

Europe's free trader

Steel. The plight of farmers. Access to medicines in the developing world. These are all thorny issues for Pascal Lamy, Europe's trade commissioner. But how much do you know about him?

By Michael Mann

Eyebrows were raised across Europe in the autumn of 1999 when a French socialist was nominated as the European Union's trade commissioner. Known as arguably Europe's least enthusiastic trade liberalisers, how could the French be given this key portfolio just ahead of the Seattle conference, which was supposed to agree the agenda for the next round of world trade talks?

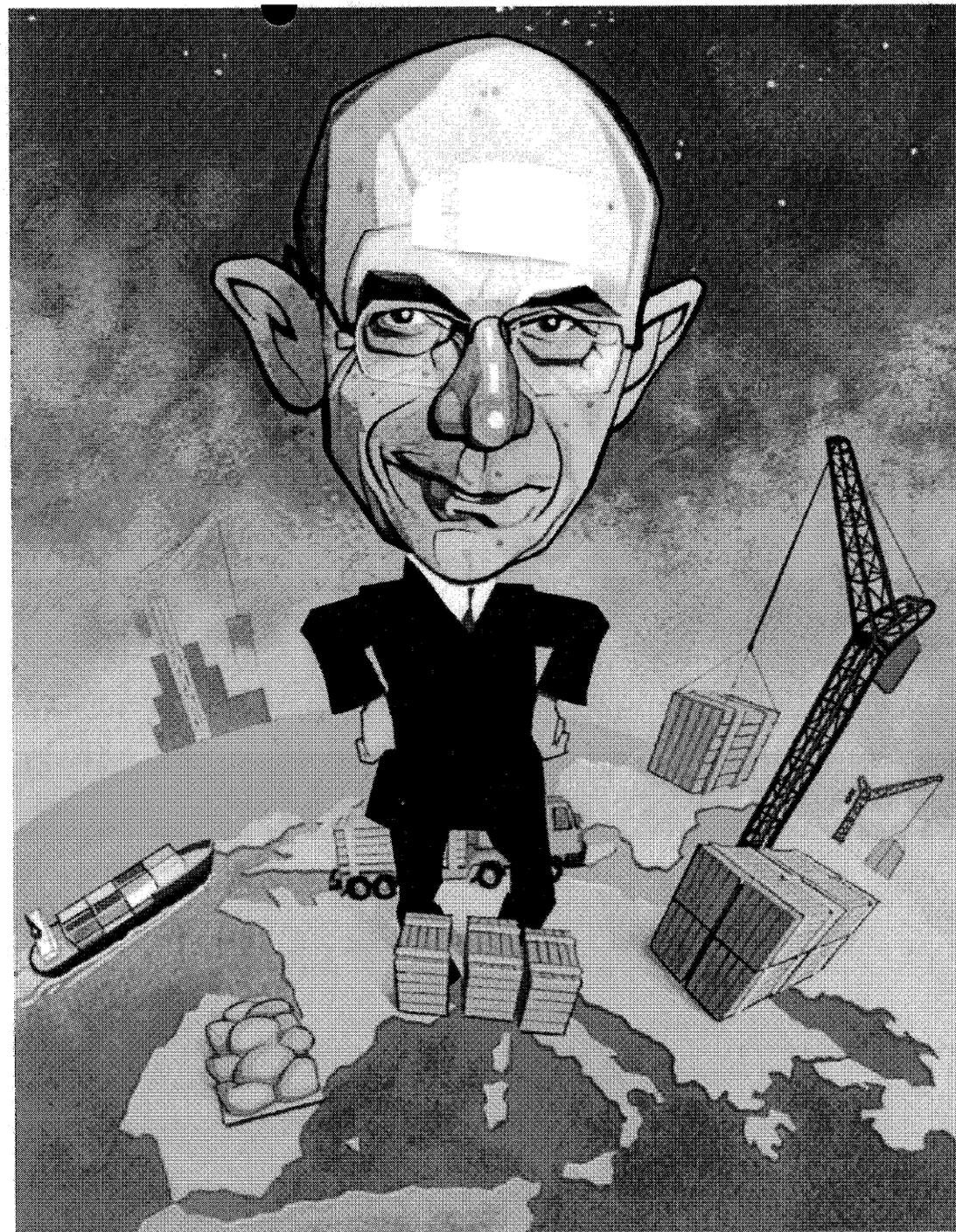
Despite the failure to launch a round in Seattle, Pascal Lamy has proved over the past three years that he is no ordinary French socialist. His appointment has turned out to be a master stroke in bringing the sceptical French on board for the launch of a new

