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TRADE AS A GUARANTOR OF PEACE, LIBERTY AND SECURITY? THE ROLE OF PEACE IN THE BRETTON WOODS INSTITUTIONS

INTRODUCTION

PADIDEH ALA'I*

At a time when globalization has facilitated transnational commerce *and* transnational terror, it is imperative that we examine the relationship between free trade and peace. On February 24, 2005, the International Economic Law Interest Group (“IELG”) of the American Society of International Law (“ASIL”) held the Opening Session of a three-day conference at American University, Washington College of Law, entitled: “*The Role of Peace in the Bretton Woods Institutions.*”¹ The goal of the conference was to address the accuracy of the claim made by John Stuart Mill and

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1. The IELG is the largest interest group within ASIL and has for many years held annual and bi-annual meetings to promote scholarship and discussion of cutting edge issues in international economic law. Since 1995, the work of the World Trade Organization (“WTO”) and its dispute settlement mechanism has been of particular interest to the IELG. Historically, the papers presented at IELG conferences are published in a law review. This year, however, the Opening Session of the conference has been published separately here while the complete proceedings of the conference are scheduled to be published as a separate book by ASIL. This Opening Session panel was co-sponsored by the Washington College of Law (“WCL”) International Legal Studies Program and was part of WCL’s Founders Celebration.

others that trade is the guarantor of peace, liberty and security. Participants on the panel were: Ambassador Julio A. Lacarte, a former member of the Appellate Body of the WTO and one of the architects of the Uruguay Round trade negotiations; James Boughton, International Monetary Fund (“IMF”) historian; Debra Steger, a former Director of the WTO Appellate Body Secretariat and a Canadian representative to the Uruguay Round trade negotiations; and Uri Dadush, Director of the International Trade Department of the World Bank. The pages following this introduction contain the transcript of the remarks of Ambassador Lacarte, James Boughton, Debra Steger and Uri Dadush—edited by the panelists to varying degree—in which they discuss the role of the IMF, the World Bank, and the WTO (collectively referred to as the “Bretton Woods Institutions” or “BWI”) in safeguarding and promoting peace.

James Boughton reminds us that for the two intellectual fathers of the IMF—John Maynard Keynes and Harry Dexter White—securing and maintaining peace was central, not peripheral, to the work of the IMF. As Boughton explains, the role of trade in generating prosperity and peace was raised in the aftermath of the First World War by President Woodrow Wilson at the Paris Peace Conference. For a variety of reasons, Wilson failed to have that particular viewpoint reflected in the ultimate outcome of the peace conference. It took another world war to bring to the foreground the relationship between peace and economic prosperity. In the aftermath of World War II, the victorious nations agreed that it was economic deprivation caused by protectionist and discriminatory economic policies that had facilitated the rise of Adolf Hitler and fascism in Europe. At Bretton Woods, the participants vowed to “never again” allow such protectionist policies, and the BWI were set up to help maintain peace by helping to secure economic prosperity.

Ambassador Julio A. Lacarte agrees that it was the failure of the Paris Peace Conference and the resulting protectionist policies of the 1930s, including the passage by the U.S. Congress of the Smoot Hawley Tariff Act, that facilitated the rise of fascism in Europe; Ambassador Lacarte also reminds us of the precarious existence of the General Agreement on Tariffs and Trade from 1947 until the eventual creation of the WTO in 1995. Drawing upon more than fifty years of personal involvement in trade negotiations, Ambassador

Lacarte warns us that although the creation of the WTO has advanced the cause of peace by providing an institutional and regulatory framework for the multilateral trading system, a great deal more must be done by the BWI to address the concerns of the developing countries and thereby advance the cause of global peace.

Debra Steger highlights the unique institutional challenges faced by the WTO, including a lack of compliance with dispute settlement decisions by the United States and Europe, the increasing popularity of bilateral and regional trade agreements, and the WTO's continued ambiguous mandate, which has pitted the United States and Europe against the developing world—a situation that is not conducive to global harmony.

Finally, Uri Dadush points out that trade has *not* always promoted peace and, in some instances, has been the cause of war. Dadush argues that in fact it is peace that is a prerequisite for free trade. Dadush reminds us that unprecedented global market integration in the latter part of the nineteenth century resulted not in peace, but the First World War. He argues that other “drivers of conflicts,” such as ethnic divisions and religious differences, can overwhelm the economic gains from free trade. Dadush posits that we may be living at a moment in history when the champion of free trade is no longer the United States, but China and India.

All the speakers agree that we live in a time of transition. We have seen a period of unprecedented inter-connectedness. The end of the Cold War and the creation of the WTO in the 1990s has set the groundwork for securing peace through international cooperation. There are, however, forces at work that threaten peace as well as the legitimacy of the BWI. Will the WTO membership come to an agreement as to its mandate and the agenda for the next round of trade negotiations? Will bilateral and regional trading arrangements lead to unity or division? How will the United States respond to the growing economic ascendancy of China and India? Will the United States resort to protectionist policies against China? What will the effects of such policies be on global peace and security? Are we destined to repeat the mistakes of the past and have a period of unprecedented global integration followed by disintegration? Answers to these and many other such questions will determine whether the IMF, World Bank or the WTO can promote and

safeguard peace as originally envisioned by Keynes and White at Bretton Woods.