



## **Anthology of Pascal Lamy's statements on agricultural protectionism**

Jacques Berthelot (jacques.berthelot4@wanadoo.fr), Solidarité (www.solidarite.asso.fr)

December 19, 2009

The following excerpts of Pascal Lamy's speeches from the time where he was the EU trade Commissioner (1999-2004) up to these last days show his progressive evolution from a committed defender of the necessary regulation and protection of agriculture to a cut and dried position of free-trader, culminating in the interview to the French newspaper Libération of 23 May 2008, where he stated: *"I do not know of any protectionism which does not bear an amount of xenophobia and nationalism... But they would not be France and Switzerland which will feed the world, it is the reverse. If the reasoning in Brussels or Tokyo is that the planet will be fed through subsidies or super-protections in rich countries, this will hardly convince the poor countries"*<sup>1</sup>. If we can agree with the last sentence for the rich countries exporting agricultural products, we will challenge the previous two sentences.

Before commenting these Pascal Lamy's statements, we must remember that, for an economist, protection in a broad sense encompasses any measure of public authorities whose effect is to improve the competitiveness of domestic products vis-à-vis foreign products. Which implies that domestic subsidies are in fact more protectionist than tariffs as only rich countries – as the EU – can afford to subsidize their agricultural products significantly, and because they have a double effect of import substitution and of dumping when the products are exported: once that the EU agricultural prices have been lowered to the world levels or close to them, the EU agri-food industries (AFI) have no longer any incentive to import, or very little, as they can buy their agricultural raw materials at world prices, or close to them, on the domestic market. This has also allowed them to export without export refunds.

### **I – Pascal Lamy's positions when he was the EU trade Commissioner**

1) Pascal Lamy was protectionist in 2000, hence xenophobic from his own point of view: *"Agriculture is a sector in which no producer is capable of influencing market equilibrium. It is regulated naturally by alternating cycles of over- and under-production. As we are all too aware, these cycles involve often quite major fluctuations in prices. This volatility has immediate consequences for market stability and farmers' incomes, in a far more direct way than is the case in other sectors. Collective regulation is therefore called for. The production-based approach has significant adverse impacts which society is increasingly unwilling to accept. The most obvious is the damage to the environment caused by intensive livestock and arable farming, but I am also thinking of the profound effects on employment leading to rural depopulation. The size of our active farming population is in freefall, and the attendant upheaval in the countryside brings with it a great cost to society at large. In other words, public goods and social objectives can be directly jeopardised by certain by-products of agriculture if it is left unregulated and based solely on competition. This, to my mind, is why we need a form of public control specifically for agriculture. I would stress in passing that this need to regulate agricultural markets, while it is something we are particularly aware of in Europe, actually pertains to varying degrees all over the world. The fiercest critics of our system themselves have ways of regulating markets or agricultural incomes..."*

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<sup>1</sup> <http://www.liberation.fr/instantane/010181448-il-y-a-une-dose-de-xenophobie-dans-le-protectionnisme>

*We have a number of instruments for regulating agriculture in this way. They have been used to varying degrees at different times as European agricultural policy has tried to affect supply. They are, briefly:*

- external protection: this has underpinned the CAP from the start. It allows domestic production to flourish, sheltered from direct global competition, and, of course, channels revenue directly to the Community budget;*
- price support: this has guaranteed European farmers a high level of income and consequently brought the shrinking of the active farming population under control. It has thus played a vital social role. There are seven million farmers in Europe today - how many would there be without these mechanisms ? What is more, when used intensively to boost production after the war, price support enabled us to cater for the considerable needs of a whole continent in the throes of reconstruction and population growth. It helped Europe become self-sufficient for the first time since the end of the 19th century;*
- supply controls: these are ways of regulating the surpluses that have arisen in several sectors since production exceeded self-sufficiency levels. Production quotas or restrictions on production capacity are imposed to mitigate directly the falls in price, and hence incomes, resulting from over-supply"<sup>2</sup>.*

*And Pascal Lamy was quite lucid about the EU-developing countries (DCs) relations: "The second thought I would put to you - concerning our position vis-à-vis our partners in the developing world - is even more tentative than the first. However, what I find, largely through contacts I have with them and from analyzing our own experience of development in Europe, is that the important thing for many of them is the survival, in the face of our exports, of their own food production on their own markets... I am not sure that what we preach regarding development always tallies in practice with the way we manage our markets, or with the interests of European agriculture".*

Despite these acknowledgements Pascal Lamy considered that the CAP instruments should be changed: *"But are these the most appropriate instruments? They have certainly been effective, but this has doubtless made them victims of their own success. We know the downside",* which led him to justify the CAP reforms of 1992 and 1999 and to sketch that which will be adopted in 2003.

