

Peter Mandelson interviewed by Charlie Rose

Transcript of the interview

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CHARLIE ROSE: Peter Mandelson is here. He is the European Union's commissioner for trade. His top priorities currently include completing the Doha trade talks, which aim to liberalize world trade. The talks began in November 2001, but have stalled over agricultural subsidies and industrial tariffs. They restarted this month.

He is also responsible for managing the EU's trade relations with the United States, with China, and with other countries. He is also one of best known figures in British politics. Together with Tony Blair and Gordon Brown, he is widely seen as one of the architects of new Labour.

I'm pleased to have him here in New York and back at the table. Welcome.

PETER MANDELSON: Nice to be back.

EUROPE

CHARLIE ROSE: Tell me about Europe. And I mean by that in the most serious way. Europe, taken as a whole, is the third largest economy in the world?

PETER MANDELSON: Oh, biggest economic space or group of nations and trading block in the world.

But that's not how we started. I mean, Europe started after the second world war, as a way of making sure that we ended that sort of century of bloody conflict. I mean, it was to bring peace and an end to violence in Europe. And it did, very successfully.

And that's why Europe, the original six nations of Europe, came together. And then Europe grew in membership of the community, the union. And the task then was to put together an economy and a single market that would enable us to secure many decades of prosperity, which we duly did. And then another challenge came along, and that was to unite Europe after the rolling back of the Soviet empire, with a little help from our American cousins. And the European Union, the existence of the European Union who was a real sort of lodestar, a magnet for Eastern European countries, who wanted to embrace democracy and embrace freedom, and that was synonymous with joining the European Union.

But now I would say, in the 21st century, there's a fresh challenge for Europe, and that is to use our combined strength, our continental strength, to take on and to help solve the world's problems that beset us, of the global economy and all this sort of turbulence we see, and the need to integrate rising powers, like China. Global warming, the climate change challenge that we have. Global poverty.

CHARLIE ROSE: Is Europe -- I mean, Europe as a romantic idea and an economic feasibility by -- way back to Jean Monnet, you know, after the war. Today, do the people of the United Kingdom want to be part of Europe or not?

PETER MANDELSON: Yes, they do.

CHARLIE ROSE: Do they want the euro as their currency or not?

PETER MANDELSON: Not terribly, no.

CHARLIE ROSE: So yes, they want to be part of Europe; they don't want the euro as their currency?

PETER MANDELSON: They don't see this...

CHARLIE ROSE: There's no conflict.

PETER MANDELSON: They don't see this as the same thing. I mean, they see -- look, they see Europe, which we were not part of after the war, as an important peace project. And then it became an economic project. And at that stage, Britain decided if we're not part of this, we're going to be left behind. And frankly, we in Britain are not strong enough economically to stand out from our partners in Europe. And that's when we jumped on board.

And then Europe, as I say, became a project to reunite Europe. Now it's a project to work with others to help shape the world and create a better world in the 21st century. And that's why I say if the European Union wasn't created, if it didn't exist, we would need to put it together now, facing the challenges that we have.

DOHA

CHARLIE ROSE: The Doha round.

PETER MANDELSON: It has to do with people's jobs and their security, and whether we're going to continue with a trading system and international trading rules that is going to anchor the likes of China, and India, Brazil and the other emerging economies, you know, for the next sort of 10, 20, 30 years, as we've so successfully done in integrating rising nations and economies into the international trading system during the last two or three or four decades.

What has given us the levels of prosperity we enjoy in the United States and Europe? It's trade. Trade has driven economic growth. It's generated jobs, exports, profits for businesses, finding new markets, new outlets for our goods and services.

CHARLIE ROSE: At the same time, it's threatened jobs.

PETER MANDELSON: That doesn't stop now. Of course we face competition of the like and on a scale, frankly, that we haven't before. But our answer to that is, first of all, to rise to that competition and that trade when it's carried out fairly, and if we have to stick up for ourselves where, you know, there's unfair trade going on, then we can do that, too.

But simply to say -- simply to say, well, you know, we don't like the competition, so we're going to put up some sort of a protective wall around our economy, or we don't like some of the barriers that exist in other economies, so we're going to put up barriers of our own -- that's just a road to nowhere. That's a road to fewer jobs, lower living standards, and less job security for people in the United States and around the world.

