

THURSDAY 6 DECEMBER 2007

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Present

Cameron of Dillington, L.  
Dundee, E.  
Greaves, L.  
Jones of Whitchurch, B.  
Plumb, L.  
Sewell, L. (Chairman)  
Ullswater, V.

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Witness: **Mr Peter Mandelson**, Commissioner for Trade, European Commission, examined.

**Q740 Chairman:** Good afternoon.

**Mr Mandelson:** I am the Trade Commissioner, not the Agriculture Commissioner by the way. I just thought I would enter that caveat.

**Q741 Lord Plumb:** Agriculture relies on trade.

**Mr Mandelson:** Yes, and we are doing rather well on that basis in Europe. I think we are probably the biggest agricultural exporter in the world, just about. Why is that? It is because we have become more efficient, more market-oriented with a rather useful and beneficial reform process that needs to continue, and I suspect will.

**Q742 Chairman:** We have got very high hopes that it will with a degree of acceleration.

**Mr Mandelson:** You were kind enough to indicate the areas of questions you wanted to put to me. I have got wonderful answers for you here. I am not at all sure whether it would not be better for us to have a political conversation and I simply leave you with the answers. They are quite interesting answers and they are very full.

**Q743 Chairman:** They are going to take a long time for you to read out.

**Mr Mandelson:** Yes.

**Q744 Lord Cameron of Dillington:** That is a good idea.

*Mr Mandelson:* I honestly do not see why not. It does not make too many disparaging remarks about our Member States, I hope, the less reform-minded of them! Anyway, how would you like to play this?

**Q745 Chairman:** I think it might be useful to have a general discussion.

*Mr Mandelson:* Bearing in mind that you must throw me out by twenty past three because I have got to receive somebody at half past.

**Q746 Chairman:** It would be useful if we could have the formal answers and spend the time on a discussion.

*Mr Mandelson:* Do you want to know in the first instance what is going on in the Doha Round?

**Q747 Chairman:** I think that would be a useful start. That was the first question in any case.

*Mr Mandelson:* The agriculture negotiations are the most complex, the most detailed and most advanced. It does not say a great deal for the other sectors in the negotiation, but they are. They are now text driven. We had the chairman's text before the summer. On domestic support, I would say that we are close to an agreement for the final language that we want to see and can agree on the "green box" which allows us to continue with the Single Farm Payment scheme to allow the transfer of entitlements and to assure the continuation of our rural development programme. It is very important for us to be able to protect the "green box" because that "green box" represents, and is the vehicle for, the non-production linked rural development driven basis of our reform policies. We are well ahead of the United States in our reforms, as you know, because they are nowhere on their reforms, they have not agreed

any reforms, and the Farm Bill which has now been agreed in Congress is certainly not reform driven. It is marginally different but in its overall effect just as bad as the 2002 Farm Bill. They are not yet signed up finally either to the reforms of their trade distortion programmes in their “amber box” and their “blue box” or to the overall ceiling on their trade distorting subsidies. The US will come on board at the last moment in the endgame, if we ever get to the endgame in these overtly negotiated negotiations. On market access we have got the proposed ranges of the tiered formula for tariff reductions which are a perfectly acceptable basis for a political agreement in my view. The chairman is not proposing in the range that he has tabled anything that we cannot live with, assuming that we are coming somewhere in the mid or upper end of the range which is not the most extreme. There you get into a lot of very detailed fine-tuning of our offer: what sensitive products are agreed within the overall tariff reduction formula that is in place; the treatment of our sensitive products. They cannot ask us to do everything, they cannot ask us to have the most ambitious tariff reduction overall and the most generous treatment of our sensitive products, generous from an exporter’s point of view rather than our own, with the most extreme consumption data used as the basis for this treatment of sensitive products. They cannot have everything. With due swings and roundabouts we can get to a point where we are certainly arriving at an ambitious and generous outcome in this negotiation, but we have to have flexibility in how we arrive at that generosity and that ambition. I think they understand this. This is the most sensitive area for our Member States, right down to the last cut of beef. This is the most sensitive for our Member States and the most difficult for us to handle internally within the EU and, therefore, in negotiations we are undertaking with our partners. At this stage we have not declared any final list of sensitive products and ultimately that designation will depend on the treatment that is agreed within these negotiations of those sensitive products, what the outcome is on the special safeguard measure that currently exists and we want maintained. We have not reached

