

FRIDAY 11 JULY 2008

Present

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

Witness: **Ambassador Gail Mathurin**, Permanent Representative of Jamaica and Co-ordinator of the ACP Group, examined.

Q518 Chairman: Good afternoon. Thank you very much indeed for having us, Ambassador.

Ambassador Mathurin: First of all, may I welcome all of you to the Jamaican Mission in Geneva. It is certainly a great pleasure to have you here this afternoon and a great honour for me to meet and interact with all of you.

Q519 Chairman: If I might just remind you of how we operate. Sue is taking a transcript of every word, but you will get a look at it before we publish it at the back of our report. We particularly wanted to see you because we want to concentrate our questions on the matters of particular interest to the ACP countries and the Economic Partnership Agreements. If I may, I will start with a question on the Economic Partnership Agreements. Do you think that the Economic Partnership Agreements are fair to developing countries? Other witnesses have tended to tell us that the European Union is applying a divide and conquer approach to its negotiations. Is this overstated or is this fair? Would you like to tell us a bit about the problems with them?

Ambassador Mathurin: First of all, I should signal that I am a step once removed from the whole EPA process. Obviously our Mission in Geneva made inputs, but we were not directly

involved in the negotiations because this was done mainly from the capital. We have followed the trade negotiations very closely. Our region is unique in the ACP Group at this point in that we initialled a full EPA that had goods and services as well as some of the disciplines. Certainly you are aware that there has been much comment in my region about the validity of this agreement, so at this point I would like to focus on my own Government's position.

Q520 Chairman: That would be very useful.

Ambassador Mathurin: Which is that we recognise that we are operating in a changing global environment and there is a need for our economy, and by extension the economies of our regional grouping, to insert themselves into this new global trading environment, and we see EPAs as one such vehicle. We accept that there are going to be many challenges in implementing the EPA because it is the first agreement of its kind, the first reciprocal trade agreement that we have signed with a group of developed countries where the level of economic development is so different, so wide. We accept there are going to be many, many challenges. At the same time, we see this as one of the vehicles which we can use to further modernise our economy and hopefully bring benefits to our citizens. The challenges are great because what the EPA will do, for example, is to make many of our traditional exports face more competition. That is not so much because of the EPA but more because of what is happening at the multilateral level and that is one of the issues that we are very much involved with in the context of Doha. Also, the element of reciprocity, asymmetrical as it is, is an important factor in trying to build greater competitiveness within our own economy. The present Government of Jamaica feels that times have changed since the preferential arrangements which we had before, so we are going to have to adapt to a new environment and the EPA is one such vehicle. However, this is not in any way to minimise the challenges that implementing the EPA is going to bring. I scribbled some figures earlier today. They are

some conservative estimates that the cost of implementing the EPA in the Caribbean could be somewhere in the region of about €400 million. This is taking into account the policy changes that we will have to put in place, the regulatory changes that we will have to put in place, as well as the loss of revenue. This is against a background of countries like ours still having a relatively high dependence on trade taxes, customs duties and related taxes. This is going to have to change once we start admitting European goods duty free into our own markets.

Q521 Chairman: That is a brave step.

Ambassador Mathurin: Personally, I think it is. As I said, there is still a great deal of comment and uncertainty in the region, but it is a step forward that we feel we have to make at this time. We are confident that given our longstanding relationship with the European Union and with members such as the United Kingdom that should we have difficulties along the way we will be able to sit down with our partners and see how we can address those. If that sense did not exist then it would have been difficult for us to move forward on an EPA. There are going to be challenges, there are no two ways about it. There are going to be different parts of society that are going to benefit and others that might not. These are things that we are going to have to manage, but we hope we can do this collectively with our partners.

Q522 Chairman: That is very helpful, thank you. I am very interested in anybody who has signed an EPA and thinks they are happy with it. I have heard people grumble, but rather in the abstract, not against the background of having signed one and being ready to make it work.

