

*The Worshipful Company of World Traders*

**The XVIIIth World Traders' Tacitus Lecture**

Delivered at the Guildhall in the City of London on  
26<sup>th</sup> February 2004

by

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**"MULTILATERAL WORLD TRADE – DEAD OR JUST  
RESTING?"**

Master, Wardens, my Lord Mayor, Sheriffs, Aldermen, Ladies and Gentlemen. When I first started this job I found myself fulfilling an ambition to take to the CBI to places in the United Kingdom where it wasn't very well known, and they'd probably never seen a Director General, and so I found myself, only a few weeks into the job, in a rural county, a Wednesday night, wet, allotted time for the meeting 7.30 and it was 7.29 and the audience numbered one. Oh well, I thought, this was obviously what the job's really like, better get on with it. So I talked about my vision and my ideas for business, and at the end of the meeting, I leant over and said, "If you don't mind, I think we'll skip the Q & A's and I'll get on my way". And this guy said, "I'd rather you didn't, actually, because I'm the next speaker". I'm so glad that fate hasn't befallen me tonight.

Thank you, seriously, for coming out to a listen to a subject which is so important, and for a lad from Birmingham, it's a huge privilege to be able to come to such a wonderful place, to be invited by such eminent people, to talk about a subject I've cared for all my life. But I just would say, if my Dad could see me now.

And I came back this morning from Zagreb in Croatia, and I came to there from Ljubljana in Slovenia where I'd been on Monday and Tuesday and that, as I left this morning, was the end of my fiftieth different country visit in the fifty months I've done this job. I get to the States and Brussels regularly, but also to different countries – and I've taken the UK business message to all those countries. And one of the things I've had the absolute good fortune to be able to say in every single country, and I said it just last night in Zagreb, was that the whole world has shrunk, the whole world is facing up to the challenge of globalisation and, as some of these emerging economies learn about privatisation, as they learn about public/ private partnerships, as they learn about a whole different way of delivering goods and services to people,

the one place on earth where you can raise your money with confidence, with a class act behind you, with a professionalism which isn't matched anywhere else in the world, is the City of London.

And I talk about global champions in pharmaceuticals, in aerospace, in automotive, in oil and retail; we're so blessed in this country with so many more global champions than, frankly, the press ever let on about, but there is one fantastic global champion, and it's the financial services in its widest sense, and it's found in this City. Not only is it a privilege to me to be able to sell that round the world, but believe me, if I as a Brummie am saying that, it must be true.

I was a fortunate person to be the first Director-General to participate as a member of the UK official delegation, inside the tent, at the WTO ministerial at Doha. I learned a lot; I like to think I contributed a little but I kept my ears open and my eyes open and I saw how it worked inside and I advised in one or two areas on the business equation of those negotiations and it must have gone all right, because they asked me to do it again in Cancun.

And when I was on the plane coming back from Cancun and, as we pulled out, I looked down, and my heart was heavy, I was feeling very low, and I actually did think, "Well, is that multilateral trade dead. Is that it?" And you see, it wasn't just about those three or four days, it was really about what had happened in the past year or so, and what we were looking at happening going forward. You see, in Doha, India had looked at America and said, "Why should we sign up to the beginning, the kick off of a new development round when, frankly, you're going to revert to type?" And America had said, "Trust us". That was in November. By March, President Bush was imposing what became held as illegal steel tariffs. India, with some justification, could have said, "Trust you?"

Because of political expediency in West Virginia, or Ohio, or Pennsylvania, three things that really did set the world back, not only in multilateral trade, but also in the development of the understanding of each other, had happened.

One, if anybody ever thinks that you can make a business structurally more competitive, and more productive, by putting it into a protected, comfortable environment, think again. None of us, Ladies and Gentlemen, like competition; it is the only thing that makes any of us better. And so it was meant to give some time for restructuring, and what it ended up doing, of course, was costing even more jobs. Because although it might have saved a few jobs in those unproductive old steel mills, but because the car industry in America then had to pay more for its steel and it probably wasn't of the same quality, then cars weren't so productively produced, and, to deliver for the shareholders, people lost their jobs in the automotive sector. Protectionism doesn't work.

