBC2*, *BBC World Service Radio*, *BBC World TV*, *Canal Plus*, *DW-Radio*, *Euronews*, *Finnish TV*, *France 3*, *France 24*, *France Inter*, *France Culture*, *Markiza Slovakia*, *ORF Austria*, *Radio Alger*, *Radio Atlantique* (Morocco), *Radio BFM*, *Radio Classique*, *Radio France Internationale*, *Radio Free Europe* (Czech Republic), *Radio La Voix de l'Amérique* (USA), *Radio Netherlands International*, *Radio Suisse Romande*, *Radio TSF*, *RTE* (Ireland), *SVT* (Sweden), *US National Public Radio* and others.

Team Development

The following individuals joined Bruegel during 2007:

Zsolt Darvas, *Research Fellow*

joined Bruegel in September 2008 as a Visiting Fellow and became a regular research fellow in January 2009. He is also Research Fellow at the Institute of Economics of the Hungarian Academy of Sciences and Associate Professor at the Corvinus University of Budapest. Previously he was the Research Advisor of Argenta Financial Research Group in Budapest. Before that, he worked at the research unit of the Central Bank of Hungary (1994-2005) where he served as Deputy Head. His research interests include macroeconomics, international economics, central banking and time series analysis.

Maite de Sola, *Research Assistant*

joined Bruegel in September 2008. She holds an MA from the School of Advanced International Studies at the Johns Hopkins University. Her research interests lie in macroeconomics and political economy.

Martin Kessler, *Research Assistant*

joined Bruegel in September 2008. He holds a Masters in Economics from Paris School of Economics, on analysis and economic policy. His interests lie in innovation policy, growth and macro-economics.

Delphine Michel, *Research Manager*

joined Bruegel in September 2008. Previously she worked as head of the European team for the consulting department of Greater London Enterprise, Brussels. She has also worked at the regional level in France, Thessaloniki and Brussels, on the management of European

funded projects and programmes.

David Saha, *Research Assistant*

joined Bruegel in September 2008. He holds an MSC in economics with a specialisation in public economics from the London School of Economics. His main research interest revolves around taxation, fiscal policy and labour economics.

Matilda Sevon, *Administrative Assistant*

joined Bruegel in November 2008. She holds a degree in philosophy from KU Leuven. Prior to joining Bruegel, she worked in the customer services department at Nespresso.

Reinhilde Veugelers, *Senior Research Fellow*

joined Bruegel in November 2008. She is also a professor at KULeuven, Belgium at the Faculty of Economics and Business, a CEPR Research Fellow and member of Commissioner Potocnik's Knowledge for Growth expert group. Previously she was advisor at the European Commission as part of BEPA. Her research with Bruegel is concentrated in the fields of industrial organisation, international economics and strategy, innovation and science.

Vanessa Witkowski, *Media & Communications Officer*

joined Bruegel in September 2008. After completing her first degree in the United States she obtained a Masters degree at the College of Europe (Natolin), based in Warsaw. She has worked for cafebabel.com and the Madariaga European Foundation.

Frank A. Wolak, *Non Resident Senior Fellow*

joined Bruegel in April 2008. He is a Professor at Stanford University and a visiting scholar at

the University of California Energy Institute as well as Research Associate of the National Bureau of Economic Research (NBER). He is also Chairman of the Market Surveillance Committee of the CISO for the electricity supply industry in California. He participates in Bruegel research on industrial organisation and econometric theory.

*During the course of 2008 Bruegel also benefitted from the work of **Cecilia Chavez Sanchez** (Executive Assistant, Events Co-ordinator), as well as a number of students who assisted in a project over the summer: **Raphael d'Ostuni, Arnaud De Vos, Bastein Hermans, Jérémy Lauer-Stumm, David Lebrun, Elena Marzal, Fernando Miguel, Francois van Bladel, Jérémie Weisengrun.***

Governance

BRUEGEL'S GOVERNANCE FRAMEWORK IS DESIGNED TO ENSURE BOTH THE INDEPENDENCE OF ITS RESEARCH AND ITS RELEVANCE TO DIVERSE STAKEHOLDERS.

Bruegel is registered as a Belgian international non-profit association (*Association Internationale Sans But Lucratif*) under the number 0867636096, with registered office on Rue de la Charité 33, B-1210 Brussels. The basis for its governance is formed by its statute and bylaws, both of which can be downloaded from Bruegel's website.

In 2008 the association had two categories of **Members**. State Members are governments of member states of the European Union which have chosen to join Bruegel; Corporate Members are international firms whose request for membership has been approved by Bruegel's Board.

In early 2008, Bruegel completed the membership structure implied by its statute by appointing seven **Partner Research Institutions**.

