The updated programme foresees a balanced general government budget by 2004, while the gross debt ratio is expected to decrease to 54,5 % of GDP by the end of the programme period. The Council considers it appropriate that the budgetary consolidation envisaged in the programme is achieved by a decrease in the expenditure ratio which is only partially offset by a decline in the revenue ratio. The Council recognises that the ongoing expenditure restraint has created some room for the planned tax reforms in the year 2001, while also recognising that in this year the decline in the revenue ratio will be higher than the decline in the expenditure ratio. However, with these reforms leading to a clear deterioration in the actual deficit in 2001 and in the structural deficit in years 2001/2002, the Council reiterates its recommendation to implement the reforms with greatest caution so as not to provoke a lasting deterioration in the structural deficit. In this context, it is important that expenditure is kept under strict control.

The Council considers that the objective for the medium-term budgetary position, set for 2002 and subsequent years, will be in conformity with the Stability and Growth Pact.

Moreover, the Council considers that the programme is broadly in line with the recommendations of the broad economic policy guidelines. The Council recommends, however, that, should tax revenues be higher than expected, they be used to reduce the deficit below the targeted level with a view to widening the safety margin in line with the broad economic policy guidelines. Thereby it should be ensured that no further pro-cyclical stimulus is provided to the economy which in turn might pose a threat to price stability.

Regarding government debt, the Council welcomes the fact that, owing to the improved position of government finances, the trend of a rising debt ratio has been broken. In view of the foreseeable challenges associated with the ageing of the German population, continued privatisation efforts at all levels of government would help achieve the programme's medium-term debt objectives. In this context, the Council welcomes the fact that the government will use all of the UMTS proceeds to reduce debt. While welcoming the federal government's plans to use part of the resulting interest savings to increase investment spending, the Council considers that, in light of the non-negligible risks to the budgetary projections, it would be appropriate not to spend all of the resulting interest savings.

The Council welcomes the fact that the tax reforms are inserted in a medium-term oriented comprehensive economic reform strategy. Continued reforms of the pension system and of labour and product markets could further improve the potential growth path not only of Germany, but of the euro-zone as a whole.

COUNCIL OPINION

of 27 November 2000

on the updated stability programme of Finland for the period 2000-2004

(2000/C 374/03)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies [1], and in particular Article 5(3) thereof,

Having regard to the recommendation of the Commission,

After consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

On 27 November 2000 the Council examined Finland's updated stability programme, which covers the period 2000-2004. The Council notes with satisfaction that the Finnish general government surplus, registered since 1998, increased in 1999, and is projected to exceed 4 % of GDP throughout the period 2000-2004, while the general government debt to GDP ratio is projected to continue to decline. Moreover, the Council considers that the updated programme is consistent with the broad economic policy guidelines.

[1] OJ L 209, 2.8.1997, p. 1.

The Council welcomes the overall record of implementation of the 1999 updated programme, although it noted that the improvement in the budget surplus actually achieved in 1999 and the reduction in government debt both fell some way short of the projections then made, with all three subsectors of general government contributing to the shortfall in the overall surplus and with lower revenue than expected. In addition, inflationary pressures have emerged. The rise in domestically generated inflation appears linked to a corresponding rise in inflation in the service sector.

The macroeconomic scenario presented in the latest updated stability programme includes strong economic growth in 2000 due to continued robust internal and external demand. Thereafter, GDP is assumed to decelerate from 2001 for the remainder of the projection period. The central characteristic of a medium-term slowing down in the economy appears plausible, taking into account the rapid recent growth of the Finnish economy and the strains on capacity already evident in certain areas. The risk remains that the economy may overheat and that excessive demand may add to inflationary pressures. The Council considers that moderate wage developments will be crucial in this respect.

As already referred to in the 2000 broad economic policy guidelines, the Council also considers that a tight fiscal stance in Finland is necessary to contain risks of overheating. Subject to this, the Council commends the fiscal strategy of the updated stability programme. This consolidates previous programmes and aims to maintain surpluses around 4,5 % of GDP through a reduction in government expenditure in relation to GDP but at the same time reduces the tax burden.

The underlying budgetary position corresponding to the 4,5 % expected surplus for 2000 will allow Finland to continue to fulfil the requirements of the Stability and Growth Pact. The Council considers that continued fiscal restraint embodied in the updated programme is justified in view of the future effects of population ageing on pensions and health care costs, to which Finland is particularly exposed.

The Council welcomes the commitment in the updated programme to continued structural reforms. Reforms are particularly important in promoting the government's central objective of raising employment and at the same time safeguarding price stability. Fiscal reform, reducing the still heavy overall taxation and social contribution burden on labour, can reinforce this potential. Concerns remain that the structure of the pension system contains disincentives for older workers to remain in the labour market and that pension system funding may need to be strengthened in the face of rapid ageing. The reductions in government expenditure and revenue relative to GDP anticipated in the programme and continued structural reforms should both help to increase employment.

RESOLUTION OF THE COUNCIL AND OF THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES, MEETING WITHIN THE COUNCIL,

of 14 December 2000

on the social inclusion of young people

(2000/C 374/04)

THE COUNCIL AND THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES, MEETING WITHIN THE COUNCIL

Whereas:

(1) Article 2 of the Treaty establishing the European Community gave the Community the task of promoting throughout the Community a harmonious, balanced and sustainable development of economic activities and a high level of employment and of social protection and the raising of the standard of living and quality of life.

(2) Article 136 of the said Treaty assigned to the Community and the Member States the particular objectives of the promotion of employment, improved living and working conditions and the combating of exclusion.

(3) Article 149 of the said Treaty provides for action by the Community to be aimed in particular at encouraging the development of youth exchanges and of exchanges of socio-educational instructors.