Yves Mersch: Economic and monetary policy at a turning point – where is the economy heading in Europe, the United States and China?

Speech by Yves Mersch, Member of the Executive Board of the ECB, at the Petersberger Sommerdialog, Königswinter, 29 June 2019

Despite the escalating trade dispute between the United States and China, the global economy continues to grow robustly, albeit at a slower pace.

Looking at developments in major economies beyond the euro area, activity in the United States is supported by the strong labour market, accommodative financial conditions and current fiscal stimulus. However, economic growth is expected to decelerate.

At the same time, in China the slowdown in domestic demand has been cushioned by the implementation of a series of fiscal and monetary policy measures. Although the escalation in the trade dispute with the United States is foreseen to weigh on trade, China is expected to continue its orderly transition to a more balanced growth path.

The incoming data for the euro area in the first quarter of 2019 have been somewhat better than expected. Euro area real GDP increased by 0.4% quarter on quarter in the first quarter of 2019, bolstered by resilient domestic demand.

However, survey information and economic indicators point to somewhat weaker growth in the second and third quarters of this year. This reflects the ongoing weakness in global trade and the prolonged presence of uncertainties that continue to weigh on euro area growth, in particular in the manufacturing sector.

Consequently, the Eurosystem staff projections see euro area real GDP growth of 1.2 % in 2019, which will accelerate further, to 1.4 %, in both 2020 and 2021. Compared with the March 2019 staff projections, the outlook for real GDP growth has been revised up slightly for 2019, largely owing to a stronger than expected first quarter. At the same time, real GDP growth has been revised down for 2020 and 2021, mainly reflecting a somewhat weaker contribution of foreign demand.

The fundamental factors supporting the euro area expansion remain broadly in place. Labour market dynamics remain robust, with unemployment at 7.6% in April, the lowest level since August 2008. Employment increased by 0.3% quarter on quarter in Q1 2019, as in the previous quarter. The cumulative increase in the number of people employed between Q2 2013, the trough of euro area employment, and Q1 2019 amounts to 10.8 million.

Nevertheless, the risks surrounding euro area growth are tilted to the downside, on account of the prolonged presence of uncertainties related to geopolitical factors, the threat of protectionism and vulnerabilities in emerging markets.

Turning to inflation, headline inflation was 1.2% in June, according to Eurostat’s flash estimate, unchanged from May, which conceals lower energy prices and a recovery in services inflation, while measures of underlying inflation remained very subdued. On the basis of current futures prices for oil, headline inflation is likely to decline over the coming months before rebounding towards the end of the year. Oil prices (as measured by the USD price of Brent crude oil) have risen by more than 20% since the start of the year.

This scenario is broadly in line with the latest Eurosystem staff projections, which foresee annual headline inflation of 1.3% in 2019, rising gradually to 1.4% in 2020 and 1.6% in 2021, broadly confirming the March outlook.

At the same time, labour cost pressures have strengthened and broadened. In Germany, for example, wages rose in the first quarter of 2019 by 2.5% in nominal terms, and by 1.2% in real terms. This is due to high levels of capacity utilisation and tightening labour markets, which is translating into a pick-up in wage growth.

Summing up, although the incoming data for the first quarter of 2019 have been somewhat better than expected, weak global trade and the prolonged presence of uncertainties continue to act as a drag on euro area growth.

The monetary policy stance

This led the ECB's Governing Council, at its meeting on 6 June, to take a series of decisions in pursuit of its price stability objective.

First, we decided to adjust our forward guidance on the key ECB interest rates. We now expect them to remain at their present levels at least through the first half of 2020, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term.

The decision to shift the date-based part further into the future, from "at least through the end of 2019" to "at least through the first half of 2020", transparently conveys to the public the Governing Council's genuine expectation that the current outlook for price stability very likely will not warrant a tightening of monetary policy at least for another year.

