

**Report on and Remarks at**

**The Paris Peace Forum**

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*I had the good fortune to take part on November 12 in a conference convened by French President Emmanuel Macron to coincide with the 100<sup>th</sup> anniversary of the armistice ending the First World War. I was also fortunate to arrive in time to listen to a talk by, and some beautiful music from the world-famous cellist, Yo-Yo Ma. He serves as a UN Ambassador for Peace. His message was a gentle one, reminiscent of a holy person, preaching good will among peoples and telling us how he used music as a universal language.*

*The panel in which I participated, consisting of officers of the International Chamber of Commerce, the International Trade Center, the UN Conference on trade and Development, and the WTO, was assigned the following question for discussion:*

*The 2008 financial crisis did not trigger any serious protectionist reaction. And yet, 10 years later, declarations of trade war have taken over across the Atlantic and the Pacific. Is there a chance to avoid a spill over venturing us to conflict?*

*The panelists, with the active help of the audience, broadened the discussion to be more about the future of the world trading system. My message was conveyed in the form of answers to questions put by the moderator and members of the audience. This short summary below of key points made is followed by a note on Trade and Peace which I am sharing with the conference host.*

The multilateral trading system was created following the Second World War, along with other multilateral institutions, to avoid a repetition of the errors made following the signing of the armistice in 1918. The primary purpose of the system was to underpin the newly won peace by contributing to reconstruction and development and by raising standards of living, thus making peace more sustainable. While open trade would not guarantee peace but it would give the creation of a lasting peace a better chance. This it did for seven decades, bringing us to the present challenges.

We are in dangerous but not unmanageable circumstances. The measures imposed and threatened have stimulated a positive reaction. For the first time in a generation, there is strong interest in updating the rules of the world trading system. Last December at the Buenos Aires WTO Ministerial, the United States Trade Representative stated that major changes were needed

in several specific areas of WTO rules and practice. In May, President Macron called for reform of the WTO. Since then, Trade Ministers have met to discuss the issue in Ottawa, and the EU tabled a detailed list of areas for change. In addition, members accounting for three-quarters of global GDP are gathered in serious discussions of expanding the coverage of the WTO in important new areas such as E-Commerce. In short, very positive outcomes are possible, but first the support for change must be broadened.

As for the current trade hostilities, while there are risks of escalation of both Trans-Atlantic and Trans-Pacific exchanges of trade restrictions, this need not be the case.

With respect to Trans-Atlantic relations, the European Union and the United States are in talks with an aim to eliminate most barriers to industrial goods. This is all to the good. It has been considered and, on occasion attempted, since the 1960s, and now is re-launched.

With respect to the exchange of increased tariffs between the United States and China, some lessening of tensions cannot be excluded. Both sides might well regard the way to do this by addressing level playing field issues. Every playing field needs to be governed by rules. It is important for the multilateral trading system that trade measures employed be brought increasingly within the rules -- as they exist or as they may be agreed going forward.

Devising an effective system of global trading rules requires three areas of scrutiny – having sufficient capability to monitor compliance through assuring transparency (there is a currently a proposal of a number of WTO members including Japan, the EU and the US to accomplish the increased transparency); an ability to make new rules to keep pace with the needs of the world economy; and a functioning dispute settlement system. For the last of these, an appellate function is necessary to make the current dispute settlement system work. Otherwise cases could easily devolve into retaliation and counter-retaliation as no panel decision would be final.

All 164 members of the WTO pay homage to the importance and centrality of the multilateral trading system. That is not enough. At this point we need action in the form of practical steps to solve problems, and we are seeing the beginning of those take shape in discussions about both reform and about what the scope of the WTO rules should be. We need the engagement of the private sector, business, NGOs and the press, to use the current attention that the WTO is attracting, to bring to bear their support of the multilateral trading system and for its improvement.

As for governments, they need to each make net positive contributions to making the system work. By this I mean that investing in a public good, the multilateral trading system, while not as concrete as getting a tariff concession important for a country's exports, it pays benefits both immediately and for the long term. There is no country, regardless of level of development that cannot make a net positive contribution, whether in the form of specific trade concessions, contributing proposals exercising some leadership function, or supporting others' proposals. WTO Members are more than parties to a complicated contract. They are citizens in a global community.

Usually change takes a very long time for conceiving ideas, building consensus, honing text and soliciting support. The roughly a decade that was devoted to major multilateral efforts in the past is no longer available. We do not have that much time to use reform to resolve current challenges.

## **The Relationship Between Trade and Peace**

The relationship of world peace and world trade is far from simple. It is an article of faith that more open markets help to sustain peace. The linkage is a large part of the reason that we today have a multilateral trading system and deeper regional integration in Europe, Asia and elsewhere. The liberal international world order has supported peace on a global level for the past seven decades. This said, openness to international trade is far from an absolute guarantee of peace. Germany and England were best trading partners before WWI broke out, and they found themselves as combatants on opposite sides in the ensuing conflict. That fact did not dissuade world leaders from seeking to deploy more open trade in the cause of global world peace. On the contrary, the linkage has only become more prominent.

