

Europe's Global Competitiveness and Necessary Reforms



Bratislava

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Vision of enlarging Europe required

- Europe: challenged by globalisation and new knowledge-driven economy. The Union must react - also with a view to the enlargement in progress
- The Lisbon Strategy - a commitment to bring about economic, social and environmental renewal in the EU
- Strategic goal - to become :
 - the most competitive and dynamic knowledge-based economy in the world
 - capable of sustainable economic growth
 - with more and better jobs and greater social cohesion

Need for flexibility

- Lacklustre growth in EU
- US economy more flexible
- More flexibility - especially on labour markets
- More efficient application of R&D results should diminish brain drain to the US

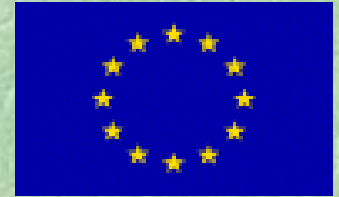
Hidden potential of acceding countries

- Human capital: inter alia in sciences and technical branches.
- Lower level of household equipment – additional demand on Union internal market
- Variety is what traditionally makes Europe

Factors of Enlarged EU Competitiveness

- Efficiency of European institutions
- Competitiveness of individual Member States

EU Accession Shall Boost Current Trends

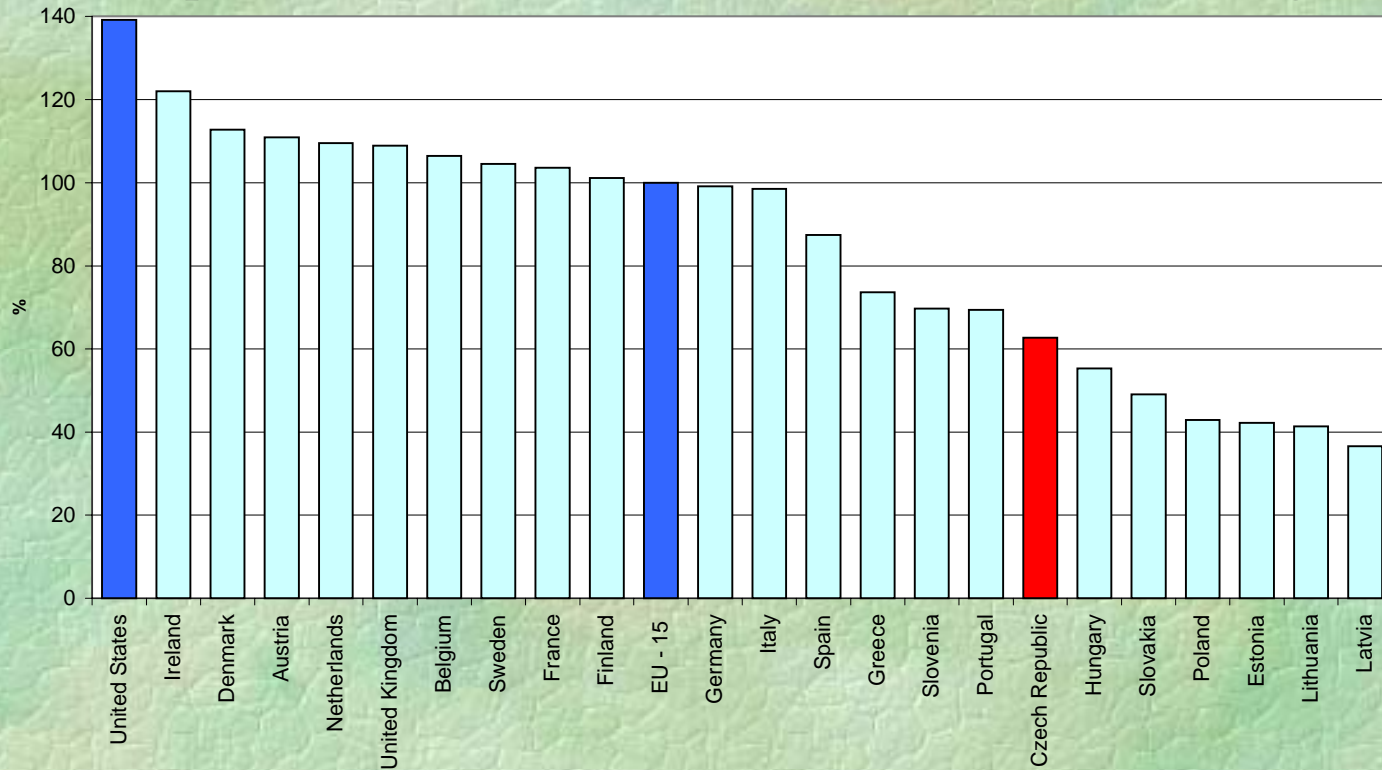


- Higher credibility of CR
- Internal market as an opportunity for businesses
- Pressure for improvement of legal frame and law enforceability
- More transparent competitive environment, liberalisation of utilities
- Pressure for budgetary discipline, Maastricht criteria
- Better protection of consumers and environment
- Chance for acceleration of real convergence

