

Trade for Peace

Remarks of

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Our subject this evening is the relationship between trade and peace, and more specifically, the use of trade to promote peace. This topic has long been a subject of academic and public debate.

Trade and peace are closely linked. History has many examples of the need to create peace in order to have trade. Plutarch, writing around 100 AD, tells us that Pericles in the 5th century B.C. took a fleet into the Black Sea to demonstrate Athenian power and secure the grain route from the Crimean Peninsula.¹ He then called together all Greeks, in Europe and in Asia, to a general assembly to discuss recovery from war and “the navigation of the sea, that they might henceforward pass to and from and trade securely and be at peace among themselves”.²

Peace enables trade. If we needed a lesson on this, we received it in February of this year, when Russia invaded Ukraine. We in the developed world had grown unused to war between nation-states. The Russia-Ukraine war is the first between WTO Members, or for that matter GATT Contracting Parties. This war is now on the television news each evening. It is a major factor in both geopolitics as well as global economics. Trade did not cause this war; nor did trade prevent it. Territorial ambitions of a large state adjacent to a smaller state started the conflict, not for the purpose of seizing productive assets – as was the case in the August 2, 1990, Iraqi invasion of Kuwait, an invasion which gave Iraq 20% of the world’s oil reserves.

Ukraine accounts for merely 3% of Russia’s exports and would not have been a significant factor in Russia’s decision to invade. However, the implications for global trade are profound, felt far beyond the borders of the Black Sea. The Allies (led by the United States and the EU) have limited imports from and exports to Russia as sanctions seek to halt the conflict or at least weaken Russia’s resolve. The Black Sea becoming a war zone has blocked food and fertilizer exports from both Ukraine and Russia, with serious adverse consequences particularly for a number of countries in Africa, with the possibility of reducing domestic peace in the region if hunger is widespread. Russia has limited its gas exports to Europe, a substantial disruption of the EU’s consumption of energy. Trade is clearly both a weapon of this war as well as a casualty of it.

¹ “Pericles (C. 495-429 B.C.)” The Latin Library. <http://www.thelatinlibrary.com/imperialism/notes/pericles.html>

² “Plutarch's Life of Pericles.” Agathon Associates. <https://www.bostonleadershipbuilders.com/plutarch/pericles.htm>

Russia's incursion into Ukraine speaks volumes as to how war is in and of itself antithetical to the enjoyment of the benefits provided by the multilateral trading system. Where there is conflict, the interconnectivity facilitated by international trade is impaired by embargoes (ranging from dual-use technological inputs to foreign commercial presence) and the withdrawal of MFN treatment, in this case with respect to Russian exports, creating ripple effects on access to critical goods for countries that are not parties to the conflict. From Russia's perspective, its exportation of energy to Europe is leverage, useful as a geo-strategic chokepoint. Grain storage in Ukraine, among other supply chain challenges, affects the country's ability to sustain its economy and provide exports. In the absence of peace, political forces and government decisions dictate and weaponize trade, not market forces. Times of conflict witness a deterioration in the application of the international trade rules. The relevance of the WTO declines.

There is no controversy that peace enables trade to take place, and that war generally impedes it. This is self-evident. An argument occurs when the discussion turns to whether trade brings about and sustains peace.

Classic liberal theorists believe that democracy and free trade can prevent the occurrence of war between countries that subscribe to liberal political and economic systems. The logic of "liberal peace" is based on the premise that economic interdependence raises the stakes of conflict, disincentivizing war because war would be to the detriment of all parties' economic benefit. It is also argued that trade facilitates communication and the exchange of goods and ideas, bringing societies closer together and improving their economies.

This conclusion does not go unchallenged.

Where the Trade for Peace Idea Comes From – The Idealists

Emmanuel Kant is said to have concluded that "the process of free trade is supposed to lead to the stabilization of international relations".³ In the 1700s, Montesquieu specified that peace is a "natural" consequence of trade.

*Peace is the natural effect of trade. Two nations who traffic with each other become reciprocally dependent; for if one has an interest in buying, the other has an interest in selling; and thus their union is founded on their mutual necessities.*⁴

The legal and theological underpinnings for this philosophy were provided by Hugo Grotius, writing to promote a maritime power, his native Holland. He held that the purpose of free trade was to unite the world in peace.⁵

³ Johannes Thumfart. *On Grotius's Mare Liberum and Vitoria's De Indis, Following Agamben and Schmitt*. Berlin: Freie Universität Berlin (Free University Berlin), 2009.

⁴ "4. Republic Government - Montesquieu, Spirit of Laws, bk. 20, CHS. 1--8." University of Chicago Press. <https://press-pubs.uchicago.edu/founders/documents/v1ch4s2.html>

⁵ Johannes Thumfart. *On Grotius's Mare Liberum and Vitoria's De Indis, Following Agamben and Schmitt*.