that stage yet but our negotiating partners and those who have the most ambitious designs on our agricultural markets - the US, Australia, New Zealand, Brazil, Argentina - know pretty well what we can do in the final endgame of this negotiation. That depends not only on what we can and will do, it depends on what others are prepared to do both within agriculture and other sectors of the negotiation. We are not going to be taken to the cleaners and back whilst everyone else is sitting in roadside cafes having their third cappuccino, thank you very much. They have got to make efforts of their own. This is particularly the case in export subsidies. We have given a commitment, as you no doubt know, to phase out all our export subsidies by 2013 and to frontload a lot of their removal two or three years before that, but the United States has got obligations and Australia and New Zealand have got obligations. You asked me a question about New Zealand and if you look at the small print of what they do and get up to, New Zealand has rather carefully maintained export arrangements that favour their producers and exporters. They are not completely pure, the New Zealanders, and they have got to step up to the table and deal with the export subsidising aspects of their own policies in their own machinery. On geographical indications, those are very, very important for our southern Member States. We do not have many friends on geographical indications in these negotiations. They say it is a matter of legality and economic interest, but I think it is more a question of ignorance, prejudice and cultural misunderstanding on their part. Anyway, we continue to fight for a reasonable outcome on geographical indications. We will know where we are finally when we have the revised chairman's negotiating text and that is due to appear at the end of January. That will reflect all the detailed negotiation that has taken place since the previous chairman's text. It is very, very important, not only for its own agricultural sake but also because it is the key to the negotiations in other parts of this round. Brazil will say to you, "Well, we will see what we can do on industrial tariffs or services when we see how much of the lemon we have been successful in squeezing every last drop from" and that will

be reflected in the chairman's next revised text. The end of January, beginning of February will be a very crucial time for these negotiations. If you are ask me what I think the chances are of agreement being made in 2008, I would have to say no more than 50/50, and perhaps I am being my usual optimistic, sunny self in saying that. These are hard. If we do not manage to get a breakthrough in 2008, and early in 2008 because it will then take six months to do the detailed negotiating, we will have a change of administration in the United States and even an incoming US President who was keen and interested and committed to taking up where President Bush left off would need a good six to nine months to see themselves into the negotiation. As we have already learned from Mrs Clinton in her interview in the *Financial Times*, she is not going to take up where President Bush left off. She is sceptical about trade, she says. Whether this is simply for the purposes of winning votes in primaries or whether she would carry that view into office should she be elected, it is very difficult to say. We will certainly strive for a balanced deal in 2008. This is the only way in which we can make the maximum use of the CAP reform of 2003 is to get that bound into the WTO and made irreversible in international trade terms. We need this agreement and our trading partners need this agreement from us.

**Q748 Chairman:** Some ten years ago we had an EU which was pretty reluctant to reform its agricultural policies and we had the threat of the WTO there to sort of prod CAP reform on. Is it right to say that the emphasis has changed a bit now, that the 2003 reforms have set the direction of reform of European agriculture and really it is not that WTO has ceased to be a prod but we are not as far off the game as we were ten years ago?

