

Liberal with a social mission

Pascal Lamy tells **Guy de Jonquieres** how free trade and social justice can be combined

To be a member of France's technocratic elite, a committed socialist and a self-professed believer in free trade is a rare combination of qualities. Pascal Lamy, the European Union's recently appointed trade commissioner, is all these things.

"It is my deep conviction that more free trade is good for everybody. That is my basic theme," he says. He is also a staunch defender of strong global trade rules, and of the World Trade Organisation's power to enforce them, despite EU resentment at WTO rulings against its curbs on beef and banana imports.

However, Mr Lamy is quick to add that his liberalism comes with a social conscience attached: "I know the advantages of having a market economy, I have doubts about having only a market society."

This is not just a matter of personal conviction. It is influenced by the backlash against globalisation spearheaded by environmentalists, labour unions and other non-governmental organisations (NGOs). Their protests risk disrupting next month's ministerial meeting of the WTO in Seattle and plans to launch a world trade round.

Mr Lamy insists trade's critics must be listened to more if liberalisation is to advance: "What needs to be put on the table is a convincing case that trade liberalisation takes into account concerns people have and is not just about multinationals agreeing something behind closed doors."

Such concerns include the environment, core labour standards and the use of the precautionary principle to justify banning products deemed to be risky. Mr Lamy is devoting much thought to what that case should be and how to present it.

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What he thinks and says about such issues matters. Trade is the area of external relations where the EU wields most global clout and in which its members are legally required to act as one. The commissioner's role is pivotal in shaping policy and maintaining high-level diplomatic ties, above all with the US.

Mr Lamy, 52, acquired a reputation as a formidable Brussels operator while chief of staff to Jacques Delors, Commission president until 1995. Since he returned to Brussels last month, his speed in getting on top of his job and his sure political touch have impressed diplomats in both Europe and the US. One senior EU official says he is set to be a – maybe even the – dominant figure in this Commission.

He has kept largely intact the blueprint of Sir Leon Brittan, his liberal-minded British predecessor, for a "millennium round". It calls for negotiations on global rules for competition, investment and trade-related environment issues, as well as on liberalising agriculture, services and industrial tariffs. However, EU members have yet to agree the plan, disagreeing about the sensitive question of trade and labour rights.

Mr Lamy is pushing a compromise proposal that the WTO and the International Labour Organisation set up a joint entity to monitor countries' respect for core labour rights. That, he says, would build on an agreement reached by WTO members three years ago.

But it is unclear if the plan would be acceptable to the developing countries that make up most of the WTO's membership, and without whose support a new round cannot be launched. Many suspect western efforts to put labour rights and environmental issues on the organisation's

agenda are disguised protectionism.

Mr Lamy strongly denies this. "I do not see who on the developing countries' side would object if they have no problem with core labour standards. And if they do have a problem with core labour standards, then I have a problem with public opinion in Europe."

The commissioner says care is needed to ensure that efforts to placate public opinion do not overload the WTO and distract from the removal of trade barriers. "But if we don't load it at all, trade is going to be the scapegoat for all problems of national identity, of food safety, and that would be bad for world growth," he says.

Also high among Mr Lamy's priorities is improving US-EU relations, which have been strained by recurrent trade disputes. He returned from Washington last week cautiously optimistic.

He says he is determined to ensure the EU complies swiftly and in full with WTO rulings against it over beef and bananas, so that the US stops retaliating against European exports. Longer term, he thinks, the key to averting conflicts over such issues as genetically modified foods is to recognise that they stem from deep moral and cultural differences.

"The only solution is to try to approximate our agendas and values through discussions. Let us have business people, scientists and – why not? – churches discussing the issue," he says.

Well before then, transatlantic differences about the global trade agenda need to be bridged, he says. That makes much sense. Economics will be the main focus of 1999 in a world where you talks between Romano Prodi, the Commission president, and US President Bill Clinton in Washington next week.

The EU and US both have problems selling liberalisation at home, Mr Lamy says. But while the EU thinks the answer is a trade round with a broad agenda, the US wants a narrow one. Mr Lamy says the American approach is too unambitious to meet the challenges ahead and will not satisfy public and political opinion.

Others suspect the real reason the EU wants a broad agenda is to deflect pressures by the US and other big farm exporters to speed up liberalisation of its highly protected agricultural market. Although some observers think Mr Lamy might be better placed than Sir Leon to get France to accept such demands, there are no signs yet that he plans to try.

So what will happen if the US and EU do not achieve a meeting of minds by the time of Seattle? Mr Lamy's answer suggests that if they fail, it will be because Washington lacks commitment.

"We've made it rather clear that launching a round needs energy... Do we start with the necessary energy or not, that is the question. And if we start a round with an extremely short-term view and little energy, it will not float."

The fallout from a breakdown could be serious. Mr Lamy says: "If some NGOs thought they had succeeded in destroying some further liberalisation, we would be confronted with a real problem."

But would that simply slow the forward march of the trade system – or send it into reverse, causing barriers to start going up around national markets?

"Not moving forward in global trade agenda doesn't make much sense. Economics will be the main focus of 1999 in a world where you talks between Romano Prodi, the Commission president, and US President Bill Clinton in Washington next week."