

Peter Praet: Interview with De Standaard

It looked like a reversal last week. ECB President Mario Draghi's speech in Sintra had an impact on the markets, interest rates increased and the euro strengthened, the markets took it as a signal that an end to the ECB's stimulus is in sight.

I see it more as an evolution in our communications. In essence, we said that the economy is doing better and that growth is looking good. And since the last meeting of the Governing Council the positive news has continued. The tone was rather optimistic regarding growth, and rightly so. But, and this has to do with our mandate, the underlying inflationary pressure remains subdued. This is why we also stress that we should be patient and persistent regarding our monetary policy.

Proof that your policy of quantitative easing has worked?

Some people said that this policy would create hyperinflation whereas others thought that, at best, it would have no effect. Low interest rates would supposedly not lead to more investment and growth, but they have in fact had a very favourable impact. Not only in the real estate market but also elsewhere. It was also said that people would start to save more and spend less in order to compensate for the loss of interest income and to secure their retirement. But the saving rate has remained stable. Only investment was more sluggish than we had hoped, but that is picking up now. Surveys among SMEs show that they no longer find it so difficult to obtain loans.

Nothing new, in your view, but a sharp market reaction nonetheless. Have markets not become overly focused on messages from the ECB? Is that still a healthy situation?

It's true that in the short term there was a clear reaction. People also had the impression that it was a sort of "coordinated" action by different central bankers but that wasn't the case.

Our message was very nuanced. The thing is, deflationary pressures were considerable in 2015. At that time, we faced negative shocks to the economy. There was a sense of urgency. That no longer applies.

Now indeed inflation is picking up, but that is a process that is a long way from completion. From an inflation perspective, we cannot be satisfied yet.

We need patience and persistence. We need to be patient because inflation convergence needs more time to show through convincingly in the data. And we need to be persistent, because our baseline for future inflation remains crucially contingent on very easy financing conditions which, to a large extent, depend on the current accommodative monetary policy stance.

The Bank for International Settlements (BIS) says that we should increase

interest rates so as to keep some ammunition in reserve in case we encounter difficult times again. But if we increase interest rates and tighten policy too quickly, we could jeopardise the recovery and end up further away than ever from our (inflation) target.

The ECB has pumped more than €2 trillion into the market. How confident are you that all those funds can be absorbed in an orderly manner?

The ECB Governing Council will discuss the conclusions for monetary policy and what this means for quantitative easing. I can't say anything about that yet. We do say that we still need a long period of accommodative policy before we are ready.

As the economic prospects brighten, higher expected returns on business investment will make borrowing conditions increasingly attractive. This will reinforce accommodation and make sure that inflation sustainably converges towards our objective of below, but close to, 2% over the medium term.

Growth is picking up and unemployment is going down, but wages are not really increasing. Doesn't that totally contradict traditional economic theory?

Wages are also a reflection of the past. Wage increases are partly based on current inflation rates and they are relatively low at the moment. Let us also not forget that the level of unemployment is still high. That merely underlines that the process of reflation is a long one that remains highly dependent on accommodative monetary policy.

But will the wages still evolve in the same way as before, now that all kinds of new factors are emerging such as computerisation, flexible jobs, etc? Are the ECB's instruments still reliable?

Well, how do you measure the impact of China on international competition, of e-commerce, of automation? We have many internal discussions about that, about whether something in the inflation process has broken down. The Phillips curve (which shows that wages rise when unemployment falls) is not broken, but it is flatter and the process is slower. Wage inflation is on the way, but we need to be patient about these things.

Wages are not increasing very much and most of the newly created jobs offer less attractive terms of employment.

Some labour market developments are positive but others negative. People aged over 50 are returning to the labour market; that came as a surprise to us. And we also see an increase in labour market potential owing to migration, especially from central and eastern European countries. Because of migration from those countries, Germany still has a significant labour supply despite having a high level of employment.

Some of those central and eastern European countries, such as Poland, Hungary and the Czech Republic, are now experiencing stronger wage inflation. That will spread. The more people who are employed, the bigger the increase in disposable income, the more that is spent.

