Basic information

1998/2108(COS) COS - Procedure on a strategy paper (historic)	Procedure completed
Broad guidelines of the economic policies of the Member States and the Community for 1998 **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	GASÒLIBA I BÖHM Carles-Alfred (ELDR)	27/11/1997

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2095	1998-05-19
Economic and Financial Affairs ECOFIN	2103	1998-06-05
Economic and Financial Affairs ECOFIN	2112	1998-07-06

Key events

Date	Event	Reference	Summary
14/05/1998	Non-legislative basic document published	COM(1998)0279	Summary
19/05/1998	Debate in Council		
20/05/1998	Vote in committee		Summary
20/05/1998	Committee report tabled for plenary	A4-0193/1998	
27/05/1998	Committee referral announced in Parliament		
27/05/1998	Debate in Parliament		
28/05/1998	End of procedure in Parliament		
22/06/1998	Final act published in Official Journal		

Technical information

Procedure reference	1998/2108(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/4/10063

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A4-0193/1998 OJ C 195 22.06.1998, p. 0004	20/05/1998	
Text adopted by Parliament, single reading		T4-0320/1998 OJ C 195 22.06.1998, p. 0013-0040	28/05/1998	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(1998)0279	14/05/1998	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EU	Implementing legislative act	31998X0454 OJ L 200 16.07.1998, p. 0034	06/07/1998	

Broad guidelines of the economic policies of the Member States and the Community for 1998

1998/2108(COS) - 14/05/1998 - Non-legislative basic document

OBJECTIVE: to present broad guidelines for the economic policies of the Member States and the Community for 1998 and set two main objectives: high employment levels and the success of the euro. CONTENT: in these first broad guidelines for the economic policies of the European Union following the creation of the single currency, the Commission has concentrated on defining the two main priorities for 1998: high employment and the success of the euro and stresses the need to implement policies for monetary stability, achieve a sustainable reduction in public debt levels and safeguard appropriate wage developments by strengthening dialogue between the social partners. The Commission also stresses the need for closer, operational coordination between the economic policies of the countries in the euro zone and to consolidate the "culture of stability" in Europe. Consequently, it has broken new ground by making provision for specific recommendations for each Member State which will allow the policies of the countries participating in the euro to be more closely coordinated and the countries not participating from the outset to be better prepared. Given the 2 major objectives of high employment and the success of the euro, the broad guidelines for economic policies for 1998 are based on the following three elements: 1) monetary policies geared towards stability: the policies of the Member States participating in the euro must be compatible with the objective of price stability and must prevent inflation differentials from developing. In the euro zone, where inflation is below 2%, policies must also ensure that price convergence is maintained in order to avoid problems of competitiveness. In other countries, especially Greece, these stability policies should be strengthened; 2) sustained efforts to reduce public debt levels: most Member States need to finish consolidating planned convergence measures (it is at this level that the Commission addresses specific recommendations to each Member State, irrespective of whether or not it has joined EMU). As far as public debt levels are concerned, the Commission feels that the average debt of the European Union should be less than 2% of GDP by 1998, although if current policies and the recommendations for each Member State are pursued, there may be an additional reduction in 1999 (average debt of less than 1.5% forecast); 3) a reasonable approach to wage developments by the social partners in order to achieve a "policy mix" geared towards growth and stability: this policy should allow low inflation to be maintained, thereby safeguarding purchasing power, and a more equitable distribution of the fruits of growth. As far as structural policies for growth and employment are concerned, the Commission

