

# Using Trade To Undergird Peace

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There is no single clear answer to the question philosophers pose of whether the natural state of humanity is one of conflict or peaceful relations. Immanuel Kant, Montesquieu and Cobden had a sunny view of the contribution of trade to peace. Thomas Hobbes, writing a century and two before these three appeared on the scene, had a dark view of human nature, leaving little to be accomplished through international cooperation. It did not prevent those who espoused a positive connection between trade and peace from reaching their upbeat conclusions.

Opinion is also divided among political scientists as to whether institutions can secure peace. Hans Morgenthau, political scientist and a realist, argued that power and security often prevail over economic interests. He thought that economic liberals exaggerated the connection of trade to peace. Cordell Hull, US Secretary of State from 1933-1944, saw nondiscriminatory and more open trading relations as an important route to peace. To a great extent, the views expressed by these thinkers depended on personal experience. In his 1909 book, political commentator Norman Angell, living at the end of a relatively long period of peace, theorized that war was unlikely because war among industrial states is economically self-defeating. This was,

of course, written on the threshold of the bloodiest half century in the history of the world. There is also a random element about wars stumbled into by the folly of their leaders, as historian Barbara Tuchman pointed out in her great work on how WWI occurred: *The Guns of August*.

Modern economic institutions, particularly those created to foster the economic integration of the world in general and Europe in particular, were brought into being in reaction to the devastation wreaked by two world wars. Winston Churchill and Franklin Roosevelt meeting in 1941 at Placentia Bay, Newfoundland, issued the Atlantic Charter, envisioning a postwar world characterized by economic cooperation with equal access to trade and raw materials for all nations. The United States and Great Britain during the Second World War planned the creation of the multilateral financial organizations, as well as the International Trade Organization (ITO) and the General Agreement on Tariff and Trade that was ultimately to be a major part of today's World Trade Organization (WTO). Jean Monnet, Robert Schumann and Paul Henri Spaak surveyed the devastation of Europe resulting from two world wars and sought to build a European future based on economic integration.

The Europe project began by joining the economies of the antagonists, Germany and France, together. Ultimately there followed enlargement of the EU to include several of the Central European countries that had been part of the Soviet Union. The most recent European example of the use of trade to promote and sustain peace is the Northern Ireland Protocol maintaining the peace created by the Good Friday Agreement entered into October 2019 using trade as a bridge between the two halves of Ireland. The Agreement's survival had been threatened by Brexit.

Those skeptical of the proposition that commerce promotes peace often cite the example of Britain and Germany, which were major trading partners in 1914 shortly before finding themselves at war. Each literally sought to starve the other into submission through economic blockades. That earlier failure of trade to preserve peace did not deter the founders of the European experiment. Their original objective was carried by later generations resulting in the expansion of the European Union to 27 members. The experience of war strengthened, rather than weakened, the European leaders' resolve.

The creation of first the GATT and its successor the WTO, was likewise a peace project, but eventually one that sought to operate on a global scale. The multilateral trading system started with a core of 23 countries in 1948 and led to the original 128 countries forming the WTO. The organization now has 166 members. Roughly one-quarter to one-third of the WTO's members could at some point be described as fragile, conflict-affected, post-conflict, or seriously violence-affected. Examples include Afghanistan, Iraq, Liberia, Ukraine, Yemen, Myanmar, and Democratic Republic of the Congo. If one includes countries that experienced war, civil war or severe political violence at some time, there are many more examples of countries experiencing conflict -- in the Balkans, the Middle East, Africa, and some in Latin America. Hobbes would have recognized that world. So would Cordell Hull, seeing these same countries struggling to overcome conflict and increase their chances at peace through economic development that is increasingly dependent on integration into the world trading system.

Many of the current members of the WTO are acutely aware of the nexus of the role of trade fostering economic growth and leading to peace. Strong evidence is presented today at this session by former Liberian Trade Minister Axel Addy. The perceived invulnerability of the United States to a direct experience of war makes an American point of view of the need for international economic integration and its relation to peace more remote than for a large part of the WTO membership.

