

New CER working paper

The Lisbon Scorecard III: The status of economic reform in the enlarging EU

By Alasdair Murray

Three years into the EU's Lisbon economic reform agenda, the EU remains far from meeting its goal of becoming the 'most dynamic and competitive knowledge-based economy in the world by 2010'. But the EU has made some notable progress during the last twelve months – in terms of energy liberalisation, financial services integration and, most recently, the adoption of a Community Patent – and it is far too early to pronounce the reform process dead.

The CER's *Lisbon Scorecard III* finds that the EU is struggling to meet its ambitious targets for raising employment rates for women and older workers, or increasing expenditure on research and development. But the EU has successfully encouraged the spread of new technologies and most member-states are removing obstacles to new business creation.

Three member-states – Denmark, Sweden and Finland – already meet most of the Lisbon targets and can be described as world-class economies. A second tier of countries, including Britain, Ireland and the Netherlands, are making good progress. Spain and Portugal are working hard to catch up with the frontrunners. Similarly EU accession countries, such as Estonia and Slovenia, are endeavouring to fulfil their Lisbon commitments.

However, the eurozone's three largest economies – France, Germany and Italy – have so far made little attempt to fulfil their Lisbon promises, particularly labour market and pension reforms. Unless they reinforce their reform efforts, they risk becoming a drag on the entire EU.

The scorecard ranks countries in different areas of reform and highlights the 'heroes' and 'villains' of reform over the last year. Germany and Italy emerge as the villains of the Lisbon agenda in 2003. Denmark and Finland are the heroes, having done most to keep the EU's efforts on track.

The paper concludes that the EU's most persistent failings are in those areas of the Lisbon agenda, such as labour market reform, where its aspirations are most vague and political sensitivities are paramount. It calls on EU leaders to use the Brussels summit on March 21st to provide a clearer 'road map' for reform in these areas.

Notes for editors:

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2. This paper can be ordered from the CER website www.cer.org.uk or by contacting kate@cer.org.uk