



Economic Reforms for Europe ***Regulatory and Business Environment***

March 18, 2004

Economic Reforms for Europe



- Current Situation
- Reforms for Growth
- Structure of EU budget
- Summary



Current Situation

EU Population 20% Up, GDP per capita 8% Down



<i>Country</i>	<i>Population, million</i>	<i>GDP, € billion</i>	<i>GDP per cap, €</i>	<i>% of EU</i>
<i>New members</i>	75	4 040	12 000	53
<i>EU 15</i>	376	8 827	23 180	100
<i>EU 25</i>	451	9 231	21 320	92

Global Competitiveness by World Economic Forum



Macro

Rank	Country
1	Finland
2	USA
3	Sweden
4	Denmark
5	Taiwan
6	Singapur
7	Switzerland
8	Island
9	Norway
10	Australia
...	
...	
43	Slovakia

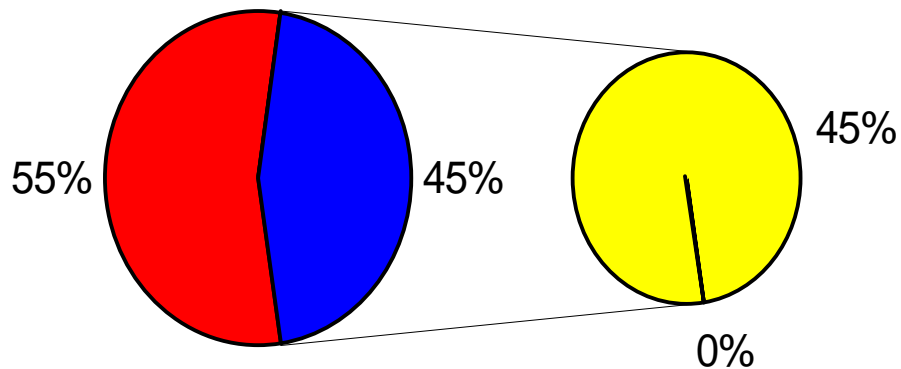
Micro

Rank	Country
1	Finland
2	USA
3	Sweden
4	Denmark
5	Germany
6	Great Britain
7	Switzerland
8	Singapur
9	Netherlands
10	France
...	
...	
43	Slovakia

