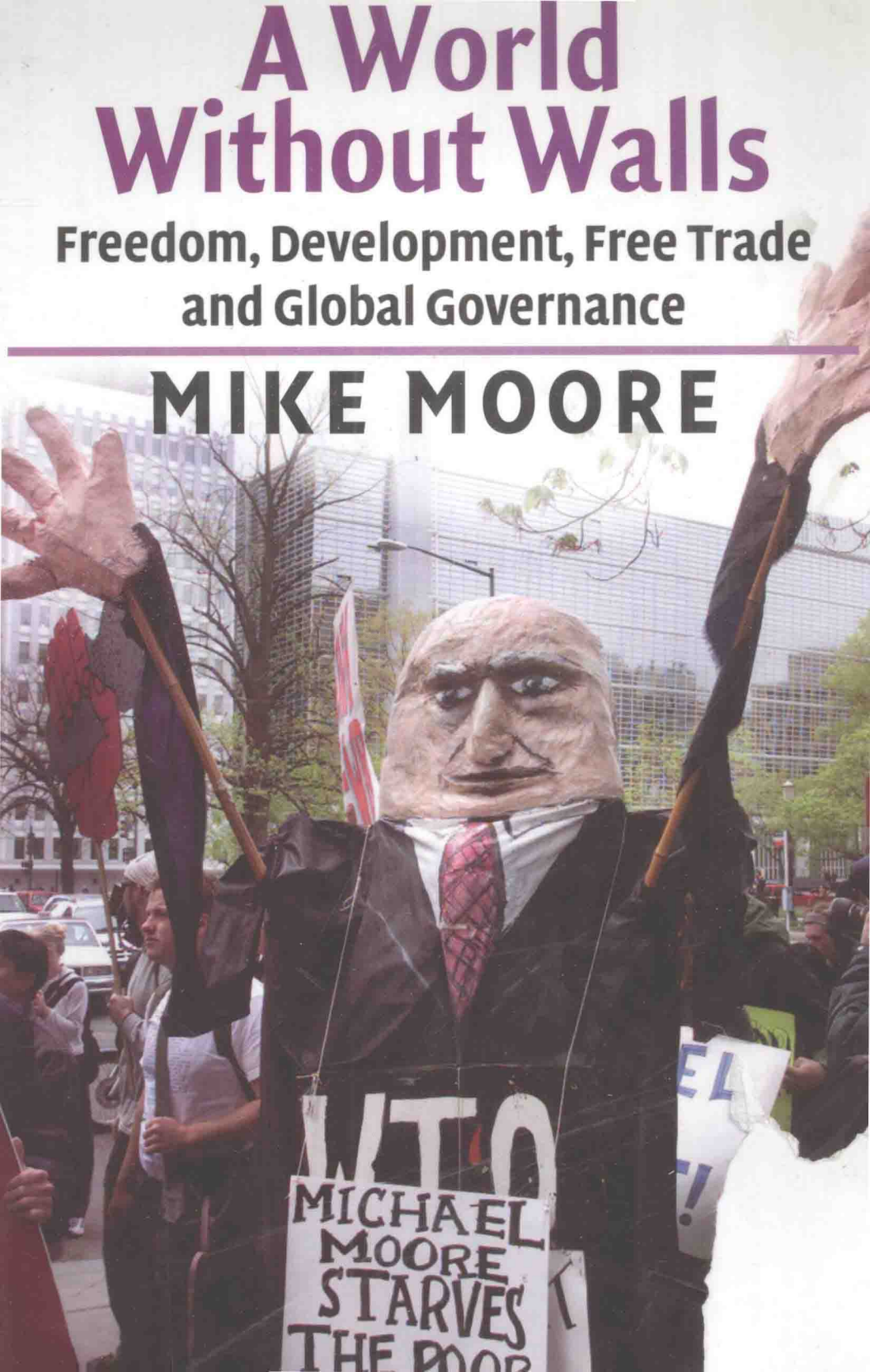
A World Without Walls

Freedom, Development, Free Trade and Global Governance

MIKE MOORE



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A World Without Walls

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Mike Moore's reflection on his time as Director-General of the World Trade Organization is an important addition to the great globalisation debate. Moore explains how a boy who left school at fourteen to work in a slaughterhouse came to head an organisation charged with bringing rules and order to the world's trading system. Arriving at the WTO shortly before the ill-fated Seattle meeting, Moore sought to reform the Organization, addressing the concerns of poorer countries and engaging in open debate with the often hostile non-governmental organisations (NGOs). He successfully negotiated ten new members into the WTO, including the world's most populous nation, China, and he gives an insider's view of how these negotiations were navigated. He is proud that in November 2001, at the meeting in Doha, these nations promised their commitment to a new round of trade talks with a focus on development. Moore rebuts the attacks against the WTO, and argues that the WTO's promise of rules-based free trade offers the best hope for lifting millions of the world's poorest citizens out of poverty. *A World Without Walls* examines our interdependent world which is now just beginning to integrate and offers refreshing perspectives on an emerging global civil society and the challenges of corporate and global governance.

MIKE MOORE, the Director-General of the World Trade Organization from 1999 to 2002, is a former New Zealand Prime Minister, Trade Minister, Foreign Minister and Deputy Finance Minister. He has been honoured and recognised by over a dozen governments and universities in the Americas, Africa, the Pacific and Europe. He is also the author of *A Brief History of the Future*, *Children of the Poor*, *Fighting for New Zealand* and *The Added Value Economy*, amongst other books.

George Bernard Shaw said that reasonable people don't make change, that all human progress is based on unreasonable people. This book is dedicated to those unreasonable people who demand and work for peace and progress.

Acknowledgements

Any book is in the end only a reflection of all the author's influences, personalities encountered, books and articles read, and personal and professional experiences. I have learned a great deal from many people – politicians, public servants, academics, businessmen, authors and NGOs – whose work and ideas I have devoured over the years. I owe a special debt to colleagues, staff and ambassadors at the World Trade Organization, for their experience and advice – some of which I even took.