**Mr Mandelson:** I think the main drivers of reform have been internal considerations, not external pressure. I am not saying the external pressure has been non-existent or unimportant, it has been present and we in Europe are good boy scouts and girl guides and if we see an international negotiation coming along we prepare properly for it, we carry out our reforms so

that we can then use those reforms as the basis of tabling a generous offer in a multilateral trade round. We are the first, second and third multilateralists in the world. We believe in, and also benefit from, a rules-based international trading system with a strong WTO at its heart. For us, seeing the success of the world trade round is very, very important. When it was launched in 2001 we knew that agriculture would be a dominant issue, quite rightly. Agricultural reform internationally negotiated and multilaterally driven did not take place in the previous Uruguay Round and we took on commitments but, frankly, we were pretty evasive about implementing them. There was no real reform in Europe driven by the outcome of the Uruguay Round. Is that too strong a statement? I do not think so. We knew that the time would come with this round, should it be launched, when we had to step up to the table and be instrumental in bringing about a fundamental restructuring of agricultural trade which requires a very substantial reform of our internal arrangements. The United States tends to do it differently. Rather than reform first, table second and then negotiate a satisfactory outcome, the United States has chosen to negotiate first and then reform afterwards should the negotiation be successful. The problem with that approach is it has left a lot of open-ended question marks about where the US will end up, what they will be prepared to do, what they are negotiating into this round and it has bedevilled us in these negotiations that those who have met the demands of the United States have never been clear, and are not clear even now, what the US at the end of the day will be prepared to sign up to and do, whereas in the case of the European Union they know full well, they have taken us further beyond what we initially envisaged doing but, nonetheless, we had a solid base of reform which provided the mandate in the negotiating envelope for me on the trade side. I would maintain my view that although we have chosen to approach these negotiations in that way we have nonetheless seen reform being driven more by an internal recognition and desire to reform for its own sake than to

provide us with a basis for negotiation in a world trade round, and that is what I think will remain the case.

**Q749 Chairman:** Can you help us solve the riddle of Mr Sarkozy, on the one hand saying things which are fairly liberal ---

*Mr Mandelson:* Really, what were those?

**Q750 Chairman:** Every now and then there is a word but basically there is still a lot of semi-protectionist stuff coming out.

*Mr Mandelson:* If you look at the small print of what President Sarkozy said in his CAP speech, which was before the summer, he said that we must continue reform but what he actually has in mind is reforming the CAP back towards the original state that it found itself in before the 2003 reforms kicked in.

**Q751 Chairman:** Community preference.

*Mr Mandelson:* Just be guarded slightly that when he talks of reform he may be talking about reform that takes the CAP backwards to what it was rather than forwards to what it may become.

**Q752 Lord Cameron of Dillington:** Apologies, I have to go, I have a formal dinner in Taunton at eight o'clock tonight.

*Mr Mandelson:* Have a good time.

**Q753 Lord Cameron of Dillington:** I must go in a minute. My question is about the integration of the Health Check and your negotiations. Is there anything that really stands out that you would like to see further and more in the Health Check that might help you? My second question is on the question of risk management. The Commission have put forward a

proposal in the Health Check that there is a possibility in the future, which we strongly support, for the CAP to be reformed or even abolished. We feel that farmers should be able to take on more risk management and perhaps there could be a role for the EU to subsidise that, part-fund it maybe through insurance premiums or something like that. There is clearly a risk and talking to Mariann Fischer Boel we heard that might impinge on the “green box” in the WTO talks.

**Mr Mandelson:** I would be a bit nervous of reform moving in that direction because we are starting to become close to the sorts of trade distorting programmes that the United States like to operate. I would be a bit wary of that, without anticipating where Mariann wants to take the reform process. The straight answer to your original question is there is nothing happening in the Health Check that I would either want or expect to impinge on the offers we are making in this trade round. Frankly, in Mr Sarkozy’s view, we are taking our offers beyond what we can afford.

**Q754 Lord Cameron of Dillington:** Can it go further?

**Mr Mandelson:** I would say up to the limit of what we can afford, but there is room for disagreement and there is a very strong view that I am stepping outside the mandate, I am stretching the 2003 reforms to breaking point, that a combination of domestic support reduction plus the tariffs that we are dramatically reducing, plus the progressive phasing out of export subsidies, is going to leave European agriculture in an extremely vulnerable state. I do not accept that. Our agricultural sector in Europe is both shrinking and becoming more efficient and competitive as it becomes more market-oriented. Our demand for agricultural produce and food is outgrowing our ability and the capacity of our shrinking farm sector to provide for that. We need to import more because demand is growing. Frankly, we will be importing more of what we cannot compete with on efficiency and cost and price terms through domestic production. That does not mean to say that the agricultural sector in Europe

