

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: **Ambassador Don Stephenson**, Permanent Representative of Canada to the WTO and Chair of the WTO Negotiating Group on Market Access, examined.

Q484 Chairman: Thank you very much for coming. It is very kind of you because I know you have had a few other things to do today! If I may just recite, as it were, the conventions of the Committee. We take a full transcript. When you have cleared the transcript we put it on the website and all evidence will be published, along with the report. We understand that you do not appear as a representative of the Canadian Government, that you are appearing in your WTO capacity and, indeed, it is in that capacity that you are going to be terrifically useful to us. My first question is what was in the NAMA paper that was published last night and, without wasting your time with the detail, does it meet what the United States and Germany have been hoping for, or are there problems all over it? That is my general opening question.

Ambassador Stephenson: Thank you for the privilege of appearing before you. What was in the paper? In the paper was a reflection of the state of the discussion in the negotiating group, the best I could read it. In particular, there was a reflection of further convergence on many of the issues, including some extremely important ones, and some quite minor things but things that needed to be off the table by the time ministers get here, things like how long is the implementation period for the Round in respect of the NAMA negotiation, how big is the

mark-up for unbound tariffs, before you apply the formula. For most members they are trivial matters but still need to be resolved and are important for some. I would have said with respect to the paper last night, one of the substantial pieces was pretty near full consensus on the basic structure of the trade-off between the coefficients in the NAMA formula and the flexibilities for developing countries, the so-called sliding scale, that the lower the coefficient goes the higher the flexibilities go, and there are choices for developing countries. That is an important piece of architecture to allow everyone to find their happy place in respect of the final outcome. I believe that is now fully signed off. There were two or three other key issues, particularly for the key players in the negotiation, the first being the treatment of Mercosur - Brazil, Argentina, Uruguay and Paraguay. This was in reference to the calculation of their import volume for the purpose of calculating the cap on their flexibilities in relation to trade volume. They made two arguments, that members accepted at least at some level that because they are a Customs Union and, therefore, will be submitting to some extent a common list of flexibilities to keep their common external tariff common, they would individually be benefiting from less flexibility than other developing countries. They made various arguments but, to give you an example, when we were talking about ten per cent of tariff lines as flexibilities to an individual developing country, Brazil was making the argument that because they had to share some of those lines with their Customs Union partners they were only getting the benefit of six or seven per cent of tariff lines that would have been their own first priorities. Members accepted that argument, at least to some extent. They also accepted the argument that Brazil and the rest of the Customs Union were further being capped in the use of flexibilities by the trade volume of the smaller members because when you hit the volume cap you can no longer take advantage of the tariff line cap. Those arguments were accepted by the other members and this document reflects an agreement that all of the members of Mercosur may use the trade volume of the largest member, that is to say

Brazil, in respect of the calculation of the volume cap. That goes a long way to addressing the concerns of the other members of Mercosur, including Argentina, which may be meaningful to a final result. I would say that agreement around that, and in a text agreement means there are no brackets, and no brackets on that part of the text is an important step, I would say. The next issue that is very meaningful is the provision for what they call in Europe anti-concentration. That is also in a paragraph. I felt confident enough to propose, without a bracket, that there be some further amplification, further definition of that provision. In the original mandate stemming from the Framework of July 2004 there was a sentence in the mandate that said: "These flexibilities available to developing countries may not be used to exclude entire HS chapters", that is to say enter industrial sectors from the tariff reductions. There has been a debate since then about what does that mean and most of the time through that debate the legalistic interpretation has been made, that is to say excluding even one tariff line from the HS chapter would be sufficient to satisfy the requirements, at least in a legal sense. If you have interests, for example, in the auto sector and you exclude one line from chapter 87, which is the chapter involved, that line could be baby carriages or golf carts and by that definition that would satisfy the requirement. More recently, in the discussion members agreed almost unanimously that certainly the spirit of that provision takes you past one tariff line. Perhaps it does not take you all the way to the European suggestion that it be 50 per cent of tariff lines, but somewhere between one line and 50 per cent of lines there must be some conclusion. I took a step on that issue by removing the brackets from a provision that we have been working on, however I put no numbers at all because members are not nearly close enough in respect of how they define the provision. In the debates in recent weeks some have spoken about the spirit of the provision, others good faith implementation of the provision, some have spoken about de minimis and then argued about what that would mean. By the way, if you were to closely examine this provision there are two provisions,

