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CER think-tank: Denmark, Sweden leading on EU's Lisbon Agenda

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LONDON -(Dow Jones)- Denmark and Sweden were again the top two European Union countries in the implementation of the so-called Lisbon Agenda last year, while Italy and Greece were the laggards, the Center for European Reform think tank said Monday.

In its annual "Lisbon Scorecard" report, the CER said there was plenty of good news on the employment front across the E.U. but there was still plenty of work to be done to improve productivity.

"Having enjoyed a strong economic upturn in 2006-2007, some policy makers may feel that further changes are unnecessary," it said. "They risk repeating the mistake that some E.U. countries made in 1999-2000, when they mistook short-run economic upturns for improvements in their long-term growth rates."

The Lisbon Agenda is a set of reforms agreed by E.U. member states in 2000, focusing on market liberalization, innovation, job creation and social inclusion, and sustainable development and the environment.

The think tank said the Lisbon process had two more years to run, but it was already clear that many E.U. countries would miss key targets on employment, climate change and education.

Nevertheless, it said the reforms had helped lift the E.U.'s trend growth - the rate at which the region can expand without overheating - to 2.25%, or higher from around 2.0%.

Denmark and Sweden maintained their number one and two positions on the CER's Lisbon performance league table due to their ability to combine high living standards, low unemployment, fast growth and solid social security systems. Both also scored highly in measures of innovation, such as research and development spending.

"Research suggests that the success of the Nordic economies owed much to the opening of their economies and their decision to liberalize energy, telecoms and other markets early on," CER said.

The think tank singled out Austria and the Netherlands, which rank third and fourth, as the year's "heroes". Estonia also fared well after jumping four places to the number 11 spot.

The "villains" of the scorecard were Italy and Greece. Italy scored poorly on almost every indicator, with its ranking slipping two places to 23rd, CER said.

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Greece's ranking rose to 19 from 22 in 2006, but CER said the country was slow to adopt new technologies, the government was among the slowest to liberalize product markets and its labor market was highly restrictive.

Elsewhere, the CER said the U.K.'s long-term growth prospects probably remained the strongest among the five biggest economies in the E.U., but only if the authorities could tackled serious infrastructure bottlenecks.

The think tank said the long-term growth prospects for the German and French economies, the two biggest in the E.U., were about the same. Germany rose one place in the scorecard ranking to eighth, while France gained two spots to rank ninth.

The CER said one of the most encouraging features of the recent European economic upswing had been the strong performance of its labor markets.

"Despite these encouraging numbers, Europe can't rest on its laurels," it said "The credit crunch and the downturn in the U.S. will test the robustness of Europe's recovery in 2008."

-By Nicholas Winning; Dow Jones Newswires