EU’s Growth Strategy
Halfway through the Lisbon Strategy
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EU’s growth strategy

Over the course of ten years the EU aims to become the world’s most dynamic, growing, knowledge-based economy, built on a foundation of social security and sustainable development. This ambitious goal is to be achieved through the EU’s growth strategy.

It was at the EU Summit in the Portuguese capital Lisbon in spring 2000 that EU heads of state and government decided to concentrate all their efforts on responding to changes in a world where information technology and globalisation were rapidly gaining ground.

The growth strategy is based on the view that growth should be created in a manner that is economically, ecologically and socially sustainable.

How can this be achieved?
The growth strategy covers six areas, each of which contains a number of interim targets:

- The primary means for achieving the growth strategy is a **balanced economy**. Inflation must be kept in check, interest rates must remain at reasonable levels, there must be higher productivity and a greater number of jobs.

- Increased trade on both the common European market and the international market will raise the growth rate, create jobs and produce welfare gains. Tougher competition will lower prices and lead to a larger supply of goods and services. Even if the EU’s internal market has produced major social benefits since its launch in 1993, it still has many shortcomings where trade and competition do not function the way they should.

- The **knowledge-based economy** we currently live in requires a highly educated labour force. More young people need to acquire a high level of education and those who are already working need to update their skills. The rapid spread of information technology can contribute to growth and increased productivity to an even greater extent.

- The most important factor for increased growth is for **more people to have jobs**. At a time when a growing number of elderly people need to be supported by an ever smaller group of economically active persons, it is important to postpone retirement, to get more women out onto the labour
market, to help immigrants, young people and disabled persons gain a foothold in working life. Jobs must also be better through improvements to the working environment and job security.

- Growth that leads to insecurity and increased disparities between social groups is not sustainable in the long term. Therefore, an important part of the growth strategy is to fight poverty and social exclusion to achieve greater social cohesion.

- Growth must not exhaust resources at the expense of future generations. Ecological approaches must be integrated into all areas of society. Long-term strategies are needed to deal with the ageing society as well as for sustainable development.

**Annual review**

The growth strategy can be compared to a competition, even if all member countries benefit if the EU as a whole does well. The way to achieve the final goal is by means of many interim targets that are so concrete that measuring progress and comparing results is easy. For example, 70 per cent of the EU labour force is to be in work by 2010. The number of young people who leave school without higher education is to be halved.

EU countries conduct a review of the results at the annual spring summits. This gives the top-performing EU countries a chance to gain recognition and those lagging behind an incentive to do better next year. No one likes to finish in last place. The spring summits also provide an opportunity for heads of state and government to check that the EU is on the right track or whether new efforts are necessary.

But just as the 25 EU countries compare themselves with one another, comparing Europe with other dynamic economies around the world like the United States or the Asian countries is very much a part of the process.
Halfway through the growth strategy

In Lisbon in the spring of 2000 optimism ran high. Developments were moving in the right direction and the economy was strong. Halfway through the strategy in 2005, the situation is much less optimistic. A new start is needed if the goals regarding jobs and growth are to be met.

Not long after the Lisbon meeting a recession hit Europe, the US and much of the rest of the world. The growth rate slowed and this naturally made progress towards the growth strategy goals more difficult. Halfway through the strategy in 2005, the gap between the EU and the US has increased rather than decreased. Nonetheless, the EU has come a long way in these first years.

Markets have been opened up…

In the first years of the new millennium, decisions were taken on several important economic reforms.

The electricity and gas markets are being deregulated and opened up to competition, which will lower prices for consumers and enterprises. Railway services are being deregulated and technical coordination promoted that will allow external competition. Good progress has been made on establishing a financial services market that will enable consumers and enterprises to save and invest anywhere in the EU, wherever the terms and conditions are best.

However, progress is being slowed because member countries have not implemented all the decisions taken in time. In 2005, 427 directives had not been turned into national legislation in all the countries, as they should have been.

...and new jobs created

Between 1999 and 2003, over 6 million new jobs were created in the EU countries. The number of people employed in the whole labour force has climbed to 63 per cent. Long-term unemployment is decreasing.