Secondly, Britain, Germany, Italy, Sweden, France, big, big steel producers were being told, "Sorry, you can't sell your steel to us at competitive prices". And when we complained, they said it wasn't really you they were trying to get at, it was the dumping from developing nations. Well, the shotgun approach hurt us as well. And I can remember going down to South Yorkshire where (and in South Wales) they really have come to terms with global competition in steel making. Commodity steel, where

it sells only on price, frankly is for yesterday in the Western democracies, but Speciality steel, bringing it in Commodity form and doing wonderful, clever things to it and selling it on: adding value and keeping that value in the United Kingdom is something that we do very well and, actually, something that we do better than most. And we were being told that was not possible, we couldn't sell on. Not only did that hurt various manufacturers in America where we were actually the only source, but it meant that America had to very quickly sign up to exclusions to the order, so that they could get the speciality stuff they wanted and that we could sell. But, I remember going to South Yorkshire, sitting down with some lads in the canteen, and I was told by one of them, and remember this was the spring of 2002: "We've been told that unless we can fulfil these orders to America inside the next two months, that there's no work here, and we're going to be out of work, and I'm fifty eight years old. I've gone through every hoop, I've gone through every competitive restructuring, we've actually done everything we've been asked to do and we still can't do this and sell this. And, what's more, my son is a Marine, fighting alongside the Americans in Afghanistan. Some way to treat your best friend". I didn't really have an answer for him except that the CBI did what the CBI does well. Behind the scenes quietly, and also publicly and loudly, fight and fight and fight again to get America to give in on steel and to get World Trade back on track.

As I sat in that plane, coming away from Cancun, it also didn't look as if it was anything but dead when you looked at the European Union, and their policy on agriculture. You see, any negotiation whether it was Doha, whether it's Cancun, or, frankly, whether Hong Kong happens when it's there as well, you've got to start with agriculture. Because a lot of these developing nations – it's the one thing they can do. And, Ladies and Gentlemen, it is an absolute obscenity that tonight there will be eight hundred million people in this world who will have earned one dollar for their day's work, and every cow in Europe will have had two dollars today for being alive, from your taxes.

That is a disgrace, and it has to change and trade distorting agricultural subsidies is, frankly, no way for a group of fifteen of the most prosperous nations on earth to behave. When farmers in Southern Africa grow, harvest their maize, go to their local market, and sell it (and you can't get more cost effective and productive than that), and they can not sell it to their own countrymen as cheaply as their countrymen can buy maize from European countries, which has been totally subsidised by the Common Agricultural Policy. If Jacques Chirac really cared for the poor of this world, as he says he does, it's very easy – I've learnt in this job you don't listen to what politicians say, you watch what they do – it would be very easy to walk out of the Elysees, walk into Brussels, and abolish the Common Agricultural Policy. But they won't do it. And France isn't on its own; it's the one that gets the brick bats and, frankly, they're deserved as well, but it's not on its own, it has a lot of Southern Europe that's quite happy for France to take the criticism while it shelters under that, but a lot of Southern European countries do not want to see the CAP change, and we frankly come to the table of criticism against America on things like steel without clean hands, Because they can quite happily say, "before you start on us, what about you and agriculture ?" – and they're right.

We do have to reform agricultural policy in the European Union if we're going to not only make a meaningful reality of multilateral trade but also if we're going to give us

more bank for our buck on our tax pounds, and if we're going to make food cheaper in Europe, and if we're going to help the farmers reform - because British farmers have done so much to reform the way they go about things, they really have made every effort - and we want to get money into farmers who are prepared to reform, to grow the things that most people want, to do it in a cost effective way, to do other things with their assets. And that's where taxpayers money should go, to help that reform, not, frankly, to grow tomatoes that go out at zero price, nor to be part of a group of countries that are passing laws right now about whether you can or cannot advertise tobacco, and yet your taxes go to grow tobacco in the European Union, half of which isn't going to be fit for purpose. That is no example to set when we're trying to negotiate and stimulate multilateral world trade.

And there's another reason why behaviour with things like steel, behaviour with things like agriculture is so wrong for the richest countries on earth. Japan, you know, also on its agricultural subsidies should come in for criticism as well, this isn't just the European Union and America, and I'm delighted that America did comply with the rules based system of the WTO on steel, did give in, and has allowed the rules based system to work. I'm delighted. But they've they got a way to go on agriculture too and other areas; cotton is another. But there is another reason. You see, we're big boys, we don't like tariffs, but whether we are Sweden or Italy, whether we are Germany or Britain or America or Japan, we can deal with it. If you are a fifteen year old kid in a village in North India, and the local steel works or the local farm is frankly the only route to clean water, better education, better roads and better hospitals, and they are told that the reason that farm's produce is failing, or they're told that the reason that the steel works is closing down, is because of those rich people in the West, then that's where the evil men get to work. That's where a Kalashnikov seems quite a good solution. And if we want a more peaceful world, then the abolition of trade distorting subsidies would make an enormous contribution to making sure that your and my life is just a bit more safe.

