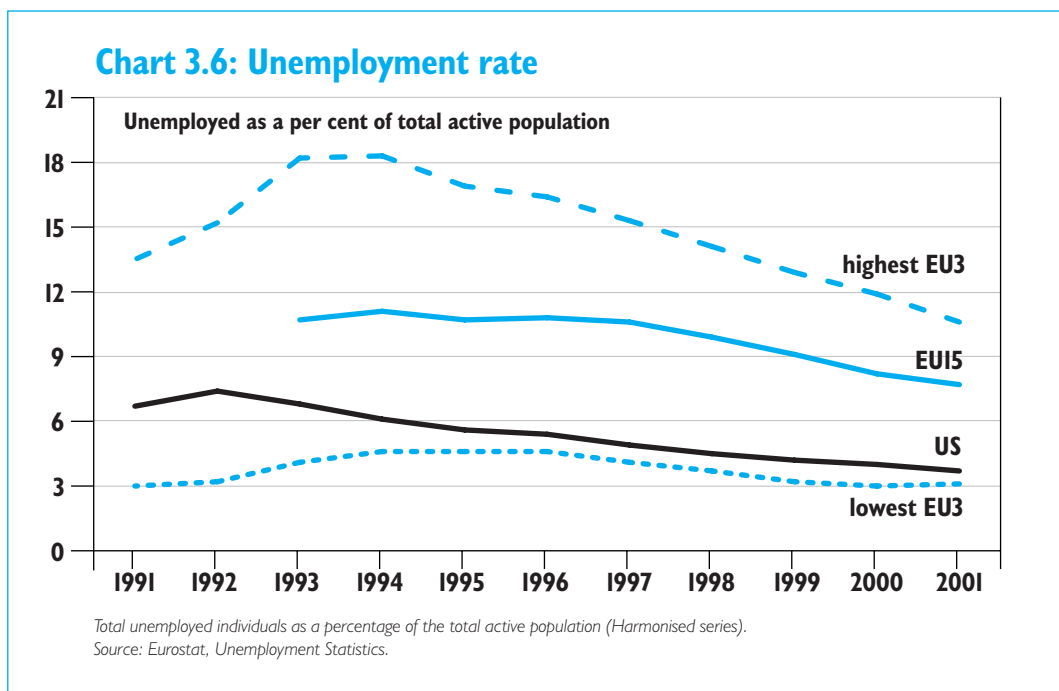


UNEMPLOYMENT

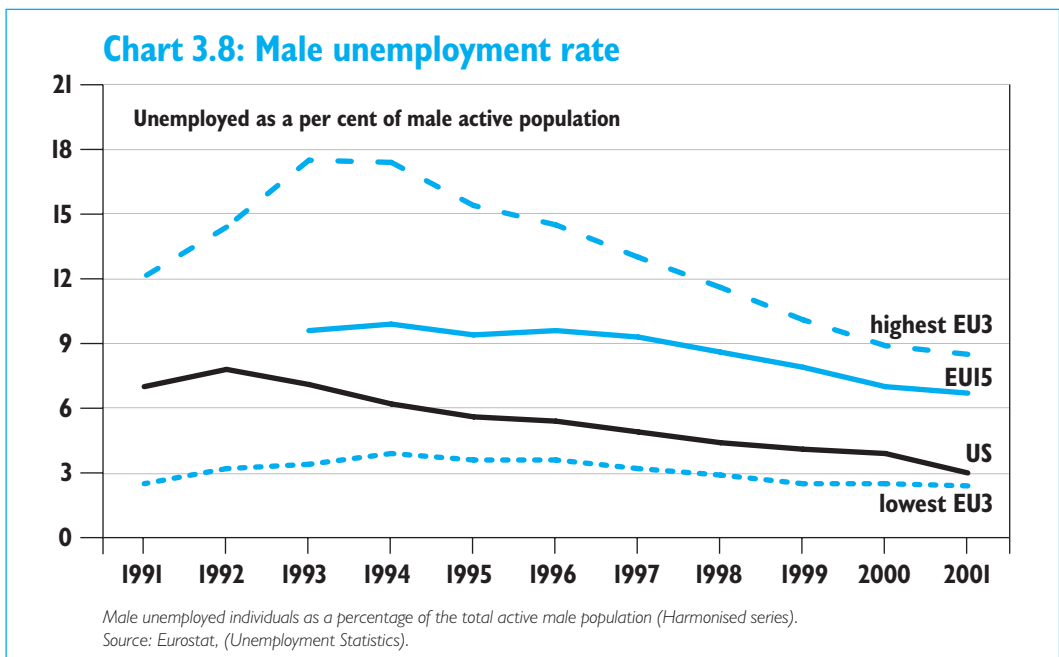
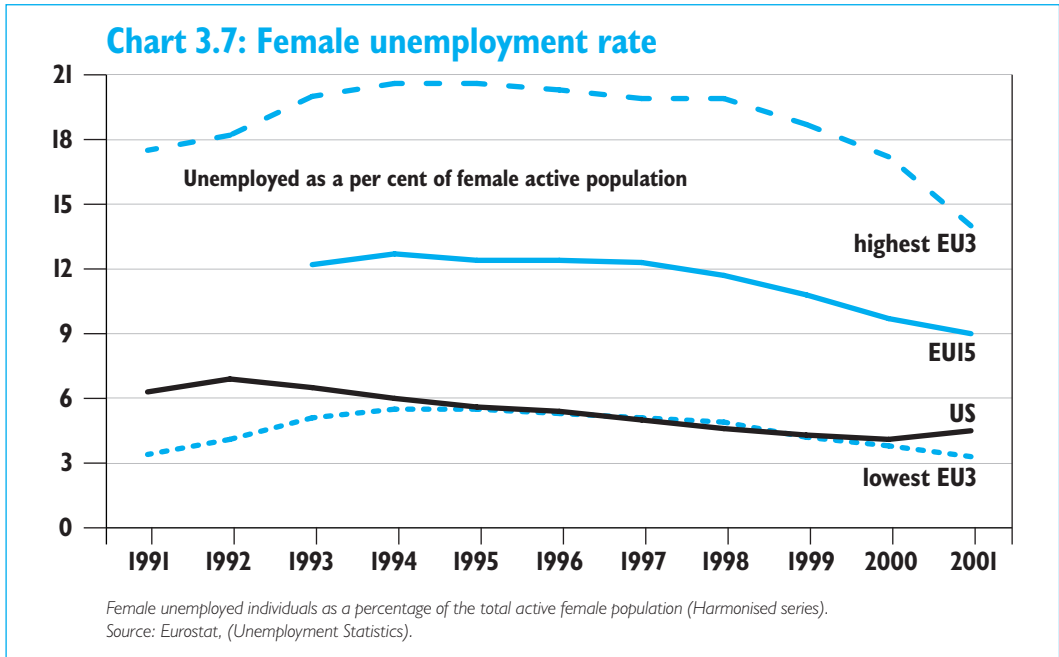
Total unemployment rate **3.8** Unemployment in EU Member States has shown a downward trend overall, but the EU unemployment rate of 7.7 per cent still remains significantly higher in 2001 than the US at 3.7 per cent. Throughout the 1990s EU unemployment was 3 to 5 percentage points higher than the US.

3.9 The Member States with the lowest rates of unemployment have rates consistently below that of the US – as low as 3 per cent. Conversely, the three Member States with the highest unemployment rates have been significantly higher.



Female and male unemployment rate

3.10 Both the female and male unemployment rates for the EU decreased during the 1990s. In 2001 the female unemployment rate in the EU fell by 0.7 percentage points while the male unemployment rate fell by 0.3 percentage points, somewhat narrowing the gap between the two. The female unemployment rate has remained consistently higher than the rate for males across the EU – the gap has stayed above 2.3 percentage points. By contrast, in the US the female unemployment rate is almost identical to the male unemployment rate, and in some years even below.



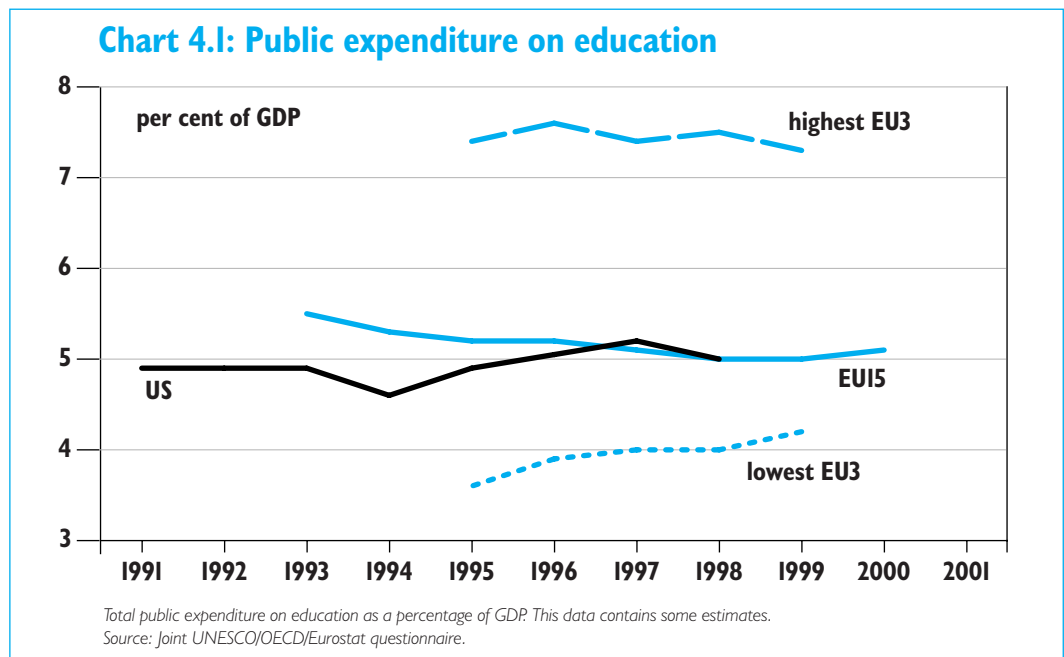
4

INNOVATION AND RESEARCH

- **Public expenditure on education** in the EU has fallen from 5.5 per cent of GDP in 1993 to around 5.1 per cent in 2000.
- There is a very wide range across the EU in the number of **science and technology graduates** as a share of the population.
- The number of **USPTO patents** registered by EU Member States showed an upward pattern through the 1990s, but growth of US patents has been greater. In 2000 the number of EU patents at USPTO rose by 7 per cent.
- **Venture capital** in both the EU and the US rose rapidly up until 2000 for both early stage and expansion, but fell sharply in 2001, though this may be cyclical. The volume of venture capital is considerably higher in the US.

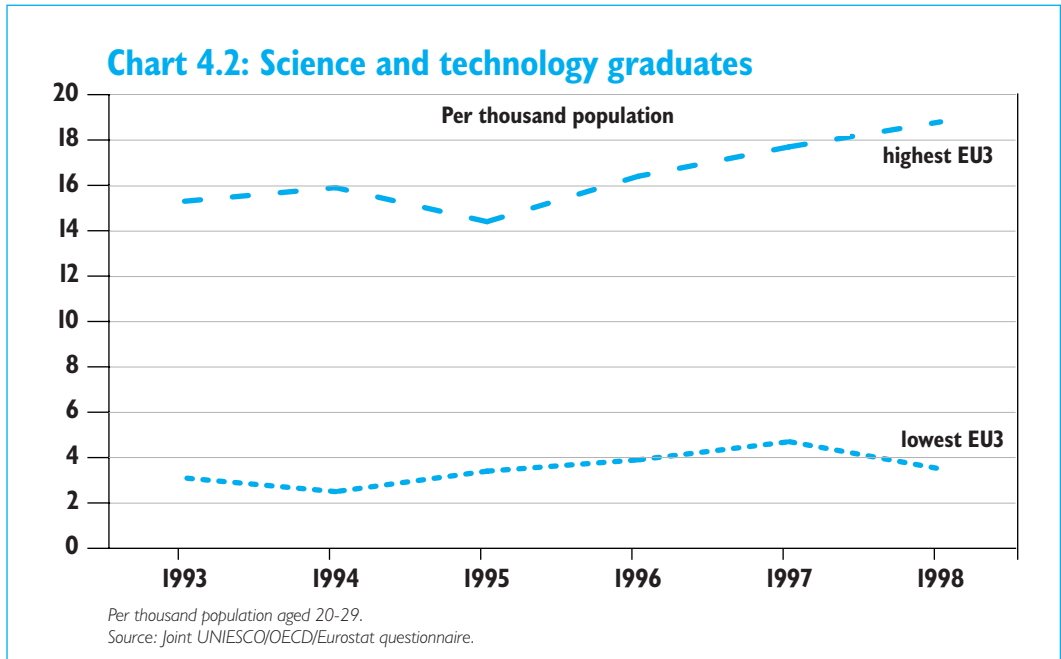
EDUCATION EXPENDITURE

4.1 At Stockholm the Council set education policies and lifelong learning as a priority. Public expenditure in the EU on education has fallen from around 5.5 per cent of GDP in 1993 to around 5.1 per cent in 2000. The three highest spending Member States have significantly higher public expenditure on education, at around 7.5 per cent of GDP.