On the other hand, we see that youth unemployment is particularly high in a number of countries and that getting young people into jobs is not easy. Another factor influencing wage inflation is that more people are working as self-employed. We are increasingly seeing a dual labour market. Even in the civil service. On the one hand, you have insiders with an attractive job and a high degree of protection and on the other, the new employees who do not have the same terms, work under more flexible contracts and can be let go more easily.

Of course you might say: so what's the problem? That is part of market reform, it's good for the economy. Don't forget that, in this way, quite a few people can avoid long periods of unemployment. Those new jobs create earnings and stop people from losing their skills. On the other hand, there are also risks if the labour market reforms lead to a dual labour market, not only from an ethical standpoint but also because economic growth is not "inclusive". For that reason, I see a role for the government in correcting the negative redistribution effects of reforms.

It's a fixed component in President Mario Draghi's speeches: governments also need to introduce structural reforms, monetary policy cannot do everything. Has Belgium made sufficient use of the low interest rates to introduce the necessary reforms?

I don't like commenting on government policy, and certainly not on that of my own country. But speaking in general terms, I can say that the pension reforms were good decisions in countries such as Italy and Belgium. Belgium has also undertaken a small measure of labour market reform.

The point is that it should also be possible to do so. In Belgium the debate on the reform of corporate tax, for example, has been going on for quite some time. There is still a heavy reform agenda. Much still needs to be done and not everyone agrees on how to go about it.

The risk is that the appetite for reform will wane as the economy improves. People have a tendency to lean back and take a break.

Is that what's happening in Belgium now?

Not only in Belgium. There is a sort of honeymoon atmosphere. Times have been hard and people would like to take a break from reforming and enjoy the improvements for a while. There's a kind of reform fatigue. But not everyone is enjoying the recovery because unemployment is still too high and there are differences in contracts between insiders and outsiders, etc.

But it has to happen, because monetary policy can't fix everything. France is a good example. The financial situation there was not much different to that in Germany. There was no banking crisis in France. But growth has been weaker in France than in Germany, because German industry was able to adapt, to focus on new markets – first China, then the United States. They have more SMEs that are export oriented, whereas French industry is much more dependent on a number of national champions. This shows that there are limits to what monetary policy can do.

Critics are saying that the ECB's low interest rate policy is reducing the incentive to reform.

Governments should have made more use of the low interest rates. But the fact that there has been too little reform isn't because low interest rates are making it easier for them to muddle through. Rather, it's because they aren't managing to sell the reforms. I talk to politicians regularly and they all know what needs to be done. But they are also afraid that they won't get elected again afterwards.

I hope that the general public, through seeing better and better results, will start to grasp the importance of reforms.

Will the [rise of the far left] PTB party in Wallonia have a major impact?

Yes, I've seen it. But take Macron: he's been able to build a movement because there was a window of opportunity to go for reforms. But that has nothing to do with the interest rate. In France the public voted for Macron because they want changes, but we have yet to see which ones will actually get through.

In Belgium the Government also started out with reform ambitions.

Yes, indeed. Lots of governments have good intentions. The OECD has commented positively on that recently.

Above all, reform means getting people on board. I sometimes take a taxi and I often talk to the taxi driver. Many of them have paid huge sums for a licence, which they intend to sell later to guarantee themselves a pension. It's only logical that the taxi drivers will fight for their jobs. If you suddenly changed the rules to try to break the taxi market open, it would really cost a lot of money. Let's assume that in the Paris region alone there are more than 30,000 taxis. The costs for a licence can be as high as €200,000. If you want to buy out those rights, you're already talking about billions. Those are amounts that are suddenly macroeconomically relevant.

This is what you also see with labour market reforms. The incumbents, the insiders, are protected when there are reforms, while the newcomers who want a job have to be more flexible.

Belgium has been held up as a champion of reform. Were you surprised?

A bit. At the same time it is good to acknowledge that there have been reforms. Nevertheless we know that there are still huge challenges. Belgium is still some way behind Germany, where there's money left over and they don't know what to do with it.

Which reforms are needed most urgently now?