Ambassador Mathurin: I would like to touch on some related issues which are causing some great uncertainty in my region right now with regard to the EPAs. One of the factors that led

us to signing the EPA was the fact that it was one way of insulating some of our traditional trade from further challenge in the WTO by putting it into a WTO compatible instrument. This was on the understanding that, yes, we were going to have to make adjustments particularly in those traditional sectors, and I speak here of sugar, bananas and sectors like that, but there was an understanding that we would have some time in which to do that before the MFN tariffs worldwide came down and increased competition. One issue that is before us in the WTO and is very much linked to the EPA, and it is an issue we are grappling with right now, is the question of what is happening with bananas, for example. Because of the dispute settlement rulings we are aware that some decisions have to be made at the multilateral level which is going to affect the most favoured nation tariff of Europe with regard to bananas. Of course, we in the Caribbean either are in the process of exiting the sector or trying to make the sector more competitive. Particularly in the case of those countries which are trying to make their sectors more competitive, they have started investment restructuring and all sorts of things related to the sector. However, on the multilateral front we see that there could be a decision taken in the next few days possibly, we are not sure, that would significantly reduce the MFN tariff for bananas in the European Union and, therefore, jeopardise our ability to continue selling bananas in Europe. I think it would be totally unrealistic to say that we did not expect change, but we certainly felt that there would be attempts to give us some margin of preference for a period of time while we tried to make these internal adjustments. I can say this is not only an issue affecting the Caribbean, there are African countries which are affected. It is a major issue right now for the ACP in the context both of EPAs and what we may agree to at this upcoming mini Ministerial. The frustration we have with bananas is that it may not even be on the table of the mini Ministerial. We are not involved in the negotiations and as the process unfolds we may not even be able to comment in any substantive way on the decision. I mention this because I sense it could cause problems in the

ongoing EPA negotiations in West Africa in particular. It could also raise issues in my own region with regard to signing the existing EPA. This is a very topical issue, we are all directly involved in trying to find out what is happening as we speak, but we are not involved in the negotiations. There are two elements for us. One is what the actual decision is going to be and the impact of that. The second is the process. Despite the legal parameters set out in the context of dispute settlement issues, it is difficult for us to appreciate that a decision could be taken that is going to have a major impact on so many of us and we are not around the table, we are sending our views by proxy, so to speak. I throw this out just to say that while my Government is convinced that an EPA is a progressive way forward, there are still these possible fault lines which could occur before we reach the signing of the EPA.

Q523 Chairman: If push came to shove, could you live without the EPA – do you get Everything But Arms?

Ambassador Mathurin: Jamaica does not qualify for Everything But Arms. The only country in the Caribbean that qualifies for Everything But Arms is Haiti.

Q524 Chairman: As bad as that.

Ambassador Mathurin: The rest of us are middle income countries.

Q525 Chairman: So you really need that EPA.

Ambassador Mathurin: Yes. The EPA covers key sectors for us, so it is important.

Q526 Chairman: When you say that you are not at the negotiating table, you are one of the members of the WTO.

Ambassador Mathurin: I think we need to look at this broader issue. There is a lot of reflection in my region as to whether the multilateral trading system is really bringing benefits for small countries. The banana issue falls clearly under the dispute settlement mechanism.

The region has been taken to the panel, the panel has ruled against the EU and we understand that the EU has to address the panel's rulings. That is the legal situation, but the WTO is also a political organisation. We are members of the WTO and still having difficulty at the political level. The technicians may understand it. At the political level we are still having difficulty coming to terms with the fact that the WTO can take decisions regarding exports that we have, markets that we have an interest in, and yet we have no input into the process. Because that is a reality of the dispute settlement mechanism we were not a party to the dispute, the dispute had to be resolved between the two parties, in this case what are known as the MFN suppliers of bananas and the European Union on the other hand. The impact of the decision is going to have profound implications for ACP countries.

Q527 Lord Trimble: I know nothing about the mechanics of the dispute resolution mechanism, but I can see clearly that an action has been brought against the European Union, you are not directly a party to it but are seriously affected by it. Is there no way within the mechanism that you could be joined to the proceedings or you could have gone into the proceedings in order to give the panel taking the decision your view on the matter and your view as to how things could be resolved? In purely legal proceedings there are very often provisions whereby other people can come into proceedings when they are directly affected to the extent that you are? Was there no such opportunity?