recommends two major objectives: 1) modernising the product and services markets: with the advent of the euro, there is an even more urgent need to eliminate structural defects, meaning that Member States need to be more resolute in introducing flexibility into their economies. The reforms recommended in this respect concern: - completing the single market (by reducing the percentage of directives not transposed); - strengthening competition (especially in countries in which state aid, expressed as a percentage of GDP, is higher than the Community average and where large amounts are granted in ad hoc rescue and reconstruction aid); - reforming the regulatory framework which may slow down productivity and European competitiveness' - improving the working of the financial markets (abolishing legal and financial obstacles to market integration at European level, improving access to the markets); 2) improving the functioning of the labour market: emphasis should be placed on a strategy which promotes the supply of suitably trained and qualified manpower. There must also be greater incentives for research and job creation. One way in which this can be achieved is by reforming the taxation and benefits systems. The possibility of reducing tax, especially on labour, needs to be explored in countries in which the tax and national insurance burden on labour is above the Community average (Belgium, France, Austria, Sweden etc.). Welfare systems should also be reformed in order to encourage job acceptance and prevent passive guaranteed-income systems which act as a disincentive to work. Finally, as far as changing working hours is concerned, the Commission considers that general, mandatory reductions in working hours may have an adverse impact and should therefore be avoided. On the other hand, employment could be boosted by specific measures negotiated by the social partners to reduce working hours.

Broad guidelines of the economic policies of the Member States and the Community for 1998

1998/2108(COS) - 28/05/1998 - Text adopted by Parliament, single reading

In adopting the report by Mr Carles-Alfred GASOLIBA I BÖHM (ELDR, E) on broad guidelines of economic policies, the European Parliament welcomed the guidelines proposed by the Commission and the importance attached to high employment levels and the success of the EMU as a result of policies targeted to achieving economic growth and employment and including a monetary policy leading to investment-led growth. It calls on the Commission and Council to harness effectively the process for adopting employment guidelines and for adopting major macroeconomic guidelines so as to ensure closer coordination of measures recommended and ensure that anticipated sustainable growth levels are reflected in healthy job creation. At macroeconomic level the European Parliament energetically supports the policy of monetary stability recommended by the Commission together with the objective of economic growth fuelled by an increase in domestic demand. While stressing the importance of achieving between now and 1 January 1999 improved coordination of the monetary policies of the 11 countries adopting the Euro the European Parliament also stresses the need for those countries outside the Euro to coordinate their own macro-economic policies with the countries inside it so as to safeguard the integrity of the single market. By calling on the countries outside the EMU at the outside to align their inflation rates with those of the Euro's own and maintain stable exchange rates with the Euro, Parliament is implicitly supporting their membership of EMS in a second phase. It also calls for the Member States to seek to achieve budgetary equilibrium so as to be in a stronger position to absorb upheavals or short-term disruptions and urges them to apply healthy budgetary policies so as to establish a long-term policy of low interest rates. It also calls for a sustainable reduction in the public deficit. Recalling the provisions of the resolution adopted in Amsterdam on growth and employment it encourages both sides of industry to accept wage policies which take account of the need for price stability and increased return on investments and purchasing power. It also agrees with the Commission that to achieve these objectives it is essential to introduce and maintain a healthy social dialogue, seeking in particular to secure agreement in areas relating to employment market reform. To return to the importance of structural policies in favour of growth and employment, the European Parliament calls for the structural reform of the labour markets or product markets and reform the social security and tax systems. It calls for active policy on the employment market in accordance with the conclusions of the employment summit in Luxembourg, considers it just as important to reform social protection systems which, while ensuring an adequate level of social protection, should not act as a disincentive to employment (although Parliament does recognize that social security systems may provide subsistence support for low income households). The European Parliament calls in particular on the Member States to steer clear of the 'double safety net' approach which guarantees workers not only generous benefits but also strict legislation on job protection. With regard to employment Parliament calls on the Member States to implement immediately their national plans for employment and establish the necessary resources to achieve the objectives set out therein. In addition it considers that the same importance should be accorded to each of the four pillars of the Luxembourg Employment Guidelines (employability, developing entrepreneurship, encouraging the adaptability of businesses and promoting equal opportunities). Concerning taxation the European Parliament calls for a reduction in taxes on labour in particular at the lower end of the pay scale. The non-wage costs of labour should be offset by other tax reforms. Finally, Parliament calls on the Council to take due account of its views concerning the broad guidelines of economic policies.