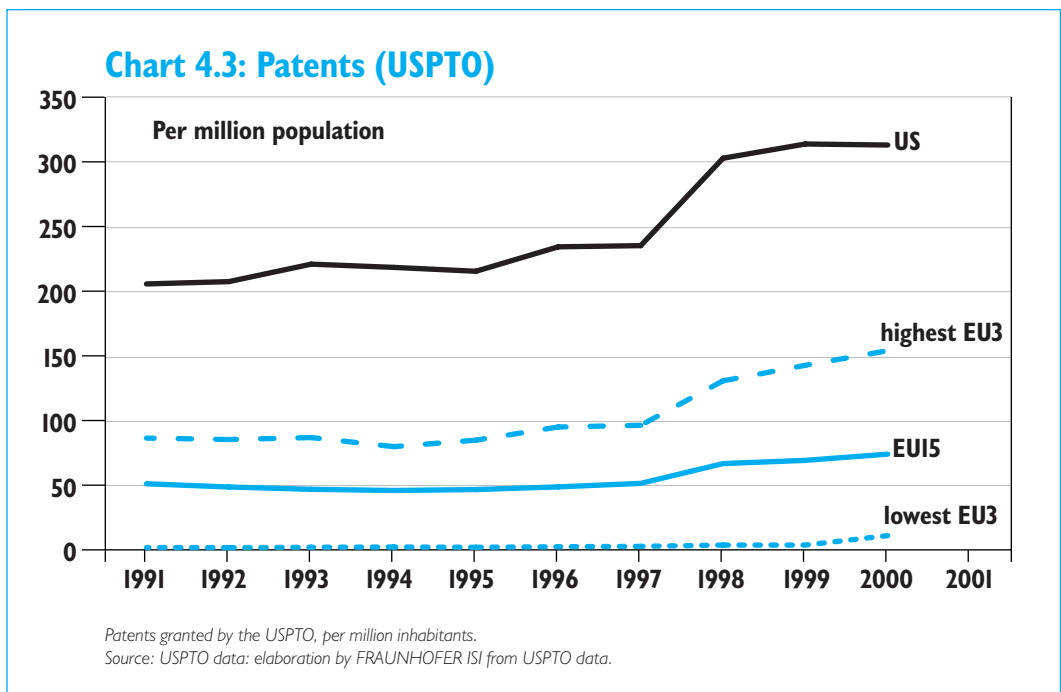
SCIENCE AND TECHNOLOGY GRADUATES

4.2 The number of science and technology graduates with science or technology degrees in the EU shows great divergence between Member States. While some Member States in 1998 had over 18 per 1000 population, others had less than 4.



PATENTS (US PATENT OFFICE)

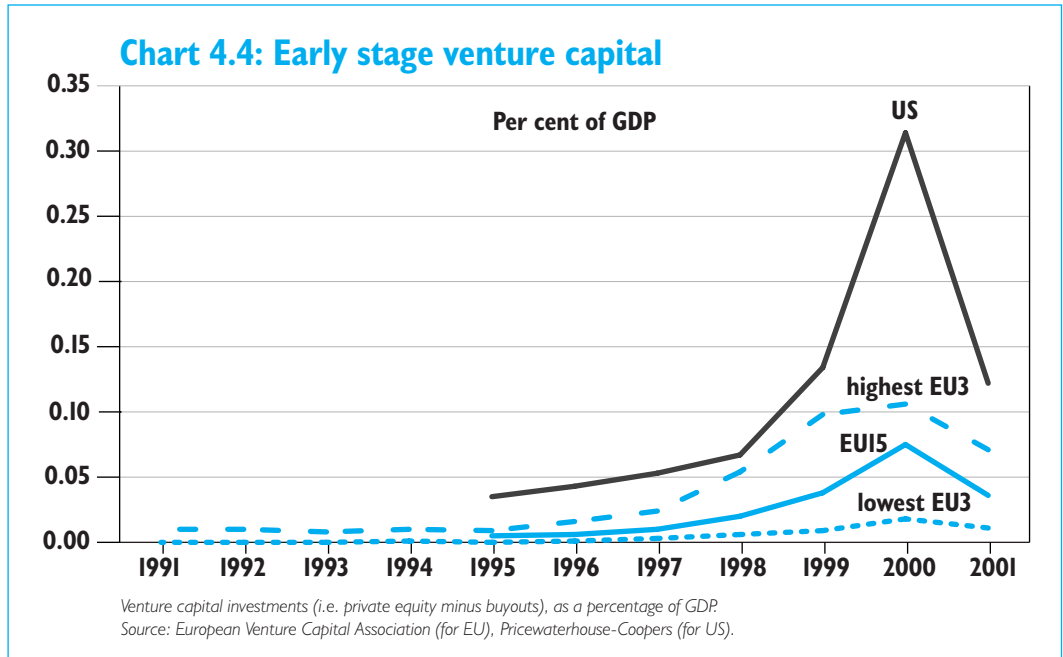
4.3 Successful R&D will normally be translated into patents. Between 1991 and 2000 the number of patent registrations by the EU at the US Patent Office (USPTO) had shown a 45 per cent increase. **The increase in patenting activity in the US was greater** – 52 per cent, and the US began from a higher level of activity.



VENTURE CAPITAL

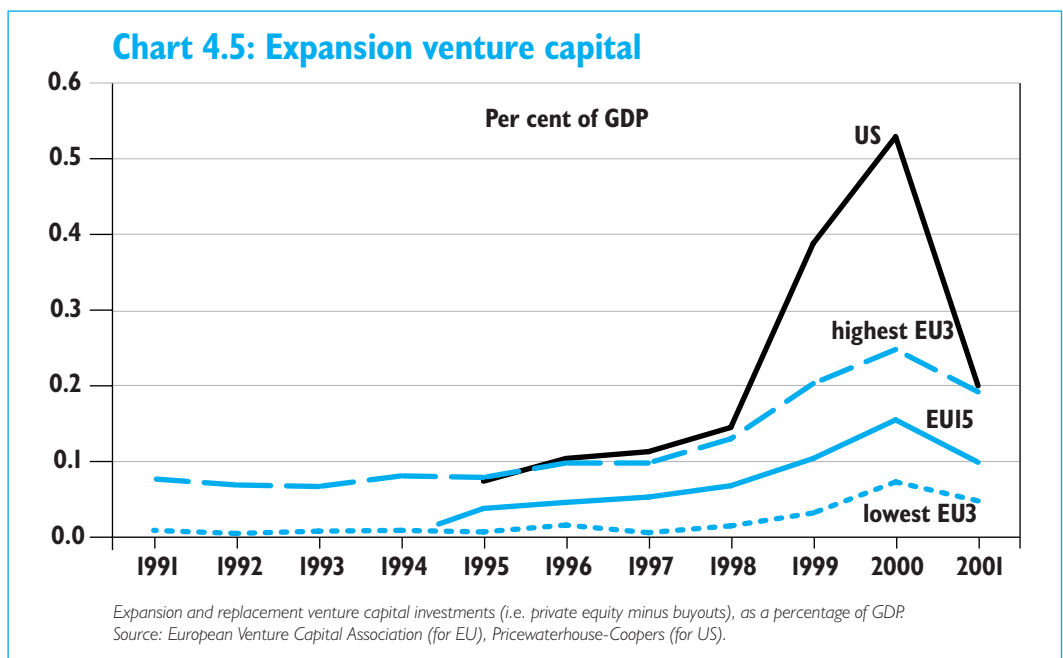
Early stage venture capital

4.4 After significant growth up to 2000, there was a substantial decline in 2001 in venture capital in both the EU and the US. Early stage venture capital in the EU at 0.036 per cent of GDP in 2001 was roughly a quarter that of the US. There is likely to be a strong cyclical element in these changes.



Expansion and replacement venture capital

4.5 Growth of expansion venture capital has been very high within the EU up to 2000 followed by a sharp decline in 2001. Expansion venture capital comprised about 0.10 per cent of GDP in the EU in 2001, falling from about 0.16 the previous year. This compares to 0.20 per cent of GDP in the US in 2001 and 0.53 per cent of GDP the previous year.



- **Trade integration within the EU rose in the 1990s, showing progression of the Single Market.**
- **There has been some narrowing of price levels in the EU in the 1990s but in 2000 price levels widened in the EU.**
- **Electricity prices have continued their downward trend across the EU, but there are still substantial differences between Member States.**
- **Many Member States still have monopolies in network industries, notably electricity.**
- **The market structure in telecoms shows greatest liberalisation in mobile telecoms and international calls, and least liberalisation in local calls.**
- **The share of openly advertised public procurement in EU GDP rose significantly from 1.8 per cent in 1999 to 2.4 per cent in 2000.**
- **Sectoral and ad hoc State aid levels fell as a share of GDP through the 1990s.**

TRADE INTEGRATION

5.1 As the Single Market develops, trade should increase as economies take advantage of increased opportunities and lower transactions costs. Trade integration, measured as trade relative to GDP, is highly dependent upon the size of the economy because the larger the country, the higher the proportion of long-distance transactions that occur within the country.

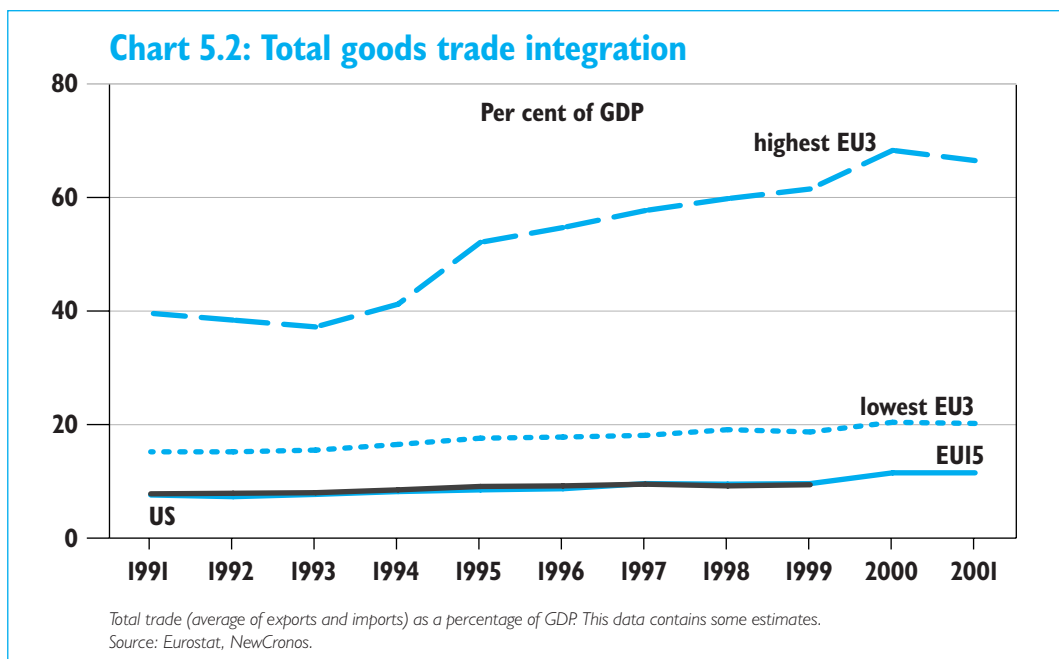
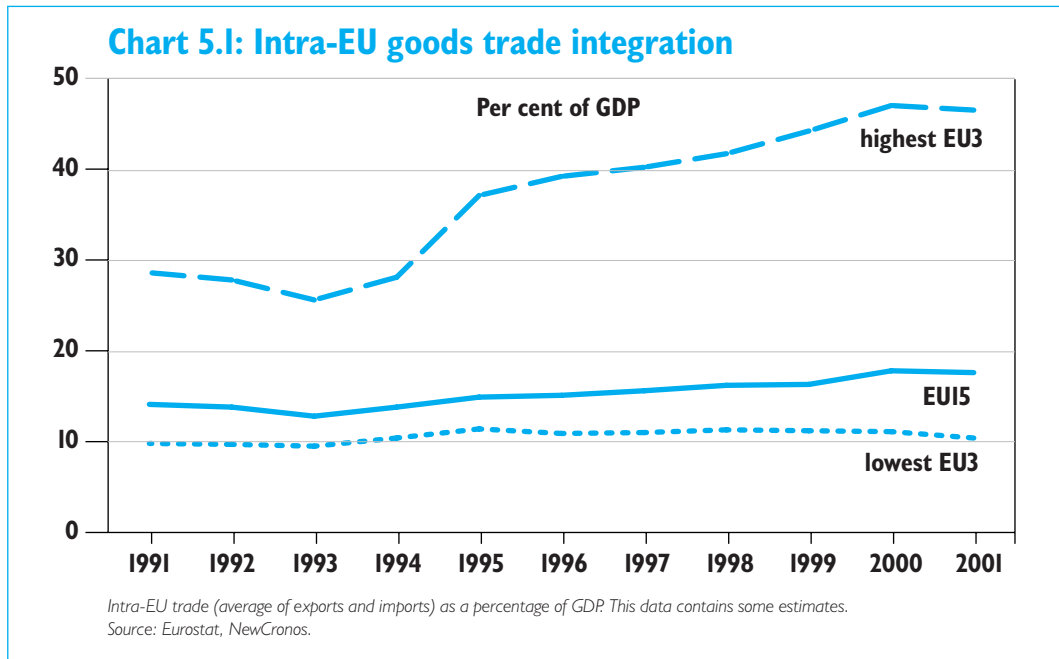
Intra-EU trade