Also in 2008 the European Investment Bank expressed interest in becoming a member and, following decisions by the General Assembly and the Board, it became member on 1 January 2009.

Each member appoints a Senior Contact Person and an Alternate, which represent it in Bruegel's governance bodies. The details of Members' financial contributions are given in the 'Financials' section of this report.

The highest body is Bruegel's **General Assembly**, which brings together all members. The General Assembly is complemented by so called 'Groups' which are formed, respectively, by Bruegel's state and corporate members. The General Administration Body (*organe d'admini-*

nistration générale under Belgian law) is the Board, which is entrusted with broad decision-making powers, including on senior recruitments and the research programme but has no responsibility for publications and policy positions.

In 2008, the General Assembly met on 26 February for the election of the Board and on 11 June for its statutory annual meeting. The Group of States and Group of Corporate Members met respectively on 22 January and 11 June. The Group of Partner Research Institutions met on 18-20 February.

The Board was renewed in 2008 at the end of the first Board's three-year mandate. In January, Thomas Mirow, Jaroslaw Pietras and Peter Praet were selected by the Group of States; Frank Dangeard, Caio Koch-Weser and Jim O'Neill were selected by the Group of Corporate Members; Adam Posen was selected in February by the Partner Research Institutions; and they jointly proposed Anna Ekström, Mario Monti and Helen Wallace as additional Board members. The 10-strong Board was then elected by the General Assembly on 26 February, with retroactive effect as of 20 December 2007. At its first meeting on 18 March 2008 the Board reappointed Jean Pisani-Ferry as Director for a term extending to 31 January 2011. This appointment was ratified by the Group of States and the Group of Corporate Members on 11 June 2008.

In Spring 2008 Mario Monti, who had been re-elected as chairman of the Board, announced his desire to step down. On 11 June 2008, the General Assembly completed the Board by

electing Lydia Aguirre and Leszek Balcerowicz, and Leszek Balcerowicz subsequently was elected by the Board as its Chairman. The Board also decided to grant Mario Monti the title of Honorary President of Bruegel, and to propose him as an Honorary Member, subject to approval by the General Assembly.

The Board met three times in 2008, on 18 March, 11 June and 24 September, with an average attendance rate of 73 percent. It has established two Committees, the **Audit Committee** chaired by Helen Wallace and the **Compensation Committee** chaired by Leszek Balcerowicz.

The **Scientific Council** is comprised of eight internationally recognised economists, appointed by the Board for a three-year mandate. Its role is to advise Bruegel's Board and Director and to assess the scientific quality of Bruegel's output. On 24 September the Board appointed a new Scientific Council consisting of Peter Neary, Lucrezia Reichlin, Dani Rodrik, Paul Seabright, Jaume Ventura and Luigi Zingales, who were renewed for a second term, and Guiseppe Bertola and Sergei Guriev, who replaced Isher Alhuwalia and Nick Stern. The Scientific Council met once in 2008, on 11 October, and re-elected Paul Seabright as chairman.

Bruegel's **Research Programme** is currently

prepared at a yearly pace. Based on extensive consultation with Bruegel's members, including at least one plenary meeting of members' Senior Economists, a draft programme is prepared by Bruegel's staff, sent to members for consultation, and proposed to the Board together with the members' feedback. The Board then adopts a research programme.

The research programmes since 2006 inclusive, can be downloaded from Bruegel's website.

Bruegel research in 2008 was partially financed by two grants from the European Commission: one from DG Research's FP7 programme for the multi-year Bruegel-led project *European Firms in a Global Economy* (EFIGE); and one from DG ECFIN and DG RELEX for a Bruegel-Peterson Institute project on transatlantic approaches and cooperation in macroeconomic policy. In addition, Bruegel benefitted from a grant from the French presidency of the EU for the organisation of two workshops on climate change.

Bruegel's public Statement on Research Integrity, adopted by the Board in May 2006, is also available on Bruegel's website. The Statement sets rules for the avoidance of political, national or commercial conflicts of interest which could harm the integrity of Bruegel's research.

Web references:

Bruegel's statute:

http://www.bruegel.org/fileadmin/Policy_Briefs/Bruegel_legal_documents/Statute.pdf

Bruegel's bylaws:

http://www.bruegel.org/fileadmin/Policy_Briefs/Bruegel_legal_documents/Bylaws.pdf

2008 research programme:

http://www.bruegel.org/fileadmin/files/admin/research_programmes/annual_research_programmes/Research_Programme_2008.pdf

2009 research programme:

http://www.bruegel.org/fileadmin/files/admin/research_initiatives/annual_research_programmes/2009_Research_Programme_final.pdf

Statement on research integrity:

http://www.bruegel.org/fileadmin/Policy_Briefs/Bruegel_legal_documents/EN_Research_Integrity_Statement.pdf