In particular, I want to thank David Porter for his editorial guidance, and Intan Hamdan and Katie Waters, for research assistance. Jagdish Bhagwati, Clemens Boonekamp, Tim Groser, Patrick Low, Diarmid Martin, Patrick Rata, George Soros, Peter Watson and Ernesto Zedillo took the time to read drafts of this book and comment. Paulette Planchette, Ursula Stephenson and Susan Conn mastered the art of transcribing my handwriting. As always, thanks to my wife Yvonne, who has for many years put up with me getting up at 5 am and scribbling down ideas on yellow legal pads. My thanks also to Chris Harrison at Cambridge University Press for shepherding this book through to publication. However, as is always the case, in politics or authorship, the final responsibility is mine and any errors are mine alone.

All books are works in progress. *A World Without Walls*[*] was several years in the making and draws in part upon material researched for articles and speeches I prepared and published during my term at the WTO. I have also advanced and developed some of the ideas I first canvassed in an earlier book, *A Brief History of the Future*. I hope this effort pushes, probes and promotes a wider debate on these issues that are so important for our common global future.

MIKE MOORE,
Geneva, August 2002

[*] The phrase 'world without walls' is not new – it has been used by many people, although I believe that I first read it in an address by President Clinton.

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1 Introduction: The making of an internationalist

How does a dyed-in-the-wool lifelong New Zealand Labour activist become an unabashed advocate of the advantages of globalisation? There is no contradiction between a lifelong adherence to the principles of internationalism and worker solidarity, and believing in the worldwide benefits of the free flow of trade and ideas.

I started working at fourteen, helping slaughter thousands of animals a day in one of the meat works that provided seasonal employment in Moerewa, a poor, small town in rural New Zealand. I hated the violence – not just the killing, but the brutality of the environment. Why be efficient? When you did well, you just worked your way faster out of a job.

At an early age, I learned to despise power, privilege and the bullying that goes with it, perhaps because I spent some time in a boarding school for children from 'difficult circumstances'. My mother, widowed with three boys under twelve, came from a family where Labour was a religion not an ideology, and where memories of the Great Depression of the 1930s lingered long. We were tribal in our loyalty to Labour.