5.2 The level of trade integration between Member States rose as a share of EU GDP from 14.1 per cent in 1991 on the eve of the Single Market, up to 17.6 per cent in 2000, but fell slightly in 2001.

Total trade

5.3 The external trade integration data for the EU15 are lower than for individual Member States, because the figures for individual Member States include trade not only with countries outside the EU, but also trade with other Member States. However, the EU is data are comparable to the US, and reflects the relative openness of those two economies.

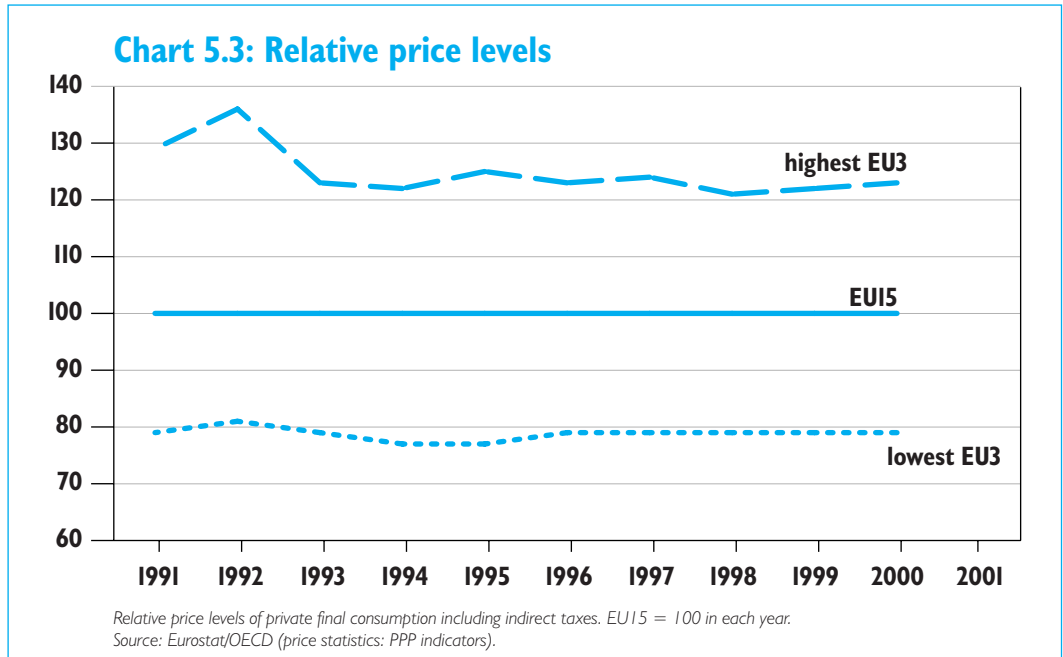
5.4 This shows that for the period where comparable data is available, **the EU and US have exhibited almost identical openness to trade.** There was a 1.4 percentage point increase in trade between the EU and the rest of the world in 2000, as compared to virtually no change in 1998 and 1999.



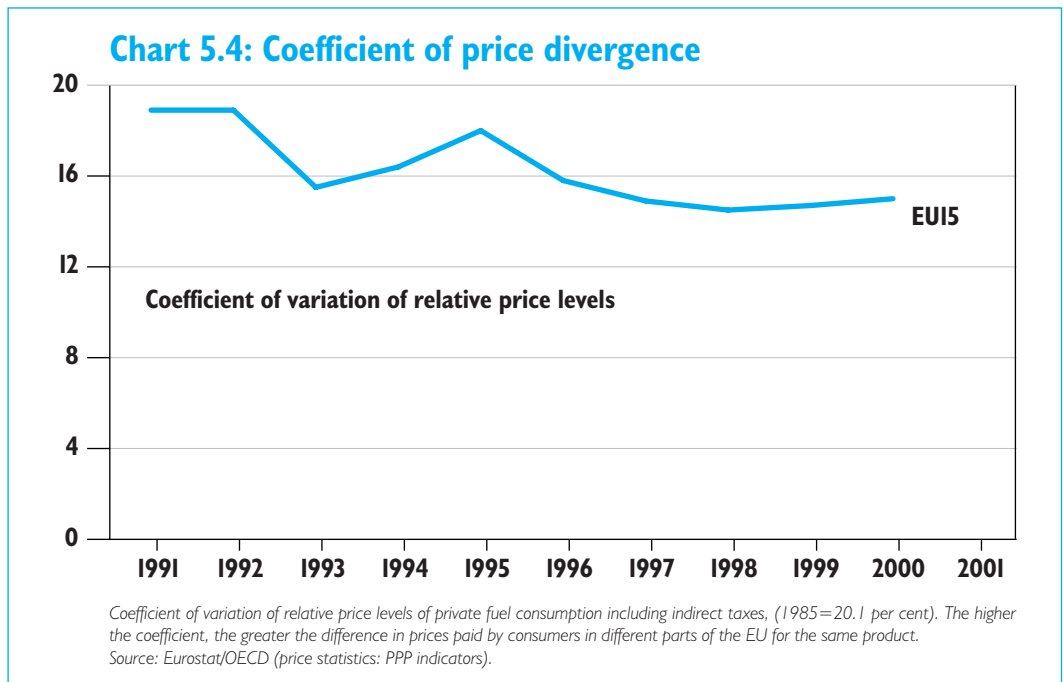
PRICES

Relative price levels

5.5 The Single Market may be expected to bring greater price convergence. **Through the 1990s the difference in price levels in the EU has remained relatively constant**, with the highest-priced Member States 20–25 per cent above the EU average and others 20–22 per cent below the EU average.



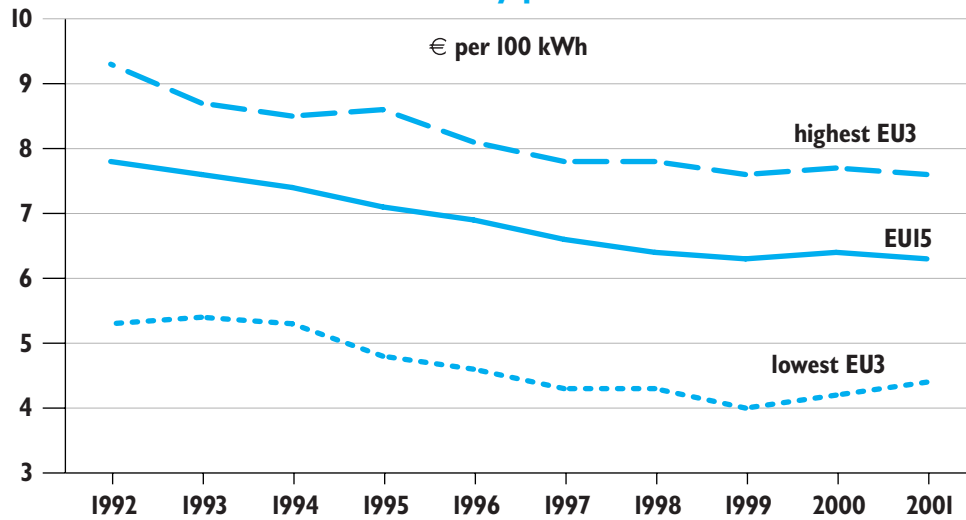
Price convergence 5.6 Price dispersion, shown as the coefficient of price divergence, fell from 1995 to 1999, but in 2000 it rose again slightly. These figures suggest that prices were converging slightly across the EU before 2001.



PRICES IN NETWORK INDUSTRIES

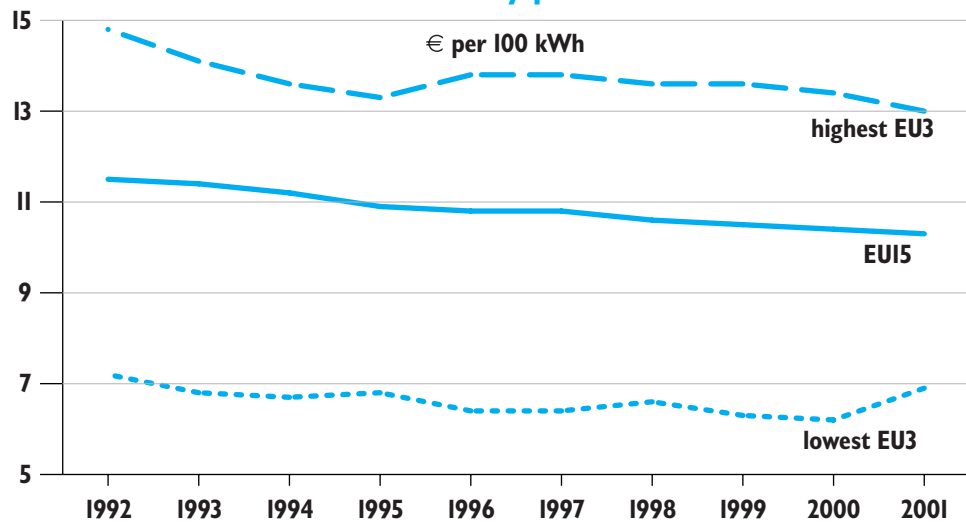
Electricity prices 5.7 Electricity prices in the EU for both industrial users and households fell between 1992 and 2001, by 19 per cent and 10 per cent respectively. The variation in prices is still high across the EU, with prices in the cheapest Member States remaining at around half of the most expensive.

Chart 5.5: Industrial electricity prices



Industrial electricity prices in euro per 100 kWh.
Source: Eurostat, Energy statistics

Chart 5.6: Household electricity prices

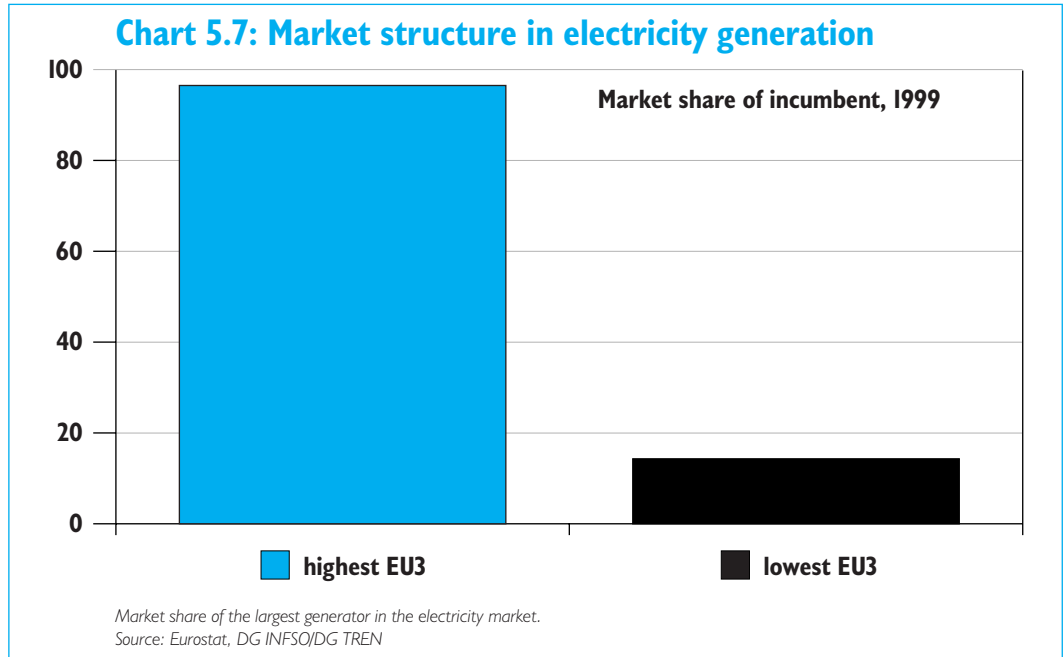


Household electricity prices in euro per 100 kWh.
Source: Eurostat, Energy statistics.

