

FINANCE MINISTERS DECISION TO BE MADE AT EU SUMMIT IN JUNE AFTER CONSULTATION WITH PARLIAMENT

Brussels backs Greek move to join euro

By Peter Norman in Brussels

The European Commission yesterday proposed that Greece should join the euro, making it almost certain that the European Union's single currency area will expand from 11 to 12 members at the beginning of next year.

The final decision will be taken by EU finance ministers after consultations with the European Parliament and a discussion among EU leaders at their next summit in June. But the Commission's conclusion that Greece fulfils the necessary conditions to join the euro-zone means the remaining steps are likely to be little more than formalities.

Pedro Solbes, the commissioner for economic and monetary affairs, said Greece, having failed the euro entry test in 1998, had since achieved "a high degree of sustainable convergence".

Greece had met none of the four economic convergence criteria for the euro

Germany concerned over application to join euro-zone

Leading members of Germany's opposition Christian Democrats voiced concerns about Greece entering the euro-zone within hours of the European Commission backing its request to join on January 1, **Reuters reports.**

In Berlin, Peter Hintze, spokesman on European affairs for the CDU/CSU parliamentary faction said in a statement: "Greece should only be admitted [to Emu] if its debt is further substantially reduced and its

two years ago, but the country had made "striking progress" in bringing its inflation rate, long-term interest rates, budgetary situation and exchange rate stability into line with the requirements of the single currency, he said.

But the Commission warned that a necessary fall in short-term interest rates towards euro levels and a

inflation rate is stabilised at a low level."

Karl von Wogau, CDU spokesman on economic matters in the European Parliament, said he still had doubts whether Greece had met the economic tests for membership in a lasting fashion. Mr von Wogau told the European Parliament's economic and monetary affairs committee it was crucial to be tough over the Greek application because of the precedent being set for future Emu enlargements.

downward movement of the drachma exchange rate towards its conversion rate for the euro would pose some risks for inflation. It urged the Greek government to continue a "stability-oriented strategy" based on a tight budget policy and moderate wage increases.

This message was hammered home by the European Central Bank, which

"What we are going to decide is a matter of setting a precedent. With every single decision we take we have to be aware that we will be observed very carefully by the [EU] accession countries," he said.

But Yannis Papantoniou, Greek economy minister, said yesterday the European Commission's favourable assessment of Greece's application to join the euro marked "a historic moment and the start of a new era".

also reported on the Greek economy yesterday. Christian Noyer, the ECB vice-president, underlined the need for a tight fiscal policy to cut Greece's high ratio of public debt to gross domestic product. Although the debt ratio is expected to fall below 100 per cent of GDP in 2001, it will still be well above the 60 per cent ratio envisaged in the Maas-

tricht Treaty on economic and monetary union.

Mr Noyer also urged structural reforms, including swifter implementation of EU single market legislation, more privatisation and an effort to reform Greece's social security system.

The Commission also reported yesterday on the readiness for the single currency of Sweden, which is also outside the euro-zone, but, unlike the UK and Denmark, has no opt-out from the euro.

It found that Sweden had failed to show sufficient exchange rate stability against the euro and that the legislation governing its central bank was neither compatible with the EU treaty nor the statutes of the European system of central banks.

Sweden has not yet applied to join monetary union. But Sweden's ruling Social Democrat party has come out in favour of eventual Emu membership, and has promised to put the issue to a referendum.

1