Ambassador Mathurin: We were third parties in the dispute hearing but the ruling ultimately went against the European Union so the settlement is one which has to be found between the parties. As I said, one appreciates that legally but ---

Q528 Lord Trimble: So you are actually past the dispute resolution mechanism where, the ruling having gone against the European Union, the European Union is now negotiating with the other party?

Ambassador Mathurin: Exactly.

Q529 Lord Trimble: So your only input into that is via the European Union?

Ambassador Mathurin: That is right. Also, we have put our case to the MFN, to the other side as well, but they hold on to their legal rights in this issue. I am just saying the WTO is also a political organisation and it is difficult for members to totally accept that they cannot have a political input into something which is going to have profound economic impacts. This is the case for many of us in the Caribbean. Your visit has come at a very interesting time. There is a lot of unease in the ACP Group right now about (a) what will emerge and (b) the process.

Chairman: I think this might bring us to the question that Lord Woolmer wanted to ask.

Q530 Lord Woolmer of Leeds: This is taking the views of the ACP on the Doha Round and where things are at. Within the ACP countries, are the views of the different countries aligned with each other as a single view or even within ACP are there differing views and different interests?

Ambassador Mathurin: We are about 50-odd countries here in Geneva and within any group of that size you are going to have differences.

Q531 Lord Woolmer of Leeds: But significant differences?

Ambassador Mathurin: No. We came together because we have interests in common. We all have a particular kind of relationship with the European Union and our domestic economies are not that dissimilar in that they tend to be vulnerable. We came together and had this relationship which is directly with the European Union, but because the trade interests remained pretty much the same we came together in the WTO to promote our interests. Yes, we have divisions within the Group but we have been very successful,

certainly while I have been here, in working out those issues in order to present common positions to the wider membership and to pursue those. That has been very important for the ACP Group but it has also been important for the negotiating process in the WTO overall. Frankly, I do not think it is given enough credit, but the fact that there are groups of countries which have common interests who can get together and speak through one voice greatly assists a negotiating process that is among 151 countries.

Q532 Chairman: The Chairmen of the NAMA Group and the Agriculture Group, who we saw this morning, did comment on how much it facilitated negotiations to have groups who did, in fact, get themselves together.

Ambassador Mathurin: Exactly.

Q533 Lord Maclellan of Rogart: Just reverting to what you said about the consideration by the ACP about multilaterals, we wondered if a contributory factor in that was not just lack of muscle, if you like, but also perhaps a limited negotiating capacity. Are you able to throw any light on that?

Ambassador Mathurin: Yes, we do have limited negotiating capacity and I would suggest that is one reason why our group system works, because we share responsibility and expertise. I fully accept we have limited negotiating capacity and sometimes that is very daunting. I can tell you that when we were negotiating the EPAs, particularly in the last two years, those of us based in Geneva felt the effects because our capitals were so engaged in the EPAs and we did not have enough trade policy expertise on the ground to pay attention at the same time in the same way to the WTO. Fortuitously, I think, we got the EPAs out of the way before we reached crunch time in the WTO. Yes, it is an issue. It is a costly thing for small countries. You are probably aware that in my own region some years ago we took a decision to set up a central regional body for trade negotiations and although that body does not have the kind of

authority that the European Commission on trade has vis-à-vis trade negotiations, certainly they bring us together and marshal our position in trade negotiations. The establishment of that body was one response to the challenge of limited trade negotiating capacity.

Q534 Chairman: Not, of course, limited ability, but we did see it might be difficult to do two sets of negotiations at once, and I am glad to have confirmation that this was not just a rumour, it was actually difficult.

Ambassador Mathurin: Yes, it certainly was.

Q535 Lord Woolmer of Leeds: On the question of the Doha Round, you kindly answered the point about the extent to which views were aligned, but what is the assessment from the ACP perspective, now the latest document has been published, of the position as it may unfold in a week or two's time?