is disappearing, it is becoming more lean, more specialist and more competitive, driving growth in agricultural good and processed good exports. It is doing very well but it is changing, it is not the same as it was, and it does not have the same mass commodity production that it once had. Why? Because we can get things cheaper from elsewhere and in the meantime produce those things that we are best at and good at exporting and see ourselves in premier place in the export league tables. We are sustaining whilst changing. Our competitiveness and export capacity is growing whilst our demand for food is also growing and, therefore, our imports are increasing. We are also coming out of certain international markets as we grow in others. There is a lot of change. The end that we will see is a more market-oriented, more competitive and, therefore, more sustainable agricultural sector in Europe than the one we have seen in recent decades. Do we have to do more to take European agriculture in that direction through the Health Check or the ensuing reforms in order to meet our commitments in the world trade talks? No, we do not and I would say that we are at the outer limit of what we can offer in those trade talks and I would not ask for or expect any Health Check to deliver a better offer which is more within our means in the agricultural part of those negotiations.

**Q755 Viscount Ullswater:** I think you explained that the reforms of 2003, the introduction of the Single Farm Payment, had allowed you to negotiate on the fact that we were not supporting farmers with national aids which might contradict your negotiating position. The marketplace has improved the situation for the arable side but there has been a certain amount of comment about whether the beef and sheep sectors can manage just with the Single Farm Payment. You touched on it a moment ago saying that we will be importing a huge amount of sheep and beef from South America and other parts of the world. That might severely damage the European beef and sheep markets. Is it possible that things introduced under

Pillar II in rural development can be undertaken to support these sectors without running up against your problems with trade?

**Mr Mandelson:** They can, but without re-coupling payments to production. At the end of the day they have to produce the sort of quality at the sort of price that people want to buy and are prepared to pay for in Europe and elsewhere. That is the bottom line. Of course, the Single Farm Payment scheme, which necessarily provides fully decoupled payments to farmers, can sustain a local production capacity and quality of life and integration of the rural economy and rural way of life which would support beef and sheep farming. In my view, a condition for that cannot and will not be a reversion to the sort of production linked subsidies that have had such an impact on world markets in the past.

**Q756 Chairman:** One of the moans that we frequently get from our producers is that on the one hand they have been urged to become more market-oriented, which they have undoubtedly become, yet on the other hand they are being landed with increasing costs, specific costs on the environmental side, animal welfare and stuff like this, and saying, “We are trying to be more market-oriented but we are having these costs put on us which significantly disadvantage us in the global marketplace”. What is the response to that moan?

**Mr Mandelson:** I suppose the response I would make is the obligations that we are placing on them, the standards that we require of them, are designed to make them competitive. In a sense, we are going where the market is heading in any case and we are going to produce quality products which people can absolutely rely on in health and other terms which will correspond to the sorts of high standards that European consumers, and people like European consumers, want to pay for. We are at that end of the market and, frankly, in that sense agriculture is no different from any other production sector in Europe. We are competing in a very, very tough global economy with premium products, added value, high standards,

whether it be high technology linked manufactured goods or agricultural produce and foodstuffs.

**Q757 Lord Greaves:** I agree with all that but at the moment the farmers who are holding their heads above water, or some doing very well perhaps, are being subsidised to do that and if you take away the subsidy can they still survive in that market?

**Mr Mandelson:** If it is non-trade distorting and if we can reflect this in the payments that we make in a continuing progressive move towards a “green box” from the most to the more trade distorting forms of expenditure, yes, we can maintain that. Look at what they are getting back. What they are getting back when they have to operate high animal health standards is protection from the sudden and savage economic impact of an outbreak of animal disease, whether it be BSE, avian flu or bluetongue disease. They might think, “Thank you very much for helping us save us from ourselves, as it were, but you had better continue to support us otherwise it is just going to become so onerous for us to operate and maintain these standards when others in the world are failing to do so”, and my answer to that is we cannot in this sector, animal originated goods, see a race to the bottom. Our task is to drive standards up. If people cannot meet our standards then they will not get their products into our market. I face another pressure on me from developing countries who then say that this is just protectionism by another name or by another means.

