

France, Germany, Belgium and Spain call for the creation of a European Judicial Counter-Terrorism Register

The Hague, 21 June 2018

On 20 and 21 June, the annual seminar on counter-terrorism, organised by Eurojust, took place. This year, Mr François Molins, District Chief Prosecutor of the Court of Paris, Mr Frédéric Van Leeuw, Federal Prosecutor of Belgium, and Ms Joëlle Milquet, Special Advisor to the President of the European Commission on the support to victims of terrorist attacks, participated in the discussions.

The conference focussed on two themes: the judicial response to persons returning to Europe from the combat zones in Iraq and Syria, and the support to victims of terrorist attacks.

A [joint declaration by the Ministers of Justice of France, Germany, Belgium and Spain](#) ([FR](#) | [DE](#) | [ES](#)) was distributed in the margins of the conference. It called for the reinforcement of the sharing of information with Eurojust on current investigations and convictions for terrorist offences.

Given the persistent terrorist threat that concerns the whole of the European territory, strong cooperation between judicial authorities within the European Union is actually indispensable. The Ministers call for the creation of a European Judicial Counter-Terrorism Register, that will make it possible to proactively establish possible links between cases and to identify coordination needs for the investigations. The legal basis for working together is already in place (Council Decision 2005/671/JHA), which should be systematically applied in all Member States.


✘ Mr François Molins said: *The quality of judicial cooperation in criminal matters is a big challenge. We cannot work in silos in our countries anymore. We need an overall approach. To strengthen and bolster judicial cooperation, we need to go through Eurojust, the only European agency able to do that. [...] Sharing information is also a major challenge in cooperation. Centralisation of information allows us to double-check it proactively and coordinate actions upstream. The more we share, the better we are able to intervene and distribute the workload between Member States in a smarter way.*

Intensive coordination of the investigations after the Paris terrorist attacks

✘ Between 2014 and 2017, there was a sixfold increase (from 14 to 87) in terrorist cases registered at Eurojust, including following the terrorist attacks on the Thalys train, Brussels, Nice, Berlin, Stockholm and Barcelona. Those cases are not only larger in number but also growingly complex and, in contrast to terrorism investigations before 2014, involve many different

States. For example, in the aftermath of the terrorist attacks in Paris and Saint-Denis on 13 November 2015, Eurojust opened a case that, in addition to France, involved another 14 Member States and the USA. Numerous coordination meetings have since been held in Austria, Paris and The Hague. The collaboration uncovered possible links between the investigations into the attacks in Paris and other terrorism cases. As a result, two suspects arrested in Austria and one detained in Germany were successfully surrendered to the French authorities (click on image to enlarge).


A solid response to returning foreign terrorist fighters

Since 2013, Eurojust supports prosecutors to build solid cases against foreign terrorist fighters (FTFs). During the two-day meeting, the discussions centred on the various challenges that prosecutors face in this regard, such as digital evidence, the use of the specific crime of participation in the activities of a terrorist group, the prosecution of non-combatant women, the judicial response to returning minors, and obtaining battlefield information in a way that makes it admissible as evidence in court. In most Member States, returning FTFs who are found guilty face imprisonment. 

Mr Frédéric Van Leeuw, Federal Prosecutor, Belgium, said: *The majority of the 2013 and 2014 returnees are young people. What position should we adopt, after they have gone a path not compatible with the values of our society, as they have collaborated actively with terrorist groups? [...] We have to respect the 1989 Children's Convention, and not separate children from their mothers. Eurojust can unite different authorities and find common procedures in accordance with the fundamental values of our societies.*

Giving priority to the rights of victims of terrorist attacks

Assistance and support to victims of terrorism are key elements of the European Union's counter-terrorism efforts. Eurojust has been assisting in a number of investigations into recent terrorist attacks in which support to victims was a major aspect of the international judicial cooperation efforts.

 Ms Joëlle Milquet, Special Advisor to the President of the European Commission on the support to victims of terrorist attacks, said: *We need an integrated approach at EU level and we have to set minimum standards, promote best practice, take pragmatic measures and adapt the existing directives. A common, precise definition of victims or of compensation to victims is required and one single focal point at national level. We can have a more structured coordination by involving other stakeholders, such as Eurojust and Europol.*

Background

Eurojust's mission is to unite the community of thousands of practitioners who, every day, everywhere in Europe, work hard to fight all forms of criminality, and combine their efforts to make Europe a more secure and just place. Just in the past year, 4 400 national prosecutors and senior law enforcement officials came from all Member States, from 30 different legal

systems, seeking solutions to very concrete problems, such as how to coordinate different prosecutions against the same terrorist suspects, to avoid gaps, overlapping or conflict of jurisdictions, or to create a joint investigation team.

Eurojust's meetings on counter-terrorism were launched in June 2001. Unlike coordination meetings organised in the framework of ongoing investigations supported by Eurojust, Eurojust's meetings on counter-terrorism bring together judicial and law enforcement authorities dealing with terrorism matters and concentrate on a particular terrorist phenomenon or a specific aspect of the criminal justice response to terrorism.

