



## EU Leaders Fail to Tackle Protectionism

On 23<sup>rd</sup> and 24<sup>th</sup> March, European leaders managed to agree a common European energy policy. EU leaders, however, proved unable to address rising fears of a new wave of national protectionism sweeping across the European Union.

The annual spring summit sought to breathe new life into the EU's Lisbon Strategy - seeking to transform Europe into the world's most competitive knowledge-based economy by 2010. This meeting provided EU Heads of States with their first real opportunity to examine progress since Lisbon's re-launch in 2005. However, the European Council members, wishing to portray a united front, steered clear from infighting over national reform programmes.

Observers agree that this show of harmony was far from convincing. In the run up to the meeting, tensions escalated over alleged protectionism in a number of cases ranging from Spanish attempts to block German energy giant E.ON's takeover bid of Endesa to French attempts to protect Suez from the Italian group Enel. Despite these prior grumblings, and out of fear of controversy, EU leaders were reluctant to tackle these problems head on.

The situation in Council has left the Commission with the role of censuring 'national champions' and warning of the perils of protectionism. In the last month Commission President José Manuel Barroso, Internal Market Commissioner Charlie McCreevy, Competition Commissioner Neelie Kroes and, most recently, Economic and Monetary Affairs Commissioner Joaquin Almunia have all condemned old-fashioned protectionist ideas, which are seen as crippling the continent's economy.

Despite leaders' best efforts to show a united front, the underlying strain between free-market reformers and economic patriots was clearly evident. This tension was visible in the continued suspicion of Anglo-Saxon liberalism egged on by the Services Directive debate. These causes of tension will have contributed to Jacques Chirac's walkout from the summit in protest at a Frenchman's decision to speak in English.

Although the summit failed to agree much needed significant measures to kick-start sluggish European economies, leaders did agree to prioritise three areas: investments in innovation, SMEs and employment of "priority categories" such as the young, women, and older workers. Notwithstanding these limited achievements, after the summit Tony Blair insisted that free-market reformers were winning the battle against rising protectionism.

To highlight the benefits of liberalisation, Blair held up N° 10 as a shining example of European market liberalisation, saying: "The electricity in N° 10 Downing Street is supplied by a French company. The water by a German company. The gas is supplied by four companies, three of which are not British."

On other matters, leaders managed to reach broad agreement on the opening of energy markets by 2007, improving energy infrastructure and devising a common external energy policy, whilst at the same time defending their national sovereignty over energy policy. The European Council also endorsed a dramatically weakened version of the Services Directive with the removal of the contested country of origin principal.