

DECLARATION ON PROMOTING ECONOMIC RECOVERY IN EUROPE

1. The completion of the European Single Market at the end of this year, the ratification of the Maastricht Treaty, agreement on the future financing of the Community and an early successful GATT settlement are of crucial importance for strengthening the European economy and would give a substantial boost to confidence.

2. The objectives of Member States' economic policies should remain as set out in the Maastricht Treaty: an open market economy with free competition, sustainable growth respecting the environment, stable prices with sound public finances and monetary conditions and a sustainable balance of payments. These objectives will continue to determine the economic policies of Member States. They remain determined to fulfil the convergence criteria established in the Maastricht Treaty and to comply fully with the convergence programmes submitted to the Council, including adherence to the medium-term goals of budgetary consolidation.

3. The European Council invited Member States to implement in a concerted way economic measures, tailored to national requirements, which would boost confidence and promote economic recovery. The measures should be targeted towards improving the prospects for growth, creating lasting jobs, and consistent with a medium term framework founded on the principles of convergence established in the Maastricht Treaty.

4. Member states should:

- take every opportunity, according to their national circumstances, to exploit the limited margins of manoeuvre available as concerns budgetary policy;
- switch, to the extent possible, their public expenditure priorities towards infrastructure and other capital investment and growth-supporting expenditures which earn a worthwhile return;

- implement measures to encourage private investment, especially by small and medium sized enterprises (SMEs);

- act to improve further the efficiency of their economies, for example through action to reduce subsidies and measures to enhance competition and market flexibility;

- make efforts to achieve restraint in wage settlements within the public sector. The European Council noted that restraint on wage bills would help to control Government current spending, would contribute to much needed improvements in competitiveness and would help reduce unemployment.

Sound government finance coupled with low inflation and wage moderation will help to create the conditions for reductions in interest rates.

5. The European Council will keep economic prospects under close examination and will review the situation further at its next meeting. It invited the ECOFIN Council:

- to consider the relevant national actions in the framework of multilateral surveillance.

- to monitor the performance of national economies against their programmes for economic convergence.

- to identify measures to improve the functioning of the labour market.

6. The European Council believes that the effectiveness of these national actions will be strengthened by complementary and supportive action at the level of the Community. To this end the European Council invited:

- the Council and the European Investment Bank (EIB) in full consultation with the Commission to give urgent and sympathetic consideration to the establishment of a new, temporary lending facility of 5 becu within the EIB. The purpose of the new facility would be to accelerate the financing of capital infrastructure projects notably connected with Trans-European Networks. These networks may include projects involving the countries of Central and Eastern Europe to the extent that they are of mutual interest and ensure the interoperability of networks with the Community.

For projects financed by this facility the EIB Governors would be invited to raise the normal ceiling on the extent of loans from 50% to 75% and the combined (loans and grants) ceiling from 70% to 90%. Other EIB criteria for infrastructure should continue to be met as now.

The European Council recalled that it was reaffirmed in the Maastricht Protocol on Economic and Social Cohesion that the EIB should devote the majority of its resources to the promotion of economic and social cohesion and that its capital needs should be reviewed as soon as this was necessary for that purpose;

- the ECOFIN Council and the EIB to give urgent and sympathetic consideration to the establishment as quickly as possible of a European Investment Fund with 2 becu of capital contributed by the EIB, other financial institutions and the Commission in order to extend guarantees of 5 - 10 becu; in total this could support up to 20 Becu of projects;

- the Member States and the Commission to establish programmes to utilise the Community funds that the European Council has today agreed. The Cohesion Fund will contribute to projects in the fields of the environment and Trans-European Networks in the area of transport infrastructure in the Community's less prosperous countries. The Structural Funds will inter alia promote investment projects in infrastructure;

- the Commission to bring forward proposals for improving the management and efficiency of research funded by the Community to achieve better economic effectiveness. To this end the selectivity of actions should be increased, and it should be ensured that Community activities contribute the most value added possible to efforts already under way in the Member States.

The above actions could provide Community support for investment in the public and private sectors of the Member States amounting to more than 30 becu over the next few years.

7. The European Council reaffirmed its commitment at Birmingham to an early, comprehensive and balanced GATT agreement. It also welcomed the successful completion, in all essential respects of the Single Market and emphasised the importance of its effective operation, including in the area of state aids, and called upon Member States and the Commission to proceed accordingly. The European Council recognised the importance of increasing the level of understanding by business of Community rules, and welcomed the Commission's intention to achieve enhanced consultation with industry and clearer and simpler legislation.

8. Recognising the importance of SMEs for creating employment and stimulating growth, the European Council called upon the Council and the Commission to ensure that the burdens from Community legislation on small and medium-sized enterprises are reduced (including through the use of simplified schemes and exemption limits in the field of indirect taxation) and that full information about Community support is provided to SMEs. It asked the Commission to accelerate the actions in favour of SMEs which have proven their worth at the Community level.

9. The European Council reiterated its commitment to the European Monetary System as a key factor of economic stability and prosperity in Europe.

10. The European Council is convinced that the full implementation of this declaration will work to boost confidence, reinforce the fundamentals of economic growth and encourage the creation of new jobs. It invited the Commission to report, as appropriate, to the ECOFIN Council and other appropriate Councils on their implementation. It also called upon Member States to encourage further international cooperation to promote growth with countries outside the Community.