

SPECIAL SECTION

A Conversation with WTO Director-General Pascal Lamy

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Director-General Pascal Lamy holds degrees from the Paris-based *Ecole des Hautes Études Commerciales (HEC)*, from the *Institut d'Études Politiques (IEP)* and from the *Ecole Nationale d'Administration (ENA)*. He began his career in the French civil service at the *Inspection Générale des finances* and at the *Treasury*. He then became an advisor to the Finance Minister *Jacques Delors*, and subsequently to Prime Minister *Pierre Mauroy*.

In Brussels from 1985 to 1994, Pascal Lamy was Chief of Staff for the President of the European Commission, *Jacques Delors*, and his representative as *Sherpa* in the G7.

In November 1994, he joined the team in charge of rescuing *Credit Lyonnais*, and later became CEO of the bank until its privatization in 1999.

Between 1999 and 2004, Pascal Lamy was Commissioner for Trade at the European Commission under *Romano Prodi*.

After his tenure in Brussels, Pascal Lamy spent a short sabbatical period as President of "Notre Europe", a think tank working on European integration, as associate Professor at the *l'Institut d'études politiques* in Paris and as advisor to *Poul Nyrup Rasmussen* (President of the *European Socialist Party*).



WTO
Director-General Lamy

Q: From your perspective, how is sovereignty conceived of differently in the United States than in Europe?

This is something for each nation to decide, and what I have found is that sovereignty means more for big countries than for small countries. Small countries have a clearer sense of the need to band together to secure economy, political and military security. These differences exist within Europe as well, as the French, British, German, and Italian systems are all different. For this reason, it is difficult to compare a European and American vision of democracy. There is one difference which I would say is fundamental, and that is the fact that European countries by choice and also by necessity have decided to surrender a bit of their sovereignty so that they can make policy collectively through the European Union. Because of its size and power, this is something which the US has never really considered. The nation-state is still very strong in some European countries, but there is still the commitment to a united Europe. The EU has worked hard to strengthen its democratic foundations, largely by giving greater weight and authority to the European Parliament, each of whose members are directly elected by local constituents. It has

nevertheless been more difficult to reform EU democratic procedures concerning levels of representation among members. In fact, this was among the most contentious issues in the debate concerning the Lisbon Treaty. All in all, I would argue that US and European democratic values are essentially the same, but perhaps European members are more disposed toward a multi-national form of democracy.

Q: Why does the move towards a global democracy need to be a priority?

We live in an age when the problems we face are increasingly global in nature and the solutions will have to be global as well. That means all countries must realize sooner or later that they need to work together and accept an erosion of individual sovereignty because it will not work if some participate and others do not. This has been clear for more than 60 years in the area of multilateral trade. This has also become clear in the area of environment, in which fighting climate change will not work unless undertaken by all nations, according to their responsibilities. Finally, this need has recently become acute in the area of financial regulation.

If we are to address the challenges of today's world,

many of which have a global dimension, we need to find multilateral solutions in which all nations participate to some degree. Unless governments feel a degree of ownership in the proposed solution, there will be little incentive to implement whatever that solution may be. There are, moreover, different sorts of international governance and you can look at them in a kind of physical way. You have the Westphalian system of nation states—a pretty solid form of governance. You also have the EU, which I would say is a liquid form of governance and then you have the WTO, an inter-governmental organization that I like to describe as a gaseous form. To conclude, without making any specific recommendations, I would quote Winston Churchill: “Democracy is the worst form of government, except for all the others.” Moving towards a global democracy raises new challenges in terms of both efficiency (the international system is heavy and opaque) and legitimacy (citizen representation has to move beyond the frame of the nation-state).

Q: Please briefly describe the strengths and weaknesses of the structural organization of the WTO. What is the most important lesson we can take away from it for building up other international institutions?

What is most important about the WTO structure is that it is both legitimate and credible from the perspective of participation. All 153 members have a say in how things work, and any one of them can decide to stop anything we are doing if that is what they want. The rules are decided by a consensus of WTO members. The WTO structure, one in which developing countries are very much sitting around the table with rich countries, is one which other organizations will have to consider if they are to address the problems of this rapidly changing world. Perhaps our weakness stems from this, too, though. In a consensus system of decision-making, all have a say, but finding compromise can be painfully slow and difficult. Another specific feature of the WTO is its binding dispute settlement mechanisms which ensures the enforcement of rules, thus effectively constraining members to stick to them.

If we consider policy-making, development assistance and so on, it becomes very complex. Take areas where international governance implies regulation, for instance – trade, environment, health, human beings, animals, plants, and finance. The lesson of the WTO is that you basically need three ingredients. The first element is a political will to regulate. That is why after the Second World War the IMF, the World Bank, and the WTO were

created—even if it took a bit more time and was a bit more complex. The notion was that we needed to agree on disagreements to avoid a repetition of the protectionist reactions in the 1930s that led to the depression of the last century and made it much worse than it could have been. You have this in trade, you have this in environment—everybody agrees that climate change and CO2 emissions have to be reduced. You also have this with animal disease or avian flu. But you did not have this [political will] with finance. In global finance, there was a debate as to whether or not there should be some sort of binding international regulation, and the answer was “no” because some economists supported it, and considered it necessary, but others opposed it and felt that it would impede the capacity of markets to innovate.

Once you have this energy and the political will there, the second element is to have the right concept of what you want to do, which is different from wanting to do something. In the case of the WTO, we know the concept. The concept is that trade opening is good—not that it is good every time for everyone in every condition... provided that it is negotiated and progressive. One simple example to explain this appears in animal disease regulation: the concept is that you have to quarantine the bit of territory where it started, not the whole country.

Once you have done these two things, then you need the sort of capacity to compromise and to bring onboard domestic constituencies, which is true for democracies as well as non-democratic polities. Even in non-democratic states, constituency problems exist. At home, people are fighting for this or for that, whose pocket or political power or clout will be affected by what is happening internationally. That is the last element which is needed. If you take trade, we have this capacity to compromise, but we do not have the ability to fine-tune this compromise. If you take the environment, the compromise between reducing emissions in countries like [the United States] that emit 20 tons of CO2 emissions per capita a year and countries that emit 1 ton, compromising will be very difficult because the one with 20 will have to reduce a lot more than the other.

Those are the three lessons for building up the rest of the international system: you must have the political energy, the right concept of what must be done, and the sort of domestic capacity to compromise. If you take what might happen on the finance side, there seems to be more political energy now as opposed to before [the economic downturn], although this is not for certain. The concept of what has to be done is still not very clear, however, and will have to be cleared in the summits in order to lead to somewhere. §