These thinkers may be the intellectual fountain from which the linkage sprang, but in terms of influencing world affairs in our time, we have to look to the 20th century and the efforts of US President Woodrow Wilson to discern the clear attempt to put the trade for peace policy into practice. Wilson was in foreign affairs a utopian.⁶ He sought a just peace, without humiliation and without severe penalties. The other primary allies, France and Britain, wished to see repayment for the war, and not through earnings from German manufactures.⁷ Wilson's utopian vision for organizing the world was specified in his Fourteen Points, which he presented at the Paris Peace Conference in 1919 with his proposed League of Nations.

Point III of Wilson's Fourteen Points provided:

III. The removal, so far as possible, of all economic barriers and the establishment of an equality of trade conditions among all the nations consenting to the peace and associating themselves for its maintenance.

Wilson's points were not translated into action but making the proposals did plant ideas in the mind of a young economist, John Maynard Keynes, who was advising the British during the Conference. In his book "The Economic Consequences of the Peace" published in 1919, he warned that the Versailles Treaty created a Carthaginian peace designed to crush the defeated Central Powers, especially Germany. Wilson's approach also impressed his Assistant Secretary of the Navy, Franklin Roosevelt. Years later, in 1941, Roosevelt as President met Prime Minister Winston Churchill at Argentia Bay. The two agreed in their Atlantic Charter to six aims for the post-war period. One of these stated that the United States and the United Kingdom:

will endeavor, with due respect for their existing obligations, to further the enjoyment by all states, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity;

In 1944, Keynes went on to lead the British delegation to the Bretton Woods Conference, where the lessons from Paris in 1919 laid the foundation for the international economic order from which we still benefit, including, not least, the multilateral trading system.

A strong linkage between trade and peace was recognized in the first words of the 1948 Havana Charter for the International Trade Organization, which affirm: "the determination of the United Nations to create conditions of stability and well-being which are necessary for peaceful and friendly relations among nations..." While the ITO did not come into effect, the companion agreement did. The General Agreement on Tariffs and Trade (GATT) was founded in 1947 to assure a better chance for peace in Europe after the Second World War.

At the time of the Agreement's 50th anniversary, the causal relationship between trade and peace was accepted doctrine. Here is how the linkage was described by Radio Free Europe in 1998:

⁶ In domestic affairs, his utopia was racist.

⁷ Bradford DeLong. *Slouching Toward Utopia: An Economic History of the Twentieth Century*. New York: Basic Books, 2022.

When GATT was founded in 1948, the world was ravaged by the aftermath of war and economic depression. The task at that time was to lay the foundations of a more open trading order to replace the destructive economic nationalism which had ruled between the two great wars. GATT was built on the principle that an open and fair trading system is a basic element to peace and stability. The statistics show its success...⁸

Speaking at the GATT 50th anniversary event in 1998, U.S. President Bill Clinton traced the intellectual history of the trade for peace causal linkage:

Near the end of World War II, as leaders and ordinary citizens began to dream of a system that would prevent a return to war, President Franklin Roosevelt asked the people of the United States, and the world, to look ahead to peace. He said that "a basic essential to permanent peace is a decent standard of living for all individual men and from want"

And so, at mid-century, a farsighted generation of leaders acted on the bitter lessons of protectionism, devastating depression and war. They embraced the revolutionary idea that freedom - free democracies, free markets, the free flow of ideas, the free movement of people - would be the surest route to the greatest prosperity for all. They were confident that growing economic interdependence would lead to greater peace among nations. And the economic alliances and institutions they created - the IMF, the World Bank, the GATT - built a platform for prosperity that has lasted to this day.

Looking to the future, he envisioned the then three-and-a-half year old WTO as continuing the march toward establishing a permanent peace through trade:

Think about the opportunity that has been presented to us; the chance to create a new international economy... in which open markets and open economies spark undreamed of innovation and prosperity... in which the skills of ordinary citizens power the prosperity of nations... in which the global economy honours those same values that guide families in raising children and nations in developing good citizens... in which poor people find opportunity, dignity and a decent life and contribute to prosperity... in which increasing interdependence among nations enhances peace and security for all.

Peace was not to be achieved just because there was more open trade. The essential link in the chain of causation was raising the living standards and improving the well-being of the peoples of all nations that participated in trade.