trade round in Doha, Qatar, late last year.

"It is my deep conviction that more free trade is good for everybody. That is my basic theme," Lamy said shortly after his appointment as EU trade supremo. Yet his brand of liberalism comes with a social conscience: "I know the advantages of having a market economy," he has said. "I have doubts about having only a market economy."

The EU may have achieved less than it hoped for in Doha but this was mainly because it started with such far-reaching ambitions. Significantly, though, it was Lamy's tenacious bargaining that produced enough last-minute concessions to satisfy the 15 EU govern-

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ments involved that they had got a good deal.

Previously little-known on the international stage, Lamy was already a seasoned Brussels veteran when Romano Prodi, the then in-coming Commission president, called him to fill one of the EU executive's most important roles.

During ten years as chief-of-staff to Jacques Delors (Prodi's predecessor-but-one), Lamy won a reputation for being as a hard-working, bright and ruthlessly efficient political operator, who was nevertheless capable of disarming charm when the need arose. These skills have been crucial to Lamy's success over the past three years, a period in which he has been instrumental in the launch of the Doha Development Agenda – as the new round was eventually named – and in the tough stance taken towards the US in the dispute over US steel tariffs.

At first sight, the 55-year-old Lamy fits perfectly the mould of archetypal French technocrat. Educated at France's École Nationale d'Administration, he embarked on a glittering career in public service, first in France and then in Brussels.

This included a stint battling successfully to rescue state-owned bank Crédit Lyonnais from bankruptcy. The rationalisation that this involved was a difficult task for a convinced socialist, but his ability to see beyond the short-term pain sheds much light on this complex political figure.

Lamy allies himself firmly with the modernising wing of the socialist party, advocating free trade under the slogan of *maitriser la globalisation* (controlling globalisation). In his recent book, *Europe in the front line*, he attempts to underline his socialist credentials but he also recognises the virtues of breaking down state monopolies and reforming farm subsidies – which are still anathema to many of his contemporaries. At the same time, he has bridled at policies that shift jobs to low-wage countries – rejecting what he calls “social dumping”.

A fluent English speaker and close friend of opposite number, US trade representative Robert Zoellick, Lamy has none of the latent anti-Americanism displayed by so many of his type. In fact, he is an admirer of Anglo-Saxon liberalism. “He’s as

Working at the sharp end

Pascal Lamy enjoys an unusually powerful position within the European Commission. As trade commissioner, he acts as the European Union's trade minister, negotiating international agreements on behalf of the EU's 15 member states. As such, he exerts a great deal more power and influence than most of his colleagues within the Commission.

Most EC members busy themselves with drafting legislation for the consideration of ministers and European parliamentarians, ensuring that laws are obeyed in the member states, or developing new but non-binding policy documents. Lamy, by contrast, is at the sharp end.

Trade is the area of external policy where the EU has genuine global clout. Lamy is not only the face of EU trade policy, but negotiates on behalf of the EU based on mandates granted him by the member governments. His negotiating skills were instrumental in allowing the successful launch of the Doha round of trade liberalisation talks late last year, despite the broad list of demands he was given by EU governments.

