COUNCIL DECISION

of 1 May 1998

abrogating the Decision on the existence of an excessive deficit for Portugal

(98/313/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104c(12) thereof,

Having regard to the recommendation from the Commission,

Whereas the second stage for achieving economic and monetary union started on 1 January 1994; whereas Article 109e(4) of the Treaty lays down that, in the second stage, Member States shall endeavour to avoid excessive government deficits;

Whereas there is an excessive deficit procedure which provides for a decision on the existence of an excessive deficit and, after the excessive deficit has been corrected, for the abrogation of that decision; whereas, during the second stage, the excessive deficit procedure is determined by Article 104c of the Treaty, excluding paragraphs 1, 9 and 11; whereas the Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the excessive deficit procedure; whereas Regulation (EC) No 3605/93 [1] lays down detailed rules and definitions for the application of the said Protocol;

Whereas, following a recommendation from the Commission in accordance with Article 104c(6) of the Treaty, the Council decided on 26 September 1994 that an excessive deficit existed in Portugal; whereas, in accordance with Article 104c(7), the Council made recommendations to Portugal with a view to bringing the excessive deficit situation to an end [2];

Whereas a Council Decision on the existence of an excessive deficit is to be abrogated, in accordance with the provisions of Article 104c(12) of the Treaty, to the extent that the excessive deficit in the Member State concerned has, in the view of the Council, been corrected;

Whereas, when abrogating the Decision, the Council is to act on a recommendation from the Commission; whereas, based on the data provided by the Commission after reporting by Portugal before 1 March 1998 in accordance with Regulation (EC) No 3605/93, the following conclusions are warranted:

Since 1993, the government deficit has been declining significantly and, in 1997, it reached 2,5 % of GDP, which is below the Treaty reference value; a further reduction to 2,2 % of GDP is forecast for 1998. According to the 1997 convergence programme for Portugal, the deficit is projected to decline to 1,5 % of GDP in 2000.

The government debt ratio peaked at 65,9 % of GDP in 1995 and has since then declined each year to 62,0 % in 1997. The government debt ratio is forecast to equal 60,0 % of GDP in 1998 and is expected then to fall below the reference value.

The deficit was below the Treaty reference value in 1997 and is expected to remain so in 1998 and to decline further in the medium term; the debt ratio has been declining in the last two years and is expected soon to fall below the reference value,

HAS ADOPTED THIS DECISION:

Article 1

From an overall assessment it follows that the excessive deficit situation in Portugal has been corrected.

Article 2

The Council Decision of 26 September 1994 on the existence of an excessive deficit in Portugal is hereby abrogated.

Article 3

This Decision is addressed to the Portuguese Republic.

Done at Brussels, 1 May 1998.

For the Council
The President
G. BROWN

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[1] OJ L 332, 31. 12. 1993, p. 7.
[2] Council recommendations of 7 November 1994, 24 July 1995, 16 September 1996 and 15 September 1997.