


Procedure file

Basic information	
COS - Procedure on a strategy paper (historic)	1999/2016(COS)
Procedure completed	
1999 annual economic Report. European Union at the arrival of the euro: growth, employment and stability	
Subject 5.10 Economic union	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs, Industrial Policy	PPE FOURÇANS André	21/01/1998
Council of the European Union			

Key events			
22/01/1999	Non-legislative basic document published	COM(1999)0007	Summary
24/02/1999	Committee referral announced in Parliament		
24/02/1999	Vote in committee		Summary
24/02/1999	Committee report tabled for plenary	A4-0102/1999	
11/03/1999	Debate in Parliament		
11/03/1999	Decision by Parliament	T4-0196/1999	Summary
11/03/1999	End of procedure in Parliament		
21/06/1999	Final act published in Official Journal		

Technical information	
Procedure reference	1999/2016(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 142
Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/10733

Documentation gateway				
Document attached to the procedure		COM(1998)0682	04/12/1998	EC
Non-legislative basic document		COM(1999)0007	22/01/1999	EC Summary
Committee report tabled for plenary, single reading		A4-0102/1999 OJ C 175 21.06.1999, p. 0006	24/02/1999	EP
Text adopted by Parliament, single reading		T4-0196/1999 OJ C 175 21.06.1999, p. 0193-0296	11/03/1999	EP Summary
Economic and Social Committee: opinion, report		CES0562/1999 OJ C 209 22.07.1999, p. 0053	27/05/1999	ESC

1999 annual economic Report. European Union at the arrival of the euro: growth, employment and stability

PURPOSE: to present the Commission's 1999 Annual Economic Report. **CONTENT:** In presenting the Commission's view on the current economic situation, by examining the main challenges in the years to come, this report is intended to initiate a debate on the policy options to be considered in the forthcoming 1999 Broad Economic Policy Guidelines. With the third and final stage of EMU and the adoption of the single currency by eleven Member States 01/01/99, one of the highest priorities of economic policy in the European Union has been realised. Now, raising employment and reducing unemployment is the principal social, economic and political aim of the Union. The report notes that the process of EMU has produced sound economic foundations. All economic actors now recognise that price stability and sound public finances are prerequisites to durably achieve high economic growth and employment. In the last two years, the EU economy has already been benefiting from improved economic convergence and greater stability. Despite the progress made, the EU's economic performance has not been unequivocally positive in all areas. Furthermore, although overall economic activity largely unfolded as expected, short-term economic prospects in the European Union have become less promising during 1998. The financial crises in Southeast Asia, Russia and Latin America continue to threaten a fragile world economic situation have begun to affect economic activity in the EU and are overshadowing short-term growth forecasts. According to the Commission, it is therefore likely that a downward revision will be necessary in the next forecast in the spring. A persistent high rate of unemployment remains without doubt the Union's major deficiency. For this reason, the key priority of economic policy must be to achieve a substantial and lasting reduction in unemployment whilst significantly increasing the employment rate. The introduction of the euro will not in itself solve the Union's unemployment problem. Nonetheless, the Commission considers that the single currency will strengthen the Union's capacity to foster employment, growth and stability. In order to exploit fully the positive gains from EMU, the Commission considers it essential to continue to pursue prudent and coordinated economic policies, as called for by the Vienna European Council in December 1998. The Commission proposes that policy responses should include: - continued appropriate wage developments; - continued budgetary consolidation efforts; - stability-oriented monetary policy supporting growth; - the necessary continuation of structural reforms; - reform of the international financial system. Furthermore, it will be necessary to both deepen and strengthen economic policy coordination within the agreed framework and involving an intensive dialogue between all actors, including, where appropriate the European social partners. The current situation calls for an appropriate and more coordinated economic policy response in the Member States and at the euro level. In this respect, the Commission points out that the macroeconomic policy mix in the euro area is framed by a several-tier decision process: the single monetary policy is set by the ECB for the euro area as a whole, budgetary policy remains the responsibility of national governments, but will have to abide by the provisions of the Treaty and the requirements of the Stability and Growth Pact, while the social partners will continue to determine wage setting at the national, regional, sectoral or even at a more decentralised level following their respective traditions. Structural policies will essentially remain the province of national governments.?

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With 26 votes to 16 with 2 abstentions, The Committee adopted the report by Mr André FOURCANS (EPP, F) on the 1999 Annual Economic Report from the Commission. To a large extent, the Committee supported the draft report and rejected, to the dismay of several groups, amendments calling for a more flexible monetary policy, reduced interest rates and a European investment pact - subsequently members from ESP, GUE/NGL and the Greens voted against the report in the final vote. The Committee takes the view that the present monetary policy is appropriate to the current economic situation. Notwithstanding, the Committee does recognize the need for specific measures to reduce unemployment and promote growth and stability: further structural reforms; political cooperation between those responsible for fiscal, monetary and wage-rate policy at the European level; reduced taxes and other levies; a better and systematic coordination of taxation of enterprises, capital and energy in order to relieve the fiscal burden on labour; a reduction of labour costs in the case of less skilled workers by reducing levies on their wages, by for example applying the reduced rate of VAT to labour-intensive services; support for the creation of new businesses and the provision of risk capital and new forms of financing. The Committee expresses concern at the current levels of public deficits and those forecast for 1999, in Germany, France and Italy, which exceed or are equal to 2% of GDP. In recalling the objective of the Stability and Growth Pact, it calls on the member states to make continuing efforts to reduce public deficits. It does believe that the fall in public investment expenditure which has occurred in recent years has to be reversed, but all public investment must be economically viable and in conformity with the Stability and Growth Pact. In this context, The Committee calls on the Commission to make an analysis of the dynamics and the causal relationship between rises in deficits and the decline in public investment. Finally, the Committee deplores the conduct of banking and financial institutions in Europe with regard to bank charges within the euro zone since 1 January 1999. It calls on the Commission to take all necessary measures, if necessary including legislation, to remedy the situation.?

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The Parliament adopted its resolution on the 1999 Annual Economic Report, drafted by Mr. André FOURCANS (EPP, F). The Parliament takes the view that there is still not enough convergence between the Member States in the Eurozone. It calls for more co-operation at a political level in the areas of tax, monetary and labour policy, and in particular for a European investment pact. It also asked for consideration to be given to the launch of Eurobonds as a means of supporting large scale infrastructure projects.?