the number of tariff lines that must take the full formula cut and the volume of trade in the chapter that must take the full formula cut. Those are very different and some of the simulations we have done both in the WTO for the Chairman or individual members clearly demonstrate although the results are different for each chapter, for each industrial sector, and they are different for each member, because every member has a different tariff schedule, clearly those numbers are very different, in some instances five per cent of trade volume in a chapter could represent 20 per cent or more of tariff lines and the per cent of trade volume could represent 50 per cent of tariff lines. In the final negotiation of that issue, which I trust will be when ministers gather the week of the 21st, and they agree some numbers for those brackets, I expect them to be two different numbers and you should consider them both very carefully. The next issue that I would point to as important in respect of this text would be the issue of the treatment of sectoral agreements. As you know, there are proponents for agreements in specific industrial sectors that propose to go further than the formula cuts in that particular sector. These proposals are made by individual sets of countries' proponents who are trying to attract on a voluntary basis the participation of other countries and to reach something that they refer to as a critical mass of world trade agreeing to participate. In my last text in May there had been a proposal to create a hard link, a mechanical linkage, between agreement to participate in sectorals and the coefficient in the formula for all tariffs. It was a kind of credit system: participate in one sectoral of X size and you get Y reduction in the coefficient in the formula. The discussion since the last text moved away from that mechanical linkage. Frankly, it is extremely difficult to articulate in a way that satisfies all interests. As I say, all members are different, they all have different levels of interest in particular sectors, they all start from a different starting point in the race. It is very difficult to come up with a mathematical formula that would capture everyone's possible interest and sensitivities. The discussion moved more towards a soft link, what some referred to in the

debate as a political linkage, between agreement on sectors and the level of ambition in the formula. That is what I have now described in the document. For those of you who follow this negotiation too closely, it moved in the document, so if you do not find it in paragraph seven at the end do not panic, read the beginning of the sectoral part of the document in paragraph nine. It is a very obvious linkage that is being made. It says that some members will include the results in sectoral agreements in their calculation of the overall balance in the deal, including what goes on in the formula. That is a very sensitive issue for many members who believe that the basic balance does not include the sectorals. I have always said in the negotiating room, so I am not shy about saying it here, that in my own view it is impossible to separate these things. I admit that there should not be a hard linkage but there is obviously going to be a soft linkage because both the formula and the result of sectoral agreements speak to the same simple point, and the point is, "What am I getting in relation to what I am being asked to pay?" When we are finished with all this nonsense of building the perfect modalities for submitting schedules, the only question anyone will ask themselves is, "What am I getting in relation to what I am paying?", although even as I say that perhaps I would amend it by saying in this negotiation there is one other question we are supposed to ask ourselves, and that is "Does it all pass the red face test on development?" I would point to those issues as the most important things that go on in the document. I have not changed any of the numbers, any of the ranges in respect of the formula. That is because most members can accept those numbers as the basis on which to negotiate and in respect of those few who indicated that they cannot accept that, they proposed no other numbers that reached a consensus, so I had nothing to replace these numbers with. The document is very substantially thicker now because it includes all of the detailed proposals on sectoral agreements by the proponents, so they have been attached. They were to be submitted by the time we agreed these modalities, so now we have them. The final issue I would draw your

attention to with respect to the modalities is recently acceded members, and in particular those recently acceded members who will apply the tariff cutting formula. There are four of them. The one that everyone is watching is China, being such a large trader in respect of NAMA. In respect of China the current state of the debate on recently acceded members is that there is a footnote in my text which indicates that at the time the formula is agreed members will consider the matter of whether further flexibilities are required for these members, including China. China's position, and it has been very agreeable to all the other members, has been, "Why don't we talk about this later when we know the level of ambition in the formula?" and then both sides will see to what extent it would be necessary or agreeable to provide further flexibilities to one of the world's largest NAMA traders. The provisions were simplified in respect of the one provision that everyone agrees on for recently acceded members, and that is a longer implementation period than other members. In the previous texts there had been provision both for a grace period and a longer implementation period than other countries. In the last text two or three years of grace on a line-by-line basis, either a two year grace period since you complete your accession obligations or, in the Chinese version, since January 1 2003 that same provision would apply. The difference between those two options on the grace period was something like a couple of tariff lines or 2,000 tariff lines being involved. Members agreed that was rather a wide range to hand to ministers to grapple with, so they widely agreed that perhaps just the longer implementation period should be negotiated and the grace period was dropped altogether in the text last night, but the range for longer implementation moved slightly towards the longer end. In my last text that range was two to five years and in this text it is three or four years. We dropped the numbers off the bottom and the top. In the case of China, the implementation period would be the ten years agreed for developing countries plus three or four. As I say that I would like to make it clear that there are tariff reductions beginning in the first year. We are not waiting 14 years for tariff

