

Introduction

Throughout recorded human history, interactions among diverse nations, societies and communities have been shaped by complex combinations of economic, political and social forces. A topical and highly relevant component of these interactions in today's world relates to linkages between trade and peace.

The present volume, prepared on the initiative of the World Trade Organization (WTO) Secretariat, comprises a series of chapters that explore the trade-peace nexus. Considerable emphasis falls upon linkages between trade and peace in fragile and conflict-affected states (FCS) in the volume, although not exclusively so. This is explained by the fact that a significant part of the discussions on trade and peace relationships within the WTO has focused on the accession negotiations of economies addressing fragility stoked by conflict in the face of formidable development challenges.

The volume ventures beyond those issues, however, to analyse a range of conceptual issues as well as other trade-peace interactions and experiences. The chapters presented here make no pretence of offering any final words of over-arching conceptual or empirical disentanglement. The contextual nature of interactions and the multi-faceted complexities underlying the trade-peace nexus make for a continuing analytical journey, with lessons and insights gathered along the way.

A definitional challenge arises at the outset – that of specifying what is meant precisely by peace or the absence thereof. At one end of the spectrum, peace is obviously lacking in the face of armed conflict, which would imply a scant likelihood of any trade taking place. At the other end of the spectrum, positive interaction between trade and peace may yield a harmonious outcome with mutual benefits for the economies concerned. The precise way in which peace is defined, however, is likely to vary in different studies and analyses. Moreover, in practice, the direction of causality between the trade and peace variables may be unidirectional, or may flow both ways.

Taking first the case where trade promotes peace, a key factor is likely to be the degree of interdependence underlying the trading relationship. The argument is that the deeper the degree of mutual reliance on, and benefit from, commercial relationships between two nations, the higher the cost of conflict and declining cooperation.

Such a situation is likely to elicit greater efforts from the parties concerned to preserve the shared benefits.

This relationship may not be straightforward, however, depending on perceptions of the extent to which trade benefits the individual parties concerned in similar measure. If, for example, one trading partner can exercise monopolistic power over a vital resource and the other party considers that this advantage is being exploited unjustly, then antagonism may arise, upsetting harmonious trade and peace relationships.

Turning to the potential effects of peace on trade, the basic argument is that peaceful co-existence between economies will underwrite a greater degree of certainty and stability. This will enhance mutual confidence in the benefits of trade and strengthen the trading relationship. It is also likely that stability underwritten by peaceful political and socio-economic relationships will lower the transaction costs of trade by reducing unpredictable logistical and bureaucratic barriers to exchange, often of a regulatory nature.

It may well be that in specific circumstances there could be an identification problem in the sense of establishing causation, or the directional flow of trade and peace relationships. This will likely be the case both because the trade and peace relationship is intrinsically bidirectional, and because of the sheer complexity of the mix of factors shaping relationships and their consequences in terms of trade and/or peace.

Two cases widely quoted in the literature where the trade and peace nexus has been a key factor in intergovernmental deliberations are the European Economic Community (EEC) established in 1957, and the Association of South-East Asian Nations (ASEAN) established ten years later. In both cases, these agreements were motivated in part by the desire to lessen the probability that past violence and conflict would be repeated.

A core underlying feature of such agreements is that they involve explicit pre-commitment to principles and policies perceived to be in the common interest. The multilateral trading system, first under the General Agreement on Tariffs and Trade (GATT) and later the WTO, shares with regional and preferential trade agreements this characteristic of state-level pre-commitment.

Today, however, the WTO faces unprecedented challenges in terms of the preservation and effectiveness of its basic functions as a negotiating, trade-opening, rule-making, and dispute-resolution body. Dialogue on how to restore and strengthen shared commitments is ongoing, and consideration of the trade-peace nexus is relevant to these deliberations.

Formal trade agreements, both of a multilateral and preferential nature, can exert powerful influences on outcomes. This, in essence, is because of the pre-commitment feature, but also because such agreements offer a ready-made process and platform for dialogue and further negotiation. Well-functioning international trade agreements also serve more generally to foster mutual trust and, in many cases, to provide mechanisms for settling trade disputes as they arise.

What follows is a brief overview of the individual contributions to the volume, which is by no means an adequate substitute for delving into the multiple chapters comprising the volume. It is divided into three main sections made up of a total of 16 chapters.

Section A is largely scene-setting, providing the context for the trade and peace narrative. Section B examines a range of specific issues, some of which are economy-specific, that address issues and practicalities arising in particular circumstances and contexts. Section C addresses a number of situations where various other policies, considerations and actors play a role in shaping interactions between trade and peace.

Section A contains five chapters. The contribution by Oshikawa et al. in Chapter 1 focuses specifically on processes, procedures and impacts involving FCS in the context of WTO accession negotiations. The chapter illustrates how WTO membership and accession-related policy reforms can make a significant contribution to peace and stability.

The second chapter in Section A, by Stroobants, draws on work by the Institute for Economics and Peace to explore the multiple dimensions of peace and how it may be quantified. The chapter also examines the role of trade in promoting sustainable peace through various means.

Chapter 3, by Lee and Roh, undertakes a quantitative analysis of the implications of WTO membership for sustainable peace. It concludes that the contribution to peace and stability of WTO membership is positive and becomes more robust the longer an economy has been a member of the WTO.

The fourth chapter in Section A, by Connor and Bernal, argues that a changing and increasingly fractured world calls for an evolving approach to realize the full potential of the contribution of trade to peace. The analysis is supported by case studies of certain borderland regions, and ends with a five-point framework to support the elimination of conflict and sustainability of peace.

