

FRIDAY 11 JULY 2008

Present

Cohen of Pimlico, B. (Chairman)
Haskins, L.
Maclennan of Rogart, L.
Moser, L.
Trimble, L.
Woolmer of Leeds, L.

Witness: **Professor Jean-Pierre Lehmann**, Professor of International Political Economy, and Founding Director, The Evian Group at IMD Business School, Lausanne, examined.

Q456 Chairman: Professor Lehmann, thank you very much for coming to talk to us, we do appreciate it. The rules of this particular game are that Sue is taking a note of every word you say and there will be a full transcript. As soon as you have seen it, and cleared it, we will put it on our website and it will appear as part of the evidence to the report. Would you like to start with an opening statement about anything you like or shall we start with the questions?

Professor Lehmann: Thank you very much for inviting me. It is a pleasure and, indeed, an honour. All the more so a pleasure in that, I feel rather passionately about these issues. I think there is as much importance in terms of the symbolism of Doha as there is in terms of the substance. There was a recent article by Pascal Lamy which appeared in the *Herald Tribune* a couple of days ago where he does raise this question, which I have raised all along, that if we cannot agree to collaborate on what are, after all, relatively straightforward, relatively simple matters on the trade front, and most of which are win-win, then the chances of collaborating on some of the much more challenging issues, climate change, security, et cetera, are not likely. That is where I come from, if you like. I see this not only as an intellectual exercise but an important exercise for the planet.

Q457 Chairman: Against that background, do you believe that we will get a breakthrough during the Ministerial at the end of the month?

Professor Lehmann: No, I do not think so. I spent a lot of time in the Arab region and I suppose I should say, "Inshallah" because it really will be up to him. There would have to be something really quite dramatic happening in the course of the next week between now and 21 July. The obstructionism is very strong on the part of various players. As you know, and as I must confess, I am a citizen of France and my position does not necessarily reflect that of my government, or vice versa. There is quite a lot of obstruction. Moreover, I do not think anybody is willing to push it, to champion it, to champion the conclusion, to stick his or her neck out to try to get a conclusion during the course of July.

Q458 Chairman: Except, of course, Monsieur Lamy.

Professor Lehmann: Yes, but I am talking about the ministers. Lamy is doing what he can, I guess, in terms of trying to move this forward, but ultimately it is the Heads of State and Government rather than the trade ministers. If you look at the recent meeting of the G8, for example, I do not think there was any particular signal that I would take as being encouraging. There was the usual rhetoric and usual ritual, but I did not see anything that led me to think this could perhaps lead to a breakthrough. Probably of that lot the most favourable to the conclusion of Doha would be the UK Prime Minister. Angela Merkel in a way, I think her heart is in the right place, the problem is they are bogged down in their own political domestic problems and Doha and the WTO is not something you are going to win points on in domestic politics.

Q459 Chairman: Would these difficulties include President Bush who might, after all, wish to leave a legacy?

Professor Lehmann: I am sure he would like to leave a legacy. I have asked American “insider” friends of mine and beyond the rhetoric they do not see him giving Susan Schwab instructions saying, “This has got to go through”. I know he tried to veto the Farm Bill but it could be another failure, it does not have fast track or whatever it is called now, trade promotion authority. The risks for him could be that this would not ensure a legacy or a victory in any way and it is not a particularly popular issue in the United States with 60 per cent of Americans, according to the polls, seeing trade as a threat rather than an opportunity.

Q460 Chairman: Thank you. Unfortunately, that does sound realistic. Given all that, do you believe participants would consider an agreement that simply locks in existing tariffs as success?

Professor Lehmann: I used to be opposed to this but I am rather favourable to it now, it probably is important to get an agreement. There is probably quite a lot on the table and it is better to have something that could be concrete in terms of a conclusion. It would be rather good to conclude the Doha Round because it has got mired down in all sorts of problems, including the problem of definition from the very beginning, what is a Doha Development Agenda, how do you calculate it, what are the metrics, what are the parameters, and so on. It was really very woolly thinking to have produced this. It would be good not to make it continue on life support, which is what it is now. It would be better to have it declared concluded and take the gains that exist and then quickly move on in 2010 to a new Round.

Q461 Chairman: I guess that would fundamentally be your Plan B?

Professor Lehmann: Yes.

Q462 Chairman: Stop, lock in the gains and start again?

Professor Lehmann: Yes.

