**The Lisbon Agenda: Competitiveness and the New EU Member States***

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Across Central and Eastern Europe (CEE), the desire to reach Western living standards has served as one of the key impetuses behind the drive toward European Union (EU) membership. Nonetheless, the act of joining the EU does not in itself make a country wealthy, as income disparities remain strong among member states, from just 38% of the EU-27 average in Bulgaria to 276% in tiny Luxembourg (see Table 1). Moreover, the average GDP per capita in the EU has remained well below that in the United States, signaling the need to raise competitiveness across Europe.

While the EU has formulated some general guidelines for raising competitiveness and strengthening economic growth through such initiatives as the 2000 Lisbon agenda, the targets that were set are unlikely to be reached. Thus, it is becoming increasingly apparent that individual member states must make efforts on their own to secure the future prosperity of their populations.

Among EU member states, there are a wide range of approaches to economic policy. At one end of the spectrum is the Nordic model, used by Sweden, Denmark, and Finland. This approach advocates a highly developed, government-funded welfare state. The model differs from country to country, with job regulation high in Sweden but relatively flexible in Denmark. High taxation of the greatest income earners has provided the Nordic countries with low income disparity, although critics argue that this may have reduced productivity. Still, recent surveys and analyses see the Nordic model as both equitable and efficient (Sapir 2005). In contrast to the Nordic approach, the Anglo-Saxon model—used by the United Kingdom and Ireland—tends to have a smaller and less comprehensive welfare state than elsewhere in Europe, although they do offer universal health care. The Anglo-Saxon countries have tended to experience higher GDP growth rates and lower unemployment rates, but they suffer from greater poverty and higher inequality. Thus, they are seen as efficient but not equitable.

In between those two extremes, the Continental model—used by France, Germany, Belgium and Luxembourg—has strict rules on job protection and significant levels of regulation in industry. A well-funded welfare state and generous unemployment benefits have served to reduce poverty and provide citizens with high quality healthcare. However, the labor market in these countries has proven inflexible and slow to respond to globalization. The Mediterranean model—used by Italy, Spain, Greece, and Portugal—is similar to the Continental model, but focuses welfare on generous state pensions. While the Mediterranean model provides the same job protectionism as in the Continental approach, it has been less successful at reducing poverty within society. Both the Continental and Mediterranean models are seen as inefficient and unsustainable (Sapir 2005).

In recent years, the new EU member states have tended toward the Anglo-Saxon model, pushing through reforms aimed at raising growth rates as quickly as possible, often at the expense of equality. The Lisbon strategy aims to raise competitiveness while maintaining the European social model; however, the approach of the new member states may complicate such efforts, as companies move Eastward in search of lower taxes and wages. Indeed, because the European social model was not prioritized during the accession process, there is a wide scope for variation in taxation and labor market policies within EU, making it difficult for countries with higher tax rates to compete and forcing a degree of convergence among member states. Still, in the longer term, the new member states will likely face the same pressures, as wage costs rise. Thus, reforms aimed at improving education and governance will be crucial. That may eventually spur leaders to pay closer attention to the Nordic model as a means of promoting sustainable long-term growth.

This paper begins with an overview of the Lisbon strategy, followed by an outline of the preliminary successes of various EU member states in meeting the goals that were set in 2000. In the final sections, the paper seeks specific solutions toward raising competitiveness and meeting the Lisbon goals, focusing on the four largest of the countries that joined the EU in 2004, the so-called Visegrad Group (the Czech Republic, Hungary, Poland, and Slovakia). In delineating a future development path for those countries, this paper provides a brief overview of the strategies used by Ireland, which is the only pre-2004 member state (these countries are hereafter referred to as the EU-15) that started from behind but managed to catch up with and even surpass most of the richer West European member states. Italy, which has seen the biggest relative decline in wealth of all EU countries since 2000, can be seen as a counterexample.

