

The Comparative Performance of the NMS-8 in the major Competitiveness related Lisbon Indicators

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Presentation for the conference Competitiveness in the New Member States: the case of Hungary

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Structure of the Presentation

1. Comparative Performance in Lisbon Indicators of the NMS vis-a-vis the EU-15
2. The advantages and disadvantages of NMS in Lisbon indicators and competitiveness
3. The short-term policy issues in the Lisbon strategy of NMS countries

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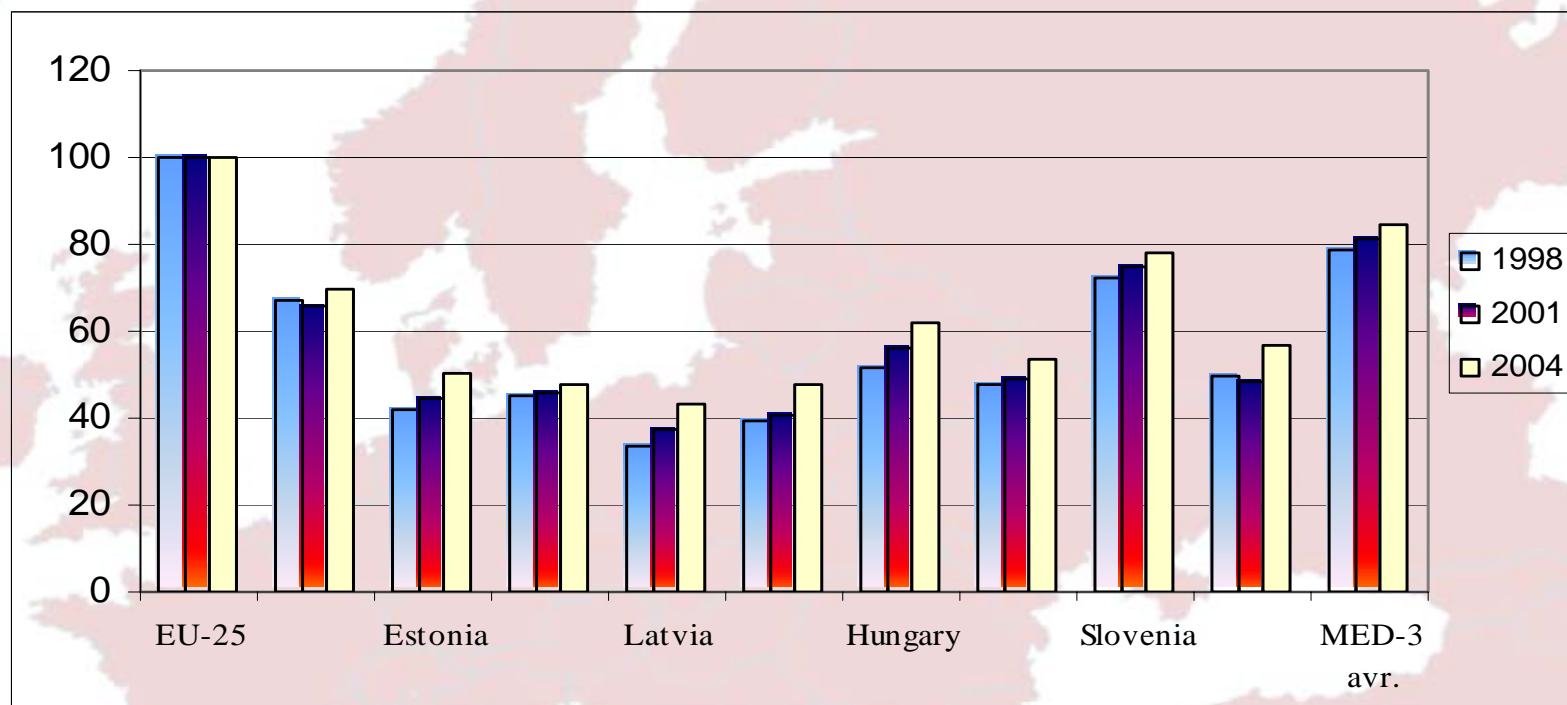
I. Comparative Performance in Lisbon Indicators of the NMS vis-a- vis the EU-15

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Income Indicators: GDP per capita in PPS