Q463 Lord Haskins: On the issue of the lack of political momentum you mentioned, there are two conclusions I come to on that. First of all, unlike Uruguay, the business community is not hugely enthusiastic, whereas the American business community was enthusiastic then, and American Presidents tend to listen to that. The other one is are people making a judgment that if we do not get a settlement this is not the end of the world, as it were, and is that a proper assessment?

Professor Lehmann: I agree with you totally on the first point. The role of the business community has been extremely disappointing. I am one of those, along with Jim Rollo and others, who have tried to galvanise them. The problem has been partly that times have been too good. We have had the last 15 years of high growth, everything goes, low inflation. At the meetings I go to at the World Economic Forum, for example, Davos or others, there has been a sense of bullishness, at least until this year. Who cares about Doha? Who cares about the WTO? One of the things I notice, for example, in Davos is when there are the trade ministers' meetings with Lamy, et cetera, nobody shows up. The business community is conspicuous by its absence. It is partly because it has been very boring, they have been saying the same thing for seven years. The other thing is business has lots of problems. I teach in a business school and I can see this rather closely. There is a lot of short-termism. There are exceptions, including an exception in France. A guy like Carlos Ghosn, the Chairman of Volvo/Nissan, is quite a visionary guy and he speaks up. There are others, Neville Isdell of Coca-Cola and so on, but you can probably count them on the fingers of three hands, not more. There has been an absence of this kind of support. There has also been an accommodation. For example, I am told that the big German Federation of Industry has pushed for accelerating bilaterals saying, "Doha or WTO, the multilateral system is hopeless. From the German industry point of view what we want to have is good bilateral deals with India, Korea, countries of this nature". There is a lack of constituencies and this is

partly due to a lack of understanding of what the issues are and also the fact that the weather has been so sunny over the course of the last 15 years.

Q464 Lord Haskins: And they got a very good deal in 1992.

Professor Lehmann: They got a very good deal in 1992, absolutely.

Q465 Lord Maclellan of Rogart: Professor Lehmann, you opened by saying that symbolism was as important as substance, but is there any one symbolic move that the United States' President could make at the beginning of this Ministerial or in his instructions which would help to unlock responses, for example, from India, which is perhaps a key player on the other side? What might be said?

Professor Lehmann: This is where it gets bogged down. I remember one of the questions is it has to be clear that if we look at the G8 players or the European Union, the US, Japan and Canada, there has really been a quite appalling lack of leadership. On the other hand, it is true that the Brazils, the Indias and Chinas have not been particularly helpful in this exercise. India has been obstructionist. China has been very absent from a lot of the discussion. The Brazilians have been more aggressive and I guess more constructive on many issues compared with the other two. It is the same thing you are getting that you have at the G8 over climate change, to say, "We are prepared to do X, Y and Z but, beforehand, you, China, India and Brazil, have to commit". I do not think that rhetoric is going to get us anywhere. I can see this kind of argument going on until my grandchildren reach retirement age. The heroic thing, or very symbolic thing the United States could do would be to assume leadership and announce unilaterally that it was undertaking the kinds of decisions on agriculture that are being asked for, in other words you would have the reciprocity. I would have to add that some day pigs might fly; I really do not see this happening. What concerns me is I have a feeling that we are not really going to get anywhere. I have a rather bleak view of the future

of the global trading system, frankly. I am not happy with what I am going to say now. Short of a crisis, and a rather profound crisis, I do not see getting back on track. If the leadership can be sufficiently persuasive in terms of trying to avoid a crisis then this could be salutary. I have to say in saying what I think President Bush might say, and this is what the President of the United States might do, one has to remember who the individual is and you realise there is very, very little prospect of it happening.

Q466 Lord Maclennan of Rogart: I tremendously respect your crystal ball gazing and so forth, but what I am really trying to elicit is not whether it is likely he might say something, but what could he say specifically and precisely that would actually get the sides talking?

Professor Lehmann: Agriculture.

Q467 Lord Maclennan of Rogart: Within that? That is a very big subject.

Professor Lehmann: I know it is very big, but I would have to have more details of what is on the table and what is being requested. It would have to go the extra mile in terms of meeting what the Brazilians and others are asking the United States to do in terms of agricultural support and agricultural tariffs.

Q468 Lord Trimble: In your comments a moment ago you mentioned China, India and Brazil. We had evidence given to us at an earlier stage suggesting that the goals and ambitions of those three countries were not being fully accommodated by the current negotiations. Would you share that view?