**Table 1: GDP per capita, PPS terms**
(share of EU-27 total)

| | | A) 2000 | B) 2007 | B-A | Avg GDP Growth, 2000-07 |
|---|---|---|---|---|---|
| 1 | Luxembourg | 244.3 | 276.3 | 32.0 | 4.7 |
| 2 | Estonia | 44.7 | 72.1 | 27.4 | 8.7 |
| 3 | Latvia | 36.8 | 58.0 | 21.2 | 8.8 |
| 4 | Lithuania | 39.4 | 60.3 | 20.9 | 7.5 |
| 5 | Slovakia | 50.2 | 68.5 | 18.3 | 5.6 |
| 6 | Ireland | 131.0 | 146.3 | 15.3 | 6.0 |
| 7 | Romania | 25.9 | 40.7 | 14.8 | 5.6 |
| 8 | Greece | 84.3 | 97.8 | 13.5 | 4.3 |
| 9 | Czech Republic | 68.6 | 81.5 | 12.9 | 4.5 |
| 10 | Bulgaria | 27.9 | 38.1 | 10.2 | 5.5 |
| 11 | Slovenia | 78.8 | 88.7 | 9.9 | 4.3 |
| 12 | Spain | 97.6 | 106.8 | 9.2 | 3.6 |
| 13 | Hungary | 56.2 | 63.4 | 7.2 | 4.0 |
| 14 | Poland | 48.4 | 53.6 | 5.2 | 4.1 |
| 15 | Cyprus | 89.0 | 93.1 | 4.1 | 3.7 |
| 16 | Finland | 117.6 | 116.7 | -0.9 | 3.4 |
| 17 | Sweden | 127.1 | 126.1 | -1.0 | 3.0 |
| 18 | United Kingdom | 117.2 | 115.8 | -1.4 | 2.8 |
| 19 | Portugal | 78.2 | 74.6 | -3.6 | 1.4 |
| 20 | Netherlands | 134.6 | 130.8 | -3.8 | 2.1 |
| 21 | France | 115.6 | 111.2 | -4.4 | 2.1 |
| 22 | Austria | 131.7 | 127.3 | -4.4 | 2.3 |
| 23 | Germany | 118.8 | 113.2 | -5.6 | 1.4 |
| 24 | Malta | 83.8 | 77.1 | -6.7 | 1.7 |
| 25 | Belgium | 126.2 | 118.0 | -8.2 | 2.2 |
| 26 | Denmark | 131.9 | 122.8 | -9.1 | 2.0 |
| 27 | Italy | 117.2 | 101.4 | -15.8 | 1.4 |
| | *United States* | *159.3* | *155.1* | *-4.2* | 2.5 |

*Source: Eurostat*

## Overview of the Lisbon Strategy

When the European Council met in Lisbon, Portugal, in March 2000, EU leaders adopted a ten-year program aimed at revitalizing growth and sustainable development across the EU.
Since March 2000, the EU has formulated its policies in line with the objectives of the so-called Lisbon Strategy, which aims for economic as well as social and environmental renewal. The Lisbon Strategy noted several key challenges faced by EU countries, including globalization, an aging population, and the emergence of a worldwide information society. In that context, the aim of the Lisbon agenda was to match the EU's chief competitor—the United States—in an

effort to make the Union "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." EU leaders vowed that future structural reforms must take into account concerns over both competitiveness and social cohesion, and they aimed to raise EU competitiveness by investing in a knowledge-based and highly productive society. Rather than rely on social dumping, the Lisbon Strategy emphasized that the European social model must be modernized to invest in people and fight social exclusion.

The Lisbon goals were to be met through a sound macroeconomic policy mix that is conducive to high growth, coupled with completing the internal market, investing in people, and fighting social exclusion. The Strategy set the following specific targets, to be met by 2010:

- An overall employment rate of 70%, with rates of 60% for women and 50% for the elderly
- Annual economic growth around 3%
- Raising research and development (R&D) expenditures to 3% of GDP
- Reducing red tape to promote entrepreneurship

In 2004, as the Lisbon Strategy approached its halfway point, the European Commission established a working group led by former Dutch Prime Minister Wim Kok, with the goal of providing an independent assessment of EU progress. That group, which included 13 experts, met six times and submitted its report, "Facing the Challenge," to the Commission and Council in November 2004 (Kok 2004). Its aim was to prepare for the European Council's mid-term review in March 2005.

The results of the Kok report were disappointing, and it was clear that the EU would have considerable difficulty in meeting its Lisbon goals. The report highlighted an overloaded agenda, poor coordination, and conflicting priorities. It also pointed out that structural reform had become synonymous with the deregulation of labor markets and weakening rights of workers, rather than helping workers to address structural change by investing in skills and productivity. The Kok report stressed the importance of sustaining the European social model, while building stronger social cohesion.