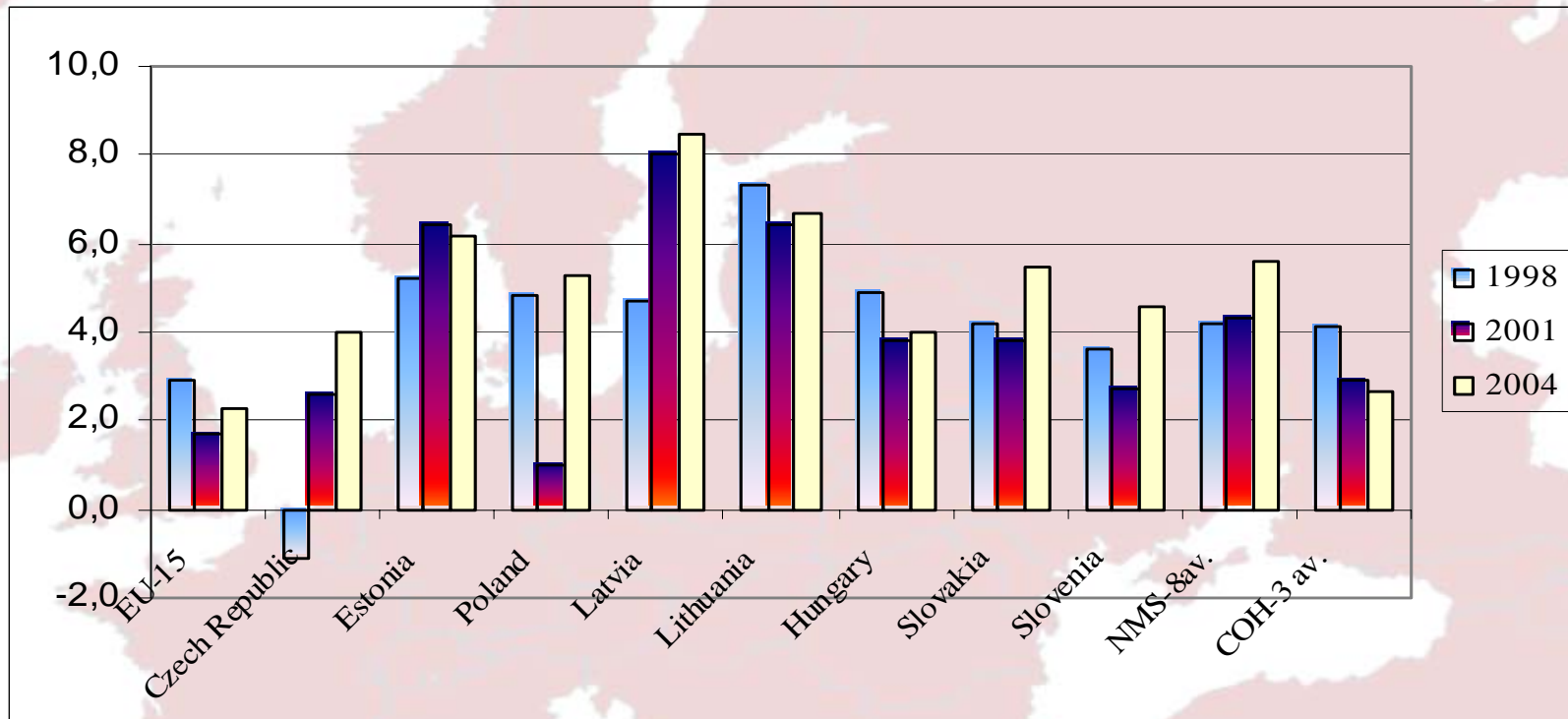


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Income Indicators: Real GDP growth