Professor Lehmann: Yes, I would share that view in the sense that I come back to what I was saying earlier on. It is not just crystal ball gazing but also getting some historical perspective. In a way, Doha should never have happened. There are all sorts of people I respect who may have different views on this. There was Seattle in 1999 and those who were

tracking the developments post-Seattle leading on to Doha were pretty unanimous in expecting that Doha would not succeed in terms of launching a new Round. What happened was in the interval there was 9/11 and that had a huge impact and gave Doha, I would say, an unnatural birth. Given the fact that the relationship between the so-called north and south had become very, very hostile in the course of Seattle in the previous years, there was a sense of solidarity which fleetingly existed that led to this Development Round. Subsequently, as I said, I do not think it was properly defined or stated. There are still a lot of anomalies that exist insofar as the conditions are concerned for the developing countries in general, whether it is Brazil, China, India or others on issues that are related not just to trade but things like intellectual property and so on. This Doha Development Agenda, rather than solidifying, improving and creating a greater sense of global solidarity between north and south, has tended to result in the opposite. There is a strong degree of hostility. When we are talking about the political positions that the people in the so-called OECD countries or rich countries find themselves in, the same applies to many of the developing countries, there is a sense that the trade regime is, whatever you want to call it, neo-colonialist or whatever.

Q469 Lord Trimble: I think people use the term “unbalanced”.

Professor Lehmann: You see how things have been exacerbated. For example, we have done a certain amount of work on the Economic Partnership Agreements and this has further envenomed the atmosphere and the environment. Having said that, as I said, this is an unsatisfactory deal, it has not been a particularly fruitful process of negotiation, to put it mildly, but I still feel it would be great if it could be concluded because I do not see it improving over time necessarily. It would be really good if we could conclude it successfully, even if it is with a very small ‘s’, and then move on to something where we would draw the lessons from Doha more properly defined. The south has to be brought into

this. It has to be a south-oriented trading regime because the south is going to be increasingly active in trade.

Q470 Lord Trimble: When you say “the south”, do you mean just India and Brazil or something more than that?

Professor Lehmann: Much more. I mean Kenya, Mexico, Bolivia, Colombia, et cetera. This is where there remains a lot of work to be done.

Q471 Lord Trimble: This little constellation of countries, Bolivia, Kenya and all the rest of it, are their interests radically different from those of India and Brazil?

Professor Lehmann: I think the interests of India and Brazil are quite different. If I have given the impression that there is a cohesion in the south, there is not, there are many, many differences. Brazil is very successful as an agricultural “power”, I suppose you could say, and India is not. They are many different kinds of environments. Between Brazil and India there is quite a lot of tension because they have found themselves in different positions on a number of sensitive issues. On services there is a big difference between Brazil and India with the Indians being much more progressive and the Brazilians far less so.

Q472 Lord Moser: You have made it fairly clear that you are a bit gloomy about the chances of a breakthrough, however much you may want it, and you have given a number of specific reasons why there might be obstruction from various quarters. I think I also heard you use the word “boredom”. Doha has been going on year after year, no very new arguments, a new world situation but no new arguments, the same negotiating faces, et cetera. Do you think there is a real danger amongst countries that might otherwise have something to gain that they are just a bit cynical about the prospect and also they might feel that they can

do better by dispute mechanisms processes, so the whole thing is slightly discouraging, or is that too gloomy a picture?

Professor Lehmann: I think it depends on what is going to happen in the general context so far as the world economy is concerned. As things currently stand, I do not think it is too gloomy a picture, it is a reasonably realistic one. When I say, for example, that when the trade meetings take place at Davos there are very few people who show up, I remember on one occasion two or three years ago they were all there, it was a huge hall which was about two-thirds empty, and Celso Amorim, the Brazilian, at one stage was addressing one of his counterparts, I cannot remember which one - they had just had a bit of an argument about some seemingly trivial pursuit - and he looked up and said, "Look, the room's empty, we are going round in circles". I think when one attended year after year there was nothing new. It was the last year or the year before when Peter Mandelson said at one point, "There, it took 40 years to succeed in more or less the elimination of industrial tariffs, you cannot expect us to do agriculture in a matter of a few months". Was it necessary to be engaged in negotiations for seven years to come up with that startling conclusion? I sense there is an enormous amount of cynicism. I have said one way to empty a room is to come in and say, "I'm here to talk to you about WTO or Doha". This has been exacerbated. There are some criticisms that have been made of the WTO which I think are fair. The PR has been terrible. This is one of the things that the veterans of the negotiations in the past talk about. They talk about the days of the UR, the Uruguay Round, but for most of the Uruguay Round the internet did not exist, you did not have the NGOs, the political awakening and so on. Part of the problem is that politicians now find themselves in a situation where globalisation, global trade or whatever, is not supported by the populations, or at least not to a significant extent, but nothing has been done in terms of selling it. This is the case even with the jargon. I was at a meeting in Washington when somebody was talking about NAMA, and what a very unattractive term to