The renewal of the Lisbon Strategy in 2005 as the Partnership for Growth and Jobs focused on raising the EU's long-term economic potential through effective responses to challenges such as globalization and demographic change. The National Reform Programs and the Community Lisbon Program, which were designed to carry this reform effort through the first three-year cycle (2005-2008), were aimed at raising both employment rates (labor supply) and productivity growth. The objective of this two-pronged approach was to ensure that the EU would continue to sustain its social model, while also securing the prosperity to which citizens have become accustomed.

The annual Competitiveness Reports have been redesigned to distinguish between the macroeconomic, microeconomic and employment challenges, and it is in the microeconomic policy arena where EU member states identified the greatest number of challenges in their 2005 National Reform Programs. In achieving the aim of faster productivity growth, reforms are being implemented mainly in the microeconomic policy arena, although changes in the macroeconomic and employment policy pillars may also have an impact. The reports now include a statistical annex with sector and country-specific competitiveness indicators.

**Preliminary Results in Meeting the Lisbon Criteria**

In evaluating the progress of individual EU countries in raising competitiveness, one of the key indicators is GDP per capita by purchasing power standards (PPS), and Eurostat regularly publishes data on each country as a share of the EU-27 total (see Table 1). Ten EU countries have raised their share by 10 or more percentage points from 2000 through 2007, of which seven are new member states that started from a relatively low level. Three more advanced states also made significant progress: Luxembourg, Ireland, and Greece. Meanwhile, Italy serves as an example of a country that has seen the biggest decline in relative wealth, falling nearly 16 percentage points as a share of the EU average from 2000 to 2007.

In terms of specific targets, the Lisbon agenda included the goal of achieving GDP growth of around 3% annually. However, that goal has not been met in recent years, as average growth in the EU-25 hit just 2.4% in 2000-07, or 2.2% in the EU-15. As demonstrated by Table 1, the three Baltic states had the highest economic growth during those years (at 7-9% on average), while Italy, Germany, and Portugal had the lowest.

Another key measure of competitiveness relates to labor productivity. Labor productivity is much lower in the new member states than in the EU-15, where it reached 110.2% of the EU-27 average in 2007. Not surprisingly, the change in the level of GDP relative to the EU-27 average since the year 2000 has generally corresponded with the change in labor productivity.

**Table 2: Labor Productivity**
(share of EU-27 total)

| | A) 2000 | B) 2007 | B-A | Change in GDP |
|---|---|---|---|---|
| EU-15 | 113.1 | 110.2 | -2.9 | -3.6 |
| Ireland | 127.2 | 135.6 | 8.4 | 15.3 |
| Italy | 126.1 | 107.9 | -18.2 | -15.8 |
| Czech Republic | 61.9 | 73.6 | 11.7 | 12.9 |
| Hungary | 64.7 | 73.9 | 9.2 | 7.2 |
| Poland | 50.9 | 65.7 | 14.8 | 5.2 |
| Slovakia | 58.0 | 76.8 | 18.8 | 18.3 |

*Source: Eurostat*

On the labor front, one of the key Lisbon goals is to raise the overall employment rate among people aged 15-64 to 70% by the year 2010, up from the 2000 level of 62.2% for the EU-27 (versus 63.4% for the EU-15). This is seen as a key way to strengthen social cohesion. However, 2007 data indicate that the goal is unlikely to be achieved. From 2000 to 2007, the employment rate for the EU-27 increased by 3.2 percentage points but was still well below the target, reaching just 65.4%. The Lisbon agenda also has specific targets for women and elderly. On those fronts, the results were mixed: the overall employment rate for women hit 58.3% in 2007, only moderately below the 60% target. Nonetheless, the rate for elderly workers stood at just 44.7%, far below the goal of 50%.

