



HOUSE OF LORDS

European Union Committee

1st Report of Session 2007–08

**Current
Developments in
European Trade
Policy**

Report with Evidence

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The European Union Committee

The European Union Committee is appointed by the House of Lords “to consider European Union documents and other matters relating to the European Union”. The Committee has seven Sub-Committees which are:

Economic and Financial Affairs, and International Trade (Sub-Committee A)
Internal Market (Sub-Committee B)
Foreign Affairs, Defence and Development Policy (Sub-Committee C)
Environment and Agriculture (Sub-Committee D)
Law and Institutions (Sub-Committee E)
Home Affairs (Sub-Committee F)
Social and Consumer Affairs (Sub-Committee G)

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Lord Jopling	Lord Wade of Chorlton
Lord Kerr of Kinlochard	Lord Wright of Richmond
Lord Maclennan of Rogart	

The Members of the Sub-Committee which carried out this inquiry (Economic and Financial Affairs, and International Trade, Sub-Committee A) are:

Lord Blackwell	Lord Kerr of Kinlochard
Lord Cobbold	Lord Maclennan of Rogart
Baroness Cohen of Pimlico (Chairman)	Lord Steinberg
Lord Giddens	Lord Trimble
Lord Inglewood	Lord Watson of Richmond
Lord Jordan	

Information about the Committee

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Oral Evidence

Mr Gareth Thomas, Parliamentary Under-Secretary of State for Trade and Consumer Affairs, Ms Rosalind McCarthy-Ward, Director, Trade Operations and Mr Fergus Harradence, Head of Unit, Multilateral Trade Negotiations, Department of Business, Enterprise and Regulatory Reform

Oral evidence, 16 October 2007

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NOTE: References in the text of the report are as follows:
(Q) refers to a question in oral evidence

Current Developments in European Trade Policy

CHAPTER 1: INTRODUCTION

1. The Committee asked the Parliamentary Under-Secretary of State for Trade and Consumer Affairs, Gareth Thomas MP, to give evidence on the most recent developments in Trade Policy. We thank the Minister for his time.
2. In this Report we make available, for the information of the House, the oral evidence given to Sub-Committee A (Economic and Financial Affairs, and International Trade) by the Minister, accompanied by Ms Rosalind McCarthy-Ward, Director, Trade Operations and Mr Fergus Harradence, Head of Unit, Multilateral Trade Negotiations, Department for Business, Enterprise and Regulatory Reform, on 16 October 2007.
3. Key topics in the evidence are:
 - Parliamentary scrutiny of trade negotiating mandates in the House of Lords (Q 16)
 - The WTO Doha Round (QQ 2–7, 27–29, 32)
 - Food miles (Q 4)
 - The impacts of trade agreements on developing countries (QQ 7, 13–4, 27, 30–31)
 - The Common Agricultural Policy (QQ 8–10)
 - Trade in services (Q 11)
 - Bilateral Trade Agreements (QQ 12–13, 15, 17–19)
 - UK influence on European Trade policy (Q 19)
 - Trade Defence Instruments (QQ 20–21, 24)
 - Trade relations with China (QQ 22–23, 25–26)

The future of multilateral trade negotiations

4. We last reported on trade issues in December 2005¹ and at that time concluded that governments should strongly pursue multilateral trade agreements. We are concerned that there appears to have been scant progress towards a conclusion of the Doha Round since our last report, and we are worried that the protracted negotiations on this Round may diminish the appetite for future multilateral agreements.
5. We have also noted the increasing number of bilateral agreements that are being negotiated by both the European Community and the United States of America. We have previously concluded that bilateral agreements could add value but should not replace the multilateral approach. We are concerned, however, that this may be what is happening.

¹ *The World Trade Organization: The Hong Kong Ministerial 13th–18th December* 17th Report of Session 2005-06, HL Paper 77

6. We have therefore decided to commence an inquiry which will look beyond the Doha Round to the future of multilateral trade agreements, and examine the priorities for European trade policy over the next decade. The Call for Evidence for this new inquiry is published alongside this Report, and is also printed in Appendix 2.
7. We make this report for information.

APPENDIX 1: SUB-COMMITTEE A (ECONOMIC AND FINANCIAL AFFAIRS, AND INTERNATIONAL TRADE)

Sub-Committee A

The members of the Sub-Committee which conducted this inquiry were:

Lord Blackwell
Lord Cobbold
Baroness Cohen of Pimlico (Chairman)
Lord Giddens
Lord Inglewood
Lord Jordan
Lord Kerr of Kinlochard
Lord MacLennan of Rogart
Lord Steinberg
Lord Trimble
Lord Watson of Richmond

Declaration of Interests

A full list of Members' interests can be found in the Register of Lords Interests:

<http://www.publications.parliament.uk/pa/ld/ldreg.htm>

APPENDIX 2: CALL FOR EVIDENCE

Multilateral negotiations to reduce trade tariffs have been a feature of the second half of the twentieth century. However as we enter the twenty first century, securing a new multilateral agreement has proved increasingly difficult, and the number of bilateral agreements is rising. Levels of trade and capital flows continue to grow, and enhancements in information technology have created unprecedented opportunities for trade development, alongside new pressures on natural resources. With these factors in mind, the Sub-Committee, under the Chairmanship of Baroness Cohen of Pimlico, has decided to commence an inquiry into the future of European trade policy.