⁸ "World: GATT Celebrates 50th Anniversary." Radio Free Europe. May 9, 1998.
<https://www.rferl.org/a/1088642.html>

Peace Through Trade – The Pragmatists

The Second World War killed three percent of the Earth's inhabitants, a total that ran to 85 million by some estimates. About two-thirds of the deaths were directly caused by the war and another third were from war-related disease and famine. Peace was declared in Europe and Asia in 1944 and 1945 respectively. But the Cold War quickly ensued. The Soviet Union voted for the initial resolution creating a work program for an International Trade Organization (ITO) but did not attend any of the conferences called to negotiate the ITO text. Nor was the USSR a signatory to the ITO's Havana Charter.⁹

Nevertheless, trade would be deployed to foster peace. Speaking to farmers at a “whistlestop” campaign event in 1948, US President Harry Truman explained the trade and peace linkage in the plainest terms possible:

In a very real sense, the abundant harvests of food in this country are saving the world from communism. Communism thrives on human misery. And the crops that you are producing are driving back the tide of misery in many lands. Your farms are a vital element in America's foreign policy. Keep that in mind, that is of vital interest to you and to the world... I know that the war talk today is causing all of you deep concerns... This country is making every possible effort to preserve the peace... It is the policy of this government to work for peace with every instrument at our command.¹⁰

This was not a statement of philosophy. It was pure realism.

Jean Monnet had become convinced of the benefits of economic integration during the Second World War when he suggested that France and Britain merge their economies and armed forces to confront Nazi Germany. He applied this lesson to draft the Schuman Plan in 1950 for the creation of a coal and steel community, which came into effect in 1951. It was a radical plan for sharing both industry and trade in these two industrial sectors. Economic integration of these war-making materials was designed to make European peace indestructible. The Schuman Declaration began with the sentence: “World peace cannot be safeguarded without the making of creative efforts proportionate to the dangers which threaten it.” The Declaration promised: “The solidarity in production thus established will make it plain that any war between France and Germany becomes not merely unthinkable, but materially impossible.”

Peace through trade, through economic integration, could also be exported to other nations.

This production will be offered to the world as a whole without distinction or exception, with the aim of contributing to raising living standards and to promoting peaceful achievements.

⁹ Harold Karan Jacobson. 1958. “The Soviet Union, the UN and World Trade.” *The Western Political Quarterly* 11(3): 673-688.

¹⁰ “Rare Harry S. Truman Whistlestop Speech.” YouTube. https://www.youtube.com/watch?v=a_tK8xIYRC0

Peace through trade could have even wider effects than for the participants in the European Coal and Steel Community. The Schuman Declaration contained the vision that:

*With increased resources Europe will be able to pursue the achievement of one of its essential tasks, namely, the development of the African continent.*¹¹

The collateral benefits of peaceful trading relations could become an instrument to promote economic development that would underwrite peace abroad, but this was not explicitly articulated in the Declaration.

In 1957, the next step in European economic integration was taken in the Treaty of Rome, which created the European Economic Community (EEC), the European Common Market. Again, it was a peace project, with the six original members stating that they were: “RESOLVED by thus pooling their resources to preserve and strengthen peace and liberty and calling upon the other peoples of Europe who share their ideal to join in their efforts”.

In 2009, the Lisbon Treaty created the European Union with its single market. Again, the lead objective was tied to peace: “The Union's aim is to promote peace, its values and the well-being of its peoples”.¹²

The expansion of the EU to the East was also seen as more than an economic project; it was viewed in Brussels as a peace project. In 2009, marking the 20th anniversary of the fall of the Berlin Wall, the EU Commission summed up its policy, of which trade is no small part, as follows:

Enlargement... is at the heart of the EU's soft power to extend the zone of peace, stability and prosperity on the continent. The appeal of the EU has been instrumental in the peaceful democratic transformation of Central and Eastern Europe and it remains the driving force for the reforms in the Western Balkans and in Turkey. It is in our vital interest that we export stability into our neighbourhood.

A policy of using trade to promote peace over the last half of the 20th century was witnessed in a variety of other instances:

- During the Cold War, West Germany bought goods from producers in East Germany, such as typewriters, cameras, foodstuffs and coal. From 1968 until reunification, the Federal Republic (West Germany) made a line of credit available to East Germany of roughly \$700 million (the equivalent of over \$5 billion in present value), interest-free for up to seven years, to support this trade. A chief purpose of the Federal Republic in

¹¹ "Schuman Declaration May 1950." European Union. https://european-union.europa.eu/principles-countries-history/history-eu/1945-59/schuman-declaration-may-1950_en

¹² "Consolidated Versions of the Treaty on European Union and the Treaty on the Functioning of the European Union." EUR-Lex – Access to European Union Law. <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12016ME/TXT&from=EN>. See Title 1. Section 3.1:1.

maintaining this trade, in an otherwise hostile environment, was to reduce the chances of conflict between the two German nations.¹³