When I was sitting on that plane coming away from Cancun, pretty depressed, thinking that multilateral trade, yes, it was dead, I also thought that these big Western rich nations aren't actually the only ones to blame. There are a few other parties which should shoulder some blame and also look to put their own houses in order if we do get back to the table.

One was that group of - at one point it was G20, then it was G21, then it was back to G17. A group of nations, headed up by China and India and South Africa and Brazil, and lots of others coming in behind, who were rightly forming a power group to say we'd like to treat with you from the basis of more power if we're together. What's wrong with that - after all, isn't that not what the European Union's doing? You know at the end of the day America didn't give in on steel because it was a benevolent act; they gave in on steel because Pascal Lamy - who I congratulate, as the Trade Commissioner I think he's doing a first class job in many areas in a very, very difficult time - but he actually was saying, "Well, the WTO have voted against you America, this is a rules based system and we've played it by the rules, we've done nothing unilaterally. But now that we're allowed to we will put tariffs on some of your exports to the European Union, and we're going to target the things that are made in states where the majority isn't so firm. If you did it in other areas to help you politically, well, we can play this game too". And that is, actually, why they gave in.

And Britain couldn't do that on its own, and France couldn't, and Germany couldn't, and Sweden couldn't. But 420 million sophisticated consumers working together could.

And so I don't blame those next nations down saying, "let's get together to negotiate from a position of strength". But if that gives them power, it also gives them responsibility. And they owe as much a duty to those countries below them as we do to them. 60-70% of the trade that they do isn't with us, isn't with America or France or Japan, it's with either each other or below them. For Bangladesh to succeed it needs an open India - yes, it needs an open Europe and America. For Southern Africa to succeed it needs an open Brazil and China. They owe as much a duty to the developing nations of this world as we owe. I don't think we ever read that, and I don't think they've got it on board. But if we're going to make a reality of multilateral trade that's an important responsibility that they should pick up.

And also it's very important that we have more responsible NGOs - Non Governmental Organisations. I noticed a change between Cancun and Doha - they were what, two years apart - a lot of countries whose NGOs were saying, "We represent them, we're fighting their interest" were beginning to say, "actually, we know what we're doing". America, the European Union, Japan, were putting quite a bit of money into capacity building, into training people how to negotiate, into getting people to understand what they actually are fighting for and how to fight for it; how to give us a hard time, frankly. Nothing wrong with that. And so the role of the NGO is changing because they can no longer say to those more powerful nations "We're here to fight for you"; they're saying "Well, actually, we're good at doing it ourselves, thanks". But there are still many, many poor nations where the NGOs really do pick up the fight for them. I would like to see the NGOs who do this campaigning against multilateral free trade, I'd just like to see, in a set of accounts, and in a report every year, who pays them, why they're paid, how they're paid, what their objectives are, and how they conduct themselves. A little bit of transparency. A little bit of accountability. Just to check as to the real motives behind what they're doing.

The quality NGOs, and there are many, not only do a damn good job, but they hold people like me to account; there's nothing wrong with that. And I would tell you now - both in Doha and Cancun, most British based NGOs were responsible, they were constructive, and they were realistic. Sadly, that can't be said for all of them around the world, but they have a job to do as well, and they have a responsibility to fulfil if we're going to make this a better world.

And as those negotiations in Cancun came to an end that Saturday afternoon, and all those poorer developing nations - their representatives standing at the back of the room when the Chairman said, "Well, that's it, it's all off" and, you know, perhaps, with the benefit of hindsight he could have said "Tell you what, let's go down to the beach and cool off for half an hour and come back". Instead of which, he called it a day, and quite a bit of the posturing between some of the nations, including the European Union, they'd seen their bluff called, and it had gone too far before they could actually row back. But what really saddened me was that I sat there, and watched those nations cheering. America wasn't cheering, Japan wasn't cheering, the European Union wasn't cheering. To be fair, I didn't see South Africa or China cheer. But I actually saw some of those really poor nations, their representatives, who had

flown in on aircraft which most of their peoples would never even see, cheering, that one of the great contributors to the growing wealth of their peoples had just come to a sad and sorry end. It wasn't the people that were meant to be getting the hit in the eye who were glad that it was ending, it was the people who thought that they were actually doing something good by smacking the rich nations hard. That was very depressing, very sad and so, as I sat in that aircraft, I did think - some of me thought - "Yes, multilateral trade is dead".