**Table 3: Employment Rate**
(in percent)

| | A) 2000 | B) 2007 | B-A | Women (2007) | Elderly (2007) |
|---|---|---|---|---|---|
| EU-27 | 62.2 | 65.4 | 3.2 | 58.3 | 44.7 |
| EU-15 | 63.4 | 66.9 | 3.5 | 59.7 | 46.6 |
| Ireland | 65.2 | 69.1 | 3.9 | 60.6 | 53.8 |
| Italy | 53.7 | 58.7 | 5.0 | 46.6 | 33.8 |
| Czech Republic | 65.0 | 66.1 | 1.1 | 57.3 | 46.0 |
| Hungary | 56.3 | 57.3 | 1.0 | 50.9 | 33.1 |
| Poland | 55.0 | 57.0 | 2.0 | 50.6 | 29.7 |
| Slovakia | 56.8 | 60.7 | 3.9 | 53.0 | 35.6 |

*Source: Eurostat*

EU-15 countries tend to be further ahead than the new member states in terms of meeting the overall employment target, as the rate stood at 66.9% in 2007. Just one new member state (Cyprus) had surpassed the 70% mark by 2007, compared with six EU-15 countries (Denmark, Netherlands, Sweden, Austria, United Kingdom, and Finland). The EU countries that have made the biggest progress in raising employment since 2000 are Bulgaria and Latvia, both of which have seen increases of around 11 percentage points. Meanwhile, Spain has seen the greatest increase of the older member states, up 9.3 points.

Of the four Visegrad countries, the Czech Republic is closest to the EU target, with a 2007 employment rate of 66.1%. Still, the Czech Republic has made relatively little progress since 2000 and has actually seen a downturn since 1998, the first year for which data are available. Slovakia has improved the most, with an increase of 3.9 percentage points since 2000, although the 2007 figure is up only slightly over that from 1998.

Another key target of the Lisbon agenda relates to raising expenditures R&D to 3% of GDP by the year 2010.  That is based on studies which demonstrate that up to 40 % of labor productivity growth is generated by R&D spending (Kok 2004, p. 19). As in the case of employment, however, the EU appears to be far off that target. Indeed, R&D expenditures in both the EU-25 and EU-15 actually fell slightly from 2000 to 2006, the last year for which data are generally available.

**Table 4: R & D Expenditure**
(share of GDP)

| | A) 2000 | B) 2006 | B-A |
|---|---|---|---|
| EU-27 | 1.86 | 1.84 | -0.02 |
| EU-15 | 1.92 | 1.91 | -0.01 |
| Ireland | 1.12 | 1.32 | 0.20 |
| Italy | 1.05 | 1.09* | 0.04 |
| Czech Republic | 1.21 | 1.54 | 0.33 |
| Hungary | 0.78 | 1.00 | 0.22 |
| Poland | 0.64 | 0.56 | -0.08 |
| Slovakia | 0.65 | 0.49 | -0.16 |

*Source: Eurostat*
*2005 figure

Among the EU-27 countries, the only two EU countries to meet the R&D target in 2006 were Sweden and Finland. The biggest improvement in 2000-2006 was seen in Austria and Estonia, both with increases of about 0.5-0.6 percentage points. Meanwhile, of the four Visegrad countries, the Czech Republic was once again closest to achieving the EU's goal, at 1.54% of GDP in 2006. Meanwhile, Slovakia was the furthest behind, at just 0.49%. While the Czech Republic recorded an increase during the six-year period from 2000-2006, Slovakia saw a decline. The Czech Republic and Slovenia were the best positioned of the new member states in meeting the R&D target, both with shares of a little over half the EU goal.

**Ireland as a Model**

Given the conflicting approaches within the EU and the lack of policy coordination, new member states have a variety of models to choose from in their efforts to raise competitiveness and promote faster economic growth. Of the three older member states that have raised their GDP per capita substantially in 2000-07, Ireland may serve as the best example for the new member states, as it is the only EU-15 country that started from a low level but managed to surpass most of the other member states. Indeed, in 2007, Ireland was the second richest country in the EU, after Luxembourg.

Ireland was a relative latecomer to the EU, joining in 1973. In contrast to Ireland, other countries that started from behind have stayed behind, particularly Portugal (at just 75% of the EU average in 2007, putting it behind new members Slovenia and Czech Republic), but also Greece, which hit 98% of the EU average in 2007. While Ireland has continued to see significant progress in recent years, much of the catching up occurred between the years 1987 and 1997. By 1997, Ireland had already reached 115.1% of the EU-27 average, putting it slightly ahead of France.