**Viscount Ullswater:** Non-financial tariffs.

**Q758 Chairman:** Mr Sarkozy.

**Mr Mandelson:** “What you are doing is saying with one hand you are getting rid of your trade distorting subsidies but, on the other hand, you are setting the bar so high in the standards you require that you know we could not possibly compete with you and that is how you are favouring your domestic producers”. It does not happen quite like that, although we

will face a difficult decision possibly in the next week. Perhaps I should not discuss the success with which Brazilian beef is now ---

**Q759 Chairman:** That was what I was going to raise.

**Mr Mandelson:** --- meeting our SPS standards. Let us not anticipate the discussion that I am going to have to have with one or two other Commissioners in the coming week, but Brazil needs to know that if it is producing safely and supplying meat that corresponds to our standards there will be no penalisation of their produce by our trade distorting subsidies and no artificially high SPS standards which will be a bar which is impossible for them to get over. They need to know that, but at the same time they need to put in place operational arrangements, which at the moment they are not doing entirely and fully, and if they choose to step in line in ways that we are entitled to expect and ask them to do then there will be no barrier to their products, however painful it is for us to take in so much of their meat.

**Q760 Lord Plumb:** You would not expect me to use the word “moan” like my Lord Chairman as far as producers are concerned.

**Mr Mandelson:** Never. You are not a moaning farmer, Lord Plumb.

**Q761 Lord Plumb:** But let me give my impression of the reaction of farmers, not just in Britain but in some of the other parts where production is taking place. They have two things in mind at the moment. One, we are going to lose subsidies within a very short time, and they are anticipating that and are prepared for it. Two, if we are going to compete in this market we have got to produce the best possible product, be it from grain or the livestock that we can produce, and we are prepared to face that. I was particularly pleased that you mentioned the two extremes, if you like, of America and New Zealand in the context of what they are doing because the Americans are being terribly dishonest in my opinion in not facing up to the

reality that they have to face up to under the Doha Round. New Zealand do to a large extent but when you said they are not always honest, and I was there last year ---

**Mr Mandelson:** I do not think I said honest, I think it was “pure”. I am not accusing them of dishonesty.

**Q762 Lord Plumb:** I know what you were saying. If we take the Doha Round, which I favour and I favour free trade, the possibility of opening up markets throughout the world, and you made a speech a little while ago in which you said that we are now importing more products from the ACP countries than any other part of the world and that is fine, that is the sort of thing we should be talking about, we should also be taking advantage of exports, and the difficulties we have there we know only too well are related to disease problems and so on which blot the market from time to time. I want to give one example. We have had difficulty, certainly in Britain, this last year with lamb, partly because the lamb is up on the hills and you cannot get it down and there is foot and mouth. It was only two or three months ago now, just as British lamb was coming on to the market when 10,000 tonnes of New Zealand lamb landed, and the reason for that was the Canterbury Plains were going dry, the lambs were losing condition and, therefore, they were being slaughtered and sent over in carcass form. I know that for a fact from my contacts in New Zealand. They are now criticising themselves because they realised that there was an element of dumping at that time but, nevertheless, in legal terms what they were doing was committing the amount that they could send in because they had not met their commitments of lamb for a long time. I said to New Zealanders only last year, “Britain did two things for you that were always good for New Zealand, that was for Britain to join Europe because we opened the door to 40 different countries and, secondly, I go back and tell all the farmers in Europe that we will get rid of the subsidies tomorrow night if we have the same import controls that you have got” and they say, “We don’t have any import controls”, and of course they do not because they do not have

to because nobody is exporting to them, other than motorcars and this sort of thing. If we are going to have a market under Doha, and a freer market, then we have got to have some pretty tough regulations on some of these countries, whether it is Brazilian beef, New Zealand lamb or American products that are coming here. Another aspect of that is the whole question of soya. We are bringing in so much soya from these countries, 98 per cent of which is genetically modified. Is that coming on to the market and declaring itself not to be genetically modified?