But I'm an optimist. I wouldn't do this job if I wasn't, and I don't believe that any door that's possibly ajar should be ignored. And so, since then, I've been delighted, that what has been happening has made me conclude that it is just resting, that it can be awoken, the embers can be fanned, and we can get a bit of a flame of hope going again in multilateral trade. We did see movement from America on steel. I sincerely believe that we're going to see movement to show that they comply on the Foreign Sales Corporations issue, the FSCs, because that again is a WTO ruling and again, let us hope they will. We did see, happily, that letter from Bob Zoellick, the US Trade Representative, to all WTO members saying "I'm up for this, let's get this started again and let's put agriculture right at the top of the agenda, and let's see what we can do there, and get everybody moving again". A cynic would say, "Well, he would say that and he's got no problem because Europe won't do it". Well, I challenge the Presidents and Prime Ministers of the European Union to meet that challenge, to say "Yes, I'm up for it too", and if it causes political unpopularity at home, with a very small majority of their populations, well isn't that what statesman behaviour is like? Isn't that what leadership and courage is about? There's never going to be a better time.

And, at the same time, I've been heartened by the attitude of some of those G20 saying, "Yes, we'll come back to the table, but you must deal with agriculture first". If you remember we, the developed nations went into Cancun saying, "Oh no, if we give a bit more on agriculture, we want to see a lot of linkage to you, the developing world, opening up on transparency in government procurement, opening up on trade facilitation, allowing it to happen. The EU also argued for opening up on investment and how the money can get into a country, and opening up on competition". You see, if you think about it, that's a more developed economy way of looking at free trade; nothing wrong with it, but we were saying "We'll give you more on agriculture, you give us that", and we were coupling the two together, and I am heartened that Pascal Lamy has as last said, "I'm up for this, without linking it; I'll talk agriculture on its own and then, later on, some time down, let's talk about these on their own merits". That's excellent. And so, whether it is a more positive attitude from the European Union, probably not at nationhood level - then I think to myself, "Well, yes, they are fanning the flames, and we do have something worth going for".

We actually at the CBI have got really into this fight, to call on the major nations, be they G20, be they America, Japan or the European Union, to say "Come on, we really have got to get going on this", and we produced a 10 point plan and we said, "If only we can adhere to that and push forward then perhaps we have a chance". We've said that we want to see far more progress in the General Council of the WTO in Geneva. Less posturing; you know what gets measured gets done in all our businesses, well, this should be no different. We want to see the Cancun draft text actually being used as a starting point for resuming detailed development agenda negotiations. We want

to see a priority for negotiations being agriculture, and being non agricultural market access, which does involve the reduction of tariffs, and removing non tariff barriers to trade. Quick to say, you know; enormously difficult to get politicians to do. We want to see those commitments and offers that have been made post Cancun, whilst they are a bit ethereal, let's get some concrete into there and get them working. Let's not rush into deep reform of the WTO's processes. You know, it's quite robust, it's been shown to work. I agree, it's only been shown to work because the people who are going to enforce it have got a bit of clout too, but at least when we had the spat on steel everybody did it by the rules and if we don't have a rules based system by which we can set an example what hope have we got of other countries obeying those rules. Let's make it more speedy, took a long time to get there – it didn't help my man in Rotherham – and, at the same time, let's get it enforceable more quickly and, let us make no mistake about it, the European Union, not just in Agriculture, but in other things, isn't perfect, and it too could suffer from that speedy implementation of rules; nothing wrong with that.

Let us increase Targeted Capacity Building, so in these developing nations, let's put some help – people, not just money, people, training - into helping them to be able to negotiate for themselves. That has the added advantage of ensuring that NGOs have got to come to the party with a bit more street cred themselves. And let's get that dispute settlement understanding in the WTO working more efficiently. And let us support, in Geneva, the work that goes on every day, from all our countries, in trying to get WTO making a reality of transparent, open free trade.

Ladies and Gentlemen, not only is multilateral trade just resting, but it is vital to a safe, more prosperous world that it isn't dead and that it wakes up, and that it makes a difference to all our lives. If we take 25-30 years from now, I want people in the developing world to look back and think, "You know, those businesses down the road – haven't they made a difference for good to our lives". Because business is actually the only agent that, on a sustainable basis, can do it. Governments, well, they can tax you and spend the money but what are they going to do next year, do it again? Governments can pass laws which ban things, block things, subsidise things, but at the end of the day, they've got to keep doing it – like King Canute they've got to sit there and say get back, get back. Because globalisation takes no prisoners. Globalisation is the most enormous, threatening challenge, it is also one of the most useful environments to increase wealth for everybody.

But within that environment, when business is in good hands, when it is provided within an environment in which it can prosper, when it steps up to the plate and is a good employer, and it trains its people and looks after them, when it's sensitive to the communities that it affects environmentally and indeed financially, then it is in business's interests to look at ways to help provide clean water, better health care, better roads and railways and airports and better education, because they need the people in those places to work in those businesses. Business is a bit like fire - in the wrong hands it's dangerous, and in the right it's so useful.