reductions to begin in China. I have heard the provisions of my last text described in that way sometimes. What this means is that instead of dividing the total tariff reduction that is required by ten, you divide it by 13 or 14 but it begins in the first year. Those are what I would describe as the principal issues and where they stand in this text.

Q485 Chairman: Professionally, Ambassador, having been in charge of this process, are you sufficiently pleased with progress to think that it will bring the Americans along? How good shape do you feel you are in for the Ministerial, I guess, is the Committee's question?

Ambassador Stephenson: I think what shape we are in in respect of the Ministerial goes well beyond the United States and, in relation to your question at the beginning, well beyond Germany. It does deal with issues way beyond NAMA and the balances that have to be struck. I do feel that we are in better shape for the Ministerial in the sense that there are more issues that have been resolved and taken off the table for their discussion, which is critically important. In two, three or four days of ministerial discussion there are only so many hours, with five minute interventions on each of the issues by 30 or so ministers, the math becomes rather simple and too many issues will not fit. Moreover, there are some key issues that will drive resolution of the others. I think this text removes some of the issues for them, although obviously on a tentative basis because nothing is agreed until everything is agreed in our business. It does make most of the issues a matter of the numbers and not the architecture, so the negotiation before ministers is relatively straightforward. It makes most of the options on the issues very clear, ministers pick A or B. We are in better shape, but I do not think we are in the best possible shape. Both the Chair of Agriculture and I have committed to use the time remaining before the Ministerial Meeting on the 21st to try to resolve further issues, in particular the issue of the treatment of preference erosion in both agriculture and NAMA. In agriculture it is closely linked to the treatment of tropical product. We will do further work next week to see if we can get those issues fully resolved for ministers. We can still do better

in the few days remaining. I am feeling not too bad about the shape the text is in now for ministers to deal with. With respect to the issues of principal interest to the United States, the overall balance in the market access, is it ambitious enough, and, in particular, including sectoral agreements is it ambitious enough, the text allows for a result that they could agree with. I do not take this as my own judgment, I take it as a reading of what they have said in the negotiating room. They have made it clear that at the bottom end at least of each of the ranges and numbers, including some key sectoral agreements, they could perhaps agree to an outcome in this text. They have made it clear that at the high end of the range and all of the numbers and without sectoral agreements they probably could not. Certainly the text allows for a possible outcome. With respect to the concerns of Germany, as I understand them, because they are represented in my discussion by the European Commission, the anti-concentration provision is one of keen interest to Germany. I think that the text now provides an architecture in which that debate can be engaged by ministers in ten days' time.

Q486 Lord Maclennan of Rogart: Thank you for that very fascinating account. Arising from what you said, that nothing is agreed before everything is agreed, is that within the self-contained NAMA package or could it be skewed by what goes on in the discussion on agriculture? Secondly, you said that there was agreement all round to talk about China later. Does that agreement include the United States, which is usually rather sensitive to the Chinese questions? I would be interested to know how that pans out. Thirdly, were there any significant non-tariff barrier issues being considered in the discussions? Fourthly, and this is really a repetition of the question about America but in another way, you said there are a lot more issues than that, but all the evidence we have been getting has suggested as far as America is concerned their stance on the agricultural package could ditch the whole thing and if they are not going to ditch the whole thing they are going to have to have something to sell.

I suppose I am really asking whether you can add anything to your judgment of whether they have got enough to sell.