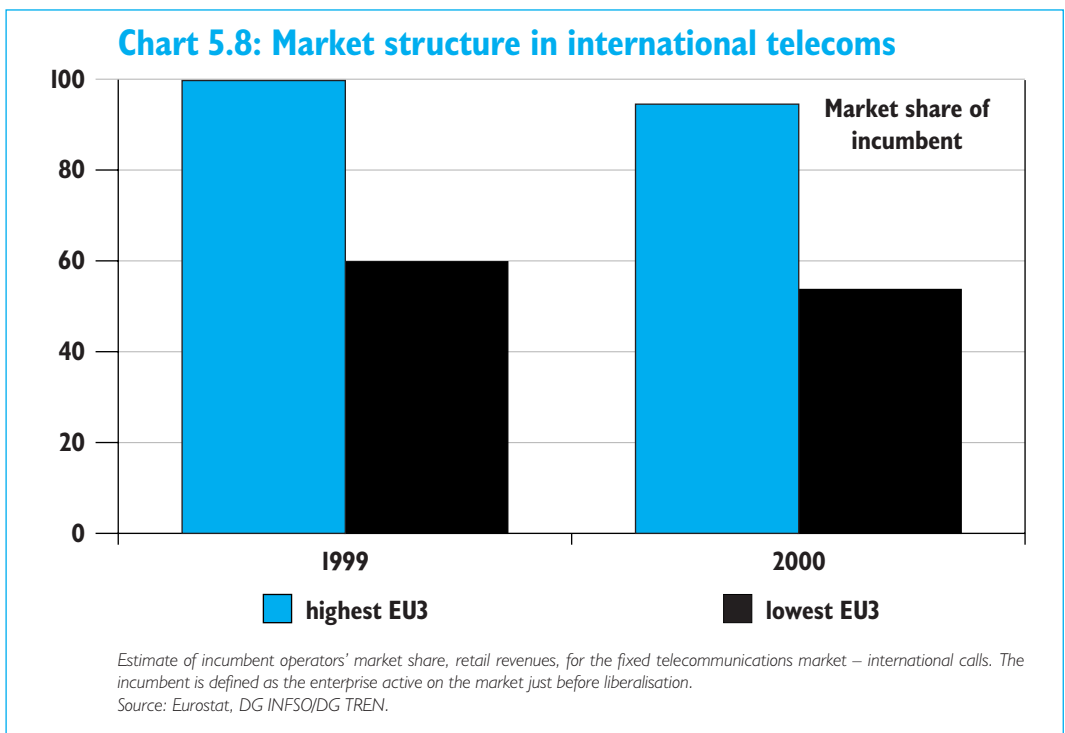
MARKET STRUCTURE IN NETWORK INDUSTRIES

Electricity market structure

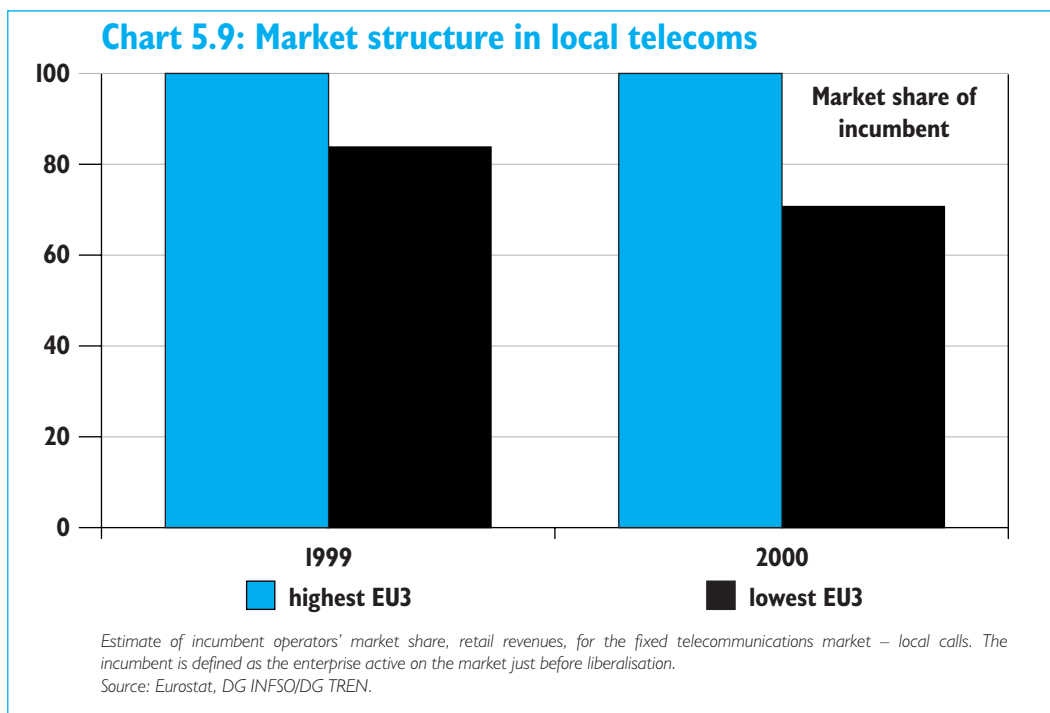
5.8 The concentration of electricity generation within the EU varies considerably. In some Member States the largest electricity generators account for over 96 per cent of the market share, whilst in other countries where liberalisation has been more widespread this market share is down to as low as 15 per cent. Data is only available for 1999.



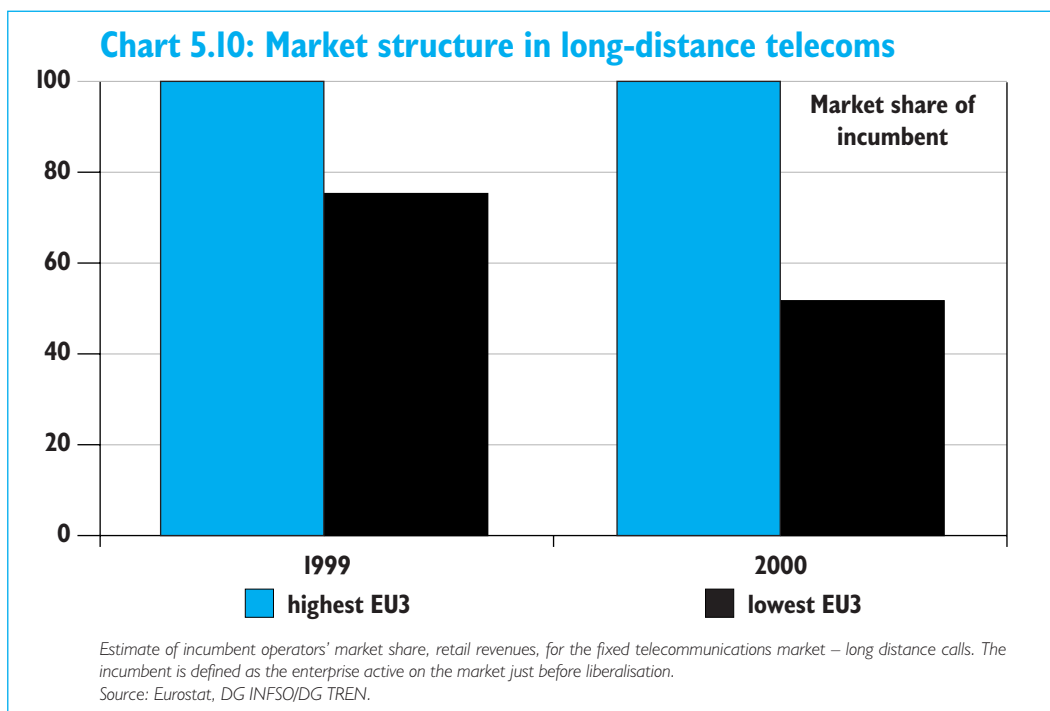
International telecoms market structure **5.9** In the period 1999-2000 market concentration in international telecoms fell. In the highly concentrated markets where one company previously held the entire market share, other companies have gained over 5 per cent of turnover. Even in Member States where one company did not hold such a large share of the international calls market, market concentration also decreased.



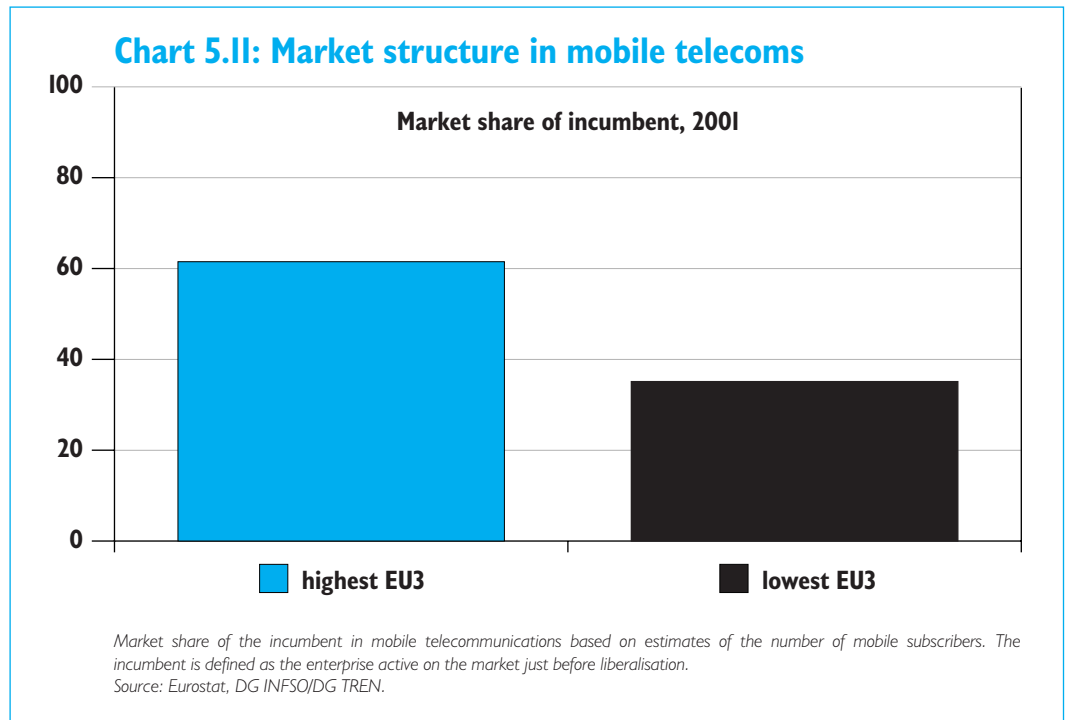
Local telecoms market share **5.10** Between 1999 and 2000 the local telecoms market remained a monopoly in some Member States. However, in the EU's more open markets, the market share of the largest firms fell by 13 per cent.



Long-distance telecoms market structure **5.11** In the same manner as the local telecoms sector, some of the EU Member States retain a monopoly in long-distance telecoms. In other, more liberalised, markets the domination of the largest companies fell in 2000, down from 75 per cent market share to around 50 per cent.



Mobile telecoms market structure **5.12** As a relatively new market compared to the rest of the telecoms market, the market structure of the mobile telecoms is more open. Even in the most closed markets the incumbent accounts for only 60 per cent of the market.