2) Pascal Lamy was still protectionist the 3 October 2002, hence xenophobic from his own point of view: *"Yes, there is a European agricultural model, and there is indeed an agricultural project specific to Europe. Which is it? It starts from a principle position profoundly fixed in our history and our culture: agriculture is an economic sector which cannot be left to the only grace of the market capitalism. The reason is simple: the choice of always more at the least cost has in agriculture consequences which are intolerable for our communities. Because the volatility of agricultural prices put in jeopardy the stability of farmers' incomes. Because the market does not pay for the services done by agriculture for the protection of environment or of the rural society. And, finally, because, if agriculture were submitted to the international division of labour, there is if we left the consumer to choose, on a global market, the good produced by the most efficient producer, the 6 million farms in Europe would be cut down to 1 million. This is unsustainable and does not correspond to our choice of the European civilization. In short, the market failures, in that domain as in some others, call for a public policy to regulate them. In other words, agriculture is not coal. Our*

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<sup>2</sup> *The future of the CAP and European agricultural trade policy*, Assemblée Nationale, Paris, 20 January 2000: [http://ec.europa.eu/archives/commission\\_1999\\_2004/lamy/speeches\\_articles/spla10\\_en.htm](http://ec.europa.eu/archives/commission_1999_2004/lamy/speeches_articles/spla10_en.htm)

*farmers will not be the miners of the 21<sup>st</sup> century. This point, crucial, distinguishes Europe from those who wish to apply fully to agriculture the normal rules of a market economy"*<sup>3</sup>.

3) Pascal Lamy was still protectionist the 23 October 2002, hence xenophobic from his point of view, in a hearing by the French Senate: *"In relation to the CAP, and in reply to M. Jean Boyer's question about the European agricultural model, he has reminded that the main starting point, on which there is a consensus, was the necessity to regulate agricultural markets, whereas liberal countries were pleading for a strict application of market law. He has estimated that Europe considers agriculture as a product "on its own", with externalities in the fields of food security, culture, environment, and therefore which cannot be submitted to the market law. He has judged that this conception was opposing us to one part of the rest of the world. Underlining that our partners are surprised that the European Union wants to put aside from the market the sector where it has, by a curious coincidence, a low comparative advantage, he has advocated a political work to explain that this approach was not protectionist, even if it could have been so in the past. He has reminded that there is a consensus among the European Union Member States to consider that, on the seven million farms in the Union, six would disappear if we were to let the market to play, the remaining million being distributed in a biased manner on the EU territory. He has hoped that this contract would be quite clear, would not result from a shaky compromise, and would justify a support policy... He has finally concluded that Europe's political effort should tend to make alliances with developing countries who knew that their agriculture would suffer considerably from the openness of their markets"*<sup>4</sup>.

However Pascal Lamy has confirmed that the way to support the European agriculture should be changed, by increasing the share of decoupled payments: *"He has judged wiser to begin today to think about it, to contemplate the decoupling of payments as a budgetary and economic way out of the agricultural policy"*. Unfortunately he has remained prisoner of the illusion that the so-called decoupled payments have no trade distorting effect, and particularly no dumping effect.

4) Pascal Lamy was still protectionist, hence xenophobic from his own point of view, in an article of 8 September 2003 signed jointly with Franz Fischler, the EU Commissioner for agriculture: *"Us, Europeans, we refuse to submit fully agriculture to the law of comparative advantages, that of the pure liberalism. Agriculture is not coal, and our farmers will not be the miners of the 21<sup>st</sup> century, doomed inexorably to disappear given their supposed economic inefficiency... Maintaining border protections, for those who want it, is not only legitimate but also necessary... Together with the low income countries, we share the concern of not opening agriculture to the large winds of liberalism... The trade balance of low income countries has a trade deficit of 2 billion euros in bovine meat, ovine meat, sugar and cereals. The wealthiest countries of the Cairns Group are net exporters of these food products with a surplus of 17 billion euros. Who could be convinced that a total liberalization will benefit the poorest countries?"*<sup>5</sup>.

