

# Cross-border services boost growth – study says



**According to the new study commissioned by the European Economic and Social Committee, cross-border services generate new jobs and economic growth. They are positive for all EU countries, for different kinds of jobs – both labour and knowledge intensive. The document proves that avoiding strict regulation in the cross-border services internal market is beneficial for the EU economy. A reduction of the share of cross-border services by 1 % would cost the EU economy around 8 billion euro.**

In 2014, almost 11 million jobs in the EU were based on export of cross-border services. Since 2000, the number of employees dependent on cross-border services has almost doubled. While total employment in the EU grew by 5.5 %, employment dependent on cross-border service has risen by 94 %. This clearly shows a positive impact on the EU economy. Countries with a higher share in cross-border services have registered much stronger growth in employment and GDP than countries less involved in the cross-border service market.

*The study proves that cross-border services are neither social dumping nor a danger to the economies of the Member States. Ever-harsher regulation of cross-border services would have a negative impact on the economy and would*

*endanger the integrity of the single market*, said **Peter Clever**, Vice-President of the Employers' Group.

According to the document – contrary to public perception – 3 in 4 cross-border jobs are located in the EU-15 states. Almost 40 % of the postings of workers occurred from one high-wage country to another. This clearly shows that the economies of all EU Member States benefit from cross-border services. In 2014 the total value added dependent on the exports of cross-border services was 625 billion euro in all 28 Member States.

Moreover, cross-border services are not limited to labour intensive, low-paid jobs. The share of jobs in knowledge intensive sectors dependent on cross-border services has grown nearly as much as the share of labour intensive jobs.

The research also suggests that countries with a higher share of cross-border service on average have a lower ratio of people at risk of poverty and social exclusion and register higher levels of happiness and satisfaction with life.

The study was prepared by German think-tank IW Consult and was commissioned by the European Economic and Social Committee on the request of the Employers' Group. The document can be downloaded here:

<https://europa.eu/!yQ36mK>.

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## **Mergers: Commission prohibits proposed merger between Tata Steel and ThyssenKrupp**

**The European Commission has prohibited the creation of a joint venture by Tata Steel and ThyssenKrupp under the EU Merger Regulation. The merger would have reduced competition and increased prices for different types of steel. The parties did not offer adequate remedies to address these concerns.**

Commissioner Margrethe **Vestager**, in charge of competition policy, said: *“Steel is a crucial input for many things we use in our everyday life, such as canned food and cars. Millions of people in Europe work in these sectors and companies depend on competitive steel prices to sell on a global level. Without remedies addressing our serious competition concerns, the merger between Tata Steel and ThyssenKrupp would have resulted in higher prices. So we prohibited the merger to avoid serious harm to European industrial customers and consumers”.*

Today's decision follows an [in-depth investigation](#) by the Commission of the proposed joint venture, which would have combined the flat carbon steel and electrical steel activities of ThyssenKrupp and Tata Steel in the European

Economic Area (EEA). **ThyssenKrupp** is the second largest producer of flat carbon steel in the EEA while **Tata Steel** is the third largest. Both companies are significant producers of **metallic coated and laminated steel for packaging applications** and of **galvanised flat carbon steel for the automotive industry**.

The European steel sector is a key industry across the EEA – it employs about 360,000 people in more than 500 production sites in 23 EU Member States. Today's decision preserves effective competition on European steel markets and the competitiveness of this industry. It will also ensure that key customer industries such as the European automotive industry and the packaging industry continue to enjoy access to key inputs at competitive conditions. As a result, consumers in Europe can continue to rely on the affordability of canned food products and the European automotive industry is able to source steel competitively from the EEA and that product innovation in steel is preserved in support of the transition to more climate friendly and environmentally sustainable mobility.

During the investigation, the Commission received feedback from a large number of customers active in the packaging and automotive industries. These companies depend on competitive steel prices to offer their products to customers at competitive prices and many were worried that the transaction would result in higher prices.