The inquiry will seek to answer the following key questions:

- (i) What are the future prospects for multilateral trade negotiations? What effect will the rising number of bilateral agreements have on the existence and further development of multilateral agreements?
- (ii) What role can European trade policy play to stimulate growth and create jobs in Europe?
- (iii) What should be the relationship between European trade policy and policies on development, climate change and depletion of natural resources?
- (iv) Have developing countries benefited from multilateral trade agreements? What steps should European trade policy take to help less developed countries reap the benefits of global trade?
- (v) Is there still a need for Trade Defence Instruments, and if so, how can these be designed to ensure that their effects are targeted and proportionate?
- (vi) What is the best approach for ensuring that Intellectual Property Rights are protected? Do these rights hinder development goals—and if so, how can an appropriate balance be struck?
- (vii) Services represent 77% of European GDP and employment. What are the best mechanisms to remove barriers to trade in services? Is the GATS still fit for purpose?
- (viii) Is there still a role for the WTO in the 21st Century?

GUIDANCE TO THOSE SUBMITTING WRITTEN EVIDENCE

Written evidence is invited in response to the questions above, to arrive no later than **Friday 29 February 2008**.

Evidence should be submitted in hard copy and electronically to Simon Blackburn, Committee Office, House of Lords, London SW1A 0PW; fax 020 7219 6715; e-mail blackburns@parliament.uk.

Short submissions are preferred. A submission longer than six pages should include a one-page summary.

Evidence must be clearly printed or typed on single sides of A4 paper, unstapled.

Paragraphs should be numbered. If drawings or charts are included, these must be black-and-white and of camera-ready quality. Evidence should be signed and

dated, with a note of the author's name and status, and of whether the evidence is submitted on an individual or corporate basis. Only one copy is required. All submissions will be acknowledged promptly.

Evidence becomes the property of the Committee, and may be published or circulated by the Committee at any stage. Once you have received acknowledgement that the evidence has been received, you may publicise or publish your evidence yourself, but in doing so you must indicate that it was prepared for the Committee.

Persons who submit written evidence, and others, may be invited to give oral evidence. Oral evidence is usually given in public at Westminster, and transcripts are published. Persons invited to give oral evidence will be notified separately of the procedure to be followed and the topics likely to be discussed.

You may follow the progress of the inquiry from the Weekly Bulletin of House of Lords Select Committees. This is free, and may be ordered from Committee Office, House of Lords, London SW1A 0PW, telephone 020 7219 6678. Alternatively, consult the UK Parliament website at <http://www.parliament.uk/selectcommittees>.

This is a public call for evidence. You are encouraged to bring it to the attention of other groups and individuals who may not have received a copy directly.

APPENDIX 3: GLOSSARY

ACP	African Caribbean and Pacific Countries
ASEAN	Association of Southeast Asian Nations
CAP	Common Agricultural Policy
EPA	Economic Partnership Agreements
EU	European Union
LDC	Least Developed Countries
NAMA	Non-Agricultural Market Access
WTO	World Trade Organization

APPENDIX 4: REPORTS

Recent Reports from the Select Committee

Annual Report 2007 (36th Report session 2006–07, HL Paper 181)

The EU Reform Treaty: work in progress (35th Report session 2006–07, HL Paper 180)

Proposal to establish the European Institute of Technology (25th Report session 2006–07, HL Paper 130)

The Commission's Annual Policy Strategy for 2008 (23rd Report session 2006–07, HL Paper 123)

Current Developments in European Foreign Policy (16th Report session 2006–07, HL Paper 76)

Session 2006–2007 Reports prepared by Sub-Committee A

The 2008 EC Budget (33rd Report, HL Paper 160)

Stopping the Carousel: Missing Trader Fraud in the EU (20th Report, HL Paper 101)

Financial Management and Fraud in the European Union: Responses to the Report (19th Report, HL Paper 98)

Funding the European Union (12th Report, HL Paper 64)

Other Relevant Reports prepared by Sub-Committee A

The 2007 EC Budget (39th Report session 2005–2006, HL Paper 218)

A European Strategy for Jobs and Growth (28th Report session 2005–2006, HL Paper 137)

The World Trade Organization: The Hong Kong Ministerial 13th–18th December (17th Report session 2005–2006, HL Paper 77)

Minutes of Evidence

TAKEN BEFORE THE SELECT COMMITTEE ON THE EUROPEAN UNION
(SUB-COMMITTEE A)

TUESDAY 16 OCTOBER 2007

Present	Cohen of Pimlico, B (Chairman)	Giddens, L
	Blackwell, L	Jordan, L
	Cobbold, L	Steinberg, L

Examination of Witnesses

Witnesses: MR GARETH THOMAS, a Member of the House of Commons, Parliamentary Under Secretary of State for Trade and Consumer Affairs, Department of Business, Enterprise and Regulatory Reform, Ms ROSALIND MCCARTHY-WARD and MR FERGUS HARRADENCE, examined.

