## Basic information

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| **1996/2042(COS)**<br>COS - Procedure on a strategy paper (historic) | Procedure completed |
| 1996 annual economic Report<br>**Subject**<br>5.10 Economic union | |

## Key players

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|---|---|---|---|
| European Parliament | **Committee responsible** | **Rapporteur** | **Appointed** |
| | ECON Economic and Monetary Affairs, Industrial Policy | CASSIDY Bryan M.D. (PPE) | 05/02/1996 |
| | **Committee for opinion** | **Rapporteur for opinion** | **Appointed** |
| | BUDG Budgets | The committee decided not to give an opinion. | |
| Council of the European Union | | | |

## Key events

| Date | Event | Reference | Summary |
|---|---|---|---|
| 06/03/1996 | Non-legislative basic document published | COM(1996)0086 | Summary |
| 27/03/1996 | Committee referral announced in Parliament | | |
| 25/04/1996 | Vote in committee | | Summary |
| 25/04/1996 | Committee report tabled for plenary | A4-0131/1996 | |
| 08/05/1996 | Debate in Parliament | | |
| 09/05/1996 | End of procedure in Parliament | | |
| 27/05/1996 | Final act published in Official Journal | | |

## Technical information

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| **Procedure reference** | 1996/2042(COS) |
| **Procedure type** | COS - Procedure on a strategy paper (historic) |
| **Procedure subtype** | Commission strategy paper |

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| **Legal basis** | Rules of Procedure EP 148 |
| **Stage reached in procedure** | Procedure completed |
| **Committee dossier** | ECON/4/07703 |

**Documentation gateway**

**European Parliament**

| Document type | Committee | Reference | Date | Summary |
|---|---|---|---|---|
| Committee report tabled for plenary, single reading | | A4-0131/1996<br>OJ C 152 27.05.1996, p. 0004 | 25/04/1996 | |
| Text adopted by Parliament, single reading | | T4-0224/1996<br>OJ C 152 27.05.1996, p. 0016-0068 | 09/05/1996 | Summary |

**European Commission**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Non-legislative basic document | COM(1996)0086 | 06/03/1996 | Summary |

**Other institutions and bodies**

| Institution/body | Document type | Reference | Date | Summary |
|---|---|---|---|---|
| EESC | Economic and Social Committee: opinion, report | CES0539/1996<br>OJ C 204 15.07.1996, p. 0045 | 24/04/1996 | Summary |

# 1996 annual economic Report

1996/2042(COS) - 24/04/1996 - Economic and Social Committee: opinion, report

The Economic and Social Committee is concerned at the current macroeconomic trends identified by the Commission. The further loss of momentum at the end of 1995, in particular, does not augur well for short to medium-term economic prospects. As stated by the Essen European Council and confirmed by the Cannes Council, equality of opportunity and the reduction of unemployment remain the most important challenges facing the European Union and its Member States. Sustained, socially and environmentally acceptable, investment-driven growth is essential if these economic and social policy requirements are to be met and economic and monetary union realized. The Economic and Social Committee therefore calls on the Commission to promote the European confidence pact for employment initiated by Commission President Jacques Santer and to develop it into a European alliance for employment and stability. Efforts to achieve convergence must also be stepped up with due concern for the principle of social balance. Stability and convergence are essential for economic and monetary union, but they require sustained growth and an improved employment situation. The response to weak economic growth must not be to postpone EMU. In order to meet the 1999 deadline the nominal convergence criterion of the Maastricht Treaty should be fully respected and interpreted appropriately rather than mechanically. Moreover, a policy is needed combining fiscal discipline, economic growth and employment measures, enabling a sufficient number of Member States to join. Finally, the Economic and Social Committee sees a need to improve further the) coordination of economic policy at European level. In particular it feels that there is a need for more structural measures. In connection with the Intergovernmental Conference the ESC calls for employment to be enshrined in the revised EU Treaty.