More information

Infographics on the coordination through Eurojust of counter terrorism cases:

Photos © Eurojust

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Trade barriers: EU removes record number in response to surge in protectionism

The annual [report](#) on Trade and Investment Barriers, released today, shows that the European Commission eliminated in 2017 the highest number ever of trade barriers faced by EU companies doing business abroad. European exporters reported a major increase in protectionism in 2017. Commenting on the report, Trade Commissioner Cecilia **Malmström** said: *"As the world's largest and most accessible market, the EU is determined to ensure that foreign markets remain equally open to our firms and products. Given the recent rise in protectionism in many parts of the world, our daily work to remove trade barriers has become even more important. Ensuring that our companies have access to foreign markets is at the heart of our trade policy. Today's report also underlines that effective solutions can be found within the international rulebook. As protectionism grows, EU enforcement of the rules must follow suit."* Thanks to the EU's enhanced Market Access Strategy, 45 obstacles were lifted in 2017 – more than twice as many as in 2016. The barriers removed spanned across 13 key EU export and investment sectors, including aircraft, automotive, ceramics, ICT & electronics, machinery, pharma, medical devices, textiles, leather, agri-food, steel, paper, and services. The report also shows that 67 new barriers were recorded in 2017, taking the total tally of existing obstacles to 396 worldwide. This confirms the worrying protectionist trend identified in previous years. China displayed the largest increase in new barriers in 2017, followed by Russia, South Africa, India and Turkey. The Report on Trade and Investment Barriers has been published annually since the beginning of the 2008 economic crisis. In its ["Trade for All"](#) strategy, the Commission has made enforcement of trade

rules a top priority. For more information and specific examples see the [press release](#), the [factsheet](#) and a [case study](#). (For more information: Daniel Rosario – Tel.: +32 229 56185; Kinga Malinowska – Tel: +32 229 51383)

The future asylum reform: designed to address both primary and secondary movements

The reform of EU asylum rules initiated by the Commission in 2015 are designed to ensure humane and dignified treatment of asylum seekers, simplified and shortened asylum procedures, as well as stricter rules to combat abuse. The key objectives of the reforms include both stopping secondary movements and ensuring solidarity for Member States of first entry. With discussions ahead of the European Council focusing on how no Member State should be left alone or put under disproportionate pressure be it from primary or secondary movements, the European Commission has today set out in factsheet how the future reform would contribute to both objectives. Read the factsheet [here](#). (For more information: Natasha Bertaud – Tel.: +32 229 67456; Tove Ernst – Tel.: +32 229 86764; Markus Lammert – Tel.: +32 229 80423)

Better drinking water in Croatia thanks to Cohesion Policy funds

€63.6 million from the [Cohesion Fund](#) is invested to upgrade the water supply system in 14 towns in the Eastern suburb of Zagreb. The project includes the construction of a new water well, new transmission pipelines in the town of Kosnica and the construction or rehabilitation of almost 400 km of distribution network. As a result of this EU investment, around 30,000 inhabitants in this Zagreb county area will have new access to the water distribution network, thanks to almost 9000 new household connections. The rehabilitation of existing parts of the network will benefit over 7000 users, who will have access to better drinking water. Commissioner for regional policy Corina **Crețu** said: *“Safe and good drinking water is essential for people’s health and quality of life. This project, in the wider context of 30 years of EU action for safe drinking water policies, is a perfect example of a Europe that protects. A few days ahead of the Croatian EU membership’s 5-years anniversary, it is also a beautiful illustration of an EU that cares and works for the well-being of Croatian people.”* This project should be completed in December 2022. (For more information: Johannes Bahrke – Tel.: +32 229 58615, Sophie Dupin de Saint-Cyr – Tel.: +32 229 56169)

Commission welcomes the adoption of new EU aviation safety rules

EU ministers today formally approved the revision of the EU aviation safety regulation. This was the last remaining step for the file to be formally adopted. The new rules will ensure safe, secure and environmentally friendly aviation for EU citizens and provide the European aviation industry with an effective and balanced legal framework. Most notably, the regulation

establishes the first ever EU-wide framework for drones. Commissioner for Transport Violeta **Bulc** said: *“The European ministers have just approved new EU rules to maintain the highest possible aviation safety standards. They are modern and flexible, increasing efficiency and bringing down costs. This means greater competitiveness and less administration for businesses and users alike. It will also establish, for the first time ever EU-wide rules for drones, ensuring a safe, secure and clean development for the years to come! The EU can only lead globally if it has Regulation that is fit for purpose.”* The new EU aviation safety rules are a major deliverable of the [Commission’s Aviation Strategy for Europe](#) whose core objective is to support the competitiveness of the EU’s aviation industry and reinforce its global leadership. More information is available [here](#). (For more information: Enrico Brivio – Tel.: +32 229 56172; Alexis Perier – Tel.: +32 229 [6 91 43](#))