- In 1998, Kim Dae-Jung, South Korea's President, sought to ease tensions with North Korea by putting into place what he called his "Sunshine Policy", fostering investment in the North and expanding trade. The South Korean President was awarded the Nobel Peace Prize in 2000 for this effort. With an increase in tensions, economic exchanges between North and South Korea ended in 2016. Trading relationships usually cannot override powerful political imperatives. One can surmise that, for the North, economic integration with the South could undermine the disunion it preferred and might undermine the durability of the current government in Pyongyang.
- The United States has over several decades sought to use trade to promote peace in the Middle East. In 1985, the U.S. entered into a free trade agreement with Israel, including the Palestinian Authority, and subsequently with Jordan in 2001. In 1996, the Clinton Administration further supported the goal of promoting peace in the region through the use of Qualifying Industrial Zones (QIZs). It allowed products manufactured in Israel, Jordan, Egypt, or the West Bank and Gaza to enter the United States duty-free, provided that there was sufficient regional content. To qualify, exports needed at least 35% of their value-added to come from Israel, Jordan, and the West Bank or Gaza. Jordanian exports also needed at least 8% of their value-added to come from Israel.
- "Outside Europe, this vision of trade as an engine of peace has also been very influential: MERCOSUR was created in 1991 in part to curtail the military power in Argentina and Brazil, then two recent and fragile democracies with ongoing disputes over natural resources and borders. These disputes are still present but have not escalated into military conflicts, which can, at least partly, be interpreted as a consequence of MERCOSUR". This is the conclusion of three academic economists, Phillippe Martin, Thierry Mayer and Mathias Thoenig.¹⁴
- Trade is also a pillar of seeking stability in U.S.-China relations. President Richard Nixon's trip to China in 1972 created a thaw in what had been a very tense, even hostile, relationship. Trade grew dramatically, creating a co-dependency but one that was uneasy. The balance could be easily upset. On August 12 of this year, with tensions rising again over Taiwan, Reuters carried the news that the Biden Administration was shying away from removing or lowering the Trump-era retaliatory tariffs against Chinese imports. Lifting the tariffs, even partially, would have been designed to make the relationship less turbulent and more peaceful.

¹³ Interview with a former German government official.

¹⁴ "Does Globalisation Pacify International Relations?" VoxEU. July 4, 2007. <https://cepr.org/voxeu/columns/does-globalisation-pacify-international-relations>

The three authors do not see globalization as diminishing broader conflicts, however. This theme is reprised in their recent work [Make Trade Not War](#).

- The most prominent current example in international agreements of the linkage between trade and peace is contained in the UK-EU Trade and Cooperation Agreement following Brexit. Maintaining an open border between Northern Ireland and the Republic of Ireland, as the European Union and the UK agreed in a Protocol to their Trade and Cooperation Agreement,¹⁵ is widely considered to be essential to preserving the current peace.¹⁶ Trade between Northern Ireland and the Republic of Ireland is robust and grew dramatically in 2021.¹⁷ In recent years, the Republic of Ireland was the largest single export market for Northern Ireland, and the Republic has been Northern Ireland's largest source of imports. The border between Northern Ireland and the Republic had, prior to the establishment of a fragile but welcome peace, been fortified with guard towers and barbed wire and watched over by British troops. The border was largely erased in 1998 by the Good Friday Agreement. The border became peaceful.

Trade and Peace in the WTO Context

U.S.-China Relations

There are several ways in which the WTO comes into play in the U.S.-China relationship. One would hope that the dispute settlement system would provide a means of managing a number of the trade frictions that are bound to arise between two major economies with a very large amount of bilateral trade but differing domestic economic systems. Friction accompanies trade relations between a rising commercial power and the existing ones. This was true of Japan a half-century ago in its relations with other countries and it is true of China today.

Management of the U.S.-China trading relationship at the WTO has not proved sufficiently effective to prevent extra-WTO trade measures from being applied by both countries nor to markedly improve the bilateral relationship. For example, the Appellate Body was unable to find subsidies in a system characterized by a substantial amount of state ownership of commercial entities and other forms of state intervention, at least not to the satisfaction of the United States and other Western countries. This shortcoming was manifested in the inability of the Appellate Body to find certain state-owned enterprises to be public bodies for purposes of finding a countervailable or otherwise actionable subsidy. In addition, there are insufficient WTO rules with respect to domestic subsidies to allow that form of competition to be adequately regulated by WTO dispute panels. Given that China and the United States do not have a current agreement between the two so as to have binding dispute settlement in any given case, panel judgments would not be ultimately binding between the two. As a result, WTO dispute settlement is not at present a promising solution for resolving problems that they may have with each other.

