

EU Trade Czar Heads for the U.S. Lamy Hopes to Resolve Disputes Before They Boil Over

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BRUSSELS, March 6 -- When the European Union's top trade negotiator, Pascal Lamy, calls on his American counterpart, Robert Zoellick, in Washington this week, they won't have to spend much time getting to know each other.

Having worked together for years preparing the annual summit meetings of the leading industrialized democracies, or G-7, Lamy and Zoellick learned to set aside ideological differences and defuse potential crises.

Known to their colleagues as Exocet (after the French missile) and Laserbrain, respectively, the French socialist and the American Republican discovered an intellectual kinship that helped them get along famously.

But in their current jobs, Lamy and Zoellick may soon find their personal rapport will face its most challenging test. At a time when the decade-long American boom is fading rapidly, the enemies of free trade and an open global economy seem to be gaining momentum on both sides of the Atlantic.

In recent months, the EU and the United States -- the world's biggest commercial powers -- have moved closer to all-out trade war. The Europeans are threatening to slap \$4 billion in trade sanctions on a broad range of U.S. products because of what they say are illegal tax breaks for American exporters. That would dwarf the \$308 million in U.S. sanctions against European exports imposed in response to an EU prohibition on hormone-treated beef and for discriminating against Latin American bananas.

Meanwhile, Lamy's crusade to launch a new round of multilateral trade talks in November has encountered stiff resistance from developing countries and other critics who complain that such negotiations have failed in the past to address the growing disparity in living standards between rich and poor. And the Bush administration, while professing its desire for a fresh round of global trade talks, has shown less enthusiasm for that than for a regional initiative that would establish a Free Trade Area of the Americas.

Despite those obstacles, Lamy said in an interview before he boarded a plane for Washington that the risks of a global recession may be concentrating minds in capitals around the world on the need for a comprehensive overhaul of the world trading system. He believes the chances for success are far greater than in November 1999, when plans to inaugurate a new round of negotiations collapsed in acrimony and chaos at a summit meeting in Seattle of the World Trade Organization.

Lamy said it is vital for the United States and the European Union -- which together account for half of the world's exports -- to convince developing nations that they hold a substantial stake in the next round of global trade talks.

"We need to accommodate the concerns of developing countries, but not at the price of sacrificing our principles," Lamy said. "That means, for example, that giving them more favorable trade opportunities should not result in the spreading of abusive practices like child labor. I think the message is getting through in key countries like South Africa, which can be a natural leader in defending the interests of the Third World in the negotiations."

Even if he manages to persuade enough governments in poor countries to abandon their hostility and sign up for an ambitious round of trade negotiations, Lamy still faces an uphill struggle to win the support of the United States. While his friend Zoellick shares his faith in free trade,

President Bush is clearly more skeptical about the multilateral process than his predecessor, Bill Clinton.

In addition, Lamy realizes the protectionist tide in Congress is running strong. Many members of Congress are clamoring for further retaliation against the EU unless it complies with WTO rulings in favor of the United States in the beef and bananas disputes.

If the EU presses ahead with the \$4 billion in sanctions, all hopes for a new round of global trade talks could dissolve amid escalating transatlantic trade tensions. Already, 14 trade disagreements between the United States and Europe await WTO arbitration, with more arguments looming over steel, commercial aircraft and genetically modified food.

Lamy hopes that both sides will find the good sense to step back from the brink, and that his good working relationship with Zoellick will spread some goodwill and understanding about difficulties faced on both sides.

"Trade negotiations are much different than other forms of diplomacy because you spend half your time defending your own interests and the other half fighting the domestic lobbies on the other side. That's why I will be doing a lot of talking and listening on Capitol Hill. To that extent, Bob and I realize we need to help each other in order to succeed."