use. There should have been a greater sense of reaching out to the public. One of the questions was what do I think about the rhetoric in the US. A real crisis in US-China trading relations could occur. If you look at the scenarios, things could go very wrong here. There is a sort of underlying tension. That could lead either to a deterioration and potential collapse of the system or to having the kind of impact that would help in terms of getting us back onto the multilateral trading system.

Q473 Chairman: We have got a crisis, have we not? We have got rising food and rising fuel prices. This is not the kind of thing you think would help get us back?

Professor Lehmann: I guess it is not deep enough. It is not deep enough in terms of perceptions. I have not seen any evidence yet, if you like. You have had declarations from leading personalities, eg Zoellick, President of the World Bank, about the world economy, the rise in inflation and all the rest of it, but I do not think it has hit the consciousness yet to quite the extent that is necessary. I agree with you that we have a crisis.

Q474 Chairman: I think that is fair. I am surprised in talking to people in Geneva about the negotiations how much the increase in food and fuel prices is a side issue, it does not seem to bear absolutely directly on what we are trying to do.

Professor Lehmann: This comes back to the question that Lord Moser was asking me about the cynicism. There is a lot of thinking that will need to be done when this is over. One of the things we are going to have to think about is Geneva. This is a very incestuous world. The fact that the negotiators are not necessarily aware of the broader picture is not surprising because they spend all their time together and, the difficulties with negotiations notwithstanding, fortunately they get together for barbecues, receptions and all the rest of it, but they are very, very far from the real world. To my mind, this has been one of the problems in negotiations that have been going on and with a sufficient lack of interest on the

part of the capitals, that is why it has always been said at the end of the day it is the capitals that are going to count and not just the trade ministers, it is the finance ministers, prime ministers, foreign ministers and so on.

Q475 Lord Moser: Your point about PR is interesting. It must be quite a challenge to produce sexy PR about trade negotiations, I do not know where I would start! Since you mentioned Peter Mandelson, I have been very struck in all our talks round this table within the last 24 hours that we keep talking about America and how important it is, et cetera, China, Brazil, India, but hardly any mention of Europe. Is Europe important?

Professor Lehmann: There was an article you may have seen in the *Financial Times* a few weeks back by Kishore Mahbubani and the theme was “Is Europe relevant?” or “Europe is no longer relevant”. That was perhaps a little bit hard. My sense, if you like, is the European trade policy is almost an oxymoron. I do not know how long it is going to be able to be sustained. The trade instincts of the south and the north are really quite dramatically different. I am talking about the south of Europe, not the south of the world. I remember the so-called “bra war” in 2005 just after the Multi Fibre Agreement between China and Europe and I think it was very tough for Mandelson because, on the one hand, you had the French, the Portuguese, Italians and Spaniards shouting to protect the dwindling number of textile workers they had and, on the other hand, you had the Danes, the Swedes, the Dutch and the Germans, I guess the British also, who were saying that they needed to have access to cheap, good quality garments because of their retail industries being much more important and they do not manufacture any more. This tension is always there, in a sense. Look at how much difficulty he is having now with Sarkozy. This spat is certainly not very helpful. The Japanese trade policy has to take into account various kinds of lobbies and interest groups, and so does the American, the Canadian, the Australian, et cetera, and I think Europe has a common trade policy but not a common trade ideology. This is going to be a major obstacle.

Q476 Lord Woolmer of Leeds: You touched on bilaterals earlier, could I ask you two or three questions on that theme. Why do you think there has been almost an explosion in the number of bilaterals and do you think that will continue? What impact do you think that increasing bilaterals has had on the appetite or necessity to conclude a Doha Round? A second theme, if I may. Do you think the growth in bilaterals is ultimately a threat to the relevance of WTO or will an increased very large number of bilaterals at some stage lead to a desire to multilateralise them all because of the sheer complexity of hundreds of bilateral relationships? There are two different themes there, why the growth and its impact on Doha, and, looking for the longer term, what is its relevance to WTO, is it an alternative and a threat or something that will lead eventually to a desire to multilateralise, or re-multilateralise I suppose?

