

## In Praise of Globalism

*Mike Moore, A World Without Walls: Freedom, Development, Free Trade and Global Governance, Cambridge University Press, Melbourne, 2003*

*Review by George Fane*

**M**ichael Moore, who was once briefly prime minister of New Zealand, served as the Director-General (DG) of the World Trade Organization (WTO) during the three most eventful years in its history. His term began in 1999, just before the notorious meeting in Seattle where violent protests and the WTO's own lack of preparation resulted in the collapse of plans to set up a new round of multilateral negotiations to liberalise world trade. However, before his term ended, Moore was able to steer the WTO through the Doha meeting at which the new round was successfully launched.

Moore's basic thesis is that trade liberalisation is an important form of openness, openness is usually good for growth, and growth is usually good for most of us, including the poor. Along the way, he gets in a lot of good hits on the NGOs and other opponents of the WTO who claim to be concerned about the poor, but often have no interest in open debate, nor any concern for the real facts about the effects of trade liberalisation.

Moore has first hand experience of interesting and important events and a nicely self-deprecating sense of humour. After getting the WTO job, he writes, 'I gave my last speech in Parliament and to the party caucus. My friends wanted the best for me, and my enemies wanted to see me go. For once, I was able to please everyone. At last, I enjoyed the total support of my party (p. 96)'. Unfortunately he is too ready to indulge his love of collecting facts and pouring out ideas on every subject under the sun, without bothering to check which are relevant to his thesis, or even which are consistent with it. The book also suffers from his readiness to quote academic gobbledegook, from carelessly constructed sentences and from the jargon of international organisations: 'stakeholders', 'Ministerials', 'resurging', 'impacting' and 'evolving' — as in 'we are now evolving answers'. Here are some examples of these defects:

(Robert Muldoon's) 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 (p. 2).

But there is a politically correct attitude within elements of the membership (of the WTO) that says, because when major powers need something they are automatically wrong, that it is a trick by the rich to oppress the poor (p. 113).

The report (of the Commission on Macroeconomics and Health) states that each life year is valued at around three times the person's annual earnings,

reflecting the value of leisure time, market consumption, the pure longevity effect, and the pain and suffering associated with disease. A lost life at twenty is by some estimates taken to be equal to a hundred times or more annual earnings (p. 252).

By the mid-1990s the pension systems of the transitional economies were saddled with crippling high dependency ratios (p. 257).

The book is divided into three parts. The first 90 pages argue at unnecessary length that globalism is mostly wonderful — and when it isn't, it's inevitable anyway. The second part, which describes his term as DG of the WTO is by far the most interesting. One of his best anecdotes tells how a negotiator at Doha told Moore that he had been converted to the proposed deal, but had unfortunately already promised his parliament not to support any new round. Moore suggested that they call it the 'Doha Development Agenda'. That became its official title and the problem was solved. In the final part, Moore gives his views on just about every topic imaginable: NGOs, corporate social responsibility, the environment, AIDS, population aging, immigration, the role of women, GM foods, eugenics and human genomes. Cambridge University Press's proof reader, if there was one, should be sacked.

Moore grossly overuses the quote-with-approval method of making points. Sometimes these quotes are a lengthy way of saying nothing very much:

Hans Küng correctly observes (p. 220):

At the latest since the Second World War, despite all too manifest resistance, a new post-modern paradigm of politics is now slowly and laboriously becoming established, which is no longer Eurocentric, but polycentric, and which in a post-colonial and post-imperialistic way aims at a truly united nations ... there is a middle way between real politics and ideal politics. This is the way of a politics in the spirit of an ethic of responsibility.

However, the quote below undermines the basic theme of the book (p. 227):

Nobel prize winner Joseph Stiglitz, past Chief Economist for the World Bank, ... writes: '*... trade liberalisation accompanied by high interest rates is an almost certain recipe for job destruction and unemployment creation — at the expense of the poor. Financial market liberalisation unaccompanied by an appropriate regulatory structure is an almost certain recipe for economic instability — and may well lead to higher, not lower interest rates, making it harder for poor farmers to buy the seeds and fertilizer that can raise them above subsistence.*

Coming after 226 pages of unqualified support for trade liberalisation, this is a stunning qualification, despite the italics. I think Stiglitz is wrong and the rest of Moore's book suggests that he does too, since it ignores the level of interest rates when making the case for trade liberalisation. For example, Moore reports that 'the elimination of all tariff and non-tariff barriers could result in gains for developing countries of the order of \$182 billion in the services sector, \$162

billion in manufacturing and \$32 billion in agriculture (p. 167)', but does not report the assumptions about the level of interest rates on which these estimated gains are based.<sup>1</sup> Nor, incidentally, does Moore report whether these estimated gains are increases in trade, increases in GDP or measures of compensating or equivalent variation. They are suitably big, so it doesn't seem to matter how they were obtained, or what they really measure.