¹⁵ "EU Exit and the Northern Ireland Protocol." NI Direct Government Services.

<https://www.nidirect.gov.uk/articles/eu-exit-and-northern-ireland-protocol>

¹⁶ "Europe's Ireland Problem Is Here to Stay." The Atlantic. May 19, 2022.

<https://www.theatlantic.com/international/archive/2022/05/eu-brexite-role-in-northern-ireland/629905/>

¹⁷ "Trade Across Irish Border Booms After Brexit Amid Energy Growth." The Guardian. July 18, 2022.

<https://www.theguardian.com/business/2022/jul/18/trade-across-irish-border-booms-after-brexite-amid-energy-growth>

A second problem is that there is no agreement between the two competitors nor among WTO Members more generally as to whether a Member must have a market economy in order to claim that it is legitimately living up to its WTO obligations.

A third problem is that China claims developing country status, which implies receiving special and differential treatment – that is, having more rights and fewer obligations than would developed countries in any future negotiation. This is an irritant for the U.S. even though China repeatedly states that it will accept obligations in line with its capabilities. It is true that China has hundreds of millions of people living in conditions that are characteristic of a developing country. Nevertheless, given the technological prowess of the Chinese nation – it is the only country to land a lunar rover on the backside of the moon – and since it is also the world's largest exporter of manufactures, its self-designation as a “developing country” remains an unresolved difficulty for its relations with other developed Members at the WTO. Additionally, China’s self-positioning as a champion of developing country interests involves broader and polarizing North-South fault lines within the WTO. Geo-political contention in the regional theaters of Africa, the Pacific Islands, and other lesser developed parts of the world may only heighten the tension between the two rivals in the WTO.

There appears to be little dialogue between the two nations in Geneva to resolve their trade differences. If the two wish to do so, they could utilize the WTO as a forum in which to resolve matters – through their bilateral contacts, through intervention (good offices) of the Director-General, and through collaboration on issues of mutual interest such as climate change and global health. In addition, if the two found solutions such as for industrial subsidies that would clearly be suitable for broader application, they could jointly table proposals that might be accepted by most or possibly all Members. There is no evidence that the two countries are working to see where their mutual interests lie at the WTO beyond having worked out a solution for the so-called TRIPS waiver at MC12.

Nonetheless, possibilities should exist where China and the United States, and some of the other principal trading countries, could find common ground in the WTO on at least some matters and work their way towards a somewhat more peaceful relationship. Cooperation on matters of significant mutual interest can build trust.

WTO Reform

WTO reform is a topic to which I have devoted significant time since I left the WTO, as well as when I was serving as Deputy Director-General of the Organization. I have just finished writing a book largely devoted to the workings of the WTO and suggesting a number of reforms (“Revitalizing the World Trade Organization”, forthcoming from Cambridge University Press, Spring 2023). I gave a talk on this subject in the Second Annual Chiedu Osakwe Memorial Lecture at the WTO on Monday.¹⁸ An enhanced WTO could better support fragile and conflict-affected countries in its Membership, in collaboration with other Bretton Woods institutions that are increasingly turning their attention to this important area of work. A recent negotiated

¹⁸ "Reform of the World Trade Organization - Second Memorial Lecture for Chiedu Osakwe." Peterson Institute for International Economics. September 26, 2022. <https://www.piie.com/sites/default/files/2022-09/2022-09-26wolff.pdf>

outcome at MC12 to exempt the World Food Program's food purchases from export restrictions is a good place to start. The conditions for peace do not readily exist in populations facing hunger, or worse, starvation.

One area of WTO reform that is directly relevant to fragile and conflict-affected countries (FCAs) is to make development assistance more targeted to meet the specific needs of each developing country. A harbinger of this approach is that taken by the "Cotton 4" countries (C4 – Chad, Mali, Burkina Faso and Benin) in the WTO Director-General's Consultative Framework Mechanism on Cotton.

The WTO Accession Process

For fragile and conflict-affected countries (FCAs) in the process of WTO accession, accession is a vehicle of domestic transformation and institution-building. At a systemic level for the WTO, the commitments taken up by acceding countries provide a continuous process for updating the scope of the Organization and adding new voices to the conversation about the direction of evolution of the trading system.

g7+ Accessions Group: Conflict-Affected Countries in the WTO Accessions Process

Leading up to MC11, a small group of fragile and conflict-affected Least Developed Countries (LDCs) that had been outside the multilateral trading system saw opportunities presented by WTO Membership as a pathway to achieving stability and peace. The group, called the g7+ WTO Accessions Group, consists of nine LDCs associated with accession – six in the process of joining the WTO (Comoros, Sao Tomé and Príncipe, Somalia, South Sudan, Sudan and Timor-Leste) and three LDCs that have recently joined the Organization (Afghanistan and Liberia in 2016 and Yemen in 2014). When their ministers gathered during the 11th Ministerial Conference in Buenos Aires, Argentina, they decided to use the group to support each other's accession efforts, especially by sensitizing WTO Members to the special challenges and needs FCAs faced in their integration efforts into the global economy after years of conflict.