Fifty-five per cent of women work, a situation that has benefited by the fact that many countries have improved access to childcare. Despite good initiatives, the recession took its toll towards the end of 2003 and the positive trend was reversed.
Accordingly, the EU is not able to meet its interim targets of an overall 67 per cent employment rate in 2005 or that 57 per cent of women should have jobs at that time. It looks as though it will be difficult to reach the final goals of a 70 per cent employment rate in 2010, a 60 per cent rate for women and a 55 per cent rate for workers between the ages of 55–64.

The knowledge society
Households in the EU countries now have equally good access to the Internet at home as American consumers. IT has spread to European schools and companies. Most countries have come a long way in creating the 24/7 agency where citizens can get round-the-clock assistance.

The knowledge-based economy requires a highly educated labour force and solid research and development. The EU countries invest slightly more public funds on education than the US or Japan, but these two competitors put more into research and development. Although the EU has more researchers than ever before, the US and Japan have even more. The EU countries need to invest more on updating the skills of people in working life and providing more young people with a high level of education.

Social justice
Growth must be distributed so as not to add to the gaps in society. Social cohesion is a question of seeing that all social groups are included, for example so that more elderly, women, young people, immigrants and disabled persons receive help in entering the labour market.

This is necessary for social as well as economic reasons. Europe as a whole is facing the reality that there will soon be many elderly persons who will need to be supported but not enough people of working age to bear the burden.

Moreover, it is of both social and economic concern to reform the pension systems so they can support the living standards of elderly persons. Many reforms have been implemented but many EU countries still lack a long-term strategy to meet the challenge of an ageing society.
Sustainable development

The EU countries are united in their belief that environmental goals can contribute to economic growth.

The emission of greenhouse gases in the 15 EU countries decreased by an average of 3.5 per cent during the 1990s. That is about half of what the EU has promised to achieve no later than 2012 in the international Kyoto agreement. In addition, the EU countries managed to reduce their energy consumption by a total of 11 per cent in the 1990s.

The EU countries have agreed on new rules for energy taxes that aim for sustainable development and are discussing regulations for chemicals in order to cut down the number of hazardous chemicals.

However, the investments in renewable energy sources (such as solar, wind and water power) can so far only cope with 6 per cent of all energy consumption in the EU. The Lisbon goal for 2010 is 12 per cent. Nor have European countries dealt with the problem heavy road freight poses for the environment.
The open method of coordination

The open method of coordination is a form of European cooperation that has been given a prominent place in the growth strategy. Instead of deciding on binding rules, common targets are set for the whole of the EU, while leaving each country free to decide how best to reach these goals. The countries exchange experience, compare progress and work out suitable guidelines to follow. This is the procedure used when working on areas such as economic policy, employment policy, social issues and pensions issues.

The internal market

The internal market is about eliminating national borders that restrict the movement of goods, services, capital and labour between EU countries. It was largely in place by 1993 and ten years later was found to have added 2.5 million new jobs and increased growth by 1.8 percentage points. The EU still has to implement a common market for services and eliminate remaining barriers in other markets.

Number of indicators where countries rank in the top 3 in the EU

The figure shows the number of structural indicators for which the countries have ranked first, second or third. For five of the indicators, Sweden is one of the three best performers.
Sweden’s position

Sweden ranks high in the statistical tables when the Lisbon goals are compared. But this is not enough. Sweden would benefit if the rest of Europe also enjoys good growth and a balanced economy. Therefore, Sweden will give priority to actively encouraging all the countries to continue their efforts to achieve the goal.

The growth strategy’s goals are correctly set and it is now a question of focusing efforts on the most important priorities. For the Swedish Government, it is essential that the three areas of the growth strategy – the economy, ecology and social cohesion – continue to receive equal emphasis.

When the second half of the ten-year plan begins, the EU should concentrate on:

- Imbalances in the economy and in public finances must be corrected.
- The EU must focus on more jobs, but also on good jobs. Stress and mental health problems at work must be countered. A labour market where some people do not feel well is unprofitable in the long term.
- The EU should make use of the opportunities for increased trade that negotiations in the World Trade Organisation (WTO) can bring. In addition, more open trade will give poorer countries a chance to increase their prosperity and to fight poverty.
- Meeting the challenge of an ageing society demands that all countries draw up a long-term national strategy so that in the future, resources are sufficient to provide a reasonable standard of living for the elderly, proper medical care and welfare for everyone.
- A good regulatory system is crucial as we extend the EU’s internal market and seek to ensure that it functions smoothly. An extended common market will lead to major social benefits, not least for consumers.
- Investments in research and development give us the tools to advance and so put us on a strong footing to face the future. Additional major investments in education are also needed.

