Coordinated action in cigarette smuggling and tax evasion case

22 November 2017

Today, from a coordination centre at Eurojust's premises in The Hague, actions were taken by judicial and law enforcement authorities in Latvia and the Netherlands, upon request of the German authorities, and coordinated by Eurojust. Two arrests in Latvia have been made, searches and seizures at several premises were carried out, and interviews were conducted.

The seizure of 9.3 million undeclared cigarettes at the port of Lübeck-Travemünde at the end of 2015 was the starting point of the investigation by the Customs Investigation Office of Hamburg. The case was opened by the German Desk at Eurojust upon the request of the Public Prosecutor's Office (PPO) of Lübeck.

The modus operandi of the organised smuggling was to load millions of illegally produced cigarettes without tax stamps on trucks in Latvia with the Netherlands as the destination country.

A coordination meeting was held in September 2017 at Eurojust, attended by competent national authorities from Germany, Latvia and the Netherlands, to coordinate the judicial activities and prepare for today's actions.

In Germany, European Arrest Warrants against Latvian suspects and a European Investigation Order were issued to the Latvian and Dutch authorities for searches of homes and businesses in their respective countries.

Background:

The following video explains the purpose and functioning of Eurojust's coordination centres. For purposes other than private use, including reproduction or transmission, please request permission from Eurojust by contacting the Corporate Communications Office at media@eurojust.europa.eu.

For best viewing of this video, click on the Full Screen icon in the video player:

The video format used is supported by *Internet Explorer* and *Firefox* browsers. Users of *Chrome*, *Safari* and *Edge* can click on the "Download Media" link (a plug-in may be required if this link is not visible).

[Coordinated action in cigarette smuggling and tax evasion case]

22 November 2017

Today, from a coordination centre at Eurojust’s premises in The Hague, actions were taken by judicial and law enforcement authorities in Latvia and the Netherlands, upon request of the German authorities, and coordinated by Eurojust. Two arrests in Latvia have been made, searches and seizures at several premises were carried out, and interviews were conducted.

The seizure of 9.3 million undeclared cigarettes at the port of Lübeck-Travemünde at the end of 2015 was the starting point of the investigation by the Customs Investigation Office of Hamburg. The case was opened by the German Desk at Eurojust upon the request of the Public Prosecutor’s Office (PPO) of Lübeck.

The modus operandi of the organised smuggling was to load millions of illegally produced cigarettes without tax stamps on trucks in Latvia with the Netherlands as the destination country.

A coordination meeting was held in September 2017 at Eurojust, attended by competent national authorities from Germany, Latvia and the Netherlands, to coordinate the judicial activities and prepare for today’s actions.

In Germany, European Arrest Warrants against Latvian suspects and a European Investigation Order were issued to the Latvian and Dutch authorities for searches of homes and businesses in their respective countries.

Background:

The following video explains the purpose and functioning of Eurojust’s coordination centres. For purposes other than private use, including reproduction or transmission, please request permission from Eurojust by contacting the Corporate Communications Office at media@eurojust.europa.eu.

For best viewing of this video, click on the Full Screen icon in the video player:

The video format used is supported by *Internet Explorer* and *Firefox* browsers. Users of *Chrome*, *Safari* and *Edge* can click on the “Download Media” link (a plug-in may be required if this link is not visible).

Remarks by Vice-President Dombrovskis at the European Semester Autumn Package press conference

Before we move to the European Semester Package, let me briefly tell you what we discussed this morning in our weekly meeting.

First, today Commissioner Oettinger informed us about progress towards President Juncker's commitment to have at least 40% of women in our management by the end of the mandate.

When this Commission took office, 30% of our managers were women. Today we are at 36%.

So our efforts are bearing fruit and we will continue working hard to close the gender gap here in the Commission and across the EU.

Secondly, and following President Juncker's request last month, Commissioner Christos Stylianides presented to the College his proposal for a fully-fledged European Union Civil Protection Mechanism – with its own operational capacities.

The Commissioner will be here tomorrow to present this to you himself.

