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New CER working paper

THE LISBON SCORECARD IV: THE STATUS OF ECONOMIC REFORM IN THE ENLARGING EU

By Alasdair Murray

With cynicism, even derision – this is how many Europeans look at the EU's key economic target, namely to become the "most competitive and dynamic, knowledge-based economy in the world" by 2010. The 'Lisbon' reform process, launched by EU leaders in 2000, has not lived up to expectations. The EU is not catching up with the US. Rather, it is falling further behind. As the Lisbon agenda approaches its half-term review, key reform targets, such as creating jobs or improving Europe's science and technology performance, look out of reach. EU governments are at a loss about how to kick-start the Lisbon agenda.

In its annual 'Lisbon scorecard', the Centre for European Reform draws attention to bottleneck in the reform process, as well as offering advice for improvements. Our 4th Lisbon scorecard shows that progress over the last year has been "mediocre". But it also shows that some EU countries have already met, even exceeded, the goals they set themselves at Lisbon. Denmark, Sweden and Finland are world-class economies that out-perform the US on many indicators of innovation, entrepreneurship and employment. A second group of countries, including Britain, Ireland, the Netherlands and Spain, perform well on many, although not all, Lisbon measures. Some reform laggards, such as France and Germany, have started crucial pensions and labour market reforms in 2003.

Ireland and Sweden are accorded 'hero' status. Ireland has recorded rapid productivity growth in recent years, while at the same time creating scores of new jobs. Sweden's case shows that the creation of a high-tech, competitive economy does not have to come at the expense of social security and fairness. Italy is classified as this year's 'villain'. Its employment levels are low, its record of innovation and entrepreneurship is poor, and the Berlusconi government still shies away from much-needed reform.

The EU's new member-states from Central and Eastern Europe score well on some Lisbon indicators – education or market liberalisation, for example – but badly on others, notably employment. The newcomers need to focus their scarce financial and administrative resources on creating jobs and attracting investment rather than trying to meet a plethora of diverse Lisbon targets. For the 'old' member-states, however, the established Lisbon targets remain as important as ever. We support the appointment of a dedicated reform, or 'Lisbon', commissioner, as recently proposed by the British, French and German governments. Such an appointment, however, cannot be a substitute for the political will of the EU member-states to take their reform commitments seriously.

<u>Notes for editors:</u>

1. Bertie Ahern TD, Taoiseach of Ireland and president of the European Council, will provide the keynote speech at the launch of the CER scorecard at the Institute of European Affairs, Dublin on Monday 8th March.

2. Alasdair Murray is the director of the business and social policy unit at the CER. For further comment, please call 00 44 20 7233 1199.

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