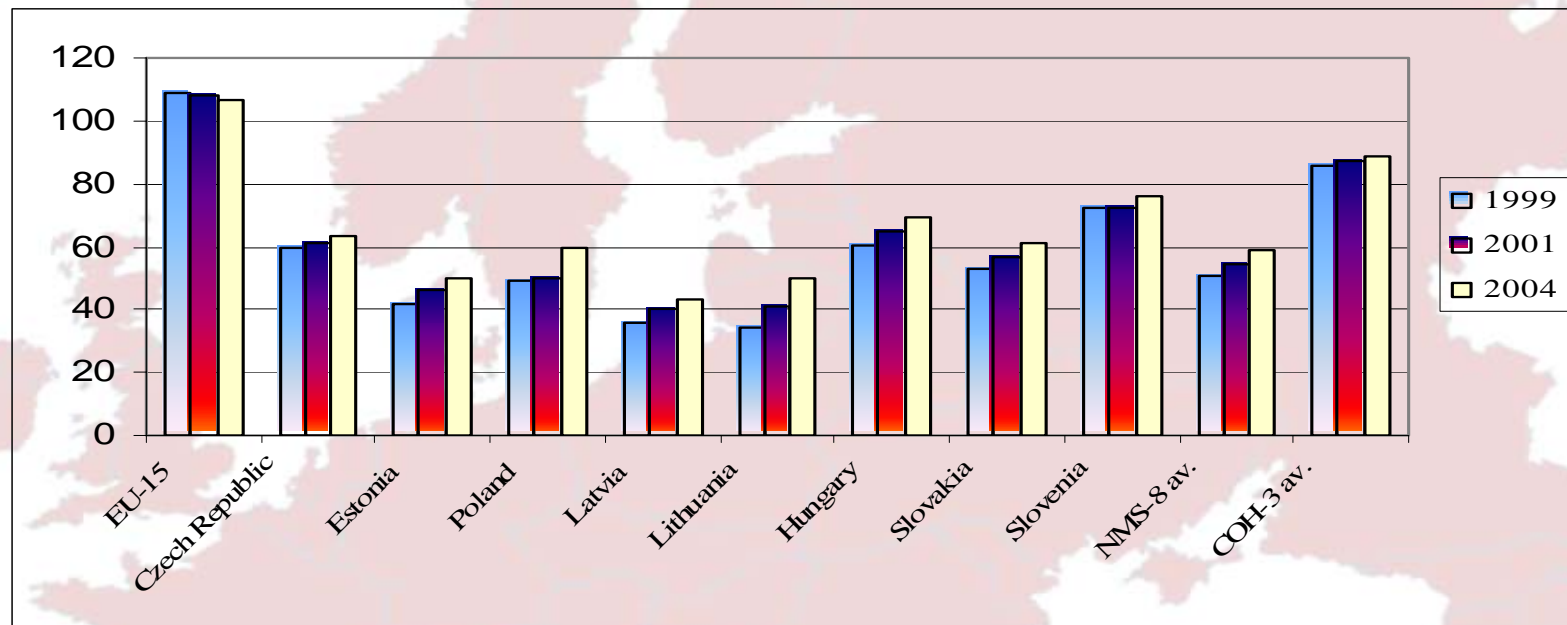


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Income Indicators: Labor Productivity per Person Employed, EU-25 = 100

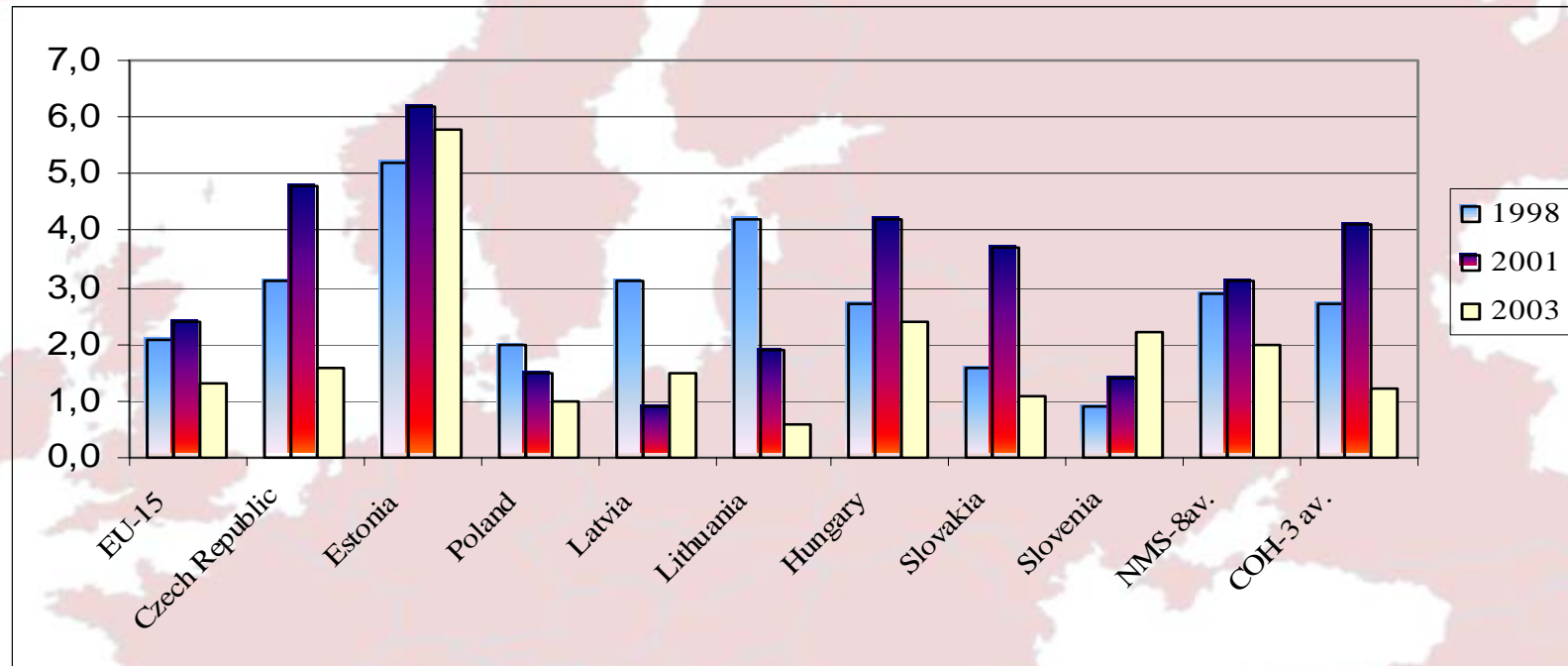


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Competitiveness Indicators: FDI Intensity