Professor Lehmann: That is a very critical question. It is implicit in your question rather than explicit, but I think it is important in terms of context. When we are talking about the bilaterals we are usually thinking in terms of, say, US-Australia or US-Israel and these kinds of bilateral deals, US-Korea, US-Colombia, Europe-India and so on. There is a tendency for persons like myself to be very critical of bilaterals. I have consistently been saying that we must focus on the multilaterals and the bilaterals must be a side-product, not the other way around, which is what it has become. I was very critical of the position taken by Bob Zoellick after Cancun when he introduced this term of “competitive liberalisation”, which has not happened and was a problem from the beginning. I do not think it was conceptually correct. There are aspects of his competitive liberalisation that are very dangerous. You can see, for example, that China is now getting into the business of looking at bilaterals and you can see a tension, a competition, a rivalry taking place in the world. Having said that, there are some bilaterals where if we could get a bilateral between Morocco and Algeria that would be fantastic. This is a little bit self-confessional. One has to be careful, as I have not been, for

example, in making it clear that some kinds of regional agreements, bilateral agreements, are very healthy. I mentioned Kenya earlier on because I spent 12 days there recently and I am quite convinced that part of the objectives for that region will be to consolidate this east African community and develop greater trade and so on. The same is true in north Africa. Why has there been an explosion of bilaterals? I suppose there are several answers to that that converge. Some of the things I am going to say are a little bit cynical, but they are correct. One is to keep people busy. This has always been denied but I think it is quite true that in the European Commission office here the number of people working on Doha was reduced because there was very little to do. To have a *raison d'être* for officials you have to keep people busy. All of these reasons overlap. As I suggested earlier on, and this goes back to the question that Lord MacLennan asked about the lack of business support, there has been a lack of business support for the multilaterals but there has been a great deal of business support for some of the bilaterals. The business people I speak to, who are among the “villains” of the piece, tell me, “Look, Jean-Pierre, we have to be realistic. We are not going to get anywhere with the multilateral trading system, so let’s go for second best rather than some idealistic objective which will never be realised”. There is also a political element in here, and a political element in both senses of the term. For example, personally, in spite of being rather allergic to bilaterals, I regret that the Colombia deal with the US was rejected, I think it would have been a good thing to have had for political reasons. Some people say the FTAs should more properly be called PTAs, either preferential trade agreements or political trade agreements, and in some cases I think from a political point of view that would make sense. The comment that is also made very often is that so far as the legacies are concerned it gives a politician kudos to be able to be in Capital X, Y or Z and hold up their hand and say, “We have successfully completed a bilateral deal”. I was in Australia at the beginning of last year, I think it was, and the Australians get nothing out of this trade deal with the United States

except it is good for Michael Howard to be seen to be consolidating his ties with the United States. I may be missing something in this but that was the feedback I got. I would say there are prestige issues, political issues, lobbying issues. Professor Rollo and many others know these things much better than I do, but in terms of trade creation I think the bilaterals have had a very limited impact. They generate an enormous amount of input and relatively weak output. There is a risk that we could be talking in terms of blocs that are going to be generated by these regional bilateral deals, whatever. There is a whole issue about the Sub-Saharan African continent. We should be worried about Sub-Saharan Africa. I am very pessimistic about its prospects on the basis of current governance in most of the countries concerned and at the same time we have a population explosion that is in the process of taking place, so we should be looking at having a global framework that is going to be conducive to Africa being as economically efficient as it can be. Just as we had the Cold War being fought in Africa in a geopolitical sense, we could have an economic trade war or conflict going on between China and the West on African soil. These are some of the costs of not having a proper multilateral trading system. I was asked a question about whether the dispute settlement mechanism could act as a substitute for the negotiations and my view is not. My view is it has functioned quite well, it is a good thing, but, ultimately, if the institutional framework is not going to be solid then I do not think that the court, so to speak, the DSM, is going to be able to function properly. Of course, in the bilateral deals that is one of the aspects that is significantly lacking.

