

The trade warrior

Pascal Lamy, head of the EU Trade Commission, talks to VIKRAM KHANNA about being a trade negotiator in a complicated world

THREE or four years from now, you will probably (though not certainly) read about a mega-deal on world trade as the so-called Doha Round of multilateral trade talks, which was launched in Doha, Qatar, in November 2001 is brought to a close. It will be bigger, more far reaching and will involve more countries than any trade agreement that has been struck before.

When it happens, one of its key architects will be missing from the stage. He is Pascal Lamy, the European Union's current trade commissioner - the top trade official of the world's top trading power - whose five-year term ends this November.

Mr Lamy, a cigarillo-puffing former French civil servant, has been instrumental in making the breakthrough that has brought the Doha Round back from the dead. It happened in Geneva in July, when, after almost three years of failed trade summits, threats of trade sanctions and countless dialogues of the deaf, some vital compromises were reached. Basically, the EU and the United States agreed to cut back some of their farm subsidies, and Mr Lamy found a way to enable poor countries to get access to life-saving medicines on affordable terms from rich countries that the US could live with and certain issues that the developing world didn't want to talk about (investment, competition and government procurement) were dropped from the agenda.

The Geneva breakthrough, which surprised many trade-watchers, would not have happened if not for Mr Lamy's constant behind-the-scenes brokering, persuading, cajoling and deal-making. Refusing to give up after the collapse of the summits in Seattle in 1999 and Cancun last year, he criss-crossed the world, meeting his counterparts, giving speeches, putting his message out in the media. In December last year, he even joined - gatecrashed, you could say - a meeting in Brazil of the Group of 20, the coalition of powerful developing countries led by Brazil, China, India and South Africa, to help restart the stalled Doha talks.

The 57-year-old Mr Lamy is philosophical about departing the stage just when the Doha Round is moving into third gear.

'We are servants of the institutions we belong to,' he says, picking out a cigarillo from its flat metal box, which he pulls out of his jacket pocket.

And making trade policy for an entity as huge and diverse as the EU is an institutional process, he suggests, which to a large extent, involves managing the politics of trade.

It's something that needs constant attention, he says: 'It needs to be nurtured and gardened every day.'

'In the EU, we have about a two-thirds majority of constituencies that are in favour of open trade,' he explains. 'But the beneficiaries are numerous, anonymous and silent; sometimes, they don't even know that they benefit from free trade. On the other hand, the opponents - or the victims - of free trade are vocal and well identified. To make trade policy you have to be confident that you have the silent majority on your side. And that needs constant work, constant personal engagement.'

'And then there are painful political debates. Sometimes, you have to try over and over again before you achieve success. And sometimes, support from politicians, too, can be fragile.'

Moreover whatever he does, he must do in full view of the media. 'Government by subterfuge is no longer an option,' he said, in a speech in Washington in 2000. 'And that's inconvenient for the likes of me. But it's basically a good development.'

For all the ups and downs he has been through during his tenure as commissioner, Mr Lamy seems satisfied enough with what has been achieved, as he gets ready to pass the baton to his successor.

'I'm glad that the US is now committed to multilateralism,' he says. 'This was not so obvious when the Bush administration came in (in 2001). At that time, commitment to the WTO was not on top of its agenda.'

He is relieved, too, that trade relations between the US and the EU were not affected by the Iraq crisis, on which the two had sharp differences.

And he looks back with satisfaction to the fact that China's accession to the WTO happened on his watch, as did most of the preparatory work leading to Russia's accession.

But if he leaves the stage now, when the momentum is good - perhaps, together with his US counterpart Robert Zoellick, if Washington appoints a new trade czar after the American election - won't the process slow down?

Mr Lamy won't admit as much, but he implies it might, when he acknowledges the importance of personal relationships in forging trade agreements. 'Over time, you build an element of trust,' he says. 'You learn which issues you can deal with through a phone call, and which will need more than that.'