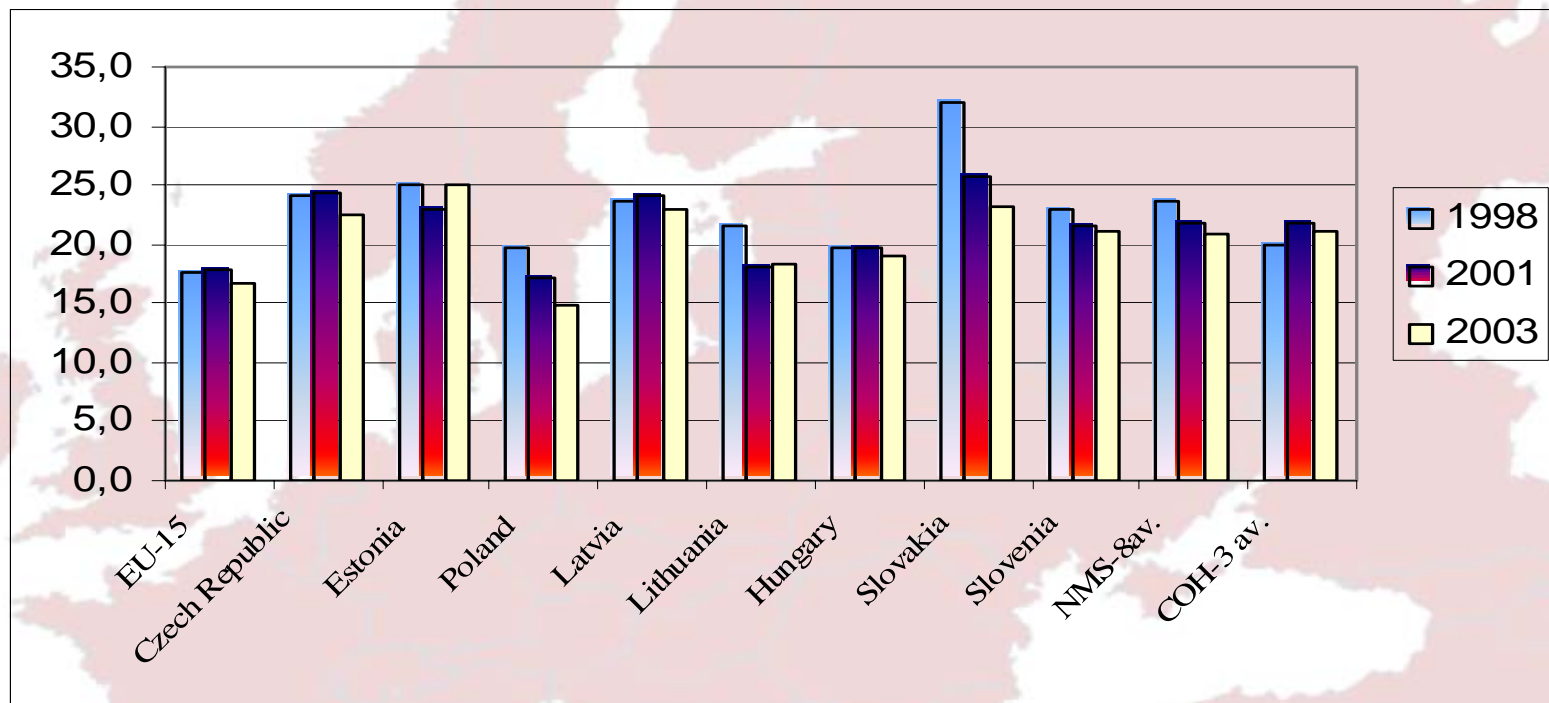


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Competitiveness Indicators: Gross Fixed Capital Formation

