



EUROPEAN COMMISSION
CABINET OF COMMISSIONER PASCAL LAMY

Trade Commissioner

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Speech

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**Speech by Pascal Lamy to the European American Business Council,
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US-EU Relations – bilateral and multilateral issues

Ladies and Gentlemen,

It is a great pleasure to be present at the European American Business Council today, on the occasion of my first visit to Washington as the European Trade Commissioner.

I read in the press with perverse curiosity that I am some sort of latter-day technocratic ascetic, working 20 hours a day, regarding lunch as for wimps, and disliking most forms of social discourse. Well, if that were so, and I have to break it to you gently that it's not entirely true, some would say that I had come to the right town.

In an entirely different way, it is of course apt that the European American Business Council should be one of my first ports of call. After all, it is the work of European and American business people that has created the largest single trade and investment relationship in the world. You know, on an everyday basis, what it takes to make the transatlantic relationship work. I am myself a strong supporter of transatlantic business ties, having been an active supporter of the TABD in my previous incarnation as a banker.

The title you have chosen for me begs a frighteningly long and possibly tedious discourse. But if we separate the wheat from the chaff, the issues come down to this: how do we best manage our bilateral and multilateral differences? More specifically, how do we do so in the context of this thing called globalisation?

[Bilateral issues]

Let me start with the bilateral issues.

You, of all people, will know the facts. But the figures are so startling that they bear repetition. The EU and US trade and investment markets are not just closely linked. We are each other's largest single trading partner, accounting for one fifth of each other's total trade in goods, and fully one third of our total trade in services. Moreover, our trade is increasingly at the sophisticated high technology end of the market, and much of it is not only intra-industry, but intra-firm (around 40% of each other's merchandise exports). Perhaps most relevant of all, at least 7 million jobs in our two economies depend on investment between the EU and US. In short, our economies are not just closely linked. They are joined at the hip.

But at the same time as our bilateral economic relationship becomes both more important, and ever more integrated, we face often bitter transatlantic trade conflict. Is this an ironic twist of fate? Or is it, to at least some extent, inevitable?

I tend to the latter view. It is not simply a question of the sheer scale of the transatlantic relationship. It is that we have an increasing number of structural problems over which to trip. As our economies increasingly integrate, traditional customs barriers are becoming less of a problem. But we are running more and more into the behind-the-border, non-tariff

measures brought about by diverging domestic rules on such matters as regulation, licensing and standards. Such rules are often based on sharply different societal values and sensitivities on health, consumer and environmental protection.

We cannot, and should not, simply try to wish such differences away. But we can do a better job of avoiding disputes by a more effective system of early warning. And when disputes still happen, despite being all too visible from afar, we need to do a better job at managing them. In both respects, I intend to follow up the work of the last Commission, and indeed the last Commissioner, to try to improve the situation. The Transatlantic Economic Partnership, although it has yet to produce all the dividends we are looking for, has facilitated (amongst a number of other initiatives) a much improved dialogue between regulators. I regard this as extremely important.

I should add that I have precisely no intention of getting into the vexed circumstances of any particular case. There will be time enough to get into the deeply fascinating detail of bananas, hormones, and Foreign Sales Corporations, on another occasion. Moreover, I do not consider it useful to bash the US before politically heated European audiences: an idea we might all bear in mind, including on this side of the Atlantic.

Multilateral issues

For the main purpose of my visit is to discuss with my US counterparts the question of a new WTO Round and the upcoming WTO ministerial meeting at the end of the month. If I am asked what my main priority is over the next few months, the answer has to be (as the Clinton campaign war-room might have put it in 1992): "it's Seattle, stupid".

In essence, the EU has three objectives in the new Round which we hope to launch at the start of the new Millenium.

First, to build on the traditional trade liberalising agenda, maximising the benefits flowing from the virtuous circle of comparative advantage, and heading off the dangers of protectionism which inevitably arise when growth declines, creating social and political problems in today's more flexible economies. But in this context, trade liberalisation also needs to be supported by strengthened WTO rules that support open markets for investment and a domestic competitive environment.

