Basic information

2000/2046(COS) COS - Procedure on a strategy paper (historic)	Procedure completed
Annual economic report 1999 **Subject** 5.10 Economic union	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	KATIFORIS Giorgos (PSE)	25/10/1999

Committee for opinion	Rapporteur for opinion	Appointed
EMPL Employment and Social Affairs	ROCARD Michel (PSE)	01/02/2000

Council of the European Union

Key events

Date	Event	Reference	Summary
24/11/1999	Non-legislative basic document published	N5-0081/2000	Summary
18/02/2000	Committee referral announced in Parliament		
23/02/2000	Vote in committee		Summary
23/02/2000	Committee report tabled for plenary	A5-0041/2000	
01/03/2000	Debate in Parliament		
02/03/2000	Decision by Parliament	T5-0085/2000	Summary
02/03/2000	End of procedure in Parliament		
04/12/2000	Final act published in Official Journal		

Technical information

Procedure reference	2000/2046(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/5/12543

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A5-0041/2000 OJ C 346 04.12.2000, p. 0004	23/02/2000	
Text adopted by Parliament, single reading		T5-0085/2000 OJ C 346 04.12.2000, p. 0016-0084	02/03/2000	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	N5-0081/2000	24/11/1999	Summary
Legislative proposal	COM(1999)0628	26/11/1999	Summary

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2000/2046(COS) - 26/11/1999

PURPOSE : To review and present a case for retaining the facility providing medium-term financial assistance for Member States' balance of payments CONTENT : Since 1 January 1999, the Member States participating in the single currency are no longer eligible for the Community's medium-term financial assistance for their balance of payments. Those, however, who have not joined the euro zone and those who accede in the future without participating in the single currency, may be faced with balance of payment problems. Since the facility has demonstrated its effectiveness on several occasions, the Commission feels that it should be retained. It takes the view that loans granted under this facility should be financed exclusively by the capital market and that, consequently, the second method of providing assitance, under which these loans are financed in full or in part by the other Member States, should be discontinued. The Commission proposes that the present ceiling of EUR 16 billion be reduced to EUR 12 billion. This reflects the reduction in Member States which are eligible for financial assistance. The Commission will present a proposal to amend the present Regulation governing the facility.

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2000/2046(COS) - 02/03/2000 - Text adopted by Parliament, single reading

The European Parliament adopted its resolution on the Annual Economic Report for 1999 drafted by Mr. Giorgios KATIFORIS (PES, Gr). In its resolution, the Parliament states that the recovery of the European economy in terms of GDP growth and profits is well under way, while unemployment remains unacceptably high and income inequalities and poverty are growing. It calls on the Council, in setting the broad Economic Guidelines, to formulate policies, including microeconomic policies, designed to achieve full employment which are consistent with stable prices and a balanced budget over the whole economic cycle. Parliament recalls that attainment of the objective of full employment depends on more sustained growth, as borne out by international and European experience, and that this growth must be supported by an economic and fiscal policy favourable to investment, particularly on the part of SMEs, by a wage policy which reflects productivity gains and by a reduction in the rigidity which still characterises labour legislation in too many Member States. The EP calls on the Commission and the Council to: - increase their efforts to make the Trans-European Networks connect the present EU Member States and candidate countries and other neighbouring countries, because of the TENs' particular strategic importanc to future growth and to integration between different parts of Europe and its neighbours; - strengthen modrn Information Technology Highways and networks within the TENs programme in order to give Europe an advanced IT infrastructure; - lend active support to the scientific community and industry in the development of a common European research space, supported by increased spending on R&D; - introduce quantitative targets for youth training as well as retraining for long term unemployed workers, taking into account the changes in skills dictated by emergent technologies, to which Member States will bind themselves to converge over a fixed time period; - eliminate the democratic deficit in economic and employment policy making by means of an inter-institutional agreement involving the European Parliament fully in decision making on the broad

outlines of economic policy and the economic policy guidelines. The Council and Commission are invited to do everything in their power to render the European patent application process quicker, simpler, more efficient and cheaper in order to improve the competitiveness of European inventions and hence Europe's prospects for the future; but insists on better provisions to secure full respect for ethical standards and consumer interests. Lastly, the Parliament urges the Commission to include proposals for resources to implement the ideas of the eEurope initiative, especially regarding education, infrastructure and broad public access to the Internet.