Economic Output in Old and New Member States

GDP: EU 15 = 100 %

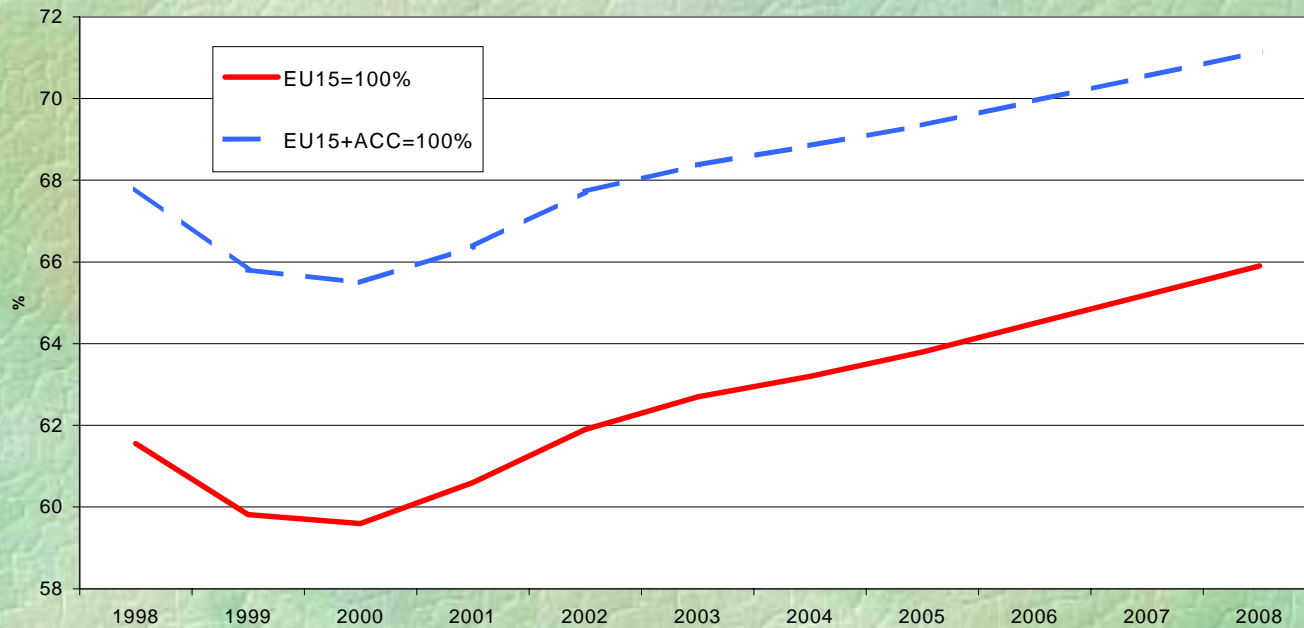
- Comparison of economic levels of member and accessing countries