Digital Single Market: Commission welcomes Council’s support to boost supercomputing infrastructure in Europe

The Commission welcomed the Council’s decision to support its plans to invest jointly with the Member States in building a world-class infrastructure for [supercomputing](#) in Europe. Vice-President for the Digital Single Market Andrus **Ansip** and Commissioner for Digital Economy and Society Mariya **Gabriel** said in a joint statement: *“Joining forces for building European supercomputing capacity is essential for the EU’s competitiveness and independence in the data economy. [...] Supercomputing is already changing the lives of European citizens, be it through personalised medicine or energy saving, or by helping to tackle global challenges through climate change modelling, preventing and controlling epidemics, and advancing neuroscience. As no European country has the capacity to develop these resources individually, cooperation, knowledge-sharing and the pooling of resources at European level are essential.”* You can read the full statement [here](#). The cooperation initiative – [EuroHPC Joint Undertaking](#)– is a legal and funding instrument under the [Digital Single Market](#) strategy that will pool EU, national and private investments to rank European supercomputers among the world’s top three by 2022-2023. The Commission envisages around €1 billion of public funding to be invested in the HPC Joint Undertaking by 2020, with the EU’s contribution of around €486 million, matched by a similar amount from Member States and associated countries. The Joint Undertaking was proposed by the Commission on 11 January 2018, and builds on the [European declaration on High-Performance Computing](#) launched in 2017. The European Parliament will vote on this proposal in July, before the Regulation is formally adopted by the Council of the EU. A [press release](#), a [Q&A](#) and a [factsheet](#) are available. (For more information: Nathalie Vandystadt – Tel.: +32 229 67083; Inga Höglund – Tel.: +32 229 50698)

La Commission approuve une nouvelle appellation d’origine protégée pour un cidre français

La Commission européenne a approuvé la demande d’inscription du «Cidre Cotentin» ainsi que la dénomination simplifiée de «Cotentin» dans le registre des appellations d’origine protégées (AOP). Ce cidre est produit dans la région du Cotentin, qui recouvre la moitié nord du département de la Manche en Normandie, à partir de pommes à cidre provenant de vergers locaux. Les vergers à cidre et la production de cette boisson se développent dans la

région dès le XIII^{ème} siècle à la faveur de réglementations successives interdisant la bière puis le vin afin de réserver autant que possible les terres arables aux céréales. Des recueils mentionnent la réputation du Cidre du Cotentin dès le XVI^{ème} siècle. Cette nouvelle appellation va rejoindre plus de 1425 appellations déjà protégés dont la liste est disponible dans la base de données [DOOR](#). Pour plus d'informations, voir aussi les pages sur la [politique de qualité](#). (Pour plus d'information: Daniel Rosario – Tel: +32 2 29 56185; Clémence Robin – Tel: +32 229 52 509)

STATEMENTS

Statement by Commissioner Avramopoulos on occasion of the International Day against Drug Abuse and Illicit Trafficking

On the International Day against Drug Abuse and Illicit Trafficking, Commissioner for Migration, Home Affairs and Citizenship Dimitris **Avramopoulos** said: *“The illicit drugs market is getting more and more dynamic and highly adaptable. It poses new and constantly evolving challenges to our society, especially with regards to children and young people. With higher drug production and availability in Europe as well as the continuous presence of new psychoactive substances, such as for example fentanyl, the European Union will continue and step up its action to fight this phenomenon. It is no time to let our guard down. We will continue to raise awareness, support prevention, with a key focus on younger generation, and remain alert and responsive. Illicit drugs and drug abuse is a common global challenge and we will continue to coordinate our response with our neighbours and international partners.”* The International Day against Drug Abuse and Illicit Trafficking was introduced by the UN in 1987 to raise international awareness on the major problem illicit drugs represent to modern society and to strengthen the global action to achieve the goal of a society free of drug abuse. This year's International Day focuses on a theme “Listen First – Listening to children and youth is the first step to help them grow healthy and safe” with particular attention to support prevention of drug use. This UN initiative is fully in line with priorities of the European Union in the area of fighting against drug abuse and illicit drugs, as outlined [EU Drugs Strategy for 2013-2020](#) and the [Action Plan on Drugs for 2017-2020](#). The EU is closely monitoring the drug situation in Europe and issues annual reports providing a comprehensive analysis of recent drug trends and developments across the 28 EU Member States, Turkey and Norway. The [2018 European Drug Report](#) was presented by Commissioner Avramopoulos earlier this month, on 7 June. More information on the report is available [online](#). (For more information: Natasha Bertaud – Tel.: +32 2 296 74 56; Tove Ernst – Tel.: +32 229 86764; Katarzyna Kolanko –Tel.: +32 229 63444)

