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# ON THE AGENDA

## EU, U.S. Squabble Over Agenda for WTO

### Europe Wants Broad Discussions at Millennium Round

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BRUSSELS — With only six weeks before the Millennium Round of world trade talks in Seattle, the first trans-Atlantic tiff has already flared. And all that is at stake so far is the agenda.

The Europeans have proposed a "comprehensive round" to the World Trade Organization and have chided the U.S. for wanting to limit the agenda and trying to cut side deals. The U.S., on the other hand, says the world trading system isn't ripe for the EU's proposals, which Washington says would waste time that could be spent on more-practical issues of market access.

With some officials warning that the new round of talks cannot be launched unless the two sides reach agreement, European Commission President Romano Prodi flies to Washington on Wednesday to talk things out with President Bill Clinton. Agreement on an agenda and a timetable for the Millennium Round must be reached by Nov. 30, when trade ministers begin their meeting in Seattle.

In the run-up to the meeting, Europe's new trade commissioner, Pascal Lamy, has the difficult job of trying to edge the EU ahead of the U.S. on the starting line. But in the midst of this jockeying, he has to avoid escalating the disagreement between the two giants to a level that could jeopardize the trade talks. During an hour-long interview in his Brussels office, Mr. Lamy explained his strategy for dealing with the U.S. and also for handling opponents of trade liberalization.

#### Bridging the Gaps

Showing that he won't blink first in the EU's dispute with the U.S., he warned that he still sees problems in bridging the gaps between the two sides. He's concerned that protectionism is rising in the U.S. as it becomes an issue in that country's presidential campaign. The effect of the presidential race, says Mr. Lamy, is that "the U.S. side is less long-sighted than ours."

However, Mr. Lamy emphasized that Washington and Brussels share the desire to liberalize trade. Both sides also are united in their concern that the success of the trade talks could be thwarted by opposition from developing countries, which feel they won little in previous trade rounds. The talks also face a challenge from U.S. and EU domestic lobby groups that have demonized globalization and the WTO.

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round, we have the same sort of political analyses on both sides of the Atlantic," Mr. Lamy said. But, he adds that the U.S. and the EU "don't draw the same sorts of tactical conclusions."

Mr. Lamy's role in the balancing act with the U.S. will be crucial to the success of the trade round. Icy personal relations between U.S. trade representative Charlene Barshefsky and Mr. Lamy's stentorian predecessor, Sir Leon Brittan, didn't help during recent trans-Atlantic disputes over bananas and hormone-treated beef.

Mr. Lamy is a veteran of the cabinet of former European Commission President Jacques Delors and was brought back to Brussels by Mr. Prodi after five years as a director of Credit Lyonnais. Mr. Lamy won't be a pushover. But those who have dealt with him say he is a genuine liberal on trade issues and that — given the EU's fragmented politics — he understands what is realistic. A cigarillo-smoker who at 52 runs two marathons a year, he is known in his department as "the Exocet" and, more recently, as "Monsieur Tres Tres Urgent."

#### Broadening the Agenda

The EU's tactics in the run-up to Seattle, says Mr. Lamy, are based on trying to enlist the support not only of traditional business lobbies, but also domestic environmental and consumer lobbies and developing countries by offering to broaden

tors, under pressure from the U.S. Congress, want to keep anti-dumping off the agenda. Mr. Lamy says the EU has an "open position," but "there are a lot of cold feet about it in the U.S."

The U.S. maintains that an overloaded agenda will be impossible to wrap up in the three years planned for the round. Even the EU admits that investment and competition rules are in embryonic form and will take a decade to refine.

#### Point of Contention

Another point of contention is the EU's insistence on a single undertaking at the end of the round. The U.S. says this will delay an "early harvest" of deals that are close to completion and could be ready in months. These include agreements on transparency in government procurement, on quicker dispute procedures at the WTO and on tariff cuts in sectors ranging from jewelry to chemicals to fisheries.