And it is Lamy who has taken the lead in the contentious steel dispute with the US, formulating the EU's tough line while ensuring he kept the member states on board.

much of a free trader as it's possible for a mainstream French politician to be,” says Charles Grant, director of the Centre for European Reform, a London-based think tank.

Indeed, Lamy's relationship with Zoellick, dating back to the US administration of George Bush Sr, has been the cornerstone on which so many of his recent successes have been built.

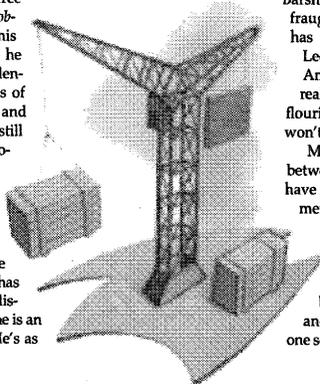
One of the two men's first acts was to find a compromise to clear up a long-lasting and transatlantic dispute over banana trade. And their co-operation was the driving force behind the agreement of an agenda for global trade talks at the Doha conference last November.

At the start of the conference, it was touch-and-go whether a deal could be clinched, so deep were the divisions between many of the industrialised countries and between those nations and ones in the developing world. Yet both men knew that a repeat of Seattle – the protests that emerged just two months after Lamy had entered office – could deal a fatal blow to the credibility of the World Trade Organisation (WTO).

So they worked tirelessly to find a compromise that all of its then 142 members could sign up to. “This has been a hell of a good week for the WTO,” Lamy said after the marathon negotiations had been completed. “The WTO is back on track and the train has left the station.” (Lamy is sometimes prone to tortuous imagery to spice up his message.)

The Lamy/Zoellick relationship is in stark contrast to the Sir (now Lord) Leon Brittan/Charlene Barshefsky relationship, which was regularly fraught with difficulties. “In some ways, he has proved to be a better negotiator than Leon, who just couldn't get on with the Americans,” says Charles Grant. “And he realises that for the cause of free trade to flourish, you have to show that globalisation won't hurt the world's poorest people.”

Much has been made of the contrast between Lamy and Brittan but colleagues who have worked closely with both say the two men have much in common, despite their different political backgrounds. “The great shift from trade policy as a religion towards something that is seen as good for the planet could only have been started under a Conservative liberal and bedded down under a socialist,” says one senior Commission trade official.



He defends both men's style against charges of intellectual arrogance and bullying. They are both willing to delegate to the technical experts among their staff, he says, until the detailed negotiation starts – and they are always generous in their praise of the backroom staff who make successful trade negotiations possible.

"Perhaps Leon had a tendency to get his red pen out a bit earlier and say 'this is the answer' but that was his lawyer's training coming through," the official says. "The real difference is that Lamy is a real *afficionado* of telephone diplomacy. If there's an issue he wants to deal with, he'll phone his 20 best mates around the world and sort it out."

His link with Zoelick has been one of Lamy's main trump cards. However, as the transatlantic dispute over steel has highlighted, the views of the US Commerce Department are just as important as those of the Department of US Trade Representative, of which Zoelick is the boss.

Overnight, Lamy and Zoelick found themselves at loggerheads. For a time – when even joint press conferences were degenerating into arguments about the subject – it looked as though their relationship was in jeopardy. Once tariffs were introduced in March, Lamy immediately went on the offensive. He put in place measures to protect the EU industry from diverted steel, started a legal case against the US at the WTO and, most controversially, threatened rapid retaliation in the form of

sanctions against US goods from states in which the Republicans faced tricky mid-term elections.

For the time being, Lamy has withdrawn the threat of retaliation. Nevertheless, he believes he has won considerable concessions and a great deal of credit at home. Cynical observers attribute at least some of his positioning on steel to alternative reasons. It was, they claim, aimed squarely at his own domestic French audience, where, until the disastrous performance of the socialists in the last general election, Lamy had been touted by some as a possible finance minister in a future administration.