Examples of Lisbon goals:

- 70 per cent of the labour force to be in work in 2010.
- 60 per cent of the female labour force to be in work in 2010.
- 55 per cent of the labour force aged 55–64 to be in work in 2010.
- Investments in research and development to be 3 per cent of GDP in 2010.
- 90 per cent of children over the age of three to have access to childcare in 2010.
• The EU countries can take pride in some felicitous **energy investments** that have reduced consumption of and produced alternatives to fossil fuels. But it is quite possible to consume less energy through improved environmental technology and at the same time give the EU a leading role in the growing environmental industry.

• **National commitments** can improve implementation by the member countries. Furthermore, the EU’s budget and the European Structural Funds should be directed towards growth-generating measures.

**Swedish top listings**

In the comparisons made, Sweden has succeeded in claiming a prominent place at or near the top of the statistical tables – a fact that naturally serves to spur us on. For several years Sweden has been ranked first; it has been the country that comes out on top most often in the many comparisons.

For example, Sweden had already reached the employment goal for 2010 from day one. Sweden also does very well in terms of the knowledge-based economy. In statistical tables of computers and Internet access in schools and homes alike, Sweden comes out on top. Swedish public authorities made an early commitment to make themselves available to citizens online.

Similarly, Swedish efforts top the EU league tables for education and skills development in the labour force. Sweden invests the most in research. And finally, the risk of poverty is lower in Sweden than in any other EU country.

**Warning signals**

However, there are areas where Swedish efforts do not receive such high rankings. One of these is the level of prices in Sweden, when comparing the cost of a basket of goods in different countries.

In this regard the growth strategy can help Sweden identify weaknesses that need to be addressed.
Structural indicators

**GDP per capita compared to EU25**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sweden</th>
<th>EU15</th>
<th>EU25</th>
<th>US</th>
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</thead>
<tbody>
<tr>
<td>1999</td>
<td>108.2</td>
<td>110.8</td>
<td>112.4</td>
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</tr>
<tr>
<td>2004</td>
<td>115.0</td>
<td>117.8</td>
<td>120.2</td>
<td>118.0</td>
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</table>

**Labour productivity compared to EU25**

<table>
<thead>
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<th>Sweden</th>
<th>EU15</th>
<th>EU25</th>
<th>US</th>
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<tbody>
<tr>
<td>1999</td>
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<td>102.0</td>
<td>104.0</td>
<td>102.0</td>
</tr>
<tr>
<td>2003</td>
<td>105.0</td>
<td>107.0</td>
<td>109.0</td>
<td>107.0</td>
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</table>

**Comparative price level compared to EU25**

<table>
<thead>
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<th>EU25</th>
<th>US</th>
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<tbody>
<tr>
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<td>100.0</td>
<td>101.0</td>
<td>102.0</td>
<td>101.0</td>
</tr>
<tr>
<td>2003</td>
<td>105.0</td>
<td>106.0</td>
<td>108.0</td>
<td>106.0</td>
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</table>

**Business investment***

Gross fixed capital formation by the private sector

*The main reason to Sweden's low investment level is low housing construction.

**Employment rate (15-64 years)**

<table>
<thead>
<tr>
<th>Year</th>
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<td>73.0</td>
<td>74.0</td>
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</table>

**Employment rate of older workers (55-64 years)**

<table>
<thead>
<tr>
<th>Year</th>
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<th>EU15</th>
<th>EU25</th>
</tr>
</thead>
<tbody>
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<td>65.0</td>
<td>66.0</td>
</tr>
<tr>
<td>2003</td>
<td>63.0</td>
<td>64.0</td>
<td>65.0</td>
</tr>
</tbody>
</table>
**Energy intensity of the economy**

**Volume of freight transport**

Relative to GDP, development compared to 1995

**EU15** = Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

**EU25** = Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom.
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