Second, to ensure that we do a better job of taking into account the importance of development, especially for the least developed countries. In the old days, getting a new Round launched and indeed agreed was simply a question of aligning EU and US objectives, sidestepping the odd row about agriculture, signing up the rest of the world, and catching the next plane home. Those days are gone. Developing countries must

become, and are becoming, key players within the WTO in order for it to function as a truly global institution. But if the developing countries are to take this seriously, it means that we need to be more open to their demands in a new Round than hitherto if we are to forge a consensus amongst all WTO Members that a new Round is needed.

The third EU objective is more complex. It has to do with harnessing the extraordinary power and all-embracing reach of globalisation, and with managing the sharply increasing pace of change in our economies and our society.

Globalisation has, in my view, got a pretty bad press. It is a positive force. Global markets enable economies of scale, and provide a platform for the industrial revolutions under way in information technology, in biotechnology, in transport. Globalisation fuelled the transformation of south-east Asia and the radical changes in former Communist societies. And globalisation is an everyday fact for the information-loaded, footloose younger generation who understand what interdependence and solidarity between the different peoples of the world really mean.

But it would be foolish to pretend that globalisation is a panacea for all the world's problems. Or, indeed, that unfettered free trade has no downsides.

Taking these three points together, it is overwhelmingly clear that it will not be possible to re-invent the model of the Uruguay Round, even if we wanted to. The world has changed much in five years.

So we are looking for a new type of Round, which takes into account not only global developments in the economy, but also widespread concerns about the relationship between trade and environment, public health and consumer protection (especially in relation to food products), and between trade and core labour standards. We are also looking to try to make the WTO more responsive and transparent to ordinary citizens, helping in turn to ensure that the WTO remains fully pertinent in the world economy and society. And I must spell one point out. This conviction does not stem from the pressure of different protectionist lobbies, but from the necessity to convince key, and often divergent, sectors of European public opinion, such as the elderly and young populations.

Translated into specific objectives, this means that EU is looking for a comprehensive, three year Round governed by a single undertaking. It also means that we need to talk about rule-making as much as improved market access. I don't want to dwell on the detail here. But it means we want to bring issues relating to the management of the broader economy - such as investment, competition and trade facilitation - into a Round. We need to ensure that the new Round looks more closely at the question of international governance, and in particular strengthens the relationships

between the WTO and the better established Bretton Woods institutions. And we want to take up the challenges of trade and environment and trade and core labour standards, but in such a way that persuades developing countries that we are not engaged in an exercise of closet protectionism.

If there is one phrase which sums up what the new Round should be about, it is sustainable development. How can we meet the needs of the present without compromising the ability of future generations to do the same?

I leave it to others to judge how much this approach contrasts with the current US stance. But we make no secret of the fact that we feel that the US agenda is too limited to respond to the problems I have sketched out today. And this not only means that we may not get the kind of Round we want, and need, but we may not be able to launch a new Round at all. There is plenty of room for honest differences of approach about how far a new Round should go. But experience has shown that when we manage to align our objectives more closely, when we press for positions of leadership in multilateral institutions, we can make things work. And when you put it that way, it is not so much an opportunity as a responsibility.

[Conclusion]

We all need to look beyond our specific interests, and to focus on the wider, societal, benefits that a new Round can bring.

In the short-term, that should help us to get the Millenium Round launched, and propel us some way along to its conclusion, hopefully within a crisp, three year timeframe.

In the medium term, it should restore the spirit of shared enterprise that has for so long characterised both the transatlantic relationship, and the management of the multilateral system.

But perhaps most importantly, in the long term, we might start to reinvent the public discourse on trade liberalisation and globalisation more generally. Little by little, we need to be able to convince the doubters that globalisation, properly harnessed, is a challenge to take up, and not a malign force to be feared.