Now if we have that heritage, and if we have that experience and reach, then our businesses round the world can be the most tremendous force for good. And it is going to cost us more money, and it is going to be more difficult, and when we do see countries growing and developing, and developing their own businesses and taking us

on, and sometimes winning – welcome to competition. But we're quite good at dealing with that when we set our minds to it. Successive governments in this country, over decades, of different political parties, really have walked the walk on free and fair trade, and they haven't behaved like other countries do. I guess this room takes their hats off to all of them; it just makes our life more difficult, but we get on with it. What it means is, as multilateral trade wakes up from this enforced sleep, as the pressure comes on to politicians domestically to give up on commodity subsidies, whether it is agriculture or cotton, whether it is steel or whatever, when they are forced over a period of time, from pressure, to row back on that, the winners in the western world will be those who've restructured their economies, gave to the value added and quality branded, innovative end of the market and sold on things more than price and subsidy. And if there's one country in the western world that's ahead of the game, if only it realised it, in doing that, it's the United Kingdom.

And I want that kid in 25 years time, in a developing country, to look at the business down the road, actually understand the values and the fairness that Britain stands for, and then to understand that we are a totem round which those communities can gather in security and prosperity. Because when people feel insecure, when they feel worried, when they feel they don't quite know what tomorrow's going to bring, they look at their totems in life: they look to their God, they look to their family and, often unknowingly and subconsciously, they look to business. You see, business pays them. It provides them with a social life. Actually, it makes them needed, and we all like to feel needed. So business has that responsibility but that is also an opportunity. I don't want my politicians, or the politicians 3,000 miles west from here, or the politicians over the Channel, to somehow think that they can win more votes by saying they are proud to live in a protectionist society. I want those politicians to have the courage, to have the statesmanlike attitude that says "We are a great nation, and we owe it to the world to trade fairly, without subsidy, accept the competition that will bring and do the world a favour as, after short term pain, we reach for long term gain around the world".

Thank you for listening to me, and if I could leave you with this thought: if our children and their children, be it in the developing world or the developed world, look back at these first early years of the 21<sup>st</sup> Century, and say, "Didn't we all make a difference, isn't it a better, safer place because of the way that we behaved in multilateral trade", then we will have done something good. But if they do turn round and say, whether it is because of businesses that don't step up to the plate and behave properly, when given the chance; whether it is domestic politicians who pander to short term domestic popularity and waste the big chance; whether it is NGOs who behave, not responsibly, but irresponsibly; whether it is some of those developing nations, who didn't have an eye to their responsibilities, as well as their rights; if any of us don't grasp what is in front of us today, then those children and their children will do one thing, Ladies and Gentlemen, and we will deserve it. They will never forgive us. Thank you very much.

## **QUESTIONS AND ANSWERS FOLLOWING THE LECTURE**

### **Question 1**

**Questioner:** I must confess my real interest stems from being a former chief economist at the Ministry of Agriculture, so I can confirm all you say about agriculture, that very small sector of the economy, which plays an important part in world trade. My question is, you mentioned that agriculture might be put at the top of the agenda, but of course it always is at the top of the agenda at these meetings. Would it be feasible, do you think, to have a separate meeting on agriculture, and try and get the EU, (and of course the US is just as protective of its agriculture, we thought they were going down the route with their Freedom of Trade Act, but of course they're backing away from that), do you think it would be feasible to have a separate session just on agriculture, and try to break this deadlock?

**Digby Jones:** I'm glad you use the word feasible, because it is desirable - definitely, yes. Is it feasible - certainly not this year; you've got the Presidential election campaign, you've got both sides pandering to a protectionist agenda. That's why I think Bob Zoellick's gesture with that letter was very good, I mean it was pretty brave, actually. But you have got both President and Democratic candidates, both pandering to protectionism, and therefore I don't think it's feasible that they will allow a focus and a real spotlight on one aspect of this, namely the agriculture, with the farm vote in the Mid-West. One of my worries - and it should concentrate on this room, I guess - is that one of the areas that doesn't get its time in the sun at all is services, and everybody thinks that at 5 to midnight on this, at the completion of the Doha round - they're just going to say, "let's talk about services". It's really important for the United Kingdom, because it's where we trade a great deal, is in the services, in fact we're one of the best in the world - and so I worry that the spotlight, by being put completely on agriculture, there will be other areas that aren't to be linked with agriculture - I'm not saying that for a minute - but that they don't actually even get addressed, because people think that they can be just run in and I guess this Global Champion sector of ours, the City - that would not help.