Financials

BALANCE SHEET 2008-2007		
	2008	2007
ASSETS		
FIXED ASSETS	47,981.49	86,887.88
Furniture and office equipment	47,981.49	84,795.08
Financial fixed assets		
Bank guarantee		2092.80
CURRENT ASSETS	436,989.11	60,431.69
Trades receivables	238,546.23	43,369.50
Financial income to receive	685.00	799.09
Other debtors	82,337.03	14,263.10
EFIGE receivables	115,420.85	
CASH & CASH EQUIVALENTS	2,521,424.89	2,956,643.75
DEFERRALS AND ACCRUALS	5,242.81	7612.21
Deferred rent		
Deferred insurance	5242.81	5251.70
Other deferrals		2360.51
TOTAL ASSETS	3,011,638.30	3,111,575.53
LIABILITIES		
CURRENT LIABILITIES	333,432.97	278,141.82
Trade payables	126,249.97	97,293.38
VAT payable		40,381.08
Prepaid income	100,000.00	
Remuneration and social security payables	107,183.00	140,467.36
NET ASSETS		
NET ASSETS	2,678,205.33	2,833,433.71
Reserves		
Surplus of the year	-155,228.38	52,172.25
Accumulated reserves from last year	2,833,433.71	2,781,261.46
TOTAL LIABILITIES AND NET ASSETS	3,011,638.30	3,111,575.53

INCOME STATEMENT 2008 - 2007		
	2008	2007
REVENUE		
Subscriptions - State Members	1,553,837.00	1,325,690.00
Category 1 – CY, LU, SI	78,519.00	68,277.00
Category 2 – IE	52,346.00	45,516.00
Category 3 – AT, CZ, DK, FIN, HU (1)	333,706.00	256,035.00
Category 4 – BE, NL, PL	314,076.00	273,102.00
Category 5 – DE, ES, FR, IT, UK	785,190.00	682,760.00
Subscriptions - Corporate Members	1,107,500.00	1,350,000.00
Full-Year Corporate Members (2)	1,050,000.00	1,350,000.00
Corporate Members joining during the year (3)	57,500.00	
Other revenue	219,029.78	96,318.60
Conference-related grants	64,561.79	45,000.00
Grant revenue (4)	137,420.85	47,493.50
Sales of publications	3,699.40	3,825.10
Expenses refunded	13,347.74	
TOTAL REVENUE	2,890,366.78	2,772,008.60
Wages and Compensation	-1,995,038.66	-1,787,866.20
Other operating expenses	-902,527.12	-930,919.65
Travel costs (staff, board and scientific council)	141,398.35	141,645.06
External research costs	50,444.64	68,523.81
Documentation costs	32,949.26	28,221.99
Outreach-related costs	250,631.10	324,834.62
Office rents and charges	216,660.49	166,513.21
Other office costs	85,755.59	88,646.03
General and administrative costs	124,687.69	112,534.93
Depreciation charges	-41,015.92	-60,362.98
Exceptional charges:		
Unrecoverable VAT	-12,255.63	-44,376.36
Group insurance back-payment	-151,545.02	
Net financial income	56,787.19	103,708.84
Financial income	98,954.47	127,235.36
Financial charges	-27,643.44	-5,007.13
Withholding Tax	-14,523.84	-18,519.39
TOTAL EXPENSES	-3,102,382.35	-2,719,836.35
Final surplus/loss for the year	-155,228.38	52,172.25
2008 Surplus excluding exceptional charges	8,572.27	

Notes

- (1) In accordance with Bruegel's Bylaws, in 2008 the Czech Republic paid a subscription reduced by three quarters compared with other states in category 3.
- (2) In 2008: Areva, BP, Deutsche Telekom, Deutsche Bank, EMI, Fortis, GDF-Suez, GE, Goldman Sachs International, Hellenic Petroleum, Iberdrola, IBM, Nokia, Novartis, NYSE Euronext, Pfizer, Renault, Siemens, Telecom Italia, Thomson, Unicredit (€50,000 per member).
- (3) EDF, France Telecom, Samsung Electronics.
- (4) Banque de France, European Commission 7th Framework Programme

Auditor's report

Marie-Chantal DEBROUX-LEDDET

Réviseur d'entreprises

Avenue Jean-François Debecker, 114, 1200 Brussels, Belgium

Tel. 00 32 2 775 88 20 • Email: leddet.mc@debroux.be

AISBL International Association
BRUEGEL, Rue de la charité, 33 - 1210 Brussels - Belgium

STATUTORY AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2008 to the General Assembly of the International Association to be held in June 2009

In accordance with the legal and statutory requirements, we report to you on the performance of the mandate of statutory auditor, which has been entrusted to us. This report contains our opinion on the true and fair view of the financial statements as well as the required additional statements and information.