Second, we confirmed the ongoing full reinvestment of the principal payments from the maturing securities purchased under the asset purchase programme for an extended period of time past the date when we start raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

Finally, we determined the modalities of the new series of quarterly targeted longer-term refinancing operations (TLTRO III), which were announced in March. TLTRO III operations will start in September 2019 and end in March 2021, each with a maturity of two years. We decided that the interest rate in each operation will be set at a level that is 10 basis points above the average rate applied in the Eurosystem's main refinancing operations over the life of the respective TLTRO. For banks whose eligible net lending exceeds a benchmark, the rate applied in TLTRO III will be lower, and can be as low as the average interest rate on the deposit facility prevailing over the life of the operation plus 10 basis points.

The schedule defining the borrowing costs under TLTRO III is marginally less generous than that applied under the outstanding TLTRO II, in line with our intent of not discouraging banks that can afford to fund themselves in the market on attractive terms from doing so at TLTRO II maturity. At the same time, the pricing schedule incorporates features that can greatly enhance our accommodative monetary policy stance, as banks with strong lending performance will retain the opportunity to borrow at negative interest rates.

The pricing remains sufficiently generous – especially when compared with alternative sources of funding – for banks to keep credit flowing to firms and households on a scale that can continue to support the economy and inflation.

All in all, this set of decisions will provide the monetary accommodation necessary for inflation to remain on a sustained path towards levels that are below, but close to, 2% over the medium term, while also preserving favourable bank lending conditions and supporting a smooth transmission of our monetary policy. This being said, the Governing Council remains ready to act in case of adverse contingencies and to use its instruments – as appropriate – to ensure price stability.

A reliable strategy is an anchor for credible monetary policy. Erratic policy debates for the purpose of creating short-term stimulus risk undermining that credibility in the long run.

Key elements of the EU-Mercosur trade agreement

On 28 June 2019, the European Union and Mercosur member countries Argentina, Brazil, Paraguay and Uruguay concluded longstanding negotiations on a landmark trade agreement.

The current EU bilateral trade with Mercosur already totals €88 billion a year for goods and €34 billion for services. The EU exports to Mercosur goods worth €45 billion a year and imports Mercosur products of nearly the same value (€43 billion). When it comes to services, the EU exports more than twice as much as it imports: €23 billion of services supplied by EU firms to clients in Mercosur versus €11 billion in services delivered to EU clients by firms from Mercosur countries.

EU companies will benefit from privileged access to a market of over 260 million consumers. EU exporters will gain from progressive tariff cuts that over time will bring European companies yearly savings of more than €4 billion.

Elimination of customs duties

The agreement will, over time, remove duties on 91% of goods that EU companies export to Mercosur. For example, Mercosur countries will remove high duties on industrial products, such as:

o Cars (taxed today at 35%)

o Car parts (taxed at 14 to 18%)

o Machinery (taxed at 14 to 20%)

o Chemicals (taxed up to 18%)

o Clothing (taxed at up to 35%)

o Pharmaceuticals (taxed at up to 14%)

o Leather shoes (taxed at up to 35%)

o Textiles (taxed at up to 35%)

The agreement will also progressively eliminate duties on EU food and drink exports, such as:

o Wine (taxed today at 27%)

o Chocolate (taxed at 20%)

o Whiskey and other spirits (taxed at 20 to 35%)

o Biscuits (taxed at 16 to 18%)

o Canned peaches (taxed at 55%)

o Soft drinks (taxed at 20-35%)

The agreement will also eliminate import duties on 92% of Mercosur goods exported to the EU.

Food safety, animal and plant health

The ambitious chapter on Sanitary and Phytosanitary (SPS) matters, which covers, food safety, and animal and plant health, will uphold our highest standards. Nothing in the agreement changes the way the EU adopts and enforces its food safety rules, be it for domestically produced or imported products.

The agreement also explicitly upholds the ‘precautionary principle’, meaning that public authorities have a legal right to act to protect human, animal or plant health, or the environment, in the face of a perceived risk even when scientific analysis is not conclusive.

The EU and Mercosur will reinforce joint work on SPS matters to ensure rapid intervention in emergencies related to imports and exports of agriculture and fishery products. Among other things, this cooperation will include increased transparency, fast information exchange and technical consultations, bilateral and international cooperation in key areas, official controls and certification as well as border import checks.