### **The Commission's concerns**

The Commission had serious concerns that the transaction as notified would have resulted in a reduced choice in suppliers and higher prices for European customers of:

- **metallic coated and laminated steel products for packaging** (tinplate, electrolytic chromium coated steel and laminated steel), where the proposed merger would have created a market leader in a highly concentrated industry, particularly in tinplate, which is the most important packaging steel product in the EEA by volume.
- **automotive hot dip galvanised steel products**, where the proposed merger would have eliminated an important competitor in a market where only a few suppliers can offer significant volumes of this steel.

The Commission also carefully investigated the role of **imports from third countries**. It found that customers of the relevant products are not able to resort to imports to offset potential price increases caused by the proposed merger. Customers pointed to several reasons for this, including the qualitative requirements for these special steel types, which are higher than for commodity steels, and for meeting short delivery times required for their supply chains

The Commission concluded that, in the market for metallic coated and laminated steel for packaging and the market for automotive hot dip galvanised steel, competitive pressure from remaining players and from

imports from third countries **would not have been sufficient to ensure effective competition.**

As a result, following the transaction, customers for these products would face a reduced choice in suppliers, as well as higher prices. These customers include various European companies, ranging from major corporations to numerous small and medium-sized enterprises (SMEs).

### **The companies' proposed remedies**

Remedies proposed by merging companies must fully address the Commission's competition concerns on a lasting basis.

Where concerns arise because of loss of direct competition between the merging companies, remedies providing an adequate structural divestiture are generally preferable to other types of remedies. This is because they immediately replace the competition in the markets which would have been lost from the merger. These types of structural solutions were offered by parties and accepted by the Commission in past mergers in the steel industry, such as ArcelorMittal's acquisition of Ilva, and in other industries, such as [BASF's acquisition of Solvay's nylon business](#), [Gemalto's acquisition by Thales](#), [Linde's merger with Praxair](#), [GE's acquisition of Alstom's power generation and transmission assets](#) or [Holcim's acquisition of Lafarge](#).

However, in this case, the remedies offered by the merging companies did not adequately address the Commission's competition concerns. In particular:

- In **metallic coated and laminated steel products for packaging**, the proposed divestment would only have covered a small part of the overlap between the merging companies. This was in particular the case for tinplate, the most important packaging steel type in the EEA. Critically, the remedy proposal included no assets for the production of the necessary steel input to manufacture these products.
- In **automotive hot dip galvanised steel products**, the proposed divestment did not include adequate finishing assets capable of serving the customers in the geographic areas the merging companies mostly compete in. Moreover, the remedy proposal included no assets for the production of the necessary steel input to manufacture galvanised steel products for the automotive sector.

The Commission sought the views of market participants about the proposed remedies. The feedback was negative for both areas.

This confirmed the Commission's view that the remedies offered by Tata Steel and ThyssenKrupp were not sufficient to address the serious competition concerns and would not have prevented higher prices and less choice for steel customers.

As a result, the Commission has **prohibited the proposed transaction.**

## **EU trade measures to ensure a level playing field**

The Juncker Commission has been at the forefront in supporting the European industry and its workers, notably in the steel sector. The EU takes action and is using the full potential of its trade defence toolbox to ensure a level playing-field for the EU steel industry and its ability to maintain jobs in the sector.

In reacting to unfair imports by imposing anti-dumping and anti-subsidy duties, the Commission takes into account the concerns of the EU steel industry but also the many small and large European businesses that rely on steel as an input. An unprecedented number of trade defence measures have been imposed on imported steel products since 2014. These measures significantly reduced dumped and subsidised imports. Currently, there are 52 trade defence measures in place on imports of steel and iron products, including from [China](#), Russia, India and several other countries.

In addition, earlier this year, the Commission and EU Member States agreed to put in place safeguards on a whole range of steel products. This has been one of the ways in which the Commission reacted to the market disturbances resulting from the recent US import restrictions on steel and the risk of redirection into the EU of imports from other countries previously destined to the US market. The safeguard measures put in place for up to 3 years preserve the usual level of imports while protecting 216,000 jobs across the EU steel industry.

In addition to that, the Commission participates in the Global Forum on Steel Excess Capacity to tackle root causes of the global overcapacity in the steel sector and to develop [concrete long term policy solutions](#).