And Mr Lamy has built close working relationships with trade ministers across the globe. Apart from Mr Zoellick, he mentions China's Commerce Minister Bo Xilai; Singapore's George Yeo, Chile's Heraldo Munoz, India's Kamal Nath, Kenya's Mukhisa Kituyi, South Africa's Alec Erwin and New Zealand's Jim Sutton. All of them have, he says, 'acquired a weight in the system' - sometimes out of proportion to the importance in global trade of their countries.

So after he goes, and perhaps others, too, leave, 'the asset of personal trust will need to be rebuilt', he points out. 'But that's life.'

Perhaps Mr Lamy's biggest achievement, however, was the character of the Doha Round itself, which he played a big part in shaping. It was explicitly and deliberately targeted to benefit, most of all, the world's developing countries, who comprise the majority of the WTO's 148 members.

Why the emphasis on developing countries? 'Because it's one of the big problems of the planet,' says Mr Lamy. 'Globalisation and the spread of the market system have created a tough selection process, which rewards the strong more than the weak. If you don't compensate by ensuring inclusiveness for the weak, the system will explode at some stage.'

In a speech in Tokyo earlier this year, Mr Lamy - a former member of the French Socialist Party's steering committee - explained that he was a disciple of what the French call *l'économie sociale de marché*, a philosophy which, in essence puts people ahead of numbers. 'The slogan means: OK for a market economy, but not a market society,' he explained. And therein lies the philosophical underpinnings of the Doha Round.

Mr Lamy doesn't under-estimate the problems of making the Round a success. One of the problems he says, is the structure of the consensus-based WTO, which he once described as 'medieval' and 'dysfunctional' for the fact that it is driven, not so much by its leaders as by its motley members. On that issue, he has not changed his view, despite the breakthrough achieved in July.

'It's an unwieldy system, not easy to live with,' he points out. 'It's like having 150 members in the UN security council.'

'Any organisation - whether it's a football club or an NGO, or anything else - has a steering committee, a strategy committee, rules governing who does what. The WTO does not. The WTO is a mess.'

Rather than working through a coherent, efficient organisation, he explains, trade negotiators have to navigate what he calls a 'four-corner world', basically comprising the US, the EU, the G-20 (the powerful developing country coalition) and the G-90 (which includes most other developing countries). And then there are countries that move around like satellites in the space between the four corners.

It's possible for agreements to be reached, as demonstrated in July in Geneva, but it's not the best way of doing things, Mr Lamy says.

And then there are other actors in the drama: notably, civil society groups like non-governmental organisations, environmental groups and others.

Although these groups are often the bane of trade negotiators, their increasing involvement in global trade issues is 'definitely a good thing', says Mr Lamy. For one, he points out, many of them are themselves globalised, transcending nation states. Some of them are also competent. 'If you look at groups like Oxfam, they have some good trade specialists,' he says. 'Civil society will never replace parliaments - as they say, it's a voice, not a vote - but it plays an important role in challenging and criticising.'

Moreover, he explains, the nature of world trade negotiations has changed in a way that makes more involvement by civil society inevitable.

'Thirty years ago, trade negotiations could happen between specialists on tariffs on metal scrap and batteries. Today, it's a different story. Today, trade negotiations are often about making value-based choices, about standards - about issues such as genetically modified foods and organisms, eco labelling and core labour standards. Naturally, civil society groups - which did not care about tariffs on metal scrap and batteries - are now going to care. The trade agenda has moved into the realm of civil society.'

So what will Mr Lamy do after he bows out as the EU's trade czar? He hasn't decided yet, he says. Will he remain in the political arena? He hasn't decided that either. Whatever he does, Mr Lamy doesn't look like someone who's in a hurry to retire.

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Lessons for Asean from EU

'WHAT can Asean learn from the European Union when it comes to integration?' That was a question put to the EU's Trade Commissioner Pascal Lamy from the floor, after his talk to the European Chamber of Commerce and the Singapore Business Federation last week.