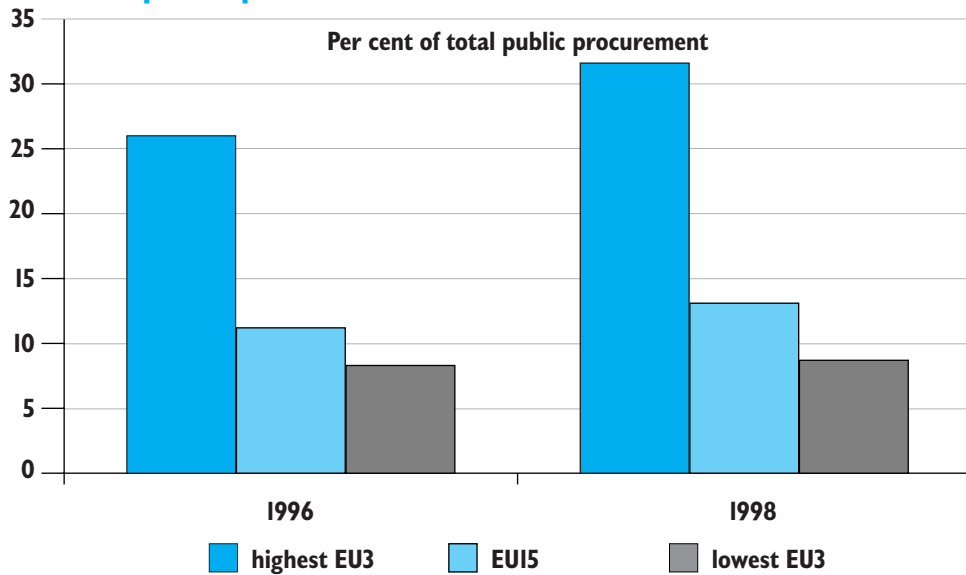


PUBLIC PROCUREMENT

5.13 At Stockholm, the Council stressed its commitment to public procurement, in particular to make it more accessible to small businesses. There was a small increase in openly advertised procurement as a share of total public procurement across the EU, from 11.2 per cent in 1996 to 13.1 per cent in 1998, but the absence of more recent data makes it difficult to assess the effectiveness of more recent policies.

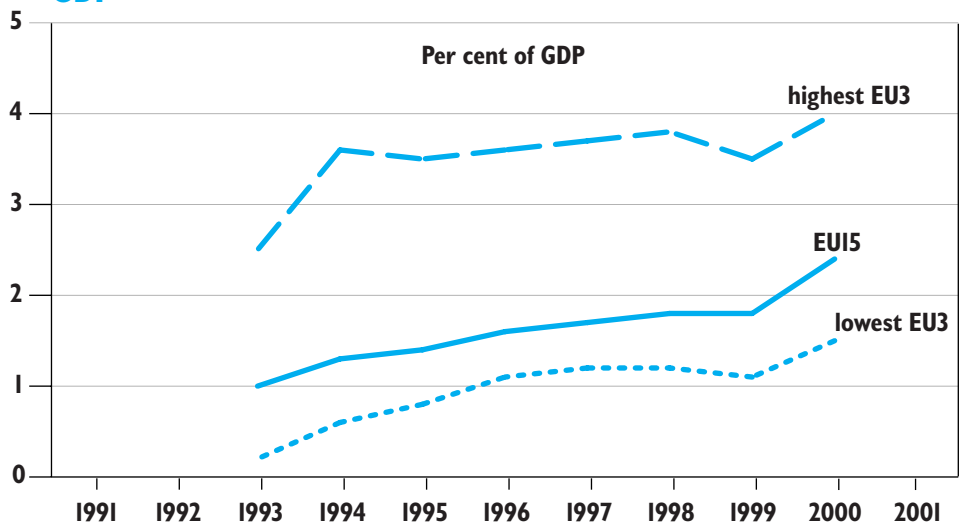
5.14 **Openly advertised public procurement as a share of GDP has increased steadily in the EU between 1993 and 2000**, with a large increase of around 0.6 percentage points from 1.8 per cent in 1999 to 2.4 per cent of GDP in 2000.

Chart 5.12: Advertised public procurement as a percentage of total public procurement



Value of public procurement that is openly advertised as a share of total value of public procurement.
Source: Eurostat, DG MARKT.

Chart 5.13: Advertised public procurement as a percentage of GDP

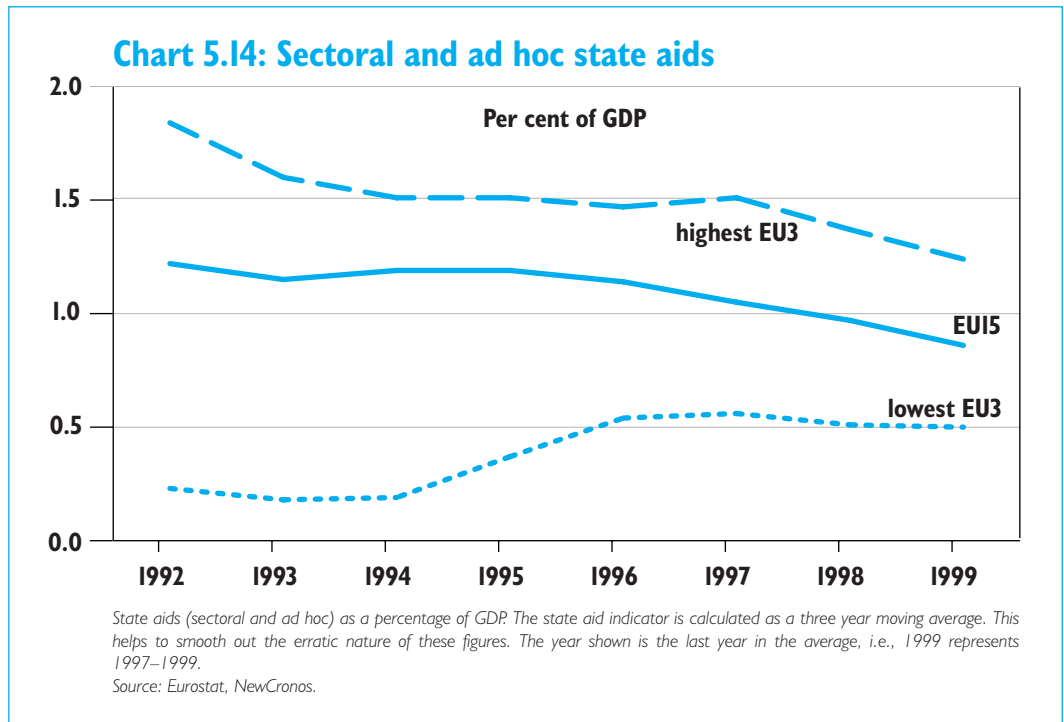


Value of public procurement which is openly advertised as a percentage of GDP.
Source: Eurostat, DG MARKT.

STATE AIDS

5.15 At Lisbon, the Council agreed that Member States should reduce the general level of State aids, and reorient the state aid that is paid away from supporting individual companies or sectors towards tackling horizontal objectives of Community interest. At Stockholm, the Council agreed a target that **Member States should demonstrate a downward trend in State aid in relation to GDP by 2003.**

5.16 Sectoral and ad hoc state aid fell as a share of GDP through the 1990s, from 1.2 per cent of GDP in 1992 to 0.9 per cent of GDP in 1999 (the most recent year available).



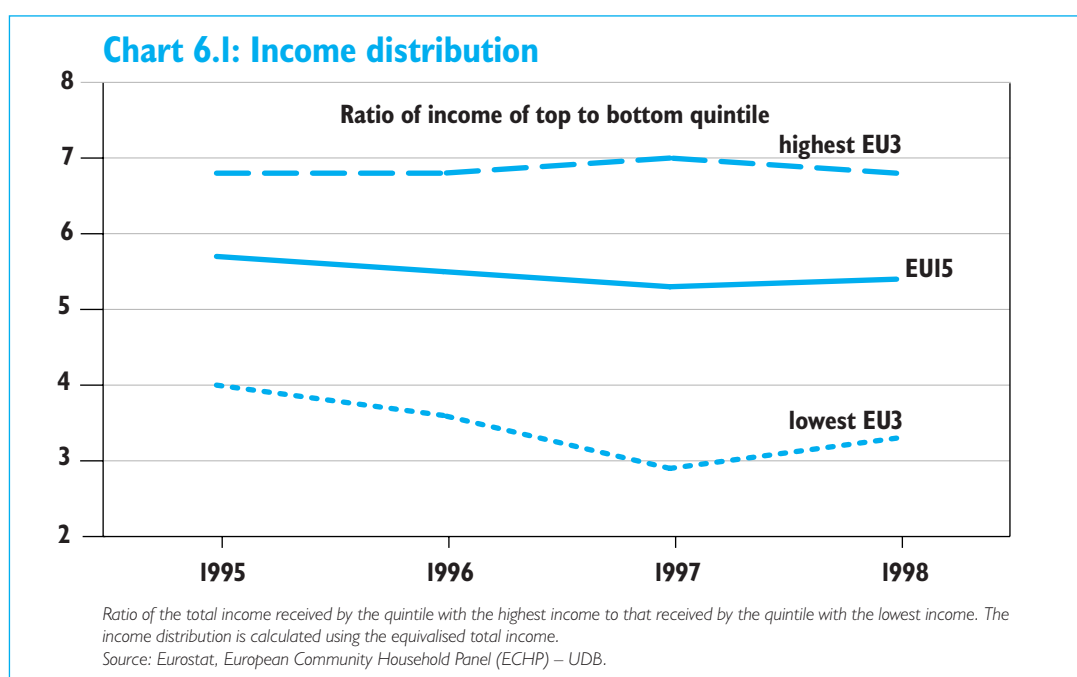
6

SOCIAL COHESION

- Across the EU income distribution narrowed between 1995 and 1997 but rose again slightly in 1998.
- Data for 1995 to 1998 show little change in the risk of poverty rate.
- There is a wide range of risk of persistence of poverty amongst Member States.
- The number of citizens in jobless households has been in decline in the EU, but performance varies widely across the EU.

INCOME DISTRIBUTION

6.1 The ratio of the income of the richest 20 per cent of the population to the poorest 20 per cent in the EU is used to shed light on income distribution. This ratio has shown a decline from 5.7 in 1995 to 5.3 in 1997, but rose slightly to 5.4 in 1998 (the last year for which data is available). There is a wide variety within the EU.

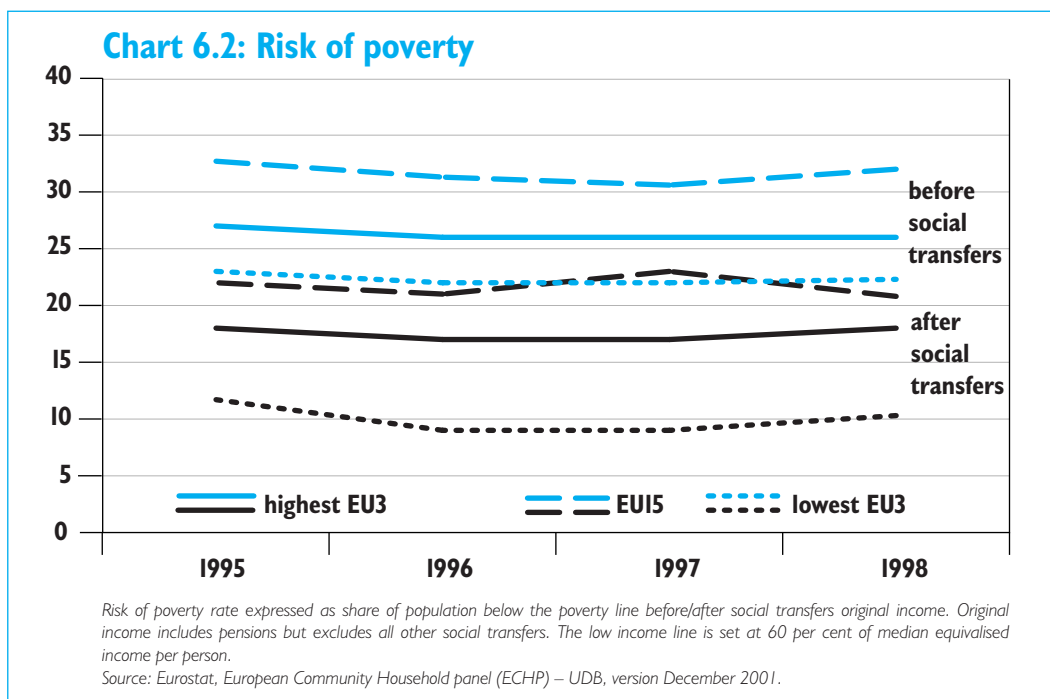


RISK OF POVERTY

6.2 The risk of poverty is acknowledged as an important social issue in the EU. For the purpose of the structural indicators a person is at risk of poverty when their income is below 60 per cent of the median personal income in that country.