Ambassador Stephenson: Let me take the easy parts first! With respect to the single undertaking, nothing is agreed until everything is agreed both in NAMA and the Round as a whole. Although we are now working to try to reach an important milestone in agriculture and NAMA, that is to say the rules for preparing your tariff schedules and then the examination of schedules, until all parts of the negotiations are completed, we hope towards the end of the year, and until we are ready to agree a single undertaking on it all, none of it is a legal undertaking. I would say that there is an important balance inside NAMA. I think I described the formula in sectorals as one of them, but there are others that need to be reached or there is no deal in NAMA, and beyond that it is all of the rest. With respect to China and the comfort level of members to take up the issues of China finally at the end, my judgment is that the United States can accept my footnote and that approach. I would not say that they are entirely comfortable, nor perhaps are any of the members, until that discussion is engaged and concluded. China is a tremendously important NAMA trader and of keen interest, if not sensitivity, to almost every member. I would certainly say that is true of the United States and from my observation I would say it is true of Europe, but that is perhaps the one consensus in the entire membership. With respect to non-tariff barriers, I should have perhaps included them in my opening remarks about key issues, but they are to be negotiated in a second stage of the negotiation. What is of interest in this text is that there is a wide convergence, it is not a full consensus until the negotiating group actually signs off on it, on a narrower list of proposals that have been made as the ones that deserve particular attention, that is to say they are the priority issues for the negotiation. They are listed in my document and there are six or eight of them, beginning with the one that enjoys the widest support, very, very broad support, and that is what has been referred to as the horizontal mechanism. It is an

arbitration procedure for future NTB disputes. At the moment the problem with NTBs is you are faced with either raising the issue in the dispute settlement system, which is lengthy and costly, and not well-suited to an NTB dispute that may involve goods sitting at a border, or the standing committees and, again, they do not meet very often and have no strong arbitration system. This is to provide a mechanism in-between those two options. I would say that the list we now have is a very realistic list. In my experience in two and a half years in the chair, non-tariff barriers get the best speeches and the worst proposals. Everyone will tell you that tariffs are no longer the central issue in respect of market access, it is the other kinds of barriers, but when you ask members to define those barriers and their proposed solutions, they struggle. That is an observation I have made about NTBs.

Q487 Lord Maclennan of Rogart: Do they deal with the treatment of labour and that sort of thing?

Ambassador Stephenson: No. They deal mostly with sanitary and phytosanitary rules, technical barriers to trade. They deal with trying to agree international standards instead of having to deal with everyone's national standards, and how those are administered through recognition of conformity of assessment and things like that.

Q488 Lord Moser: I want to ask you something about the possibility of a breakthrough, but before that can I ask one question about your initial statement on the contents of the paper. I think I was following you when you were describing the complexity of the linkage between all the different numbers, and I think you used the word "mathematical" at one point. I was intrigued by the change from hard to soft linkages. To me that could mean one of two things that are quite different. One could mean that instead of the linkage being in precise numbers, it could be in precise numbers with margins of error, so to speak, so the hard becomes soft because there is a range, or it could mean something quite different, namely it could remain

hard numbers, precise numbers, but less commitment to agree to everything. Which of those two things did you mean? I am sorry to be stupid.

Ambassador Stephenson: As I have often said in the negotiating group, sometimes if you are not confused you are not paying attention! With respect to the hard and soft linkages, the soft linkage does not mean a wider range of numbers. In this instance it means simply language in the text that signals to other members that there is ---

Q489 Lord Moser: “Don’t take the numbers too seriously”!

Ambassador Stephenson: Indeed. In respect of the sectorals, it is only to signal that my agreement to certain numbers on the table in respect of the formula, the coefficients and the flexibilities that apply to the formula for developing countries, is linked to whether or not there are going to be results in sectorals of interest to me. That is what the text now very clearly says. That is sensitive for a lot of members who believe that sectorals were always intended to be top-ups, always intended to be voluntary, therefore they were only intended in sectors where it was of mutual interest to go beyond the formula and for that reason principally developing countries and defensive developing countries insisted that the decision on sectorals must be made after there is agreement on the formula and no linkage should be made. As the chair, I can only reflect honestly what I heard from all of the members, and some of the members were telling me that there is a linkage, and I think it is a fairly obvious one, which is the one I described earlier. Those members were saying that some time in the process of agreeing the formula, and I suppose this now means some time the week after next when ministers are sitting at the table in the so-called Green Room battling out the numbers on the coefficients and the flexibilities, they are going to get to a moment where someone has asked for a particular number and someone else says, “Well, I can’t quite get there, but what are your intentions in respect of the sectorals?” That may happen at the table or it may happen at the coffee break, but I am almost certain it is going to happen. Whether or not there

is a hard link, a formal agreement, or whether or not there are simply understandings between ministers, I do not know. That is what I describe as “hard” and “soft”.