Thirdly, we were updated on the state of play of trade negotiations with Mercosur. As you know, Vice-President Jyrki Katainen was recently in Argentina and Brazil, where a negotiation round took place, two weeks ago. We are currently preparing for the next round and the Commission remains fully committed to these negotiations.

And lastly, Commissioner Oettinger debriefed us on the budget for 2018 after an agreement was reached very early on Saturday morning.

The budget contributes to creating jobs, especially for young people, and towards boosting growth and strategic investments.

Coming back to the European Semester, Today's package sets out the economic and social priorities of the European Union for the year ahead. It also starts the 2018 European Semester.

It comes against the backdrop of the highest growth since a decade, surpassing expectations. Investment is recovering. Public finances are improving. Unemployment is almost down to pre-crisis levels, and we see record high employment.

Our strategy of three economic policy priorities – boosting investment, pursuing structural reforms, and ensuring responsible fiscal policies – is working.

We should stay the course as significant challenges remain. The maturity of the recovery varies from country to country. In several countries, the legacy of the crisis is still visible in high unemployment rates, increased inequality and high debt levels.

There are still pockets of weakness in our banking system.

The recovery is an opportunity to address these remaining issues now.

We need to use good times to build an economy that is less vulnerable to economic shocks and more able to respond to them. We need Europe's economy to be more productive and resilient.

It is also crucial to make growth sustainable and inclusive. We need fair and well-functioning labour markets. Our education and training systems should equip people with skills that match labour market needs. We need sustainable and adequate welfare systems also for the decades to come.

Ladies and gentlemen, our policy guidance – The 2018 Annual Growth Survey – also draws on the European Pillar of Social Rights, which was proclaimed last week at the Social Summit in Gothenburg.

Marianne will give you the details on this.

On the structural reform side, we recommend giving priority to reforms that increase productivity and growth potential. A few examples are reforms to improve the institutional and business environment, remove bottlenecks to investment, and support the creation of good quality jobs.

Opening up product and services markets is often hindered by strong vested interests. But these reforms can bring quick and significant benefits in terms of competitiveness of our economy.

Reforms require proper expertise to design and implement. That is why the Commission provides targeted and cutting–edge support to Member States, upon demand, through its Structural Reform Support Service. So far, this service has supported 15 Member States to carry out over 150 reform projects.

For the new cycle, we have received 444 requests for support from over 20 Member States and the demand is currently five times higher[1] than our budgetary capacity.

Today we also adopted the euro area recommendations.

On the fiscal side, the euro area recommendation advocates a neutral fiscal stance. It is also in line with the advice of the European Fiscal Board, and reflects the necessity to strike the appropriate balance between economic growth and the sustainability of public finances.

Pierre will elaborate on the euro area recommendations in detail.

We also adopted the fiscal package: Opinions on Draft Budgetary Plans and decisions under the Stability and Growth Pact.

On Draft Budgetary Plans, we have only two euro area countries – Spain and France – in the Excessive Deficit Procedure, which means that they need to bring their budget deficits below 3% of GDP.

Spain’s Draft Budgetary Plan, based on a no-policy change scenario, is found to be broadly compliant with the Pact. Our autumn forecast projects that the headline deficit will be below 3% of GDP in 2018, but it does not meet the deficit target set to Spain.

France should correct the excessive deficit this year and therefore would become subject of the preventive arm from 2018 onwards, and under such a scenario its DBP is found at risk of non-compliance with the Pact.

Regarding the preventive arm, fewer Member States are assessed at risk of non-compliance this year – 6 compared to 8 last year.

Six euro area Member States are compliant with the Stability and Growth Pact: Germany, Lithuania, Luxembourg, Latvia, The Netherlands and Finland. Five other euro area countries in the preventive arm are found to be broadly compliant: Estonia, Ireland, Cyprus, Malta and Slovakia.

And five other are at risk of non-compliance: Austria, Belgium, Italy, Portugal and Slovenia.

We ask all Members States that are at risk of non-compliance with the SGP to take the necessary measures within the national budgetary process to ensure that the 2018 budget will be compliant with the Pact.

