

EU trade tsar eyes a bigger prize

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By FRAN O'SULLIVAN

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Europe's trade tsar Pascal Lamy is already moving on to his next big agenda - promoting global principles to ensure trade liberalisation does not crash amid a cultural backlash.

Lamy, 57, a taut and sophisticated Frenchman, steps down as European Trade Commissioner in November.

After six years pushing the EU's agenda in theatres ranging from the World Trade Organisation to small bilateral negotiations with the Pacific Islands Forum, he has become concerned at the "disproportionate nature" of increasing global problems and a "rather small governance apparatus".

Lamy says it is an esoteric subject which involves a "rather big ideological debate".

"I know that. I've written a book about it this year."

Lamy's book *La Democratie-monde - Pour une gouvernance globale* - was quickly translated into Chinese when it hit bookstores. The English version "comes next".

Lamy proposes "governance tools" to ensure issues, such as health and environment, which impact on the social fabric of nations, can be addressed in ways that do not conflict with global trade.

"We have to make sure that trade opening does not bump into identity reactions. That creates a tension."

Lamy believes the WTO, with its "sophisticated international governance architecture", is now more efficient than the United Nation's General Assembly and more legitimate than the International Monetary Fund. But at the WTO, "trade trumps everything".

A revamped UN could be the forum to put Lamy's "democratic supernational governance tools" into practice, but that would take time.

"I know there are views on this political checkboard that the solution to solving problems is removing governance," Lamy says. "This is not my school of thought. And I do not think this is the school of thought here, whichever political side you are on."

On Wednesday, Lamy discussed his philosophies and global outlook with Prime Minister Helen Clark at a private dinner at Premier House.

Lamy and Clark are players in the Progressive Governance Group - a forum of centre-left political leaders and thinkers.

Clark's dinner guests, which included representatives of New Zealand's biggest exporting companies, say Lamy gave a frank and well-rounded exposition on the issues facing trade.

Lamy rates New Zealand as being among a group of countries whose international negotiating weight is "far beyond the numbers".

"Not the big elephants, but people who can go between."

Such an intermediary position can be very profitable to those nations. "It is like in business, if you are a clever interface you get on both sides and it creates weight."

He predicts the role New Zealand and other countries such as Canada, Chile and Singapore play at the WTO - and generally in international governance - will become more relevant. He cites the know-how, respect, consistency, openness, a sensitivity to human rights and the social environment acquired by these nations as lending "this sort of actor" a comparative advantage.

He is optimistic the WTO's agricultural framework recently agreed in Geneva will proceed.

In Cancun last year, Lamy's sarcasm was obvious as he ridiculed the WTO as "a medieval court" after its failure to move the Doha Development Round along. "Cancun was a sort of spasm which was like a volcano - it's created new continents on which we now work."

He praised New Zealand diplomat Tim Groser, who heads the WTO's agriculture committee, for spearheading the framework.

"He has been a respected and efficient catalyser - you need that."

The EU is locked into axing agricultural export subsidies, but Lamy foreshadows difficulties once the US has to make changes to the Farm Bill to meet its WTO obligations.

New Zealand might itself run into problems if the US tries to put some of this country's agricultural exports into "special product" categories for developing nations.

But Lamy is optimistic New Zealand will do well from this WTO round. The US has to remove its export credits, Australia and Canada have to wipe state agricultural trading enterprises - "New Zealand is on the receiving end".

One issue where the EU and New Zealand do not line up is on China.

New Zealand has recognised China's market economy status, as a perquisite for opening free trade talks with Beijing.

But Lamy says the EU will not follow suit. "Market economic status has to do with a precise thing - how you crunch your numbers when you do an anti-dumping investigation."

"New Zealand does not have anti-dumping, therefore you do not have a problem."

The EU has launched several anti-dumping investigations into China. "They have been dumping in some areas and we have a market base and industries in the European Union like TVs, or bicycles, or textiles, which are sensitive to us."

"In some cases, because of characteristics in the Chinese economy, we honestly cannot, for the moment, accept that what we find in the books of Chinese companies - when we investigate anti-dumping remedies - are market economy prices."

"As long as we do not have the sufficient overall insurance that what we find in a book of a Chinese company is the real market price we can't accept that."

The EU has told China the critical areas are price control, state intervention and Beijing's relationship with the banking system.

Lamy does not buy into the argument that China is disadvantaged by the EU's refusal to award it market economy status. "If you look at the trade numbers, their comparative advantage is there."

The EU and New Zealand "see eye-to-eye" on 95 per cent of the global trade agenda. Although there are tricky bilateral issues such as geographical labelling for wine and cheese which are yet to be addressed. Dairy quota negotiations will also be tough.

Lamy values New Zealand's input into the EU's donor role in the Pacific region - the subject of talks in Fiji this weekend.

The EU's Pacific trade is "merely a drop".

But there are concerns that trade opening and liberalisation will not be the answer to the problems some Pacific countries face with globalisation. "These are small economies, small fragile islands, there will need to be a cushion," he says.

"We've got to create a regional market for them, knowing that this market in a globalised planet will not solve all their development problems."

The EU has yet to approve Lamy's successor British Labour MP, Peter Mandelson. But Lamy will not discuss his legacy at this stage, nor his future prospects.

His focus on global governance, however, suggests a possible role at the UN or IMF. On such matters, this loquacious and elegant Frenchman is not talking.

Pascal Lamy

* At the top of global trade since appointed EU Trade Commissioner in 1999.

* A "socialist" who nevertheless managed to persuade France and other EU nations to cut farmer subsidies.

* Strong business credentials: restructured Credit Lyonnais after the French bank hit problems a decade ago.

* Orders of merit from Germany, Luxembourg and France, which made him an officer of the Legion d'Honneur.

* A marathon-runner like his US counterpart, Bob Zoellick, with whom he competes in a friendly way.