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

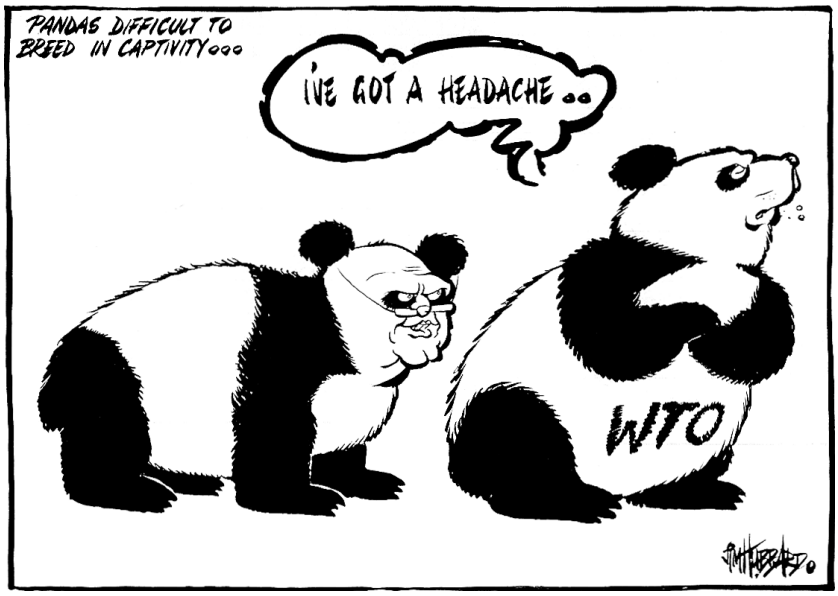

Figure 1. New Zealand cartoonist Jim Hubbard always saw me as a panda: he summed up the standoff in the leadership struggle.

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

feared his tactics of peaceful protest, and solidarity between classes and castes, which still inspire and are invoked wherever there is oppression.

I touch on the meaning and resonances of words such as 'internationalism' and 'solidarity' because these concepts were what mattered most to my generation, the generation that came of age in the 1960s. My generation was inspired, not by Lenin and the dictatorship of the proletariat, but rather by Lennon's 'Imagine there are no countries'. We may have been naive when, during the anti-Vietnam War and anti-apartheid struggles, we sang 'All we are saying is give peace a chance'. They were noble and idealistic sentiments, heartfelt and still felt.

Globalisation's opponents

My reason for exploring the origin of such concepts as internationalism and solidarity is simple enough. The WTO was one of the key lightning rods – especially during the 1999 Seattle Ministerial – of a well-organised movement specifically targeted against such alleged organs of global corporate dominance.

As we were corralled behind barbed wire barricades, I found myself wondering how such fine, noble, principled expressions of universal values and rights as internationalism and solidarity had become so denigrated. Globalisation as a word, a slogan, an explanation of history, all too frequently now conjures up a vision of elitism, dominance and power by the few; suppression of human rights, unbridled, unregulated capitalism and privilege. By contrast, universal values, internationalism and solidarity, were perceived as words of comfort, unity and tolerance. And yet what is globalisation, or should it be, but the implementation of just this drive to spread universal values and solidarity?

Is this just a marketing problem? What truth is there to the accusations of the aggressive protestors and NGOs – not all of whom are mad or bad – who claim everything is getting worse and that globalisation is a threat to freedom, development, indigenous peoples and local cultures. Is the world really getting worse? Are human rights in retreat? Is the environment deteriorating? Are the poor getting poorer, and the rich richer?

This book argues strongly that, while we undoubtedly have a huge distance to travel, the world is improving. In fact, on the real measurements of human progress – life expectancy, infant mortality, literacy, access to clean water, democracy, human rights – there has been enormous progress. Freedom is growing, and as it grows its benefits compound and people benefit. As individual freedoms expand, the power of the privileged and powerful contracts.

