



# THE QUIET ACHIEVER OF WORLD PEACE

*Free trade under WTO rules has brought stability around the globe*

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OF all the international institutions established in the aftermath of World War II, the quietest achiever in the quest for global peace and stability is the one with no reference to peace in its charter.

For most of the Cold-War period, the UN was unable to discharge its responsibility to promote peace and security.

Meanwhile, the World Trade Organisation has been a postwar champion in advancing the cause of global peace and security, not to mention prosperity.

Before World War II, trading blocs had been established by friendly countries to the exclusion of rivals. Bloc members could trade among themselves with few or no internal barriers, but non-members faced high barriers such as punitive tariffs, restrictions on the quantities of goods they could sell and outright trade embargoes.

Though many tensions contributed to the outbreak of World War II — including an unstable settlement at the Treaty of Versailles after World War I and naked military imperialism by Nazi Germany — the British Commonwealth system of imperial preferences that discriminated against Japan from the early 1930s certainly compounded its sense of economic isolation and vulnerability.

Countries poorly endowed with raw materials, energy or productive land, or all three, are more inclined to obtain them aggressively if others play on their vulnerabilities and deny them access. Though economic inte-

gration among nations does not of itself assure world peace, isolation of countries poorly endowed with natural resources is a guaranteed formula for instability and aggression.

Founders in 1947 of the WTO's predecessor, the General Agreement on Tariffs and Trade, which included H.V. Evatt, Australia's minister for external affairs, had learned the lessons of history. They vowed to create a set of fair rules by which postwar trade would be conducted.

They chiselled as the foundation stone of this new system a commitment to non-discrimination; that a trade barrier reduction given to one member country would automatically flow to all other members. Any GATT member would therefore be entitled to the same access to a country's markets as that country had given to its most favoured nation.

These fair trading rules have enabled the negotiation of agreements of all member countries to reduce their barriers to trade. Six successful rounds of negotiations have been concluded since 1947, each bringing more products and services under the system's umbrella and each lowering the trade barriers among members.

Now, any member country that considers another to have violated these binding rules can seek arbitration at the WTO. Trade wars have been averted thanks to these global trading rules. And, importantly, governments have been able to brandish the consequences of being found in breach of the rules to fend off protectionist demands from powerful vested interests. These consequences can include authorised retaliation and reparations to aggrieved parties. By averting nasty trade wars, the WTO has avoided most of the trade-related geopolitical tensions that dominated the prewar period.

A seventh negotiating round, launched in the city of Doha, Qatar, has been limping on for a decade. As in the initial agreement back in 1947, Australia is playing a leading role in trying to get the Doha round successfully completed, even if it means agreeing on one instalment of market-opening measures this year followed later by the full deal.

Lots of damaging practices remain beyond the reach of the existing global trading rules. Countries can still subsidise their agricultural exports, unfairly harming the chances of poor producing countries and of efficient ones such as Australia to compete when food prices are low. Massive farm subsidies are still allowed.

Countries can heavily subsidise their fishing industries, encouraging over-exploitation of world stocks. Cotton-growing

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subsidies in rich and emerging economies are depriving poor African countries of one of the few potential sources of income for their people.

The world's least developed countries still struggle to sell their products in rich countries, as import duties deprive them of the chance to liberate the poorest people on earth from poverty.

And in times of high world food prices, as now, countries remain at liberty to impose export controls to keep the food at home. This forces food prices higher as speculators cash in on a one-way bet in a tight market.

Just as a lack of secure access to mineral and energy resources was a source of geopolitical tension and ultimate conflict during the 20th century, fears about food security threaten the same instability in the 21st century.

As the world gains another 1.5 billion human inhabitants by 2030, nations and governments nat-

urally will want to be able to feed their people. If they can't, or if food prices are unbearably high, riots will break out, destabilising governments and entire nations.

There's nothing hypothetical about this. Before the 2008 financial crisis, food riots had hit countries such as Bangladesh, Yemen and Haiti. Soaring food prices recently precipitated the toppling of the regimes in Tunisia and Egypt.

As the demand for food escalates with world population growth, governments will come under heavy domestic pressure to impose food export controls and subsidise local food production. And they will try to hold down prices to consumers through controls and subsidies.

These restrictions would make a bad situation worse, choking off trade, diverting production from low-cost to high-cost producing countries and exacerbating global shortages. Now that's a recipe for instability and upheaval within and between countries.

Bringing food fully within the disciplines of the world trading rules through a successful Doha round would knock off these destructive and destabilising practices just as the establishment of the rules in 1947 averted a repetition of the trade wars that deepened and prolonged the Depression and contributed to the outbreak of World War II.

In association with the fuller inclusion of food in the global trading rules, closer economic integration of food deficit and food surplus countries through trade and investment would go a long way in restraining food prices by locking in reliable supplies.

Australia has helped meet Asia's resource and energy security needs in the past quarter century. So, too, can production from our vast farming and grazing lands help meet Asia's food security needs in the next 25 years.

Free trade under the WTO's rules can advance the cause of peace and stability in the early 21st century, as it did in the second half of the 20th century. Though it would be a rank outsider with the bookies, the WTO would be a deserving winner of the 2012 Nobel Peace Prize. Ref: 106761662