*Mr Mandelson:* I hope and assume not.

**Q763 Lord Plumb:** If we are going to really have a free market then it has got to be a fair market on the basis of the regulations that they will adhere to in the same way that we are in Europe.

*Mr Mandelson:* Do you want to have a discussion about whether we should be more prepared to embrace genetic modification?

**Lord Plumb:** I would be very happy to but I do not want to do that now.

**Q764 Chairman:** Not today.

*Mr Mandelson:* And whether we can maintain our productivity and our competitiveness without doing so, because I am not too sure.

**Q765 Lord Plumb:** That is not my argument. My argument is that people unknowingly are consuming a product which is so much cheaper believing, of course, that it is just as good as it might be from elsewhere.

*Mr Mandelson:* It may be cheaper but is it lower quality?

**Q766 Lord Plumb:** Not necessarily.

**Mr Mandelson:** If it meets our SPS standards and fulfils the terms of our SPS agreement then that is our - I hesitate to use the words - “ultimate defence”, that sounds a bit beleaguered, but as tariffs go down and our markets open then other goods will come towards our markets, that is absolutely true, but they do not just pass freely into our markets because they have to get over the hurdle of our SPS agreement. In a sense, the more we reform internally and the more, assuming the Doha Round ever finishes in a successful conclusion, our border protection comes down, the more important our SPS agreement becomes.

**Q767 Lord Plumb:** Exactly.

**Mr Mandelson:** That is what we rely on to ensure that we do not just get well-priced products but that we get safe products. It is going to become much more important in the future even than it is now.

**Q768 Viscount Ullswater:** Are you undertaking any analysis of these two things, the reduction of export subsidies and ---

**Mr Mandelson:** We model all the time. It is a combination of the three things. I get very impatient and slightly frustrated with our negotiating partners who choose just to talk to me at one moment about domestic support and is it going far enough, is it a genuine reduction, are you not just tabling what you have already decided to do. We did decide to do it, partly because we wanted to do it and partly because we knew we would have to provide a basis for the offer that we table in these negotiations, so do not doubly punish us for being good people coming in at the outset with a good offer which you then pocket or discount and say, “Where is your real offer?” This has been the American fear which has inhibited them from coming forward before now. That is an approach I have rejected. I have said, “You can take it as a given that what we are tabling we do in good faith. We will sustain that offer and will maintain that flexibility but do not come back to me and say that if I am going to get anything

in return I have got to do twice or three times what I have already tabled because that is when the negotiation will stop. I am not playing that sort of game". It has enabled me to be on the front foot as a negotiator, always knowing what I could table, always putting in a good offer and knowing how far I can go in subsequent negotiations but also knowing my limits and taking it up to that point and not going beyond it, whereas some would say that approach is simply naïve. I think that was the term President Sarkozy used repeatedly about me during his election campaign when he referred to this, "...fonctionnaire who goes round the world giving things away to America and to developing countries. We need to have the negotiations taken out of the hands of this fonctionnaire and put back into the hands of somebody who is less naïve". I must say, I have never been called naïve in my political career so it stung me somewhat when it came from his lips. The point is this: I have always been conscious, because we have computer modelled it, of what the overall impact will be of all the changes that we are prepared to take on and the offers that we are prepared to table. I do accept that in the case of tariffs, the reduction of border protection, it is not an exact science. I know that Mariann and her Director-General who provide the material when we try and negotiate that cannot say with precision that this reduction in border protection coupled with this price effect will have that impact on domestic markets and producers, but they have a pretty fair idea and, frankly, they approach this in a pretty prudent way. DG Agriculture in the European Commission has not been operating agricultural protectionism for 50 years without learning a trick or two about how to protect European farmers.