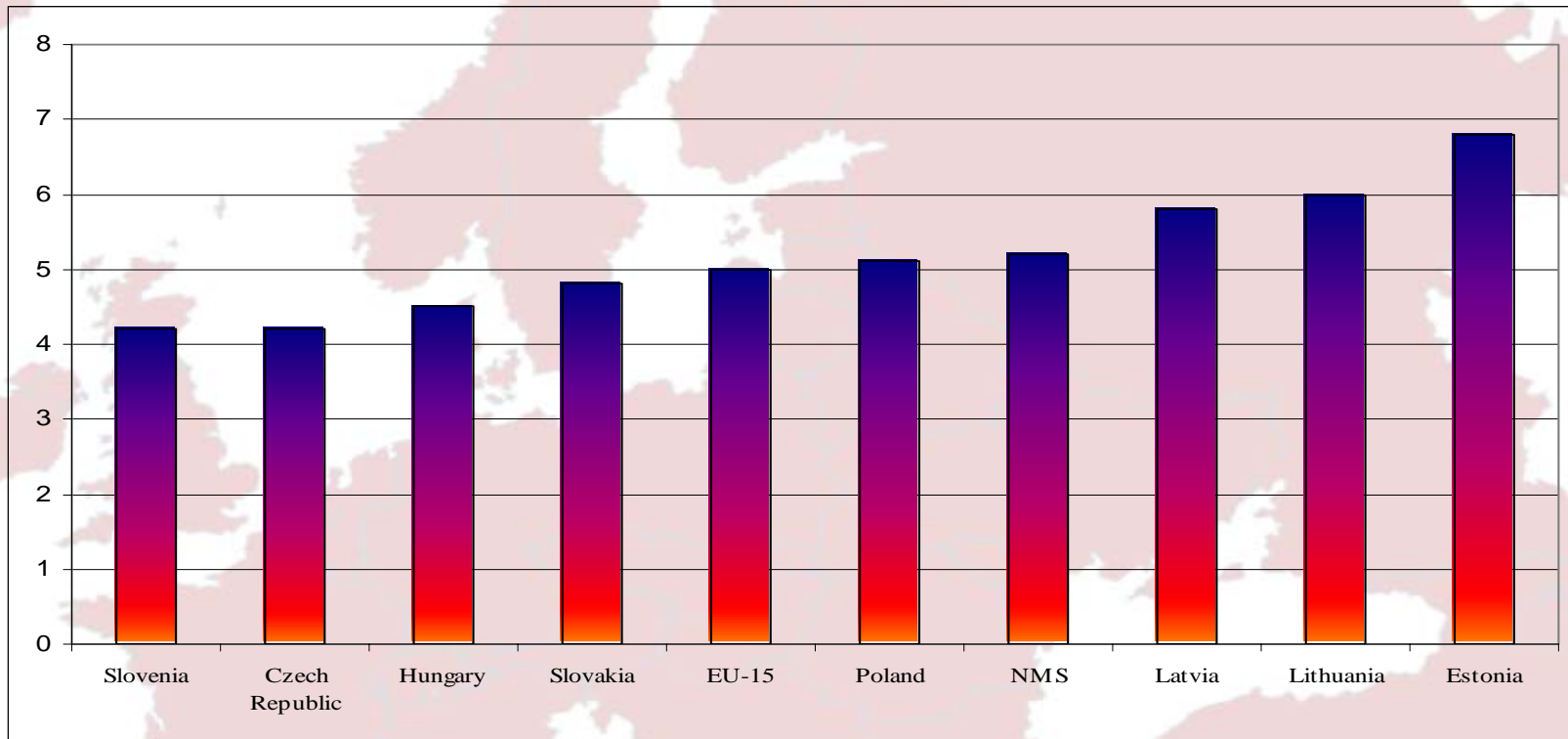


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Competitiveness Indicators: Spending on Human Resources