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<sup>3</sup> Pascal Lamy, *Which agricultural project for Europe?* Speech of M. Lamy, European Trade Commissioner, debate-conference The Economist, Paris, Thursday 3 October 2002: [http://ec.europa.eu/archives/commission\\_1999\\_2004/lamy/speeches\\_articles/spla123\\_fr.htm](http://ec.europa.eu/archives/commission_1999_2004/lamy/speeches_articles/spla123_fr.htm)

<sup>4</sup> Compte-rendu de l'audition de Pascal Lamy par la Commission économique du Sénat le 23 octobre 2002, <http://www.senat.fr/commission/eco/eco021028.html>

<sup>5</sup> Pascal Lamy, *Cancun: agriculture and liberalism*, [http://ec.europa.eu/archives/commission\\_1999\\_2004/lamy/speeches\\_articles/spla186\\_fr.htm](http://ec.europa.eu/archives/commission_1999_2004/lamy/speeches_articles/spla186_fr.htm)

And, just a few days before the WTO Ministerial Conference of Cancun, the article ended with the following clear warning: *"If the 146 WTO Members... abandon the illusion that we will sacrifice the European agriculture for the success of the remainder of the Doha programme, we are convinced that we will make Cancun a success"*.

However the same article defends the idea that the so-called total decoupled direct payments decided in June 2003 have no trade-distorting effect, and in particular no dumping effect: *"From now to 2013, Europe will support its agriculture through means which would be neutral for international trade and, through a better regulation of its production, it will be able to export products for which it is really competitive"*.

5) Pascal Lamy is still protectionist the 24 September 2003, letting the European Parliament imagine that the CAP reform of June 2003 – which has created the Single Payment Scheme allegedly fully decoupled and hence to be notified in the WTO green box – would reduce considerably the trade distorting effects of the former coupled supports of the amber box and of the partially coupled subsidies of the blue box: *"We have paid, since the reform of the common agricultural policy, by agreeing to additional multilateral disciplines on our supports to agriculture, and this for the benefit of developing countries"*<sup>6</sup>.

But Pascal Lamy pretends to ignore that the bulk of the EU notified agricultural supports with trade distorting effects – those of the amber box or AMS (aggregate measurement of support) – were fake market price supports implying no subsidy at all: how many WTO Member States are themselves still aware that the EU average actual subsidy component – that is actual government expenditures – of its AMS in the base period 1995-00 was only of €4.822 billion or 10% of the €48.425 billion of its average notified AMS? So that, whereas the EU has offered to reduce, at the end of the Doha Round implementation period, by 70% its AMS of the base period 1995-00, it could actually double the actual subsidy component of this AMS from €4.822 billion to €9.706 billion! If this is not protectionism, disguised under the magic of the absurd rules of the WTO AoA, what else it is? The more so as Timothy Josling – the most prominent expert of agricultural policy and trade, who is also the "father" of the OECD indicators of agricultural supports – has acknowledged the 1<sup>st</sup> December 2009, in a round table organized in Geneva by ICTSD during the WTO Ministerial Conference, that the "market price support" component of the AMS was meaningless and should be deleted altogether from the AoA rules<sup>7</sup>.

6) But it is Pascal Lamy's speech of 19 June 2003 – during the General assembly of the Confederation of the EU Food and Drink Industries (CIAA) in Brussels devoted to the theme "From Doha to Cancun – Challenges and opportunities of the WTO negotiations for the food sector" – which shows the best the different facets of the EU actual protectionism, particularly from subsidies, not for the sake of the EU farmers but to accommodate the demands of the EU agro-industries (the important passages are in blue): *"The food and drink industries, exceptionally, can claim the attention of no fewer than three members of the Commission: Franz Fischler at agriculture, for the agricultural tariff aspect of the processed products sector; Erkki Liikanen at industry from the internal market standpoint, since these are manufactured goods; and my humble self, as the person with overall responsibility for trade-*

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<sup>6</sup> *Pascal Lamy et Franz Fischler devant le Parlement Européen*, Résultat de la réunion de l'Organisation mondiale du Commerce, 24 septembre 2003, [http://www.ongd.lu/article.php3?id\\_article=372#1](http://www.ongd.lu/article.php3?id_article=372#1)

<sup>7</sup> *Professor Tim Josling acknowledges implicitly that the EU and US offers to cut their agricultural trade distorting subsidies in the Doha Round is impossible*, Solidarité's press release, Geneva, 2 December 2009 (<http://www.solidarite.asso.fr/spip.php?article176>).

