Broad guidelines of the economic policies for 1999

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PURPOSE : to set the broad guidelines of the economic policies of the Member States and of the Community (1999). COMMUNITY MEASURE : Council Recommendation 1999/570/EC on the broad guidelines of the economic policies of the Member States and of the Community. CONTENT : the broad guidelines of the economic policies are the central element of the co-ordination of economic policies of the Member States and of the Community. The broad guidelines for 1999 involve general guidelines as well as the guidelines by country, which have the same statute. The general guidelines, which are applicable to all the Member States, indicate the direction which the economic policies should follow. At the heart of this general framework, the guidelines for each country are used to identify the priorities for specific policies in each Member State, by taking account their particular situation. On a general level, the recommendation underlines that the successful launch of the euro on 1 January 1999 marked an important milestone in the European integration process. This implies global economic responsibilities for the Community and the necessity to speak with one voice and to be represented effectively on issues of particular relevance to EMU. The Union is faced with a twofold challenge: 1) to engage in effective dialogue with its main trading partners with a view to promoting sound economic policies in all of the major currency areas; 2) to help ensure that the architecture of the international financial and monetary system is adapted to the globalisation of financial markets, by promoting inter alia: enchanced institutional arrangements for the international monetary system; improved transparency and better policy making procedures; strengthened financial sector surveillance; a well-sequenced and orderly approach to liberalising financial markets and mechanisms for co-operative crisis management involving the private sector. The pace of job creation in the EU quickened markedly during the last two years (for the first time since 1992, the unemployment rate dropped below 10% at the end of 1998). However, at around 61% in 1998, the employment rate in the EU as a whole is low, both in historical and international comparative terms. Europe's employment challenge is the key priority for economic policy. In order to deal with this challenge, the Member States will require a comprehensive and coherent strategy that consists of of three mutually-reinforcing key components: - sound macreconomic policies that are conducive to growth, employment and price stability, involving full respect of the Stability and Growth Pact and continued appropriate wage developments. In this respect, Member States are called upon to reach a budgetary position of close to balance or in surplus no later than by the end of 2002 in conformity with the stability and convergence programmes; to improve their budgetary situation by the reduction of expenses rather than by the tax rises; to improve the sustainability and efficiency of their public finances (through reviewing pension and health care systems, by giving incentives for investment in human capital, byreducing the overall tax burden, by improving the efficiency of their taxation systems and by pursuing tax co-ordination); - policies which improve the better functioning of the labour markets which give incentives to, in particular, employability, entrepreneurship, adaptability and equal opportunities via a steadfast, prompt and transparent implementation of the Employment Guidelines, tailored to Member States' conditions. The Member States are invited to pay particular attention to the following elements : raising the employability of the individual, in particular by means of access to labour market training; education and lifelong learning; a lowering of taxes, especially on low-paid workers and an assessment of duration and eligibility criteria in benefit systems, combined with active policies to reintegrate the unemployed. - economic reforms that enhance the efficiency and the flexibility of goods, services and capital markets, reinforce private sector confidence, benefit consumers and favour an environmentally-sustainable growth path. This implies a close monitoring of the single market, a vigorous competition policy, regulatory reforms, notably in the telecommunications sectors, transport and energy sectors, reducing administrative formalities for SMEs, the revision of the VAT system, the taking into consideration of environmental aspects of economic policies, as well as more efficient taxation and systems. These three components are reflected in the three pillars of the European Employment Pact.