Convergence. 1996 Report

1996/0913(CNS) - 11/11/1996 - Legislative proposal

OBJECTIVE: Submission by the Commission of the report on convergence in the European Union in 1996, pursuant to Article 109j (1) of the Treaty. SUBSTANCE: The aim of this report, apart from meeting an official obligation contained in the Treaty, is, first, to examine the current state of convergence and of the compatibility of national legislation with Treaty obligations and, second, to review the progress that has been made since the beginning of Stage II of EMU on 1 January 1994. The Commission confirms that encouraging progress towards convergence has already been made in all the Member States since the start of the second stage of EMU. However, mainly as a consequence of the persistence of budgetary imbalances (although they are being reduced) and as illustrated by the existence of excessive government deficits in twelve Member States, it is clear that currently a majority of Member States has not yet made sufficient progress in the achievement of a high degree of sustainable convergence. Having regard to compliance with the Maastricht criteria, the situation is as follows: 1) Inflation: the reference value is 2.6%. Ten Member States (Belgium, Denmark, Germany, France, Ireland, Luxembourg, The Netherlands, Austria, Finland and Sweden) are below this value. The other five Member States are rapidly approaching the reference value. 2) Public deficits: Only four Member States have a deficit below 3% of GDP: Denmark, Ireland, Luxembourg and The Netherlands, (but in the case of the latter country, the Council has not yet formally repealed the decision noting an excessive deficit). Belgium and Finland are at 3.3%, Sweden at 3.9%, France, Germany and Portugal at 4%, Austria at 4.3%, Spain at 4.4%, the United Kingdom at 4.6%, Italy at 6.6% and Greece at 7.9%. 3) Overall debt: The Maastricht criterion is that the trend must be towards a debt not exceeding 60% of GDP. Three Member States meet this criterion: Luxembourg, France and the United Kingdom. Others are close to it: Germany, Finland, Denmark, Sweden, Greece, Austria and Portugal. But the trend is downwards for almost all of them. 4) Long-term interest rates: the reference value is 8.7%. Eleven Member States are below this value: Belgium, Denmark, Germany, France, Ireland, Luxembourg, The Netherlands, Austria, Finland, Sweden and the United Kingdom. Developments in bond markets during 1996 resulted in a significant narrowing in interest rate differentials, especially among the higher-yielding countries where the criterion is not yet met. In addition, there are currently eleven currencies participating in the ERM (Greece, Italy, Sweden and the United Kingdom are not currently participating in the ERM). However, almost all are bound to adapt their legislation to the setting up of the future European Central Bank.