*related issues... in the knowledge that a united stand will increase your leverage with all three interlocutors. Your own clear stand makes it easier for us as negotiators to see where, and how far, we can or must go. Your backing and your stance reinforce our position, though of course the EU position will not invariably coincide 100% with that of the industry... While we show a deficit of €19 billion on our trade in unprocessed products, the food and drink sector is producing a surplus for the EU of close to €7 billion...*

*First, market access. As I said a moment ago, the food and drink industry is one of the EU's export flagship sectors, and I agree with you that it will be helped by tariff reductions negotiated in the WTO. I hope indeed that you will in due course be providing me with suggestions so that we can identify a list of priorities. But tariff cuts, of course, will apply to the EU market as well and I well realise that we need a balanced result that will enable our industry to go on producing that added value... For there are other ways of creating value. A second solution, that I will only mention in passing, is investment abroad. Some of you have already taken this step and it is something that will certainly be developed further, also helped by bilateral agreements with other countries... The third solution therefore, as you so often remind us, is to ensure that you can secure raw materials at competitive prices, as close as possible at world market prices. This means importing raw materials and processing them into goods with high added value. So you see that once again market access is crucial for the future of your industry. For imports, not just exports.*

*But of course there is a fourth solution, which is simply to obtain supplies on the internal market at competitive prices. This raises the issue of internal prices and the reforms needed to bring them down. Which brings us to internal support, which is also an issue for the WTO. Thanks to a series of CAP reforms, internal prices have become highly competitive, especially for primary products such as wheat. And the performance of the processing industry bears witness to this. We must therefore persevere and also not lose sight of the need to overhaul our system of support so that it has a minimal impact on trade. That is why we have proposed the new CAP reforms and why they are so important in the WTO negotiations on internal support"<sup>8</sup>.*

This speech illustrates well what was reminded at the beginning of this paper on the import substitution and dumping effects of domestic subsidies:

- 1- The EU agroindustries (AI) benefit from lower tariffs in the rest of the world, a reduction obtained at the WTO and above all imposed by IMF and the World Bank, under the pressures of the EU and other developed (particularly the US) and net exporting DCs.
- 2- Conversely the EU Commission is watchful that the AI most sensitive products remain highly protected.
- 3- The foreign investments of EU AI are facilitated by bilateral free-trade agreements – particularly the EPAs with ACP countries –, in which the EU has imposed this "Singapour issue" whereas DCs have refused to discuss it in the Doha Round.
- 4- The AI interest is to import duty free or at very low tariffs the agricultural raw materials they process but, to avoid the conflict they would have with the EU farmers, the best solution has been found in the CAP successive reforms (1992, 1999 and since 2003) to lower by steps the domestic agricultural prices and to compensate these reductions by domestic subsidies authorized by the WTO. Thus the EU has continued to export with a massive dumping hidden under its authorized direct payments of the blue and green boxes and has been able at the

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<sup>8</sup> *From Doha to Cancun – Challenges and opportunities of the WTO negotiations for the food sector*, General assembly of the Confederation of the EU Food and Drink Industries (CIAA) - Brussels, 19 June 2003, [http://trade.ec.europa.eu/doclib/docs/2004/july/tradoc\\_113875.pdf](http://trade.ec.europa.eu/doclib/docs/2004/july/tradoc_113875.pdf)

same time to reduce its imports, particularly of feedstuffs given its lowered domestic prices of cereals. If all this is not a super-protectionism what else it is? At least, if the EU high import protection is justified, its dumping hidden under domestic direct payments is totally unfair. In other words the EU is not xenophobic when it protects efficiently its domestic market but it is culprit of a disastrous dumping for DCs' farmers when it exports.

## **II – Pascal Lamy's positions as WTO Director-general since 2005**

Pascal Lamy's assertions quoted in introduction imply that Europeans are "xenophobic" since the EU has indeed a super-protection of its basic food staples, which is by the way a very good thing to guarantee a minimum of food sovereignty.

1) Indeed, despite an EU average *ad valorem* equivalent tariff of 22.9% on its 2,202 agricultural tariff lines<sup>9</sup> – and of only 10.5% taking into account imports at preferential tariffs<sup>10</sup> –, its average tariff on cereal products remains at 50%<sup>11</sup> against 5% in UEMOA (francophone West Africa); that on skimmed milk powder is of 87% against 5% also in UEMOA; that on sweeteners is of 59% against 20% ; that on frozen meats (of beef, pig and poultry) is of 66% against 20%.