For members of the g7+ group, the far-ranging and concrete benefits of WTO accession are clear, especially with regard to the contributions to achieving and sustaining peace: integration into international rules and economic exchanges, domestic institution-building including the rule of law, access to near-universal markets, to name a few. The extended process of WTO accession is, in essence, part of a robust state-building endeavor that can work to prevent a relapse into conflict. The g7+ group sees WTO Membership as a path to building credible economic and trade policy frameworks and institutions by promoting transparency and good governance.

T4P

In recognition of this cross-cutting experience shared by fragile and conflict-affected WTO Members and candidates, the T4P Initiative was born. Building on outreach activities organized under the "Trade for Peace Initiative through WTO Accession" between 2018 and

2020, the WTO launched the “Trade for Peace Programme” in 2021. The programme is structured into four pillars:

- (i) Political Engagement and Partnerships to support the g7+ WTO Accessions Group (e.g., the Trade for Peace Network);
- (ii) Outreach and Public Dialogue to convene the peace community and other partners (e.g., Trade for Peace Week and podcast series),
- (iii) Conducting research under the Trade for Peace Research and Knowledge Hub to better understand the trade and peace nexus, and
- (iv) Training and Capacity Building, including executive and graduate-level training.

Since the program’s inception, T4P has received substantial support from stakeholders. From this institution (the Graduate Institute) to the Bretton Woods institutions, from Nespresso to UN agencies, from humanitarian organizations to chambers of commerce, the T4P Programme stands at the intersection of resources that can be of great value to fragile and conflict-affected acceding countries.

Proofs

In academic literature, the relationship between trade and peace remains a subject of contentious debate. In 2002, Professor Katherine Barbieri devoted an entire book to the subject entitled “The Liberal Illusion, Does Trade Promote Peace?”.¹⁹ She examined 100,000 instances of conflict over the period 1870 – 1992. Her empirical analysis found “little support for the proposition that trade promotes peace in dyadic [bilateral] relationships.” In fact, she found that interdependence is more likely to create war. Economically strong states were more likely “conflictual” than others.

In 2009, the Asian Development Bank published a paper that demonstrates through statistical analysis the impact of trade integration on reducing military conflict. The researchers engaged in a review of 290,040 country-pair observations from 1950 to 2000. They concluded that this data “confirms that an increase in bilateral trade interdependence and global trade openness significantly promotes peace” and that “the peace-promotion effect of bilateral trade integration is significantly higher for contiguous countries that are likely to experience more conflicts. The analysis shows, however, that an increase in global trade openness reduces the probability of conflict more for countries far apart from each other than it does for countries sharing borders.”²⁰

¹⁹ Katherine Barbieri. *The Liberal Illusion: Does Trade Promote Peace?* Ann Arbor: The University of Michigan Press, 2002.

²⁰ Jong-Wha Lee and Ju Hyun Pyun. "Does Trade Integration Contribute to Peace?" Asian Development Bank – Working Paper Series on Regional Economic Integration No. 24. January 2009.
<https://www.adb.org/sites/default/files/publication/28499/wp24-trade-integration-peace.pdf>

Three European economists looking at the same time period, agree in part and disagree in part with this conclusion. They found that bilateral openness in trade reduced the likelihood of conflicts but that multilateral openness did not suppress war. Their reasoning is that there are high costs to destroying a bilateral trade relationship, which takes decades to repair, a disincentive to embarking on a war. This is very important, because most wars are local. But where there is multilateral trade openness, the authors found, the warring parties can substitute trade relations with third countries for their damaged bilateral trading relationship.²¹ The three authors discuss their findings in a recent podcast as part of the WTO's Trade for Peace podcast series, hosted by Axel Addy, former Trade Minister of Liberia.²²

An article in the Financial Times this last weekend seemed to address the topic of tonight's lecture. It was entitled "Why Trade Couldn't Buy Peace" and subtitled "we thought that globalization was immune from geopolitical risk".²³ The author takes a broad swipe at the notion of the relationship of commerce and peace, citing many instances in which there is a lot of trade and the world remains an imperfect and hostile place, a Hobbesian not a Montesquieu environment. He notes that trade did not make China into a Western democracy, nor keep Russia from invading Ukraine. Therefore, the "developed world sleepwalked into this mercantile trap". Yes, we expected too much. But the counterfactual, isolating China, treating it as a super-sized North Korea, would not have created a more peaceful world, would it? What choice was there but to seek its integration into the global economy? It is a long bet. But it pays dividends. China has not filled Russia with sophisticated weapons to obliterate its neighbors. Nixon and Kissinger were right to engage China to offset the Soviet Union, and commerce played an important part in that policy.