Microeconomic Competitiveness



■ Non EU ■ EU 25 ■ EU 15 ■ New EU Members



1.Finland

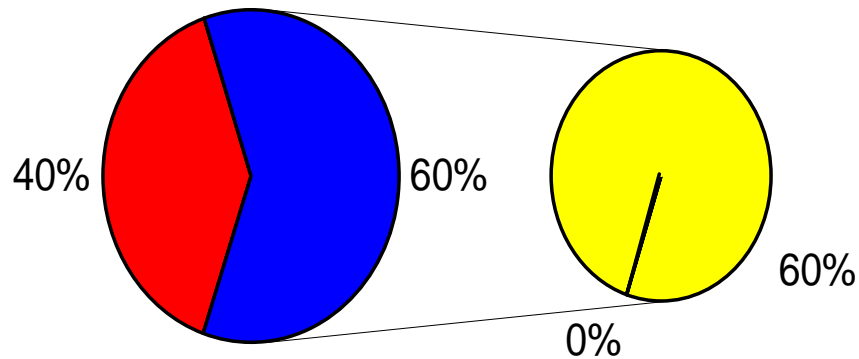
43.Slovakia

47.Poland

GDP per capita



■ Non EU ■ EU 25 ■ EU 15 ■ New EU Members



1.Luxembug

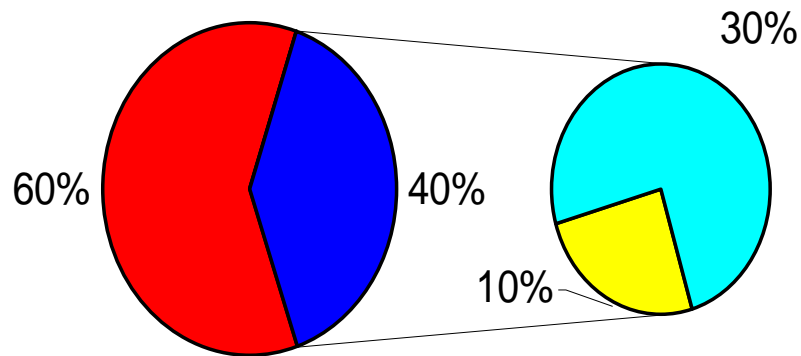
33.Slovakia

44.Latvia

GDP Growth in last 7 years



■ Non EU ■ EU 25 ■ EU 15 ■ New EU Members



2.Ireland

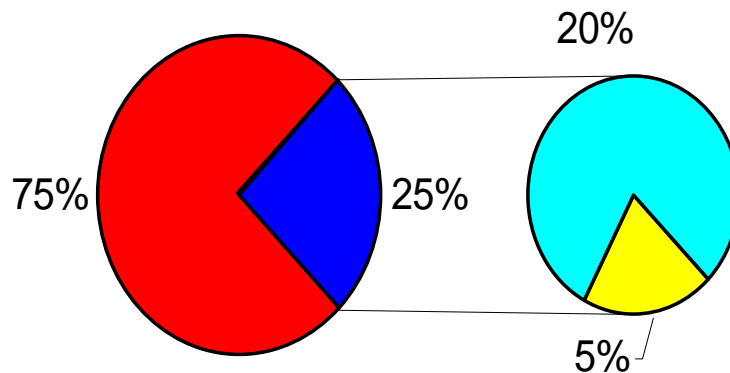
13.Slovakia

67.Belgium

FDI bringing New Technology



■ Non EU ■ EU 25 ■ EU 15 ■ New EU Members



1.Ireland

7.Slovakia

87.Slovenia

SWOT



Strengths

Growth in new EU countries
The largest Single Market
Purchase Power
Stable Currency

Opportunities

Easy Market Access
Flexible Labor Market
Simple Tax and Administrative Rules

Weaknesses

CAP
Structure of EU budget
State Budget Deficits

Threats

Short Term Approach
Decision Making Process



Reforms for Growth

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Economic Reforms for Europe

Priorities



1/ Easy Market Access

2/ Flexible Labor Market

3/ Simple Tax and Administrative Rules

1/ Easy Market Access



- Entry Cost to Market
 - Denmark 0 fee
 - In most EU countries high fee (1500-6000 EUR)
- Entry Time to Market
 - Denmark 3 days, UK 5 days
 - 2-3 months in some new EU countries
- Simplification of Administration for Start of new business

2/ Flexible Labor Market



- Need for Improvement of Labor Mobility
- More flexible Labor Code
 - Working Time
 - Variable Job Contracts
 - Temporary Workers Use
- Comparison with US
 - 25 – 54 OK
 - <25 far behind
 - >54 far behind

3/ Simple Tax and Administrative Rules



- Income tax level is lower than in US (average 13.3% vs. 15.7%)
- Social cost is doubled than in US (29.9% vs. 14.2%)
- Social cost reform is necessary in most European countries
- Simple and Stable Rules
- Flat Tax

Support for European Enlargement



- European Integration will lead to the Efficiency Improvement
- Economic Standardization
- Cultural Localization
- Regular communication between Business and Politics is inevitable



Structure of EU Budget

Current Structure



- Agriculture 45.2 %
- Funds 34.5 %
- Consumption? 79.7 %

- R&D 4.1 %
- Training 0.9 %

- How much for Lisbon strategy ?
 - R&D
 - Education & Training
 - Infrastructure



Summary

Summary



- EU is on 70% level of US (GDP per capita)
- New EU Members
 - GDP per capita
 - GDP Growth
 - Direct Taxes Decline
- Reforms for Growth
 - 1/ Easy Market Access
 - 2/ Flexible Labor Market
 - 3/ Simple Tax and Administrative Rules

EU Challenges



- Constitution Treaty
- Structure of EU budget
- Tax harmonization
- Position of European Institutions after breaching Growth and Stability Pact
- Liberalization
- SME Development
- GDP Growth



EU Enlargement is the unique opportunity for European Growth