Q490 Lord Moser: Thank you very much for that. Looking to the end of the year, the complexity is totally formidable, frightening almost, and in our evidence we have heard everything from the extreme optimists saying that there will be sufficient progress for it not to be a failure, and the fairly extreme pessimists who say it is all quite unrealistic, this cannot happen. We are here to learn. Taking the pessimistic view, which I hope will not be borne out in reality, that by the end of the year, when I understand you will have left, or so the papers tell me, and it is some kind of failure, what does that mean for the Organisation? What does that mean for the future of the WTO, including its other roles of solving disputes, et cetera?

Ambassador Stephenson: With respect to the complexity, I think that is more true of agriculture than of NAMA. In respect of NAMA, it is more the logistical challenge that an end of the year deadline imposes. There is a long procedure after we agree these modalities next week or the week after. You then have to prepare your schedules, submit your schedules, provide time for members to examine each other’s schedules, then verify them formally in the negotiating group and finally agree. Then there is the complexity of the other issues that may, in fact, make the discussion by ministers the week after next somewhat more complicated than agriculture and NAMA, issues like where are we on services negotiations, where are we on the rules negotiations, including very sensitive issues like zeroing in anti-dumping, fish subsidies for some members, and issues in TRIPS like geographic indications and CBD. There are many tricky issues yet to go. In my experience, these things come to resolution very quickly when people are ready. When I took the job, I was in the job for two or three months and I complained to my chief negotiator from Canada that things moved so slowly, and he said, “No, you haven’t understood it yet, things don’t move at all until they suddenly lurch forward”. That can happen in respect of the entire negotiation. With respect

to this challenge, some members take this to mean, particularly because of the uncertain political situations, particularly in the United States, can this thing be agreed by the current administration, would it face a new administration, et cetera. My question is, what is the alternative? It seems to me the only other alternative is simply to put down our tools and wait until some uncertain point in the future when there is agreement to take it up again. I would rather keep trying and see if we can get agreement and then see what all members will do with it, whatever their particular political situation might be, and there are many more members than the United States that should be of some concern to members. If there is a failure there is a wide concern that it would do damage of a permanent nature to the institution and in particular to the dispute settlement system. I do not think that is necessarily true. Members do very much value the dispute settlement system and it is still held in very high regard by the members and I think they would do their utmost to protect it. We would have to think carefully about the institution. Since I arrived in Geneva four years ago there have been a couple of interesting efforts to look at the institution by the Sutherland Committee and a group initiated by Warwick University, the Warwick Commission, both of which have made interesting suggestions with respect to institutional matters, and in particular the decision making process in the WTO. I would say that on both occasions we skilfully avoided any real debate about those issues, always preferring to keep our eye on the ball in respect of negotiations, particularly if the negotiations are in a hiatus, but perhaps in any event members should really take up those matters in a real debate. That would be my view.

Q491 Lord Moser: In that sort of scenario one does not have to think of a major rethink for the WTO if the Round does not succeed totally, it will evolve but not dramatically change. Is that what you are saying?

Ambassador Stephenson: That is my guess. I think you need to talk to better experts on the matter than me. It will matter very much, if there is a failure, how we failed and on what set

of issues did we fail and how acrimonious was the failure. That will determine when we can take the matters up again and what damage we have done.

Chairman: Indeed.

Q492 Lord Woolmer of Leeds: Can I ask you two things, one relating to your initial presentation and the other about your conclusions given your now wide experience. On the first, I listened carefully to your technical exposition doing your very best to enable me to understand it at least, but if we were trying to explain this to the average intelligent lay person they would not have a clue what we were talking about. That is simply a different perspective of function in life. Taking one sector from the perspective of two different interests in the world, A and B, can you explain all of that? Take a sector, automobiles or some other sector, what are the issues? When the politicians or ministers go back home and explain why they rejected it or accepted it, illustrating it with a sector, can you have a stab at that in layman's language?

