

# Press release: Further changes needed to make Cohesion spending more results-oriented, say EU Auditors

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## Coordinated action in cigarette smuggling and tax evasion case

22 November 2017

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The seizure of 9.3 million undeclared cigarettes at the port of Lübeck-Travemünde at the end of 2015 was the starting point of the investigation by the Customs Investigation Office of Hamburg. The case was opened by the German Desk at Eurojust upon the request of the Public Prosecutor's Office (PP0) of Lübeck.


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

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

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

### **Background:**

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

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

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

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

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

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

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

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

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

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

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

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

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

working.

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

There are still pockets of weakness in our banking system.

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

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

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

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

Marianne will give you the details on this.

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

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

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

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

Today we also adopted the euro area recommendations.

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

Pierre will elaborate on the euro area recommendations in detail.

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

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

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

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

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

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

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

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

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

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

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

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

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

However, it is important to remember that a stronger Economic and Monetary Union builds on both stronger institutions and sound budgetary, economic and

social policies at national level.

[\[1\]](#) EUR 30.5 million for 2018

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

Ladies and gentlemen,

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

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

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

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

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

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

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

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

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

The economic expansion, which now has reached all Member States, is accompanied by steady improvements in the labour market and people's social situation. Although differences between countries remain enormous – for

example the unemployment rate is around 3.5% in Germany and the Czech Republic , but over 17% in Spain and Greece – there are signs of convergence.

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

But at the same time we still NEED social investment:

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

Social challenges remain at stake:

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

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

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

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

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