

## Declaration by the Ecofin Council on Economic and Monetary Union (1 May 1998)

**Caption:** On 1 May 1998, with a view to the transition to the third stage of Economic and Monetary Union (EMU) on 1 January 1999 and the introduction of the single currency, the Council of Economic and Finance Ministers places particular emphasis on the importance of pursuing the process of economic and monetary convergence of the Member States of the European Union.

**Source:** Official Journal of the European Communities (OJEC). 11.05.1998, n° L 139. [s.l.]. "Declaration by the Council (Ecofin) and the Ministers meeting in that Council issued on 1 May 1998", p. 28-29.

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## Declaration by the Council (Ecofin) and the Ministers meeting in that Council issued on 1 May 1998

1. On 1 January 1999, the euro will be a reality, marking the end of a process culminating in the fulfilment of the economic conditions necessary for its successful launch. The Council (Ecofin) and the ministers meeting in that Council welcome the significant progress that has been made in all Member States in achieving price stability and sounder public finances. The convergence process has contributed to a high degree of exchange-rate stability and historically low interest rates, and thus to the improved economic conditions in our economies.

2. The move to the single currency enhances further the conditions for strong, sustained and non-inflationary growth conducive to more jobs and rising living standards. It eliminates the exchange-rate risk among participating Member States, reduces transaction costs, creates a broader and more efficient financial market, and increases price transparency and competition. It thus provides the decisive step for a truly single market.

3. We, the ministers, are strongly committed to the actions necessary to realise the full benefits of economic and monetary union and the Single Market in the interest of all our citizens. These actions include closer coordination of economic policies. We are confident that the full implementation of the conclusions of the Dublin, Amsterdam and Luxembourg European Councils provides a sound basis for a permanently high degree of financial stability and the smooth functioning of EMU.

4. For the coming years, strong, sustained and non-inflationary growth will continue to be based in all Member States on economic convergence. Moreover, sound and sustainable public finances are prior conditions for growth and higher employment. The Stability and Growth Pact provides the means for securing this objective and for increasing the scope in national budgets to deal with future challenges.

5. In accordance with that Pact, we will start to implement the Regulation on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies <sup>(1)</sup> on 1 July 1998 in the following way:

- we are committed to ensure that the national budget objectives set for 1998 are fully met, if necessary by taking timely corrective action,
- the Council agrees to have an early consideration of Member States' budgetary intentions for 1999 in light of the framework and objectives of the Stability and Growth Pact.

On these first two points, the ministers of the States participating in the euro area have decided to meet informally, in the course of the coming months, to start their monitoring work in accordance with the Luxembourg European Council resolution,

- if economic conditions develop better than expected, Member States will use the opportunity to reinforce budgetary consolidation so as to reach the medium-term objective of government financial positions close to balance or in surplus, as embodied in the commitments of the Stability and Growth Pact,
- the higher the debt-to-GDP ratios of participating Member States, the greater must be their efforts to reduce them rapidly. To that end, in addition to maintaining appropriate levels of primary surpluses in compliance with the commitments and the objectives of the Stability and Growth Pact, other measures to reduce gross debt should be put in place. Furthermore, debt management strategies should reduce budgets' vulnerability,

- each of the ministers undertakes to submit, at the latest by the end of 1998, national stability or convergence programmes which will reflect these important elements.

6. The Council reiterates that the responsibility for budgetary consolidation lies and remains with the Member States and that, in accordance with the provisions of Article 104b(1) TEC, the Community in particular shall not be liable for or assume the commitments of Member States. Without prejudice to the objectives and provisions of the Treaty, it is agreed that economic and monetary union as such cannot be invoked to justify specific financial transfers.

7. Our work on budgetary consolidation will be complemented by increased efforts for improving the efficiency of our economies so as to enhance the favourable environment for growth, high employment and social cohesion. In this context, we look forward to our meeting shortly with the social partners on economic and monetary union. Together with the social partners and all other concerned parties, we will take all necessary initiatives to create the conditions for combating unemployment, particularly for young people, the long-term unemployed and the low skilled. In following up the conclusions of the Luxembourg meeting of the European Council, we commit ourselves to play our part in implementing rapidly the national Employment Action Plans drawn up in the light of the employment policy guidelines. The Council (Ecofin) will consider these plans in contributing to the preparation of the Cardiff European Council and subsequent European Councils.

8. We will attach particular importance to increasing the degree to which growth can be translated into additional employment. We will thus put emphasis, *inter alia*, on the following structural reforms:

- making product, labour and capital markets more efficient,
- improving the adaptability of labour markets in order to better reflect wage and productivity developments,
- ensuring that national education and training systems are effective and relevant to employment,
- seeking to encourage entrepreneurship, notably by attacking the administrative obstacles which it faces,
- enabling easier access to capital markets and to venture capital funds, particularly for small and medium-sized enterprises,
- increasing tax efficiency and avoiding harmful tax competition,
- addressing all aspects of social security systems in view of ageing populations.

9. The Council intends to establish a light procedure, fully respecting the subsidiarity principle, for monitoring progress on economic reform. From next year, the preparation of the broad economic policy guidelines will draw on short assessments of progress and plans by Member States and the Commission on product and capital markets, as well as on the employment action plans.

(1) Council Regulation (EC) No 1466/97 of 7 July 1997 (OJ L 209, 2. 8. 1997, p. 1).