So I don't think by putting that focus on it, it would help other areas. What would help is, you see, and you're right, every time we start talking about this, everybody puts agriculture first and everybody either says that they're going to link it to other things, or that you mustn't link it to other things, but let us talk about it. But the problem is, no one then does anything about it. And it's one of those areas where people talk the talk, but don't walk the walk. Some suggest that it gets put on its own and sorts it out itself, in an unbundled, segregated way. It would force Japan, and the European Union, and America to the table on it without any hint of linkage, and it would show up the specific areas within agriculture, and it would also show up where some farmers - and I include ours - have really made some great strides in trying to reform. But is it, in the world of realpolitik, feasible? No.

## **Question 2**

**Questioner:** I am, I'm afraid, another ex civil servant and I-

**Digby Jones:** Don't apologize.

**Questioner:** I just wanted to say I thought your description of government's activities was just a tiny bit inadequate, and I wanted to ask you, do you think that Government is doing enough in the field of fighting corruption in international business, or should they do more, or should they do less?

**Digby Jones:** By when you said my description of government activity is inadequate, and this is serious, do you mean I didn't give it enough oxygen, is that what you're saying?

**Questioner:** I thought your definitions were a bit too limited.

**Digby Jones:** Definitions of what?

**Questioner:** Of what government does, and should do.

**Digby Jones:** Oh right. One thing I would say - successive governments, including this one, and as you know they do not pay my wages, business does - they really have picked up the free trade agenda. And we are the one country - like in Cancun we had three cabinet ministers, and there was a Junior Minister, they really do bother, and they are supported by a first class team in the Civil Service. I don't say that because you just asked me the question, but it is just eminently true. We are the free trading nation, and our politicians follow that, so I would take my hat off to them for that.

Do I think that they could be doing more on corruption? It's a bit motherhood and apple pie, really. You see, do you want business to operate in the world as it is, or do you want it to have to operate in a world as you'd like it to be? Now we all would like it to be different, and then business could carry on. But life ain't like that.

And if this government passes a load of laws about facilitation payments that only this business, in this country, is going to be caught by, until you get that done on a multilateral basis then business, competitiveness, the creation of jobs in Britain, the creation of wealth for that trading figure I spoke of – frankly, you can kiss goodbye to part of it. Now that doesn't mean that's where I want the world to be, but it does mean I'm trying to acknowledge where the world is, and there are some countries, and some big developed world countries – not just the developing world – that frankly play by a different set of rules. And unless we get that changed, and we get them to acknowledge that, on a multilateral rules based basis, then I don't want my government putting my members at greater risk of competitiveness than them. What I think is more important, that can be achieved now, and could be linked, actually, quite happily, to some of these areas of which we've spoken, is that in some developing countries, is systemic corruption. And there's a big difference about environment, about health & safety, labour market regulation, which blind eyes are turned to. Now that is different to more minor corruption - which is wrong, and it should be stamped out quickly, and Britain should take a lead, I'm very happy for that; I'm delighted if that's where we're going to go - all I would ask in the facilitation, minor side of it, is can we please do it multilaterally. Because otherwise, frankly, we can be shouting from the sidelines, and we still won't have changed it, we will just have suffered.

But if we could all come together on the things where I hope the developed world has a common ground, which as you see in some developing countries corruption being the reason for pollution of the planet, for the abuse of children, and for poor health and safety and employment records, then that could be stamped out quite quickly because we could all say, we ain't buying unless you change this, and that corruption isn't actually often involving western companies, it's something which is due to their own people by their people, and I think we could do more there. And I would like to think we could perhaps achieve that multilaterally. So the short answer to you would be, yes, let's sign up for a world we all want; could you please do it at a pace which does not exclude us from the game, but on the major victims of the systemic corruption, we could do a lot more from day one - which probably has to come from the politicians as well.

### **Question 3**

**Questioner:** Thank you sir for an excellent speech. I wonder, I'm sure consideration has been given, but I wonder if more consideration could be given to attempting to balance up old bilateral trades throughout the world, which would assist the creditor country, to inset its own investment from the balance of unbalanced debt.

**Digby Jones:** Could you just say again the first bit, that you'd like to balance up...

B O'D: If you take – let's take India and the UK, it's not a good example, but over the last 30 years governments have transacted and agreed bilateral trades, a lot of those bilateral trades are actually out of balance where India may owe the UK 50 million dollars and there is no negotiation, or there may be no negotiation to try and balance that figure up.