Pierre will explain the decisions we have taken under the Stability and Growth Pact. Let me just mention that Pierre and I, have just sent a letter to the Italian Finance Minister Padoan.

We stress that the adoption of the 2018 budget with no watering down of its key provisions will be crucial, as will its subsequent strict implementation to deliver a structural effort of at least 0.3% of GDP.

We also underline the importance of sticking to the important structural reforms, notably as regards pensions. These reforms underpin the long-term sustainability of Italy’s debt.

And, in our letter, we announce the Commission’s intention to reassess Italy’s compliance with the debt criterion in spring 2018.

Finally, I would like to mention that today we also suggest to use good times to further strengthen Europe’s Economic and Monetary Union. This includes completing the Banking Union and the Capital Markets Union. Next month we will come with new proposals to reinforce the EMU further.

However, it is important to remember that a stronger Economic and Monetary Union builds on both stronger institutions and sound budgetary, economic and social policies at national level.

[1] EUR 30.5 million for 2018

Remarks by Commissioner Thyssen at the European Semester Autumn Package press conference

Ladies and gentlemen,

Last week the European Pillar of Social Rights was proclaimed at the Social Summit in Sweden.

All European institutions and Member States will now be mobilised to deliver on a social Europe that improves perspectives for our citizens, our businesses, and our future generations.

We are not wasting time to make the Pillar a reality on the ground.

Already today, we are streamlining the Pillar in the European Semester to put it into practice.

The Annual Growth Survey confirms that the European Semester is the main instrument to support Member States in delivering on the Pillar.

Our draft Joint Employment Report reflects the Pillar ambition by assessing concrete results. It keeps track of Member States' performance on the Pillar principles in the new Social Scoreboard. We identified 14 indicators and for each indicator Member States get a mark, from best to worst performer. And we look at social and employment reforms recently implemented by Member States.

The Pillar will continue to guide us through the rest of the European Semester cycle:

- The Country Reports to be published in February will be guided and inspired by the Pillar.
- And the Country Specific Recommendations that we will propose in spring 2018, will identify the most urgent challenges in the Member States to deliver on the Pillar.

Today's results confirm that we have to seize the moment to continue putting social at the heart of our political agenda.

The economic expansion, which now has reached all Member States, is accompanied by steady improvements in the labour market and people's social situation. Although differences between countries remain enormous – for example the unemployment rate is around 3.5% in Germany and the Czech Republic , but over 17% in Spain and Greece – there are signs of convergence.

Unemployment is at 7.5% at the lowest level since November 2008. More than 235 million people are at work in the EU: the highest number ever. At the current pace of job creation we expect to deliver on the Europe 2020 target of 75% employment rate by 2020! This gives us more than ever room to invest in the social dimension.

But at the same time we still NEED social investment:

- Investing in education and skills is key to have motivated citizens and workers that can take advantage of the current positive economic environment and the new world of work.
- Our society is ageing fast so Member States need to get more people into work to maintain growth also in the years to come.
- And we have to adapt our social protection systems to more diverse circumstances, especially in response to new forms of work.

Social challenges remain at stake:

- There is still slack in the labour market, with many people discouraged from looking for work or wishing to work more hours;
- Despite the improvements in the labour market, wage growth remains subdued in most countries. This could be because of the existing slack, but also due to poor productivity growth and low inflation expectations.
- Although household income is increasing everywhere, in a number of Member States it has not yet reached the pre-crisis level.
- The level of poverty has stabilised, but with 118 million people at risk of poverty or social exclusion, it remains very high.

More policy action is necessary. I therefore count on the support of all actors: Member States, social partners and regional authorities.

From the very start, we have launched the European Pillar of Social Rights as a common understanding of what social Europe is.

But a common understanding is only effective if we are fully committed to deliver on it – each at his or her level of competence.

I firmly believe that with this Semester Cycle, we have put another important brick to build the Pillar as the fundament of a more social, fair and future-proof Europe. Thank you.