CHINA

CHARLIE ROSE: We can get this to an easy point. All right? I mean, you have talked I think well about China. You have said, "I don't want to lose trade from China to Europe. On the other hand, I believe it's imperative" -- and I don't want to put words in your mouth -- it's imperative for China, China as a rising economic giant, with a growth of 10 or 10 percent -- 9 or 10 percent annually -- to play by the rules, to act in a fair manner, with respect to those that it sells its goods to, and with respect to the products that it manufacturers to sell, in terms of certain standards that have to be adhered to.

PETER MANDELSON: That's right. That's right.

CHARLIE ROSE: What is China doing wrong in your judgment?

PETER MANDELSON: Let me first of all say what I think China is doing right. When China entered the World Trading Organization, the WTO and...

CHARLIE ROSE: A big deal for them.

PETER MANDELSON: A very big deal for them, but also a big deal for us, because you saw tariff levels falling quite dramatically in China. And they have, by and large, honored those commitments. They have done what they said they would do.

The problem is that in too many cases, they put on non-tariff barriers to replace those tariffs.

CHARLIE ROSE: Like what?

PETER MANDELSON: Licensing, testing, inspecting, scrutinizing. I mean, all sorts of little bureaucratic, administrative, regulatory barriers that frustrate our access to their growing market.

Now, why is that important? It's important because by and large, we're open to China, and that should be reciprocated. If China wants us to remain open to them, they should become increasingly open to us.

But there's another issue. It's not only market access and getting into the market in China. I mean, that's important for us. It's a big, fast-growing market. We need that market for our manufactured goods and services.

But when we're in that market, we want legal protection, we want respect for our intellectual property content of our goods, we want proper royalties payments made when we transfer technology. And where that is not happening, we have got to take action. We have got to stand up for our rights.

But that does not mean that we sort of launch into some sort of tirade against China and feed all this sort of phobia about China that sort of passes for...

CHARLIE ROSE: And who is doing that?

PETER MANDELSON: I think there's some populism going on.

CHARLIE ROSE: Where?

PETER MANDELSON: Well, in the United States, but also...

CHARLIE ROSE: Among Democratic politicians.

PETER MANDELSON: Amongst politicians probably of all parties.

CHARLIE ROSE: But trade is not...

PETER MANDELSON: But it doesn't exist only in the United States. And the point I'm making is this: you know, China is exercising its rights in the trading, world trading system that it's entitled to. It has also got to live up to its responsibilities.

CHARLIE ROSE: And what leverage do you have to get them to do that?

PETER MANDELSON: We have the WTO to adhere to.

CHARLIE ROSE: But you are saying they are adhering to the WTO.

PETER MANDELSON: The commitments they made when they came into it, but not all the rules and regulations that now operate in the WTO, which they've also got to respect.

CHARLIE ROSE: Do you think they need to change their currency?

PETER MANDELSON: I think that they are managing their currency in a way to give them an unfair and an unreasonable trade advantage.

CHARLIE ROSE: Most people believe that. But do you think they want to do something about it?

PETER MANDELSON: They need to manage it...

CHARLIE ROSE: Do they recognize that and want to do something about it? Do they recognize the point that you have been making...

PETER MANDELSON: They have been ...

CHARLIE ROSE: ... and say to you, "we want to do something about that?" Are they prepared to listen and respond?

PETER MANDELSON: What's different -- what is different is that they have the policy framework, the mechanisms to do something about it if they wish, but they don't wish to do it enough, in my view.

CHARLIE ROSE: Why not?

PETER MANDELSON: But I must make another point, I'm afraid. If they did...

CHARLIE ROSE: Don't be afraid to make a point.

PETER MANDELSON: ... do so -- well, I find -- I say that because people assume that this is some sort of magic wand, that if only they sort of changed their currency management and policies, then suddenly the trade deficit would be rectified. It wouldn't. It wouldn't.

The main trade advantage for China comes from their huge pool of very cheap labor, plus their access to technologies, plus their research and development, plus their drive, and also their price distortions and some of the subsidies that are going into the export industries and activities.

So some of it is fair and legitimate. Other bits of their activity are illegitimate and unacceptable.

Now, we've got to focus on what's unfair and illegitimate, not what they are entitled to do, as a growing economy that is delivering a very tough competitive challenge to us. And so that's the point I'm making. We don't shut them out. You know, we don't put up our barriers and close our doors and say, "no more China."

CHARLIE ROSE: But that is not happening in the United States. They are not saying "no more China."

PETER MANDELSON: Well, there is a sort of...

