Euro 1999: convergence, Economic and monetary Union EMU. Commission and EMI reports

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OBJECTIVE: presentation of the European Commission's report on progress towards convergence and the recommendation with a view to the transition to the third stage of economic and monetary union. SUBSTANCE: the Commission report deals with the progress made by the Member States in the fulfilment of their obligations regarding the achievement of economic and monetary union. In accordance with the Treaty this assessment determines whether a high level of convergence has ben achieved, by analysing the extent to which each Member State has satisfied the convergence criteria set in Article 109j of the Treaty. On the basis of this examination and the report of the European Monetary Institute, the Commission recommends to the Council that the following Member States adopt the euro from 1 January 1999: Belgium, Germany, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Greece and Sweden have also made progress with regard to convergence. They are called on to continue their efforts so that they can rejoin the initial group of participants in the euro after a new examination of the progress made. This examination will take place in two years, or early if one of these countries so requests. The situation of the United Kingdom and Denmark will be assessed when these countries notify the Council of their intention to participate in the third stage of EMU. It should be noted that the Commission based its recommendation on the following findings and figures: - inflation is at an historic low level: in 1997 average annual inflation fell to 1.6% in the Union (only one country was above this figure); - the improvement in the government deficits is sustainable: the average deficit is 2.4% and in 14 Member States the deficit is 3% or below; - government debt is falling in the euro zone: the average debt is 75% of GDP in 1997 (it is less than 60% in France, Finland and Luxembourg; in Italy and Belgium it is higher than 100% but has started to fall); - stability in the exchange rate mechanism is excellent: nine currencies have more or less respected the + or - 2.25% fluctuation range; - the long-term interest rates are at an exceptionally low level: in 1997 the average was 5.9% in the eleven countries selected (fourteen Member States had long-term interest rates below the 7.8% reference rate). Lastly, the Commission report stresses : - the importance of the euro zone, which will be one of the main economic and trading blocs in the world with 290 million inhabitants (268 in the United States, 126 in Japan), which corresponds to 5% of the world population (United States 4.6%, Japan 2.2%); a GDP representing 19.4% of world GDP (19.6% for the United States, 7.7% for Japan); foreign trade equivalent to 18.6% of world trade (16.6% for the United States and 8.2% for Japan); - the encouragement which the euro gives to the sustainable nature of growth and employment, the reduction in deficits running in parallel with the net increase in employment.