ANNOUNCEMENTS

President Juncker and Commissioner Navracsics mark European Year of Cultural

Heritage at the European Parliament

This afternoon, President Jean-Claude **Juncker** and Commissioner for Education, Culture, Youth and Sport, Tibor **Navracsics**, will participate in the opening session of the High Level [Conference](#) “Cultural heritage in Europe: linking past and future” organised by the European Parliament. Policy-makers, national ministers, cultural professionals, academics and renowned artists such as Maestro Daniel Barenboim and Jean-Michel Jarre will debate challenges and opportunities linked to cultural heritage in three panels: cultural heritage and ‘Europeanness’; preserving and promoting cultural heritage; and innovation and the economic potential of cultural heritage. The programme is available [here](#) and the conference can be followed live [here](#) or on [Europe by Satellite](#). The speech of Commissioner **Navracsics** will be available [here](#). (For more information: Christian Wigand– Tel.: +32 229 62253; Joseph Waldstein – Tel. +32 229 56184)

High Representative/Vice-President Federica Mogherini participates in the Ukraine Reform Conference in Copenhagen – ‘A Driver for Change’

On Wednesday 27 June, High Representative/Vice-President, Federica **Mogherini** will participate in the second Ukraine Reform Conference, which is this year held in Copenhagen. She will be joined by foreign ministers from EU, G7 and NATO countries, as well as high-level representatives from Ukraine and international organisations. High Representative/Vice-President **Mogherini** will deliver a speech in the opening plenary session at 10:00, which follows the opening of the conference by the Prime Ministers of Denmark and Ukraine, and will participate in the press conference at 12:30. The event in Copenhagen will provide an opportunity for the Ukrainian authorities to highlight recent reforms and present plans to maintain the reform momentum. There will be a special focus on good governance issues, including anti-corruption, economic development and growth. Ministers will also discuss the challenge of disinformation campaigns in Ukraine and beyond. For more information on the EU’s support to Ukraine’s reform agenda, see the [factsheet](#), and the [website](#) of the EU Delegation. The plenary session, including the speech of the High Representative/Vice-President, will be live-streamed [here](#). Coverage of the press conference will be available via [EBS](#). (For more information: Maja Kocijancic – Tel.: +32 229 86570; Adam Kaznowski – Tel: +32 229 89359)

Commissioner Thyssen on two-day trip to Sofia, Bulgaria

Marianne **Thyssen**, Commissioner for Employment, Social Affairs, Skills and Labour Mobility is in Sofia today, 26 June and tomorrow, 27 June. This afternoon, the Commissioner will give a keynote speech at the [Conference for the European Alliance for Upward Wage Convergence](#), organised by the European Trade Union Confederation (ETUC). Tomorrow morning, Commissioner **Thyssen** will participate to the high-level conference [“The European Pillar of Social Rights: Working together for results”](#) at the National Palace of Culture. Organised at the end of the Bulgarian Presidency, the conference aims to take stock of all the efforts and results in implementing the Pillar at the EU and national level and continue the debate on the social dimension of Europe in the context of the EU budget discussions for the next programming period.

*"When it comes to the [European Pillar of Social Rights](#), I am glad to say that already now we are seeing progress. I would like to thank the Bulgarian presidency, for organising this conference and see representatives of governments, employers and employees and civil society take ownership of the Pillar", said Commissioner **Thyssen** ahead of her mission. The Commissioner will also meet with Bulgarian Prime Minister Boyko Borissov and Bulgarian Minister of Labour and Social Policy Biser Petkov bilaterally to discuss advances made in the field of employment and social affairs under Bulgaria's EU Presidency and the social aspects of the next Multiannual Financial Framework. (For more information Christian Wigand – Tel.: +32 229 62253; Melanie Voin – Tel.: +32 229 58659)*

Commissioner Stylianides visits Berlin, Germany

Commissioner for Humanitarian Aid and Crisis Management Christos **Stylianides** is travelling to Berlin today to participate at the 14th European Congress in Disaster Management. The Commissioner will also meet with Mr Heiko Maas, German Federal Minister for Foreign Affairs, and Dr Jürgen Weise, President of Johanniter-Unfall-Hilfe e.V., which is one of the German large organisations in the area of civil protection and humanitarian aid. During the visit the Commissioner will present [rescEU](#), the European Commission's ambitious plans to strengthen Europe's collective ability to respond to disasters, and the EU's humanitarian aid priorities. (For more information: Carlos Martin Ruiz de Gordejuela – Tel.: +32 229 65322; Daniel Puglisi – Tel.: +32 229 69140)

Le commissaire King en visite à Paris

Julian **King**, commissaire chargé de l'union de la sécurité, sera à Paris aujourd'hui, où il rencontrera Patrick Strzoda, le directeur du cabinet du président de la République, pour discuter des questions relatives aux défis actuels de la sécurité. Le Commissaire rencontrera aussi la secrétaire générale de la Défense et de la Sécurité nationale, Claire Landais et le Coordinateur National du renseignement, Pierre de Bosquet de Florian. Dans l'après-midi, le commissaire participera au colloque "l'Europe de la défense et de la sécurité en 2050" où il introduira la table ronde sur "l'Europe qui protège". (For more information: Natasha Bertaud – Tel.: +32 2 296 74 56; Tove Ernst – Tel.: +32 229 86764; Katarzyna Kolanko – Tel.: +32 229 63444)