Montesquieu was also correct if his statements are not taken as absolutes. He wrote that the "natural effect of commerce is to bring peace". But this is a tendency, not an iron-clad guarantee of peace. Trade can play a constructive role in obtaining and maintaining peace, and the modern world has many illustrations of that fact.

Calculations will continue to be made to try to show that commerce and peace are linked – or are not. Clearly circumstances vary. It is likely that trade agreements will be an effective means to promote peace mainly in specific circumstances. Those engaged directly in working for peace believe that trade agreements do and do not hesitate to promote peace through trade if the circumstances seem to warrant this approach. They are operating in the face of conflicts or very real risks of conflict, particularly in vulnerable states. Their efforts are driven by experience. Key political figures and officials – Presidents, Prime Ministers, and their negotiators – all without exception would agree that trade and peace are symbiotic and found together in these instances. They see a causal relationship between trade and peace.

²¹ Philippe Martin, Thierry Mayer and Mathias Thoenig. 2008. "Make Trade Not War?" *Review of Economic Studies* 75(3): 865-900.

²² "Make Trade Not War." Trade for Peace Podcast. July 27, 2022. <https://tradeforpeace.podbean.com/e/make-trade-not-war/>

²³ John Plender. "Why Trade Couldn't Buy Peace." Financial Times. September 22, 2022. <https://www.ft.com/content/a3c224d1-c604-4393-9c32-922f634ab36a>

Former Prime Minister of Timor-Leste Xanana Gusmão came to the WTO to testify to this key linkage:

[W] we perceive that trade can help us achieve Peace.

We, the fragile and conflict affected countries are committed to promote “trade for Peace”. Hence, in the global conversation about trade and global economic integration, it is crucial that perspectives and contexts of conflict affected countries are heard and taken into consideration.²⁴

The chief trade negotiator of South Sudan, Aggrey Tisa Sabuni, had this to say:

South Sudan needs to incentiv[iz]e peace. The effective way to do that is to create job opportunities for the South Sudanese youth so that they do not see value in joining rebel groups that wage destructive wars against their country. It is on this ground that we look to acceding to the WTO.

We believe membership in the WTO will give us the opportunity to create a new virtuous cycle i.e., increasing inflow of investment will jumpstart and increase productivity across all sectors of the economy. This way South Sudan can trade more and its economy [can be] set to grow, guaranteeing its citizens high productivity jobs that can allow them to accumulate wealth and rid themselves of poverty. It is only then that South Sudanese will constructively contribute to the development of our country without resorting to armed confrontations.²⁵

Testimony also comes from practitioners in the peace community.

Amb. Thomas Greminger, Director of the Geneva Centre for Security Policy (GCSP) and former Secretary-General of the Organization for Security and Co-operation in Europe (OSCE) from 2017 to 2020, speaking in a Trade for Peace podcast on February 3, 2022, said:

Trade can play a role in conflict prevention, partly offsetting grievances, and in post-conflict stabilization, where trade creates broader benefits for people. Trade can be used as a confidence building measure, to lead to settling a conflict, creating space to do things, with populations on the ground, building trust. It can lead to a more principled settlement. Lifting a trade embargo, reopening a bridge to allow trading between Donbas and the rest of Ukraine. Bringing Armenia out of isolation could lead to improved settlement prospects.

²⁴ WTO Public Forum 2018 “Trade for Peace: Integration of Fragile States Into the Global Economy as a Pathway Towards Peace and Resilience.” World Trade Organization. October 4, 2018.

https://www.wto.org/english/news_e/news18_e/xanana.pdf

²⁵ “Trade For Peace Through the WTO Accession Process: Opportunities For South Sudan” Keynote Address by Hon. Aggrey Tisa Sabuni, Presidential Adviser on Economic Affairs and Chief Negotiator for South Sudan Accession to the WTO Geneva, 21 March 2019.

https://www.wto.org/english/news_e/news19_e/acc_21mar19_e.pdf

*Populism and nationalism trends cannot be fully controlled. But international organizations can offer arguments, narratives, that leaders can use who are open to more positive policies. Major challenges are interrelated.*²⁶

Dr. Gilles Carbonnier, Vice President of the International Committee of the Red Cross (ICRC), speaking in another episode of the Trade for Peace podcast series, provided these insights:

Trade provides an enabling environment for peace. Trade reestablishes and restores ties between peoples, between nations, across borders. It creates interests that enable a consolidation of peace.