[European Semester 2018: The Autumn Package Explained]()

Today, the Commission presents:

– [2018 Annual Growth Survey]()

– [2018 Alert Mechanism Report]()

– [2018 draft Joint Employment Report]

– [Proposal for the Amendment of Employment Guidelines]

– [Recommendation for a Council Recommendation on the economic policy of the euro area]

– [assessment of euro area Member States' 2018 Draft Budgetary Plans: a Chapeau Communication] and individual Opinions for 18 euro area Member States (except Greece).

– a number of steps under the Stability and Growth Pact

2018 ANNUAL GROWTH SURVEY (AGS)

The Annual Growth Survey aims at reigniting sustained economic and social convergence by building on the **virtuous triangle of boosting investment, pursuing structural reforms and ensuring responsible public finances**. It builds on the messages emerging from the Alert Mechanism Report, the draft Joint Employment Report and the Commission's economic forecasts. It also builds on the principles and rights of the European Pillar of Social Rights, which is designed as a compass for renewed convergence towards better working and living conditions in Europe.

What are the main priorities in the 2018 AGS?

The 2018 Annual Growth Survey builds on the positive momentum of the ongoing economic expansion. Following on from previous guidance, and taking account of Member States' different situations in the economic cycle, the focus is placed on reforms to boost investment, including in human capital, and to improve the functioning of product, service and labour markets which will increase productivity and long-term growth, as well as greater convergence and inclusion, supported by better quality of public spending, fairer taxation and modern public institutions. The European Pillar of Social Rights is fully integrated by prioritising reforms that aim at helping the labour force acquire skills, promoting equal opportunities in the labour market, fair working conditions, increasing labour productivity to support wage growth and adequate and sustainable social protection systems.

What economic progress has been made since last year?

There are a number of **positive signs** that structural reforms are now delivering tangible results. Both the euro area and the EU economy have steadily grown over the past 18 months and the **economic expansion has reached all Member States**. Employment is increasing, with a record 235.4 million people in jobs in the second quarter of 2017. 8 million additional jobs have been created in the EU – of which 5.5 million are in the euro area – since the current Commission took office.[1] Unemployment stands at 7.5% in the EU and 8.9% in the euro area, the lowest levels in nine and eight years respectively. Public finances have improved significantly and investment is slowly recovering. Now the EU has a window of opportunity to relaunch economic and social convergence between and within Member States, further strengthen Europe's Economic and Monetary Union and increase the resilience of individual economies.

2018 ALERT MECHANISM REPORT

The "**Six Pack**" introduced a system to monitor broader economic developments, to detect early on problems such as credit and real estate bubbles, issues in external sustainability or falling competitiveness. This **Macroeconomic Imbalance Procedure** (MIP) forms an integral part of the **European Semester**. The **Alert Mechanism Report** (AMR) **kicks off the annual cycle of surveillance on imbalances**. It identifies Member States for which the Commission should undertake **in-depth reviews** to assess whether they are experiencing macroeconomic imbalances. It is based on the **economic reading of a scoreboard of agreed indicators.**

What are the main findings of this Alert Mechanism Report?

This year's AMR reviews progress with the correction of macroeconomic imbalances from a horizontal perspective, in particular as regards the euro area. The economic expansion is helping with the correction of existing imbalances, supporting the ongoing reduction of domestic and external debt ratios, the easing of some persisting challenges in the financial sector and the improvement of the labour market situation. However existing imbalances unwind only slowly and remain a source of risks and vulnerabilities.

How is the adjustment of current accounts progressing?

At the aggregate level, the euro area continues to have the world's largest current account surplus. This is symptomatic of efforts to reduce debt across sectors and Member States, but also points to the need for Member States with large current account surpluses to further increase domestic demand and investment.

However, challenges remain as the **rebalancing of external accounts** remains asymmetric across Member States. Large surpluses persist in some Member States. In net-debtor countries (i.e. with a negative net external position), net international investment positions (NIIP) are improving at an accelerated pace, reflecting rising current account balances and higher GDP growth. However, the negative NIIPs remain large in these countries and competitiveness gains which previously supported this improvement have stalled in 2016. Indeed, as unit labour costs evolved similarly in surplus and net-debtor Member States, developments in cost competitiveness are becoming less supportive to economic rebalancing within the euro area.