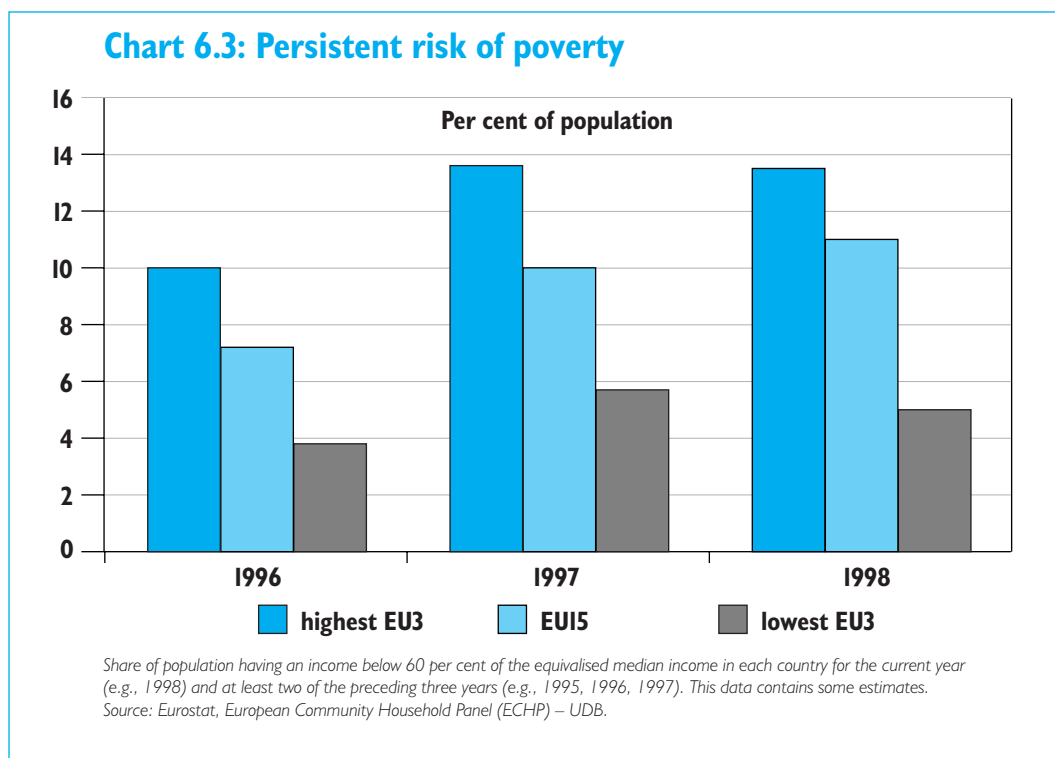
Risk of poverty before social transfers

6.3 Before social transfers (such as unemployment benefits, child support, etc.) the risk of poverty rate in the EU exceeded 25 per cent in 1998. The Member States with the highest risk of poverty before social transfers had a rate of around 32 per cent, compared to the lowest with a rate of around 22 per cent. After social transfers the risk of poverty rate in the EU drops to around 18 per cent.



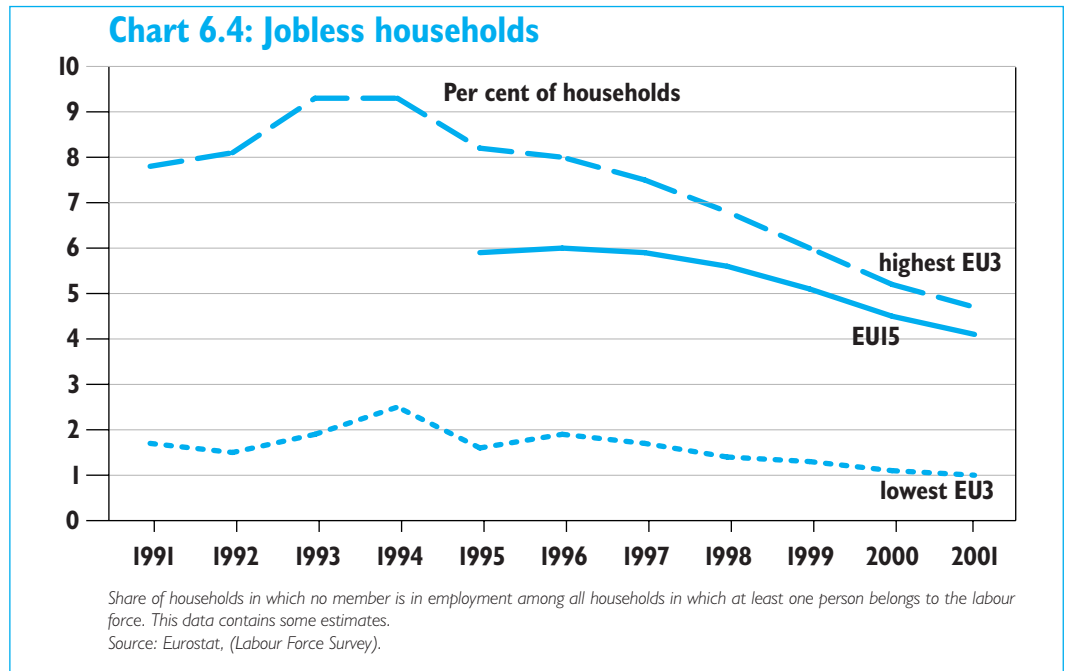
PERSISTENCE OF RISK OF POVERTY

6.4 The persistence of risk of poverty shows the share of the population who are at risk of poverty who have remained in risk of poverty for at least three consecutive years. For the EU this rose from 7 per cent in 1995 to 11 per cent in 1998.



JOBLESS HOUSEHOLDS

6.5 The proportion of people living in jobless households in the EU declined between 1997 and 2001. The rate fell from 4.5 per cent in 2000 to 4.1 per cent in 2001. For some Member States the early 1990s saw an increase, followed by a steady fall from 1994. However, for the Member States with the lowest rate of jobless households the rate has fallen from around 2.0 per cent in the early 1990s to around 1.0 per cent in 2001, reflecting a wide difference in performance across the EU.



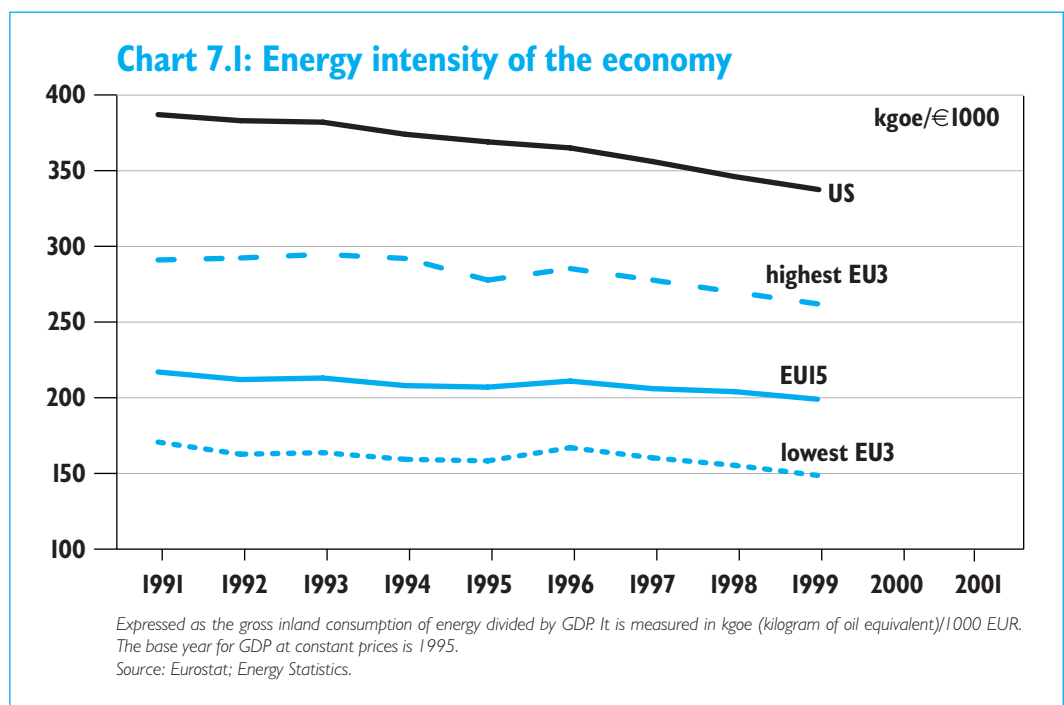
7

ENVIRONMENT

- The EU has falling **energy use relative to GDP**, with levels considerably lower than the US.
- **Freight transport** increased relative to GDP during the 1990s, but showed some decline in 1999. The **volume of passenger transport** has been broadly flat over the 1990s.
- The **road share of freight and passenger transport** in the EU has remained relatively stable in the EU, but there is a wide range amongst Member States. **Air transport** increased its share of passenger transport in the late 1990s, up to 3 per cent in 1999 from 2 per cent in 1991.
- **Air quality** in the EU deteriorated with exposure to ozone and particulates increasing. There is wide range of air quality across the EU.
- **Municipal waste** collected has shown a steady increase in the EU, with incineration growing faster than landfill.
- The **share of renewables** in electricity generation has slowly increased to 14 per cent in 1999 from 13 per cent in 1991, but there is a very wide range amongst Member States.

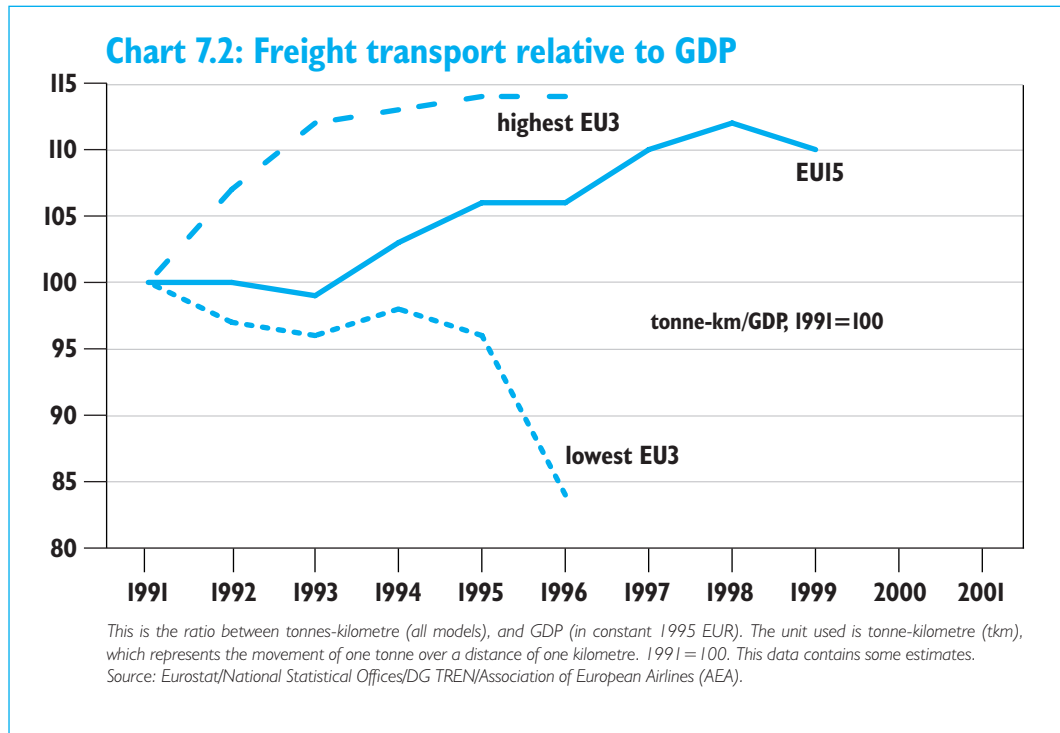
ENERGY INTENSITY

7.1 In 2001 the EU's energy intensity continued the gradual decline experienced since 1996. **All EU member states have a much lower energy intensity of GDP than the US**, but both the EU and the US have exhibited a downward trend in energy intensity of GDP.