## **Companies and products**

**Tata Steel**, headquartered in India, is a diversified steel producer with global operations throughout the carbon steel and electrical steel value chains. Tata Steel has several production locations in the EEA, with its main production hubs in the UK (Port Talbot) and in the Netherlands (IJmuiden).

**ThyssenKrupp**, headquartered in Germany, is a diversified industrial group active in various sectors of the economy, including in the manufacture and supply of flat carbon steel and electrical steel products. Its main flat carbon steel and electrical steel production hubs are located in Germany.

## **Merger control rules and procedure**

The transaction was notified to the Commission on 25 September 2018, and the Commission opened an [in-depth investigation](#) on 30 October 2018.

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the [Merger Regulation](#)) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

In the past ten years, the Commission has approved over 3,000 mergers. Today's prohibition is only the tenth merger that the Commission has blocked over the same period.

There are currently four on-going phase II merger investigations: the proposed [acquisition of Bonnier Broadcasting by Telia Company](#), the proposed [acquisition of Aleris by Novelis](#), the proposed [acquisition of Innogy by E.ON](#), and the proposed [acquisition by Vodafone of Liberty Global's business in Czechia, Germany, Hungary and Romania](#).

More information will be available on the Commission's [competition website](#), in the [public case register](#) under the case number [M.8713](#).

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## **So far in 2019, applications for asylum in the EU+ are 15 % higher than last year, especially for Turkish and Venezuelan nationals**

*Fewer applications in April for the 10 main citizenships of origin, except for Turkish nationals.*

**In April 2019, more than 54 500 applications for international protection were lodged in the EU+.** This was a slightly lower monthly total than in the previous month, but remained at a higher level than in the same month of 2018. Since the end of 2017, the monthly number of applications has been fluctuating between approximately 50 000 and 60 000, with no exception in April 2019.

**One in four applications was lodged by nationals of the three main countries of origin: Syria, Afghanistan and Venezuela.** All these citizenships however lodged fewer applications than in March. Also for the other citizenships in the top 10, applications decreased (for Iraqi, Colombians, Nigerians, Georgians, Iranians and Pakistani). There was one exception: Turkish applicants, the seventh main citizenship of origin in April, increased by

26 %, but remained in line with the first months of the year. Turks, together with applicants from several Latin-American countries, were much more numerous than a year ago. Notably, applications by both Turks and Venezuelans increased by more than 50 %, whereas applicants from Colombian almost tripled compared to April 2018.

Also **the number of first-instance decisions issued in April decreased**. It returned to some 44 000 decisions, similar to the first two months of 2019, and the lowest total since July 2018. While most citizenships were issued fewer decisions, there were notable exceptions for Venezuelans (+ 55 %), Malians (+ 19 %) and Albanians (+ 8 %).

At the end of April, close to 434 000 cases were awaiting a decision in first-instance. While this stock decreased for many citizenships, the opposite was true for Latin-American nationals. The stock of pending cases increased vastly for applicants from Colombia (by about 930 applications), Venezuela (by some 830), El Salvador and Honduras (each by about 220 cases).

For more information and an interactive data-visualisation, please visit the [Latest Asylum Trends](#) page.

Photo: © iStock/Oleksii Liskonih

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## [Luis de Guindos: The euro area economy and our monetary policy stance](#)



# Remarks by Luis de Guindos, Vice-President of the ECB, during the Instituto de Empresa (IE) Business Leadership Forum at the IE Business School, Madrid, 10 June 2019

## Recent economic developments

Despite the somewhat better than expected data for the first quarter, in part due to temporary factors, the most recent information indicates that global headwinds continue to weigh on the euro area outlook. In particular, world trade remains subdued due to rising trade tensions and the global growth momentum has slowed somewhat, mainly on account of the weakness in manufacturing. Moreover, downside risks have increased on account of the re-escalated trade dispute between the US and China. Also, uncertainty surrounding Brexit is prolonged and fragilities in emerging market economies remain. While inflation is expected to rise gradually due to tightening labour markets and rising wages, current dynamics of underlying inflation remain muted. It is against this background, that the Governing Council decided a number of policy measures at its last meeting, including an extension of its forward guidance on policy interest rates, a confirmation of the reinvestment policy and favourable pricing conditions for our new series of targeted longer term refinancing operations (TLTRO III).