Which EU Member States will be subject to an in-depth review?

On the basis of the analysis in the AMR, **12 countries have been proposed to be covered by an in-depth review in 2018**. These are the same countries identified as having imbalances in the previous round of the MIP (**Bulgaria, Croatia, Cyprus, France, Germany, Ireland, Italy, the Netherlands, Portugal, Slovenia, Spain and Sweden**). The Commission will present the in-depth reviews as part of its annual Country Reports in early 2018.

DRAFT JOINT EMPLOYMENT REPORT 2018

The **Joint Employment Report** (JER) is a key element in EU economic governance, mandated by Article 148 TFEU. It **provides an annual overview of the main employment and social developments** in the EU as a whole, as well as Member States' reform actions in line with the **Employment Guidelines**. In addition, for the first time the Joint Employment Report 2018 monitors Member States' performance in relation to the **European Pillar of Social Rights.** The current draft version, presented by the Commission, will be discussed with the Employment Committee and the Social Protection Committee, with a view to final adoption by the EPSCO Council in March 2018.

What are the main findings of the Joint Employment Report?

The economic expansion has reached all Member States and is reflected by steady improvements in the labour market and social situation. In the second quarter of 2017, 235.4 million people were employed which corresponds to an employment rate of 72.3%. At this pace, reaching the 75% employment rate target set by the Europe 2020 strategy is on track. Unemployment continues to fall and stood at 7.5% (8.9% in the euro area) in September 2017, the lowest level since 2008. Older workers are staying increasingly longer in the labour market and the employment rate of women has reached another record high.

At the same time, youth unemployment is still at 16.6% in the EU (18.7% in the euro area) in September 2017. Despite the improvements in the labour market, wage growth remains subdued in most Member States due to a combination of low inflation, sluggish productivity and remaining slack in the labour market. Despite the improvements in job creation and employment, still more people need to work and for a longer period in order to maintain growth in the coming years, especially in view of ageing societies.

Along with the economic and labour market recovery, the proportion of people at-risk-of poverty or social exclusion continued to decrease in 2016 and has reached its 2008 level. Income inequality has also slightly decreased in the EU, after increasing in the aftermath of the crisis. The richest 20% of the population had a disposable income around five times higher than that of the poorest 20% in 2016. Member States continue to modernise social protection systems, including by improving coverage and adequacy of benefits, in particular for non-standard workers, and actively encourage labour market participation.

How will the European Pillar of Social Rights be reflected in the European Semester?

The European Semester is an essential vehicle for delivering on the Pillar as it takes account of the situations of each Member State and drives the political direction and coordination in the three areas encompassing the Pillar: equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion. The content of the European Pillar of Social Rights is reflected into some key elements of the European Semester.

1. The **Annual Growth Survey** marks the start of this process and this year puts the Pillar at the forefront of the jobs and growth policy guidance for the months to come.

1. The **Joint Employment Report** directly monitors progress on the ground, notably through the Social Scoreboard. Performance of Member States is assessed on the basis of 14 headline indicators.
2. The proposed **Employment Guidelines** have been amended to fully align with the principles of the Pillar. This is also important as it provides the legal basis for the adoption by the Council of country-specific recommendations in the employment and social field.
3. The Pillar will play a central role as the primary analytical basis for the **Country Reports** which will be published in February 2018.
4. The **country-specific recommendations** (CSRs), which will be proposed in May 2018, will identify the most urgent challenges in Member States.

PROPOSAL FOR EMPLOYMENT GUIDELINES

What are the Employment Guidelines?

The Employment Guidelines proposed by the Commission and approved by the Council, **present common priorities and targets the national employment policies**. Specifically, they frame the scope and direction for Member States' policy coordination and provide the basis for country-specific recommendations.

What are the proposed changes?