CHARLIE ROSE: And the secretary of the treasury last week said, you know, we do not want to get into a trade war with China.

PETER MANDELSON: And I think Hank Paulson is absolutely right, and he's right to face down those politicians who in their language suggest to people or imply that that is either possible or desirable.

CHARLIE ROSE: But here's my...

PETER MANDELSON: That in my view is the wrong course to take, but that doesn't mean to say that you simply let China off scot-free when they are doing things which...

CHARLIE ROSE: But here is the problem I have with what you say. You know, you say they've got to do this, they've got to do this. Then push comes to shove -- if they don't do it, what then? Where are the teeth in enforcement to create some kind of leverage?

PETER MANDELSON: You have the WTO to go to and you have....

CHARLIE ROSE: But you have got to change the WTO, because you have said the WTO -- they are not complying with the WTO.

PETER MANDELSON: No, they are complying with what they originally said they would do when they went into the WTO. What they are not doing, in our view, is respecting all the other rules and regulations of the WTO.

I mean, the WTO as an organization is unique in global governance. It's the only international institution which really does have teeth, which has a dispute settlement machinery, which can find in favor or against, and then can punish and penalize those who are doing wrong. Now, that is unique in the organization of world affairs. That's what's so good about the WTO and why we must be careful to manage the Doha world trade talks in such a way that it doesn't fail and damage the WTO. But that is our mechanism of last resort if we want to take action, not just about China, but about others.

Look, we're not perfect in Europe. We're not perfect in the United States. There are actions that have been taken against us in the WTO. Heaven knows, the United States at the moment is threatening to take Europe to the WTO over certain issues, and we have in mind one or two issues of our own that we can take up.

This is how international trade should be regulated -- through this machinery, through respect for the rules. And this is the strength of the international trading system, which it is so vital for us to sustain.

CHARLIE ROSE: But your speech -- that's your speech -- your speech is that we have to get trade right, because it's central to the economic well-being of the nations of the world, both those emerging nations, as well as the established nations.

PETER MANDELSON: Put it this way: If we start taking retaliatory action against each other and start putting up barriers to one another, then markets will start to close. If markets start to close, we lose our exports. If we lose our exports, we lose our jobs, and people are thrown into unemployment in Europe and the United States. That's not the way we want to go.

CHARLIE ROSE: What do you do about -- and this is what American workers would like to know, I think -- what do you do about the fact that they are losing their job because for certain companies it's much cheaper, and for their own survival they feel like they have to manufacture goods where there is - - they can produce them at a cheaper price?

PETER MANDELSON: In China or elsewhere...

(CROSSTALK)

PETER MANDELSON: We face exactly the same...

CHARLIE ROSE: So what do you say to those people who are losing jobs, and what can be done for them? Nothing but retrain them for better jobs?

PETER MANDELSON: I say that for every job we lose through that, we're creating more than one job in different parts of our economy, because we're more competitive, and because those markets are growing and we're selling into those markets goods and services of our own, which is generating employment at home.

CHARLIE ROSE: You have said, I think, you have said -- it's true, I know.

(CROSSTALK)

CHARLIE ROSE: Well, what you have said is that we can't protect individual jobs, but we can protect individuals who need a job.

PETER MANDELSON: I'm an economic liberal.

CHARLIE ROSE: Laissez-faire...

PETER MANDELSON: But I also believe in social justice. And if we don't combine those two things, we're going to lose out.

You can't say to people that we have got to keep our trade flowing, our markets open, we have got to be open to these emerging economies. And then when the impact of globalization threatens their jobs or disrupts their careers, then we're not there to lend them a helping hand. You have to be there, through a system of continuing life-long education, helping the labor market, actively supporting people, which we do in Europe to a greater extent than you do in the United States. You know, we have a welfare system that helps people when they're unemployed off welfare back into work. We have active labor market policies. Now, that's -- as a social democrat, what I believe is the...

CHARLIE ROSE: You don't think we have any of that in the United States? Welfare reform...

PETER MANDELSON: I said you didn't have it to the same extent that we have it in Europe. And what I believe passionately as a social democrat is that you need to combine economic liberalism with fairness, with social justice. If you have one without the other, you're going to lose out.

CHARLIE ROSE: OK, so if the trade deficit, the current accounts deficit between the United States and China continues as it does, what are the implications for that? For America?

PETER MANDELSON: The implication is that the surpluses that China is generating will be invested back...

(CROSSTALK)

CHARLIE ROSE: They're already doing that. It's happening.

