

## **Brussels pledge on reform suffers setback**

>By Tobias Buck in Brussels

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Less than a month ago, European Union leaders gathered in Brussels to pledge once again their support for economic reforms.

With growth and consumer confidence picking up in many member states, there was now "a strong opportunity for pursuing vigorous structural reforms", they concluded in a joint declaration.

Today, as EU leaders survey the wreckage of France's attempt to overhaul its labour market, it is clear their confidence was wide off the mark.

For the European Commission and other EU member states, the French government's humiliation offers a sobering lesson: six years after the EU declared its ambition to become the world's most competitive economy by 2010, member states are struggling to push through the kind of reforms needed to achieve that goal.

France is far from unique in its reluctance to embrace economic reform. In Germany, Angela Merkel has yet to capitalise on her comfortable majority in parliament and strong popular support to push through deep structural reforms. In Italy, business groups have chided the dearth of reform under Silvio Berlusconi's tenure as prime minister.

**Paul Hofheinz of the Lisbon Council, a think-tank that advocates economic reforms, said yesterday: "If reforms stall in France, that is bad news for all of us. But above all, it's bad news for the French.**

**"France has got to get a grip on modernity, and the fact that it is not globalisation that is posing a threat to the country but its own policies."**

Aurore Wanlin, a research fellow at the London-based Centre for European Reform, said the impact of the French setbacks would be limited for other countries in Europe. "I think there is a particular French problem. It is particularly difficult to get reforms through [there]."

But as France tries to come to terms with the failure of the employment legislation, the EU faces a wider challenge in its drive to improve the bloc's competitiveness. The Union's ambitious Lisbon agenda for growth and jobs - a package of reforms agreed six years ago in the Portuguese capital - has only just been relaunched, and already

faces scathing criticism.

Only last month, EU finance ministers were warned in a report by two economists that the the new Lisbon agenda was destined to fail unless member states started investing real political capital into the project.

Jean Pisani-Ferry and André Sapirm, of the Bruegel think-tank, wrote: "We do not consider that Lisbon 2 is on track to succeed. On the contrary, our assessment is that it will fail unless its current shortcomings are addressed as a matter of urgency."

After this week's setback in France, the Union's political commitment to economic reforms must be even further in doubt.