[Upcoming events](#) of the European Commission (ex-Top News)

[Trade barriers: EU removes record](#)

number in response to surge in protectionism

Commenting on the [report](#), Trade Commissioner Cecilia **Malmström** said: *“As the world’s largest and most accessible market, the EU is determined to ensure that foreign markets remain equally open to our firms and products. Given the recent rise in protectionism in many parts of the world, our daily work to remove trade barriers has become even more important. Ensuring that our companies have access to foreign markets is at the heart of our trade policy. Today’s report also underlines that effective solutions can be found within the international rulebook. As protectionism grows, EU enforcement of the rules must follow suit.”*

Thanks to the EU’s enhanced Market Access Strategy, 45 obstacles were lifted fully or in part in 2017 – more than twice as many as in 2016. The barriers removed spanned across 13 key EU export and investment sectors, including aircraft, automotive, ceramics, ICT & electronics, machinery, pharma, medical devices, textiles, leather, agri-food, steel, paper, and services. Overall, this brings the number of barriers eliminated under the Juncker Commission to 88.

Thanks to those barriers removed between 2014 and 2016 alone, in 2017 EU companies exported an additional €4.8 billion. This is the equivalent to the benefits of many of our trade agreements.

The report also shows that 67 new barriers were recorded in 2017, taking the total tally of existing obstacles to a stark 396 between 57 different trading partners around the world. This confirms the worrying protectionist trend identified in previous years. China displayed the largest increase in new barriers in 2017, followed by Russia, South Africa, India and Turkey. The Mediterranean region also showed a notable rise in barriers for EU companies. The nine countries with the highest number of trade barriers still in place are all G20 economies.

Examples of barriers eliminated in 2017:

- Recognition of safety standards used by the EU machinery industry in Brazil’s new safety legislation;
- Elimination of administrative barriers for services in Argentina;
- Removal of restrictions on copper and aluminium scrap, and paper in Turkey;
- Removal of animal and plant health and hygiene barriers related to bovine exports from some EU Member States to China, Saudi Arabia and Taiwan;
- Elimination of certain restrictions on poultry exports from some EU Member States to Saudi Arabia and the United Arab Emirates.

Many more concrete examples are included in today’s [factsheet](#).

Background

The Report on Trade and Investment Barriers is fully based on concrete complaints received by the Commission from European companies. It has been published annually since the beginning of the 2008 economic crisis.

In recent months the Commission has also launched Market Access Days in Member States in order to raise awareness amongst smaller companies of how the EU can help address the barriers they face.

Following the publication of the [Report on the Protection and Enforcement of Intellectual Property Rights](#) in February, this is the second enforcement related report released by the Commission in 2018. Later this year the Commission will publish an Implementation Report of the different trade agreements in place.

In its “[Trade for All](#)” strategy, the Commission has made enforcement of trade rules a top priority along with a sharper focus on the implementation of trade agreements, so that our companies can compete on a level playing field when seeking export and investment opportunities in third countries. The EU has the tools and uses them to eliminate trade barriers, bring dispute settlement action, and impose trade defence measures in cases of unfair trade.

For More Information

[Report](#)

[Factsheet](#)

[Market Access Data Base – register of complaints](#)

[Case study](#)

[Report on the Protection and Enforcement of Intellectual Property Rights](#)

[Peter Praet: Interview with Espresso](#)



EUROPEAN CENTRAL BANK
EUROSYSTEM

Interview with Peter Praet, Member of the Executive Board of the ECB, conducted by João Silvestre on 18 June 2018 and published on 23 June 2018

Is the asset purchase programme (APP) really going to conclude at the end of this year?

What we did last week was to express an anticipation that net asset purchases would end at the end of the year. We didn't say we were now deciding to stop the programme in December. We still have six months to go. We translated the increased confidence we expressed about developments in the economy and inflation into an anticipation about the APP. And, at the same time, we also enhanced the *forward guidance* on interest rates. But, in any event, to anticipate the end of the programme is to give a strong signal.

What exactly do you mean by giving a strong signal?

We undertook a careful review of the progress made towards a sustained adjustment in the path of inflation to levels below, but close to, 2%. It was a strong signal because, in spite of a recent moderation in euro area economic growth, we concluded that progress towards our aim has been substantial so far, and actually sufficiently substantial for us to be in a position to express this anticipation of an end to net asset purchases at the end of the year. We think that the underlying strength of the economy gives grounds that inflation convergence will continue in the period ahead, even after a gradual winding down of net asset purchases.

What is that confidence based on?

There is a path of gradual improvement towards our inflation aim, as the euro area economy will continue to grow above potential. Increasing pressure on

the utilisation of resources, notably in the labour market, will continue to support inflation over the medium term.