This conference, held on the anniversary of the armistice marking the end of the First World War, provides a good opportunity to reflect on how the linkage of more open trade and the establishment of a lasting global peace came about and the strength of that conviction today.

Haunted by their failure to learn from the First World War, in which 21 million people had died and 21 million more were wounded, and their failure to forestall the onset of the Second World War, in which some 50 to 80 million perished, the allies began to plan for a second peace, this one following the Second World War, with a firm intention to make it more durable. In 1941, Winston Churchill and Franklin Roosevelt met for the first time as leaders of their respective countries, to set as a post war aim to make access to markets and supplies equal for all. The two leaders agreed to eight points in an Atlantic Charter which they issued at Placentia Bay in Newfoundland on August 14, 1941:

*The President of the United States and the Prime Minister, Mr. Churchill, representing H. M. Government in the United Kingdom, being met together, deem it right to make known certain common principles in the national policies of their respective countries on which they base their hopes for a better future for the world: . . .*

*They will endeavour with due respect for their existing obligations, to further 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.*

Not surprisingly, the relationship of trade to the postwar peace was further given prominence in the negotiation of the Havana Charter for an International Trade Organization (the ITO) in 1948. The first two sentences of The Charter's Articles of Agreement read:

*Recognizing the determination of the United Nations to create conditions of stability and well-being which are necessary for peaceful and friendly relations among nations, the parties to this Charter undertake in the fields of trade and employment to co-operate with one another and with the United Nations.*

Their belief in using more open trade as a key element in the foundation for achieving and sustaining peace was shaped by their experience. In 1918, President Woodrow Wilson, faced with a Europe shattered by war, saw open trade as an integral part of an improved system of international relations on which to base an ensuing peace. Wilson sought to gain acceptance at home and abroad to his Fourteen Points, one of which provided:

*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.*

President Franklin D. Roosevelt, who had served as Assistant Secretary of the Navy in the Wilson Administration, and Roosevelt's Secretary of State Cordell Hull made the trade Wilsonian objective operational. They saw trade as a way to move the world toward more peaceful relations. Cordell Hull articulated this principle of U.S. policy on February 6, 1938:

*"Our nation, and every nation, can enjoy sustained prosperity only in a world which is at peace; a peaceful world is possible only when there exists for it a solid economic foundation, an indispensable part of which is active and mutually beneficial trade among the nations."*

For Cordell Hull and a long line of the Secretaries of State who followed him, the foreign policy establishment that shaped U.S. wartime and post-war strategy, did not see diplomacy and trade policy as separate. In their minds, free trade, free markets and free men were inseparable ideals.

One year later after the Atlantic Charter was issued, the United States having become an ally and combatant in the Second World War, President Roosevelt issued the following message:

*"A year ago today the Prime Minister of Great Britain and I, as representatives of two free nations, set down and subscribed to a declaration of principles common to our peoples. We based, and continue to base, our hopes for a better future for the world on the realisation of the ... principles [stated in the Atlantic Charter] . . . [N]ations and groups of nations in all the continents of the earth have united. They have formed a great union of humanity, dedicated to the realisation of that common programme of purposes and principles set forth in the Atlantic Charter . . .*

*When victory comes we shall stand shoulder to shoulder in seeking to nourish the great ideals for which we fight. It is a worth-while battle. It will be so recognised through all the ages, . . . We reaffirm our principles. They will bring us to a happier world."*

Toward the end of the war, President Roosevelt continued to relate his efforts for more open trade to serving the cause of world peace. On March 26, 1945, he asked the Congress to extend and increase the President's trade negotiating authority, writing:

*The purpose of the whole effort is to eliminate economic warfare, to make practical international cooperation effective on as many fronts as possible, and so to lay the economic basis for the secure and peaceful world we all desire.*

In 1973, asking for a full mandate from Congress for extension of global trade agreements beyond tariffs to nontariff measures, the President Nixon in his covering message that stated “most importantly, these proposals can reduce international tensions, and strengthen the structure of peace in the world.”

In January 1981, two years after the Tokyo Round of Multilateral Trade Negotiations was concluded, President Carter, in presenting the Medal of Freedom to the USTR Robert Strauss, the President praised his chief trade negotiator for

*“strengthening the system of trade which links the nations of our increasingly interdependent world [through] . . . a multilateral trade agreement that would [contribute to] . . . the enhancement of peace among all the nations of the Western world.”*

President George Herbert Walker Bush enunciated his position as one of reaching out to the USSR. He said that the West needed to move beyond a "grand strategy ... based on the concept of containment" of communism, and that it was incumbent upon the United States to encourage a "growing community of democracies anchoring international peace and stability, and a dynamic free-market system generating prosperity and progress on a global scale."