Q477 Lord Woolmer of Leeds: One witness said to us that if Europe and the United States did a bilateral deal in the absence of the Doha Round being concluded positively that could almost spell the end of the WTO. Is that an overstated view?

Professor Lehmann: That would be my view. Whether Europe and the US would go for an FTA in due course is a separate issue from the one of timing. If you look at what happened

when the Europeans and Americans had some preliminary discussions on a common position before Cancun, that resulted in a very violent reaction with people saying, “This is no longer a world where you guys can go behind closed doors and determine what the fate of the planet is going to be”. Although it could be a good idea, it would be a terrible idea in the current context. You have talk about a free trade area of the Asian Pacific which, again, is not necessarily a bad thing. The Asians are talking about trying to look at the European Union as a model for their own development. This is where I come back to the issue that in the absence of a strong multilateral framework and also the spirit of the multilateral framework this may not happen. On the point you make about the difficulty on the PR, this is something we are going to try to do, to reach down to popular levels. We are working with an Indian company on this to develop software and IT programmes, et cetera, that look at the history of trade, the beauty of trade. There was a book recently by William Bernstein, I do not know if you have seen this, called *A Splendid Exchange*. It is magnificent, it could be made into a film. If you stop and think about it, trade connotes a lot of romantic imagery, the Silk Road and so on. What we are lacking now is not just the politics, it is the whole spirit of the global environment in terms of trade. As I say, I am probably a little bit jaundiced by virtue of being French, and although I live in Switzerland, I go to France quite frequently and have a house in Vendée with Philippe de Villiers as our head of region, one of the most protectionist Frenchman, and that is saying a lot, and neighbours say to me things like, “The future is to be clothed by the Chinese, fed by the Brazilians and our plumbing done by the Poles”. There is a sense that we are victims of this globalisation. There are a lot of popular attitudes that need to be addressed to get a greater sense that there are a lot of benefits to be had from the environment that we have and from what is being tried.

Q478 Lord Haskins: I am getting more and more gloomy the more I listen to you!

Professor Lehmann: Sorry.

Q479 Lord Haskins: Mr Lamy was more optimistic than you, but I suppose he has to be doing his job. He was saying yesterday that the leaders of the world need the WTO privately more than they are prepared to admit publicly. That seems to be an area that one could work on. Your PR point is very well made and is one of the reasons why business people are keeping their heads down because the NGOs have done a very effective PR job and business people do not want to be seen to be taking on the NGOs in public and that is a real problem. You have also said that bilaterals do not really work. If that is the case, eventually they will be exposed and there will be a time when people say, “What are we getting out of this?” It seems to me there are two issues which the WTO might have to consider which business people certainly would see only global institutions can deal with. One is energy, which nobody mentions at all, and, indeed, one of the large energy producers, Russia, is not even a member of the WTO and is unlikely to become one. If the WTO was able to come up with some serious answer to the energy problem that would have a huge resounding impact on global business public opinion. The other one is climate change where, again, I think people realise this cannot be done by bilaterals, this has to be done in a multilateral way. Is the WTO the institution to be taking those on and is there any way of achieving that?

Professor Lehmann: First, that Pascal Lamy should be more optimistic than I am, I certainly hope so! He has to be. These are very, very fundamental questions. My short answer is yes. This would be in the context of a renewal of institutions. People are talking about another Bretton Woods, and maybe that is too much, but there has to be a very, very profound assessment of the degree to which the institutions that we have at present are conducive to the challenges that lie ahead. I realise that it is going to be extremely difficult when we look at trying to reform the UN Security Council or whatever. Issues like energy and climate change are ones that are recognised as having a huge impact on absolutely everybody. One of the things that has been very much talked about is the absence of any sense of coherence. *The*

Economist's front cover with the Tower of Babel as a system of global governance was really quite effective. If the WTO were able to take on these two issues you are talking about, if not the WTO then who? These are very related to trade and at least as important, if not more so, than, say, intellectual property or other things that the WTO has gone into, rightly or wrongly. This should be something that is on the agenda. Coming back to the question Lord Maclennan was asking about what Bush could do in terms of a breakthrough, as I say I am very sceptical that there could be anything at all. You could say that somebody bringing in the energy and climate change issues would say, "We have to complete this Round as best we possibly can, we, the United States, and the European Union hopefully, but with a perspective of what next". We could say the "what next" has to include climate change, trade and energy, and trade and a number of other issues. Another one is immigration, which does not feature yet. Mode 4 is a very small element.