Q1 Chairman: Good morning, Minister. When we get started I would like to ask you to introduce your colleagues for the benefit of the shorthand writer. This session, as I am sure you know, is on the record, and is being recorded for web cast. You will get a transcript of what is said during the session. I would like to start by thanking you for your July explanatory memorandum on Free Trade Agreements. I do not know how you want to do this—you have had a list of our questions—but would you like to introduce the subject by making an opening statement, or would you like just to get started?

Mr Thomas: Baroness Cohen, I am happy just to answer your questions.

Q2 Chairman: In which case, if we may, I will start. This Committee has not really thought about Doha and trade for a year because we have all sat hoping that there would be huge developments about which we could ask you. In the lack of enormous developments we are going to use this session as a start-up, if you like, to decide where we are as the government of the United Kingdom, and what your views are on the future of the Doha Round. If I may start with a background question? The government's position is that an "ambitious and pro-development outcome to the Doha Development Round should remain the European Union's top priority". What is your current assessment of the likelihood of this outcome occurring?

Mr Thomas: Baroness Cohen, thank you for that question and in line with your instructions at the beginning of the session can I introduce Rosalind McCarthy-Ward, who is the Director of Trade Operations at the Department for Business and Enterprise, and Fergus Harradence who is the Head of the Multilateral Negotiations Unit. To take your question, I think we are at a particularly important moment in the Doha Round. If we cannot get

agreement soon on the modalities, the exchange rate between the key issues, where the bulk of the energy is at the moment in Geneva, then we risk not getting agreement before the American Presidential elections and then the benefits, of which I am sure the Committee are aware, that potentially flow from a Doha Round would obviously be substantially delayed. Our assessment is that there is progress in Geneva; that the publication of the Agriculture and NAMA¹ texts in July was a particularly significant moment. The fact that all the key players are using these texts as the basis for further negotiations we think is encouraging. What we are hoping we will see shortly is revised texts being published, particularly on agriculture and NAMA, but also in other areas too—environment, rules, trade facilitation and potentially, too, a general statement on services, and we hope that will happen in early November. That potentially leaves the way open for further agreement discussions and ultimately, we hope, a WTO appeal meeting to close progress on the headlines. I believe I give you what I hope is an optimistic and encouraging picture. I do not think that the gap between the key players is that huge but obviously all the key players will have to give some more ground if we are to reach agreement within the timescale that I have set out.

Q3 Chairman: Can I ask a supplementary question, what do you see as the principle stumbling blocks? What are the principle things in the way?

Mr Thomas: I think there are three issues at the moment which form the trinity of issues where the real energy is focused in Geneva at the moment. The first is the levels of market access that developed countries are going to have to offer in the agricultural market access negotiations. The second is the level of domestic support for agriculture in terms of the cuts that will be required, again by developed countries,

¹ Non-Agricultural Market Access (manufactured goods)

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particularly the US but also the European Union. The third issue is the level of market access that developing countries will have to offer up in the NAMA negotiations. Those three issues and the inter-relationships between the three is where the key dynamic is at the moment and where the gaps, relatively speaking, are not huge, but obviously in terms of domestic audiences there are, nevertheless, all sorts of concerns domestically in the various key countries as to what giving further progress in those areas, further concessions would mean. I should also say that there is at the moment a difference of ambition in the services negotiations and there are obviously different views on other parts of the dossier, but the key are the three issues that I have described. As I say, the gaps there are not huge but they are there and we have to try and close them over the next few weeks.

Chairman: I know that colleagues will want to ask about the detail. Lord Blackwell.

Q4 Lord Blackwell: Can I ask one supplementary on that? Clearly opening up of the agricultural markets to developing countries has in the past been seen as a very important part of the development process. Over the last year there has started to be a counter-argument coming from the climate change lobby over the dangers of long-distance transport, etcetera, and I wonder whether that is becoming a complicating factor in these negotiations in terms of it potentially being used as an argument to slow down or block liberalisation of agricultural opportunities?

Mr Thomas: We are not seeing the so-called food miles debate playing out in the negotiations as such. We have been very clear that of course we have to look at the contribution that aviation makes to carbon dioxide emissions, but we have to be equally careful that we do not penalise the poorest people in the world who are least responsible for the amount of carbon dioxide emissions that we are seeing. So I do not think that that is a dynamic that we are seeing in the negotiations, but I agree with you that we are very alive to it and have started to run in some circles here in the UK and elsewhere. The Soil Association, with which you may be familiar, initiated a consultation process which has generated particular interest in the whole food miles question, and we have taken part in that and given clear views in that and we will wait to see what follows.