The revised guidelines for Member States' employment policies have been amended to align the text with the principles of the European Pillar of Social Rights. Parts of the 20 Pillar principles have been used to complement the Employment Guidelines, for example where it concerns precarious working conditions, the abuse of atypical contracts, social dialogue or access to adequate social housing assistance. This revision also represents an opportunity to adjust the employment guidelines in other ways, for example through changes related to other policy initiatives such as a work-life balance initiative.

RECOMMENDATION ON THE ECONOMIC POLICY OF THE EURO AREA

The euro area recommendation provides **tailored advice to euro area Member States** on issues relevant for the functioning of the euro area as a whole. It is supported by solid economic analysis by the Commission services.

The euro area recommendation covers issues concerning **the whole monetary union**, such as policies related to correcting macro-economic imbalances, the euro area fiscal stance and the completion of the Economic and Monetary Union. It is now published early in the Semester, ahead of country-specific discussions, so that common challenges are discussed, agreed and then fully reflected in country-specific actions.

What is the 2018 euro area recommendation?

The Commission recommendation consists of **five parts**:

1. Pursue policies that support sustainable and inclusive growth and improve resilience, rebalancing and convergence. Make significant progress towards completing the Single Market, particularly in services, including financial, digital commerce, energy and transport. Given the positive cyclical conditions, all Member States should prioritise reforms that increase productivity and growth potential, improve the institutional and business environment, remove bottlenecks to investment, support the creation of quality jobs and reduce inequality. Member States with current account deficits or high external debt should additionally aim at containing growth in unit labour costs. Member States with large current account surpluses should additionally promote wage growth and implement as a priority measures that foster investment, support domestic demand and facilitate rebalancing in the euro area.

2. Aim at a broadly neutral fiscal stance at the aggregate level for the euro area and a balanced policy mix. Fiscal policies should strike the appropriate balance between ensuring the sustainability of public finances, in particular reducing debt ratios where they are high, and supporting the economic recovery. While ensuring the effective functioning of national fiscal frameworks, Member States should pursue fiscal policies that respect the Stability and Growth Pact (SGP) and which support investment and improve the quality and composition of public finances, also by making use of spending reviews and adopting growth-friendly and fair tax structures. Member States should take and implement measures to reduce debt bias in taxation and fight aggressive tax planning to ensure a level playing field, provide fair treatment of taxpayers and safeguard public finances and stability within the euro area. This includes continuing work towards the Common Consolidated Corporate Tax Base (CCCTB).

3. Implement reforms that promote quality job creation, equal opportunities and access to the labour market, fair working conditions, and support social protection and inclusion. Reforms should aim at: (i) reliable and

flexible labour contracts combined with adequate support during transitions and avoiding labour market segmentation; (ii) quality, efficient and life-long education and training systems, which aim at matching skills with labour market needs; (iii) effective active labour market policies that foster labour market participation; (iv) sustainable and adequate social protection systems that respond to new types of employment and employment relationships; (v) smooth labour mobility across jobs, sectors and locations; (vi) effective social dialogue and wage bargaining at the appropriate level; (vii) shifting taxes away from labour, particularly for low-income and second earners.

4. In line with the Council (ECOFIN) roadmap of June 2016, continue work to complete the Banking Union with regard to risk reduction and risk sharing, including a European Deposit Insurance Scheme, making the common backstop for the Single Resolution Fund operational and strengthening the European supervisory framework to prevent the accumulation of risks. Take measures to tangibly accelerate reduction of the levels of non-performing loans on the basis of the agreed Council (ECOFIN) Action Plan and promote orderly deleveraging in Member States with large stocks of private debt. Enhance the integration and development of EU capital markets to support growth in the real economy while safeguarding financial market stability.
5. Make swift progress on completing the Economic and Monetary Union, notably on the basis of the Commission initiatives launched in autumn 2017, in full respect of the Union's internal market and in an open and transparent manner towards non-euro area Member States.

OPINIONS ON THE DRAFT BUDGETARY PLANS

The Commission has also completed its assessment of the **compliance of euro area Members States' Draft Budgetary Plans (DBP)** with the provisions of the SGP, taking into account its recent Autumn 2017 Economic Forecast and consultations with Member States. It has adopted Opinions for 18 Member States today (all but Greece).

