

# Procedure file

Basic information	
COS - Procedure on a strategy paper (historic) <a href="#">1994/2222(COS)</a>	Procedure completed
1995 annual economic Report. General economic policy guidelines	
Subject 5.10 Economic union 5.10.01 Convergence of economic policies, public deficit, interest rates	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ECON</b> Economic and Monetary Affairs, Industrial Policy	PSE <a href="#">KATIFORIS Giorgos</a>	14/09/1994
	Committee for opinion	Rapporteur for opinion	Appointed
	<b>BUDG</b> Budgets	The committee decided not to give an opinion.	
	<b>REGI</b> Regional Policy		26/01/1995
		PPE <a href="#">RUSANEN Pirjo</a>	
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">1906</a>	11/03/1996

Key events			
13/12/1994	Non-legislative basic document published	COM(1994)0615	Summary
16/01/1995	Committee referral announced in Parliament		
22/03/1995	Vote in committee		Summary
22/03/1995	Committee report tabled for plenary	<a href="#">A4-0066/1995</a>	
05/04/1995	Debate in Parliament		
07/04/1995	Decision by Parliament	T4-0181/1995	Summary
07/04/1995	End of procedure in Parliament		
01/05/1995	Final act published in Official Journal		
11/03/1996	Debate in Council	<a href="#">1906</a>	Summary

Technical information	

Procedure reference	1994/2222(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/4/06322

### Documentation gateway

Non-legislative basic document	COM(1994)0615	13/12/1994	EC	Summary
Document attached to the procedure	<a href="#">N4-0004/1995</a>	21/12/1994	CSL	Summary
Committee report tabled for plenary, single reading	<a href="#">A4-0066/1995</a> <a href="#">OJ C 109 01.05.1995, p. 0005</a>	22/03/1995	EP	
Economic and Social Committee: opinion, report	<a href="#">CES0321/1995</a> <a href="#">OJ C 133 31.05.1995, p. 0042</a>	30/03/1995	ESC	
Text adopted by Parliament, single reading	T4-0181/1995 <a href="#">OJ C 109 01.05.1995, p. 0273-0304</a>	07/04/1995	EP	Summary

## 1995 annual economic Report. General economic policy guidelines

This economic report presents the economic trends in the Community in 1995. In the first part, the Commission reviews the economic indicators which illustrate the current recovery, while the second part deals with the economic situation and policies in each Member State of the Community (of the 12). - strong recovery: the economy in the Community is currently in a period of strong growth, following the sharp recession in 1992-1993. Manufacturing is growing at a sustained pace, exports to third countries have increased over 1994 and an upswing in the economy is expected in 1995-96. In addition, employment should start to increase, with a drop of approximately 10% anticipated in the rate of unemployment; - continuing challenges to the Community: the Union still faces the same challenges: . to achieve and maintain high job-creation levels; . to achieve the level of convergence required for EMU. In order to achieve these two objectives, the Community should: - be more competitive and more dynamic, - improve the working of the labour market, - create conditions which will help increase the productive capacity of the economy, - maintain a stable macro-economic framework (mainly by reducing budgetary deficits). As far as job creation is concerned, the Community should improve education and training and reduce tension on the labour market by introducing measures such as flexible working times. As far as convergence is concerned, the conditions needed for monetary policy to remain stable must be maintained (budgetary and wage restraint). At the same time, the Community should continue to support a policy of increased investment and structural reform. If all these conditions are applied, there is every reason to believe that the recovery will become permanent, with realistic growth of 3 to 3.5% between 1995 and the year 2000 and unemployment limited to 7% of the working population (creation over a period of time of some 15 million jobs). At the same time, if convergence efforts are sustained, the conditions needed to move to the third stage of EMU could be satisfied in the short term.?

## 1995 annual economic Report. General economic policy guidelines

In a letter to the President of the European Parliament, the Council notifies the President that, under the provisions of Article 103 (3) of the TEU, the Council proceeded at its session on 5 December 1994 to survey economic developments in the Community and compliance of the policies applied with the broad economic policy guidelines for the Member States and the Community, as adopted by the Council on 11 July 1994. At the end of its survey, the Council adopted a report on the overall evaluation of the implementation of the broad economic policy guidelines. This report was submitted to the Essen European Council, which approved it. The Council was now submitting this report to the European Parliament for examination in accordance with Article 103 (4), paragraph 2 of the TEU.

