Broad guidelines of the economic policies of the Member States and the Community for 1997

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OBJECTIVE: presentation of the broad guidelines of the economic policies of the Member States and the Community for 1997, stressing the need for a return to and consolidation of employment-friendly growth.
SUBSTANCE: The Commission points out that, since 1996, a moderate recovery in economic activity has taken hold in the Community: growth has increased from 1.6% in 1966 to 2.4% in 1997 and is estimated at 2.8% for 1998. On the basis of this premise, two fundamental concerns should be given priority by the Member States: although employment is expected to increase moderately in the short run, there is a need to concentrate efforts on reducing unemployment significantly, despite appreciable strides towards the goals of price stability and sustainable public finances, further progress is required if a maximum number of Member States are to participate in the Euro as from 1999. The Commission's broad guidelines for economic policies for 1997 are therefore based on a dual strategy: 1) a growth and stability-oriented macro-economic policy mix: - the EU should aim at bringing down its average inflation rate to 2% and to target such a level over the medium term, - the Member States should endeavour to achieve the objective of a budgetary position close to balance or in surplus in normal circumstances (3% should not be a long-term goal but a 'limit'): in this regard, the Commission emphasizes in its guidelines that priority be given to: reducing public expenditure rather than increasing fiscal revenue, which is harmful to growth; applying structural measures to limit deficits on a sustainable basis, rather than applying one-off measures, investment: public expenditure should focus on investment, particularly in infrastructure, human capital and labour market reforms, cooperation in tax measures: Member States should closely cooperate in this field to avoid any distortion in the operation of the internal market. They should, in particular, examine the possibility of establishing a code of conduct. - through reinforced social dialogue, wage policies should continue to take account of the dual objectives of price stability and investment profitability; 2) structural reforms to promote growth and employment: in the Commission's view, Member States should intensify their efforts to modernize their markets for goods, services and labour by introducing ambitious structural reforms. The EU should, in particular, strengthen the positive impact of the single market by taking new initiatives in respect of services (construction, banking and insurance), public procurement, State aids and deregulation. The existing legal framework should be properly applied and extended to other areas such as taxation, company law and the liberalization of the energy market and telecommunications. New measures are also needed to improve the functioning of the labour market, in particular: - more differentiation in wage agreements according to qualifications and regions, - reductions in non-wage labour costs or lower income taxes at the lower end of the wage scale, - more flexible working time arrangements (e.g. voluntary part-time work), - reforming taxation and social protection systems.