2) An evidence of the EU and US super protectionism and "xenophobia" is the very low share of their consumption of basic food products which is imported, in comparison with DCs and particularly of West Africa (WA). Thus, for the 2000-04 period, this share stretched for cereals from 1.4% in the US to 5.9% in the EU, 12.6% in DCs of which 19.3% in sub-Saharan Africa (SSA), of which 18.9% in WA. For dairy produce the share stretched from 2% in the EU to 2.7% in the US, 10.3% in DCs, of which 11.1% in SSA, of which 39% in WA. For meats, the gaps were lower because poor countries can hardly afford to eat them: from 4.2% in the EU to 4.9% in the US, 5.1% in DCs, of which 6.7% in SSA and of which 7.4% in WA.

3) Another evidence of the large "xenophobia" of the developed countries is that Pascal Lamy's recurrent assertion that the more countries are integrated in global trade the more they are developed – an assertion repeated again in Pascal Lamy's intervention of 30 November 2009 in a round-table opened to civil society during the WTO Ministerial Conference in Geneva – is a huge counter-truth. Indeed, according to World Bank data, this degree of integration – measured by the ratio [(imports + exports of goods and services)/2]/GDP – was in 2006 of 27% for the world average, going from 13.5% in the US and Japan to 14.3% for the EU-27<sup>12</sup>, 23.5% for India, 29.5% for LDCs and 34.5% for SSA. The only significant exception is China with 36% as it has become the world industrial workshop and has neglected to develop its domestic market where huge social inequalities are increasing, particularly for the peasantry.

4) Since he arrived at the head of the WTO Pascal Lamy has disavowed any specificity of agriculture as we can see in 2005 when he laments that the average agricultural tariff has not fallen at the same low level as that of industry:

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<sup>9</sup> Jacques Gallezot, *Scénarios pour les futures négociations tarifaires à l'Organisation mondiale du commerce*, INRA-INAPG, octobre 2005.

<sup>10</sup> Jacques Gallezot, *Real access to the EU's agricultural market*, INRA, DG Trade Seminar « Agriculture, Trade and Development » Thursday, 24 July, Brussels, 20p.  
[www.tcd.ie/.../Gallezot%20EU%20agric%20mkt%20openness%20to%20LDCs.pdf](http://www.tcd.ie/.../Gallezot%20EU%20agric%20mkt%20openness%20to%20LDCs.pdf)

<sup>11</sup> <http://www.ers.usda.gov/publications/aer796/aer796j.pdf>

<sup>12</sup> This ratio is from EUROSTAT as World Bank's country data profiles do not exclude EU intra-trade.

1- In a speech of 2005, Pascal Lamy wanted already to lower the agricultural tariffs below 10%: *"On market access, a non-round would mean losing the opportunity to reduce tariffs on agricultural products to a level closer to one digit. Again, conservative proposals on the table today offer us the possibility to reduce tariffs beyond what was achieved in the Uruguay Round providing for "real market access"*"<sup>13</sup>.

2- In another speech of 2006, he adds that agricultural tariffs should have fallen at the average level of industrial products in OECD (4%)<sup>14</sup>: *"Agriculture has been, and continues to be, at the center of the Round. This will come to you as no surprise, of course, since the agricultural sector is various trade rounds behind industrial goods. The Agreement on Agriculture only came into force in 1995. In other words, the agricultural sector has not benefited from the 50 year process of trade liberalization that we witnessed in industrial goods"*<sup>15</sup>.

5) Pascal Lamy's contradictions on which should feed the other part of the world: the North or the South?

1- His recommendations of September 2008 are going in the sense of his assertion, reminded above in the introduction, that in the long run the DCs will feed the developed countries: *"The reduction of agricultural tariffs and subsidies would allow agricultural production to shift more towards the developing world; enabling supply to better adjust to demand; easing the structural causes of the food crisis"*<sup>16</sup>. But then, if it is the South which feeds the North, will there be enough food remaining to feed the South, the more so as the North will be able to pay better prices? It is why it is essential that the EU and the US would keep a minimum of food self-sufficiency because to satisfy the food needs of Asia (and India first) and Arab countries in 2050 will require to mobilize the agricultural potential of South America. The higher purchasing power of the EU and US shall not deprive them of access to that food.