## 1995 annual economic Report. General economic policy guidelines

The committee adopted the report by Mr Georgios KATIFORIS (PSE, EL) on the Commission's annual economic report (1995). Mr Katiforis's report is sub-divided into three parts: measures on unemployment, the recovery and medium-term growth and, finally, the third stage of EMU. Unemployment: the objective to create 15 million jobs must should continue to apply and growth should create more jobs. Tax reforms are therefore needed so as to support social security charges from other sources (eco-tax). The report recommends that the social partners start negotiating the possibility and the conditions for reducing working times. Structural policies also need to be applied via public/private partnerships and the trans-European networks should therefore be implemented as quickly as possible. Recovery and medium-term growth: the report highlights the need for measures, including a tax on speculation, in order to boost productive investment, and the need to apply an industrial policy and a policy on increased expenditure on RDT. As far as salaries are concerned, wage increases should not outstrip productivity gains. However, wage restraint should be counterbalanced by various measures such as profit-sharing schemes for employees.

As far as deregulation is concerned, care should be taken to ensure that public monopolies are not replaced by private oligopolies. Third stage of EMU: the report welcomes the intention of the EU presidency to change over to the third stage of EMU as quickly as possible and stresses the need for public support for this move and faster technical preparations for the single currency. It also stresses the need for a coordination framework at monetary, economic and fiscal level subject to democratic control by the European Parliament and the national parliaments. ?

## 1995 annual economic Report. General economic policy guidelines

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In its resolution on the Commission's 1995 annual economic report and the Council report on the broad economic policy guidelines, the European Parliament welcomed the 2.6% increase in GDP in 1994 announced in the report (compared with - 0.4% in 1993) and forecast rates of 2.9% for 1995 and 3.2% for 1996. However, Parliament deplored the overly slow reduction in unemployment, which looked set to top the 11% mark in 1994 and gradually fall to a disappointing 7% by the year 2000. - It was for this reason that Parliament vigorously defended the objective of creating 15 million new jobs between now and the end of the century. It called on the Union and the Member States to do everything within their power to put this commitment into practice within a reasonable period of time and to ensure that growth resulted in new jobs by introducing major tax reforms and gradually introducing legislation reducing working times. On the same lines, it also recommended that measures implemented to control budgetary deficits should take account of their impact on employment. - As far as the recovery in the medium term is concerned, the European Parliament recommended that the propensity to invest should be strengthened in order to boost investments from 19% to 25% of GDP. New products and new areas of industrial activity should be developed, especially in the information sector, as well as in the environment, biotechnology and audiovisual sectors. It also stressed that competitiveness would only improve if education and training in the new technologies were drastically improved. As far as wages are concerned, Parliament acknowledged that wage increases should not outstrip productivity gains but that wage restraint should be counterbalanced by profit-sharing schemes for employees. - With reference to the changeover to the third stage of EMU, the European Parliament approved the conclusions in the report stressing the need to reduce budgetary deficits, provided that they did not compromise the objectives of cohesion, solidarity and high employment levels, and called on the Commission, the Council and the EMI to set a realistic timetable for the changeover to the single currency in order to allow time for a comprehensive public information campaign. At the same time, it issued a clear warning against the risk of self-satisfaction on the part of the Member States with regard to exchange rate and interest rate stability and called on the Commission to investigate this problem. - Finally, Parliament was concerned at the contempt expressed in the Commission report for democratic control by the House, which was limited to merely examining monetary and budgetary policy, and called for all texts on Community matters presented to the Council and the European Council to be presented to the European Parliament as well. Similarly, the European Parliament called for everything to be done to bring about a formal interinstitutional agreement which would fully involve Parliament in all stages of Union economic policy-making (broad economic policy guidelines, multilateral control and procedure in the event of excessive deficit).?

## 1995 annual economic Report. General economic policy guidelines

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The Ministers discussed the economic situation in the Community in the light of the 1995 annual economic report recently forwarded to it by the Commission. The debate was introduced by contributions from the Chairman of the Monetary Committee and the President of the EMI. President SANTER commented on the main elements of the Commission's report. The President, Mr DINI, considered that the debate had revealed that the Union was experiencing an economic downturn, perhaps even a pause in growth, due in particular to a decline in consumer and investor confidence. An additional element of uncertainty was the high level of unemployment. However, this downturn did not constitute a recession as the underlying data were sound and there were prospects of a recovery in the course of the year. In the circumstances, there was no justification for changing the policy mix; on the contrary, the present economic policies should be pursued, in particular the consolidation of public accounts.?