PETER MANDELSON: ... into the United States, strengthening your economy and creating a new basis of growth and employment for you to create jobs and exports....

CHARLIE ROSE: So it's a positive when they take their...

PETER MANDELSON: But -- so there are ways of rebalancing the global economy, and certainly the bilateral relationship between the United States and China. But if China doesn't want to provoke a backlash, you know, given this deficit, then in my opinion -- and I say this, the same, to China on Europe's behalf -- you have got to open up a bit more to us. You have to give us more access. Because if you don't, if this trade imbalance grows, then it's going to provoke such a backlash from public opinion that our policies of openness will be unsustainable. And therefore, for China's long-term good, they have got to rebalance.

And in another sense, too, if China wants to keep exporting consumer goods, like toys and other goods to the United States and to Europe, they've got to make darn sure that there are proper standards.

CHARLIE ROSE: You are speaking about the most recent controversy?

PETER MANDELSON: Because if they don't, if they don't, then people really will be entitled to pull the shutters down and say, I'm so sorry. It's not a matter of trade, it's a matter of public health, and we're not having these goods which are going to poison people and harm them.

CHARLIE ROSE: OK. But allow me to ask this question: When you say these things, do you think they are listening? And do you think they are responsive? And do you get some indication that they want to change, and the only difference is the pace of change?

PETER MANDELSON: Well, they're not idiots.

CHARLIE ROSE: I don't understand, that's a non-sequitur.

PETER MANDELSON: Well, they're not idiots, so they know only too well they have to listen, and they have to act.

CHARLIE ROSE: And they have to change.

PETER MANDELSON: And they have to change. Look, if they simply carry on allowing goods to be produced in China with such levels of toxicity that they start harming people's health in their export markets, then that will be the end of them. So they're not stupid. They know they have got to act.

But here is the problem in China. It is so vast. It is so complicated. The fragmentation of the economy -- we think of it as some sort of centrally controlled economy, presided over by a sort of bunch of people pressing buttons and pulling levers in Beijing, and having those changes sort of take place over every province in the country. It isn't as simple as that. Whether it be on product safety or intellectual property or a myriad other issues, getting the Chinese authorities engaged in a dialogue is stage one. Stage two is getting them -- persuading them that they have to act. Stage three is getting them to agree on the policies. Then four and five stages are getting those policies applied across their economy as a whole, and that's the hardest, hardest stage of all for them to take on.

So that's not an excuse for inaction, but the challenge of bringing about change in China is very much greater than you might think, you know, from one's sort of superficial view of it, you know, as some monolithic, centrally controlled economy.

CHARLIE ROSE: I recently returned from there this summer. I spent some time over there and talked to a lot of people.

PETER MANDELSON: Well, you'd understand this then.

CHARLIE ROSE: I do. And I think they are committed to change. And I think they may have a different sense of pacing, but they -- well, the one thing they recognize, they do not delude themselves over the problems they have.

PETER MANDELSON: The thing that really worries them is instability.

CHARLIE ROSE: Well, that's my point. That's a problem.

PETER MANDELSON: They don't want to bring about change -- or they don't want to challenge enterprises or whatever, in a way that's going to create mass unemployment. So when you create unemployment in China, it's sort of -- you know, it is large scale unemployment. That leads to social instability and a political challenge which they want to avoid at all costs. So there's a constant sort of balance being struck within the Chinese authorities about the need to change, the pace of change, and how they bring it about.

CHARLIE ROSE: OK, but my only point is small, I mean, you are the guy who does all the conversations and you have a responsibility in this area. And I'm just looking at it from a standpoint of a surrogate for an audience of people who watch this program. It is that they recognize they have these problems, and they recognize that unless they do take advantage of this economic growth and use it to do something with these huge domestic issues that they have, that it will create instability, and who suffers from instability is the power, the people in power. They get that.

PETER MANDELSON: I mean, arguably, they are growing too quickly and they know it.

CHARLIE ROSE: Yes. Exactly. (inaudible) pollution and all those other problems.

PETER MANDELSON: And they are not prepared for the fallout. They are not prepared for what they need to do to sustain their economic growth. There are so many challenges facing the Chinese authorities.

Now, I think the best thing to do is obviously to engage them, to talk about these things, and to share our policy knowledge with them. But at the same time -- and this is the dilemma for me as a trade commissioner, as it is for the U.S. Trade Representative Susan Schwab -- you want to engage in the

dialogue and you want to persuade. When you come in with a stick, you know, and say, look, you know, persuasion is one thing, but you are not doing this in a way that we think you should or quickly enough. We're now going to try and sanction you.