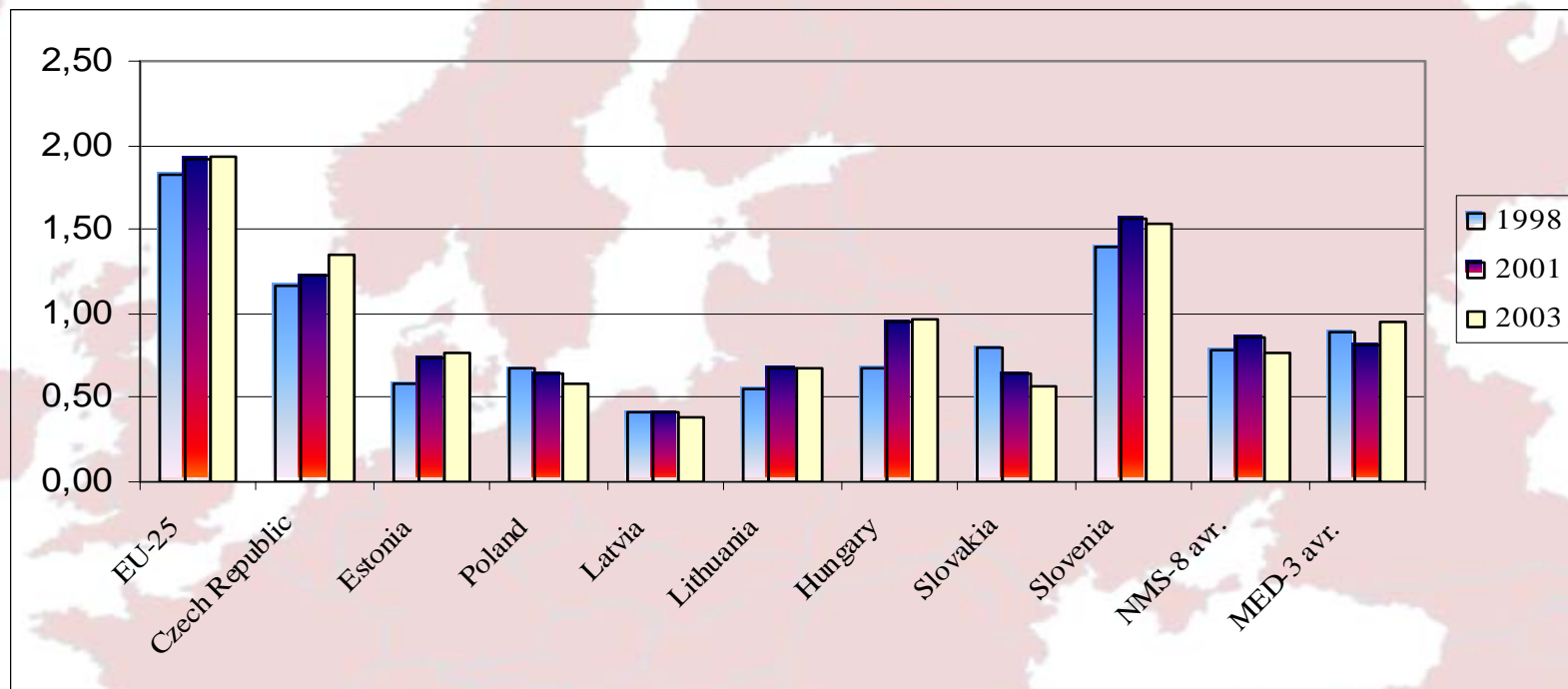


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Competitiveness Indicators: GERD/GDP

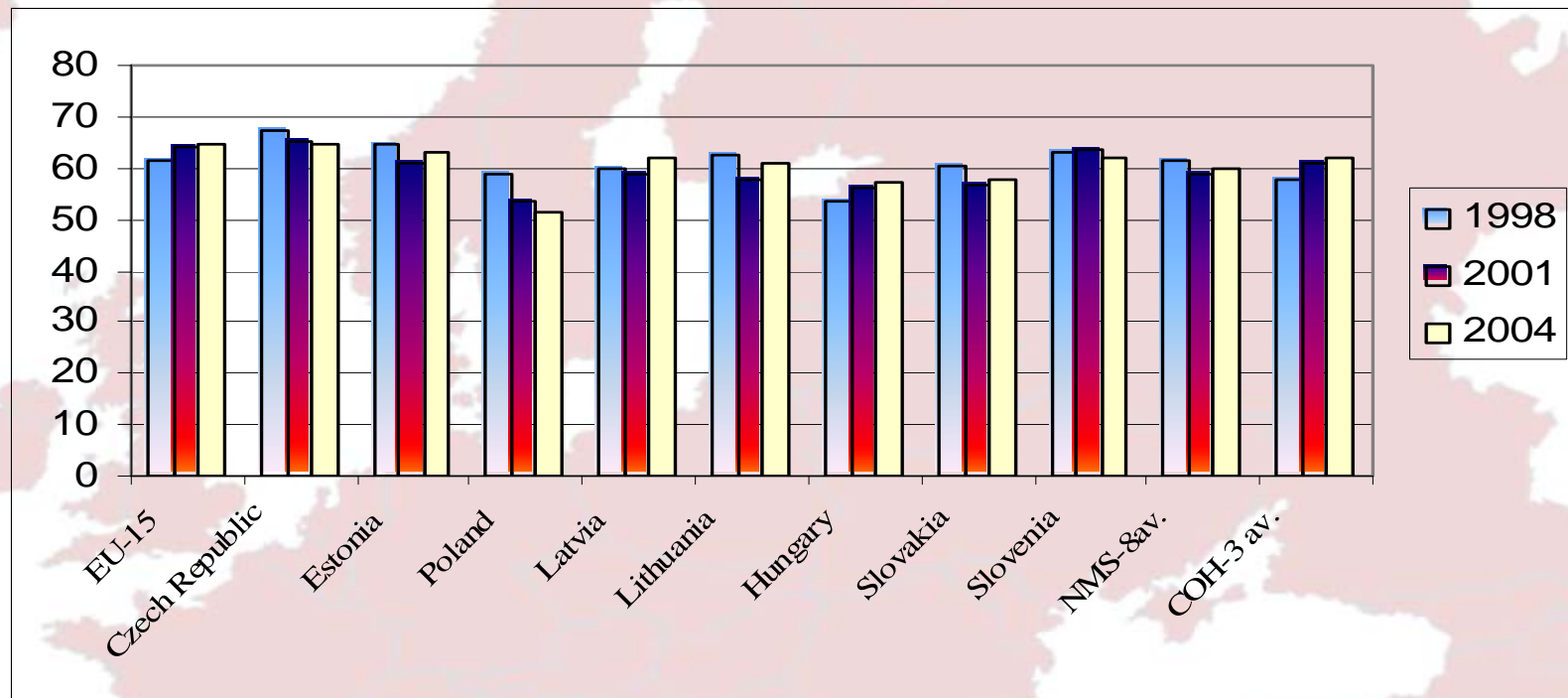


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Labour Market Indicators: Employment Rate