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Lamy's only previous venture into electoral politics was back in 1993 when he won a paltry 15 per cent of the vote in a constituency in Normandy. Yet many believe he still hankers after a top political post in France. For now, Brussels is perhaps the best place for Lamy to be, while the French socialists are sorting out their long-term vision.

The lowering of tensions over steel as WTO-compatible solutions are sought does not mean an end to transatlantic trade tensions. As *Business Voice* went to press, the WTO was deciding on the level of sanctions the EU could levy on the US following its ruling against

In the running: his career so far



Pascal Lamy is the most experienced man in the European Commission, despite it only being in his first term as a commissioner. Earlier in what has been a meteoric career, he served a decade as *chef de cabinet* (chief of staff) to Jacques Delors, the celebrated Commission president credited with taking European integration further than any Commission chief before or since.

In that role, Lamy won himself a number of sobriquets, some more complimentary than others. His reputation as a workaholic and ruthless political fixer gave rise to the nickname "the rottweiler".

His ability to home in on an issue and not let up until he had his way produced the title "Delors' exocat" – a reference to the French-made missiles that became famous during the Falklands war.

Bald, bespectacled and slim, Lamy is an intense man who runs marathons for a hobby. Agreeing to an interview with the *Financial Times* late last year for its *Lunch with the FT* slot, Lamy preferred to do the inter-

view during his regular early morning run round Brussels' jubilee park. The item was renamed *Running with the FT* to accommodate the man whose best performance in a marathon is three hours 20 minutes – which he admits is considerably slower than his friend and opposite number in the US, Robert Zoelick.

Born in 1947, Lamy took the traditional route for all top French diplomats, education at the *École Nationale d'Administration*, before entering the French civil service in the inspectorate general of finances.

In 1981, he became advisor to Jacques Delors in his role as French economics and finance minister, before being poached to be deputy director-general in the private office of prime minister Pierre Mauroy.

Lamy rejoined his former boss as chief advisor when he was called to Brussels in 1985 as Commission president. His return to France in 1994 presented the socialist Lamy with a moral dilemma, as he found himself appointed to help rejuvenate the ailing *Crédit Lyonnais*, a job that entailed tough negotiations with the unions on job cuts and restructuring.

When former Italian prime minister Romano Prodi was appointed Commission president in 1999, Lamy was called back to Brussels and given the key trade portfolio.

The power and the glory

"My impression is that he's the most influential commissioner of all," says Charles Grant of the London-based Centre for European Reform, and biographer of Lamy's former boss Jacques Delors. "He knows the house inside out and has a network in place – the Delors network."

Generally a loyalist in a Commission team that has come in for widespread media criticism, Lamy has nonetheless had his disagreements with his colleagues, notably with Mario Monti (EU competition commissioner and another heavyweight in the Prodi set-up) over issues such as car retailing rules and state aid to shipbuilders.

According to one insider, Lamy's team of advisers in his cabinet are "the best around". In putting together the team, Lamy was careful to follow Prodi's rule that private offices should no longer be the preserve of officials from the commissioners' home countries.

Instead, he appointed experienced Belgian official Pierre Defraigne as his chief-of-staff, with Matthew Baldwin, previously a UK government official in Brussels, as his number two, thus ensuring a line into the way free market minds in London were thinking on particular issues.

Defraigne has now been made deputy director-general for trade, the second most senior permanent post in the Commission's trade directorate, under the imposing figure of Denmark's Mogens Peter Carl.

Lamy is regarded as fortunate in having an experienced team of negotiators in his directorate, not least Rod Abbott, former head of the Commission's office in Geneva, home of the World Trade Organisation.

It is no secret that acting as Lamy's spokesman is among the toughest jobs in the Commission's press service, thanks to his seemingly limitless capacity for work and his desire to keep close tabs on media coverage. This demanding role was filled until July by Anthony Gooch, an Anglo-Spaniard. Following his departure on a year's scholarship to the US, his role has been taken over by Spaniard Arancha Gonzalez.