Is the ECB comfortable with the recent projection pointing to annual inflation of 1.7% over the period to 2020, clearly below the 2% aim for these three years?

The Eurosystem staff projections are only one element of our assessment. What is crucial is that we see a sustained path of adjustment of inflation towards levels that are below, but close to, 2%. Over the projection period, the contribution of energy to inflation declines, and inflation excluding energy and food gradually rises, as capacity constraints become increasingly binding.

What the ECB anticipated last week was the halving of asset purchases between October and December. But there was a proviso: the measure was subject to data confirming the medium-term inflation outlook. What does this mean in practice?

Our baseline scenario is that the euro area expansion will continue in the period ahead. But new uncertainties have arisen in 2018. Last year was exceptional, with euro area GDP growing by about 3% in real terms between the first quarter of 2017 and the first quarter of 2018, with the combination of strong growth in domestic demand and a rebound in international trade. This year, international trade dynamics seem weaker. It may be attributable to a delayed impact of the appreciation of the euro since the beginning of 2017. Temporary factors and supply-side tensions related to very high levels of capacity utilisation in some euro area countries also contributed to a moderation in economic growth in early 2018. In a nutshell, both demand and supply-side factors are at work, and our baseline scenario is surrounded by more uncertainty. So we must be prudent and carefully monitor economic developments.

Why?

The level of uncertainty has increased. Protectionism, for example, is having an effect on business sentiment, which might already be holding back investment. It is still too early to tell. In addition, Brexit will have financial implications for firms not only in the United Kingdom, but at this stage no one knows what the final Brexit conditions will be.

Are these uncertainties the reason for your prudence in the way the asset purchase programme is being concluded?

Our baseline scenario still holds, but we must monitor the risks. This is why we decided to express an anticipation about the evolution of our net asset purchases. By doing so we are keeping what we call optionality.

Ultimately, if risks materialise, could one of the options be a further extension of the programme into 2019?

As our President, Mario Draghi, said last week, the asset purchase programme is now an integral part of our "toolbox". It is definitely an option, but,

last week, we announced our anticipation of the end of net asset purchases, which reflects our confidence that inflation is on course to reach levels below, but close to, 2% over the medium term.

Well, are you being vigilant?

We are alert to the *tail risks* that may, for example, stem from protectionism and, potentially, from an associated sharp fall in confidence.

Might another option be to increase the monthly pace of purchases for the last three months of the year, to purchase more than €15 billion, if the situation deteriorates?

The asset purchase programme remains an integral part of our “toolbox”. This being said, our monetary policy decisions altogether maintain the current ample degree of monetary accommodation that is still needed for inflation to converge towards our aim. This includes, first, our enhanced forward guidance on interest rates, which we expect will remain at their present levels at least through the summer of 2019 and in any case for as long as necessary, and, second, our very large *stock* of assets for which we intend to reinvest the principal payments from maturing securities. The reinvestment policy plays a very important role, as the amounts are sizeable.

How long will the reinvestments last?

We intend to maintain our policy of reinvesting the principal payments from maturing securities for an extended period of time after the end of our net asset purchases, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation. Our policy of reinvesting is another instrument at our disposal.

Regarding a change in interest rates, the ECB guaranteed that it will not take place until “through the summer of 2019”. Does it mean until the end of next summer?

At our last Governing Council meeting we said that we expect our key ECB interest rates to remain at their present levels at least through the summer of 2019. In any case, they will stay at their present levels for as long as necessary to ensure that the evolution of inflation remains aligned with our current expectations of a sustained adjustment path.

Our enhanced forward guidance signals that we will remain patient in determining the timing of the first rate rise. The path of very short-term interest rates that is implicit in the term structure of money market interest rates is compatible with our intention of being patient.

Negative interest rates are one of the most controversial points within the ECB’s current monetary policy framework. Particularly for the banks. What do you have to say to them?

You have to look at the whole package of measures that we have implemented. Consider, for example, the lines of funding aimed at bank lending to the real

economy, known by the acronym TLTROs. They supported bank lending to the real economy. Banks that borrowed from the ECB and lent to the economy more than a pre-specified lending benchmark also benefited from a negative interest rate on their funding.

What role did the negative interest rates play?

They were important for enhancing the asset purchase programme and for forward guidance. They are an essential instrument in our toolbox that supports very favourable financial conditions, and therefore the economy. This led to improvements in the credit portfolio of banks. It also stimulated the demand for loans of households and firms.

Was the impact on savers one of the reasons for the negative reaction?

For those savers that do not want to take risks and therefore keep their assets in savings accounts, it is an issue. But it is important to look at the overall situation, and to take into account the impact of our measures on growth and jobs. Young people who need to borrow have benefited and, in general, the important thing for them is to find jobs. Our measures have supported economic activity and job creation.

Has the policy of monetary tightening of the Federal Reserve System (Fed) put pressure on the decisions of the ECB?

There is no pressure. We are in a different situation. The Fed and the ECB are at two different stages of their monetary policy cycles.