Annual economic report 1999

2000/2046(COS) - 24/11/1999 - Non-legislative basic document

PURPOSE : To present the 1999 report on the EU economy providing a comprehensive picture of recent and prospective economic development, as well as a study of specific economic topics that are of particular importance for economic policy. CONTENT : The report details the events of the year which began with the launch of the euro in January. The key point of the report is that the downturn in the first part of the year has improved as a result of strong domestic demand and the right policy mix. The economy is on the verge of a sustained recovery, with improving employment figures and manageable inflation. The main points to come out of the report are as follows : 1) The Euro was launched on strong foundations but amid cyclical weakening. The successful launch of the single currency was due to great strides in economic convergence achieved by euro area countries. The last decade was also, however, characterised by lacklustre economic growth and poor employment performance in the EU. In the wake of the 1997-1998 financial crisis, there was sluggish demand in the EU's export markets. The annual rate of real GDP growth slowed to about 1.5% from about 3% in the first par of 1998. Exports decelerated, as did investment in equipment. The size of the downturn was mitigated by several factors. Amongst these were the adequate adjustment of the policy mix, moderate wage developments and robustness of economic activity in the sheltered sectors. Clear signs of renewed recovery have emerged since early summer. The initial impetus came from exports which surged following the depreciation of the euro in the first half of the year. Overall, economic growth has strengthened from about 1.5% in the first quarter to an expected 2.75% in the fourth quarter of 1999. For the year as a whole, the Commission expects real GDP growth of 2.1% in both the EU and the euro area. This will accelerate to 3% in both 2000 and 2001 (2.9% for the euro area). Domestic demand will continue to drive the expansion, boosted by low inflation, relatively low interest rates and improving confidence. Export growth will accelerate driven by growth in export markets and the competitive value of the euro. 2) Risks and uncertainties · external uncertainties include the prospective developments of the US economy. An abrupt deceleration could trigger a rise in interest rates and provoke a slide in the dollar. The EU economy will not remain unscathed. The impact of a surge in crude oil prices is another uncertainty. On the internal side, uncertainties relate to the rise in long-term interest rates and future wage trends. On the upside, the expected rebound in the EU could also prove stronger than anticipated, fed by budgetary consolidation, employment-friendly wage developments and a more rapid introduction of new technologies. 3) Differences in growth pattern are likely to narrow. Growth differences reflect the impact of three factors: - Vulnerability to decline in external demand, which affected countries differently. The impact was, for example, considerable in Germany and Italy, which have relatively large trade exposure to emerging market economies and more moderate in France and Spain. - the adjustment to macro-economic policies leading to EMU - Disparities in potential growth rates. This reflects differences in the stage of economic development, in demographic features and the functioning of markets. These differences will become less prominent with a single monetary policy. 4) Unemployment is declining but remains the key policy challenge. Total employment is expected to increase by 1.2% in 1999, equivalent to 2.1 million additional jobs. The outlook is for growth of 1.25% over the next two years. This is due to a number of structural factors, including the gradual shift to the more labour-intensive service sectors, initiatives to enhance working skills, and more flexible forms of employment. Yet, the employment rate in the EU is low both inhistorical and international comparative terms. The report dismisses one-dimensional views focussing either exclusively on adverse macroeconomic shocks or on rigidities in the labour market. The current majority view attributes the EU's dismal labour performance to the interaction of a series of adverse aggregate supply and demand shocks with labour market institutions and product market regulations proving insufficiently capable to adjust swiftly to changes in economic conditions. To reduce unemployment, sound macroeconomic policies are needed. In addition, structural reforms are indispensable and probably the most important element to improve labour market performance. 5) Inflation outlook remains benign · On a year-average basis, inflation is expected to remain at 1.2% in 1999 in the EU. The outlook is for a modest increase to 1.5% in both 2000 and 2001. Next year, the effect of higher oil prices will subside, but the slight increase is due to the relatively vigorous recovery. Inflation differentials are set to narrow from about 1.8% in 1999 to about 1.6% in 2001. This is partly due to the fact that inflation will increase in countries where it is lowest (Germany, France, Austria) and decrease where it is highest (Spain, Ireland, Portugal). A certain degree of inflation dispersion will persist in the Euro area and is normal in monetary unions. In some cases, it can lead to the emergence of competitive imbalances or signal an undesirably large variation in cyclical conditions. Monetary policy is not the appropriate tool to deal with this. Other economic policy responses in terms of structural or budgetary policies could be required. 6) Macroeconomic policy monetary conditions are consistent with price stability and adequately supportive of growth, notwithstanding the ECB's decision to raise its key interest rates in early November. The depreciation of the euro against most major currencies is mainly attributable to cyclical factors, notably the weakness of the euro-economy relative to the US in the first half of 1999. The euro's prospective appreciation should also be seen against the background of a reversal in relative cyclical positions, when the US economy slows. 7) Budgetary adjustment · budget targets for 1999 and 2000 are likely to be met and in some cases exceeded. For the EU the budget deficit is projected to fall by 1.25% of GDP to 0.5%of GDP while for the euro area a decline of about 1.5 of GDP to 0.75 GDP is expected. Countries could take the opportunity to progress more quickly to medium-term objectives or prepare for increased expenditure due to an ageing population. 8) The Euro contributes to more integrated and efficient financial markets Changes in investor behaviour are well underway. There has been a rapid development of the corporate bond market. Equity markets have shifted to pan-euro area or pan-European positions. The Commission has produced a communication and an action plan to deal with the important obstacles that remain.