Prodi is the boss but Lamy's position as trade commissioner gives him a powerful position in an area in which the EU is legally required to speak with one voice. He has close links to like-minded left-of-centre reformers in the UK and Germany, and extends his network outside Brussels by spending weekends spreading his world view at international seminars. Lamy's key relationship is with Robert Zoellick, US trade representative. This has helped smooth transatlantic relationships, despite recent high-profile disputes.

US corporate tax breaks to US companies such as Boeing and General Electric (worth \$4bn according to the EU but closer to \$1bn according to US sources). A hangover from the Brittan era, the ruling has encouraged US law-makers to propose a regime of additional taxation on non-US companies that could be more damaging to European interests than the original tax breaks.

Further trouble is in store over biotechnology, where the EU's moratorium on genetically modified crops has stifled US export opportunities and where a WTO challenge seems imminent. Agricultural trade, a traditional flash-point, is also likely to haunt Lamy.

In the short-term, too, there is still

an issue over grain imports; while in the longer-term, changes to the agricultural subsidy regimes on both sides of the Atlantic seem likely.

Besides the management of normal daily business, Lamy's main task is to turn the agenda set in Doha into a meaningful round of trade talks. Action taken this summer by the US Congress to grant the Bush Administration Trade Promotion Authority powers to negotiate agreements (that are subsequently ratified by the Senate) should help to reinvigorate the ambitious task of completing the WTO talks by 2004. Furthermore, supporters of free trade view the global economic downturn as yet another reason, if one were needed, for rapid agreement of new liberalisation measures.

The key to a successful outcome will be the willingness of developed countries to take on board the concerns of developing nations. One of the main hang-overs from the last world trade agreement under the Uruguay Round was that poor nations felt there was nothing in it for them.

Lamy has recognised this – even if the jury is still out on the extent to which European rhetoric will be transformed into meaningful results. One clue to new attitudes prevailing is the fact that what was agreed in Doha was not the "Millennium Round", which had been touted pre-Seattle by Lamy's predecessor Brittan and the then US president Bill Clinton, but the "Doha Development Agenda".

Before Doha, Lamy embarked on a campaign to garner support for the round from developing countries. At Doha itself, he took much of the credit for an agreement to shelter poor countries' access to medical supplies from the threat of legal challenge in the WTO. It was Lamy, too, who remained the driving force behind the EU's *Everything but arms* (EBA) initiative, which would allow unlimited access to the European market for goods from the world's poorest nations.

EBA, a slogan invented by Lamy himself, was unkindly renamed *Everything but farms* after European vested interests forced delays to the opening of EU markets to certain agricultural products.

The timetable drawn up in Doha allows for the round to be completed by 2004. This means the final two years of Lamy's mandate will be the acid test that will prove whether his quest to win over the developing world has been a success.

In an atmosphere where specific disputes have tended to cloud the overall picture, and where developing nations are keen to see some real benefits from the negotiations, it will take all of Lamy's famous intellect, application and powers of persuasion to achieve this ambitious target.



Michael Mann is trade correspondent for the *Financial Times* and is based in Brussels.

Face-to-face with Pascal Lamy



Q What impact will institutional reform in Europe, and enlargement, have on trade policy and practice?

A Not much. The EU started as a customs union so its external trade policy was well-established in institutional terms at the outset. As commissioner, I get my mandate from the Council of Member States and from the European Parliament and I report back. So there is no dispute over our legitimacy, and we are generally regarded as efficient. But now we need more coherence between our trade policy, external policy in areas such as the euro, and our foreign and security policy. There is a case for integrating the three more. The US does this better than we do.

As for enlargement, I don't expect difficulties. We already have free trade with all applicant countries. They know exactly what they have to join and we have been preparing with them carefully for this. The spectrum of sensitivities may change a bit: the Czechs may be more steel-conscious than the Irish, but the Swedes are already less textile-conscious than Portugal. I can't see that it will make a major difference.