Finally, Chapter 5 in Section A, by Wolff, examines four hypotheses regarding the relationship between trade and peace. These are that trade can help to end conflict, aid in post-conflict healing and sustained peace, prevent wars, and lessen the causes of internal conflict.

Section B contains seven chapters (6 to 12). Three of these analyse the experiences of FCS in the context of WTO accession negotiations. The rest of the chapters take up particular issues linked to the operationalization and effectiveness of trade as a catalyst for peace.

The first chapter in Section B (Chapter 6), by Kireyev, provides a clear and comprehensive analysis of the importance of sound macroeconomic management for trade and peace. Key policy levers, including interest rates, fiscal measures, and trade policy that underpin macroeconomic stability, must be managed so as to ensure employment, low inflation, growth, and a sustainable balance-of-payments position. The absence of macroeconomic stability compromises a virtuous circle of interaction between trade and peace.

In Chapter 7, Bousquet presents an analysis of the International Monetary Fund's strategies for supporting FCS, against a background analysis of issues and challenges facing these economies, and the way they evolve over time.

Chapter 8, by Kakoma et al., analyses challenges and opportunities emerging from Somalia's WTO accession negotiations. The chapter argues that, in order to reap the benefits of positive trade and peace in this context, the accession package cannot only be about policy technicalities and obligations. The process must be inclusive, mindful of socio-political fragilities and exigencies, and focused on long-term post-fragility reconstruction, growth and development.

Chapter 9, by Teklewold et al., analyses the ongoing negotiations on the African Continental Free Trade Area (AfCFTA) and argues that, with the right kind of approach, speedy completion of the AfCFTA negotiations could contribute positively to increased trade in a peaceful environment. The

chapter acknowledges the considerable challenges and complexities of establishing the world's largest free trade agreement. The expansion of trade and investment across the continent, along with scope for ensuring less poverty, higher incomes and more jobs, will not in and of itself guarantee peace. Much depends on how the challenges and complexities intrinsic to the pursuit of those goals are managed.

Du et al. undertake an econometric analysis in Chapter 10 of the effects of the Generalized System of Preferences (GSP) on the promotion of peace in fragile economies. The analysis suggests that GSP preferences reduce the risk of conflict among receiving countries, although the positive effects could be augmented with higher utilization rates of the preferences, and if more agricultural products were eligible for the preferences.

Chapter 11, by Addy, examines how trade and WTO accession negotiations, as well as integration into regional trade agreements, have contributed to peace in Liberia, following years of civil war, along with brighter prospects for growth, development, and diversification. The negotiating processes, particularly those involving WTO accession, triggered necessary administrative and institutional reforms, bringing together diverse stakeholders in pursuit of shared objectives. A noteworthy observation in the chapter is that, in contrast to the positive role of trade in fostering and sustaining peace in the post-reform context, trade had been a negative force and source of conflict during the years of strife.

Hansohm's contribution (Chapter 12) analyses the social, political and economic prerequisites that would favour a durable relationship between trade and peace in South Sudan, as well as development more broadly. Involvement with the East African Community and the AfCFTA, alongside WTO accession negotiations, is essential to bring together isolated communities into the mainstream of trade-led reform. Managing historical legacies and building sound institutional structures are key and, on the economic front, product diversification and private sector engagement are required to contribute to a sense of inclusivity.

The four chapters in Section C take up important issues that figure alongside trade-led policy reform as enablers of a durable relationship between trade and peace. Chapter 13, by Borino et al., analyses multifaceted elements of fragility as it affects small businesses. In many countries, small firms are the mainstay of employment and output, yet frequently

their fragility generates significant obstacles and constraints to their operations. The chapter makes use of the International Trade Centre's Fragility Exposure Index to gain insights into the nature and intensity of obstacles facing small firms, in order to guide potential policy interventions to alleviate their fragility.

Chapter 14 by Pelkmans-Baloing recounts how a situation of embedded conflict between two culturally distinct and divided groups in southern Philippines was effectively addressed by intervention on the part of businesses that invested in the local economy and created new economic opportunities, making peace and reconciliation a more attractive alternative to continued conflict and stagnation. Inclusive and ethical business practices fostered trust and a cooperative spirit that resulted in shared efforts that led to participation in international markets. This case study also demonstrates the potential role of business in sustainable peacebuilding, in a context that does not, of necessity, involve a key role on the part of state-level government.

Chapter 15, by Hasham and Logan, is a case study of how gender-related issues can be important for successful outcomes in terms of sustainable trade and peace, particularly in situations of fragility, informality and limited established governance. The chapter focuses on small-scale traders who typically engage in cross-border buying and selling activities, where the majority of traders are women who are at risk of being subjected to violence and crime. More systematized procedures and improved facilities at border crossings can enhance safety for women and boost trading activity and development.

Finally, Chapter 16, by Stephenson et al., seeks to identify guiding policy principles that favour trade and peace. These are identified as 12 guiding principles that underwrite trade and investment for peace and stability (TIPS). The chapter argues that the guiding principles for trade and investment are distinct, although they serve shared objectives. The objective of the analysis is to guide policymakers in the pursuit of policy environments that support trade and investment for peace and stability.

This brief recapitulation of the contents of the volume is no substitute for a closer examination of the chapters themselves. They emphasize the variety and complexity of issues relevant to the attainment of sustainable trade and peace.

While trade and peace may in certain circumstances pull in contrary directions, much evidence in this

volume, and in other analytical and empirical work on the subject, conclude that trade and peace are often mutually reinforcing in a positive way. Moreover, when they are not, it does not follow that the best option

is to disengage or court conflict. It is precisely the multifaceted economic and socio-political realities underlying the trade-peace nexus that suggest a multiplicity of options to foster shared gains.