

## COLUMN ONE

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# EU's Lamy Pushes Free-Trade Agenda, His Political Career

He Stands Up to the U.S.  
On Steel but Will Negotiate

'We Have to Get That Guy to Shut Up'

By GEOFF WINESTOCK

BRUSSELS—At a summit with European Union leaders in Washington, last month devoted mainly to fighting terrorism, President George Bush took time to lecture Pascal Lamy, Europe's trade minister.

The U.S. didn't appreciate Mr. Lamy's tactics in the escalating fight over U.S.-imposed steel tariffs, the president said, according to U.S. and European officials. The EU is targeting citrus growers in Florida, apparel exporters in South Carolina and steel makers in West Virginia, all states where Mr. Bush's Republican Party wants to pick up seats in midterm congressional elections this November. "You're attacking me personally," Mr. Bush said.

This isn't "personal," Mr. Lamy replied, just the standard technique in trade battles. He noted that the U.S. had carefully selected European targets when it retaliated against the EU in disputes over bananas.

After toiling for years as an anonymous EU bureaucrat, the 53-year-old Mr. Lamy is now playing a central role in the world economy. Over the next two months, he must make two critical decisions about whether to retaliate against U.S. exports by levying tariffs. On June 17, he expects to have World Trade Organization approval to impose at least €1.1 billion in sanctions because of a U.S. corporate tax subsidy ruled illegal by the WTO. In July, he has threatened to add levies of €377 million in response to U.S. tariffs on European steel.



Pascal Lamy

Mr. Lamy wants to reach a settlement on both issues with the U.S. that would make retaliation unnecessary, and has already pushed back deadlines for acting. But without a deal, his next steps

are difficult to predict because he is being pulled in two directions. Lamy the trade technocrat is at odds with Lamy the would-be French politician.

Mr. Lamy has been mentioned as a possible finance minister if his Socialist Party wins French parliamentary elections. But the Socialist-led coalition is likely to lose its legislative majority in the final round of voting this Sunday. In any case, Mr. Lamy denies he would be interested—though he says he is still looking to raise his profile on the French left in the long term, perhaps after he finishes as trade commissioner in 2004.

His decision to launch a self-promoting book on the eve of the French elections—a book complete with a cover photo of himself smiling—only added to speculation that he would like to leave Brussels soon. "Some people say, 'Why write the book now?'" Mr. Lamy said at a book party. "But I say, 'Why not?'"

U.S. Trade Representative Robert Zoellick, a

10 JUN 2002

longtime friend who is now Mr. Lamy's adversary in the steel trade battle, accuses him of aggravating trade tensions. "Sanctimoniousness is a posture, not a policy," Mr. Zoellick told a recent meeting in Washington where Mr. Lamy spoke via teleconference.

White House spokesman Ari Fleischer says President Bush made it clear that any attempt to politically target U.S. states important to Mr. Bush "is the wrong approach. This sensitive issue should be handled in the WTO."

Mr. Lamy counters that he is simply promoting free trade in a way that U.S. officials themselves should be able to understand. "My European constituency holds to the idea that trade opening is good for everybody, even if it means job losses, but there must be rules," Mr. Lamy says.

A bald, intense marathoner, Mr. Lamy was dubbed the "Exocet" and the "Rottweiler" by French colleagues for his propensity to home in on issues and not let up until he prevails. He is a graduate of France's elite schools and worked as a top bureaucrat in the European Commission, the EU's executive arm, and a banker before becoming trade commissioner in 1999. He is also part of a modernizing wing of the French Socialist party, which advocates free trade under the Gallic slogan of "*maîtriser la globalisation*" (mastering globalization).

### Price of Retaliation

He knows that any trade retaliation is sure to produce a backlash, which could diminish U.S. support for trade expansion and doom WTO negotiations aimed at liberalizing trade and investment. Retaliation would also worsen EU-U.S. ties, already troubled by fights over global warming and U.S. threats to attack Iraq.

He also realizes that failing to stand up to the U.S. would damage his political credibility in Europe, especially with French critics who want Europe to act more aggressively when confronted by U.S. power. European solidarity is particularly important now, Mr. Lamy says, when far-left protesters stage massive protests against global trade and far-right candidates, such as France's Jean-Marie Le Pen, campaign against the EU.

"Lamy wants to turn around the debate on globalization and Europe. The steel dispute is an issue that fits perfectly into that campaign," says Frederic Michel, director of Policy Network, a London think tank that publishes Mr. Lamy's political tracts.

A compromise with the U.S. would best fit his needs by getting him credit for standing up to the U.S. without actually having to go through with retaliation that could harm U.S. or European economies. Should the U.S. scale back its tariffs on EU steel exports and exempt some European companies from tariffs altogether, Mr. Lamy says he might be willing to drop his threats of retaliation. He won't say, though, just how much in the way of scaling back and exemptions he would require.

The Bush administration may be willing to cut a deal; U.S. manufacturers are complaining that domestic steel producers alone can't meet their demands. Bush administration officials say that they now have a preference for softening the tariffs but face pressure from the steel lobby not to. Washington is due to decide what to do by July 3.

A compromise on steel would go a long way to easing the separate fight over the corporate tax subsidy. Mr. Lamy may be willing to postpone retaliation, provided the White House gives him a firm timetable for pushing Congress to rewrite the tax code so it complies with WTO rules. The

EU says that the tax breaks, worth \$4 billion (£4.2 billion) to such U.S. companies as Boeing Corp. and General Electric Co., encourage U.S. companies to export rather than sell domestically, distorting the world market for their EU competitors.

### The Clinton Line

In French Socialist circles, Mr. Lamy strikes a Clintonesque stance by trying to convince skeptical party members that free trade can benefit the little guy. But he lacks Mr. Clinton's deft political touch. In 1993, he garnered only 15% of the vote in his lone attempt to run for the French parliament, from Normandy, where he owns a country home. Though his political future lies in appointed office, Mr. Lamy has been trying to improve his campaign skills. He says that since becoming trade commissioner he has aggressively tried to engage with ordinary citizens, even sitting down with antiglobalization protestors at world trade meetings.

Globalization, he says, is an antidote to the "xenophobic introversion" of the French far right. He advocates privatizing state companies, scaling back farm subsidies and breaking down monopolies. But he mixes those market-friendly policies with tirades against "social dumping"—French code words for trade and investment policies that shift jobs to low-wage countries.

After French socialists were drubbed by the right during the first round of the French presidential elections in April, the party turned sharply to the left, leaving Mr. Lamy further outside its mainstream. When Mr. Lamy argued in the daily French newspaper *Le Monde* that the answer to the far right is more—not less—free trade, French socialist leader Henri Emmanuelli remarked to a colleague, "We have to get that guy to shut up." (Mr. Emmanuelli's aides confirm the remark.)

If the Socialists lose their parliamentary majority, Mr. Lamy would play a significant role in what is shaping up as an acrimonious debate about the future of the party. But for now, his high-profile position as trade commissioner probably gives him the best platform for increasing his influence. "I'm sure he'd accept a chance to be French finance minister, but I don't think this is necessarily the right point in his career," says Pervenche