Procedure file

Basic information

COS - Procedure on a strategy paper (historic) 1995/2118(COS)	Procedure completed
Broad guidelines for the economic policies of the Member States and European Community for 1995	
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		18/04/1995
		ELDR COX Pat	
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	1863	10/07/1995
	Economic and Financial Affairs ECOFIN	1856	19/06/1995

Key events

31/05/1995	Non-legislative basic document published	COM(1995)0228	Summary
16/06/1995	Committee referral announced in Parliament		
28/06/1995	Vote in committee		Summary
28/06/1995	Committee report tabled for plenary	A4-0168/1995	
13/07/1995	Debate in Parliament		Summary
14/07/1995	Decision by Parliament	T4-0376/1995	Summary
14/07/1995	End of procedure in Parliament		
25/09/1995	Final act published in Official Journal		

Technical information

Procedure reference	1995/2118(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/4/06715

Documentation gateway

Non-legislative basic document		COM(1995)0228	31/05/1995	EC	Summary
Committee report tabled for plenary, single reading		A4-0168/1995 OJ C 249 25.09.1995, p. 0005	28/06/1995	EP	
Document attached to the procedure		08639/1995	04/07/1995	CSL	
Text adopted by Parliament, single reading		T4-0376/1995 OJ C 249 25.09.1995, p. 0199-0213	14/07/1995	EP	Summary

Broad guidelines for the economic policies of the Member States and European Community for 1995

This Commission recommendation on the broad guidelines for the economic policies of the Member States has been drawn up and adopted in accordance with Article 103 (2) of the TEU. These guidelines provide a reference for the economic policies implemented by the Community and the Member States. If these guidelines are implemented in full, convergence will be strengthened and the excellent prospects for growth will be translated into real growth, thereby reducing unemployment rates considerably. Two aspects of economic policy give cause for concern: - "negligence towards adjustment", i.e. a less than firm commitment to resolve structural imbalances in public finances once and for all or a less than resolute determination to implement the measures needed in order to rectify shortcomings on the labour market following the initial signs of recovery; - instability in exchange rates which threaten the single market acquis and increase the risk of inflation spreading. Four major objectives must be attained in order to consolidate the current recovery and guarantee strong, sustainable, non-inflationary, job-creating growth in the medium term and enable the Community to move on to stage 3 of EMU without any adverse repercussions: - monetary policy must be geared to stability and must not be derailed by budgetary developments or inappropriate wages; - a sustained effort must be made to consolidate public finances in the majority of Member States; - nominal wage developments must take account of the objective of price stability and wage developments must strengthen the profitability of job-creating investments; - structural reforms must be designed to stimulate the competitiveness of the economies of the Member States and improve the working of their labour markets. Guidelines for economic policy: 1) price and exchange rate stability: the Member States should introduce policies which aim to sustain stable exchange rates in the Community, thereby strengthening price stability. Strict budgetary policy and the credibility of Member States' commitment to consolidating public finances will play a decisive role here; 2) sound public finances: the main task of practically all the Member States is to take full advantage of current growth and promote consolidated budgets by reducing structural deficits. Member States need to reduce these deficits to less than 3% of GDP as quickly as possible as a first step towards reducing them to between 0 and 1% of GDP. This will enable the average budgetary deficit in the Community to be reduced to below 3% in 1997; 3) competitiveness: the rate of transposition of Community directives on the completion of the single market is 92.4%, even if progress is still needed in certain areas (insurance, public telecommunications, energy and transport markets, free movement and competition rules). The Community will only be dynamic if tangible and intangible investments are made, especially in the area of training and infrastructure (it is essential in this respect to complete the trans-European networks and implement the plan on the information society); 4) labour and employment market: the Essen European Council identified 5 priority measures needed in order to improve the employment situation in the Community. Member States are called on to implement measures in keeping with their specific situation and to draw up multiannual programmes in this respect. Employment policies should help to reduce unemployment by: . improving the job prospects for labour by promoting investment in vocational training; . increasing the number of jobs through growth by efficiently promoting employment in the Member States, reducing the non-wage costs of labour and encouraging the development of new employment resources; . improving the employability of labour, mainly by strengthening the mobility of workers and granting aid to the groups hardest hit by unemployment (excluded groups). The Member States need to adopt multiannual programmes along these lines in order to strengthen job creation throughout the Community.?

