



FOREIGN AFFAIRS

Free Trade Optimism: Lessons from the Battle in Seattle

A World without Walls: Freedom, Development, Free Trade and Global Governance by Mike Moore

Review by: Dani Rodrik

Foreign Affairs, Vol. 82, No. 3 (May - Jun., 2003), pp. 135-140

Published by: [Council on Foreign Relations](#)

Stable URL: <http://www.jstor.org/stable/20033584>

Accessed: 17/07/2013 15:44

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <http://www.jstor.org/page/info/about/policies/terms.jsp>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.



Council on Foreign Relations is collaborating with JSTOR to digitize, preserve and extend access to *Foreign Affairs*.

<http://www.jstor.org>

Free Trade Optimism

Lessons From the Battle in Seattle

Dani Rodrik

A World Without Walls: Freedom, Development, Free Trade and Global Governance. BY MIKE MOORE. New York: Cambridge University Press, 2003, 302 pp. \$28.00.

Within two months of taking office as the new director-general of the World Trade Organization (WTO), Mike Moore was handed a major setback at the now-famous “tear-gas ministerial” conference of November 1999 in Seattle. With protesters wreaking havoc outside, Moore, a former prime minister of 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 of their crusade against “corporate-led globalization.”

Even to its supporters, it appeared that the WTO had suffered 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) and inaugurated China as a member of the WTO. The death knells for Mike Moore’s WTO, it turns out, had sounded prematurely.

Moore’s determination to bridge the gaps that separated the United States from the European Union (EU) and the rich countries from the poor ones was not the only reason for Doha’s success. Doha took place scarcely two months after the September 11 terrorist attacks,

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*.

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, Moore will be remembered by friends and foes of the WTO alike as the man who put the international trade regime back on track.

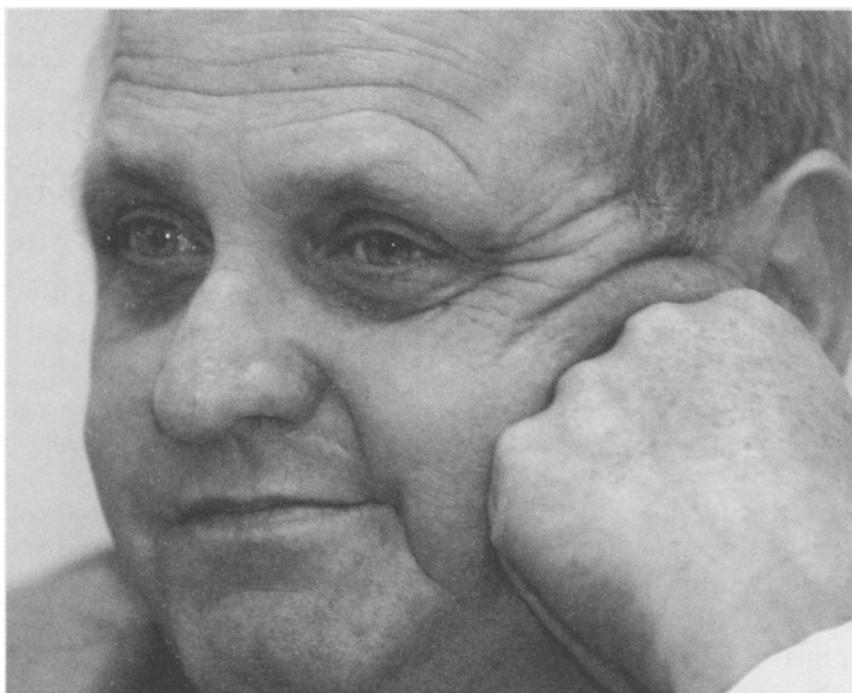
FROM DISASTER TO DOHA

The middle (and most interesting) part of *A World Without Walls* is devoted to Moore's account of how he engineered this remarkable turnaround. He is remarkably candid about many aspects of his tenure, especially about the inauspicious start he had, which followed a bitterly fought contest between him and 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 Moore and the second three years to Supachai, who 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 feels cheated. He describes the arrangement to split his term as "a slightly sordid deal" and relates matter-of-factly, and with no regrets, his refusal to be photographed with Supachai on Moore's first day in office.

Moore attributes the debacle at Seattle to the lack of adequate preparation: his

leadership team was barely in place and he had had little time to put his own stamp on the process and on the negotiating draft. Doha, he writes, was the "mirror opposite." He describes his grueling schedule ("traveled over 625,000 km, visiting 182 cities and meeting with more than 300 ministers"), his difficult time with his opponents in nongovernmental organizations, the petty politics of the WTO, and his uneasy relationship with his staff. And yet although 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 he 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 Robert Zoellick and Pascal Lamy, the point persons on trade for the United States and the 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 a new development round with agricultural liberalization as its centerpiece. Moore was neither the first nor the only voice arguing that the new round should focus on the needs of developing countries. The World Bank's president, James Wolfensohn, and the British 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.