Environmental protection and labour conditions

The agreement includes a chapter dedicated to sustainable development that will cover issues such as sustainable management and conservation of forests, respect for labour rights and promotion of responsible business conduct. It also offers civil society organisations an active role to overview the implementation of the agreement, including any environmental concerns.

The agreement will also provide for a new forum to work closely together on a more sustainable approach to agriculture.

Through this agreement, the EU and Mercosur are also committed to effectively implement the Paris Agreement on Climate Change. The text of the agreement reached today includes an explicit reference to the Paris Agreement and the two sides commit to fight against climate change and work towards the transition to a sustainable low-carbon economy. This includes among others a commitment to tackle deforestation. The agreement includes a set of binding commitments to protect the environment based on the Multilateral Environmental Agreements, such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Convention on Biological Diversity, the United Nations Food and Agriculture Organization fisheries management measures and regional agreements to manage fisheries.

The agreement also includes an obligation to effectively implement the International Labour Organization's fundamental standards covering subjects such as freedom of association, the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the abolition of child labour and non-discrimination.

Both sides commit not to derogate from or fail to effectively enforce labour and environmental legislation to encourage trade or investment and to promote responsible business conduct and corporate social responsibility, in line with United Nations and OECD principles and guidelines.

The trade and sustainable development part of the agreement will have clear and robust rules, and include a mechanism for independent and impartial assessment of such matters by a panel of experts.

Trade in services and establishment

Each year, the EU exports more than €20 billion in services to Mercosur countries.

The agreement will make it easier for EU firms to provide services to the rapidly expanding Mercosur market and will provide new opportunities to invest through establishment in both services and manufacturing sectors. It will also ensure a level playing field between EU service providers and their competitors in the Mercosur market.

The services covered include a wide range of sectors and sector-specific regulatory provisions exist for postal and courier services, telecommunications and financial services.

The agreement also contains advanced provisions on the movement of professionals for business purposes, such as managers or specialists that EU companies post to their subsidiaries in Mercosur countries.

E-commerce

The agreement contains general rules regarding e-commerce that aim to remove unjustified barriers to trade made by electronic means, bring legal certainty for companies and ensure a secure online environment for consumers, with their data being appropriately protected.

Government procurement

For the first time, Mercosur countries will open up their government procurement markets. EU companies will be able to tender for contracts with public authorities, such as central government ministries and other governmental and federal agencies, on an equal footing with companies from Mercosur countries.

The trade agreement will also make the tendering process more transparent. Each Mercosur country has agreed to publish contract notices for the procurement covered by the agreement online at a national single point of access.

The EU has offered Mercosur suppliers reciprocal access to the EU procurement market at central level, meaning procurement by EU institutions, and by central government contracting authorities in EU Member States.

Intellectual Property Rights

The EU and Mercosur recognise that protecting Intellectual Property Rights and trade secrets is important for fostering innovation and creativity and for ensuring that their respective industries stay competitive.

The agreement includes solid provisions covering Intellectual Property Rights on copyright, trademarks, industrial designs, geographical indications and plant varieties. The section on Intellectual Property Rights also includes comprehensive provisions on the protection of trade secrets.

Geographical Indications

The EU is a major producer of distinctive high-quality regional food and drink products such as Prosciutto di Parma, Champagne, Port wine, and Irish whiskey. These products enjoy a special status; their names are protected 'Geographical Indications'.

Under the agreement, Mercosur will protect 357 European Geographical Indications for wines, spirits, beers and food products. The EU will also protect the names of traditional Mercosur products such as Cachaça (a Brazilian distilled spirit) or Mendoza wine from Argentina.

Technical regulations and standards

Different technical regulations and standards on products in other markets can be a big obstacle to exporters because they impose extra costs for complying with them.

The agreement promotes transparency and the use of international standards to facilitate market access while safeguarding the levels of protection that each party deems appropriate. It will also be easier for companies to prove compliance with standards and regulations, notably through the recognition by Mercosur countries of conformity tests on EU products performed in the EU in certain sectors.