To only see the WTO as a trade agreement, without appreciating its role as a peace project, is to overlook a central element of its value. Through its Trade for Peace initiative and the accession of conflict-affected countries, the WTO is seeking to carry forward the lessons learned from members that have experienced conflict, using trade integration and institution-building to support stability and reconstruction. Conflict-affected countries that are in the process of acceding include: Sudan, South Sudan, Somalia, Ethiopia, Iraq, and Bosnia and Herzegovina, and Lebanon. (Iran has had observer status since 2005; its accession process is paused.)

The accessions process is designed to deliver, particularly to fragile and conflict-affected countries needed economic stability and growth, made possible by adhering to the organization's rules for trade. It brings external discipline to bear, as well as opening economic opportunities. It aims at deeper integration of acceding countries into the world economy. Reforms at home are

central to the benefit of acceding and being a WTO member. The WTO Chief Economist, Robert Staiger, on a panel at Yaoundé, Cameroon, during MC 14, the most recent WTO Ministerial Conference said that: “Economic arguments and evidence produced by WTO economists suggest that the largest benefits from market access bargaining in the GATT/WTO, whether for accession or during a multilateral negotiating round, are associated with the reduction of economic distortions in one's own economy, distortions that are reduced by one's own reciprocal market access liberalization.” An important benefit of WTO membership is the external discipline and pressure for economic reform that it provides. This can be especially valuable for conflict-affected and least-developed countries, which are often more conscious of their institutional and developmental needs than wealthier countries are of their own.

Of course, there are other benefits that can be presented to domestic constituencies. WTO membership provides a right of access to the markets of other WTO members, where average tariffs are now generally in the range of roughly 3.8 to 5.3 percent, together with nondiscriminatory treatment with respect to standards and other non-tariff measures. Fair treatment in the application of sanitary and phytosanitary measures is often among the most important anticipated benefits for conflict-affected countries seeking accession.

Also available, for those members choosing to use it, is binding dispute settlement. Equally important, WTO membership provides greater predictability for trade relations, making the economy of the acceding country more attractive to foreign investment. For some countries, accession can support reconstruction by reducing the risks associated with government arbitrariness and sudden policy changes. In addition, regardless of how small or poor a country may be, WTO membership gives it a voice in international deliberations over the rules governing the trading system.

Accession is often a long negotiating process. This may be due to political shifts at home or other events competing for the applicant's attention. The duration of the negotiations is generally from 3 to 15 years, often involving extensive economic reforms.

The conflict-affected countries working to join the WTO each have had their challenges. Ethiopia has not been free from domestic conflict and is seeking to use WTO

accession as an anchor for stability and development, but the story is not so different for Sudan and South Sudan, or Somalia. This is generally true for the acceding countries of Africa, also for Iraq, conflict-affected since the 2003 war.

WTO membership does not guarantee the absence of conflict. Accession can, however, support economic growth and institutional development that make a future free from domestic strife or external conflict more likely, even if never assured. Progress is not always linear, and a substantial number of WTO members continue to experience conflict or fragility, including Ukraine, Yemen, Democratic Republic of the Congo, Myanmar, Iraq, Haiti, Mali, Burkina Faso, Mozambique, and Central African Republic. Yet in enough cases trade integration and institution-building can make a meaningful difference, and efforts to deploy trade in the cause of peace continue.

The major economic powers, China, the United States, and the European Union have been mainstays of the accession process, each in their own ways. China funds attendance of very poor acceding countries at negotiations and other WTO events. The US and the EU invest much in assisting these countries to understand the rules they are being asked to subscribe to and engaging with their representatives to help bring about adherence to the rules for their own benefit and that of others. Adherence to rules, providing transparency, and active international engagement and through these steps to take advantage of the economic opportunities that exist, can and will often gradually strengthen fragile states.

### *Conclusion*

Trade, and the efforts to lift countries up through trade, the cause for which the WTO works, can make peace more durable. There are no guarantees. Other forces can overcome the benefits to be gained from trade. Some countries fall back into conflict or instability.

Progress continues to be made on a case-by-case basis. The experiences of countries such as Timor-Leste and Liberia, as reflected in the testimony of their leaders, provide notable examples of success. Indeed, at a time when some long-standing major members have become disillusioned with the WTO's ability to solve problems, one of the clearest demonstrations of the

organization's continuing value is the number of countries still working hard to gain admission to membership.