

Free Trade Optimism

Dani Rodrik¹

Mike Moore, [A World Without Walls: Freedom, Development, Free Trade and Global Governance](#), Cambridge and New York, Cambridge University Press, 2003.

Within two months of taking office as the new director general of the World Trade Organization (WTO), Mike Moore was handed a major setback in the now-famous “teargas ministerial” of November 1999 in Seattle. With protestors wreaking havoc outside, Moore, a former prime minister from New Zealand, was unable to prevail on the assembled government officials to conclude an agreement that would launch a new round of trade negotiations. To the WTO’s opponents, the collapse of the meeting represented the high point to date of their crusade against “corporate-led globalization.” Even to its supporters, it appeared that the WTO had been administered a near-fatal blow, from which it would recover only very gradually, if at all.

Yet two years later, when trade ministers met again in the more secluded environment of Doha, Qatar, they were able to walk out with an agreed framework in hand. The Doha meeting launched a “Development Round” of trade negotiations, which is still stumbling along. It also inaugurated China as a member of the WTO. The death knells for Mike Moore’s WTO, it turns out, had sounded prematurely.

Mike Moore’s dogged determination to bridge the gaps that separated the U.S. from the European Union and the rich countries from the poor ones was not the only reason for Doha’s success. Doha took place scarcely two months after 9-11, and the pressure was high, particularly on the advanced countries, to prevent another failure that would have sapped confidence in the global economy’s ability to weather the shock. Of critical importance was the willingness of the United States to accede—eventually and grudgingly—to developing country demands in the area of intellectual property rights, by signing on to a statement that existing WTO agreements do not and should not prevent members from taking measures to protect public health. Nonetheless, Mike Moore will be remembered by friends and foes of the WTO alike as the man who put the international trade regime back on track.

The middle (and most interesting) part of [A World Without Walls: Freedom, Development, Free Trade and Global Governance](#) is devoted to Mike Moore’s account of how he engineered this remarkable turnaround. He is remarkably candid about many aspects of his tenure. He is frank about the inauspicious start he had, which followed a bitterly fought race between him and Dr. Supachai Panitchpakdi of Thailand for the position of director general. The WTO’s membership, unable to reach consensus on a single name, eventually awarded the first three years of the term to Mike Moore and the second three years to Dr. Supachai. (Supachai took over from Moore as director general in September 2002.) Moore thinks he had majority support among the membership, and it is clear that he felt cheated. He describes the arrangement

¹ Dani Rodrik is professor of international political economy at Harvard’s John F. Kennedy School of Government and the author of [Making Openness Work: The New Global Economy and the Developing Countries](#), Overseas Development Council, Washington, DC, 1999. This is the unedited version of a review published in *Foreign Affairs*, May/June 2003.

to split his term with Supachai as “a slightly sordid deal” (95) and relates matter-of-factly, and with no regrets, his refusal to be photographed with Supachai on his first day in office (96).

Moore attributes the debacle at Seattle to the lack of adequate preparation: his leadership team was barely in place and he had little time to put his own stamp on the process and on the negotiating draft. Doha, he writes, was the “mirror opposite” (97). He describes his grueling schedule (“travelled over 625,000 km, visiting 182 cities and meeting with more than 300 ministers” (115)), his difficult time with his NGO opponents, the petty politics of the WTO, and his uneasy relationship with his staff (115). And yet while Moore can be quite frank and revealing about such issues, he does not offer a systematic behind-the-scenes account of how the Seattle disaster was transformed into the Doha consensus. One wishes Moore had written more about the cajoling, arm-twisting, and horse-trading that was required to get key governments to fall into line. Except for an occasional nod in their direction, Moore says little about the roles played by Bob Zoellick and Pascal Lamy, the point men on trade for the U.S. and EU respectively, or about his relationship with them.