Easier access to raw materials and parts

The agreement also offers EU and Mercosur industries easier access to high-quality raw materials and parts to boost their competitiveness. The agreement will reduce or eliminate duties that Mercosur currently imposes on exports to the EU of products such as hides and skins (which are key raw materials for the EU leather industry) or soybean products (which are key materials to feed for EU livestock). The agreement also prohibits import and export price requirements, and import and export monopolies.

Small and Medium-Sized Enterprises

The vast majority of companies in both the EU and Mercosur are small and medium-sized enterprises (SMEs) and the agreement will address their specific needs. It notably requires both parties to provide information on market access on a specific SME website and creates a 'SME Coordinator' on each side to cooperate in identifying ways for these companies to benefit from the opportunities offered by the agreement.

Bilateral safeguard mechanism

The agreement includes a bilateral safeguard mechanism. It allows the EU and Mercosur to impose temporary measures to regulate imports in the event of an unexpected and significant increase in imports, which causes, or threatens to cause, serious injury to their domestic industry. These safeguards also apply to agricultural goods.

Transparency

Negotiations between the EU and Mercosur began in 2000, based on a mandate unanimously approved by EU Member States. In full consultation with EU Member States, the Commission has progressively adapted the EU's negotiating position to developments in EU trade policy over the years.

Throughout the negotiations, the Commission has ensured full transparency and has kept both the EU's Member States and the European Parliament informed of each step of the process. Likewise, it has discussed the ongoing negotiations with civil society.

The Commission has published negotiating documents and reports of the negotiating rounds online. Transparency will continue to be the Commission's priority in the process of finalising any technical work on the draft agreement and in preparing the Commission's proposals for Council and Parliament decisions to sign and ratify it.

Involving civil society

The agreement gives civil society a prominent role in its implementation, including on the provisions on trade and sustainable development. The EU and Mercosur will keep employers' and workers' organisations, business organisations, environmental interest groups and others informed of how they are implementing the agreement. At both national level and in a Joint Forum set up for the purpose, these civil society groups will be able to voice their views and provide input to discussions on how the trade part of the agreement is being implemented.

Enforcing the agreement and solving disputes

The agreement puts in place a fair, efficient and effective mechanism to solve disputes that may arise regarding the interpretation and application of its provisions. Among other things it includes independent panellists and due process and transparency involving open hearings, the publication of decisions, and the opportunity for interested parties to submit views in writing.

The mechanism will ensure that the EU and Mercosur fully implement their obligations under the agreement so that businesses, workers and consumers can enjoy its benefits.

Next steps

Based on this agreement in principle, the parties will proceed to legal revision, to produce a final text of the agreement. The Commission will then translate the text it into all EU official languages and submit the agreement for approval by the Council and the European Parliament.

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Key facts about the agreement

Factsheet on agriculture

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Factsheet on sustainable development

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More on Mercosur

EU and Mercosur reach agreement on trade

The European Union and Mercosur reached today a political agreement for an ambitious, balanced and comprehensive trade agreement. The new trade

framework – part of a wider Association Agreement between the two regions – will consolidate a strategic political and economic partnership and create significant opportunities for sustainable growth on both sides, while respecting the environment and preserving interests of EU consumers and sensitive economic sectors.

The EU is the first major partner to strike a trade pact with Mercosur, a bloc comprising Argentina, Brazil Paraguay and Uruguay. The agreement concluded today will cover a population of 780 million and cement the close political and economic relations between the EU and Mercosur countries. It represents a clear commitment from both regions to rules based international trade and will give European companies an important head start into a market with an enormous economic potential. It will anchor important economic reforms and modernisation undergoing in Mercosur countries. The agreement upholds the highest standards of food safety and consumer protection, as well as the precautionary principle for food safety and environmental rules and contains specific commitments on labour rights and environmental protection, including the implementation of the Paris climate agreement and related enforcement rules.

