

Why now is a good time for global talking

Europe's trade chief says downturn in ^{SU} _{BW} US is incentive for new WTO meeting ⁹

by Tim King

IN BRUSSELS

A DOWNTURN in the economy of the US has improved the chances of launching a new round of world trade talks this year, says the European Union's chief trade negotiator, Pascal Lamy.

While observers speculate about the future trade policy of the new Bush administration, the European trade commissioner believes that America's economic downturn will concentrate minds both in Washington and elsewhere on the benefits of launching a new round of talks at the World Trade Organisation. He has been campaigning for a new round since the failure of the WTO's ministerial meeting in Seattle in November 1999.

"In 1999 and 2000, the economy was doing extremely well everywhere. As usual, preoccupations with the collective good don't surface when the individual situations are fine. You start worrying about the collective good when you have got problems. The slowdown in the US economy is, I think, an incentive to launching a new round."

Lamy does not believe that a successful launch is yet assured but that the consensus "is growing in the direction of we had better have one".

In an interview with Sunday Business, Lamy said he was now considering a new initiative aimed at advancing the EU's objective of developing rules on competition and investments under the umbrella of the WTO.

Knowing that not all WTO members are ready to sign up to,

for example, common merger rules, Lamy is floating a departure from the WTO's customary approach of unanimity and consensus, as a concession to developing countries. Talks could begin with an option, but not an obligation, to participate.

"We are trying to find a way of pushing these issues of investment and competition because they are tomorrow's issues. We have to have a common threshold of agreed rules if we want trade opening to work"

He said the existing co-operation between the US and the EU on anti-trust cases had to be built upon.

The appointment of Robert Zoellick, confirmed by the US senate on Wednesday as the new US trade representative, has been welcomed by Lamy. The two are old friends, dating back to Lamy's previous incarnation, from 1985-1994, as chief of staff to the then president of the European Commission, Jacques Delors. Lamy served as "sherpa" to Delors, preparing for G7 summits. Zoellick was sherpa to US president George Bush in 1991-92. The two were part of what Lamy describes as "a sophisticated and dense club".

"We spoke frankly on the part of our bosses. We happened to become friends. Then he left government. I left government. He went into business. I went into business [Lamy spent 1994-99 restructuring Credit Lyonnais] and we kept a regular relationship going on both sides of the Atlantic. We are both marathon runners. We share a number of things, so we are good friends.

Lamy warned, however: "One can't jump from the fact that we

have a friendly relationship to the point that EU-US trade relations, which have had some problems, will have no problems. He reports to congress and to the president. I report to the Council of Ministers and to the European parliament. Trade negotiations are largely domestic negotiations. We have to interact with our domestic constituencies, interests and lobby groups."

But he believes that the personal relationship "marginally might make a difference between a deal and no deal".

"It is like in business: agreements, sales or mergers, at some stage will be influenced by the fact that you can trust the woman or man in front of you.

"Very marginal things can make a difference."

On the substance of EU-US trade relations, Lamy takes an emollient, even optimistic view. Although the US ambassador to the EU, Richard Morningstar, warned last month that EU subsidies to the Airbus consortium risked "a major blow-up in our relationship", Lamy refuses to talk about "potential" disputes, but robustly maintains the EU line that it is complying with a 1992 agreement with the US on civil aircraft. The US complaint, fuelled by Boeing, is that that agreement should not take precedence over the WTO 1994 subsidies code.

Lamy describes the EU's disputes with the US over bananas, beef hormones, foreign sales corporations, as "the dead fish that you see because they are on the surface". Underneath, there are plenty of happily swimming fish. Lamy says the EU position is that



EU's chief trade negotiator Pascal Lamy: he says his

it will comply with the decisions of WTO panels and that on the two cases that it has lost, bananas and beef hormones, "we are much nearer to compliance today than we were last year".

Officials in the commission admire Lamy's intelligence and his appetite for work, but some admit to being less clear about what he stands for. While stressing the continuities of policy, Lamy contrasts himself with his predecessor, saying that while Sir Leon Brittan was "a Tory right-wing liberal thinker, I am a social democrat, more left-wing thinker".

He added: "I probably will be more inclined to a number of social or civil society preoccupations, probably more sensitive to developing countries' concerns."

EU foreign ministers will later this month debate Lamy's proposal to open EU markets to quota-free, tariff-free imports from the world's 48 poorest countries of "everything-but-arms".