Regarding the sixteen countries in the preventive arm of the Stability and Growth Pact:

For **six** countries (**Germany, Lithuania, Latvia, Luxembourg, Finland and the Netherlands**), the DBPs are found to be **compliant** with the requirements for 2018 under the SGP.

For **five** countries (**Estonia, Ireland, Cyprus, Malta, and Slovakia**), the DBPs are found to be **broadly compliant** with the requirements for 2018 under the SGP. For these countries, the plans might result in some deviation from each country's medium-term objective (MTO) or the adjustment path towards it.

For **five** countries (**Belgium, Italy, Austria, Portugal, and Slovenia**), the DBPs pose a **risk of non-compliance** with the requirements for 2018 under the SGP. The DBPs of these Member States might result in a significant deviation from the adjustment paths towards the respective MTO. For **Belgium** and **Italy**, non-compliance with the debt reduction benchmark is also projected.

In the case of **Italy**, the **persisting high government debt** is a reason of concern. In a letter to the Italian authorities, Vice-President **Dombrovskis** and Commissioner **Moscovici** informed that the Commission intends to reassess Italy's compliance with the debt reduction benchmark in spring 2018 on the basis of validated data for 2017 and in the light of the final budget to be adopted by the Italian Parliament in December 2017.

Regarding the two countries remaining in the corrective arm of the Stability and Growth Pact (i.e. subject to the Excessive Deficit Procedure):

For **France**, which could become subject to the preventive arm from 2018 onwards if a timely and sustainable correction of the excessive deficit is achieved, the DBP is found to be **at risk of a non-compliance** with the requirements for 2018 under the SGP. The Commission Autumn 2017 Economic Forecast projects a significant deviation from the required adjustment path towards the MTO and non-compliance with the debt reduction benchmark in 2018.

For **Spain**, the DBP is found to be **broadly compliant** with the requirements for 2018 under the SGP. The Commission Autumn 2017 Economic Forecast projects that the headline deficit will be below the Treaty reference value of 3% of GDP in 2018, although the headline deficit target is not projected to be met and there is a significant shortfall in fiscal effort compared to the recommended level.

STEPS UNDER THE STABILITY AND GROWTH PACT

The Commission has also taken a number of steps under the Stability and Growth Pact:

UK

The Commission recommends that the **Excessive Deficit Procedure (EDP) be abrogated for the United Kingdom**. The Commission's Autumn 2017 Economic Forecast confirms the timely and durable nature of the correction by the United Kingdom's of its excessive deficit during the fiscal year 2016-17.

ROMANIA

For **Romania**, the Commission established that no effective action was taken in response to the Council recommendation of June and proposes that the Council **adopts a revised recommendation to Romania to correct its significant deviation from the adjustment path toward the medium-term budgetary objective**. In June 2017, the Council had issued a recommendation of an annual structural adjustment of 0.5% of GDP to Romania under the **Significant Deviation Procedure (SDP)**. On the back of developments since and following the lack of effective action by Romania to correct its significant deviation, the Commission now proposes a revised recommendation of an annual structural adjustment of at least 0.8% of GDP in 2018.

Have any Member States applied for flexibility under the SGP in autumn 2017?

The activation of the structural reform and investment clauses is upon the request of concerned Member States, when all the eligibility criteria are fulfilled.

No requests for use of the structural reform and investment clause have been received in autumn 2017.

In terms of previous requests, Italy and Finland were granted the use of both the structural reform and investment clauses in 2016 and 2017 respectively, while Latvia and Lithuania were granted the use of the structural reform clause in 2017.

Will any country receive considerations under the unusual events clause?

At this stage, it is not envisaged that the unusual event clause (such as for natural disasters, security costs and refugee-related costs) will be applied to any Member State in 2018.

In 2017, an allowance under the unusual events clause is expected to be granted to Belgium, Italy, Hungary, Austria, Slovenia and Finland. The Commission will make a final assessment in spring 2018 for adoption by the Council.

For More Information

[1]Net employment change between the third quarter 2014 and the second quarter in 2017.