Ambassador Mathurin: The latest revised text, unfortunately, still leaves two major issues outstanding for the ACP Group. We knew that it would. We are going to have to play catch-up between now and whenever the Ministerial starts. The issues of preference in agriculture and industrial products are not resolved. Those are two major issues for the ACP Group and it is really a broader issue related to the banana issue. There is still a lot of convergence which we have to find, particularly in agriculture, because our proposals are in direct opposition to the proposals made by the group known as the Tropical Products Group who want immediate liberalisation of tropical products in markets like the EU and, of course, we would like a little more protection so that we can get our EPAs underway. It is the same situation in NAMA except that there is not a Tropical Products Group in industrial products, but because some of the exports of ACP countries are textiles imports we then run right into the interests of the major textile exporting countries.

Q536 Chairman: If I may get this clear, it is that the preferential tariffs you enjoy would be eroded?

Ambassador Mathurin: Essentially, yes. The general approach we are taking is just to have that tariff reduction process slowed down somewhat. Essentially, that is what we are seeking.

Q537 Chairman: But that has not gone your way, or has not gone your way yet.

Ambassador Mathurin: Let me put it this way: we have not reached convergence on it. I think it is too early to say that it has not gone our way.

Q538 Chairman: I meant merely that it has not gone your way so far.

Ambassador Mathurin: It is still one of the major outstanding issues in both texts. There are some other issues. We have an interest in the Special Safeguard Mechanism on agriculture and measures that would apply to some of our members, not all, are still in brackets.

Q539 Chairman: Could I just get you to confirm how many World Trade Organisation members are in your group.

Ambassador Mathurin: You have put me on the spot here. It is 50 something, I think.

Q540 Chairman: It is a lot, in fact

Ambassador Mathurin: Not all of the ACP countries are members.

Chairman: I have just realised that it is the purple circle on this wonderful document that Monsieur Lamy gave us yesterday. That looks to us about 50.

Q541 Lord Trimble: This is a slightly more general question. We are hearing quite a bit these days because of the rising food and oil prices, and we are hearing a lot more about protection and we have had the comments from President Sarkozy about some comments

emerging from the US Presidential Campaign. We wondered what the view of Jamaica and the ACP would be on the prospect of protectionism or an increase in protectionism.

Ambassador Mathurin: I would not pretend to speak on behalf of the ACP Group on this one and I am not sure that what I will convey to you I would describe as a Jamaican view. We are in a very difficult situation globally. The issue of rising food prices is a major, major concern for us. May I suggest this is why we are even more agitated about the banana issue. What is being said to us is that at a time when we have to find increased foreign exchange to buy food, exports could be cut off dramatically. It is a major issue. CARICOM, my own region, put it on its agenda some time last year. In fact, it was even before it became an issue internationally because we have been grappling with this for nearly a year and a half on these rising food prices. The protectionist approach is a little disturbing in the sense that many of us had to go back to the drawing board on agriculture and look at ways in which we could increase our agricultural production for food security purposes and a variety of reasons, investment in agriculture had fallen off, it was the sexy thing at the time, or whatever. We have now had to go back to the drawing board. If protectionism is manifested by subsidies then it is an issue of concern because we see better opportunities for our farmers when subsidies go. At the same time, the high prices also give our farmers an opportunity which they may not have had before. It is a very complex situation but it is an issue of major concern. In my own region we saw what happened in Haiti: the food crisis removed a prime minister. Politically, it is a very, very sensitive issue in my region. At the same time, we would not want to see increased protectionist measures put in place by other countries, although I have to say we are somewhat sympathetic to those who have put export restrictions in place because we realise that they, like us, are grappling with this concept of food security and, of course, you are always going to take care of your own population first. This phrase “food security” was not in the lexicon maybe two years ago, but it is now being discussed in a

very serious way. If you look at what are perceived as protectionist approaches in the context of food security then I think one's views are a little more nuanced. The natural instinct of governments is going to be to take care of their own populations.

Chairman: It is very strange, is it not, I have spent my adult life listening to talk of surplus, so food security is a new concept for all of us.