Chairman: Lord Cobbold.

Q5 Lord Cobbold: Given the length of negotiations and the difficulties experienced, particularly with the United States and the Doha Round, can the Doha Round still be said to be alive and is there still an appetite for Multilateral Trade Agreements?

Mr Thomas: I think the Doha Round is very much alive. As I have said, it is at a critical point but we have seen and are seeing energy in Geneva. When I have been and when I have talked to ambassadors who have taken part in those negotiations they are certainly not sitting around in the mornings at home not taking part unable to think about other things; they are very focused on the negotiations and there is real energy there. I accept the point that in a sense the round has taken a long time but the previous round, the Uruguay Round, took a considerable period of time—many ups and many downs. I think the key will come in the next couple of weeks when we see whether or not the two ambassadors who chair the Agriculture and NAMA negotiating groups can narrow the so-called landing zone, which they encapsulated in the two texts that they published first in July. If they can do that then I think we can have real optimism that we may well be able to get a deal and get the headlines of a deal agreed by the end of the year. But I was honest and said that that is an optimistic scenario.

Q6 Lord Blackwell: Is the USA still involved positively in any discussions?

Mr Thomas: The Americans are involved positively in the discussions. We welcomed the fact that they did accept the agriculture text as the basis for negotiations. We have been very clear in the conversations that the Prime Minister has had with President Bush and that other ministers have had with their trade negotiators that we want the Americans to give more ground, in particular in terms of their domestic subsidies, and we await to see what progress takes place over the next couple of weeks. But, yes, they are very much engaged.

Chairman: Lord Giddens is going to ask about the effect on so-called third world countries.

Q7 Lord Giddens: I am going to ask a two-pronged question. The first one, is that given all the struggles between the developing countries during the course of the round do you think that the Doha Round can deliver clear benefits for the least developed nations, as was originally envisaged?

Mr Thomas: I think it can do. At one of the previous ministerial meetings that took place in Hong Kong we did see focus on the particular interests of developing countries, so there was an acceptance that there needed to be 97% duty free, quota free market access for the least developed countries and much more market access for cotton products, for all LDCs, for example. There was agreement on the need for special and differential treatment for the least developed countries; there was agreement on the need to cut export subsidies. So all of those things will bring additional benefits to developing countries. We

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will actually go further than that; we want to get agreement to a timescale for 100% duty and quota free access, for example, and we still think that that is very much part of the discussions that need to take place in Geneva as part of the Doha Round of talks. That is one of the reasons why we continue to stay as closely involved with the concerns of the LDC group and other developing countries as we do. So I have held talks with the key negotiators who currently chair the LDC group and we have had conversations too with those who represent the African group in the round too. So I think there will be benefits but we think that there could be more benefits and we are very much continuing to argue for those additional benefits.

Q8 Lord Giddens: This is not my second question, this is a supplementary question in that given that there is a 2008 review of CAP and the EU budget do you think that it might make things easier by actually changing the CAP and then more can be achieved than at the moment? Most of the developing countries obviously see the developed countries' agricultural policies as one of the main barriers to reaching agreement anyway.

Mr Thomas: One of the particular benefits we think for developing countries will be if we can make progress on reducing export subsidies in agricultural terms, and they are absolutely right to make that point. I think we have seen already the significant reform of the Common Agricultural Policy and indeed if we had not then the negotiating that Peter Mandelson has been able to adopt in the talks would obviously be much more limited than indeed it is. We do want to see further progress on the Common Agricultural Policy; not least we want to see a reduction in the overall budget for the Common Agricultural Policy, and we are involved in a whole series of preparatory work for the budget review next year. But I do not think that the Common Agricultural Policy as it is currently constituted is hindering the EU's negotiating position—I think that Peter Mandelson has the flexibility he needs. But there are also other benefits that we think will come to the European Union if we can make further progress in terms of CAP reform.

Q9 Lord Giddens: It is very widely resented.

Mr Thomas: There are a lot of concerns about the Common Agricultural Policy.

Q10 Lord Giddens: They may be ill-informed concerns but when you go around the world a lot of people feel strongly about it.

Mr Thomas: They do feel strongly about it and they also feel strongly about the subsidies and tariffs of a whole series of other countries in terms of

agriculture. As I say, the position that the Commissioner has been able to adopt I think has demonstrated considerable flexibility from the EU, a real willingness to cut our subsidies and to increase access into European markets. But I think there are a whole series of other benefits to CAP reform, for British consumers and for European Union consumers more generally. So CAP reform is potentially a win-win for developing countries on the one hand but also for consumers here in the European Union as well.