For poor New Zealanders, buried away at the bottom of the world in that faraway pre-Internet age, Wall Street had little to do with our memories of the Depression, which destroyed many families that had for generations broken in hard countryside with bullock and axe. As a Labour politician of the time described it, these toiling workers lost their farms while 'wiping the sweat from their brows with the slack of their guts'. We grew up convinced it was the Conservative government in New Zealand that had caused the Great Depression, not Wall Street, and that Labour rescued our nation, as F. D. Roosevelt was to do for the USA. A photo of Labour's first Prime Minister, Michael Joseph Savage, hung on our wall. A saint, I was told. I didn't join the Labour party, I was born into it.

I grew up a rural-town boy from a small country who, lightly touched by polio and with a leg in a brace, came to the grim early realisation he could never aspire to the great New Zealand dream of becoming a rugby All Black. Instead, I devoured books and settled on the lowlier ambition, in Kiwi terms, of becoming a politician. After becoming the youngest-ever

politician elected to the Parliament, at twenty-three, I quickly became the youngest-ever defeated, at the next election. But I eventually went on to help the 1984 Labour government forge the dramatic market-opening market reforms that drew the attention of economists worldwide, serving as Trade and Foreign Minister, Deputy Finance Minister and holding several other portfolios. This experience deepened my interest in the major issues of trade and globalisation that have since come to play such a significant role in world development and security. My most enjoyable portfolio, though, was as Minister for the America Cup, which saw the launch of the most expensive fleet since the Greeks invaded Troy to rescue Helen. Kiwi Black Magic eventually won the cup, and the rights to host an event that netted millions in additional tourist revenues for New Zealand and kick-started a high-tech boat-building industry.

My formative years were as a young idealist MP in a very marginal seat, watching the first Labour government in more than a decade fall apart under the pressure of the oil crisis in the early 1970s, extravagant election promises and a populist opposition National Party. I had cheered on budget night when my youthful heroes in the Cabinet tried to ban inflation in housing prices with a 90 per cent speculation tax. I was ecstatic when my government decided to ban inflation on household products by insisting companies label all products with a maximum retail price – until I visited factories in my electorate that withdrew product lines, and saw for myself that the policies didn't work. Labour was heavily defeated, I lost my seat, and I began to think through economic alternatives to how we had handled the crises, many of them of our own making.

Robert Muldoon, a populist leader, became New Zealand Prime Minister. We called him right wing, but in fact he was Peronist. His response to the oil crisis and every other problem was even more control and huge taxpayer-backed doomed 'think-big' Sukarno/Soviet-type projects to make New Zealand independent of world prices, such as a gas-to-gasoline plant. He was, as Lenin suggested when he launched the New Economic Policy, aiming to control the 'commanding heights of the economy', a policy advanced by Harold Wilson, Nehru and many other leaders of that generation.

It was a different age. They were of a generation that had seen how the world had mobilised resources to win a war. They wanted to control and mobilise the nation's resources managed from the centre to grow and win in peacetime. This view was not restricted to the democratic left. Richard Nixon decided to ban inflation and introduced wage and price controls in the USA. Edward Health sought similar remedies in the UK.

On the opposition benches following the election in 1978, a group of Labour MPs began to think and write about a different approach.

When the New Zealand economy had deteriorated to the extent that the conservative National Party government could no longer come up with a budget, things fell apart. In July 1984, Muldoon called a snap election and lost.

A week after that election, *The Economist* wrote:

> In a country with 3.2 million people and 70 million sheep, [Muldoon's] slogan was, 'Think Big'. Sir Robert preferred to borrow abroad rather than devalue, saddling New Zealand with foreign debts equal to 45 per cent of its GDP, proportionally more than Brazil has. Since Sir Robert became Prime Minister in 1975, New Zealand's GDP has grown by only 0.75 per cent a year, the slowest of the 24 countries belonging to the Organisation for Economic Cooperation and Development (OECD). New Zealanders can count themselves lucky they were rich to begin with. If theirs had been a developing country, the Muldoon treatment would have made it one of the world's disasters. Like those Third World leaders who have fouled up their economies, Sir Robert was fond of dismissing criticism by claiming he was 'on the side of the people'. The people have now had their say. Other populists please note.[1]

Labour was elected on a slogan of 'Bringing New Zealand together'. We were New Labour when Tony Blair was still at university, pioneering reforms that are still drawn upon and written about worldwide. However, in 1984 we weren't acting out of principle or idealism, but desperation. Other options were foreclosed. If we'd been a developing country, the International Monetary Fund (IMF) would have come in. Instead we were 'rich' – but deeply in debt. Within a generation of enjoying the highest living standard in the world, we were almost at the bottom of the OECD table. Radical surgery was needed.

