II

*(Acts whose publication is not obligatory)*

# COUNCIL

## COUNCIL DECISION

**of 3 June 2003**

**on the existence of an excessive deficit in France — application of Article 104(6) of the Treaty establishing the European Community**

(2003/487/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 104(6) thereof,

Having regard to the recommendation from the Commission under Article 104(6),

Having regard to the observations made by France,

Whereas:

(1) In stage three of Economic and Monetary Union (EMU), according to Article 104 of the Treaty Member States are to avoid excessive government deficits.

(2) The Stability and Growth Pact is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong sustainable growth conducive to employment creation.

(3) The Amsterdam Resolution of the European Council on the Stability and Growth Pact of 17 June 1997 [1] solemnly invites all parties, namely the Member States, the Council and the Commission to implement the Treaty and the Stability and Growth pact in a strict and timely manner.

(4) The excessive deficit procedure under Article 104 provides for a decision on the existence of an excessive deficit. The Protocol on the excessive deficit procedure annexed to the Treaty sets out further provisions relating to the implementation of the excessive deficit procedure. Council Regulation (EC) No 3605/93 [2] lays down detailed rules and definitions for the application of the provision of the said Protocol.

(5) Article 104(5) of the Treaty requires the Commission to address an opinion to the Council if the Commission considers that an excessive deficit in a Member State exists or may occur. The Commission addressed such an opinion on France to the Council on 7 May 2003. According to this opinion:

— following publication by the Commission of the first notification on deficit and debt data for 2002, showing that the general Government deficit in France reached 3,1 % of GDP in that year, the Commission, in accordance with Article 104(3) of the Treaty, adopted on 2 April 2003 a report on France which takes account of the relevant factors,

— in accordance with Article 104(4) of the Treaty, the Economic and Financial Committee formulated an opinion on the report of the Commission,

— the Commission considers that there exists an excessive deficit in France.

(6) Article 104(6) of the Treaty lays down that the Council should consider any observations which the Member State concerned may wish to make before the Council decides, after an overall assessment, whether an excessive deficit exists.

(7) The overall assessment leads to the following conclusions. The general Government deficit reached 3,1 % of GDP in 2002 in France. Although budgetary developments have been adversely affected by continued weakness in economic activity, the excess of the general Government deficit over the 3 % of GDP reference value does not result, in the meaning of the Treaty, from an unusual event outside the control of the French authorities, nor is it the result of a severe economic downturn. According to Commission calculations, the deterioration

[1] OJ C 236, 2.8.1997, p. 1.
[2] OJ L 332, 31.12.1993, p. 7. Regulation as last amended by Commission Regulation (EC) No 351/2002 (OJ L 55, 26.2.2002, p. 23).

in the 2002 budgetary position results mainly from a worsening in the cyclically-adjusted budgetary position. The breaching of the 3 % of GDP threshold in 2002 is also rooted in the reversal of the budgetary consolidation process which took place since 1999, and is likely not to be temporary. Indeed, according to the French authorities and to the Commission Spring 2003 forecasts, the general Government deficit will be above 3 % of GDP also in 2003. Finally, the debt ratio will increase further in 2003, and will very likely breach the 60 % of GDP Treaty reference value in that year,

HAS ADOPTED THIS DECISION:

*Article 1*

From an overall assessment it follows that an excessive deficit exists in France.

*Article 2*

This Decision is addressed to the French Republic.

Done at Luxembourg, 3 June 2003.

*For the Council*
*The President*
N. CHRISTODOULAKIS