


Procedure file

Basic information		
CNS - Consultation procedure Recommendation	1996/0913(CNS)	Procedure completed
Convergence. 1996 Report		
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	PSE METTEN Alman	05/02/1996
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	1960	13/12/1996

Key events			
11/11/1996	Legislative proposal published	11505/1996	Summary
12/11/1996	Committee referral announced in Parliament		
19/11/1996	Vote in committee		Summary
19/11/1996	Committee report tabled for plenary, 1st reading/single reading	A4-0379/1996	
27/11/1996	Debate in Parliament		
28/11/1996	Decision by Parliament	T4-0648/1996	Summary
13/12/1996	Act adopted by Council after consultation of Parliament		
13/12/1996	End of procedure in Parliament		
24/12/1996	Final act published in Official Journal		

Technical information	
Procedure reference	1996/0913(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Recommendation

Legal basis	EC before Amsterdam E 109J-p2
Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/08391

Documentation gateway

Document attached to the procedure	COM(1996)0560	06/11/1996	EC	
Legislative proposal	11505/1996	11/11/1996	CSL	Summary
Committee report tabled for plenary, 1st reading/single reading	A4-0379/1996 OJ C 380 16.12.1996, p. 0005	19/11/1996	EP	
Text adopted by Parliament, 1st reading/single reading	T4-0648/1996 OJ C 380 16.12.1996, p. 0014-0056	28/11/1996	EP	Summary

Final act

[Decision 1996/736](#)
[OJ L 335 24.12.1996, p. 0048](#) Summary

Convergence. 1996 Report

OBJECTIVE: Submission by the Commission of the report on convergence in the European Union in 1996, pursuant to Article 109j (1) of the Treaty. SUBSTANCE: The aim of this report, apart from meeting an official obligation contained in the Treaty, is, first, to examine the current state of convergence and of the compatibility of national legislation with Treaty obligations and, second, to review the progress that has been made since the beginning of Stage II of EMU on 1 January 1994. The Commission confirms that encouraging progress towards convergence has already been made in all the Member States since the start of the second stage of EMU. However, mainly as a consequence of the persistence of budgetary imbalances (although they are being reduced) and as illustrated by the existence of excessive government deficits in twelve Member States, it is clear that currently a majority of Member States has not yet made sufficient progress in the achievement of a high degree of sustainable convergence. Having regard to compliance with the Maastricht criteria, the situation is as follows: 1) Inflation: the reference value is 2.6%. Ten Member States (Belgium, Denmark, Germany, France, Ireland, Luxembourg, The Netherlands, Austria, Finland and Sweden) are below this value. The other five Member States are rapidly approaching the reference value. 2) Public deficits: Only four Member States have a deficit below 3% of GDP: Denmark, Ireland, Luxembourg and The Netherlands, (but in the case of the latter country, the Council has not yet formally repealed the decision noting an excessive deficit). Belgium and Finland are at 3.3%, Sweden at 3.9%, France, Germany and Portugal at 4%, Austria at 4.3%, Spain at 4.4%, the United Kingdom at 4.6%, Italy at 6.6% and Greece at 7.9%. 3) Overall debt: The Maastricht criterion is that the trend must be towards a debt not exceeding 60% of GDP. Three Member States meet this criterion: Luxembourg, France and the United Kingdom. Others are close to it: Germany, Finland, Denmark, Sweden, Greece, Austria and Portugal. But the trend is downwards for almost all of them. 4) Long-term interest rates: the reference value is 8.7%. Eleven Member States are below this value: Belgium, Denmark, Germany, France, Ireland, Luxembourg, The Netherlands, Austria, Finland, Sweden and the United Kingdom. Developments in bond markets during 1996 resulted in a significant narrowing in interest rate differentials, especially among the higher-yielding countries where the criterion is not yet met. In addition, there are currently eleven currencies participating in the ERM (Greece, Italy, Sweden and the United Kingdom are not currently participating in the ERM). However, almost all are bound to adapt their legislation to the setting up of the future European Central Bank. ?

Convergence. 1996 Report

The Commission and EMI convergence reports and the conclusions of the ECOFIN Council came up against several matters of concern set out in the report by Mr Alman METTEN (PSE, NL), adopted on 30 October and the Economic and Monetary Committee held a new vote in order to take account of these factors. In its initial version, the convergence report insisted on the need for effective convergence and highlighted the latitude for interpretation of the criteria in the Treaty. As this latitude was reaffirmed in the Commission and EMI reports, the ECON felt there was no need to repeat this in its proposal for a resolution. Although the deletion of points relating to flexible interpretation was readily adopted, the same cannot be said of the application of a weighted average rate for inflation. It was, in the end, only by a slight majority that the reference to weighted rates was deleted. However, the proposal for a resolution retained two elements: abrogation of excessive deficits decisions once the excessive deficits no longer exist and considering whether formal ERM participation for two years is necessary for the assessment of the criterion on exchange rate stability. ?

Convergence. 1996 Report

In adopting the report by Mr Alman METTEN (PSE,NL) concerning the convergence decision, Parliament rejected the amendments seeking the utilization of a weighted average criterion for inflation. However, the resolution retained two elements: abrogation of excessive deficit decisions once the excessive deficits no longer exist, and considering whether formal ERM participation for two years is necessary for the

assessment of the criterion on exchange rate stability. The EP recommended that the convergence criterion should be applied equitably to all Member States. It called on those Member States with an opt-out clause, that is to say the United Kingdom and Denmark, just like the other Member States, to do everything necessary to be among the Member States that can participate in the third stage of EMU from 1 January 1999. ?

Convergence. 1996 Report

OBJECTIVE: on the basis of the reports by the Commission and the EMI reviewing the performance of the Member States in relation to convergence and the compatibility of national legislation with the Treaty, to adopt a Decision on entry into the third stage of EMU.

COMMUNITY MEASURE: Council Decision adopted pursuant to Article 109j(3) of the Treaty on entry into the third stage of the Economic and Monetary Union. **SUBSTANCE:** the investigation to determine whether each Member State fulfils the necessary conditions for adoption of the single currency has shown that a majority of Member States do not fulfil those conditions. This means that the Community will not move to the third stage of EMU in 1997. The procedure laid down in Article 109j(4) of the Treaty will be applied as soon as possible in 1998. ?