Basic information

1995/2118(COS) COS - Procedure on a strategy paper (historic)	Procedure completed
Broad guidelines for the economic policies of the Member States and European Community for 1995 **Subject** 5.10.01 Convergence of economic policies, public deficit, interest rates	

Key players

European Parliament	**Committee responsible**	**Rapporteur**	**Appointed**
	ECON Economic and Monetary Affairs, Industrial Policy	COX Pat (ELDR)	18/04/1995

Council of the European Union	**Council configuration**	**Meetings**	**Date**
	Economic and Financial Affairs ECOFIN	1863	1995-07-10
	Economic and Financial Affairs ECOFIN	1856	1995-06-19

Key events

Date	Event	Reference	Summary
31/05/1995	Non-legislative basic document published	COM(1995)0228	Summary
16/06/1995	Committee referral announced in Parliament		
28/06/1995	Vote in committee		Summary
28/06/1995	Committee report tabled for plenary	A4-0168/1995	
13/07/1995	Debate in Parliament		Summary
14/07/1995	End of procedure in Parliament		
25/09/1995	Final act published in Official Journal		

Technical information

Procedure reference	1995/2118(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 148
Stage reached in procedure	Procedure completed

Committee dossier	ECON/4/06715

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A4-0168/1995 OJ C 249 25.09.1995, p. 0005	28/06/1995	
Text adopted by Parliament, single reading		T4-0376/1995 OJ C 249 25.09.1995, p. 0199-0213	14/07/1995	Summary

Council of the EU

Document type	Reference	Date	Summary
Document attached to the procedure	08639/1995	04/07/1995	

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(1995)0228	31/05/1995	Summary

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

1995/2118(COS) - 19/06/1995

After a wide-ranging exchange of views, the Council approved the draft broad guidelines of the economic policies of the Member States and of the Community and agreed to forward the draft guidelines to the Cannes European Council. In the light of the European Council's conclusions on the subject, the Ecofin Council will return to the issue with a view to formal adoption of the recommendation setting out the broad economic guidelines by which the Member States and the Community are to steer their economic policies.

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

1995/2118(COS) - 10/07/1995

The Council formally adopted the broad guidelines of the economic policies of the Member States and of the Community, approved by the Cannes European Council, as established by the Ecofin Council on 19 June. These guidelines will constitute a reference framework for the conduct of the economic policies of the Community and the Member States . They re-affirm the policy objectives set in the December 1993 and July 1994 guidelines: it is essential for the Community and the Member States to turn the present recovery into strong, sustainable, non-inflationary medium-term growth that respects the environment. Such growth is important in order to reduce unemployment substantially and to make possible the achievement of the necessary degree of convergence to facilitate the transition to Stage III of EMU. Achievement of these objectives will continue to require a stable, investment-enhancing, short and medium-term macroeconomic framework characterised by: - a stability-oriented monetary policy whose task is not undermined by inappropriate budgetary and wage developments, - sustained efforts to consolidate the public finances in most Member States consistent with the objectives of their convergence programmes, - nominal wage trends consistent with the price stability objective; at the same time, real wage developments should be below the increase in productivity in order to strengthen the profitability of employment-creating investment. An essential complement of this framework must be provided by structural reforms aimed at fostering the competitiveness of the economies of the Member States and at improving the functioning of their labour markets. The policies necessary for sustaining long-term growth, increasing employment and strengthening convergence are mutually consistent. In its communication the Commission had also highlighted two disturbing aspects of economic policy that were also mentioned in the introductory part of the guidelines: firstly, the favourable impact of economic growth could give rise

to ‘structural adjustment neglect’ in respect of the budgetary deficit or labour market imperfections; secondly, some of the recent exchange rate fluctuations have contributed not only to greater risks of inflation dispersion but also to disturbances in the operation of the internal market, which may thus threaten the beneficial achievements of economic integration.

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

1995/2118(COS) - 31/05/1995 - Non-legislative basic document

This Commission recommendation on the broad guidelines for the economic policies of the Member States has been drawn up and adopted in accordance with Article 103 (2) of the TEU. These guidelines provide a reference for the economic policies implemented by the Community and the Member States. If these guidelines are implemented in full, convergence will be strengthened and the excellent prospects for growth will be translated into real growth, thereby reducing unemployment rates considerably. Two aspects of economic policy give cause for concern: - "negligence towards adjustment", i.e. a less than firm commitment to resolve structural imbalances in public finances once and for all or a less than resolute determination to implement the measures needed in order to rectify shortcomings on the labour market following the initial signs of recovery; - instability in exchange rates which threaten the single market acquis and increase the risk of inflation spreading. Four major objectives must be attained in order to consolidate the current recovery and guarantee strong, sustainable, non-inflationary, job-creating growth in the medium term and enable the Community to move on to stage 3 of EMU without any adverse repercussions: - monetary policy must be geared to stability and must not be derailed by budgetary developments or inappropriate wages; - a sustained effort must be made to consolidate public finances in the majority of Member States; - nominal wage developments must take account of the objective of price stability and wage developments must strengthen the profitability of job-creating investments; - structural reforms must be designed to stimulate the competitiveness of the economies of the Member States and improve the working of their labour markets. Guidelines for economic policy: 1) price and exchange rate stability: the Member States should introduce policies which aim to sustain stable exchange rates in the Community, thereby strengthening price stability. Strict budgetary policy and the credibility of Member States' commitment to consolidating public finances will play a decisive role here; 2) sound public finances: the main task of practically all the Member States is to take full advantage of current growth and promote consolidated budgets by reducing structural deficits. Member States need to reduce these deficits to less than 3% of GDP as quickly as possible as a first step towards reducing them to between 0 and 1% of GDP. This will enable the average budgetary deficit in the Community to be reduced to below 3% in 1997; 3) competitiveness: the rate of transposition of Community directives on the completion of the single market is 92.4%, even if progress is still needed in certain areas (insurance, public telecommunications, energy and transport markets, free movement and competition rules). The Community will only be dynamic if tangible and intangible investments are made, especially in the area of training and infrastructure (it is essential in this respect to complete the trans-European networks and implement the plan on the information society); 4) labour and employment market: the Essen European Council identified 5 priority measures needed in order to improve the employment situation in the Community. Member States are called on to implement measures in keeping with their specific situation and to draw up multiannual programmes in this respect. Employment policies should help to reduce unemployment by: . improving the job prospects for labour by promoting investment in vocational training; . increasing the number of jobs through growth by efficiently promoting employment in the Member States, reducing the non-wage costs of labour and encouraging the development of new employment resources; . improving the employability of labour, mainly by strengthening the mobility of workers and granting aid to the groups hardest hit by unemployment (excluded groups). The Member States need to adopt multiannual programmes along these lines in order to strengthen job creation throughout the Community.

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

1995/2118(COS) - 14/07/1995 - Text adopted by Parliament, single reading

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.