Q11 Lord Giddens: The second question was about services. You mentioned services in passing and Pascal Lamy recently said that concluding a deal on services is crucial to concluding the Doha Round given that 68% of the economy now consists of services and I wondered what your views were on that and on the difficulties of assessing the nature of the services, and he said that it is not a north-south issue any more because of the crucial importance of services to developing countries, and I would tend to agree with that and think that it is obviously a slippery, elusive kind of thing compared to things where you have clear quotas. So can you give us the benefit of your thinking on that?

Mr Thomas: I think he is right to say that it is no longer the north-south issue as it was perhaps once seen, and we certainly want to see ambitious progress in terms of the services negotiations. We are not likely to see that if we cannot make progress on the three key issues in terms of agriculture and NAMA that I mentioned at the beginning, and it is the exchange rate between those three which I think will be key to our lock-in progress in the services negotiations. We are very clear that we want to see progress in that part of the dossier, just as much as we do in agriculture and NAMA. Indeed, those are the concerns in particular of British businesses where we think, in a sense, most benefits potentially lie alongside NAMA, is in the services, is in opening up services markets.

Chairman: Lord Jordan.

Q12 Lord Jordan: I was able to attend a number of the trade round meetings, including Doha, and it seemed fairly obvious to me, and others, that the big players from the developed and developing world were soon going to reach the politically super-sensitive issues and start to back off. I think we have reached that point now, and while we hear the British Government and others preaching commitment to the Doha Round they are actually acting on alternatives to that. So much so that the WTO has reported that the EU's bilateral trade negotiations with countries such as India, South Korea and the ASEAN states "could further complicate its trade regime, and divert interest from the multilateral

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trading system". Does the government agree? If so, why are these negotiations occurring? And as a supplementary to that how does the Commission choose with whom they are going to negotiate on these Bilateral Agreements?

Mr Thomas: I do not think there is any lack of commitment to the Doha Round from both the UK and the European Commission more generally. As I have said, there is real energy in Geneva. The Prime Minister and both the Secretaries of States for Business Enterprise and for Development have been engaged in very heavy lobbying work, as indeed have I, and indeed a number of other ministers, which I think is a reflection of our determination to prioritise Doha over the coming weeks and months. That being said, we have supported the Commission's desire to open negotiations with, in particular South Korea, India and the ASEAN nations. I do recognise the concerns that if you just continue to have Regional Trade Agreements being negotiated you end up—somebody used the phrase—with a spaghetti bowl of confusing trade rules that undermine the multilateral negotiations. We just need to recognise the reality that Regional Trade Agreements and Bilateral Trade Agreements are part of the modern world economy and do bring substantial benefits to the various parties involved. In order to try and make sure that Regional Trade Agreements can be in a sense locked into multilateral processes we have supported the EU adopting a common framework for its Regional Trade Agreements, so that there is not that undermining process. You also asked then how we choose. Obviously in part we look at the appetite for negotiating with the European Union from particular countries and the potential for progress in the negotiations that will benefit European Union interests.

Q13 Lord Jordan: You have mentioned the appetite of the countries in the European Union and you have also mentioned the Bilateral Agreements. There were always Bilateral Agreements but it was under that system that a large part of the world was losing out and we wanted trade to engulf them and enrich them. The direction that is now seen to be taken is going to turn us back down that road and it does seem to me and others that Bilateral Trade Agreements by the EU in fact will not help the less developed. In fact it is almost a corollary of the fact that the big boys get to the politically sensitive issues so they then choose a system where they can politically safely cherry-pick with the countries they want and the issues they want. How are you going to avoid those that have least being left out?

Mr Thomas: I would not be as negative in terms of the scenario that you paint but I do recognise the concerns. One of the reasons why we are prioritising

Doha and putting as much energy in to trying to unlock the momentum that is necessary to get agreement is because we do think that a multilateral round offers the most potential for developing countries in terms of the benefits available. But we do also think that you can secure a whole series of benefits for developing countries through Regional Agreements. The idea, for example, that India or South Korea are going to be bullied into agreements that they do not want to have I think is just unrealistic. I think they have the capacity to negotiate, they have the appetite, they are very clear on what they want from the European Union, and the ministers who lead on those negotiations and the calibre of officials in their trade negotiating teams does not suggest that India and South Korea are going to suffer as a result of negotiating a Regional Trade Agreement with the European Union. Where perhaps we do need to continue to focus attention is on the needs of the least developed countries and one of the things that we have been particularly keen to support, for example in the European Union's negotiations with the ACP regions through the Economic Partnership Agreements is an offer of 100% duty and quota free access to the European Union's market. That was one of the things that we argued for in the position paper that we published back in March 2005 and we have been encouraged by the growing support for that position and indeed by the Commission's willingness back in March of this year to put that offer on the table.

Q14 Lord Jordan: India and Korea are not the first countries that come to mind as poor developing countries. When I was asking the question I was thinking more of what you were going to do for Burkino Faso and I hope that as this development unfolds that the government will build in a higher commitment to the European policy that does help the ACP countries.