In a short time after taking office, we:

- abolished billions of dollars in subsidies to agriculture, our most competitive products
- abolished central control of the sale of meat
- floated the dollar
- gave statutory independence to the Central Bank, based on a contract with the Governor (replicated by UK Chancellor Gordon Brown)
- paid down the debt by privatisation – debt servicing was costing 19 cents in every dollar, more than our public investment in education
- substantially increased our real investment in education and health
- abolished several hundred local government units
- reformed the waterfront, from it taking sometimes thirteen or fourteen days to turn a ship around to thirty hours
- abolished dozens of sales taxes and introduced a general sales tax (GST) of 10 per cent; brought both personal taxes, which formerly peaked at 66 per cent, and company tax, at nearly 50 per cent, down to a common 33 per cent

- introduced a family support payment system to protect low income earners from the initial costs of introducing the GST
- opened up immigration
- put a hated surcharge on pensioners who earned above a certain level
- reformed the public service.

We were pioneers: *The World Bank Development Report, 1997*, judged the New Zealand experiment as follows: 'There is a growing trend to set up focussed, performance-based public agencies with more clarity of purpose and greater managerial accountability for outputs or outcomes. New Zealand provides the most dramatic example among the high income countries. It broke up its conglomerate ministries into focussed business units, headed by chief executives on fixed-term, output-based contracts, with the authority to hire and fire and to bargain collectively.'[2]

But change is traumatic, especially in a small country, and the reforms were not popular. As the then New Zealand Central Bank Governor Don Brash observed: 'Perhaps [media commentator Lindsay] Perigo was right when he said that New Zealand was 'a country reformed by Hayekians, run by pragmatists and populated by socialists.' My own hunch is that, probably in common with the citizens of other Western countries, New Zealanders accept that socialism does not work in the economy, but remain wedded to the welfare state and a Fabian notion of 'fairness'.'[3]

None of us had read much of F. A. Hayek at that time, but a few had studied Karl Popper, whose seminal book *The Open Society and its Enemies* was written while Popper was living in New Zealand.

The initial internal contradictions eventually got too much for the Labour Party in government, and it imploded in fatal factionalism. Australian Labour, which was not as radical and did not face the same critical economic conditions, managed to resolve its internal party contradictions much better when it was in power across the Tasman. I argued in the party for a wider compact with the major players in the economy, but lost that debate.

I eventually became Prime Minister – my desperate caucus colleagues having by then given up on everyone else – when the Labour government had finally plummeted to the nadir of its popularity. In doing so, I again distinguished myself, this time by becoming the shortest-serving premier in the country's history. However, I did succeed in uniting the country – queues formed hours before the polling booths opened on election day as they voted to give me some time off. But that's democracy: the people are always right, even when they're wrong. Although I had doubled Labour's popularity in the polls, it wasn't enough to turn the tide. We had exhausted the public's patience by internal warfare, and faced a populist conservative opposition vowing to undo our reforms. To their credit, they did not do

Figure 1. New Zealand cartoonist Jim Hubbard always saw me as a panda: he summed up the standoff in the leadership struggle.

so. But at least I'd kept the Labour Party intact as the major opposition party, and I returned to Parliament to continue the fight.

Why the WTO?

I have been intimately involved with the World Trade Organization (WTO), both as a minister and as opposition spokesman on trade, since before the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1986. I have spent the past three years at the helm of this multilateral inter-governmental organisation. I am proud of the WTO's achievements under my leadership, in particular the successful launch of a new Trade Round, the Doha Development Agenda in 2001 – the first since the Uruquay Round in 1986 – and the accession of more than a quarter of the world's population into the membership, with the admission of Lithuania, Moldova, Oman, Jordan, Croatia, Albania, Estonia, Georgia and of course, most significantly for world trade, China and Chinese Taipei. Russia's accession is also now much closer.