The only way you can balance it up is by getting the two nations to agree at a figure, and then by incepting, using the local currency of the creditor nation industry inside that country to balance up the trade and increase the exchequer export of the country that's the creditor nation. Is that clear?

**Digby Jones:** Yes, very clear, thank you. And you are referring to indebtedness caused by arms length trade, you're not referring to the much publicized third world debt –

**Questioner:** No; I'm talking about trade related debts.

**Digby Jones:** We're talking debt which has arisen from genuine trade, and we're not talking about the thing that everybody keeps calling on politicians to write off. You've hit on the core, of course – and this is a worry as trade is beginning to wake up again, or rather the rules are and the argument, which is that there is a tendency at the moment, especially in the States, but also the European Union's doing it as well, to go back down the bilateral route, and one of the things that they are using, in bringing some other countries to the table on a bilateral agreement, is the existence of trading debt. So the answer to you specifically is yes, I think bilateral trade is being used as a way of dealing with this historic issue and, do I think it will be used more? Yes.

My problem is that the trouble with bilateral agreements is that they may outside a rules based multilateral trade environment. It doesn't give any clout for reform, and it doesn't help countries coming together, to try and force either change, or something against a bigger nation. A very good example would be that I am certain that Jordan is benefiting enormously from its bilateral agreement with the United States, I'm certain that Chile is. They will be weaker in the long run if they go down that path on their own and don't actually – I won't say play the game, that's too strong – but don't actually come within the multilateral system. I think America's got an enormous role to play here for good – you see the thing about that country is, it is the engine of the world, and it is the motor, and it is the way that we can kick-start things. They can be such a force for good and they often are, and it's sad in a way that it's their faults which always get the headlines, and never the good things that they do, because they do some fantastic stuff around the world. But if they force countries into behaviour which might indeed be, "Come on, you've got to eradicate this debt with me, and how are we going to do it on a bilateral basis", it weakens the multilateral rules based system in its efficacy – not in its form, but certainly in the way it will actually be implemented, and secondly, and more damaging for what I believe in, is you're going to have developing nations competing with each other for lucrative stuff from this major power rather than regions of the world doing it, and rather than sectors doing it.

So, do I think there's a role for bilateral trade? In the long run I don't, actually. I'd like to see multilateralism. But am I a realist – yes, and do I think it's going to carry on – yes, and all I can therefore call on is for the European Union and America to be more responsible in the way they exercise it, and probably be a little more magnanimous in the way they deal with that built up trade debt.

#### **Question 4**

**Questioner:** You've been to Slovenia, presumably you've been to Poland; do you think enlargement's going to improve the prospects of, and change the EU's policy on agriculture, or harm it?

**Digby Jones:** 40 million people, 23% engaged in agriculture, average size of a farm 2 hectares. This makes France look positively advanced.

Britain is in favour, be it government or be it business, in favour of enlargement, big time, for many reasons, mainly based on the fact that we're traders, and we like big markets, and we like accessible markets, and we then get to work on it. So extending it to 25 nations, having an engine, a tool, a catalyst which can get those 25 nations – for the first time in 2,000 years – living in peace rather than beating the living daylight out of each other, is something Britain and British business really wants. To then have those new candidates coming in and being able to grow and develop their economies from the benefits they will accrue from being members of the European Union, which in the short term will be at our expense and those of Germany, and France, and Scandinavia, but in the medium to long term as they grow – and their growth will be exponential – we will all benefit from that, and we will all be able to sell and invest and trade; then that is probably the biggest reason Britain will want them to be in.

I think there's a bit of a cynical reason why we wanted Poland in as well. Politicians won't tell you this, but I guessed it probably crossed their minds, that we have a Common Agricultural Policy that's taking over 60% of the whole of the budget of the European Union, for a minority business which employs few people (it amazes me), but if you have that agri-economy in need of both reform and indeed competition, and if you have that coming in to the existing system, day one, you'll break it, you'll absolutely break it. And so I think we did think that Poland coming in will force fundamental change in it. What of course has happened is that instead of that being used as the catalyst for immediate reform, they've gone and passed a load of rules that say, "Poland, we'd like you in the club, we really would, well done. And we're going to put in all these Regulations, and the Sales Prevention team in Brussels is going to get going on you and make sure that you're going to have all these Directives, but you're not going to benefit from the full benefits of this club you're in, in agriculture, for basically a period of 4 to 5 years, with 4 to 5 years out, so over an 8 year period down to 2012". That doesn't sound very fair to me; I know why they've done it, because if they don't do it that way, it'll break it – but wouldn't it have been better, if they'd actually used the fact that it was going to break it, to change it so it didn't break.