Mr Thomas: Let me just say India has 350 million people who live on less than a dollar a day and so we see huge potential for India in terms of the Regional Trade Agreement, in terms of being able to sell goods into the European market to help further drive economic growth in India to lift its own citizens out of poverty. But I take the point about Burkino Faso. Again, that is one of the reasons why we have welcomed the European Union's "Everything But Arms" initiative, which again gives considerable access into the European Union's market. It is one of the reasons too why, as you say, we have put a lot of time and effort into keeping in touch with the negotiators for the six different regions in the EPA negotiations, to make sure that we understand their concerns. We have helped to fund some of the negotiating teams, for example in the Caribbean and

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some of the African groups who have been negotiating with the Commission, precisely to make sure that they can negotiate from a position of knowing what particular proposals in those negotiations will mean for their countries. So, Lord Jordan, I think we are very focused on the needs of the least developed countries, whilst also recognising the benefits more generally speaking of Regional Trade Agreements for British business and for European business interests as well.

Q15 Chairman: Can I pick away a little on this because it seems to me to be a very critical point as to whether Bilateral Agreements are fundamentally undermining the Doha Round. Take the example of a country like Pakistan, which is desperate to get into bilateral negotiations with the EU. Why so? Because they believe that this is the way forward and that there is not another way forward for them. How far has all this got? The EU has picked three sets of people to negotiate with, by whatever means; is there a shadowy list of people waiting to negotiate Bilateral Agreements with the EU? Is there a lot of pressure from other people? I just happen to know about the Pakistani pressure but is there a list of people waiting, hoping to engage in bilateral negotiations?

Mr Thomas: I think the European Union's market is hugely attractive to all sorts of countries and I am sure there is a real appetite to get even further access to the European Union's market. We see the best route to do that as being through the Doha Round, albeit there are these other Regional Trade Agreement discussions beginning to start, and we think it is perfectly right and proper that they should do so. To try and make sure that we properly understand the impact of those Regional Trade Agreements, we have been very clear that the EU needs to carry out proper Impact Assessments to see whether there is any displacement of trade between countries as a result of the Regional Trade Agreement and obviously if those Impact Assessments generate real concerns then we will factor that into our negotiating stance.

Chairman: Thank you. Lord Blackwell.

Q16 Lord Blackwell: Can I ask about the parliamentary scrutiny of negotiating mandates? I think we all understand that it is very difficult for the EU to disclose to the world those red lines, as it were, on negotiating mandates before going into the negotiations. On the other hand, it is quite difficult for Parliament to scrutinise the negotiations until the end point is reached if the mandates are—I think they described as “limite” documents—which are not available to Parliamentarians. Do you have any thoughts on the proper role that Parliament can play in that process?

Mr Thomas: You are right, there is a balance between needing to protect our negotiating position and the need for scrutiny of that negotiating position and tactics. We see the way to make sure that the parliamentary scrutiny process is observed and respected is through the provision of explanatory memoranda and through appearances before Committees like this one. I have five appearances before Select Committees in the next five parliamentary days so I hope you think that I am trying to respond to the needs of Parliament as a result.

Q17 Lord Blackwell: As part of that you very kindly sent us an explanatory memorandum on the EU's Bilateral Trade Negotiations covering the point you have just been talking about—India, South Korea and ASEAN states—and one of the things we therefore have been trying to understand is what are the objectives and what are the potential outcomes from those negotiations. I am in the camp of those who believes that, given the difficulties of a multilateral approach and the complexities that evolve from that, actually it is a right thing to do, to pursue bilateral approaches on the grounds that enough bilateral approaches can add up to quite large liberalisation of global trade. Is there anything more that you can tell us to help us understand what would be a successful outcome in your eyes to those bilateral negotiations?

Mr Thomas: Perhaps the other thing, Lord Blackwell, I should mention in terms of the case for pursuing Regional Trade Agreements alongside pursuing the Doha is that of course other competitors in the world economy are already themselves negotiating Regional Trade Agreements and we obviously do not want British business, European business and interests to lose out on the opportunities that there are world-wide. I also think that if developing countries want to negotiate with the European Union for Regional Trade Agreements then why should we, in a sense, stand in the way of that progress, particularly if it offers alternative markets to the ones that are available? In terms of South Korea and India, for example, we do want to see progress on services and very much so—financial services, legal services and telecom, for example, are areas where we think that liberalisation could take place to the mutual benefit of those countries not only in our business interests but also to the Indian and South Korean interests too. So those are just some of the areas that we are looking at.

Q18 Lord Blackwell: So there might be a policy of where services being our priority maybe trading some of their goods being their priority and getting a balance there?

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Mr Thomas: Indeed.