Q How do we kick-start the process on the Doha agenda before the Cancun ministerial in September next year?

A The kick-start was when we agreed a programme of negotiations to be finished by 2004. Since Doha, we have been active in putting proposals across the board. Negotiations on agriculture and services are moving nicely. No drama in Geneva is not a sign that negotiations are not taking place. We are used to "under water" processes that pop up to the surface as soon as a ministerial takes place.

The US Trade Promotion Authority is good news. Until now, US officials have been less involved because they didn't have the authority to negotiate. I see no worrying delays. As always, the challenge is to make comparable progress on all issues. This is hard because every party is on the offensive and defensive. That's why agreeing a single undertaking and programme of negotiation was important. It's like going shopping with a list. You won't get more than you have on the list, but you can't return with less – or

you'll have trouble at home.

The Cancun ministerial is the next crucial event. It is like a mid-term progress meeting where we take stock of what we have done and ring the bell for the last laps. After that, we shall be consensus gathering in smaller groups (by region or interests) before the fully-fledged 144-member meeting. The problem with the WTO is that we need more bridges between technical discussions in Geneva and the big ministerial meetings every two years to move things on.

Q What might be the sticking points?

A We need to be clear about the purpose of this round: development. We have to show developing countries how more trade liberalisation would benefit them, but they will take some convincing. Special treatment will also be important: should we open our markets more to developing countries than they do to us? Remember: agriculture is a mainstay of their economies. Access to medicines and issues around the handling of intellectual property is also significant. Trade policy is complex. The benefits are not always obvious, whereas the costs are usually clearly identified. We have to justify them at home. It's the same for developing nations, where selling trade opening to domestic audiences is even harder than in our rich countries.

Q Can Europe, the US and the developing nations be reconciled on agriculture?

A The US and Europe support their agriculture in a similar proportion. So the issue is not about whether or not we should support agriculture but *how* we do that. For example, Europe is moving away from a system of high internal prices to a system more like that in the US, where deficiency payments are made by the government to make up short-falls in farmers' revenues.

If we all agreed that the international trade game is not the same for agriculture as for, say, tyres – due to non-trade issues such as environmental and social impact – we could start looking at how to make this support, which contradicts normal trade rules, as trade-friendly as possible.

Europe and the US have the same philosophy, even if it is presented differently.

With no support, many US farms would be uncompetitive and a lot would disappear.

We have seven million farms in the EU. If the international division of labour and hard laws of market economy applied, we would lose around five million of them. We do not want this to happen as farming is a mainstay of our rural life.

Q How far should the NGOs and pressure groups be heard in the WTO context?

A Our member states already consult with business, trade unions and NGOs, and this is reflected in their position at the Council of Ministers. We do the same at EU level. I meet once every three months with representatives of NGOs and we have permanent workshops on environmental and other issues. Compared with my first life in Brussels 15 years ago, it is like night and day. The NGOs are more professional, with trade experts who are efficient and credible in technical terms. Even where NGOs are critical, vocal and radical, we try to listen to their questions – which are often good – but as a public authority, we are more interested in the answers. They also interact a lot with the European Parliament.

Q How will the new WTO director-general make a difference to world trade?

A The WTO is not an institution: it is an organisation whose purpose is to facilitate trade negotiations and to settle disputes. Its director-general is not a policy-maker. He has no right to initiate or propose policies, nor influence the decisions of judges in the dispute settlement procedure.

In those terms, a new director-general makes little difference. What does matter is his personal credibility. WTO members could not agree on one person last time and split the mandate (three years each) between Mike Moore and Dr Supachai Panitchpakdi. With trade rounds taking an average of five years to negotiate, this is not enough time to establish yourself as a honest broker. If the WTO is to be a cornerstone of international governance, which oversees the liberalisation of trade and arbitrates the rules; it must be more stable.