

## EUROPEAN UNION

A slowdown in labour productivity growth since the mid-1990s combined with weak growth in labour resource utilisation has resulted in a widening of the per capita income gap vis-à-vis the United States.

### Priorities supported by indicators

#### **Ease regulatory burden on business operations**

The single-market strategy has only partly fulfilled its objective of fostering economic integration. Substantial barriers remain in service sectors, including impediments to cross-border establishment and the recognition of diplomas, and the lack of mutual recognition for business licenses.

**Actions taken:** An EU-wide system of protecting intellectual property rights has been adopted. A directive on services in the internal market to underpin the mutual recognition principle has been proposed.

**Recommendations:** Further reduce internal obstacles that hamper cross-border trade and market entry. Where mutual recognition proves problematic, adopt EU-wide standards. Liberalise fully the postal and railway sectors. Improve the EU-wide public procurement regime.

#### **Raise competition in network industries**

Despite the advanced liberalisation of network industries, competition is still undermined by dominant incumbent in some sectors. Price declines have become smaller, while new entrants no longer seem to gain market share from incumbents in some markets.

**Actions taken:** The Community framework for competition policy has been reformed, with the investigative powers of the Commission being strengthened and the role of national authorities in the enforcement process increased.

**Recommendations:** Focus competition policy on reaping the potential gains from liberalising network industries.

#### **Reduce producer support to agriculture**

Agricultural support under the Common Agriculture Policy (CAP) is distorting, keeping excess resources in low-productivity activities. The recent accession of 10 new member countries will put the CAP under strain.

**Actions taken:** Following the 2003 reform of the CAP, the composition of support will change substantially, but not the overall level. Support will be further de-coupled from production and made conditional on compliance with, *inter alia*, environmental and food safety standards. Even so, market price support will remain high.

**Recommendations:** Improve market access for non-EU countries. Move further away from production towards income support, and ensure that the recent agreement on a framework for continuing the Doha trade round – including notably the commitment to eliminate export subsidies – results in reforms.

### Other key priorities

- Improve intra-European labour mobility by enhancing the portability of accrued pension rights and pension capital in occupational schemes as well as of other benefit entitlements.
- Fully implement the Financial Services Action Plan in order to foster economic integration. Ensure legal certainty for third-country securities issuers. Resist attempts to favour national champions.

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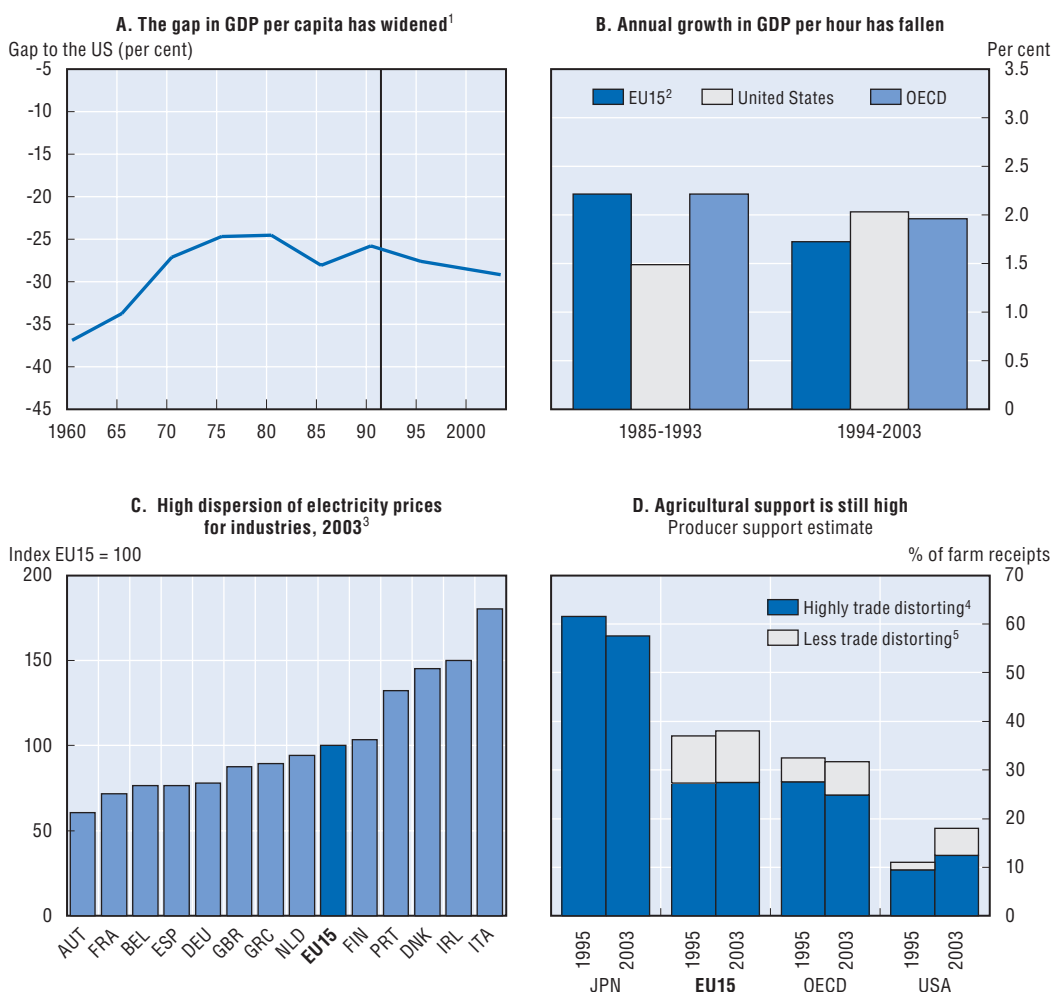
## Structural indicators

	1990 <sup>1</sup>	1995	2000	2003
Trend GDP per capita (% growth rate)	1.8	1.6	1.8	1.7
Trend employment rate	63.0	63.6	65.3	66.4
Trend participation rate	68.5	69.2	70.8	71.8
Structural unemployment rate (NAIRU)	8.2	8.3	7.9	7.7

Note: The 15 European Union countries prior to the 2004 enlargement, excluding Luxembourg.

1. To avoid break in the series due to the reunification in Germany, 1992 is used instead of 1990.

Source: Estimates based on OECD Economic Outlook, No. 76.



1. Percentage gap with respect to US GDP per capita (in constant 2000 PPPs). Break in series in 1991 due to reunification of Germany.

2. Excluding Austria and Luxembourg.

3. 2000 for Austria and Belgium, 2001 for Italy and the Netherlands, 2002 for Germany and Spain. EU15, excluding Luxembourg and Sweden.

4. Market price support and payments based on output and input use.

5. Payments based on area planted/animal numbers, historical entitlements and overall farm income.

Source: Charts A and B: National Accounts of OECD Countries, 2004; OECD Labour Force Statistics, 2004; OECD Economic Outlook, No. 76; Chart C: OECD Energy Prices and Taxes, 2004; Chart D: OECD, Producer and consumer support estimates database.