There are several. Reforms to pensions, the labour market and justice for example are recognised as being crucial in Italy. Education and training are also crucial in my view. Flanders has a good education system, but training for jobs on the shop floor could be better.

Should we be worried about automation and robotisation?

Productivity growth has been the source of wealth since time immemorial. But there are other ways of countering negative redistribution effects than blocking progress. That's what we have the government's redistribution policies for.

There are also things that robots can't do. Human interaction will remain important in many service jobs. These are currently often quite badly paid jobs, such as waiting tables or caring for the elderly in retirement homes. There is a reason why these professions are known as "bottleneck jobs".

Whether their wages will rise if demand increases further? I don't know. In any case in the future it will be not just about having the right skills on the labour market, but also about the necessary EQ and empathy, the soft skills. A robot can't offer that.

In the recent bank rescue in Italy, Italian taxpayers have been left to pick up the bill, despite all the bail-in principles. Was Europe looking the other way?

It's not a case of good or bad, we are still in a transition phase. The most important thing is for the banking sector to adapt. I can understand the decision to use tax money to solve problems from the past. But the sector has to adapt and restructure.

There are still a lot of bad loans in the sector, we have yet to see whether the adjustments will have been sufficient.

Banking union is essential. The resolution component is too slow. There can be flexibility for solving historical problems, but the sector needs to adapt.

Do you agree with the late Luc Coene that there's one big bank too many in Belgium, without mentioning Belfius specifically?

I don't know. Luc was a very good friend of mine. He had a very clear solution to any problem. I think there's also room for diversity in the banking market. In Belgium what you see is that many of those in the market are targeting home loans, resulting in intense competition there. Diversity means that big banks have to look abroad more for profit. You don't necessarily need fewer banks, it's just that they shouldn't all target the same thing.

Something else: fifty years ago you were the tender age of eighteen, during the Summer of Love. It's said that you were a real hippie in those days. How much is left of the ideals from back then?

(Laughs) That is so long ago. 1967! Actually I was in Woodstock again recently, as I had a conference not far away. So I gave my wife a call: "Guess where I am now?"

What can I say? Belgium was also new to me at the time, when I went to

Brussels to study at the age of seventeen. That was difficult, because I didn't know anyone at all. The second year was a relief.

It was mostly fun. A time of liberal thought, of freedom and tolerance for different ideas. Before that it was very different.

It was a time when the consumer society was making headway, nobody was very worried that they wouldn't be able to find a job. People were interested in each other and took time to greet each other, like bikers still do now. You see that a lot less these days.

[Human trafficking ring dismantled by Spanish and Bulgarian authorities](#)

7 July 2017

A large-scale joint investigation, run by the Spanish and Bulgarian judicial and law enforcement authorities, and supported by Eurojust and Europol, has resulted in the dismantling of an international organised crime group involved in trafficking young Bulgarian women to Spain for the purpose of sexual exploitation. In the coordinated action week between 26 June and 30 June, 34 individuals were arrested (26 in Spain and 8 in Bulgaria), and 13 victims of sexual exploitation were safeguarded.

The criminal group operated in Spain and Bulgaria for at least six years, taking control of the prostitution industry in Torremolinos and Marbella, Spain. They recruited vulnerable women in Bulgaria, transported them to Málaga and forced them to practice prostitution in the Marbella area of Puerto Banús. The gang used violence and threats against the victims and their families. The victims were also forced to steal their clients' cash, credit cards and other valuable objects, sometimes by spiking the clients' drinks. The objects were channelled to local pawnshops linked to the criminal group, and converted into cash, which was used either to purchase high-value cars or transported back to Bulgaria.

The investigation began in 2014, when Spanish authorities detected the existence of a human trafficking group operating in Spain with links to Bulgaria. Given the dimension of the criminal network under investigation and its international character, a joint investigation team (JIT), formed by Spain and Bulgaria, funded by Eurojust and supported by Eurojust and Europol, was set up. The JIT had two Spanish co-leaders, a THB specialised prosecutor and Investigating Judge in Marbella, and a JIT leader from the Bulgarian side. The Bulgarian investigation was led by the Specialized Prosecutors' Office of Bulgaria. The excellent police and judicial cooperation led to the identification of new victims, the roles of the different members of the organisation and their *modus operandi*.