Q542 Lord Moser: Just going back to your remarks about what you diplomatically called the lack of convergence that remains. If the worst comes to the worst and there is not a breakthrough now and there is some kind of failure, perhaps not total failure, how serious is it from an ACP and perhaps Jamaican view in particular?

Ambassador Mathurin: There are going to be mixed results. For some the status quo is not that damaging, quite frankly. At the same time, we recognise there are certain proposals on the table that have the potential, particularly in agriculture, to reform the world agricultural system which will bring benefits to many of us in the developing world, particularly the 'A' part of the ACP group. If we miss this opportunity to take a decision, particularly on the subsidy issue, we do not know when next we will be able to take it again. I think it is a mixed picture. There is an element which, interestingly enough, never gets discussed very often and that is the resources. What we have seen during the Doha Round is increased participation of developing countries, particularly developing countries like my own, members of the ACP Group, but there has been a cost.

Q543 Lord Moser: I do not quite follow that point.

Ambassador Mathurin: The point I am making is it has cost our governments to participate actively in the Doha Round. There has been a cost in terms of maintaining delegations here, preparing the expertise we have had to pull on and so forth. It would be a shame if that kind of investment was just thrown out of the window through no fault of our own because we are

not going to make or break the Round, and that is clear to us. There are some major decisions to be made by some major players, which we are not, but there could be some fallout for us. It is a mixed picture.

Q544 Lord Moser: And for the WTO if the Round fails?

Ambassador Mathurin: That is a debate that everybody has been having. There could be some reason to go back to the drawing board if it fails from the WTO perspective. Maybe we should start asking ourselves the question, given the expanding membership of the WTO, can we, in fact, have these large global Rounds? I do not know, I do not have an answer. If it fails perhaps we need to go back to the drawing board, yet what do we do with all the work we have done so far. It is not just the ACP Group, it is the whole WTO community. The direction in which some of the proposals are going would bring benefits. One would not want to see that thrown away as well. Yes, the WTO will lose something if there is failure, but is that the WTO's fault? The WTO is made up by its members and it is its members who would agree or not. I am not sure one can blame it on the institution per se. It is an ongoing debate and I am not sure I can come down one way or the other on it.

Q545 Chairman: It is a fascinating subject, Ambassador. I have probably got time for a two-part question. If this Round fails, do you think the dispute settlement system remains legitimate in the absence of continuing liberalisation? Say the Round just simply fails and everybody decides to go home, does that leave the dispute settlement system intact from your point of view?

Ambassador Mathurin: From a legal point of view it will leave the dispute settlement mechanism intact, but, as I was suggesting in my earlier discussion, if you do not have a political side to the WTO and leave it just to dispute settlement then I would not be surprised

if many smaller countries start to question whether you can deal with trade issues totally by legal or quasi-legal rulings. Again, I am not sure I can come down on one side or the other.

Q546 Chairman: It is to illuminate only.

Ambassador Mathurin: I think that the political role or the political function of the WTO is a very important one. If you only have the dispute settlement mechanism, while all of us say we want a rules-based system, at the same time a rules-based system that frankly does not take account of the social and economic impact of its rulings is going to be questioned half the time.

Q547 Chairman: Without the political legitimacy that goes with it, it does not stand.

Ambassador Mathurin: Precisely.

Q548 Chairman: As a final ask to look into the future, if this Round fails do you see a use for the WTO? What can it do next?

Ambassador Mathurin: I had noted the question on the list and I must admit I do not have an answer. I think we will all have to go back to the drawing board. The international community collectively will all have to go back to the drawing board. Perhaps we have to be more nuanced in our rule making. We are beginning to see it. Let me just give you an example: for the first time the WTO is able to craft rules which are applied to a category of country called small and vulnerable economies and it is an important step forward. I think we are probably going to have to be far more nuanced in our rule making if we are going to continue with a multilateral trading rules-based system.

Chairman: Thank you very much. A very useful answer. I am sorry we have to rush, but it was very good of you to see us. We have not heard an enormous amount from the ACP countries and it has been very useful. Thank you very much.