

THE FRENCHMAN IN OUR FUTURE

BY BRUCE STOKES

Pascal Lamy, the European Union's trade minister, wears the perpetual half smile of a bemused, world-weary intellectual who knows from bitter experience that his ever-so-rational solutions to the problems of world trade are frequently ahead of their time. Wise enough to understand these constraints, Lamy cultivates politicians, bureaucrats, and journalists—as he did on a late-June visit to Washington—eliciting their point of view in order to win them over to his own. It's a goal that Lamy pursues with a political adeptness and steely resolve, and his acumen has won him a reputation as the Union's most adroit and effective commissioner.

These formidable talents will be tested fully over the next few months in the run-up to the World Trade Organization's meeting in Cancun, Mexico, from September 10 to 14. There, trade ministers from 146 nations will review progress in the current round of multilateral trade talks, known as the Doha Round, after the capital city of Qatar, where the negotiations were launched in 2001.

Lamy must convince a skeptical world that the European Union's recently announced reform of its Common Agricultural Policy—a combination of farm subsidies and agricultural import barriers—can serve as the basis for a broader global trade deal. All the while, he must watch his back at home. European opposition to farm reform remains strong, especially in France. As a result, he cannot over-promise, if only because the ever-ambitious Lamy wants a future in European, or possibly French, politics when his E.U. term ends in October 2004.

Moreover, bilateral trade problems with the United States—involving genetically modified foods and the way Washington taxes U.S. corporations' overseas earnings—are coming to a head at a time when trans-Atlantic geopolitical relations are at their lowest point in a generation.

"The trade relationship is the ballast" in the trans-Atlantic relationship, Lamy said in an interview with *National Journal*. "The responsibility of both of us to put the right effort into moving the [Doha] Round forward and handling our disputes in a way that is not destructive of the system is even more necessary."

Ensuring that these squabbles don't further poison U.S.-European relations will test Lamy's much-vaunted personal and professional relationship with U.S. Trade Representative Robert Zoellick, who is the Frenchman's intellectual and strategic equal in the chess game of commercial diplomacy now being played between these two grand masters.

Lamy, 56, is a product of France's *grandes écoles*, the undergraduate and graduate training schools of that country's bureaucratic elite. He first worked for the

French Finance Ministry's powerful auditing agency. In the early 1980s, he served as aide to the then-French finance minister, Socialist Jacques Delors, and followed him to Brussels as his chief of staff when Delors assumed the presidency of the European Commission in 1985. When Delors's term ended, Lamy worked for five years on the restructuring of the *Crédit Lyonnais* bank. And, in 1999, he became the sole French member of the European Commission, taking over the E.U. trade portfolio.

As Lamy's background suggests, he is no back-slapping politician. He is a technocrat. His lean build and nearly hairless pate give him the aura of an ascetic, softened only by that ever-present mischievous smile. But make no mistake about it: Lamy is tough. During his first tenure in Brussels, he was widely feared as Delors's bureaucratic enforcer. Blessed with an omnivorous mind, Lamy is constantly seeking out new data on globalization or gossip on congressional politics. Most strikingly, he is a tireless worker who exudes ambition. One of the favorite parlor games in Brussels is guessing where Lamy, who was rumored to have coveted a Cabinet seat back in Paris before the Socialists lost power last year, lands next. Much may depend on how he manages current trade disputes with the United States and on what he is able to get—or at least avoid giving up—in the Doha negotiations.

In these negotiations, he matches wits and joins forces with Zoellick. They have worked together since the late 1980s. Both men share a passion for geoeconomic strategizing and long-distance running. And they both hope to parlay their current jobs into grander posts down the line. Their predecessors in Washington and Brussels did not get along. But early on in their tenures, Lamy and Zoellick demonstrated that they were problem solvers when they settled a long-standing, senseless U.S.-E.U. dispute over bananas.

Nevertheless, Lamy readily admits that he and Zoellick disagree on many things—the role of the state in the economy and the need for more global governance are two examples—and that these philosophical differences reflect deep policy divergences between Washington and Brussels. And he acknowledges that they both face limits on what they can accomplish, limits that are imposed by their respective political masters.

Lamy's biggest test in the months ahead will be translating Europe's recent farm reforms into meaningful trade liberalization proposals in Cancun.

The European Union has decided to stop linking its farm subsidies to the amount that farmers produce. This change should trim the size of European food sur-

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pluses, which have tended to undercut competitors and squeeze farmers in poor countries. Such decoupling will not reduce overall E.U. farm spending, but it will allow Brussels to channel more money into rural development in Europe. By agreeing internally to cut production-distorting subsidies, Brussels is in a position to demand during WTO negotiations that the United States and others make similar concessions. "It will add to my negotiating credit," Lamy declared. "Until we took our decision, everyone was banging on us. Which is a nice way to avoid

trans-Atlantic confrontation over E.U. data-privacy rules was barely avoided during the Clinton presidency, but the problem is bound to arise again as more and more economic transactions in the modern information economy are based on manipulation of data. Lamy says that the genetic-foods dispute is similarly a clash of values, with Americans much more trusting of "scientific" evidence than Europeans.

