

Outline of Speech to be delivered by Donald, D. Johnston, OECD Secretary General

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organised by Professor Grzegorz W. Kolodko)

"Future challenges for the European Economy"

Poland's present efforts to join the European Union are a useful reminder of how important the Common Market and the Marshall Plan have been in the aftermath of the Second World War. Since then, important milestones have been reached: a unified market for goods and services is emerging, 12 currencies are being replaced by the Euro and the membership has been broadened several times. Still, Europe has yet to fully realise its economic potential: long-term growth is sluggish, unemployment high and labour productivity growth lags behind other countries, notably the United States. Our work at the OECD suggests that further integration of product, financial and labour markets is much needed to foster productivity. It would be unfair, however, to treat all European countries as equal. Some countries have moved forward faster than others: in fact, some countries have enjoyed recently very fast growth and a rapid drop in unemployment. Therefore, Europeans can learn from each other. The enlargement to 15 countries currently discussed is a new opportunity. Transition periods are likely to be envisaged, but long periods would postpone the benefits that could be reaped.