The necessity for the EU and US to maintain a sustainable agriculture is all the more binding that, contrary to the prevailing view, they have been facing a recurrent and growing food trade deficit, except in 2008 for the US owing to the explosion in food prices:

Table 1 – EU-27 food trade from 2000 to 2008

€billion	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports	46.413	49.955	48.988	47.440	48.852	52.054	58.245	62.279	69.177
Imports	57.316	61.787	62.420	62.046	65.177	69.140	75.198	83.542	93.572
Deficit	-10.903	-11.832	-13.432	-14.606	-16.325	-17.086	-16.953	-21.263	-24.395
" of which in fish	-9.609	-10.480	-10.022	-10.021	-10.006	-11.463	-13.421	-13.603	-13.348

Source: Comtrade, SITC Rev.3, codes 0, 11, 22, 4. Exchange rate €\$: European Central Bank, Statistics Pocket Book, [www.ecb.int/pub/spb/html/index.en.html](http://www.ecb.int/pub/spb/html/index.en.html)

Table 2 – US food trade from 2000 to 2008

\$ billion	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports	49.071	50.087	50.046	55.585	57.058	59.380	66.700	85.340	110.672
Imports	50.057	50.620	53.823	59.406	65.385	71.510	78.915	86.186	93.677
Balance	-0.986	-0.533	-3,777	-3,821	-8,327	-12,130	-12,215	-0.846	16,995
" of which in fish	-7.457	-7.072	-7.437	-8.305	-8.159	-8.588	-9.688	-10.036	-10.573

Source: Comtrade, SITC Rev.3, codes 0, 11, 22, 4

<sup>13</sup> Pascal Lamy, *A life dedicated to a more open and fair world trading system*, Ceremony in memory of Arthur Dunkel, Geneva, 2 November 2005, [http://www.wto.org/french/news\\_f/sppl\\_f/sppl13\\_f.htm](http://www.wto.org/french/news_f/sppl_f/sppl13_f.htm)

<sup>14</sup> [www.oecd.org/dataoecd/35/49/8920463.pdf](http://www.oecd.org/dataoecd/35/49/8920463.pdf)

<sup>15</sup> Pascal Lamy, *Negotiations on the Doha Development Agenda: We Approach the Moment of Truth*, Committee on International Trade, European Parliament, Brussels, 23 March 2006, [http://www.wto.org/english/news\\_e/sppl\\_e/sppl21\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl21_e.htm)

<sup>16</sup> *Lamy warns against protectionism amid financial crisis*, WTO Public Forum 2008: "Trading into the Future", 24 September 2008, [http://www.wto.org/english/news\\_e/sppl\\_e/sppl101\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl101_e.htm)

As for their agricultural trade, the EU has been facing a recurrent large deficit since 2000, contrary to the US which has nevertheless been in deficit in 2005 and 2006.

Table 3 – EU-27 agricultural trade from 2000 to 2008

Milliards d'€	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exportations	50,911	52,457	53,819	53,188	55,567	59,023	65,983	69,761	75,868
Importations	58,094	61,495	61,527	60,321	63,485	65,717	70,748	78,960	89,198
Déficit	-7,183	-9,038	-7,708	-7,133	-7,918	-6,694	-4,765	-9,199	-13,330

Source: Comtrade, SITC Rev.3, codes 0 (minus 03),11,121,21,22,231,261,263,264,265,268,29,4,551. Exchange rate of the European Central Bank: Statistics Pocket Book : [www.ecb.int/pub/spb/html/index.en.html](http://www.ecb.int/pub/spb/html/index.en.html)).

Table 4 – US agricultural trade from 2000 à 2008

\$ billion	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports	53.602	55.168	54.830	61.903	63.873	65.584	74.020	93.391	119.440
Imports	44.944	45.414	48.412	54.428	61.596	67.713	74.583	81.849	89.968
Balance	8.658	9.754	6.418	7.475	2.277	-2.129	-0.563	11.542	29.472

Source: Comtrade, SITC Rev.3, codes 0 (less 03),11,121,21,22,231,261,263,264,265,268,29,4,551

2- But Pascal Lamy's speech of 28 September 2009 at the same WTO Public Forum goes in the reverse direction of a North-South transfer of food products: *"Trade is the transmission belt that allows food to move from the land of the plenty to the land of the few. We must oil that transmission belt, and improve the foundation on which it has been built through the Doha Round"*<sup>17</sup>.

Even if he wanted that the South should rather feed the North when he recommends that the North should reduce its subsidies and tariffs, the end result is likely to go in the North-South direction as he asks also for tariffs cuts in DCs and as the EU and US will not be obliged to reduce their allegedly green box, to which the EU has transferred the bulk of its previous amber and blue subsidies: *"The Round will reduce rich world subsidies, and would lower tariff walls in developed and developing countries alike, bringing food closer to the poor"*.