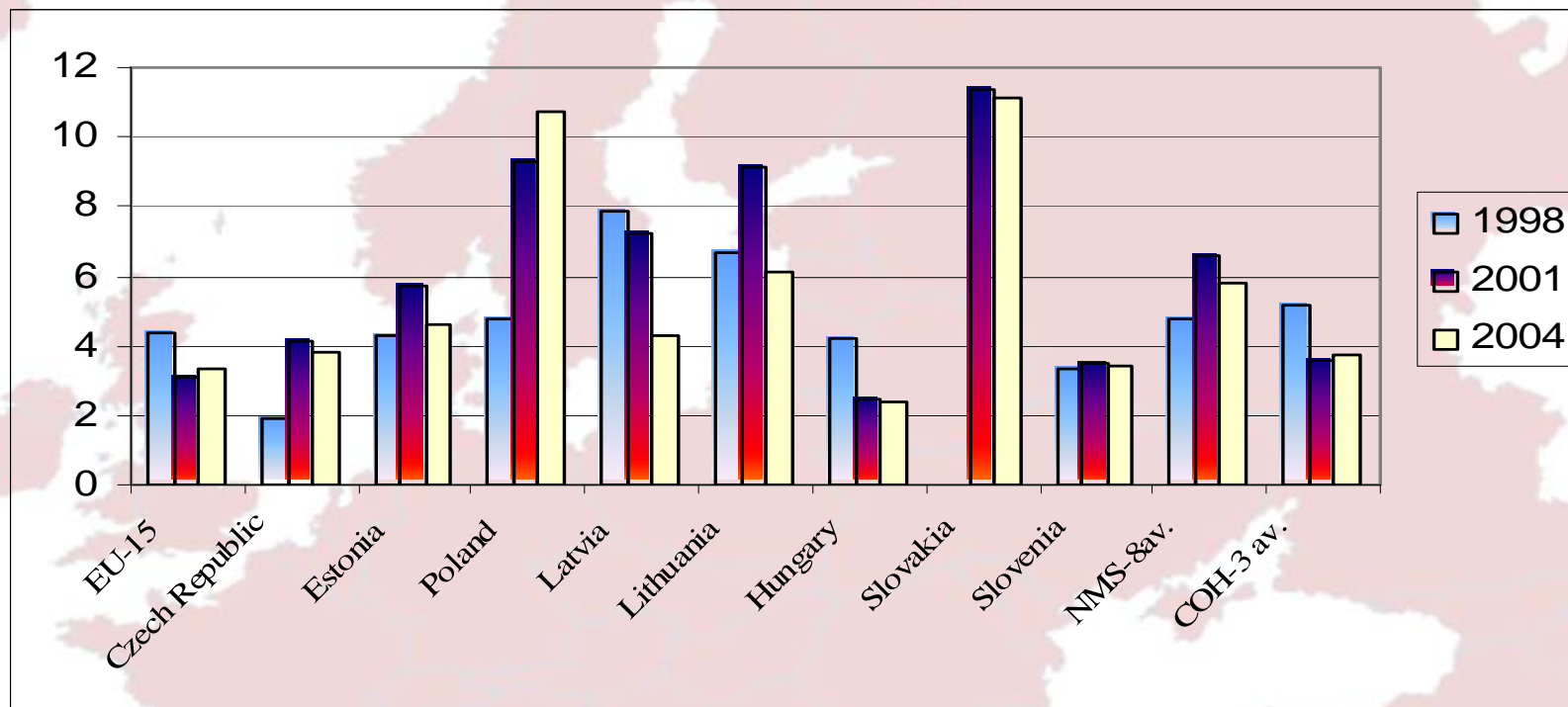


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Labour Market Indicators: Unemployment Level