REUTERS

The dealmaker: Mike Moore, Costa Rica, August 28, 2001

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 there had less to do with the demonstrations outside the conference center than with the intransigence of the governments inside. Their clashes revolved around two main axes of conflict. First, the United States—backed by the Cairns Group of 17 agricultural exporters, which it leads—locked horns with the EU and Japan over agricultural liberalization. The United States demanded significant improvements in market access and a phasing out of export subsidies for farm products, which the EU rejected. Second, developing countries felt that the previous Uruguay Round of trade negotiations had left them saddled with costly obligations, that the TRIPS (trade-related aspects of intellectual property rights) agreement worked 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). The developing countries were opposed to the push by advanced countries to expand the negotiating agenda to include new issues such as investment, government procurement, competition policy, environment, and labor standards, which the developing countries felt would impose costs and obligations predominantly on them.

Agriculture thus became, in Moore's words, the "deal-maker or deal-breaker," since without enthusiastic U.S. support the new round would have gone nowhere. Much of Moore's hard work between Seattle and Doha was directed at putting agriculture at the center of a "development" agenda that would not only capture the moral high 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." This brilliant tactic bridged both of the divides that had led to the collapse of the Seattle ministerial meeting. 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.

Unfortunately, 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 locution 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 a rise in world food prices produced by a 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

FOREIGN AFFAIRS

POSITION ANNOUNCEMENT

MANAGER, ADVERTISING AND SPONSORSHIPS

**BASE SALARY TO 40K
PLUS GENEROUS COMMISSION**

With a paid, ABC-audited, circulation of 125,000, *Foreign Affairs* is the international forum of choice for the most important new ideas, analysis, and debate.

Its website, www.foreignaffairs.org, attracts over 200,000 visitors each month, and three language versions (Spanish, Japanese, and Russian) serve an expanding international readership.

As the leader of the *Foreign Affairs* advertising sales team, the Manager will focus on building profitable business relationships between *Foreign Affairs* and corporate sponsors and advertisers and other strategic partners. The Manager will report directly to the Publisher and oversee a staff of two.

Preferred Qualifications:

- o Two-plus years related business development, direct sales, management experience
- o Degree in related field with strong academic credentials, including coursework and proven interest in International Relations and a proven track record in business-to-business sales development
- o Results-oriented, entrepreneurial professional with the ability to engage and connect with a wide network of contacts
- o Excellent verbal and writing skills

Qualified candidates should send a resume and cover letter to:

HUMAN RESOURCES OFFICE
COUNCIL ON FOREIGN RELATIONS
58 EAST 68TH ST., NY, NY 10021
FAX 212-434-9893

EMAIL: HUMANRESOURCES@CFR.ORG

The Council on Foreign Relations is an equal opportunity employer and actively seeks candidates from a diverse background.

Free Trade Optimism

imports if agricultural export subsidies in the rich countries are phased out. For the most part, developing countries' interests lie 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, developing nations would have benefited most from reform in an area in which the Doha framework makes no commitments at all: the liberalization of temporary international labor flows. 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 rich countries could generate greater income gains for workers from poor countries than 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 EU (and, in some cases, to Japan), and their inclusion on the agenda was the quid pro quo for the EU's acquiescence on 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 reforms in these areas. But he is not

very convincing, and ultimately one gets the feeling that his heart is not quite in it.

IDEALS VS. BUREAUCRACIES

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. Negotiations are practically deadlocked over agriculture, as they are over TRIPS. Few knowledgeable observers believe that much progress will be made before trade ministers next meet in Cancún, Mexico, in September of this year. And even if there is progress, it will be difficult to hail it as a great success for development, no matter what 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. He 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. His 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 it a good guide to the real world? The trouble with equating free trade with all that other good stuff and protection with its 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 discipline that stimulates economic activity while safeguarding public welfare.

What should 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 the United States' own protectionist history during the critical period of the late nineteenth century when the former colony caught up with and surpassed the United Kingdom'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 protesters in Seattle. "There was a great difference between the promise of the WTO and the practice," he writes midway through the book as he reminisces about his first few days in Geneva. "In my experience," he writes toward the end, "it's all too seldom about the customers or countries, it's about the expansion and power of the various institutions, whether in Geneva, Wellington or Washington DC." (The International Monetary Fund 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"—a grouping of senior parliamentarians, drawn from national legislatures, to provide oversight of international organizations. Yet although he thinks the solutions lie with greater democracy, transparency, and openness, he is often quite cynical about the way the political process works.

Nevertheless, Moore remains an ardent optimist. The world's 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 does not hurt either. ☺