An active, constructive civil society is vital to ensure further progress. I believe that as freedoms develop in societies, the political market acts like any other in correcting itself in response to public pressure. Institution-building and an active civil society are central to this world-changing objective, and many NGOs are now bigger than some of the international government organisations (IGOs). Individual financiers such as George Soros through his foundation's networks are spending $300–500 million annually in developing countries and economies in transition worldwide. Microsoft's Bill Gates is spending more on AIDS in Southern Africa than the WHO.

It is the human condition to believe that we can always do better; that is what defines our species. Otherwise we would still be in caves, or driving Model Ts, or it would still cost a working family a year's pay to purchase the *Encyclopaedia Britannica*, instead of it coming at the price of Internet access. It is the very condition of not being satisfied, no matter what the outcome, that drives us to better results.

This constant struggle for improvement flourishes best in conditions of political and economic freedom, which are the pre-eminent preconditions for development and social justice. Freedom is growing globally, and democracy is now the best and sometimes most revolutionary option in places plagued by poverty and failure. Where freedom grows, poverty and injustice retreat. Where freedom in all its forms stalls, so does human progress.

The Doha Development Agenda agreed by the WTO in 2001 offers unprecedented opportunities for global prosperity, peace and development. In the following chapters, I will sketch out a road map that will help implement the Doha Agenda and outline some of the obstacles. I will draw on my experience in politics and world trade over many decades to examine the international architecture and the relevance of the existing international institutions. This means taking a look at the forces at work in politics, wider society, civil and uncivil society and business, and analysing how the relentless march of science and technology will continue to change everything – except perhaps our innate ability to think up new ideas.

The 'open society' still has its enemies. They have been lurking since the Reformation and the Enlightenment, in all cultures and societies throughout the ages. They opposed the Japanese Meiji openings, pulled back the great Chinese fleet that reached the Arabian Gulf almost 700 years ago, and tried to smash the new technologies in the mill towns of Britain. Extreme nationalism, protectionism and tribalism are the curses of our species and inevitably lead to a restriction of liberties, blocking the advance of human rights and the lifting of living standards and conditions.

Where ideology and theology kill discourse, freedom perishes, ideas can't flourish, investment flees, as do people, and nations fail. Many feel that science is outstripping our moral, ethical and legal capacity to cope. But debate, the competition of ideas, the tolerance of others and rational differences are a precondition for progress. Democracy and freedom are not just good ideas in themselves, but the most practical way forward to lift living standards and living styles.

The great global corporations, far from ignoring or riding roughshod over public opinion, are now terrified by it. They have great PR machines and are in most cases better employers than domestic companies in developing countries. Shareholder power and public opinion tend to force better outcomes. George Bernard Shaw said: 'Reasonable people don't make change, thus all progress is based on unreasonable people.' But they need the climate, the opportunity and the systems in place that are open to change, in order for change to be persistent and peaceful.

The professional NGO 'worriers', like Global Exchange, Focus on the Global South, Third World Network and the like, living in another reality, see a bland world of McDonalds. They tend to ignore the better reality: an exciting new world where everything from Beethoven, mass travel, cleaner water, new medicines, Pavarotti and cheaper information to Thai takeaways, are affordably available in almost every corner of the globe. Now, truly, all the knowledge, history and ideas of every culture are there for a larger percentage of the world's population than ever before, thanks to new technologies and rapidly declining costs of distribution. Drive through developing countries at night and witness the young people in cyber cafes, even when every other shop is blacked out. Mark Twain said man is the only species that can blush – or needs to. He's right. But man is also the only species motivated by hope. Globalisation is all of this.

The political marketplace keeps correcting itself as new pressures from the public force politicians to respond. Some even anticipate progress and lead the way – although if there's one lesson I've learned from more than two decades in politics, it is that it's a mistake to be right too soon. The women's movement and the environmentalists have won stunning and important victories. Thirty years ago, no country had a Minister for the Environment or a Ministry for Women's Affairs, now most do. Scrutiny, free media, engaged NGOs, responsive politicians, open economic policies – the mix works.

In Part One of this book, I begin by looking at some of the major issues of globalisation and the philosophical basis for free trade. I argue that, for a greater percentage of the world's population than ever before, the world is a better place. In Part Two, I outline the crucial role the WTO plays in the multilateral system, examine the failure of the Seattle Trade