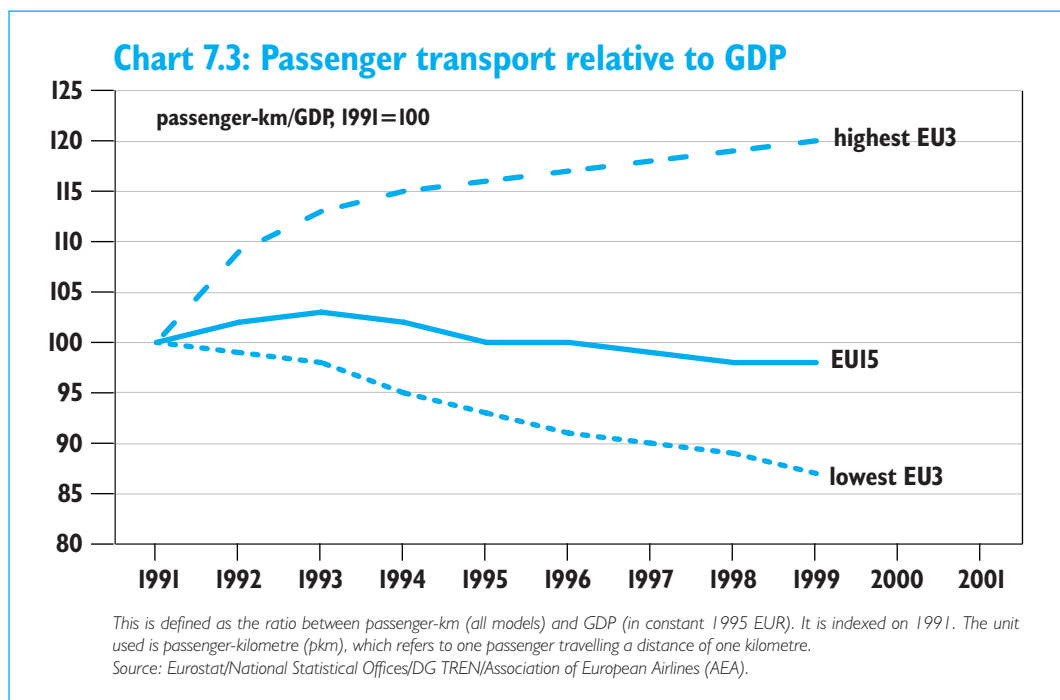


VOLUME OF TRANSPORT

Volume of freight transport **7.2** Freight transport and GDP have historically moved in the same direction over the course of the economic cycle. **For the EU as a whole freight transport has grown more quickly than GDP over the 1990s.** There is a wide divergence between the highest and lowest in the EU, with some Member States showing a decline in the freight to GDP ratio.

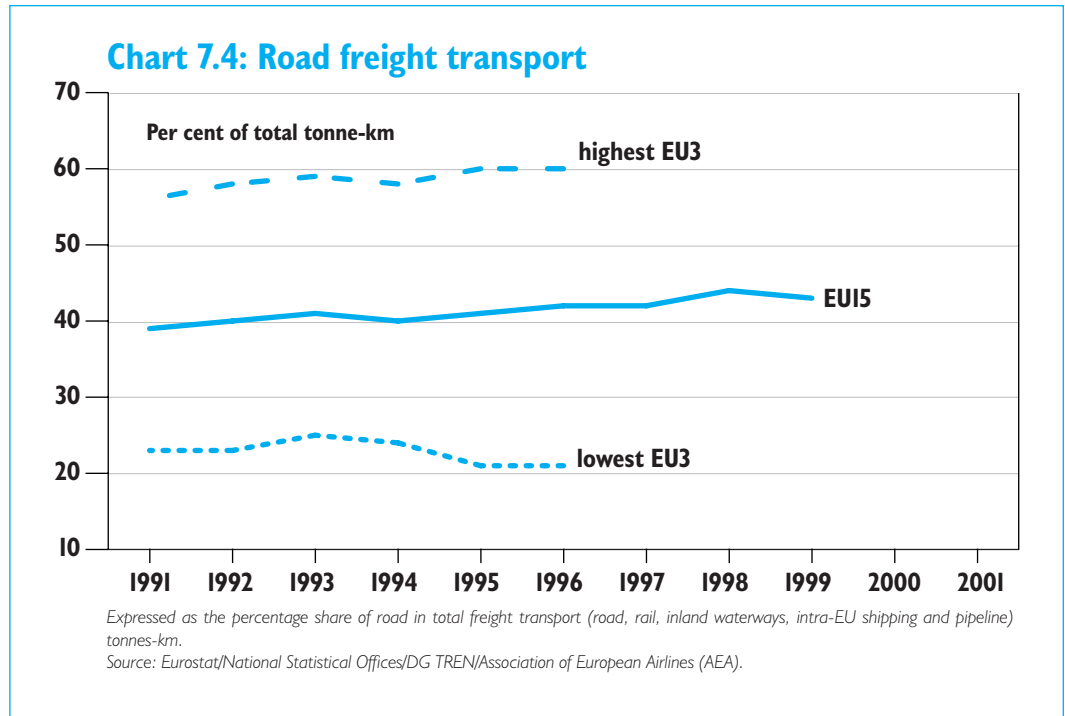


Volume of passenger transport **7.3** Passenger transport in the EU has grown at broadly the same rate as GDP during the 1990s, unlike freight. There is a similarly marked divergence between the trends for the indexed values for EU highest and EU lowest in this indicator.

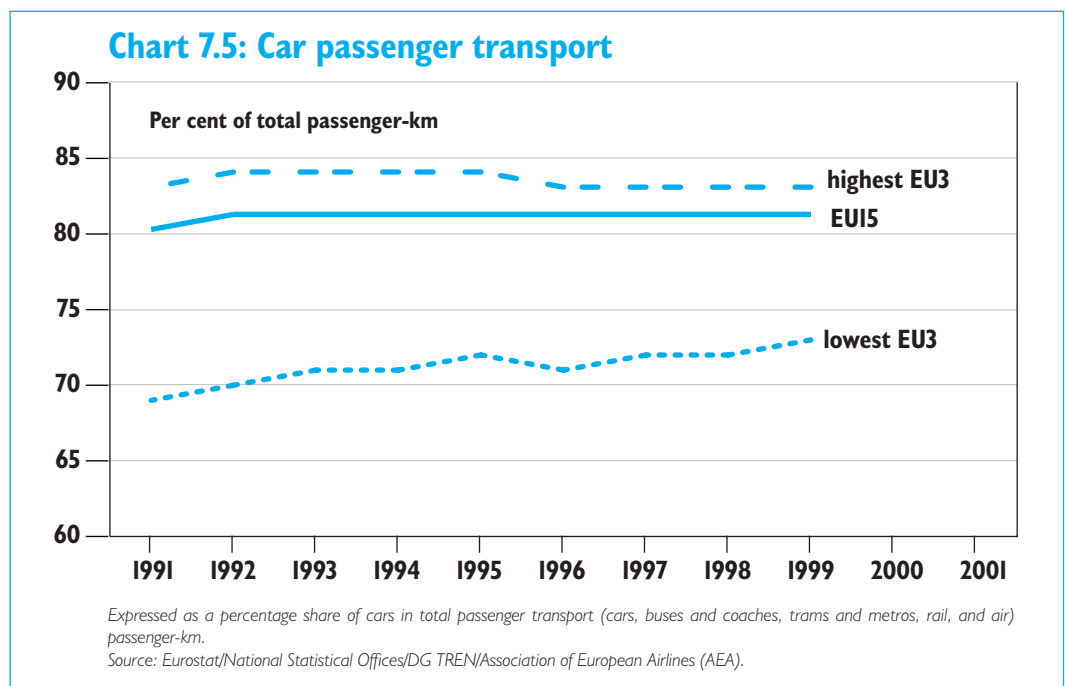


MODAL SPLIT OF TRANSPORT

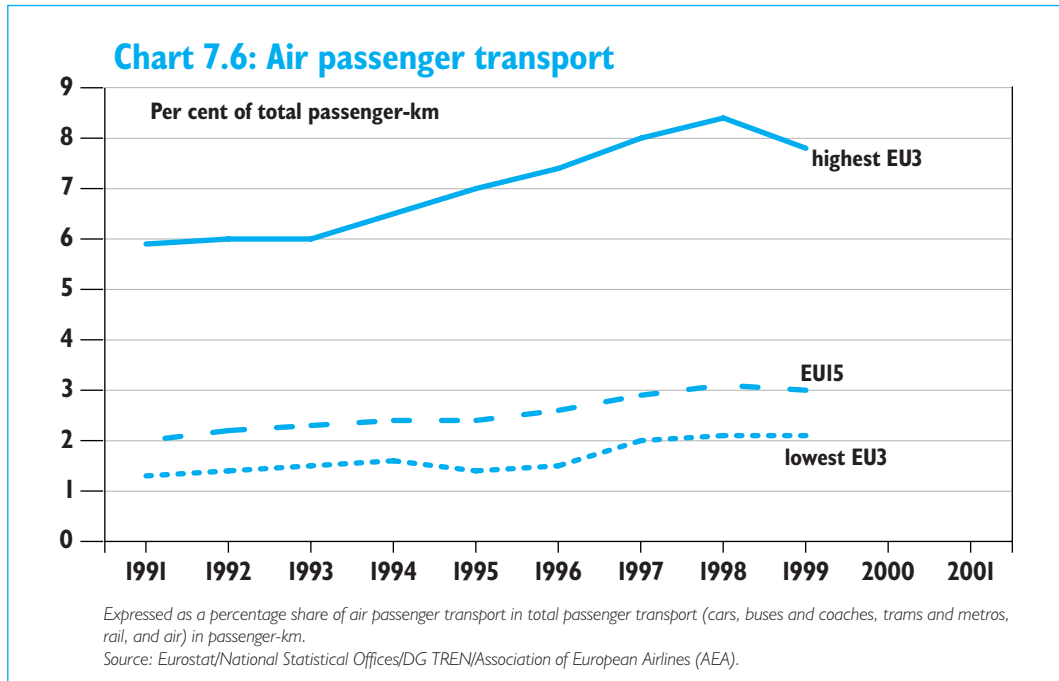
Road freight transport **7.4** Over 40 per cent of all freight is transported by roads in the EU. This proportion has not changed greatly over the 1990s, although there was a slight increase over the late 1990s. In 1996 the three countries most reliant upon the roads moved 60 per cent of freight on their roads, whilst the three least reliant on this mode only moved around 20 per cent of freight by lorry.



Car Passenger transport **7.5** Cars carry around 81 per cent of passenger transport in the EU, and for the three EU Member States most reliant on cars it is over 83 per cent. The EU member states with the least car use experienced a steady increase in the proportion of passenger kilometres undertaken by car towards the EU average.

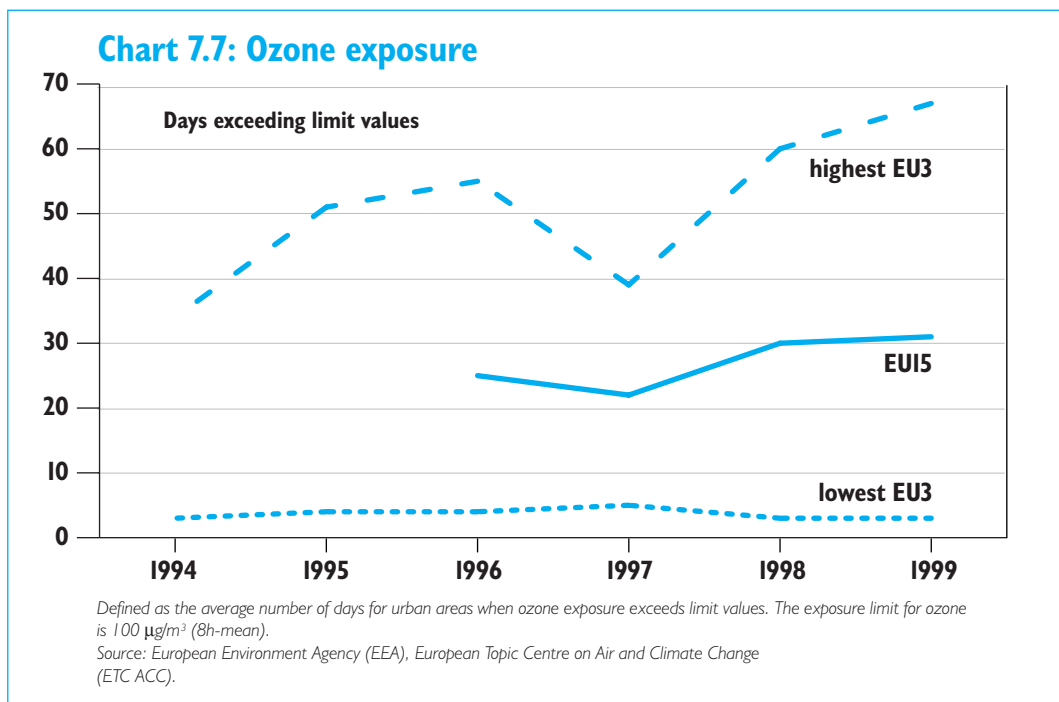


Air passenger transport 7.6 The use of domestic and intra-EU international flights by passengers increased from 2 per cent of total passenger kilometres in 1991 to 3 per cent in 1999. However, the relative importance of this mode compared to road transport remains low. Even in the three countries most reliant on air transport, such travel only accounts for around 8 per cent of all distances travelled.