President of the European Commission Jean-Claude **Juncker** said: *"I measure my words carefully when I say that this is a historical moment. In the midst of international trade tensions, we are sending today a strong signal with our Mercosur partners that we stand for rules-based trade. Through this trade pact, Mercosur countries have decided to open up their markets to the EU. This is obviously great news for companies, workers and the economy on both sides of the Atlantic, saving over €4 billion worth of duties per year. This makes it the largest trade agreement the EU has ever concluded. Thanks to the hard and patient work of our negotiators, this is matched with positive outcomes for the environment and consumers. And that's what makes this agreement a win-win deal."*

Commissioner for Trade Cecilia **Malmström** added: *"Today's agreement brings Europe and South America closer together in a spirit of cooperation and openness. Once this deal is in place, it will create a market of 780 million people, providing enormous opportunities for EU businesses and workers in countries with whom we have strong historical links and whose markets have been relatively closed up to now. The agreement will save European companies over €4 billion in duties at the border – four times as much as our deal with Japan – whilst giving them a head start against competitors from elsewhere in the world. It also sets high standards and establishes a strong framework to jointly address issues like the environment and labour rights, as well as reinforcing sustainable development commitments we have already made, for example under the Paris Agreement. Over the past few years the EU has consolidated its position as the global leader in open and sustainable trade. Agreements with 15 countries have entered into force since 2014, notably with Canada and Japan. This agreement adds four more countries to our impressive roster of trade allies."*

Phil **Hogan**, Commissioner for Agriculture and Rural Development, said: "*The EU-Mercosur agreement is a fair and balanced deal with opportunities and benefits on both sides, including for Europe's farmers. Our distinctive, high* *quality EU agri-food products will now get the protection in Mercosur countries that they deserve, supporting our market position and growing our export opportunities. Today's agreement also presents some challenges to European farmers and the European Commission will be available to help farmers meet these challenges. For this agreement to be a win-win, we will only open up to agricultural products from Mercosur with carefully managed quotas that will ensure that there is no risk that any product will flood the EU market and thereby threaten the livelihood of EU farmers."*

Main features of the EU-Mercosur trade agreement

The EU-Mercosur region-to-region agreement will remove the majority of tariffs on EU exports to Mercosur, making EU companies more competitive by saving them €4 billion worth of duties per year.

- As regards EU **industrial sectors**, this will help boost exports of EU products that have so far been facing high and sometimes prohibitive tariffs. Those include cars (tariff of 35%), car parts (14-18%), machinery (14-20%), chemicals (up to 18%), pharmaceuticals (up to 14%), clothing and footwear (35%) or knitted fabrics (26%).
- The EU **agri-food sector** will benefit from slashing existing Mercosur high tariffs on EU export products, chocolates and confectionery (20%), wines (27%), spirits (20 to 35%), and soft drinks (20 to 35%). The agreement will also provide duty-free access subject to quotas for EU dairy products (currently 28% tariff), notably for cheeses.

Mercosur countries will also put in place legal guarantees protecting from imitation **357** high-quality European food and drink products recognised as **Geographical Indications (GIs)**, such as Tiroler Speck (Austria), Fromage de Herve (Belgique), Münchener Bier (Germany), Comté (France), Prosciutto di Parma (Italy), Polska Wódka (Poland), Queijo S. Jorge (Portugal), Tokaji (Hungary) or Jabugo (Spain).

The agreement will open up new business opportunities in Mercosur for EU companies selling under **government contracts**, and to **service suppliers** in the information technology, telecommunications and transport sectors, among others. It will simplify border checks, **cut red tape** and limit the use of export taxes by Mercosur countries. **Smaller companies** on both sides will also benefit thanks to a new online platform providing easy access to all relevant information.

While delivering significant economic benefits, the agreement also promotes high standards. The EU and Mercosur commit to effectively implement the **Paris Climate Agreement**. A dedicated **sustainable development** chapter will cover issues such as sustainable management and conservation of forests, respect for labour rights and promotion of responsible business conduct. It also offers civil society organisations an active role to overview the implementation of the agreement, including any human rights, social or environmental concerns. The agreement will also provide for a new forum to work closely together on a more sustainable approach to agriculture and, as part of the political dialogue under the Association Agreement, address the rights of indigenous communities. The agreement also safeguards the EU and

Mercosur's **right to regulate** in the public interest and preserves the right to organise public services in the way they consider appropriate.