U.S. officials secretly complain that Mr. Lamy's generous talk of a comprehensive agenda is actually a smokescreen to distract attention from the EU's protectionist agricultural policies, which are the Continent's Achilles' heel in trade negotiations.

Mr. Lamy admits that agriculture will certainly be one of the biggest areas of dispute in a new round, but says the EU is prepared for the challenge. He says the EU has reduced export subsidies "enormous-

ly" to slap on sanctions valued at \$300 million (€281.2 million) to punish the EU's recalcitrance.

Mr. Lamy admits that the decisions are a potential embarrassment but he says that the EU isn't ignoring the WTO. "I am working like hell on the panels which we have lost," he says. He hints that proposals on resolving both disputes could come up before Seattle.

However, some of this bilateral bickering will still spill into the agenda for Seattle. The U.S. says it wants a discussion of clearer rules on approving genetically modified organisms, a clear attack on the EU's de facto moratorium on registration of new GMO products.

#### Changing the Rules

The EU says it wants to talk about changing the rules on the threshold of acceptable risks in food, making it easier to use safety grounds to ban U.S. products like genetically modified foods, antibiotics for livestock and growth hormones. Mr. Lamy speaks vaguely of eliminating "discrepancies in the world system" of scientific approval of food products, but he gives few details of his ideas on how this might be done.

In spite of these chasms between the U.S. and the EU, some of the heat already has seeped out of the debate over the agenda. The U.S., for example, has partially accepted criticisms of its "early harvest" approach, which the EU says would reduce leverage for resolving difficult issues later in the round. To ensure the ability to maintain the pressure, Washington has said that any early-harvest sectoral deals on tariffs will be revoked if the round fails. In addition, the EU is backing a U.S. push for a deal on electronic commerce.

But establishing an agenda, both sides admit, is only the first step. The EU and the U.S. will then prepare for the substantive arguments on the major trade issues. The U.S. will be under fire for its high textile tariffs, agricultural-export credits and domestic-transport services. The EU will be on the defensive, most of all, over agriculture. Additionally, unless the French win a last-minute fight to keep it off the agenda, the EU's restrictions on U.S. audiovisual products will also be in the firing line.

This is all in a day's work for Mr. Lamy, who in his first Brussels tour, played a crucial role in negotiating the Blair House deal in 1992 that protected the European Common Agricultural Policy from the Uruguay Round. Both the EU and the U.S., he says, have plenty to argue about. "We all have a lot of stones in our shoe that we want to take out," he says.

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the agenda. "The more topics you have, the more chance you can get to trade-offs," he says.

The EU has proposed a "comprehensive agenda," including subjects like environmental and labor standards, competition policy and investment rules. It has also crucially insisted on a "single undertaking" — meaning that there shouldn't be any side deals.

Mr. Lamy admits that appeals to domestic lobbies that want stiffer environmental and labor standards may be hard to reconcile with the interests of developing countries that don't. But he insists that the very breadth of the agenda will allow for compromise. "These things are partly contradictory," he says. "But if you want them to be compatible, then you need a large agenda."

Mr. Lamy also says the EU may support calls for reviewing the rules on anti-dumping procedures, an area where the developing world has accused the U.S. of blatant protectionism. U.S. trade negotia-

tionally" under the Uruguay Round agreements and has committed to cutting domestic price support under its Agenda 2000 program, a financial-reform plan the EU announced in March. "We now spend the same amount as the United States on agriculture (subsidies) in terms of (gross domestic product)," he says. But U.S. officials contest these numbers. It says that the EU accounts include U.S. programs like food stamps and school milk, which Washington doesn't view as agricultural subsidies.

The attempts by the U.S. and the EU to get the rest of the world to sign up to Seattle could be overshadowed by their bitter bilateral disputes, which have grabbed the headlines over the past decade.

The EU's advocacy of the WTO as a broad forum for resolving the world's trade problems sits uncomfortably with its refusal to implement decisions by WTO panels about the EU's imports of hormone-treated beef and bananas. The WTO has authorized the U.S. and Canada