Q19 Chairman: A supplementary question, if I may. I think there is a more difficult question here. In terms of bilateral negotiations, in terms of any negotiations, whether Doha or bilateral, the UK on the whole has a traditional commitment to free trade which has not historically been true of some of our European Union partners. Do you see any real differences between the UK position and the position of some of our EU partners? Does not the EU negotiating mandate entirely reflect the UK position?
Mr Thomas: It is no secret that we would have wanted an even more ambitious CAP reform earlier in the process and one takes particular stances in negotiations and we recognise that you are not always going to achieve everything that you want first off. However, we do have in terms of Doha and in terms of agriculture, I think, significant flexibility to show. I think that Peter Mandelson has played Europe's hand extremely well and I think that developing countries have appreciated the flexibility that the EU has shown. That does not mean to say that we are not going to be engaging very actively in the budget review discussions, as I alluded to in answering Lord Giddens' question. Inevitably when you prepare your negotiating position amongst 25 States there are going to be differences of view and there are always robust discussions before the negotiating mandate is finally concluded. That was true when we were preparing for Doha and it has been true since, as we have Commissioner Mandelson who has reported back on the outcome of those negotiations to date.

Q20 Chairman: Can I turn the questioning on to Trade Defence Instruments—it is the other half of the coin, is it not?

Mr Thomas: Indeed.

Q21 Chairman: What is the government's position on the possible reform of the European Union policy on Trade Defence Instruments? What changes, if any, would we want made?

Mr Thomas: We are seeking agreement in three broad areas. The first is that we want to see much more transparency, predictability about the Trade Defence regime, so just to give one small example we want to see the agendas for the Anti-Dumping Committee published so that businesses can know when they are being considered in terms of dumping or not. Secondly, we think we need to see more balance in how the Community interest is described. Of course thinking about the needs of producers is very strongly in the mix in terms of Community interest at the moment; but we should think about the needs of consumers in the European Union too; the needs of

retailers as well. Then the third broad area where we want to see progress is a recognition that many EU businesses have embraced globalisation and have much more complex supply chains than was the norm 10 years ago, and as a result the Trade Defence Instruments available to the European Union need to be changed, nuanced to reflect that new reality.

Chairman: Thank you. Lord Cobbold.

Q22 Lord Cobbold: On the question of China and given the size and huge potential growth of the Chinese market, is the government confident that they will be able to negotiate appropriate agreements between the EU and China in terms of anti-dumping? Is that going to be a growing problem?

Mr Thomas: I do not know about the idea that it is going to be a growing problem. I think we are going to see increasing trade from China and that is going to pose problems for some business interests, there is absolutely no doubt about that, as they have to deal with the extra competition. It also potentially means that domestic manufacturers will be able to source component parts more cheaply and the consumers will benefit from the increased investment and the increased trade too. So I do not see increasing trade from China as necessarily a negative thing, quite the opposite.

Q23 Lord Cobbold: It is very important that it should be positive then?

Mr Thomas: It is very important it should be positive. Obviously, as with trade from any country and indeed trade within countries you want to make sure those standards are held—phytosanitary standards, etcetera—and we expect companies that trade into the UK to meet those standards. We have an enforcement regime to deal with the cases where that does not happen and we see that continuing. The problems around toy safety, for example, have been well publicised, but it was actually the company concerned that admitted responsibility for it and not an issue of the particular country where those toys were coming from.

Q24 Chairman: I was wondering more about the issue of I think it is Siemens who are importing parts, which have been manufactured below cost, there is no question, and it is a German company. Are people not supposed to do that?

Mr Thomas: As I say, in terms of trade defence review we have said that we need to see a more nuanced understanding now of how companies source the goods that they produce. We are waiting now to see the results of that trade defence review. The College of Commissioners are expected to have their first debate in the next week and we expect the document to be published around about 20 November. So we

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will have a sense then, I think, of just how much the principles that we want to see incorporated into the new trade defence regime have been secured.

Chairman: Most interesting. Lord Jordan.

Q25 Lord Jordan: Further on this, is the EU negotiating with China individually or are they under the ASEAN umbrella, and is Britain free to trade a separate bilateral agreement?

Mr Thomas: Just in terms of the negotiations, we have had a series of conversations with China ourselves, but they are not in the ASEAN negotiations so we would expect the European Commissioner to lead in the discussions with China. So Peter Mandelson, for example, on the so-called “bra wars”, the concerns about large imports of textiles, for example, has been leading the discussions with his counterpart in China and reporting back to the European Council in terms of the trade ministers, and we then hope to influence the negotiating stance that he takes. But we would see him taking the lead on this. We have agreed that the Commission should have competence for trade and we therefore look to him to show leadership. However, we will obviously seek to influence his negotiating position.

Q26 Lord Cobbold: And the Chinese are being cooperative and wanting a solution?

Mr Thomas: The Chinese are being cooperative and do want a solution. We agreed with the Chinese back in 2005 on the imposition of quotas. We do not want to see those quotas continue but we have agreed that there should be monitoring for 12 months so that we can see what happens. But, yes, the Chinese are being cooperative; they do want to find a solution.