And then there's a fallout. And you have to rebalance the relationship the whole time. It's a very, very difficult balance to strike.

FAIR TRADE

CHARLIE ROSE: Is globalization losing favor in the world?

PETER MANDELSON: I think people -- I think they are -- people are ambivalent about it. On the one hand, they say it's a fact, it's good. It represents economic growth and economic opportunity. Markets are growing. We can sell more of our goods and services. It means more profits and jobs at home.

On the other hand, they are saying it also represents very tough competition, and we're on the rough end of that.

Now, when people are going to start saying -- going one step further and saying, not only are we on the -- taking the rough end of this competition, but also saying there are others who are not abiding by the rules, and they are taking us for a ride, then that's when you reach a danger point with public opinion. And that's why it's very important for those of us who are responsible for trade both to make the argument for openness and to sustain that argument, but at the same time, recognize that there are injustices, that there are imbalances, that there are activities going on where people are not showing proper respect for international trade rules, and we have to take action.

You know, if we want to keep making the case for free trade, as I do, then we have to take action to enforce fair trade.

CHARLIE ROSE: That's what the -- yes.

PETER MANDELSON: But fair trade...

CHARLIE ROSE: Is not protectionism.

PETER MANDELSON: ... is giving everyone the opportunity to trade and to grow and to raise their living standards and to lift people out of poverty. It is not the same as creating a protective wall around your economy and keeping other people's goods out, which is some of the populist -- some of the sort of populist rhetoric that you hear from some politicians and from some trade (inaudible)...

RUSSIA

CHARLIE ROSE: Somehow they want to use it as the leverage there. They want to say, unless you change, unless you become fair, then we have to do this. We have no choice. That's the attitude.

Let me go -- because you have said that Russia is a very, very...

PETER MANDELSON: Complicated.

CHARLIE ROSE: ... complicated country.

(CROSSTALK)

CHARLIE ROSE: Well, basically what you said that the relationship between the E.U. and Russia had reached a level of misunderstanding, I think you said, not since the end of the Cold War, and in danger of going badly wrong.

PETER MANDELSON: The issue is this: That in the 1990s, under Yeltsin, when the huge privatization of the Russian economy took place, individuals acquired vast wealth, a lot of the national assets, oil and gas assets, energy assets of Russia passed into private hands, certainly beyond the influence, let alone the control of the state and the government.

Since those times, people, many people in Russia have felt that we need -- that they need some rebalancing. That these are national assets, and they should be -- have some measure of national policy asserted over them by the national government. There's also a lot of resentment against some of the get-rich-quick individuals who made a fortune out of privatization.

CHARLIE ROSE: Who are called the oligarchs.

PETER MANDELSON: Yes. And the Russian people feel that, you know, more should be brought back into the public sector and should be shared with the general public.

Now, sometimes that looks like less economic freedom in Russia or it looks like sort of arbitrary actions by the Russian government against foreign investment, for example. It looks like tough action against individuals which, together with some infringement of democratic and media rights in Russia, all together looks unacceptable to the West.

Now, we are right to stand up for economic freedom and democratic freedom. We need to see choice in the broadest sense of the term in Russia, economic choice and political choice prevailing in that country. But we also have to understand that what we're seeing now, to an extent, is a reaction to what happened in the 1990s.

CHARLIE ROSE: The loss of power?

PETER MANDELSON: Loss of power, but also economic -- all the things that went on under Yeltsin. So there's a rebalancing going on. So we need to react in the sense that we have to stand up for what we believe in, but not overreact and overcastigate the Russians for actions which, to an extent, are an understandable and natural response to what happened in the 1990s.

CHARLIE ROSE: Anything you want to add about the next Doha round that is so vitally important? Have we missed a point here?

PETER MANDELSON: Three points. One, it's worth \$200-plus billion a year for world trade and jobs and jobs security if we get it right. Secondly, we're in now the final, sort of final final stage of these negotiations where I believe the United States has a key role -- not the only role, but a key role in giving leadership to those negotiations.

Thirdly, if we get it wrong, we not only lose the opportunity of that boost to world trade and boost for jobs around the world, but we'll damage the international trading system, which will have consequences for decades to come in my view.

CHARLIE ROSE: It's great to have you here.

PETER MANDELSON: It's nice to be back.