Source: Eurostat - Structural indicators

Catching-up

- The real convergence of the Czech economy



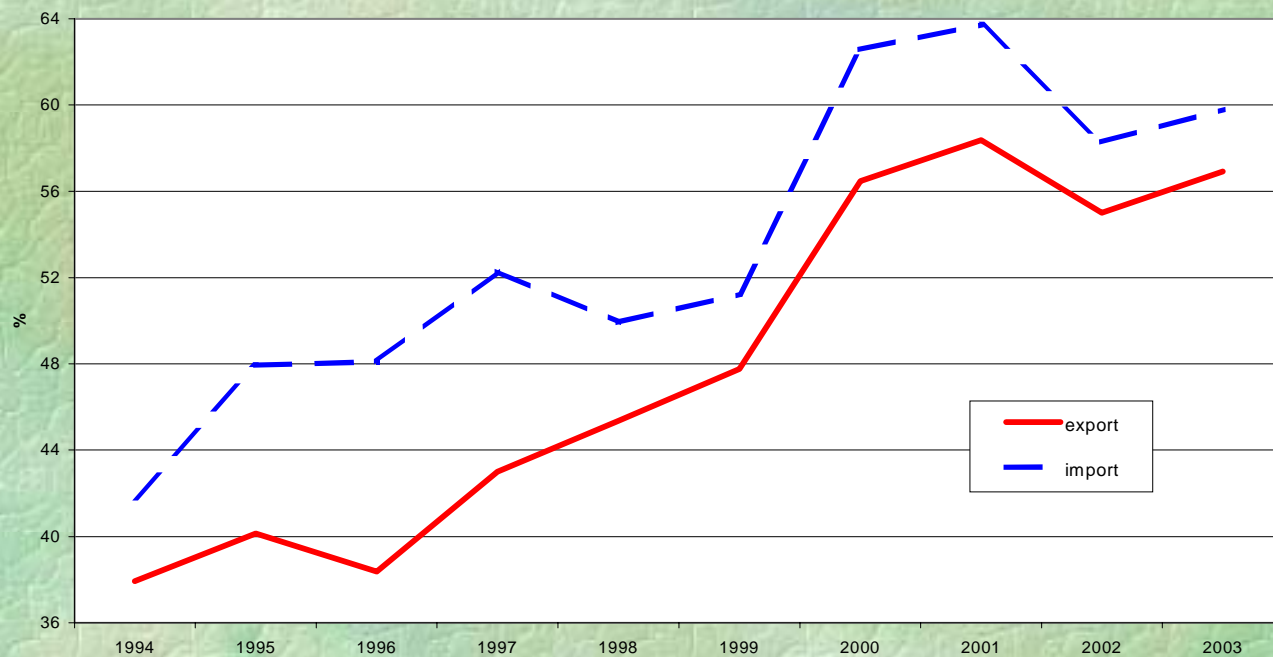
Source: MoF

How to Increase Competitiveness ?

- Macroeconomic environment
 - Low inflation
 - Openness of the economy
 - Inflow of foreign direct investments
- Structural Reforms

Openness of the Czech economy

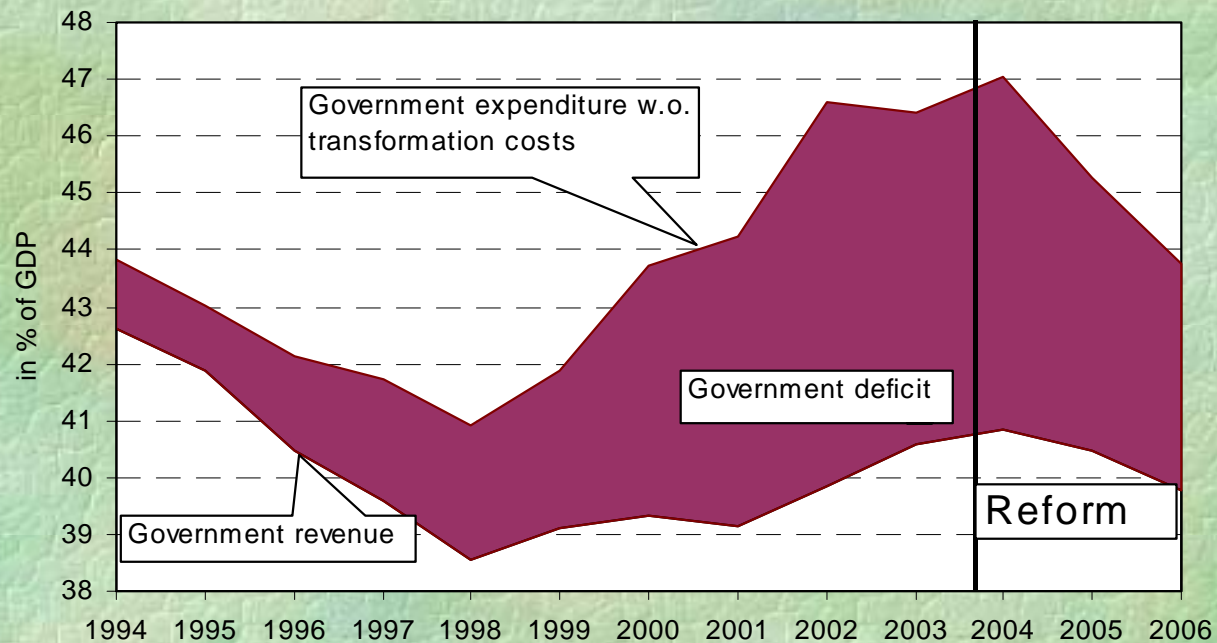
the rate of the exports and imports of goods on the GDP in %