Eurojust and Europol provided support throughout the entire investigation and during the joint actions that took place last week in Spain and Bulgaria. The coordinated actions were prepared at a coordination meeting held at Eurojust in June. On the action day, Europol provided on the spot support by deploying two human trafficking experts to Spain, equipped with a mobile office, allowing real-time intelligence analysis and cross-checking against Europol's databases.

In total, 38 searches were carried out (21 in Málaga, Spain, and 17 in Bulgaria), resulting in the seizure of EUR 50 000 in cash, 12 luxury watches and a significant amount of drugs. Judicial authorities also ordered the seizure of six properties and 18 vehicles, as well as the freezing of numerous bank accounts. Seven EAWs issued by Spain are currently under execution in Bulgaria and the procedure is pending before the District Court of Pazardzhik.

Further details are available in the [Policia's press release](#) (in ES only).

[G20 Leaders' Statement on Countering Terrorism](#)

1. We, the Leaders of the G20, strongly condemn all terrorist attacks worldwide and stand united and firm in the fight against terrorism and its financing. These atrocious acts have strengthened our resolve to cooperate to enhance our security and protect our citizens. Terrorism is a global scourge that must be fought and terrorist safe havens eliminated in every part of the world.

2. We reaffirm that all measures on countering terrorism need to be implemented in accordance with the UN Charter and all obligations under international law, including international human rights law.

Implementing international commitments and enhancing cooperation

3. We call for the implementation of existing international commitments on countering terrorism, including the UN Global Counter-Terrorism Strategy, and compliance with relevant resolutions and targeted sanctions by the UN Security Council relating to terrorism. We commit to continue to support UN efforts to prevent and counter terrorism.

4. We will address the evolving threat of returning foreign terrorist fighters (FTFs) from conflict zones such as Iraq and Syria and remain committed to preventing FTFs from establishing a foothold in other countries and regions around the world. We recall UN Security Council Resolution 2178 (2014), which requires a range of actions to better tackle the foreign terrorist fighter threat.

5. We will facilitate swift and targeted exchanges of information between intelligence and law enforcement and judicial authorities on operational information-sharing, preventive measures and criminal justice response, while ensuring the necessary balance between security and data protection aspects, in accordance with national laws. We will ensure that terrorists are brought to justice.

6. We will work to improve the existing international information architecture in the areas of security, travel and migration, including INTERPOL, ensuring the necessary balance between security and data protection aspects. In particular, we encourage all members to make full use of relevant information sharing mechanisms, in particular INTERPOL's information sharing functions.

7. We call upon our border agencies to strengthen cooperation to detect travel for terrorist purposes, including by identifying priority transit and destination countries of terrorists. We will support capacity building efforts in these countries in areas such as border management, information sharing and watch-list capability to manage the threat upstream. We will promote greater use of customs security programs, including where appropriate, the World Customs Organization's (WCO) Security Programme and Counter-Terrorism Strategy, which focus on strengthening Customs administrations' capacity to deal with security related issues and managing the cross-border flows of goods, people and means of transport to ensure they comply with the law.

8. We will address in close coordination the evolving threats and potential vulnerabilities in aviation security systems and exchange information on risk assessments. We recall the UN Security Council's Resolution 2309 (2016) which urges closer collaboration to ensure security of global air services and the prevention of terrorist attacks. We will promote full implementation of effective and proportionate aviation security measures established by the International Civil Aviation Organization (ICAO) in partnership with all its contracting states as necessary. We call to urgently address vulnerabilities in airport security related measures, such as access control and screening, covered by the Chicago Convention and will act jointly to ensure that international security standards are reviewed, updated, adapted and put in place based on current risks.

9. We highlight the importance of providing appropriate support to the victims of terrorist acts and will enhance our cooperation and exchange of best practices to this end.