Q27 Chairman: This most useful session has left me with a couple of more general questions just before I invite my colleagues to ask any questions that they have left over. Of course, professionally, you are taking an optimistic view of the possible outcome of the Doha Round, as we all must, and I commend us for it. But there is always the question of what is the difference between what we all think should happen and what we all think is actually going to happen. Do you think it is possible that we would end up concluding a Doha round which did not do an enormous amount of good to the poorest countries; that it would indeed be a Multilateral Agreement but it would not do an enormous amount of good to the poorer countries. Or do you think it more likely that the Multilateral Agreement will just collapse?

Mr Thomas: I think there is all to play for, Baroness Cohen. As I said, I think there is momentum within Geneva. I think the big players within the G4 are engaging very seriously in the discussions. There is no question that the African group and the Least

Developed Countries group see the Doha Round negotiations as very important for them and look to countries like the UK to show leadership in support of their interests, and that is indeed what we are seeking and what we have been seeking to do. We have helped to fund some of the organisations that have carried out for the LDCs and African groups. We have held a whole series of conversations with key LDC negotiators and African negotiators to make sure that we have properly understood their negotiating needs and their position to feed into the European Union’s negotiating stance and generally to feed into the Geneva process. What was agreed in Hong Kong is still on the table and would bring benefits for developing countries, but we think we should be more ambitious and that is why, for example, we push not just to accept the 97% of duty and quota free access, but to try and get a timescale for it to get to 100% of duty and quota free access.

Q28 Chairman: If all this is managed, because it is for the EU negotiators, is our worst fear that the US Congress will unpick it all? Rather, why do we believe that they will not, given the known United States difficulties and particularly with their agricultural producers?

Mr Thomas: I think what is interesting is that the White House is very engaged in the discussions.

Q29 Chairman: This White House?

Mr Thomas: This White House is very engaged in the discussions. We have held a series of conversations with people on the Hill from both parties and obviously we are aware of the political dynamic in the United States at the moment. But despite that I still remain optimistic that we can conclude a round and that the results of that round would get through Congress, but there is a long way to go before we get to that point. The key moment now is to try and get agreement between the key players on the modalities, on the exchange rate between the key issues in terms of agricultural market access, subsidies and the NAMA negotiations, and that is the particular discussion underway at the moment, that is where the energy is and that is where we are focusing our attention, albeit we are conscious of that backdrop that will eventually come into play.

Chairman: Thank you very much, Minister. Colleagues, have I managed not to ask all the questions? Do colleagues have another piece of illumination they would like?

Q30 Lord Steinberg: Minister, you said you were optimistic that the process will be successful yet you have also used phrases like “there is a very long way to go”, which you used particularly with the United States. Is it not always the case that when these

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agreements are being discussed that the weakest countries do always—not occasionally but always—come off worst? And is it not the case that when our government and other governments attempted to deal with the African problems of financing that although superficially it appeared that it was successful in their refund, the truth of the matter is that those countries are no better off?

Mr Thomas: Lord Steinberg, I do not think that will be the case in this round of negotiations. What has already been negotiated, for example, as I have described in answers to earlier questions, the agreement to offer 97% of access by way of duty and quota free access into developed countries' markets is significant. It does represent progress. It does not represent as much progress yet as we would like; we want a timescale for 100% and we still think there is an opportunity to push for that over the coming weeks. I say that there is a long way to go because there is a long way to go before the round is concluded, the negotiations are agreed and then ratification takes place. But I am optimistic that we can secure a round. All the key players have confirmed in conversations which the Prime Minister has had, which the Secretaries of State for Development and for Business and Enterprise had, and indeed that I have had, that they do want to see the Doha Round concluded and the development dimension in particular respected by way of results from the round. I am not going to downplay to you, we are not there yet in terms of having that agreement; there is still some way to go before we can be completely certain that we are going to get the Round that we want.

Q31 Lord Steinberg: Part of my question concerns that the weakest countries, particularly the African countries, which we all agree are principally the

weakest countries, always come off worse. Do you agree that that has been the case up until the present time?

Mr Thomas: I do not agree that that is the case. I think there are many reasons why Africa's share of world trade has declined. There are issues around government in those countries, for example, being a particular factor. We are very clear that we want to make sure that Africa's share of world trade does increase and obviously making sure that increased market access is available when African countries are in a position to exploit those opportunities is a key objective for us from these negotiations, and that is why we have been putting as much time and effort as we have been into understanding what the least developed country group and indeed the African group have wanted to focus on.

Q32 Lord Steinberg: My very last point. You used the word "when"; how long is "when"?

Mr Thomas: I do not know is the really honest answer to that question. I said right at the beginning in answer to Baroness Cohen's first question that we are at a critical moment in terms of the negotiations because of the approaching American presidential elections, and we do need agreement on the key headline parts of that deal soon if we are to get agreement before those elections take place. I am still optimistic that we can do it.

Chairman: Thank you very much for a most clear exposition of where we are. We shall be conducting an inquiry into this and hopefully we will be able to ask you in a few months' time to come and tell us again where we have got to because there will have been progress. Thank you very much to you and your officials for coming this morning.