**Q769 Earl of Dundee:** I wonder if I could touch on long-term CAP for a second. You have pointed out that all the players and sides have different journeys to travel and that this may be a fact that we cannot get away from. Nevertheless, how do you think that this will affect some degree of protectionism after 2013 and maybe continuing for quite some years after that?

**Mr Mandelson:** First of all I reject the term “protectionism”. I might go as far as prudent protection with you, but not “protectionism”. What will the argument be about after 2013? I suspect it will be more about the difference between or the balance between Community expenditure and national expenditure on agriculture, to be honest. I think that there is quite a strong appetite for reducing the agricultural share of the Community budget. If some of our Member States, within the terms of the international agreements that we have signed up to, want to exercise some national preference as opposed to Community preference within limits it may well be that they are either encouraged to do so or will choose to do so themselves.

**Q770 Chairman:** Would you see the development of co-financing as part of that as well?

**Mr Mandelson:** Yes, I think so. I am now getting way out of my remit and depth, particularly my depth. These are the sorts of things to talk to Mariann about. I always feel with Mariann, and have you met her Director-General, Mr Dumartin?

**Q771 Lord Plumb:** Yes.

**Mr Mandelson:** A very shrewd Frenchman. I always have the feeling with those guys that they know exactly what they want to do and where they are going to end up, it is just a question of managing the Member States adequately to come in behind them in the direction they have chosen, but you are never quite sure what that destination is. You know there is a destination but you are never going to be privy to the full picture with these guys. That is the way they treat me as a trade negotiator. They say, “Absolutely not. You cannot go below this. You cannot table that. To go beyond that, the roof of the Common Agricultural Policy would fall in” and, blow me down, three months later I pick up a briefing paper and exactly what I was told was unimaginable before has suddenly become not even my bottom line. They are skilled, I was going to say manipulators but that is too tough. They are skilled manoeuvrers. They are taken by surprise by market developments.

**Q772 Chairman:** That is good.

**Mr Mandelson:** You also fine-tune your computer model and find that what comes out is affected by the assumptions that you put in and you put in different assumptions.

**Q773 Chairman:** You said that you undertake the modelling on the impact of eliminating export subsidies and import tariff reductions but you avoided telling us what the model showed.

**Mr Mandelson:** The impact on domestic production?

**Q774 Chairman:** Yes.

**Mr Mandelson:** Smaller production obviously.

**Q775 Chairman:** In which particular areas?

**Mr Mandelson:** Look, if you were from the Irish Parliament would I be saying to you that there is a question mark over the future of the Irish beef industry? No, I would not be saying it to them, but since you are not from Ireland, you are from Britain, I can say there is a question mark over the future of the Irish beef industry, they know it and they are very worried about it and very angry with me, and I am routinely denounced where effigies are burnt.

**Q776 Viscount Ullswater:** They will get round it some way, will they not?

**Mr Mandelson:** I think they will get round it but they have got to change their production model. That is the same in every other economic sector. Think of the areas of production where we face Chinese competition on a scale hitherto unimaginable which is not going to go away in any short time. I have just been in China crossing swords with them over their dirty products and their filthy food. I do not mean all of it. They are not fair traders. I am not saying they are completely unfair traders either but our job, my job, is to keep them on their

toes. Yes, they have a set of comparative advantages which are unquestionable. Secondly, they have a number of other distortions of price and competition which add to their natural comparative advantages which naturally I strongly object to. Do they open their markets in the same way to us as we do to them? No, they do not. Do they give us legal protection once we are in their markets with our goods and services? No, they do not. We are prudent, precautionary, sometimes offering protection where it is needed and justified, but just as we have been serial offenders when it comes to trade distorting farm subsidies in the world, we have subsidised, we have dumped, we have now become the most active and successful serial reformers. That is what people sometimes do not understand or accept in the country I know best. They rage against the Common Agricultural Policy as if it is in the same form that existed in the 1960s, 1970s and 1980s, they have no idea how much it has changed and how much reform has kicked in. Compare and contrast the United States. I know they do not subsidise on the scale that we do, or have done, but they have got a long way to go to catch up with us when it comes to reform.

**Chairman:** Thank you very much.