So do I think that Poland coming in will affect reform in the Common Agricultural Policy? In the medium to long term, yes I do. I don't think, at the end of the day, it will withstand the pressure anyway, so I don't think 4 years, 4 years out is going to be relevant. I think it will be telescoped further, and nearer, and do I actually believe that then we will see a more reformed Polish agri-economy through it? Yes. Is there going to be a price to pay in France, Italy, Greece, Spain, because of that? Yes.

And will it end up with a happier result 20 years from today? Yes. But is it going to happen from day one, is it going to save you and me money, in our taxes, to subsidize this obscenity of trade distorting subsidies in the European Union in the short term? Sadly, no.

## **Question 5**

**Questioner:** Could you give us a view on immigration, I think in the context of the accession of new countries to the EC and particularly the UK economy – what a business view of what the skill shortage is in our economy, or what the labour shortage is, and how that drives economic growth?

**Digby Jones:** We did a survey in October, and 60% of our members said that a lack of skills, a shortage of skills, was the major inhibitor to the growth of their business, and remember, we've got every sort of business in our membership, we're not just manufacturers, we've got loads and loads of service industries, and we've got the big ones and we've got the small ones as well. So 60% were saying skill shortages was the biggest inhibitor to growth. In the year 2000, immigration – which I fully understand for these purposes must be known immigration, and not illegal – but immigration delivered £2.5 billion to GDP.

We need skilled labour in this country, we aren't going to grow enough of our own, we've got an ever getting older and more active population looking down the thick end of a pensions problem (which thankfully is less of a problem than some in Europe, but is still a problem), and to be globally competitive and to respond to the competitive challenges that I spoke about in my speech, we need innovative, skilled people. As a nation, we have a reputation of being a liberal, tolerant, fair minded home. I go to the 50 countries in the last 50 months with considerable pride that we are, by and large, trusted round the world. No, we're not perfect, yes, we can be arrogant, we certainly can do a lot of things better. But we are, actually, a damn sight better and seen as more fair minded than many people give us credit for. And we've had a history of welcoming people to this land who have made better jobs, and better lives for themselves and enriched our prosperity as well. There isn't a merchant bank, basically, in this great city that didn't have its origins, in some form, in Eastern European Jewry. Courtauld was a French Huguenot who came to the East Midlands because he was told that if he carried on worshipping his God in the way he did they'd burn him at the stake. He came to a liberal, tolerant home. And the Italian costume jewelers in 1850 and 1860 didn't escape religious persecution; they escaped the closed shop, frankly. And they came to an open city, my city, Birmingham, where today we still make half the costume jewelry in this country. And, let's face it, every time the Royal family in this country has run out of people they've gone off to Europe and got another lot. We have a history of getting good people to come in and do the job and it upsets me, because we're being tempted to indulge in a bout of xenophobia which, frankly, does us no credit at all.

And the business view would be, structure it, call it for what it is, call it economic migration, people with a skill, with courage – god they're more courageous than I am – coming here to build better lives for themselves and their families.

And we should say – if you learn English, and it's not a “Oh, I'll get round to it one day”, you will learn English, we will help you find a job and you will work, and we will help you find a home, and you'll have a National Insurance number, and you'll be on a Register, and you'll pay some UK Corporation or Income Tax and you'll make a better life for yourselves and a wealthier life for yourselves - and good on you.

And we don't care if you've got a funny sounding name, or you worship your God in a different way, or you've got a different coloured skin, or you do different customs or whatever, we are a liberal, tolerant home – we have been for 600 years, and we're going to carry on being, but if you actually think that you can come here and sign on and actually just take us for the generous people we all so are, then can you just go down the road because you're not welcome.

And if that's what Blunkett has done last Monday, extending the benefit period before you can sign on to 2 years from 6 months, then if he's said we would like to register people, but you are welcome on that basis, business would applaud him. Because I don't think it's fair on those who are coming in and actually want to work, and want to become integrated in society – it's not fair on them that there are others who won't, and as always the ones who won't are a very, very small minority, but, like everything, they're the ones that get the headlines. And so business wants these people, we want them in the regulated economy, where they can get protection on employment and health and safety and environment, we want them known because that's how we can enjoy their skills and they can make more money. We don't want them in the black economy, it hurts them and it hurts business and it hurts the Exchequer because they don't get the tax, but if the government can make it clear that there are some conditions coming to this then we would be fully supportive. All I ask, and while I'm Director-General of the CBI I can tell you that will not change – we've fought wars, people have walked up beaches, we've done virtually everything over centuries in the name of liberal and tolerant behaviour. I just don't want this country to change that reputation.