Ambassador Stephenson: I would not have picked autos.

Q493 Lord Woolmer of Leeds: Or whatever.

Ambassador Stephenson: But perhaps we should. If you take a sector that is at the top of the list of sensitive sectors for most of the membership you might actually have autos at the top of the list. I suppose near the top of the list would be garments and chemicals.

Q494 Lord Woolmer of Leeds: Take garments.

Ambassador Stephenson: Even in respect of autos, and it provides a good example, what are the issues? The issue is, "Am I getting any new market access?" That is what most of the members are looking for. Also, I would like to point out, "Am I getting a reduction in the bound tariff, even if it doesn't have an effect on the applied tariff and, therefore, it is not new

market access” has a benefit, has a value, and that value has recently been demonstrated by countries like Brazil who have raised fairly significantly their tariffs on garments and other products closer to their bound level. A reduction in the bound level, which often times in members’ rhetoric is completely discounted as having a value, is incorrect. I would say to the average person that the reduction in the bound tariffs of major emerging markets and the applied tariffs in developed countries, the reduction in applied tariffs which will still be significant in respect of most sectors for the major emerging markets that everyone is interested in in this negotiation, are significant. I would say that reductions will provide greater certainty for all sectors and they will provide significant new market access in most sectors.

Q495 Lord Woolmer of Leeds: Secondly, reflecting upon your experience, which is not yet concluded of course, what role do you see for the WTO looking ahead? Given that experience, what conclusions do you draw for the opportunities and challenges that it will face?

Ambassador Stephenson: As to my own experience, and if I just survive the next two weeks it is over, I would say there are new issues in trade that we will have to deal with in the WTO and outside the WTO that will be extremely difficult. There will have to be greater and greater attention paid to the link of the environment and trade rules. I would say that we will have to pay increasing attention to the issues of trade and labour. The issue of energy, that is to say the issue of environment twice, issues of energy trade, will become increasingly important. Going back to the institutional matters, we may have to consider different approaches and putting the emphasis more on plurilateral approaches than multilateral ones perhaps as a building block. I do not like to make that suggestion. It was made in the Warwick Commission report and I fear it may be true. I am hesitant to support it because I think we do have to make the multilateral system work.

Q496 Lord Woolmer of Leeds: Did you mean plurilateral within a multilateral framework or plurilateral bringing together bilateral frameworks?

Ambassador Stephenson: I mean plurilateral within a multilateral framework, although I must say there are a number of examples where members are moving away from the multilateral system and into plurilateral discussions, not just in trade but in intellectual property matters and other areas because the multilateral system is so difficult. When you deal in a room, as I do, with 152 completely different sets of interests and needs and levels of development, it is very challenging. We do have to make the multilateral system work because almost none of the problems can be solved at a national level any more. I think we are going to have to examine as building blocks more plurilateral approaches within the multilateral system, that is part of the future.

Q497 Lord Trimble: A moment ago in reply to Lord Moser you put the question, what is the alternative, either press for an agreement through the remainder of this year or put Doha on ice and wait for some time, 15 months or whatever, until Doha can be resumed. Earlier we had evidence from someone saying he thought it would be satisfactory to end Doha now with an agreement that simply locks in existing tariffs and then resume in 15 months or whatever with something that is new and perhaps more clearly defined than the Doha Development Round. I wonder what your reaction would be to that.

Ambassador Stephenson: First of all, I am not certain that it would be possible to lock in the current tariffs because the inter-linkages of the issues are too great to make that likely. The reason that we have a Round is because the so-called built-in agenda after the Uruguay Round failed. There was a provision in the Uruguay Round to pick up agriculture and services again in five years, because although a framework had been built for those new sectors there was not that much liberalisation, so the Uruguay Round said, "Let's pick them up and pick them up separately as stand-alone negotiations in five years' time". There was this odd theory,

called the bicycle theory, that we had to keep moving forward or we would fall down and hurt ourselves.

Q498 Chairman: We are familiar with it, yes.