Euro area real GDP growth came in at 0.4% quarter-on-quarter in the first quarter of 2019, surprising somewhat on the upside. The better than expected outcome was in part driven by temporary factors, such as the mild weather supporting a pick-up in construction and some sector specific developments. Economic indicators suggest that domestic demand remains resilient, as signalled by the growth of consumption, which grew 0.5% quarter-on-quarter in the first quarter of the year, and investment, which grew by 1.1% during the same period.

While first quarter growth was somewhat stronger than previously anticipated, incoming data and survey information point to somewhat more moderate growth over the next few quarters. This reflects the ongoing weakness in international trade in an environment of prolonged global uncertainties, which are weighing, in particular, on the euro area manufacturing sector. In fact, some leading indicators such as manufacturing PMI and the ECB indicator on euro area new orders have declined recently, confirming weakening dynamics in the euro area manufacturing sector. At the same time, the euro area services and construction sectors are showing resilience and the labour market is continuing to improve.

Looking forward, the underlying fundamentals for a continued expansion of the euro area economy remain in place. In fact, favourable financing conditions, strong labour market conditions and rising wages continue to underpin domestic demand supporting ongoing solid consumption and investment dynamics.

Consumer confidence remains overall robust and has recently increased, as



indicated by the EC Consumer Survey. Moreover, households' financial situation continues to strengthen, in line with further declines in unemployment, which supports private consumption.

Financial conditions have slightly tightened since the April meeting, amid ongoing trade tensions, where equity prices have declined and the euro appreciated in effective terms. Despite this slight tightening, financial conditions remain significantly looser compared to the beginning of the year, due to lower risk free interest rates, higher equity prices and a somewhat weaker euro exchange rate.

In addition, financing conditions for euro area non-financial corporations (NFCs) remain very favourable. Lower costs of equity and market-based debt have meant a decline in the nominal cost of external financing for NFCs. Bank lending rates for firms and households remain close to historical lows as bank funding conditions remain favourable, also supported by our new series of TLTRO III. Moreover, the recent SAFE Survey reported that access to finance was considered the least important obstacle for small and medium enterprises.

Labour markets remain robust, as figures of employment growth were higher than expected and unemployment continued to decrease. Employment growth was 0.3%, which is higher than anticipated, albeit lower than the average quarterly growth of 0.4% that has characterized the second quarter of previous years. Furthermore, euro area unemployment came in at 7.6% in April, the lowest since August 2008.

Overall, our assessment on the euro area economic outlook is broadly reflected in the June 2019 Eurosystem staff macroeconomic projections for the euro area. These projections foresee annual real GDP increasing by 1.2% in 2019, 1.4% in 2020 and 1.4% in 2021. Compared with the March 2019 ECB staff macroeconomic projections, the outlook for real GDP growth has been revised up by 0.1 percentage points for 2019 and has been revised down by 0.2 percentage points for 2020 and by 0.1 percentage points for 2021.

At the same time, there are clear downside risks to this central scenario, largely on account of the prolonged presence of uncertainties relating to the international environment. These uncertainties could weaken or delay the recovery in external demand and also weigh on euro area investment and consumption dynamics.

With regards to inflation, euro area annual HICP inflation was 1.2% in May 2019, after 1.7% in April, reflecting mainly lower energy and services price inflation. On the basis of current futures prices for oil, headline inflation is likely to decline over the coming months, before rising again towards the end of year. Measures of underlying inflation remain rather muted, having moved largely sideways over recent months.

At the same time, inflation dynamics are supported by strengthening labour cost pressures amid high levels of capacity utilisation and tightening labour markets. In fact, recent data on negotiated wages point towards a continuation in the upward trend in wage growth, which is expected to

gradually push up underlying inflation.

Market based measures of long term inflation expectations have further declined, while survey-based measures have remained stable. The probability of deflation implied by options markets remains low and continues to suggest that deflation risks remain contained. Yet, market-based measures of inflation expectations point to a prolonged period of low inflation, indicating only a very gradual return to levels close to, but below 2%. Nevertheless, survey-based measures of inflation expectations have remained anchored.