Q480 Lord Haskins: That is one which frightens people.

Professor Lehmann: That is one which frightens people, yes. On the other hand, there is no regulation so everybody is going round doing their own patchwork. Even in Europe we are not being particularly successful in that. I do not know what Pascal Lamy's reaction to this suggestion was, but it would be very, very important to get a sense of realistic direction and inspiration, coming back to the question from Lord Moser about people being bored with WTO and Doha, partly because the issues it is dealing with, apart from certain vested interests, are seen as being very remote.

Q481 Lord Haskins: You could argue success creates boredom. The WTO has achieved a heck of a lot.

Professor Lehmann: It has, absolutely. This comes back to the PR bit. Those of us who have been able to witness, as many in this room have, during the course of the last several

decades GATT before WTO, it is a very different world. I was living in the UK in the late 1960s and 1970s and I remember when I was going over to Calais and had to be stopped and the car was searched and so on, and vice versa. It is a very, very different world now and it is fantastic world in which we live and it is taken for granted but has to be heralded.

Q482 Lord Maclennan of Rogart: In a sense this has already been answered. You have repeated that perhaps the best thing would be to end the Doha Round. I am not sure exactly what you mean. You talked about the possibility, for example, I suppose of locking in existing tariffs as being a way of ending it, but by most tests that would look like a failure. Your answer to what happens in that circumstance seems to be it has failed there, but give it a bigger job. Why do you think that would have any more prospect of success? I look at the presidential communiqués that come out of the European Union on climate change and every single one of them over the last two or three years has spoken of it remaining the sovereign choice of each member country which energy form they will choose. If we cannot get it into multilateralism in the European Union, what prospects for WTO? Perhaps that is wider than my Lord Chairman wanted me to take the question. What prospects really is the question.

Professor Lehmann: I think that the prospects for the kinds of things I am talking about are very remote if looked at from a realistic perspective. I continue combating for them, but with lots of members of my family and friends saying, “Don’t you have better things to do with your time”, is a bit reminiscent of that guy who was running after windmills. You say it is a broader question but my conviction is that the multilateral trading system, improving it, developing it, enhancing it, is fundamental to the general objective of making this world a more equitable and wealthier place in the sense of distribution, human dignity and so on and so forth. I come back to the impact that Kenya had on me. It was the second time I had gone but I was there for 12 days. Sixty per cent of the population of Nairobi live in slums, which is five per cent of the territory of Nairobi. The population is going to increase by another 15

million over the course of the next 20 years. On the basis of the current situation it is the slums that are going to get increasingly full with probably a diminishing amount of space because they are also looking at land development, et cetera. This is the kind of trend that needs to be reversed. I do not believe that it is because we get a Doha deal that the trend is going to get reversed, it is a general thing of trying to improve global governance, domestic governance, national governance and trying to get economic systems in place that are going to be conducive to growth but also to what is now being called inclusive growth. I admit it is a bit of a buzzword, but I think it is a reasonably useful buzzword. That is a struggle that is going to take place over time. I bought William Hague's biography on Wilberforce. I have not read it yet, but a couple of years ago I did read a fantastic book on the abolition of slavery in the UK called *Bury the Chains* by Adam Hochschild. The thing that was so striking about it was that it did take several generations even to get into people's consciousness. Without being pompous, because that is certainly not my intention, we do have a very long-term challenge ahead of us. While I am extremely gloomy insofar as the near future is concerned, I am much more positive insofar as the longer term is concerned if we can go through some of the series of obstacles we have right now. Right now I do not think there is particularly any cause for encouragement. There are problems of governance, as *The Economist* pointed out, there are problems of politics, attitudes of people, and so on. The struggle has to go on and we have to try and perfect the institutions that we have even if it is on an incremental basis. That is why I think reaching out is going to be terribly important, to try and provide some sense of hope. The idea of a Development Agenda could have been a good one but it needed to be much more precise in what its definition was and what its objectives were meant to be.

Q483 Chairman: This has been extremely interesting, Professor Lehmann, particularly following our meeting with Monsieur Lamy, who has his mind and heart concentrated solely

on the Ministerial and, if you like, a dash to get this deal done. It will be very interesting to see which of you turn out to be more right than the other.

Professor Lehmann: I hope he will be.

Chairman: In terms of the immediate perspective, of course. This has been very interesting and very clear, thank you very much indeed for coming to talk to us.