Ambassador Stephenson: There was also a view that the WTO would become a permanent forum of negotiation on issues but they could be separate. It turned out that the built-in agenda went nowhere because you need a broader set of interests on the table so that members can make trade-offs and find their own interests in a balance. That is why we have a Round. I do not think that if we, as it were, fail in this Round in the next weeks that we will be able to agree some part of it. With respect to whether or not we can pick up Doha in 15 months, there are split views among my colleagues about whether you can take this mandate, put it in the freezer, take it out, thaw it out and start over. I suspect that is not possible. I suspect there would be too many who would believe that the mandate was flawed and, moreover, that the world has moved on, the set of issues has changed and the ones I described earlier as the future are now the present. The external environment is too important in framing a negotiation to think that is likely.

Lord Trimble: Thank you for that. May I say, had we had our full complement of the Committee here you might not have survived using the phrase, “the odd bicycle theory!”.

Chairman: We have a proponent of the bicycle theory on the Committee who, unfortunately, has had to go home early!

Q499 Lord Haskins: Ambassador, your job in a sense every time you raise the issue of garments or baby carts is immediately 152 officials go scuttling back to the garment or baby cart industry to take a flavour of how this is going to fly. In a way, you are in a great position to judge the pressures that governments are under from business, positive and negative, and from NGOs, positive and negative, on these issues. If you had been doing this job 16 years

go, it seems to me there would have been quite a strong message coming forward on this range of product areas that a deal was important. At the moment there does not seem to be that strength. On the other hand, in Seattle six or seven years there was a great deal of hostility to what was going on, but that seems to have reduced as well. Can you get any flavour from the Member States about what business is really thinking about all this? Are they widely enthusiastic, indifferent, or frightened because of the NGOs? What do you think?

Ambassador Stephenson: I had a two year hiatus in my experience in trade when I was responsible for WTO matters in Ottawa and then I left to work in the Privy Council, left the trade issues completely and returned to them for this job. Because of the two year hiatus perhaps it was easier for me to see and hear a difference in the nature of the debate on the NGO side. It has shifted fairly dramatically and it is much less anti-globalisation rhetoric as it is, "You're doing it wrong". It is not that trade and trade liberalisation are necessarily bad and evil, but rather it should be done in a particular way. That is interesting. On the one side of the table the debate is a much more realistic and constructive one than it has been in the past, so there is less NGO opposition. The important qualifier on how you are doing it is, are you doing it in a manner that is respectful of the environment, that does really contribute to development, et cetera. With respect to the business side of the equation, I would not describe the business interest as strong as it was in the Uruguay Round and I would say that for a number of reasons, or at least my guess at the reasons. First of all, trade negotiations take over, and they know that, so there is a kind of attitude of, "Wake me up when it gets serious". The focus is always on the next quarter. I would say that a lot of what we are talking about, and certainly this is true of those with important regional interests covered already by regional agreements, and maybe that describes NAFTA, the gains in the round will be incremental and important. They will be pleased with any new market access that arises, but it is incremental gains in market access so that the interest is attenuated a little bit by that.

I would certainly say that there is continuing and sufficient interest in what is on the table, and I would say that despite some of the rhetoric of the business community. It is interesting that rhetoric is not always what you hear in private discussions with representatives of the business community. I think that interest will be greatly increased as we move past modalities and into sectoral agreements in NAMA and services because it is essentially a kind of sectoral discussion in services. What will be at issue is my sector, my business, so there will be a great deal more attention to the detail of the negotiation. I suppose you have already heard this in my voice, but I take the public rhetoric of one and all with a grain of salt. In particular, I note that the European business community some time ago was saying they wanted a result of the Round in respect of emerging markets to be tariffs that for the most part were below 15 per cent and when I explained that a Swiss 20 in the formula in NAMA would do that, they changed their position to wanting lower than that, so I do not know. Do I sound a little cynical? I am sorry.

Q500 Chairman: You sound judicially like a man who is reviewing a great deal of experience. It is very good of you to have come and shared this experience with us. We are most grateful for that very clear exposition of where we are at. I do wish you luck. It is the Lord's work you do, as somebody once said to me. It would be wonderful if this Round could succeed.

Ambassador Stephenson: Thank you for the privilege.

Chairman: Thank you very much.