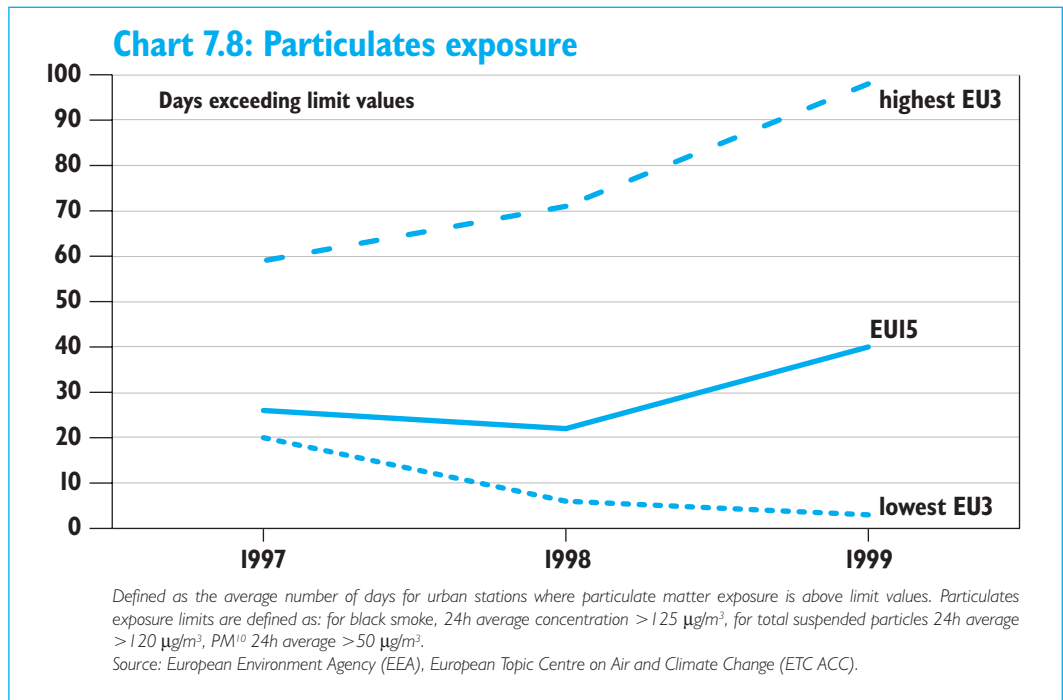


URBAN AIR QUALITY INDEX

Ozone exposure 7.7 Excessive levels of ozone are harmful to respiratory systems and ozone also contributes to photochemical pollution. The EU records levels of ozone above a specific exposure limit on around 20–30 days per annum. There is a marked contrast between Member States for this indicator. In 1999 the group of countries with the lowest level of ozone exposure suffered only three days per annum of ozone levels above the exposure limit in their urban areas. This compares well against 67 days for the group of three countries with the highest level of ozone exposure.

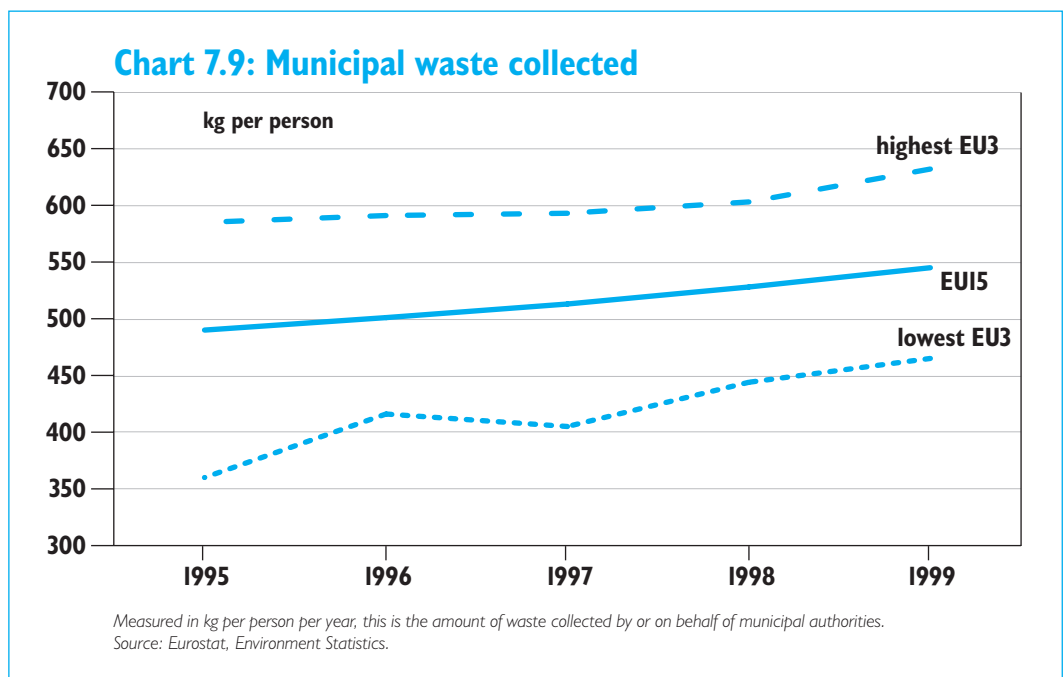


Particulates exposure 7.8 Particulates impact on respiratory systems. EU levels of exposure have taken a significant upturn in recent years, with exposure at levels over the EU limit nearly doubling from 1998 to 1999. However, the data run for this indicator is short (three years) and it is not possible to draw out a long term trend at this stage.



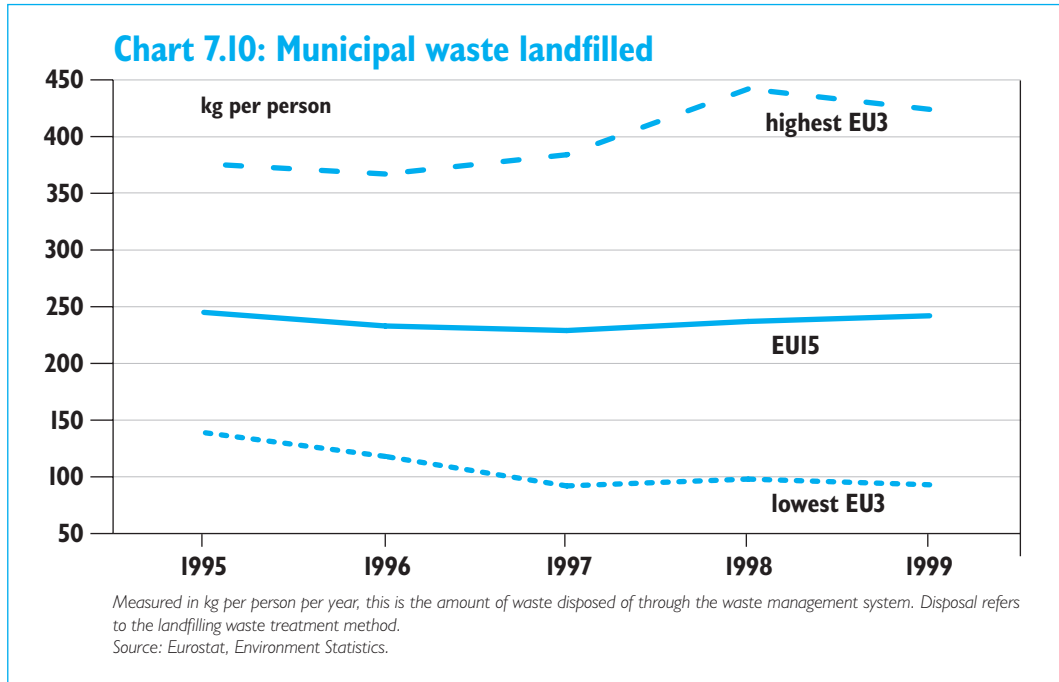
MUNICIPAL WASTE

Waste landfilled 7.9 Municipal waste collected in the EU has shown a steady rise from 1995 to 1999, amounting to an 11 per cent increase over this period. For the three countries with the lowest amount of waste collected per person there was a 29 per cent increase over the same period.

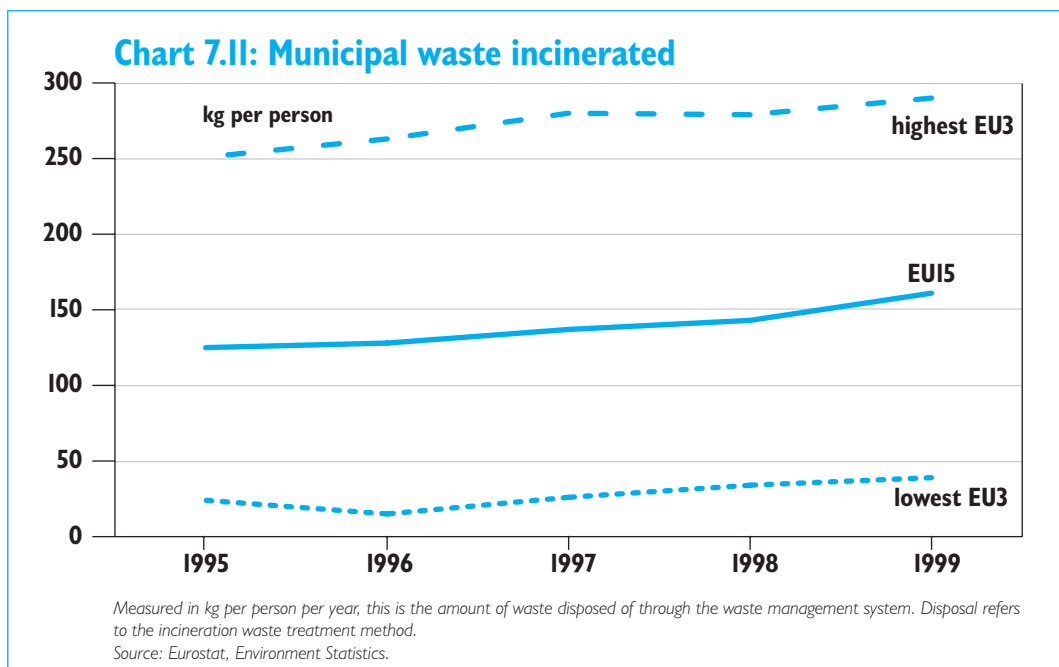


Waste collected **7.10** Landfill sites accommodate about half of municipal waste in the EU. This ratio has been fairly constant during the 1990s.

7.11 Within the period covered by the data there are quite different trends between the Member States. The group making the least use of landfill sites are reducing use still further. On the other hand the data suggest that the countries which already send a large amount of waste to landfill are increasing their reliance on this means of disposal



Waste incinerated **7.12** Municipal waste incinerated increased steadily in the EU between 1995 and 1999. Again, there is substantial variation in the type of waste disposal between Member States.



SHARE OF RENEWABLES

7.13 The share of renewables in EU electricity generation has increased only slightly over the 1990s, from 12.9 per cent in 1991 to 14.0 per cent in 1999. No single year has seen a particularly large increase, although there was a decline between 1995 and 1996. There is a wide disparity within the EU, with some Member States generating over half their electricity from renewable sources, while others generated less than 3 per cent.

