Broad guidelines for the economic policies of the Member States and European Community for 1995

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Adopting the report by Mr COX (ELDR, IRL), the European Parliament considered that the main objective of the Member States' and Community economic policies was to translate economic recovery into jobs and sustainable, non-inflationary growth. Parliament regretted that these guidelines did not set any objectives for or approach to employment, contrary to what was stipulated for inflation and deficits. In addition, the measures set out in the guidelines were insufficient to achieve sustainable growth and address the problem of mass unemployment. The European Parliament was particularly concerned by the fact that current growth (2 to 3%) would absorb less than 50% of the excess capacity generated during a single year of recession. Furthermore, the 3 million new jobs created in 1995-1996 would only reduce the unemployment figure by 1.6 million, compared with the 5.8 million job losses recorded between 1992 and 1994. Finally, it was concerned by the fact that structural unemployment was again estimated at 9% for 1997. According to the European Parliament, there is also a risk of insufficient economic recovery, leading to more job losses. Parliament set out a series of specific measures to strengthen the "employment" component of growth. They involve: - gradually replacing taxes on labour with eco-taxes; - reducing non-wage costs; - examining new working arrangements with the social partners (by giving priority to the SME sector, which was an obvious source of new jobs, and by injecting new life into this sector); - developing training systems to improve the flexibility of the labour market; - strengthening the competitiveness of Community enterprises, mainly by emphasizing research and technological development. At the same time, while welcoming the progress achieved in bringing inflation under control, the European Parliament called for additional efforts in countries whose currency had fallen in value. As far as public deficits were concerned, the European Parliament stressed that it was essential to reduce them following the recovery and that adjustments therefore needed to be made in order to address structural deficits. It recommended that this be done by implementing more ambitious fiscal programmes in certain Member States. A fast, substantial reduction in deficits would create the conditions needed to reduce interest rates and encourage investment. Finally, as far as exchange rates were concerned, Parliament was concerned about the instability of exchange rates and the possibility of Member States' practising "run-for-your-life" policies which would distort competition and prevent the internal market from functioning properly. Finally, it considered that, in order to guarantee the success of the adjustment process, the Commission should define a medium-term strategy which took account of the need to: . develop new ways of meeting the convergence criteria; . plan a Community initiative in relation to international monetary systems, given the instability caused by the fall in value of the dollar; . reform social protection systems in the light of fiscal constraints and demographic changes; . grant priority to the internal market by transposing all the directives in the Member States; . grant priority to the information society; . strengthen training, especially continuing training; . take greater account of ecologically-sustainable development.