Unqualified audit opinion on the financial statements

We have audited the financial statements for the year ended 31 December 2008, prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of €3,011,638.30 and a deficit for the year of €155,228.38.

Management is responsible for the preparation and the fair presentation of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the Auditing Standards applicable in Belgium, as issued by the Institute of Registered Auditors. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement, whether due to fraud or error.

In accordance with the above-mentioned auditing standards, we considered the association's accounting system, as well as its internal control procedures. We have obtained from management and from the association's officials the explanations and information necessary for executing our audit procedures. We have examined, on a test basis, the evidence supporting the amounts included in the financial statements. We have assessed the appropriateness of accounting policies and the reasonableness of the significant accounting estimates made by the association as well as the overall financial statement presentation. We believe that these procedures provide a reasonable basis for our opinion.

In our opinion, the financial statements for the year ended December 31, 2008 give a true and fair view of the association's assets and liabilities, its financial position and the results of its operations in accordance with the financial reporting framework applicable in Belgium.

Additional statements and information

The compliance by the international association with the Law of 27 June 1921 related to non profit associations, international not-for-profit associations and foundations is the responsibility of management.

Our responsibility is to supplement our report with the following additional statements (and information), which do not modify our audit opinion on the financial statements:

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- There are no transactions undertaken or decisions taken in violation of the association's statutes or the Law of 27 June 1921 related to not-for-profit associations, international non profit associations and foundations that we have to report to you.
- We draw your attention on the extraordinary charges of 163 800.65 euros. These charges relate to prior years (mainly group insurance) and are financed by prior reserves. Before these extraordinary charges the result of the year is positive up to 8572.27 euros.

Brussels, 16 May 2009



Marie-Chantal DEBROUX-LEDDET
Certified Auditor

Bruegel's people

BOARD

Leszek Balcerowicz, Chairman of Bruegel, Professor of Economics, Warsaw School of Economics
Lydia Aguirre Pereirra, Editor in Chief, ELPAIS.COM
Frank Dangeard, former Chairman, Thomson
Anna Ekström, President, Swedish Confederation of Professional Associations (SACO)
Caio Koch-Weser, Vice Chairman, Deutsche Bank Group
Thomas Mirow, President, European Bank for Reconstruction and Development
Jim O'Neill, Head of Global Economic Research, Goldman Sachs
Jaroslav Pietras, Director General, European Council
Adam Posen, Deputy Director of the Peterson Institute
Peter Praet, Director, National Bank of Belgium
Helen Wallace, Centennial Professor, European Institute at the London School of Economics

Mario Monti, Honorary President

SCIENTIFIC COUNCIL

Giuseppe Bertola, Professor of Economics, Università di Torino
Peter Neary, Professor of Economics, Oxford University
Lucrezia Reichlin, Professor of Economics, London Business School
Dani Rodrik, Professor of International Political Economy, John F. Kennedy School of Government at Harvard University
Paul Seabright, Chairman, Professor of Economics at the Toulouse School of Economics
Jaume Ventura, Senior Researcher at the Centre de Recerca en Economia Internacional (Barcelona)
Luigi Zingales, Robert C. McCormack Professor of Entrepreneurship and Finance, University of Chicago Graduate School of Business

STAFF (as at 1 June 2009)

Director

Jean Pisani-Ferry

Research

Philippe Aghion, Non-resident Senior Fellow
Alan Ahearne, Non-resident Research Fellow
Marco Cornia, Research Assistant
Zsolt Darvas, Resident Fellow
Jürgen von Hagen, Non-resident Senior Fellow
Henrik Horn, Non-resident Senior Fellow
Martin Kessler, Research Assistant
Dalia Marin, Non-resident Senior Fellow
Gianmarco Ottaviano, Non-resident Senior Fellow
Lars-Hendrik Röller, Non-resident Senior Fellow
Martín Saldías Zambrana, Research Assistant
Indhira Santos, Research Fellow
André Sapir, Senior Fellow
David Saha, Research Assistant

Maite de Sola, Research Assistant
Bruno van Pottelsberghe, Senior Fellow
Reinhilde Veugelers, Senior Fellow
Nicolas Véron, Research Fellow
Jakob von Weizsäcker, Research Fellow
Frank A. Wolak, Non-resident Senior Fellow

Operations

Matt Dann, Secretary General
Andrew Fielding, Editor
Stephen Gardner, Assistant Editor and Sub-editor
Delphine Michel, Research Manager
Sona Patel Amin, Administrative Assistant
Renu Sabherwal, Director for Development and Communication
Matilda Sevon, Administrative Assistant
Ann Van Gyseghem, Executive Assistant
Vanessa Witkowski, Media Officer

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