# 1996 annual economic Report

1996/2042(COS) - 09/05/1996 - Text adopted by Parliament, single reading

Adopting the report by Mr Bryan CASSIDY (PPE, UK), the European Parliament emphasized the fact that the fight against unemployment should remain the Union's priority and put forward a set of recommendations leading to specific employment measures: * General measures : - Parliament urged the monetary authorities to reduce interest rates; - it called on the Commission to consider putting forward proposals with a view to establishing anti-cyclical instruments at Community level; - it pointed out that the EU's structural and economic policies should be based on unconditional

adherence to the European social model; - it called for greater coordination of economic policies and the convergence of economic results through the establishment of short-term objectives for the various Member States and, where appropriate, by putting forward recommendations for the countries which do not achieve those objectives; - noted that the revival of world trade represents a unique opportunity for the European Union but that, at the same time, European companies prefer to invest outside the EU borders and that the flow of direct investment into the EU is declining; - hoped that the forthcoming annual reports would consider other factors such as wages, employment market flexibility, public investment and social security costs, with reference also to the countries with which the EU is in competition. * Investment measures: Parliament called for measures to revive investment and enlargement of the EIB's role as a loan guarantor, the expansion of the EIF and the creation of Community bonds to finance major Community investment projects. * Research and development measures: Parliament called on the Commission to put forward specific proposals to encourage research and technological development by means of appropriate fiscal advantages, to facilitate access to risk capital for SMEs active in research and development and to promote close cross-border cooperation between firms, universities and research bodies. * Social cohesion and employment measures: Parliament urged the Member States to conclude a European employment pact in order to combine the creation of new jobs with the redistribution of productivity gains between capital and labour. It is essential that structural measures be adopted in order to create more flexible working time or reduce non-wage costs, particularly in the case of the lowest-paid workers. * Tax measures: Parliament emphasized that taxation of labour was excessively high by comparison with the taxation of capital, which made it essential for the tax system to be overhauled. In particular, profits which are invested should be subject to lower taxation than profits which are distributed to shareholders. * Public deficit measures: Parliament emphasized the need to continue budget consolidation and to draw up detailed medium-term plans for fiscal consolidation with the Member States in order to establish confidence as regards both investment and consumption. Debt reduction must be combined with a proper employment policy and with encouragement for innovation. * Monetary policy measures: Parliament pointed out the need for a single currency to be introduced which will enable monetary fluctuations to be combatted and for more effective monetary policy to be implemented. To this end, a degree of discipline between the exchange rates of the various countries should be established so as to enable advantage to be taken of the opportunities provided by the single market.

# 1996 annual economic Report

1996/2042(COS) - 06/03/1996 - Non-legislative basic document

OBJECTIVE: This economic report contains the Commission's views regarding the economic situation and economic policy issues in the Community. It concentrates in particular on the structural and macro-economic policies initiated and approved at Community level, the focus of its attention being the employment situation in Europe, which is the Union's main social, economic and political objective. SUBSTANCE: According to the report the main challenge facing the Community continues to be job creation and a reduction in unemployment. To achieve this objective, policy makers must: revive the recovery by introducing national and Community-coordinated measures aimed at restoring confidence, support the upswing and transform it into a strong, sustained growth process supported by employment-creating investment coupled with the necessary progress towards nominal convergence. This should lead to a reduction in unemployment and enable the Community to make a successful transition to EMU in 1999. At the same time the report highlights the disappointing level of growth in 1995, which was characterized by a net slow-down of activity (GDP growth in the region of 2 1/2% in 1995 instead of the 3% forecast for 1995 and 1996) together with an increase in unemployment and limited budget rationalization. Consequently, the Community entered 1996 in a less confident mood. However, the report points out that, on the basis of certain fundamental parameters, such pessimism is not justified, particularly in view of the fact that the profitability of investment is improving, inflation is at a historical low and nominal convergence is increasing. Confidence-building measures are necessary at both national and Community level (in particular the European confidence pact for employment, the establishment of trans-European networks, an increase in resources for research, the implementation of an action plan for SMEs and the introduction of a comprehensive programme for stability and employment). The report stresses in particular that achieving a relaxation of economic policy will depend to a large extent on a credible budgetary consolidation process accompanied by wage restraint. To achieve the dual objective of reducing unemployment and moving to a single currency, the Community must ensure that macro-economic policies are accompanied by structural initiatives intended to: - create new conditions for a tension-free macro-economic growth process by means of measures aimed at improving the functioning of goods and services markets and increasing the flexibility of the labour market, - enhance the endogenous growth forces by actions geared towards promoting innovation, strengthening competition and improving human capital, - increase the employment-intensity of growth through a widening of the wage cost scale (especially by reducing indirect labour costs at the lower end and reorganizing working conditions). These structural initiatives, for which the individual Member States will be responsible, must be accompanied by Community initiatives (in particular the employment-related ones decided upon in Essen).