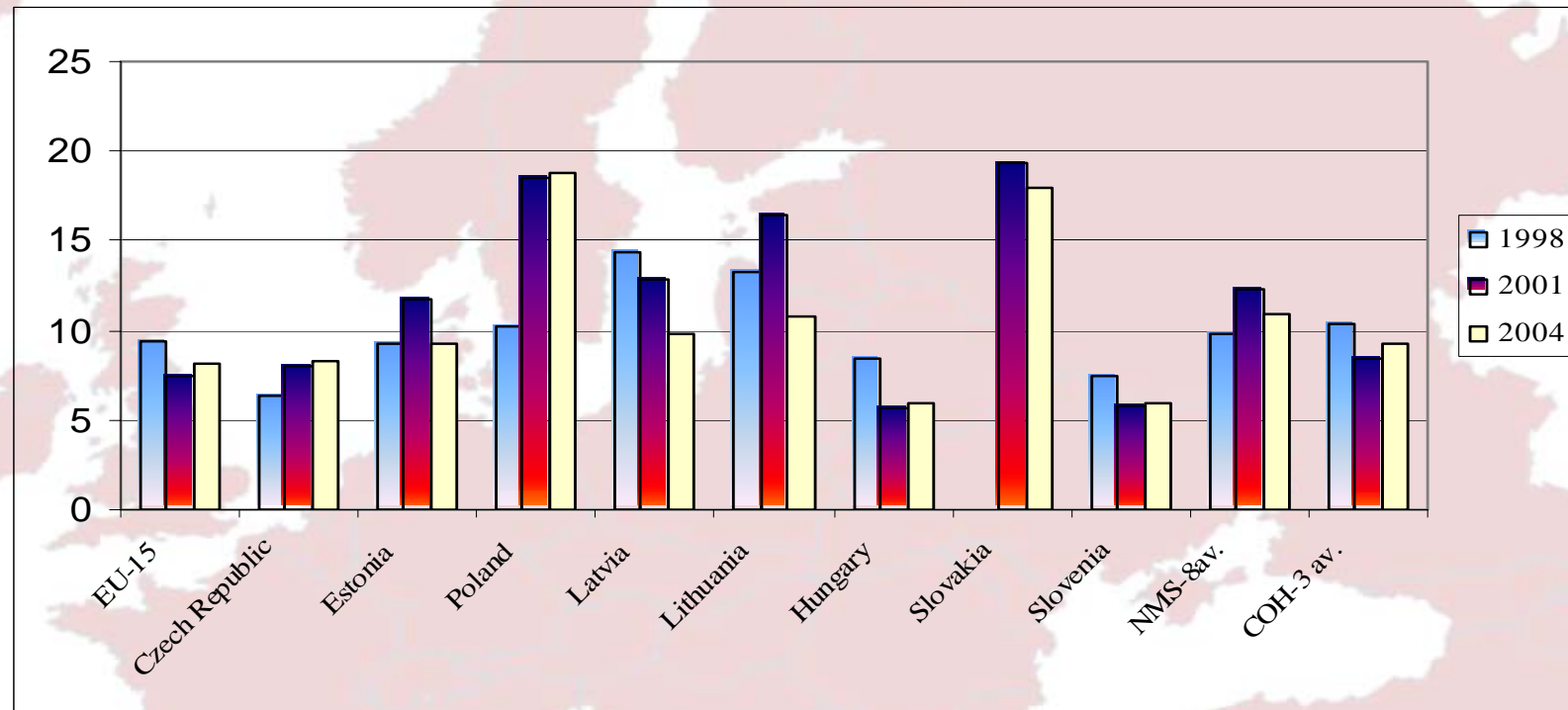


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Labour Market Indicators: Long-term Unemployment



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IMD World Competitiveness Scoreboard 2005 Rankings (out of 60)

1. Estonia 26th position
2. Czech Republic 36th position
3. Hungary 37th position
4. Slovak Republic 40th position
5. Slovenia 52nd position
6. Poland 57th position

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Summary on the Major Competitiveness related Lisbon Indicators

- Significant differences between the NMS themselves
- In several indicators fast convergence (including the productivity levels, FDI intensity among others) while the stock indicators (especially income, cost ones) show huge gaps
- Significant convergence in nominal indicators due to the imposed macroeconomic stability requirement
- Sizeable gaps in factors key to fast rise in productivity and economic growth, including R+D, labour utilisation and private capital formation
- Special competitiveness and social problems linked to employment indicators
- Much higher regional inequalities within the NMS than within the EU-15 countries which are expected to widen in the process of convergence

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II. The Advantages and Disadvantages of NMS in Lisbon Indicators and Competitiveness

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The exogenous conditions of NMS influencing their performance in Lisbon indicators

- Real and nominal convergence, fast catch up of the NMS countries
- Fast and deep restructuring in the NMS in recent years
- Much more flexible factor (especially labour) markets in NMS than in the EU- 15
- Bigger real and financial openness and exposure to exogenous shocks of the NMS countries

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Comparative advantages of the NMS-8 vis-a-vis the EU-15 in Lisbon Competitiveness Indicators

- **Faster rise of productivity and investments due to lower capital/labour level**
- **Absorption of external funds and higher FDI intensity**
- **Good supply of human capital both in quantity and in quality**
- **Cost levels are low and their rise is kept under control**

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Comparative disadvantages of the NMS-8 vis-a-vis the EU-15 in Lisbon Competitiveness Indicators

- **Higher levels of public sector redistribution and lower level of efficiency**
- **Generally low levels of gross fixed capital formation both in the private and public sectors**
- **Low levels of research and development spending, sometimes distorted spending on human resources**
- **Much lower levels of employment and associated structural problems**

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III. The Short-term Policy Issues in the Lisbon Strategy of NMS Countries

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Relaunch of the Lisbon Strategy - National Action Plans

- Majority of the EU member states missed the 15 October deadline for the submission of their National Action Plans on economic reform
- Concerning the NMS the Commission has received NAPs only from the Czech Republic, Estonia, Hungary and Slovakia until the deadline

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Possible risks associated with NAPs

- Since NAPs are drawn up on member state level they might not be self-critical enough
- Governments might take this opportunity to focus on indicators in which they are already good at or to show off what they have already done
- Commission does not have the power to force member states to implement the NAPs and to be ambitious

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Thank You!

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