PORTUGAL

Could the ending of this zero interest rate environment be a problem for more indebted countries, like Portugal?

Obviously, countries with higher debt levels have benefited more from lower refinancing costs, but this is not the objective of our monetary policy, which is to ensure price stability.

More fundamentally, we should always keep in mind that investor confidence in the sustainability of public finances is the key determinant of interest rates on sovereign debt. If there are doubts about the sustainability of public finances, spreads can increase to very high levels, despite the ECB's asset purchase programme.

I have noted that, following heightened market volatility due to developments in Italy, spillovers to interest rates on Portuguese public debt were contained, thanks to significant progress in public finances. This again stresses the importance of sound public finances.

What is your assessment of Portugal's progress?

Commission and ECB staff concluded their eighth post-programme surveillance mission last week. They stress that the current favourable macroeconomic and

financial conditions provide an opportunity to accelerate structural reforms, further reduce macroeconomic imbalances and increase Portugal's resilience to shocks. Fiscal consolidation remains necessary to ensure a steady decline in the debt ratio.

They also note that, while Portuguese banks have made considerable progress in strengthening their balance sheets, remaining vulnerabilities in the banking sector need to be addressed, in particular the high level of non-performing loans (13.7% in 2017 compared with an EU average of about 5%). Finally, addressing impediments to investment, increasing productivity and further improving the business environment remain key for strengthening potential growth.

To conclude, my assessment is that significant progress has been made, but that ensuring prosperity on a lasting basis requires continuing the implementation of an ambitious reform agenda going forward.

BANKING

It is essential to complete the banking union. In this respect, the European summit on 28 and 29 June is very important. The European banking landscape is still characterised by one important feature: a strong exposure of banks to their national economy, including a high exposure to domestic public debt. The completion of the banking union will, over time, lead to a lower exposure to national economies.

Regarding the situation of the banking sector, there is still a sizeable legacy of non-performing loans in some banks. An impressive effort has been made to reduce the level, but the situation has not yet been fully rectified.

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Peter Praet: Interview with Espresso



EUROPEAN CENTRAL BANK
EUROSYSTEM

Interview with Peter Praet, Member of the Executive Board of the ECB, conducted by João Silvestre on 18 June 2018 and published on 23 June 2018

Is the asset purchase programme (APP) really going to conclude at the end of this year?

What we did last week was to express an anticipation that net asset purchases would end at the end of the year. We didn't say we were now deciding to stop the programme in December. We still have six months to go. We translated the increased confidence we expressed about developments in the economy and inflation into an anticipation about the APP. And, at the same time, we also enhanced the *forward guidance* on interest rates. But, in any event, to anticipate the end of the programme is to give a strong signal.

What exactly do you mean by giving a strong signal?

We undertook a careful review of the progress made towards a sustained adjustment in the path of inflation to levels below, but close to, 2%. It was a strong signal because, in spite of a recent moderation in euro area economic growth, we concluded that progress towards our aim has been substantial so far, and actually sufficiently substantial for us to be in a

position to express this anticipation of an end to net asset purchases at the end of the year. We think that the underlying strength of the economy gives grounds that inflation convergence will continue in the period ahead, even after a gradual winding down of net asset purchases.

What is that confidence based on?

There is a path of gradual improvement towards our inflation aim, as the euro area economy will continue to grow above potential. Increasing pressure on the utilisation of resources, notably in the labour market, will continue to support inflation over the medium term.

Is the ECB comfortable with the recent projection pointing to annual inflation of 1.7% over the period to 2020, clearly below the 2% aim for these three years?

The Eurosystem staff projections are only one element of our assessment. What is crucial is that we see a sustained path of adjustment of inflation towards levels that are below, but close to, 2%. Over the projection period, the contribution of energy to inflation declines, and inflation excluding energy and food gradually rises, as capacity constraints become increasingly binding.

What the ECB anticipated last week was the halving of asset purchases between October and December. But there was a proviso: the measure was subject to data confirming the medium-term inflation outlook. What does this mean in practice?

Our baseline scenario is that the euro area expansion will continue in the period ahead. But new uncertainties have arisen in 2018. Last year was exceptional, with euro area GDP growing by about 3% in real terms between the first quarter of 2017 and the first quarter of 2018, with the combination of strong growth in domestic demand and a rebound in international trade. This year, international trade dynamics seem weaker. It may be attributable to a delayed impact of the appreciation of the euro since the beginning of 2017. Temporary factors and supply-side tensions related to very high levels of capacity utilisation in some euro area countries also contributed to a moderation in economic growth in early 2018. In a nutshell, both demand and supply-side factors are at work, and our baseline scenario is surrounded by more uncertainty. So we must be prudent and carefully monitor economic developments.

Why?

The level of uncertainty has increased. Protectionism, for example, is having an effect on business sentiment, which might already be holding back investment. It is still too early to tell. In addition, Brexit will have financial implications for firms not only in the United Kingdom, but at this stage no one knows what the final Brexit conditions will be.

