

## Cyprus Presidency of EU, 2012 A better Europe, a stronger Europe!

Since 1<sup>st</sup> July 2012, Cyprus has undertaken the Presidency of the European Union for the duration of 6 months.

Some days after the 1<sup>st</sup> of July, The President of the European Commission, José Manuel Durão Barroso expressed his confidence towards the readiness of Cyprus to take over the European Presidency, something for which Cyprus has been preparing almost the last 3 years.

Following his visit to Cyprus on the 6<sup>th</sup> July 2012, Mr. Barroso, highlighted that the centerpiece of the Presidency will be to make progress on the Commission's proposals for a banking union. Proper supervision of European banks, protection for citizens bank deposits and a framework for dealing with banks in trouble have a direct impact on our citizens.

In addition to the above, the European Commission President, suggested that the below proposals will need to be considered from the Council by the end of 2012

1. Bank capital requirements package and credit rating agencies
2. In the absence of unanimity in the Council on a Financial Transaction Tax to pursue this very important project through the enhanced cooperation procedure
3. To handle the negotiations on the EU Multi-annual Financial Framework. This budget is about investment for growth and jobs in EU region.

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## Euro founder admits some nations may be forced to leave

NE of the founding fathers of the euro admits that some states may be forced to abandon the single currency, but insists Germany would be better off staying in.

Otmar Issing, a former European Central Bank chief economist, warned that the eurozone could be heading towards fracture in a book called How we save the euro and strengthen Europe published this week.

"Everything speaks in favour of saving the euro area. How many countries will be able to be part of it in the long term remains to be seen," said Mr Issing in the book, which is written as a conversation between an economist and a journalist.

At no point did he explicitly refer to Greece, but the debt-stricken country has been hovering perilously close to default and an exit from the eurozone as it makes harsh spending cuts and tax hikes to appease the EU and ECB after receiving billions in bail-out payments.

"We are still a long way off saying 'that's it, now we are sure to make progress'. Substantial reforms in almost all countries are still pending," he added.

Mr Issing is one of the founding fathers of the euro, but also predicted potential problems with the plan and argued that political union ought to precede a shared currency to ensure its stability in the long-term. The economist has now said there is a case for some countries to leave the union in order to solve their own debt problems, but that Germany would do best to remain a member.

"Even in its short existence, the euro has been more stable than the mark", he said.

The German economist also played down the role that the central bank, his former employer, could have in solving the debt crisis, suggesting that countries needed to fix their own problems.

"There is no quick fix and anything in the direction of euro bonds or something similar would mean for me the end of the stability-oriented currency union.

"The less politicians address the root of the problems, the more they look with their expectations and demands to the ECB, which is not made for this. It is a central bank and not an institution to rescue governments threatened by bankruptcy. A central bank always also acts as a lender of last resort for the banking system - but it does not rescue governments," he said. "Exaggerated expectations alone can harm the prestige of the institution."

Earlier this week Jean-Claude Juncker, the leader of the eurozone finance ministers' group, also said the world could cope with Greece leaving the eurozone - but that it still holds dangers.

"From today's perspective, it would be manageable but that does not mean it is desirable," he said. "Because there would be significant risks, especially for ordinary people in Greece."

Last month a survey conducted on behalf of the weekly magazine Bild am Sonntag showed that the majority of Germans believed that they would be better off without the euro. Of those taking part 51pc said that the country would be in a better position outside the eurozone, while 29pc said that it would be worse off.

## France has become the first European country to impose a financial transaction tax

A national French levy of 0.2pc to be paid on all share purchases came into effect

The charge was included in a revised budget by new French President Francois Hollande. The Hollande government doubled the levy to 0.2pc from the 0.1pc tax that had been planned by former President Nicolas Sarkozy.

The French government estimates that the tax will bring in an additional €170m in 2012 and €500m next year.

## News

10 - 11 September 2012, Intax Expo Conference, Moscow (Russia), Mr. Dinos Antoniou, C.E.O., Globalserve Consultants Ltd.

12 - 15 September 2012, KEBE Business Forum Chelyabinsk and Tyumen (Russia), Mr. Dinos Antoniou, C.E.O., Globalserve Consultants Ltd.

17 October 2012, European SME Week Summit 2012 Brussels (Belgium), Mr. Dinos Antoniou, C.E.O., Globalserve Consultants Ltd.

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