Fighting terrorism finance

10. We underline our resolve to make the international financial system entirely hostile to terrorist financing and commit to deepening international cooperation and exchange of information, including working with the private sector, which has a critical role in global efforts to counter terrorism financing. We reaffirm our commitment to tackle all sources, techniques and channels of terrorist financing and our call for swift and effective

implementation of UNSCR and the Financial Action Task Force (FATF) standards worldwide. We call for strengthening measures against the financing of international terrorist organisations in particular ISIL/ISIS/Daesh, Al Qaida and their affiliates.

11. There should be no “safe spaces” for terrorist financing anywhere in the world. However, inconsistent and weak implementation of the UN and FATF standards allows them to persist. In order to eliminate all such “safe spaces”, we commit to intensify capacity building and technical assistance, especially in relation to terrorist financing hot-spots, and we support the FATF in its efforts to strengthen its traction capacity and the effectiveness of FATF and FATF-style regional bodies.

12. We welcome the reforms agreed by the FATF Plenary in June and support the ongoing work to strengthen the governance of the FATF. We also welcome the FATF intention to further explore its transformation into a legal person, which recognises that the FATF has evolved from a temporary forum to a sustained public and political commitment to tackle AML/CFT threats. We also appreciate FATF commencing the membership process for Indonesia that will broaden its geographic representation and global engagement. We ask the FATF to provide an update by the first G20 Finance Ministers and Central Bank Governors meeting in 2018. We call on all member states to ensure that the FATF has the necessary resources and support to effectively fulfil its mandate.

13. We welcome that countering terrorist finance remains the highest priority of FATF, and look forward to FATF’s planned outreach to legal authorities, which will contribute to enhanced international cooperation and increased effectiveness in the application of FATF’s standards.

14. We will advance the effective implementation of the international standards on transparency and beneficial ownership of legal persons and legal arrangements for the purposes of countering financing terrorism.

15. Low cost attacks by small cells and individuals funded by small amounts of money transferred through a wide range of payment means are an increasing challenge. We call on the private sector to continue to strengthen their efforts to identify and tackle terrorism financing. We ask our Finance Ministers and Central Bank Governors to work with FATF, FSB, the financial sector, Financial Intelligence Units, law enforcement and FinTech firms to develop new tools such as guidance and indicators, to harness new technologies to better track terrorist finance transactions, and to work together with law enforcement authorities to bridge the intelligence gap and improve the use of financial information in counter-terrorism investigations.

16. We call upon countries to address all alternative sources of financing of terrorism, including dismantling connections, where they exist, between terrorism and transnational organized crime, such as the diversion of weapons including weapons of mass destruction, looting and smuggling of antiquities, kidnapping for ransom, drugs and human trafficking.

Countering radicalization conducive to terrorism and the use of internet for

terrorist purposes

17. Our counterterrorism actions must continue to be part of a comprehensive approach, including combatting radicalization and recruitment, hampering terrorist movements and countering terrorist propaganda. We will exchange best practices on preventing and countering terrorism and violent extremism conducive to terrorism, national strategies and deradicalisation and disengagement programmes, and the promotion of strategic communications as well as robust and positive narratives to counter terrorist propaganda.

18. We stress that countering terrorism requires comprehensively addressing underlying conditions that terrorists exploit. It is therefore crucial to promote political and religious tolerance, economic development and social cohesion and inclusiveness, to resolve armed conflicts, and to facilitate reintegration. We acknowledge that regional and national action plans can contribute to countering radicalisation conducive to terrorism.

19. We will share knowledge on concrete measures to address threats from returning foreign terrorist fighters and home-grown radicalised individuals. We will also share best practices on deradicalisation and reintegration programmes including with respect to prisoners.

20. We will work with the private sector, in particular communication service providers and administrators of relevant applications, to fight exploitation of the internet and social media for terrorist purposes such as propaganda, funding and planning of terrorist acts, inciting terrorism, radicalizing and recruiting to commit acts of terrorism, while fully respecting human rights. Appropriate filtering, detecting and removing of content that incites terrorist acts is crucial in this respect. We encourage industry to continue investing in technology and human capital to aid in the detection as well as swift and permanent removal of terrorist content. In line with the expectations of our peoples we also encourage collaboration with industry to provide lawful and non-arbitrary access to available information where access is necessary for the protection of national security against terrorist threats. We affirm that the rule of law applies online as well as it does offline.