Are these uncertainties the reason for your prudence in the way the asset purchase programme is being concluded?

Our baseline scenario still holds, but we must monitor the risks. This is why we decided to express an anticipation about the evolution of our net asset purchases. By doing so we are keeping what we call optionality.

Ultimately, if risks materialise, could one of the options be a further extension of the programme into 2019?

As our President, Mario Draghi, said last week, the asset purchase programme is now an integral part of our “toolbox”. It is definitely an option, but, last week, we announced our anticipation of the end of net asset purchases, which reflects our confidence that inflation is on course to reach levels below, but close to, 2% over the medium term.

Well, are you being vigilant?

We are alert to the *tail risks* that may, for example, stem from protectionism and, potentially, from an associated sharp fall in confidence.

Might another option be to increase the monthly pace of purchases for the last three months of the year, to purchase more than €15 billion, if the situation deteriorates?

The asset purchase programme remains an integral part of our “toolbox”. This being said, our monetary policy decisions altogether maintain the current ample degree of monetary accommodation that is still needed for inflation to converge towards our aim. This includes, first, our enhanced forward guidance on interest rates, which we expect will remain at their present levels at least through the summer of 2019 and in any case for as long as necessary, and, second, our very large *stock* of assets for which we intend to reinvest the principal payments from maturing securities. The reinvestment policy plays a very important role, as the amounts are sizeable.

How long will the reinvestments last?

We intend to maintain our policy of reinvesting the principal payments from maturing securities for an extended period of time after the end of our net asset purchases, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation. Our policy of reinvesting is another instrument at our disposal.

Regarding a change in interest rates, the ECB guaranteed that it will not take place until “through the summer of 2019”. Does it mean until the end of next summer?

At our last Governing Council meeting we said that we expect our key ECB interest rates to remain at their present levels at least through the summer of 2019. In any case, they will stay at their present levels for as long as necessary to ensure that the evolution of inflation remains aligned with our current expectations of a sustained adjustment path.

Our enhanced forward guidance signals that we will remain patient in determining the timing of the first rate rise. The path of very short-term

interest rates that is implicit in the term structure of money market interest rates is compatible with our intention of being patient.

Negative interest rates are one of the most controversial points within the ECB's current monetary policy framework. Particularly for the banks. What do you have to say to them?

You have to look at the whole package of measures that we have implemented. Consider, for example, the lines of funding aimed at bank lending to the real economy, known by the acronym TLTROs. They supported bank lending to the real economy. Banks that borrowed from the ECB and lent to the economy more than a pre-specified lending benchmark also benefited from a negative interest rate on their funding.

What role did the negative interest rates play?

They were important for enhancing the asset purchase programme and for forward guidance. They are an essential instrument in our toolbox that supports very favourable financial conditions, and therefore the economy. This led to improvements in the credit portfolio of banks. It also stimulated the demand for loans of households and firms.

Was the impact on savers one of the reasons for the negative reaction?

For those savers that do not want to take risks and therefore keep their assets in savings accounts, it is an issue. But it is important to look at the overall situation, and to take into account the impact of our measures on growth and jobs. Young people who need to borrow have benefited and, in general, the important thing for them is to find jobs. Our measures have supported economic activity and job creation.

Has the policy of monetary tightening of the Federal Reserve System (Fed) put pressure on the decisions of the ECB?

There is no pressure. We are in a different situation. The Fed and the ECB are at two different stages of their monetary policy cycles.

PORTUGAL

Could the ending of this zero interest rate environment be a problem for more indebted countries, like Portugal?

Obviously, countries with higher debt levels have benefited more from lower refinancing costs, but this is not the objective of our monetary policy, which to ensure price stability.

More fundamentally, we should always keep in mind that investor confidence in the sustainability of public finances is the key determinant of interest rates on sovereign debt. If there are doubts about the sustainability of public finances, spreads can increase to very high levels, despite the ECB's asset purchase programme.

I have noted that, following heightened market volatility due to developments in Italy, spillovers to interest rates on Portuguese public debt were contained, thanks to significant progress in public finances. This again stresses the importance of sound public finances.

What is your assessment of Portugal's progress?

Commission and ECB staff concluded their eighth post-programme surveillance mission last week. They stress that the current favourable macroeconomic and financial conditions provide an opportunity to accelerate structural reforms, further reduce macroeconomic imbalances and increase Portugal's resilience to shocks. Fiscal consolidation remains necessary to ensure a steady decline in the debt ratio.

They also note that, while Portuguese banks have made considerable progress in strengthening their balance sheets, remaining vulnerabilities in the banking sector need to be addressed, in particular the high level of non-performing loans (13.7% in 2017 compared with an EU average of about 5%). Finally, addressing impediments to investment, increasing productivity and further improving the business environment remain key for strengthening potential growth.

To conclude, my assessment is that significant progress has been made, but that ensuring prosperity on a lasting basis requires continuing the implementation of an ambitious reform agenda going forward.

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