This speech reflects well the ambitions of the net food-exporting DCs of the G-20 (Brazil, Argentina, Thailand, Malaysia...) which are already exporting more food to other DCs than to the North and which are pleading discreetly for a reduction of agricultural tariffs in the South as well and would like to minimize the impact of the "Special Products" and of the "Special Safeguard Mechanism" promoted by the G-33. However, to this speech we can oppose Mamadou Cissokho's common sense remark with an extreme example: *"The World Bank tells the government: "Your rice price is too expensive...you should authorize rice imports". But if the imported rice is sold at one cent and if the 300,000 families have lost their livelihood, what will they buy? How will they live?... Therefore we cannot cope with the world price"*<sup>18</sup>.

6) For Pascal Lamy the explosion of world food prices in 2007-08 calls for more trade, not for more domestic production protected at the border: *"In order to cope with soaring food prices, supply must adjust to demand. For this to happen, trade will help. Easier, more open trade can strengthen the production capacity of developing countries, rendering them less vulnerable"*. He adds however: *"I am aware that this point of view is not shared by all, and that some believe that more open trade can harm their domestic production capacity"*<sup>19</sup>.

<sup>17</sup> [http://www.wto.org/english/news\\_e/sppl\\_e/sppl136\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl136_e.htm)

<sup>18</sup> Mamadou Cissokho's speech at the General Assembly of Coordination Rurale, Caen, France, 28 November 2002.

<sup>19</sup> *The Doha Round can be part of the answer to the food crisis – Lamy*, High-level conference on world food security – Rome, 3 June 2008, [http://www.wto.org/english/news\\_e/sppl\\_e/sppl92\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl92_e.htm)



Yet FAO had stated in 2005 that *"Opening national agricultural markets to international competition - especially from subsidized competitors - before basic market institutions and infrastructure are in place can undermine the agriculture sector, with long-term negative consequences for poverty and food security"*<sup>20</sup>.

7) Here are few examples of Pascal Lamy's recurrent statement of the correlation between the levels of development and of integration in the global market, integration applied either to all goods and services or more specifically to agricultural products<sup>21</sup>, and quoted here by decreasing chronological order (from 2009 to 2005). The same assertion has been repeated by all free-traders but they have been refuted by the historical facts and confirmed by many outstanding economists, of whom particularly Ha-Joon Chang<sup>22</sup>.

1- Pascal Lamy's speech of 4 December 2009 to LDCs, yet the countries most integrated in global trade: *"Unlike rich countries, LDCs have not been able to provide huge bailout packages to their ailing industries and expand social safety nets to those who lost their jobs... Many of you were at the WTO 7th Ministerial Conference. The statements and interventions made by all ministers reconfirmed the importance of trade as an engine for growth. There was recognition that trade is the stimulus package available to developing countries"*<sup>23</sup>.

2- In his speech of 3 November 2009 in Toronto, where he has received the "Globalist of the Year" award from the Canadian International Council, Pascal Lamy has stated: *"Market opening and reducing trade barriers has been, is and will remain essential to promote growth and development, to improve standards of living and to tackle poverty reduction"*<sup>24</sup>.

3- *"Trade has been a central element in the integration process. Recent surveys on globalization in almost 50 developing and developed countries show that large majorities of people continue to believe that international trade benefits their countries"*<sup>25</sup>.

4- *"Today we know that the highest share of the gains from trade accrue to countries which open up their markets to foreign goods and services. In part this is true because better imports translate into better exports"*<sup>26</sup>.

5- *"International trade is an important pillar of your economies. Additional trade opening would bring even greater benefits to the ACP"*<sup>27</sup>.

6- *"A failure would be a blow to the development prospects of the three quarters of WTO Members whose economies are poorer or weaker than yours and for which integration in international trade represents the best hope for growth and for improving their systems of*

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<sup>20</sup> FAO, *The State of Food and Agriculture 2005*, [http://www.fao.org/docrep/008/a0050e/a0050e01.htm#P2\\_102](http://www.fao.org/docrep/008/a0050e/a0050e01.htm#P2_102)

<sup>21</sup> Read them on the WTO website: [http://www.wto.org/english/news\\_e/sppl\\_e/sppl\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl_e.htm)

<sup>22</sup> Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective* (Anthem; 2002), *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism* (Bloomsbury; 2008).