Strategically, Moore’s key accomplishment was to recast the failed Seattle agenda around the theme of development and to promote the new round as a “Development Round” with agricultural liberalization as its centerpiece. Moore was not the first or only voice arguing that the new round should focus on the needs of developing countries. World Bank president James Wolfensohn and U.K. minister for development Clare Short, among others, had called for a Development Round before Seattle. But it was Moore who took what most observers had come to call the Millennium Round and transformed it in the global consciousness into a Development Round.

To see why this was important and what problems it solved, we need to go back to Seattle. Moore knew that the collapse of the talks had less to do with the demonstrations outside the conference center than with the intransigence of the governments inside. There were two main axes of conflict. First, the United States, backed by the Cairns group of 17 agricultural exporters which it led, was pitted against the EU and Japan on the question of agricultural liberalization. The U.S. demanded significant improvements in market access and a phasing out of export subsidies in farm products, which the EU rejected for obvious political reasons. Second, developing countries were in no mood to play ball. They felt that the previous round of trade negotiations, the Uruguay Round, had left them saddled with costly obligations, that the TRIPS (intellectual property) agreement was working against them, and that the rich countries had failed to live up to their commitments (with respect to, for example, liberalization of textiles trade and increased financial assistance). They were opposed to the push by advanced countries to expand the agenda to include new issues such as investment, government procurement, competition policy, environment, or labor standards, which they felt would impose costs and obligations predominantly on them.

It was clear that agriculture, in Moore’s words, was the “deal-maker or deal-breaker” (114) since without enthusiastic U.S. support the new round would go nowhere. Much of Mike Moore’s hard work between Seattle and Doha was directed at putting agriculture at the center of a “development” agenda. This would not only capture the high moral ground, but also make the momentum for agricultural liberalization unstoppable by enlisting developing country support on

the issue. “By *making* agriculture a development issue,” Moore writes in a revealing passage, “we brought Africa, most of Asia and Latin America together on a common agenda” (emphasis added, 114). This was a brilliant move that served to bridge both of the divides that had led to the collapse of the Seattle ministerial. The EU could not have blocked an agreement at Doha without appearing to undermine development. And developing countries could walk away with a document that claimed to put their interests at the center.

Mike Moore does not tell us how he managed to convince developing countries that an agenda little changed from Seattle could now serve as the blueprint for a development round. As the location of the quote above suggests, it was hardly evident that an agenda centered on agriculture would amount to a development round. The developing countries’ interest in agricultural liberalization had always been ambiguous. Aside from a few middle-income members of the Cairns group, such as Argentina, Brazil, Chile and Thailand, which are important agricultural exporters, few developing countries looked at this area as a major source of gain. Research done at the World Bank during the Uruguay Round had highlighted the possibility that most Sub-Saharan African nations could actually end up *worse off* as a result of the rise in world food prices produced by the reduction in European export subsidies. As Arvind Panagariya, an economist at the University of Maryland and a strong supporter of trade liberalization, has noted, the vast majority of the world’s poorest nations are net importers of agricultural products and will end up paying higher prices for their imports if agricultural export subsidies in the rich countries are phased out. For the most part, developing countries’ interests lay not in deep liberalization in agriculture, but in restricting the agenda to a narrow set of issues and in fixing the perceived shortcomings of the Uruguay Round.

There were ways in which the negotiating agenda could have been broadened in a truly development-oriented way. To take the most glaring omission, the greatest demonstrable gains to developing nations lie in an area in which the Doha framework makes no commitments at all: the liberalization of temporary labor flows internationally. It is hard to identify any other issue in the global economy with comparable potential for raising income levels in poor countries *while* enhancing the efficiency of global resource allocation. Even a relatively small program of temporary work visas in the rich countries could generate income gains for workers from poor countries that exceed the predictions for all of the Doha proposals put together.

Instead, developing nations were saddled with negotiations on ill-fitting issues such as the environment, investment, government procurement, competition policy, and trade facilitation. This was the price of leaning so heavily on agriculture. These new areas were of particular interest to the European Union (and in some cases Japan) and their inclusion on the agenda was the quid pro quo for the EU’s acquiescence in agriculture. The irony is that the costs of this particular tradeoff will be borne almost exclusively by developing countries, in effect adding injury to insult. Moore devotes a chapter to these new issues, making the case that the developing nations will eventually benefit by undertaking disciplines in these areas. But he is not very convincing, and ultimately one gets the feeling that his heart is not quite in it.