While certainly not an original insight, recent public opinion surveys bear out Lamy's focus on value differences. Polls not only show Europeans to be more concerned than Americans about genetically altered crops, they also highlight that Europeans are more supportive of government intervention in the economy to help those people hurt by free-market economics. This convinces Lamy that "we need global solutions to anxieties created by market capitalism." Needless to say, such value differences will complicate WTO negotiations on agricultural policies and other issues, where the United States wants freer rein for market-based solutions.

Nevertheless, such disagreements cannot be allowed to delay the Doha Round, Lamy asserts. "If we don't do it by the end of 2004," he warned, "then we are in for a very long road, not the least because the U.S. and the E.U. administrations will have changed. And given what has happened [to the global economy] since we launched the round, a failure

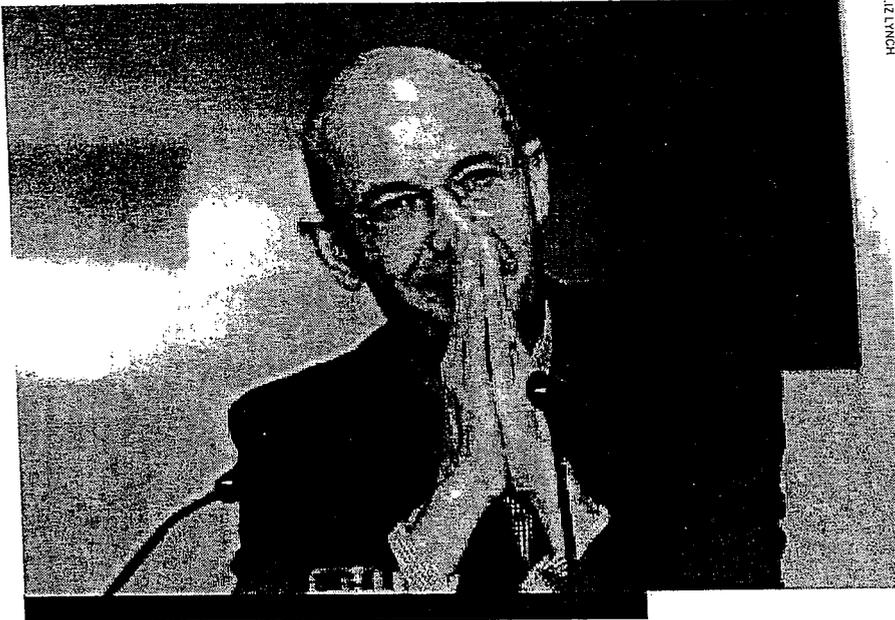
would be very bad news, because there hasn't been any good [economic] news coming from anywhere else."

Moreover, there is a growing sense at high levels in Geneva, where the WTO is based, and in Brussels and Washington, that Doha may be the last round of multilateral trade negotiations for some time to come. Divergent interests, frustration with the negotiating process, and diminishing results are pushing major trading nations toward additional bilateral or regional deals. Fully aware of this trend, Lamy, as a confirmed believer in multilateralism, hopes to maximize the results of the Doha Round as part of his legacy.

Much of that legacy may depend on what Lamy, Zoellick, and their counterparts can accomplish in Cancun. If they can breathe new life into the moribund Doha negotiations, Lamy's legacy is bright. If the E.U. farm reforms prove inadequate, or if Lamy overplays his hand and he and Zoellick cannot overcome the U.S.-E.U. value differences, the world trading system and Lamy's legacy may be in jeopardy.

Whatever the outcome, in an era of transcendent U.S. economic power, it is ironic that U.S. trade interests are so closely intertwined with the fortunes of a foreign official. And at a time of rampant Francophobia and free-market triumphalism in Washington, it's even more ironic that that man is both a Frenchman and a Socialist.

The author can be reached at bstokes@nationaljournal.com.



PASCAL LAMY: The French Socialist was a driving force behind reforms to European agricultural subsidies, and these reforms give Europe some leverage to argue for agricultural concessions by other countries, including the United States.

talking about what concessions they will have to make. Now we have taken our decision, and the heat will turn on the others. I will want others to make commitments. I have plenty of ideas of what I will buy with my credit."

In this effort, Lamy argues that a U.S.-E.U. compromise is achievable because Americans and Europeans agree that agricultural reform is not about how to protect an industry, but about how best to preserve a much-revered rural lifestyle. And there is some truth to his observation. A more environment-friendly, small-farmer-oriented farm bill—arguably closer in outlook to recent E.U. reforms than to the subsidy-heavy 2002 U.S. farm bill—failed in the House of Representatives in 2001 by a mere 14 votes. Moreover, as imports gain market share in the U.S., American farmers appear to be increasingly disenchanted with trade liberalization as the best means to preserve their livelihoods.

This focus on values highlights what Lamy believes is the second great challenge facing the U.S.-E.U. trade relationship. Mutual trade frictions, he predicts, will increasingly be rooted not in a nation's economic interests but in its people's values. He cites two examples: data privacy and genetically modified foods. Europeans are much more leery of allowing corporations to collect and use personal data than are Americans. A