This approach was also taken by President Clinton, as noted by the editors of Foreign Policy Magazine:

*From the beginning of his presidency, Clinton recognized that the dominant factors of international relations were shifting from nuclear throw weights to flows of foreign direct investment and trade. He saw the global economy not only as a vehicle for increasing U.S. prosperity, but as a medium for enhancing international stability.*

This theme is also found in the legislation to support trade negotiations in the negotiating mandate given to the George W. Bush Administration by Congress in 2002. It opens with the following:

*(b) Findings. The Congress makes the following findings:*

*Stable trading relationships promote security and prosperity. Trade Agreements today serve the same purposes that security pacts played during the Cold War, binding nations together through a series of mutual rights and obligations. Leadership by the United States in international trade fosters open markets, democracy, and peace throughout the world. (Emphasis supplied).*

This Congressional finding is still applicable U.S. law.

President Trump's December 2017 National Security Strategy acknowledged the importance of the postwar international economic system.

*For 70 years, the United States has embraced a strategy premised on the belief that leadership of a stable international economic system rooted in American principles of reciprocity, free markets, and free trade served our economic and security interests. Working with our allies and partners, the United States led the creation of a group of financial institutions and other economic forums that established equitable rules and built instruments to stabilize the international economy and remove the points of friction that had contributed to two world wars.*

The statement continues with a caveat that its readers would anticipate:

*That economic system continues to serve our interests, but it must be reformed to help American workers prosper, protect our innovation, and reflect the principles upon which that system was founded.*

The GATT as a multilateral framework also made provision for the creation of deeper integration on a regional basis. The most obvious place to start the project of building peace through economic integration was in Europe. The EU's founding fathers—including Jean Monnet, Robert Schuman, Paul-Henri Spaak, Alcide de Gaspari and Konrad Adenauer— were committed to building upon this idea, first with integrated production and then with an integrated European market. On March 25, 1957, France, West Germany, Italy, the Netherlands, Belgium, and Luxembourg signed the Rome Treaty creating the European Economic Community (EEC) -- the European Common Market. Besides sharing the production of coal and steel, and the peaceful use of atomic energy, the free movement of goods within Europe was a cornerstone of post-war efforts to build a lasting peace. In 2012, the Norwegian Nobel Committee awarded the Nobel Peace Prize to the European Union (EU). In justifying its decision, the committee recognized the "stabilizing part played by the EU [which] has helped to transform most of Europe from a continent of war to a continent of peace". (Norwegian Nobel Committee, 2012).

Recently, the linkage of open markets and peace was made by the UN Secretary General who, on 22 March 2018, made the following statement on the signing of the African Continental Free Trade Area:

*I congratulate African leaders for taking the leap into history by signing the African Continental Free Trade Area (AfCFTA) to create one of the world's largest trading blocs with over 50 countries. . . . This is an important step towards achieving the Sustainable Development Goals and delivering on the African agenda of peace and prosperity.*

Today, at the WTO, the link of trade to world peace is most prominently seen in fragile and conflict-affected states joining the organization. There are 164 Member countries of the WTO. The last two to join did so in 2015. They are Afghanistan and Liberia, both having suffered serious harm from war. In the list of countries at present actively seeking to accede to the WTO are Somalia, Sudan, South Sudan, Syria and East Timor. All have the goal of domestic

reform and integration into the world economy, to create greater stability and have a better chance at achieving an enduring peace.

Their motivations are not very different from those of the founders of the multilateral trading system in 1947. In this year's WTO public forum there was a program held on October 4 that I had the privilege of chairing, entitled "*Trade for peace: integration of fragile states into the global economy as a pathway towards peace and resilience*". Speakers participating in the program represented countries with populations that had suffered and were suffering from decades of war and conflicts. These countries are sometime referred to as failed, failing or fragile states in the global discourse and have been the focus of humanitarian, and development organizations assistance. The group is called the "g7+".

The keynote speech for the g7+ was delivered by the first president of East Timor, H.E. Kay Rala Xanana Gusmão. Speaking slowly in a language he learned during 7 years in prison, his remarks had a profound effect on his listeners packed into in a large meeting room at the WTO. He described the enormous economic potential of conflict-affected and fragile states starting with Afghanistan, Somalia, South Sudan and listing twelve others, including his own country.

*He told his rapt audience --*

*"Trade, investment and cooperation among the countries in the world bring about prosperity and development. Trade is a peaceful alternative to War, . . . . 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. Our fragility is not an essential characteristic of our countries, but a temporary phase in our trajectory which requires special care and attention to peacebuilding, state-building and hence development.*

*For that to happen, the first and most important condition is "Peace".*

This Paris Peace Forum is an opportunity to reflect on the interrelationship of trade and peace. Does supporting the world trading system foster world peace? Its members have repeatedly reaffirmed the proposition that there is a positive relationship. We cannot be sure that greater trade, leading to prosperity guarantees peaceful relations among nations. But we know from the 20<sup>th</sup> century, as well as more recent experience, that the opposite is true – failure to maintain openness to trade, consequent economic decline and domestic high unemployment, do lead to instability, and are a threat to peace, both internally and internationally.

The surest path forward is to proceed on the basis that a more integrated world economy, enabled by the multilateral trading system, is an essential ingredient to fostering global peace.