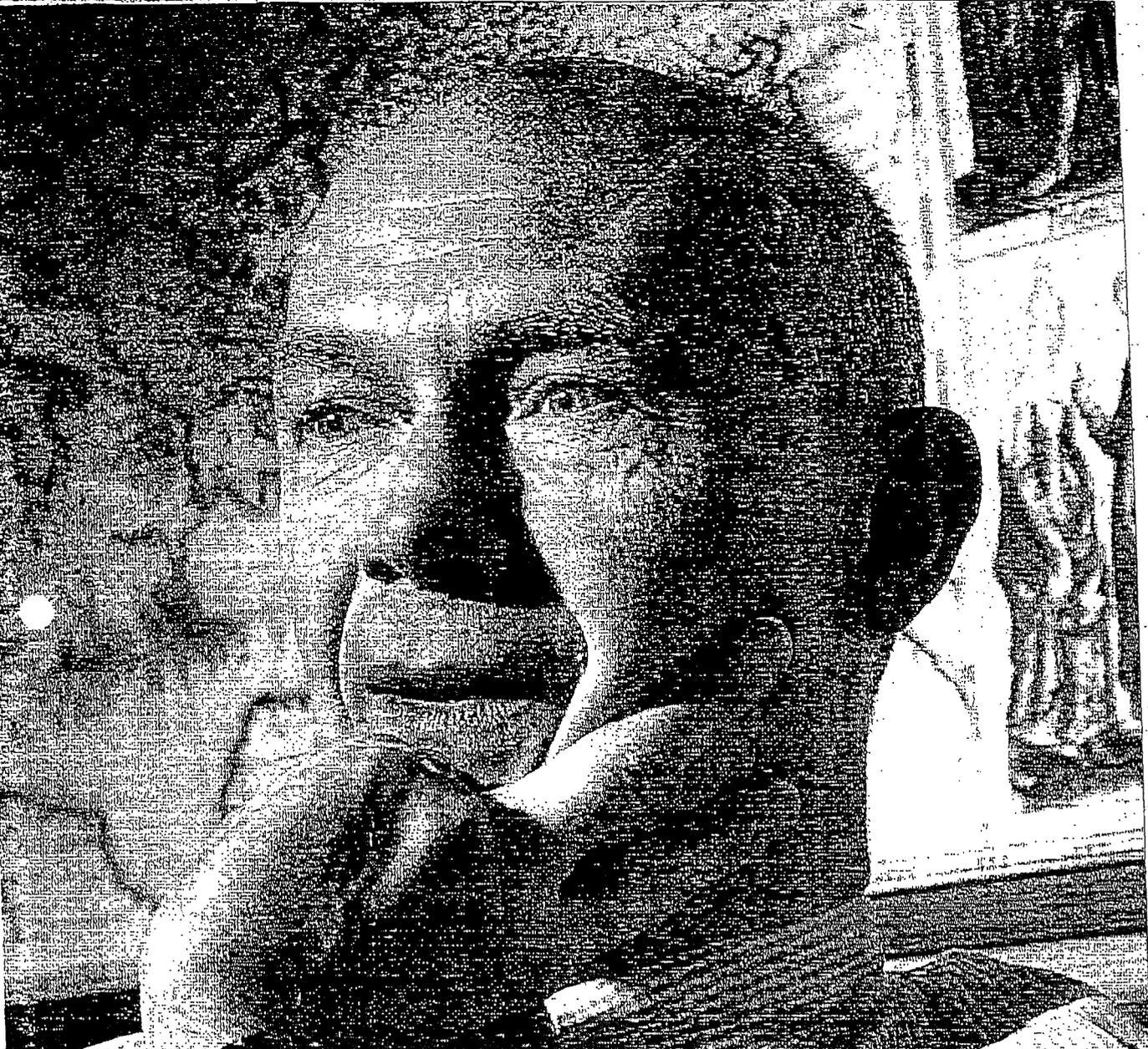
Lamy says: "I because of my initiative see an enormous increase in trade in terms of scale, more economic connections globally that this efficient trade is with equity or preoccupation dogmatic free-trade that in a free trade has with rules."

Lamy stood election to the in 1993 and elected to put rejects the new accountability "I am accountable to the commission under their

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Minister Pascal Lamy: he says his friendship with US trade representative Robert Zoellick may 'marginally make a difference between a deal and no deal'

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Lamy says: "I am probably because of my international exposure more trade-friendly than the average Frenchman or woman. I see an enormous benefit in opening trade in terms of efficiency. "It allows for more economies of scale, more efficient international division of labour, more connections globally. I also know that this efficiency rationale behind trade is in contradiction with equity or moral or holistic preoccupations and I am not a dogmatic free-trader because I think that in a number of cases free trade has to be harnessed with rules."
Lamy stood unsuccessfully for election to the French parliament in 1993 and has never been elected to public office. But he rejects the notion that he is an unaccountable bureaucrat.
"I am accountable before the European parliament. I am accountable to the president of the commission. I report to them under their political authority."

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