EU **food safety** standards will remain unchanged and all imports will have to comply with the EU's rigorous standards, as is the case today. The agreed food safety, and animal and plant health provisions will reinforce cooperation with the authorities of the partner countries and speed up the flow of information about any potential risks through a more direct and efficient information and notification system. In this way, the agreement will increase our efficiency in ensuring the safety of the products traded between the EU and Mercosur countries.

The trade agreement reached today is part of a comprehensive new **Association Agreement** under negotiation between the EU and Mercosur countries. It is composed of a political and cooperation pillar – on which negotiators already reached a general agreement in June 2018 in Montevideo – and the trade pillar. Beyond trade, the agreement will enhance political dialogue and increase cooperation in areas such as migration, digital economy, research and education, human rights, including the rights of indigenous people, corporate and social responsibility, environment protection, ocean governance, as well as fight against terrorism, money laundering and cybercrime. It will also offer increased possibilities for cooperation at multilateral level. The Association Agreement will complete the network of Association Agreements in the Americas and consolidate the relations with the important partners in the region, supporting EU positions on many global issues.

Another milestone trade agreement concluded by the Juncker Commission

Agreement	**Population covered**	**Trade in goods**	**Trade in services**	**Tariff savings for EU companies**	**Joint GDP**
Canada	550 million	€72 billion	€35 billion	€0.6 billion	€18 trillion
Japan	639 million	€135 billion	€53 billion	€1 billion	€21 trillion
Mercosur	773 million	€88 billion	€34 billion	Over €4 billion	€19 trillion

Next steps

Both sides will now perform a legal revision of the agreed text to come up with the final version of the Association Agreement and all its trade aspects. The Commission will then translate it into all official EU languages and submit the Association Agreement to EU Member States and the European Parliament for approval.

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[Latest update on drug-related infectious diseases in Europe]

The EMCDDA has published today its latest update on [Drug-related infectious diseases in Europe] for the period to February 2019. The publication provides an overview of the most recent infectious disease surveillance data, outbreak investigations and prevention and control measures among people who inject drugs (PWID) in Europe. The information presented is collected through the EMCDDA's drug-related infectious diseases (DRID) network. Below are some of the findings 'At a glance'.

Population at risk: people who inject drugs

The report describes this population at risk (PWID) in terms of the number of injectors and their main injecting practices. While evidence from drug treatment centres suggests that the prevalence of injecting drug use is declining in the European Union, Norway and Turkey, this group is at high risk of contracting blood-borne viruses and other infections. As of 2018, the estimated national prevalence of injecting drug use ranged from less than 1 per 1 000 in Cyprus, the Netherlands and Spain to more than 5 per 1 000 in Czechia, Estonia and Latvia. While heroin remains overall the most commonly injected drug in Europe, stimulants such as cocaine, amphetamines and synthetic cathinones are also injected, and predominate in some countries.

The high burden of viral hepatitis

The hepatitis C virus (HCV) is the most prevalent blood-borne virus infection among people who inject drugs, with many countries reporting the prevalence of HCV antibodies (a marker of having been infected by the virus) among this group in excess of 50 %. While the prevalence of hepatitis B virus (HBV) surface antigen (a marker of being currently infected) among people who inject drugs is under 5 % in most countries, it is still much higher than in the general population, despite the availability of an effective and safe vaccine. Individuals who remain chronically infected are at risk of cirrhosis and cancer, and can transmit the virus to others when sharing injecting materials that have been in contact with their blood.

Overall decline in HIV cases but outbreaks linked to stimulant injecting still detected

While people who inject drugs now account for a smaller proportion of new human immunodeficiency virus (HIV) cases in the European Union, Norway and Turkey (less than 5 % of all new diagnoses in 2017), HIV infections linked to injecting drug use are being diagnosed late, and local HIV outbreaks among people who inject drugs are still being documented in Europe (Germany, Lithuania and the United Kingdom). The newly documented HIV outbreak in Bavaria included in this report adds to the list of other recent HIV outbreaks linked to an increase in stimulant injection: Dublin 2014–15 (synthetic cathinones, alpha-PVP), Luxembourg 2014–17 (cocaine) and Glasgow 2015 (cocaine).