While Ireland does not always have the best record in meeting the Lisbon goals, there are several possible explanations for Ireland's success. One argument relates to EU membership, which has included transfers to poorer member states in such areas as infrastructure and education. This argument can be largely debunked, as EU transfers, although helpful if carefully targeted, are insufficient as an explanation. For one, they did not have much impact in 1973-86, as Ireland's share of GPD remained at around 66% of the EU-15 average during those years. Moreover, Portugal and Greece have not had same rate of success as Ireland, despite significant transfers. Finally, rapid GDP growth in Ireland has continued in recent years, despite declines in transfers. In any case, EU transfers for the new member states are now lower than for previous enlargement waves. Thus, CEE countries cannot rely on transfers to move ahead, especially with much poorer Bulgaria and Romania having joined in 2007.

A second explanation for Ireland’s success relates to ideology, or the neoliberal argument that low taxation rates played a key role in driving growth. However, low taxes are a recent phenomenon in Ireland: the corporate tax rate fell from 40% in 1996 to 24% in 2000 to 12.5% in 2003. GDP growth has actually slowed in recent years, despite declining tax rates. Although many countries in the CEE region have already implemented neoliberal taxation policies (namely the flat tax), such an approach is not the only answer.

A third reason for Ireland’s success relates to demographic trends, with the country’s strong population growth and the lifting of restrictions on contraception in 1979 bringing an increase in employment (see Bloom and Canning 2003). Indeed, employment in Ireland jumped 72% between 1987 and 2005. Even though this may be crucial to Ireland's success, this trend would be difficult to replicate in the new member states, which have experienced much weaker population growth than Ireland in recent years. A fourth argument relates to linguistic and cultural ties, which have helped ease investment to Ireland, especially from the United States and United Kingdom. Again, such a background is lacking in the CEE countries.

Two alternative remedies in Ireland that may have applications for the new member states include the following:

- Budgetary reform (this coincided with the initial boom in Ireland)
- Attracting investment through improvements in the business environment and emphasis on high-tech education

On the first item, the Programme for National Recovery (1987) introduced sharp spending cuts. The budget balance improved from deficits of 10-13% of GDP (early 1980s) to surpluses in recent years. Government debt fell from 116% of GDP (1986) to less than 25% in 2006. Government spending fell to about 34% of GDP, far below the EU-15 average (at about 48%). Indeed, according to one analysis, in 2005, Ireland was the only EU-15 country that was on the non-redistributive end of the re-distribution scale (see Hanson 2006).

**Table 5: Business and Governance Indicators**

| | Doing Business* | Governance** | Sum |
|---|---|---|---|
| Denmark | 173 | 99.1 | 272 |
| USA | 175 | 91.5 | 267 |
| UK | 172 | 93.8 | 266 |
| Sweden | 164 | 98.1 | 262 |
| Ireland | 170 | 91.9 | 262 |
| Finland | 165 | 96.7 | 262 |
| Netherlands | 157 | 94.8 | 252 |
| Germany | 158 | 92.4 | 250 |
| Belgium | 159 | 90.5 | 250 |
| Austria | 153 | 92.9 | 246 |
| France | 147 | 88.6 | 236 |
| Slovakia | 146 | 76.8 | 223 |
| Portugal | 141 | 79.6 | 221 |
| Spain | 140 | 80.6 | 221 |
| Hungary | 133 | 73.5 | 207 |
| Czech Republic | 122 | 80.1 | 202 |
| Italy | 125 | 65.4 | 190 |
| Poland | 104 | 67.3 | 171 |
| Greece | 78 | 69.7 | 148 |

** World Bank Doing Business 2008 report, reverse ranking out of 178 countries*
*** Governance indicators from World Bank, Government Effectiveness (2007)*

Regarding the second explanation, Ireland attracted significant levels of foreign direct investment (FDI) through a competitive economic environment, combined with education reforms. Indeed, the country's business environment and government effectiveness indicators (see Table 5) clearly separate Ireland from such countries as France, Portugal, Italy, and Greece. Thanks to such changes, key Irish exports have shifted in recent years from agriculture and food products to electronics, chemicals and pharmaceuticals, and software. Moreover, export markets have expanded beyond UK, which previously took the largest share.

