1999 annual economic Report. European Union at the arrival of the euro: growth, employment and stability

1999/2016(COS) - 24/02/1999

With 26 votes to 16 with 2 abstentions, The Committee adopted the report by Mr André FOURCANS (EPP, F) on the 1999 Annual Economic Report from the Commission. To a large extent, the Committee supported the draft report and rejected, to the dismay of several groups, amendments calling for a more flexible monetary policy, reduced interest rates and a European investment pact - subsequently memebers from ESP, GUE/NGL and the Greens voted against the report in the final vote. The Committee takes the view that the present monetary policy is appropriate to the current economic situation. Notwithstanding, the Committee does recognize the need for specific measures to reduce unemployment and promote growth and stability: further structural reforms; political cooperation between those responsible for fiscal, monetary and wage-rate policy at the European level; reduced taxes and other levies; a better and systematic coordination of taxation of enterprises, capital and energy in order to relieve the fiscal burden on labour; a reduction of labour costs in the case of less skilled workers by reducing levies on their wages, by for example applying the reduced rate of VAT to labour-intensive services; support for the creation of new businesses and the provision of risk capital and new forms of financing. The Committee expresses concern at the current levels of public deficits and those forecast for 1999, in Germany, France and Italy, which exceed or are equal to 2% of GDP. In recalling the objective of the Stability and Growth Pact, it calls on the member states to make continuing efforts to reduce public deficits. It does believe that the fall in public investment expenditure which has occurred in recent years has to be reversed, but all public investment must be economically viable and in conformity with the Stability and Growth Pact. In this context, The Committe calls on the Commission to make an analysis of the dynamics and the causal relationship between rises in deficits and the decline in public investment. Finally, the Committee deplores the conduct of banking and financial institutions in Europe with regard to bank charges within the euro zone since 1 January 1999. It calls on the Commission to take all necessary measures, if necessary including legislation, to remedy the situation.