Key interventions for elimination: prevention, testing and treatment

Ending the HIV/AIDS epidemic and combating viral hepatitis is part of the United Nation’s 2030 Agenda for Sustainable Development. Achieving this goal will require scaling-up the harm reduction services offered to people who inject drugs and access to diagnosis and effective treatment (antiretroviral therapy and direct-acting antiviral treatment). Despite the well-documented cost-effectiveness of prevention measures, such as needle and syringe programmes and opioid substitution treatment, their national coverage, as monitored by the EMCDDA, is still sub-optimal in many European countries. While available data on the HIV cascade of care for people who inject drugs are encouraging, there are still barriers both to testing and to providing this group access to direct-acting antiviral treatment for hepatitis C.

The report – the most recent edition in the agency’s Rapid Communication series – ends by outlining the public health messages of the latest guidance for prison settings in the context of infectious disease prevention and control in prisons in three EU Member States.

EU on the horizon? Eurofound explores quality of life in the candidate

countries

Wind in their sails? At the time of Eurofound's latest EQLS, there was high optimism for the future in most EU candidate countries.

There are high levels of optimism for the future in most EU candidate countries – including for future generations. However, current material hardships, deprivation, urban-rural disparities, gender inequalities and demographic ageing are fundamental challenges, and could undermine the current positive climate and future social cohesion.

At this pivotal time in the EU enlargement process, Eurofound's European Quality of Life Survey (EQLS) provides unique insight into life in the candidate countries, based on a detailed analysis of a range of indicators on living conditions and quality of society.

EU candidate countries score below the EU average on several indicators such as housing inadequacies, energy poverty and material deprivation. Reported mental health is also below EU average, and most countries register considerable gaps between women and men in domestic and care-related work. However, in terms of perceived quality of public services, candidate countries appear to be at less of a disadvantage than some eastern European Member States in several areas, particularly in the wake of the 2008 economic crisis.

There are relatively large differences between rural and urban areas in terms of both quality of life and the quality of public and local services. This is a particular challenge in the candidate countries as they have large rural populations. Eurofound's research notes that improving quality of life at local level will be challenging due to the pattern of trust in candidate countries. Unlike most EU Member States, where local authorities are trusted more than national institutions, local authorities do not have this relative advantage in the candidate countries and may find it difficult to bring forward necessary change and reform.

The EQLS shows that social cohesion comes under strain on a number of fronts in some candidate countries. Considerable sections of society report high levels of social exclusion as well as poor mental health; these include older age groups and people on low incomes. In addition, a relatively large proportion of respondents in some candidate countries report tensions between rich and poor and between management and workers. The estimates of income inequality captured by the EQLS are consistently higher in most candidate countries compared to national statistics.

Work-life balance and gender equality also contrast with several EU Member States. While quality of care services is seen as higher than that of other public services in the candidate countries covered, their availability may not be sufficient to have an effect on work–life balance deficiencies. Women typically devote significantly more of their time to domestic and care-related work than men.

Quality of life and the enlargement process

The 2016 European Quality of Life Survey (EQLS) documents the living and social situation of people across Europe. 37,000 people in 33 countries were interviewed in detail – including citizens in the five candidate countries of Albania, North Macedonia, Montenegro, Serbia and Turkey.

The EU enlargement process is an area of political and economic significance for the future of Europe, with the Council and European Commission expressing their commitment to the process. There are both political and economic criteria in the accession process, which includes human rights, respect for and protection of minorities, and a functioning market economy that has the capacity to cope with competition and market forces.

President Juncker has advocated the enlargement process as a path to ensure 'the reconciliation of the geography and history of our continent'. When he said that the 'wind is back in Europe's sails' during his 2017 State of the Union address, this could also be applied to candidate counties – who were optimistic for the future.

The June 2019 European Council meeting had been expected to mark new progress in the process, particularly in relation to Albania and North Macedonia, who have been undergoing political reform and improved relations with some Member States. The delay in this process had been met with disappointment in these candidate countries, but gives more time to reflect upon, as well as to consolidate, the economic and political progress that has been made – including in quality of life for citizens and implementation of the Sustainable Development Goals. This new report from Eurofound will serve as a comprehensive source of information on life and society in the candidate countries.

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