21. We also stress the important role of the media, civil society, religious groups, the business community and educational institutions in fostering an environment which is conducive to the prevention of radicalisation and terrorism.

[Human trafficking ring dismantled by Spanish and Bulgarian authorities](#)

7 July 2017

A large-scale joint investigation, run by the Spanish and Bulgarian judicial and law enforcement authorities, and supported by Eurojust and Europol, has resulted in the dismantling of an international organised crime group involved in trafficking young Bulgarian women to Spain for the purpose of sexual exploitation. In the coordinated action week between 26 June and 30 June, 34 individuals were arrested (26 in Spain and 8 in Bulgaria), and 13 victims of sexual exploitation were safeguarded.

The criminal group operated in Spain and Bulgaria for at least six years, taking control of the prostitution industry in Torremolinos and Marbella, Spain. They recruited vulnerable women in Bulgaria, transported them to Málaga and forced them to practice prostitution in the Marbella area of Puerto Banús. The gang used violence and threats against the victims and their families. The victims were also forced to steal their clients' cash, credit cards and other valuable objects, sometimes by spiking the clients' drinks. The objects were channelled to local pawnshops linked to the criminal group, and converted into cash, which was used either to purchase high-value cars or transported back to Bulgaria.

The investigation began in 2014, when Spanish authorities detected the existence of a human trafficking group operating in Spain with links to Bulgaria. Given the dimension of the criminal network under investigation and its international character, a joint investigation team (JIT), formed by Spain and Bulgaria, funded by Eurojust and supported by Eurojust and Europol, was set up. The JIT had two Spanish co-leaders, a THB specialised prosecutor and Investigating Judge in Marbella, and a JIT leader from the Bulgarian side. The Bulgarian investigation was led by the Specialized Prosecutors' Office of Bulgaria. The excellent police and judicial cooperation led to the identification of new victims, the roles of the different members of the organisation and their *modus operandi*.

Eurojust and Europol provided support throughout the entire investigation and during the joint actions that took place last week in Spain and Bulgaria. The coordinated actions were prepared at a coordination meeting held at Eurojust in June. On the action day, Europol provided on the spot support by deploying two human trafficking experts to Spain, equipped with a mobile office, allowing real-time intelligence analysis and cross-checking against Europol's databases.

In total, 38 searches were carried out (21 in Málaga, Spain, and 17 in Bulgaria), resulting in the seizure of EUR 50 000 in cash, 12 luxury watches and a significant amount of drugs. Judicial authorities also ordered the seizure of six properties and 18 vehicles, as well as the freezing of numerous bank accounts. Seven EAWs issued by Spain are currently under execution in Bulgaria and the procedure is pending before the District Court of Pazardzhik.

Further details are available in the [Policia's press release](#) (in ES only).

Romanian THB ring disrupted in France

7 July 2017

A joint action day on 19 June in France and Romania led to 23 arrests (13 in France and 10 in Romania) for suspected involvement in a human trafficking ring and participation in a criminal organisation.

In 2011, French police became aware of thefts committed on the Metro in and around Paris by young adult and underage Romanian nationals. The level of these crimes peaked in 2015 and 2016, when France hosted very large international events (the Paris Climate Change Conference (COP 21) and the Euro football competition).

Young potential thieves, belonging to family clans from Iasi and Roman in Romania, were regularly trafficked from Romania to France. The thieves reside in one building in Saint-Denis, and are supervised by adult organisers. Every morning, between 6:00 to 10:00, groups of children and young adults leave the building to commit crimes on the Metro.

The action was led in France by the Brigade for the protection of minors of Paris, conducted by an investigative judge, and in Romania by the Directorate for Investigation of Organized Crime and Terrorism, Iasi Territorial Office, and Brigade for Combating Organized Crime, as well as Border Police Iasi. Of the 39 suspects identified, 31 are minors. The value of the stolen goods is estimated at approximately EUR 600 000 since 2011.

Preparations for the action day were made possible by the signing of a joint investigation team (JIT) agreement between France and Romania, funded and supported by Eurojust.