Having taken part in pioneering economic reforms in a small, 'developed' country, made mistakes, observed what worked and what did

not, it has been illuminating to have the opportunity to study these issues at a macro, global level, working with governments around the world as they wrestle with the key issues of trade and economic development. Over the past few years in Geneva, I've enjoyed a bird's-eye view of how and why this happens. I have reached one core conclusion, which is why I've written this book. Economies work best where there is a democratic system, a professional civil service, honest and transparent political parties, open commerce, a free and fair media, free trade unions and religious tolerance. Much of this is misunderstood and seen as a victory for the politics of the right.

The definition of left and right has always been blurred and self-serving. One definition centres on control of the economy, on how much is owned by the state or controlled by the state. That was a puerile definition, with Marxist overtones. In Marxist countries the state owned everything, in fascist countries the state controlled most things. Hitler, Mussolini, Peron and Franco all controlled their economies to a far greater extent than social democratic states like Sweden or New Zealand in the 1930s. Those who in their youth were heavily influenced by far-left thinking, many based in Paris or at the London School of Economics, from China's Deng Xiaoping to leftist Brazilian Fernando Henrique Cardoso, when in power were at the vanguard of radically reforming their economies to achieve social justice through market mechanisms.

As Deng once said, the choice was between redistributing poverty so that all were equally poor; or redistributing wealth, so that inevitably some would be rich and some poor.

Both suffered exile or imprisonment, ridicule and the contempt of colleagues. But both Deng and Cardoso were responsible for lifting millions out of poverty. When Cardoso became Finance Minister in 1993, inflation was 7,000 per cent. Within a month, under his so-called Real Plan for recovery, he brought inflation down to 10 per cent.[4] Both encouraged foreign investment, privatised costly state-owned enterprises, reformed the tax collection system and attacked corruption. Deng called it socialism with Chinese characteristics. President Cardoso talked of a regulated free market.

The WTO and globalisation have become dirty words in some circles in recent years, both blamed for everything from global poverty and human rights abuses to the destruction of indigenous cultures. But I remain an unabashed believer in internationalism, solidarity and freedom – in free trade, open markets, democracy, good governance and an active participating civil society, as the pillars of development and success. I believe that the free flow of goods and ideas promoted by bodies such as the WTO acts as a catalyst for development, and has lifted living

standards worldwide and strengthened human rights. We should neither idealise nor demonise globalisation.

I described my early years and background in New Zealand's pioneering economic reforms in some detail, because it seems to confuse some commentators that a veteran labour/social democrat such as myself can also be such a passionate advocate of political and economic internationalism. There is no contradiction. Privilege, and the power that accrues through it and to it, survives and prospers best when protected by the state. By contrast, freedom and equality of opportunity acts in direct opposition to protected, powerful and privileged forces, helping break them down and redistributing power, wealth and opportunity.

As a social democrat, heading this organisation attracted me. The WTO does not act to preserve monopolies and privilege, but works to accomplish the reverse. Competition and openness is the opposite of monopolies and privilege, helping create a level playing field on which countries of the world at all stages of development can freely exchange goods and services. Protectionism and economic and political isolationism are not tenets of true social democrat thinking, but rather holdovers of colonialism and imperialism, the near collapse of capitalism in the 1920s, the Cold War stand-off and the monstrous Marxist aberration that distorted social democratic thinking.

A number of internationalists come from similar backgrounds to my own. It is no accident that officials like US Secretary of State Cordell Hull – who essentially led Franklin Roosevelt in seeking to drive internationalism through economic vehicles such as trade – was from a poor rural state and saw trade as a vehicle for peace and development. Hull once said: 'I have never faltered, and I will never falter, in my belief that enduring peace and the welfare of nations are indissolubly connected with... the maximum practicable degree of freedom in international trade.'[5]

Similarly, the thinking of the greatest British Foreign Secretary of the last century, Labour's Ernie Bevin, was moulded by his rage at the injustices he saw as he endured a poor rural upbringing. He devoted his life to trying to improve conditions for the working poor, and in doing so created both the world's largest union and Britain's largest daily newspaper. Bevin was a Christian socialist and had no time for Marxists, simply because they were undemocratic, stifled freedom and banned democratic unions and religion. His foreign policy, he said, was the freedom to be able to go to Paddington Station and from there to anywhere in the world.

And when the Mahatma Gandhi visited London in the 1930s, it was the textile and other workers who mobbed him, seeking solidarity with what he represented. The powerful ruling elite shunned, insulted and rightly