– *People need coping mechanisms to deal with crises.*

– *Protracted conflicts can continue over generations. They need to develop their livelihoods, and not depend on assistance. Trade is very important. Trade among communities is a key factor not only in livelihoods but in social cohesion. Fostering contacts, exchanges, is a way to pave the way to restore peaceful coexistence.*

– *Trade is a lifeline for normal people in conflict affected and fragile states.*

– *Small and medium enterprises need to revive markets, look at value chains. In Iraq there was a need for supporting groundnuts production and marketing, and in Yemen production of honey, for sale in the region and beyond.*²⁷

These testimonials are compelling because they are instances of proof of concept through actions taken.

Conclusion

The trade for peace concept was strenuously advocated by Woodrow Wilson for the reason that the world had just experienced a terrible calamity. In World War I, the total number of military and civilian casualties amounted to around 40 million, consisting of 20 million deaths and 21 million wounded. Of those deaths, 9.7 million were military personnel and about 10 million were civilians. It was a conflict called “The Great War” until it was superseded by another. Trade was not allowed to play a supporting role in the peace following the First World War. Woodrow Wilson was not given the chance to prove that more open trade under his Fourteen Points would have avoided conflict. The proof had to await the outbreak of an even more devastating calamity – the Second World War. Trade for peace was given a central role in the rebuilding of the world following that conflict. This is not complete proof of a causal

²⁶ "Defrosting Frozen Conflicts: The Role of Trade." Trade for Peace Podcast. February 3, 2022.

<https://tradeforpeace.podbean.com/e/defrosting-frozen-conflicts-the-role-of-trade/>

²⁷ "Trade and Sustainable Livelihood in Fragile Contexts." Trade for Peace Podcast. December 21, 2021.

<https://tradeforpeace.podbean.com/e/trade-and-sustainable-livelihood-in-fragile-contexts/>

relationship, but Jean Monnet, Robert Schuman, Harry Truman, and other leaders clearly thought that there was one.

Fortunately, the world has not experienced a catastrophe of this magnitude for nearly 80 years after WWII. It is unknowable whether the world will experience another or whether it would survive it. Trade could play a role in either increasing or reducing tensions. Fragmenting world trade is an experiment that ought to be approached with caution.

The WTO's Trade for Peace Programme however is not aimed at geopolitics. It is aimed at reducing conflict in the most fragile and conflict-affected countries. Here there can be no argument as to what the best course is going forward. It is to use trade to help bring stability to these countries and give them a better chance at attaining and maintaining peace.

Trade is not a guarantor of peace – it rarely serves as the exclusive deterrent to a set intent to wage war. But it has its place. In 2018, welcoming a group attending a meeting on the linkage of trade and peace, the representative of Afghanistan stated his view that:

*Integration of Least Developed and conflict-ridden nations into the international trading system is crucial for peace building and supporting national reconstruction in fragile states through trade. Trade can help these countries to devise pathways out of conflict.*²⁸

The fact that Afghanistan has not seen the end of its difficulties does not deprive this statement of force.

Trade is a necessary ingredient in the complex recipe for peace and connects the mosaic of WTO Members to each other. We understand its role best today among the poorest and neediest countries. The international development community has shifted its understanding of human security to a more inclusive approach that looks beyond traditional security threats of armed conflict. It seeks to limit the effects of de-stabilizers such as food insecurity and irregular migration instigated by climate change, developmental setbacks resulting from COVID-19 and future pandemics, and widening gaps of socio-economic inequality and inflation, among others. These are factors that can exacerbate instability and cause unrest, especially in already fragile contexts. This is true of many precarious political hotspots – Ethiopia, Afghanistan, the Korean Peninsula and beyond. It is not a short list.

In this context, we are reminded of the *raison d'être* of the multilateral trading system, originally designed as a pillar of post-war efforts to maintain global peace and stability. The founders of the system invested faith in using trade and economic integration as a stabilizer and pathway to sustainable and inclusive peace, which was the fundamental objective of multilateral cooperation. In this spirit, the T4P Programme convenes trade, peace, and humanitarian communities, creating opportunities for establishing creative and interdisciplinary approaches to leverage the multilateral trading system for peace and stability. WTO accessions and the Trade

²⁸ “Welcoming Remarks of the Representative of Afghanistan – Trade for Peace: Integration of Fragile States into the Global Economy as a Pathway Towards Peace and Resilience.” World Trade Organization. October 4, 2018. https://www.wto.org/english/news_e/news18_e/kamila_sidiqi_s.pdf

for Peace Programme present a genuine opportunity to make a difference in the lives of peoples in many countries around the world through trade and integration into the world economy.