This assessment is also broadly reflected in the latest June 2019 Eurosystem staff projections, which foresee inflation at 1.3% for 2019, 1.4% for 2020, and 1.6% for 2021. Compared with the March 2019 ECB staff macroeconomic projections, the outlook for HICP inflation has been revised slightly up for 2019 and revised slightly down for 2020. Annual HICP inflation excluding energy and food is expected to be 1.1% in 2019, 1.4% in 2020 and 1.6% in 2021.

## **The monetary policy stance**

Against this overall background, the Governing Council took a number of monetary policy decisions at its recent meeting in Vilnius in early June.

First, the Governing Council decided to adjust its forward guidance on the key ECB interest rates. We now expect these 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.

This formulation consists of two parts. There is a date-based element – that interest rates are expected to remain at their present levels “at least through the first half of 2020”. And there is a state-contingent element – that rates will remain unchanged “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”.

Shifting the date-based part of our rate guidance outwards ensures that our monetary accommodation is not weakened by premature expectations of a rate hike.

In addition, the state-dependent element ensures that our monetary policy stance will remain accommodative for as long as necessary and will evolve gradually following incoming economic data.

Second, we reiterated our forward guidance on reinvestment. We intend to continue reinvesting, in full, the principal payments from 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.

Our reinvestment policy continues to provide a significant degree of policy stimulus. In fact, by linking the reinvestment horizon to the date when we start raising the key ECB interest rates, we are reinforcing the stimulative effects of our forward guidance as market expectations for the reinvestment horizon should evolve in line with expectations for the date of rate lift-off.

Third, we decided on the pricing modalities of the new series of quarterly targeted longer-term refinancing operations (TLTRO III), which we had already announced in March. The aim of these operations is to offer long-term funding at attractive conditions to banks, which will help to preserve favourable bank lending conditions and support the smooth and efficient bank-based transmission of monetary policy.

This series of operations will start in September 2019 and end in March 2021, and have a maturity of two years each.

At our last meeting, 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.

We also assessed the impact of negative rates on the euro area economy and concluded that, at this point in time, the positive contribution of negative rates to the accommodative monetary policy stance and to the sustained convergence of inflation is not undermined by possible side effects on bank-based intermediation. However, we will continue to monitor carefully the bank-based transmission of monetary policy and the case for mitigating measures.

Overall, we are confident that the monetary policy measures 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. Indeed, they ensure that financial conditions will remain very favourable, supporting the euro area expansion, the ongoing build-up of domestic price pressures and, thus, headline inflation developments over the medium term.

At the same time, we remain alert in the wake of mounting global uncertainties. The Governing Council is, therefore, determined to act in case of adverse contingencies and also stands ready to adjust all of its instruments, as appropriate, to ensure that inflation continues to move towards the Governing Council's inflation aim in a sustained manner.

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# MIFID II: ESMA ISSUES LATEST DOUBLE VOLUME CAP DATA

Today's updates include DVC data and calculations for the period 1 May 2018 to 30 April 2019 as well as updates to already published DVC periods.

The number of new breaches is 40: 31 equities for the 8% cap, applicable to all trading venues, and 9 equities for the 4% cap, that applies to individual trading venues. Trading under the waivers for all new instruments in breach of the DVC thresholds should be suspended from 13 June 2019 to 12 December 2019. The instruments for which caps already existed from previous periods will continue to be suspended.

In addition, ESMA highlights that some trading venues in the meantime have submitted corrected data that affects past DVC publications. For 1 instrument, this means that the previously identified breach of the cap proved to be incorrect and the suspensions of trading under the waivers should be lifted.

As of 7 June, there is a total of 275 instruments suspended.

Please be aware that ESMA does not update DVC files older than 6 months.

## **Background**

MiFID II introduced the DVC to limit the amount of dark trading in equities allowed under the reference price waiver and the negotiated transaction waiver. The DVC is calculated per instrument (ISIN) based on the rolling average of trading in that instrument over the last 12 months.