**Table 6: Youth Education Level**
(share of population aged 20-24 with at least secondary education)

| | A) 2000 | B) 2007 | B-A |
|---|---|---|---|
| EU-27 | 76.6 | 78.1 | 1.5 |
| EU-15 | 73.7 | 75.2 | 1.5 |
| Ireland | 82.6 | 86.7 | 4.1 |
| Italy | 69.4 | 76.3 | 6.9 |
| Czech Republic | 91.2 | 91.8 | 0.6 |
| Hungary | 83.5 | 84.0 | 0.5 |
| Poland | 88.8 | 91.6 | 2.8 |
| Slovakia | 94.8 | 91.3 | -3.5 |

*Source: Eurostat*

Still, improving the business environment alone may not be enough to substantially raise growth. Denmark, which had the top ranking in Table 5, fared poorly in economic terms during recent years, with weaker than average GDP growth and a sharp decline in relative GDP per capita. One preliminary explanation for Denmark's poor recent results may relate to education, as the share of Denmark's population aged 20-24 with at least secondary education stands approximately in line with the EU average (and considerably lower than in Sweden and Finland), while Ireland's (at nearly 87%) far surpasses it (see Table 6).

## Implications for the New Member States: Lessons from Slovakia

Given the relatively low level of EU transfers going to the new member states, particularly those in Central Europe, they must find other ways of catching up with the EU-15.  Attracting FDI is seen as a way of raising competitiveness through the entry of new skills, capital, and technologies. Prior to EU accession, several CEE countries had put in place generous investment incentives to attract FDI; however, many of these programs had to be cut back considerably when they joined the EU. The new member states had to find ways of bringing in FDI within the confines of EU legislation. Because the *acquis communautaire* did not impose harmonization of taxation rates, that was one obvious route to take.

In the case of Slovakia, the 2002-2006 government of Mikuláš Dzurinda was very aware of the need to raise competitiveness in order to catch up with the richer EU countries. Indeed, Slovakia was the first EU member state to come up with its own national strategy for raising competitiveness (Bruncko 2005). The cabinet started by introducing radical fiscal reforms and simplifying the taxation system in 2004-2005 (with a flat tax on personal and corporate income at 19%). While both Slovak citizens and the political elite remained overwhelmingly pro-European, the far-reaching economic reforms implemented by the 2002-2006 Dzurinda cabinet caused some nervousness in the more established EU countries, begging the question of exactly what kind of “Europe” Slovakia was building. Finance Minister Ivan Mikloš and his allies saw their economic strategy as a blueprint for the rest of Europe, in line with the 2000 Lisbon strategy (Malová and Haughton 2005).

The Dzurinda government also planned other measures, realizing that if investments were driven by low wages and low taxes alone, they would eventually move further eastward once Slovakia became more expensive. The next step was going to be education reforms, which were due to be launched during the 2006-2010 term, through the Minerva program. The Minerva program was aimed at raising competitiveness and meeting the Lisbon goals of a dynamic knowledge-based economy by focusing on four key areas: human resources and education; information society; business environment; and science, R&D, and innovation. Those measures would ensure Slovakia’s continued attractiveness as an investment environment in the medium to long term. Those plans were cut short, however, by the defeat of Dzurinda’s party in the 2006 elections. In the current term, the government has been riding the wave of success based on the 2002-2006 reforms, while making few efforts to invest in the country’s future. Slovakia could lose its edge as the current government has shifted priorities away from long-term goals, toward short-term popularity.

**Prospects**

In recent years, Slovakia and other new EU member states have tended toward the Anglo-Saxon model, pushing through reforms aimed at raising growth rates as quickly as possible, often at the expense of equality.  Still, competition for FDI will likely grow fiercer in the future, not only within the EU, but also in neighboring markets such as the Western Balkans and Ukraine. Investors in the new member states who have been attracted by low wages and low taxes may soon be disappointed, as wage levels have been rising quite rapidly in recent years.

Pressure to raise wages further will only grow stronger in the years to come, due to emerging labor shortages in certain sectors (especially construction and some manufacturing branches) and as populations become frustrated with their lack of spending power in relation to their richer EU neighbors. As wages approach West European levels, reforms aimed at improving education and governance will be crucial. Funds must be focused not only on young generation, but also on over-40 population, which has been largely ignored in transition. Such measures could help to raise employment levels in line with the Lisbon goals. This is especially true for Poland, Hungary, and Romania, all of which had employment rates below 60% in 2007.

In the longer term, CEE leaders may eventually look away from the Anglo-Saxon model, while paying closer attention to the Nordic approach as a means of promoting sustainable and more equitable long-term growth. Such an approach may serve to lure the émigré population back home, helping to alleviate the current labor shortages.

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