Source: CSO, MoF

Public Finance Reform

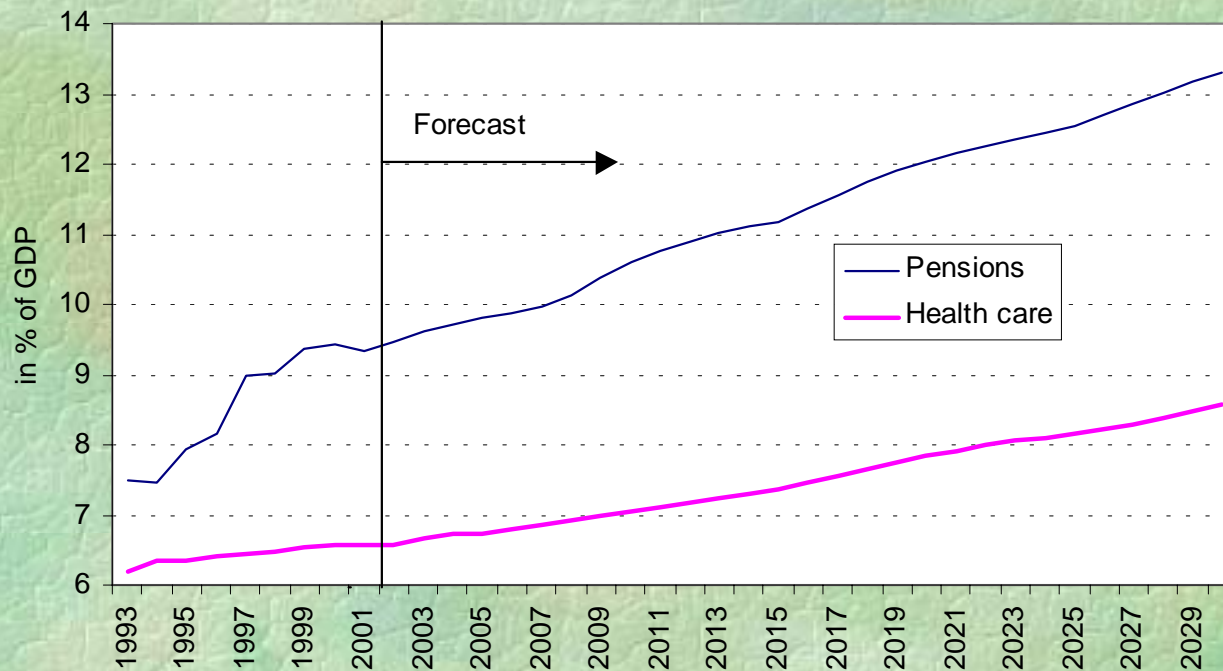
- Deficit targeted at 4 % of GDP in 2006



Source: MoF

Ageing

- Long-term development of pensions and health care costs under no-reform assumption



Source: MoF

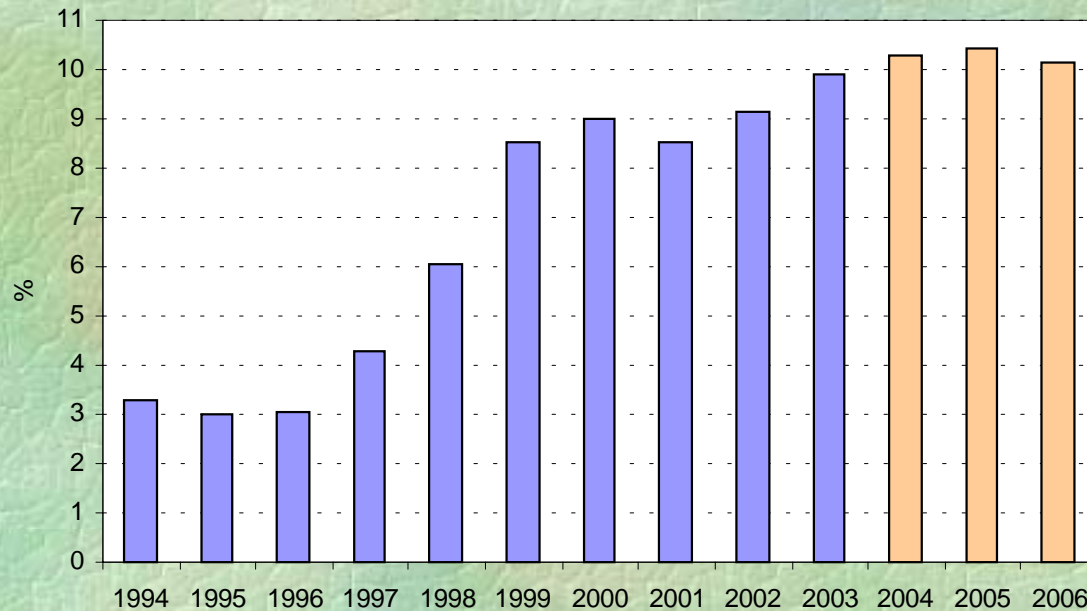
Product Market Reforms

- Regulation and liberalisation of markets
 - Telecommunications
 - Utilities
- Market entry and exit
- SME

Labour Market

- The rate of registered unemployment

yearly average in %



Source: Ministry of Social Affairs

Summary:

- Reform efforts may be painful and politically sensitive, but they are highly needed for future increase in competitiveness of both acceding countries and the enlarged European Union.