Broad guidelines for the economic policies of the Member States and European Community for 1995

The committee voted "en bloc" and almost unanimously in favour of the proposal for a resolution on the broad guidelines for the economic policies of the Member States submitted by Mr Cox.?

Broad guidelines for the economic policies of the Member States and European Community for 1995

Mr COX (ELDR, IRL) regretted that the debate on the annual economic guidelines was taking place after their adoption by the Council and he highlighted a number of serious gaps, such as the policy on employment and unemployment in particular. To this end, he estimated that 3 million new jobs created in 1995-1996 would only reduce the unemployment figure by 1.6 million (compared with the 5.8 million job losses recorded between 1992 and 1994). He thus hoped that a more focused policy would place greater emphasis on employment with a view to achieving results that lived up to expectations. Mr DE SILGUY considered that as a result of the COX report, following the adoption of the broad economic guidelines on 10 July by the Ecofin Council, the Member States could take account of the EU?s reference framework when drawing up their national budgets. As regards job creation, which was the aim of all economic policies, the Commission proposed, in particular, improving the quality of human resources, strengthening the employment component of growth, and facilitating the reintegration of workers, particularly the long-term unemployed and young people. The EP was to be consulted formally on the adoption of the Commission?s summary report in October based on the multiannual programmes provided at the end of September by the Member States (with a view to establishing a European employment strategy at the Madrid Council). The Commission had also asked the European Council to approve the launch of specific projects involving SMEs and local initiatives. The policies on training would be dealt with in a Commission White Paper in the autumn. As far as growth was concerned, the 1995-2000 expansionist programme would cut unemployment to 7.25% in the year 2000, which should prompt the implementation of structural measures since the ambitions in the Delors White Paper were far from being achieved. Growth continued to be threatened by monetary disruptions, inflation in the countries with weak currencies, debt and public deficits; the Commission therefore called for greater convergence. Finally, the Commission proposed strengthening the multilateral monitoring procedures.

Broad guidelines for the economic policies of the Member States and European Community for 1995

Adopting the report by Mr COX (ELDR, IRL), the European Parliament considered that the main objective of the Member States' and Community economic policies was to translate economic recovery into jobs and sustainable, non-inflationary growth. Parliament regretted that these guidelines did not set any objectives for or approach to employment, contrary to what was stipulated for inflation and deficits. In addition, the measures set out in the guidelines were insufficient to achieve sustainable growth and address the problem of mass unemployment. The European Parliament was particularly concerned by the fact that current growth (2 to 3%) would absorb less than 50% of the excess capacity generated during a single year of recession. Furthermore, the 3 million new jobs created in 1995-1996 would only reduce the unemployment figure by 1.6 million, compared with the 5.8 million job losses recorded between 1992 and 1994. Finally, it was concerned by the fact that structural unemployment was again estimated at 9% for 1997. According to the European Parliament, there is also a risk of insufficient economic recovery, leading to more job losses. Parliament set out a series of specific measures to strengthen the "employment" component of growth. They involve: - gradually replacing taxes on labour with eco-taxes; - reducing non-wage costs; - examining new working arrangements with the social partners (by giving priority to the SME sector, which was an obvious source of new jobs, and by injecting new life into this sector); - developing training systems to improve the flexibility of the labour market; - strengthening the competitiveness of Community enterprises, mainly by emphasizing research and technological development. At the same time, while welcoming the progress achieved in bringing inflation under control, the European Parliament called for additional efforts in countries whose currency had fallen in value. As far as public deficits were concerned, the European Parliament stressed that it was essential to reduce them following the recovery and that adjustments therefore needed to be made in order to address structural deficits. It recommended that this be done by implementing more ambitious fiscal programmes in certain Member States. A fast, substantial reduction in deficits would create the conditions needed to reduce interest rates and encourage investment. Finally, as far as exchange rates were concerned, Parliament was concerned about the instability of exchange rates and the possibility of Member States' practising "run-for-your-life" policies which would distort competition and prevent the internal market from functioning properly. Finally, it considered that, in order to guarantee the success of the adjustment process, the Commission should define a medium-term strategy which took account of the need to: . develop new ways of meeting the convergence criteria; . plan a Community initiative in relation to international monetary systems, given the instability caused by the fall in value of the dollar; . reform social protection systems in the light of fiscal constraints and demographic changes; . grant priority to the internal market by transposing all the directives in the Member States; . grant priority to the information society; . strengthen training, especially continuing training; . take greater account of ecologically-sustainable development.?