<sup>23</sup> [http://www.wto.org/english/news\\_e/sppl\\_e/sppl143\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl143_e.htm)

<sup>24</sup> [http://www.wto.org/french/news\\_f/sppl\\_f/sppl141\\_f.htm](http://www.wto.org/french/news_f/sppl_f/sppl141_f.htm)

<sup>25</sup> *The WTO launches World Trade Report 2008: Trade in a Globalizing World*, 15 July 2008, [http://www.wto.org/french/news\\_f/sppl\\_f/sppl196\\_f.htm](http://www.wto.org/french/news_f/sppl_f/sppl196_f.htm)

<sup>26</sup> Lamy: *Trade expansion is insurance against financial turbulences*, 6 February 2008: [http://www.wto.org/english/news\\_e/sppl\\_e/sppl185\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl185_e.htm)

<sup>27</sup> *Remarks by Mr. Pascal Lamy WTO Director-General*, 12th Session Of ACP-EU Joint Parliamentary Assembly, Barbados, 23 November 2006: [http://www.wto.org/french/news\\_f/sppl\\_f/sppl151\\_f.htm](http://www.wto.org/french/news_f/sppl_f/sppl151_f.htm)

*governance. This is why you all agreed to call this round "the development round": it was to be a contribution to the Millennium Development Goals"*<sup>28</sup>.

7- *"The importance of trade to developing countries cannot be overemphasized. It is generally accepted that trade is an engine of economic growth and sustainable development. During the last two decades, a significant number of developing countries have implemented far-ranging reforms with the aim of increasing their exports, diversifying their economies and integrating them into the global economy... The evidence is clear that the developing countries which have derived the greatest benefits from the multilateral trading system, and most successfully integrated their economies into the global economy, are those which have pursued sound economic policies, including open trade and investment regimes"*<sup>29</sup>.

8- *"The WTO's major contribution to development lies in reducing trade barriers. That is what we do; it is our core role. But developing countries, especially the poorest among them, also need help to benefit from trade"*<sup>30</sup>.

9- *"The economic wellbeing of countries necessitates their active engagement in the global networks of trade and finance"*<sup>31</sup>.

**The moral of this story by way of conclusion: "Necessity is the mother of invention"**

As long as he was the EU trade Commissioner, Pascal Lamy has defended fairly well the necessity to regulate agricultural markets through an efficient import protection and various domestic supports.

Even then however he has defended the EU dumping, in its two versions of export subsidies and of domestic subsidies going to the exported products. He has defended the necessity of the EU export subsidies during the WTO Ministerial Conferences of Seattle and Doha, as he explains in his book published in 2002<sup>32</sup>. And he has always supported the idea that the EU blue box direct payments do not have any trade distorting impact and that the allegedly fully decoupled, hence green box, Single Payment Scheme decided by the CAP reform of 2003 has even less trade-distorting effects.

As subsidies are the worst type of protectionism since they are not affordable to DCs, Pascal Lamy is indeed a prominent protectionist but not a defender of the good agricultural protection, that of the food sovereignty without direct and indirect dumping hidden under domestic subsidies. But he is not xenophobic. In fact he has remained the prisoner of his functions: he has defended the EU import protection in the name of the specificity of agriculture – which is a good thing – and the EU dumping – which is disastrous for the farmers of the rest of the world – when he was the EU trade Commissioner, and has defended free-trade even for agriculture since he is the WTO Director-general.

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<sup>28</sup> *The chief responsibility lies here, Lamy tells G-8*, 17 July 2006, St. Petersburg summit, [http://www.wto.org/english/news\\_e/sppl\\_e/sppl32\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl32_e.htm)

<sup>29</sup> Pascal Lamy, *The Perspectives of the Multilateral Trading System*, Lima, 31 January 2006, [http://www.wto.org/english/news\\_e/sppl\\_e/sppl17\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl17_e.htm)

<sup>30</sup> *Lamy says trade is the missing piece of the development puzzle*. Remarks at the Development Committee World Bank, Washington, 25 September 2005: [http://www.wto.org/english/news\\_e/sppl\\_e/sppl04\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl04_e.htm)

<sup>31</sup> Pascal Lamy, *The WTO Needs Your Scrutiny*, Steering Committee of the Parliamentary Conference on the WTO — IPU Headquarters, 22-23 September 2005, [http://www.wto.org/english/news\\_e/sppl\\_e/sppl02\\_e.htm](http://www.wto.org/english/news_e/sppl_e/sppl02_e.htm)

<sup>32</sup> Pascal Lamy, *L'Europe en première ligne*, Le Seuil, avril 2002.