Moore’s strategy did pay off, and the world’s trade officialdom was spared another embarrassment in Doha. But the eventual outcome remains very much in doubt. As I write these words, negotiations are practically deadlocked in agriculture as they are in TRIPS. Few

knowledgeable observers believe that there will be much progress to report on when trade ministers next meet in Cancun, Mexico, in September of this year. And even if there is, it will be difficult to hail it as a great success for development, no matter that the official appellation of the round.

Moore's fascinating account of the road from Seattle to Doha is sandwiched between two long sections devoted to ruminations about the state of the world and global governance. Moore takes on a wide range of issues, from the moral basis for free trade to the demographic challenge awaiting advanced countries. These parts read less well than the middle section of the book, as they contain few new ideas and seem to have been put together in a rush. Arguments are typically presented by weaving a string of declaratory statements around supporting quotations from various authors. What shines through all this is Moore's unshakable faith in globalization and his contagious confidence in the combined ability of markets and democracies to make the world a better place for the vast majority of its inhabitants.

The world of ideas and action, as Moore presents it, is divided between those who favor free trade, freedom, transparency, good governance, tolerance, and competition and those who stand for protectionism, repression, corruption, monopoly, and isolationism. This stark, good versus evil dichotomy keeps recurring throughout the book and lends Moore's arguments a strong moral undertone. But is this a good guide to the real world? The trouble with equating free trade with all that other good stuff and protection with their opposite is that it evades the hard questions. The choices the real world presents are rarely as clear-cut as that between outward orientation à la Hong Kong and isolation à la Myanmar. They typically have to do with selecting an appropriate mix of regulations, incentives, and market disciplines that stimulate economic activity while safeguarding public welfare.

What do we make, for example, of South Korea's and Taiwan's trade and industrial policies in the 1960s and 1970s—policies that would have run afoul of WTO rules many times over if those rules had been in effect at the time? How could China (or Vietnam) have grown so rapidly in recent decades even though they lacked the benefit of WTO membership? How do we interpret U.S.' own protectionist history during the critical period of the late 19th century when the former colony caught up with and surpassed Britain's economic prowess? All these countries were outward oriented in their own fashion. But anyone who tries to understand their success in terms of simple categories such as free trade versus protection runs out of useful things to say pretty quickly. Many of the critics of the WTO take issue not with trade itself but with the perceived defects and asymmetries of the rules that govern trade. When defenders of the WTO retreat behind simplistic categories—free trade versus protection, competition versus monopoly, openness versus isolation—they lose the ability to handle the challenges posed by these critics.

One of the paradoxes of this book is that Mike Moore is no fan of international bureaucracies. Indeed, some of his criticisms of the WTO read like they could have come out of leaflets distributed by the protestors in Seattle. "There was a great difference between the promise of the WTO and the practice," (96) he writes as he reminisces about his first few days in Geneva. "In my experience," he concludes, "it's all too seldom about the customers or countries, it's about the expansion and power of various institutions, whether in Geneva, Wellington, or

Washington DC” (222). (The IMF and the World Bank come in for considerable criticism too.) Moore’s answer to the “recalcitrance and self-interest of many of our bureaucrats” and “the excesses and ignorance of the more extreme protestors” is a “voluntary global democratic caucus” (236): a grouping of senior parliamentarians, drawn from national legislatures, to provide oversight over international organizations. Yet while he thinks the solutions lie with greater democracy, transparency, and openness, he is often quite cynical about the way the political process works.

Moore remains an ardent optimist. Our national and international institutions may not be ideal, but they are better than any of the alternatives that have been tried. When all is said and done, he believes democratically elected governments and markets will respond appropriately to the challenges they face. The forces of openness, freedom, competition (and of course free trade) will prevail. Moore is too modest to say so himself, but having able politicians at the helm of international institutions doesn’t hurt either.