If Moore shares my belief that Stiglitz is wrong, he should have explained why, instead of merely quoting Stiglitz's views with apparent approval. In fact, however, financial regulation and interest rates are among the few topics in economics, history, political science and philosophy on which Moore does not offer an opinion. Alternatively, if Stiglitz is right, it is clearly important to know just how low interest rates must be if trade liberalization is not to destroy jobs and hurt the poor. Before concluding that the Doha round was going to help the poor, Moore should have checked to make sure that 'appropriate' financial regulatory structures were in place throughout the developing world. If they weren't, as seems likely, perhaps developing countries should have been raising their trade barriers.

Another issue that is closely related to Moore's area of expertise is the role of the most favoured nation (MFN) principle in the WTO. Moore defines this twice (pp. 50 and 104) and identifies it (p. 50) with the principle of 'do as you would be done by'. Actually, it corresponds to the principle 'do what you like to others, as long as you do the same thing to all of them'. Moore argues that:

The principle of non-discrimination ensures that the WTO treats all Members alike, be they rich or poor, big or small, strong or weak. Central among the rules that underpin the principle of non-discrimination is the 'most favoured nation' obligation (which prevents WTO Members from treating products from one WTO Member better than those from another) ... . Non-discrimination has been the key to the multilateral trading system's success (p. 104).

In fact, the WTO has become increasingly ready to accept deviations from the MFN principle, and rightly so in my view. One such deviation is the sanctioning of plurilateral agreements — that is, agreements among groups of WTO members that each will grant concessions, such as national treatment, to those that join the group, but not to other WTO members. Despite his praise for the MFN principle, Moore proposes a plurilateral agreement on tourism (pp. 165-66) that would violate the MFN principle.

Another exception to the MFN principle is tariff discrimination by developed countries in favour of developing countries. This is permitted under the generalized system of preferences (GSP). Moore does not discuss GSP explicitly, but praises the EU's 'Everything But Arms' (EBA) initiative (p. 125), which is a kind of super GSP scheme that grants duty free access to the EU to most products from the least developed countries, although it will not apply to bananas, sugar and rice until 2006-08. Moore gets its name wrong — he calls it 'Anything But Arms', does not explain what it is and does not point out that both EBA and GSP

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<sup>1</sup> Presumably these estimates come from a static model in which there is no interest rate.

are inconsistent with MFN and flatly contradict the principle that ‘all members should be treated alike, be they rich or poor ...’. The best thing in his discussion of EBA is the joke that the title should have referred to ‘Farms’, not ‘Arms’.

The most controversial deviation from the MFN principle is the creation of discriminatory free trade areas (FTAs) and customs unions. Moore never analyses the pros and cons of these arrangements, although they are rapidly becoming very important. I think that a good case for allowing them can be based on the political advantages of reciprocity as a way of facilitating partial trade liberalisation, when better policies are not politically feasible. Although he doesn’t discuss FTAs, Moore makes an excellent case for the need for reciprocity in trade negotiations (p. 135):

Often, countries cannot make unilateral moves politically; reciprocity enables them to liberalise in these cases. Reciprocity enables politicians to mobilise the pro-trade groups, who will visibly profit from new export markets, to counter the anti-trade protectionists groups who typically oppose trade liberalisation.

He points out that reciprocity is embodied in WTO negotiations to reduce trade barriers on an MFN basis. While this is true, it is embodied even more directly in agreements to set up FTAs and customs unions, which limit free riding on reciprocal agreements in a way that non-discriminatory trade liberalisation does not. It is possible for such arrangements to do more harm than good by diverting more trade than they create, but this does not mean that trade liberalisation among members of a discriminatory FTA is not often a practical way of making a modest improvement in situations in which unilateral liberalization would be politically infeasible, and waiting for agreement among all WTO members to reduce tariffs on an MFN basis would be a recipe for inaction.

The impression of Mike Moore that one is left with, after reading this book, is of an energetic and impatient fighter for freedom and openness, overflowing with ideas and determined not to let red tape, or anything else, stand in his way. These qualities probably made him an excellent choice for DG of the WTO. I hope that his next book is more reflective, more carefully written and better focused on the things he knows about at first hand. Thorough proof reading wouldn’t hurt either.

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