

INTERNATIONAL TRADE: A TOOL FOR PROMOTING PEACE AMONG NATIONS OF THE WORLD

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Abstract

Economic gain, territorial gain, quest for power amongst others have been the causes of conflict between one country and another; and this has led to nationalism where smaller countries fight for freedom from external control. On the process of belligerent for autonomy, conflict usually occurs between countries, hence, the need for peace-building among them which international trade has been a vehicle through which peace can be attained. However, due to the fact that every country of the world is naturally endowed with one natural resources or another which makes them unique among others; this uniqueness triggers them into production of goods and services which enable them have comparative advantage and as a result, they produce above what they need and also need what they cannot produce. This situation has brought about different countries exchanging goods and services as a means of providing essential services to its citizens. Consequent upon this, international trade is and has been a means through which countries interact and associate and thus promotes peace among them. This study discussed the concept of international trade, reasons why nations trade beyond border, the impact of international trade on economic growth and development, the benefit of international trade, international trade and peace, strategies for peace building through trade and the underlying theories of conflict prevention like the Dell Theory amongst others. The study recommends that government of countries should make policies that will promote trade with other countries, Furthermore, export subsidies should be encouraged while import restriction should be lifted as a means of promoting peace through trade.

Keywords: International trade, Peace, Economic growth, Comparative advantage

Introduction

Every country of the world is naturally endowed with one natural resources or another. This makes them unique and dependent on others for things they do not have. This uniqueness

triggers them into production of goods and services in which they have comparative advantage and as a result, they produce above what they need and also need what they cannot produce. This situation has brought about different countries exchanging goods and services as a means of providing essential services to its citizens through international trade.

International trade is simply a trade across national borders. To validate the above claim, Hassan, Aboki and Audu, (2014), views international trade as a trade that involves the mutual exchange of goods and services between countries which takes place outside their geographical boundaries. In the opinion of Vijayasri (2013), international trade is that type of trade that brings together two or more countries and creates the enabling environment for exchange of goods and services to meet the needs of the country. The author further posited that with international trade, nations collaborate with the intention to give their products at higher prices and to take from other nations at lower prices.

Therefore, international trade activities of nations are geared with the need to provide unavailable products by exchanging it with surplus ones. This implies that nations are interdependent on one another for one product and the other based on their comparative advantage. With comparative advantage, each country is encouraged to produce only goods with low cost and to import only those goods that have high cost implications in their production. In the opinion of Gujrati (2015), comparative advantage creates an environment where every nation can strive optimally at the international market despite their level of poverty or development because of the privilege of producing one product more economically than other nations due to how much they are naturally endowed with resources among other nations. Sun and Heshmati (2010) was of the opinion that the increase in productivity of most nations is as a result of comparative advantage which promotes economies of scale leading to decrease in production costs; increase in capital base, increase in employment based on specialization and technological innovations which spillover from one nation to the other.

All nations are interdependent on others for the supply of goods and services needed by its citizens as a result of specialization and abundance of natural resources available to them (Surugiu & Surugiu, 2015). This interdependency tends to bring peace and harmony between two or more countries trading together as no country would want to have issues with any country they are depending on for one thing or the other. This is because when a nation which is been depended on have any economic problem, the dependent nation also bears the effect because their needs will not be met. In agreement to the above assertion, Miklian and Schouten (2014) posited that no weapon had been known to bring lasting peace among countries as trade. This therefore implies that trade has the ability to prevent conflict and resolve any existing conflict between nations who are dependent on each other for provision and survival.

Reasons Why Nations Trade Beyond Border

Nations are endowed differently and no one nation has all it needs to survive, hence nations engage in exchange of surplus goods with unavailable or inadequate goods. According to Suranovic, (2012) in his book titled “Policy and Theory of International Trade” the rationale behind international trade includes but not limited to the following:

Disparity in Technology: Beneficial trade can subsist between countries when there is difference in their technological abilities to produce goods and services. Technology connotes to the modus operandi used to turn input (labor, capital, land) into outputs (goods

and services). With international trade, technologies are transferred from the developed nations to other developing nations who need it to enable them produce other goods in which they have comparative advantage (Irwin, 2008, Gujrati, 2015). This wouldn't have been possible in the absent of international trade and thus the developing nations would have remained underdeveloped due to lack of access to emerging technologies.

Discrepancy in Resource Endowments: Valuable trade can crop up amid countries when there is difference in their natural endowment of resources. Resource endowments refer to the proficiency and aptitude of a country's labor force, the existing natural resources (minerals, farmland, etc.), and the classiness of its capital collection (machinery, infrastructure, communications systems). In the opinion of Hassan, Aboki and Audu, (2014), all nations are not equally endowed hence the need for each nation to focus its attention in producing and exporting those things in which they have in abundant and thus has comparative advantage over others.

Divergence in Demand: Profitable trade can take place between countries when their demands or preferences vary between countries. Individuals in different countries may have diverse preferences or demands for various products. For example, the Chinese are likely to demand more rice than Americans, even if consumers face the same price. Canadians may demand more beer, the Dutch more wooden shoes, and the Japanese more fish than Americans would, even if the same prices.

Benefits of International Trade

International trade is a strong drive of economic growth and development leading to reduction in poverty level of citizens of a nation (UNCTAD, 2014, Gujrati (2015)). This is because trade reduces the cost of goods and services and provides varieties of products which may not be produced within the country but usually at lower prices when compared with the cost of producing it in the country, as no country would ever want to produce goods whose cost of production is far higher than the cost of importation from other countries. The drive to save cost and minimize usage of resources and labour is the major drive for international trade. International trade had helped countries to expand their market share, increase technological advancement and innovation, improved manpower development and public relations all geared towards better economic growth and development (Vijayasri, 2013).

International trade has lots of benefits for every nation who involved in it. The benefits include according to Hassan, Aboki and Audu, (2014), Gujrati (2015) and Yakubu and Akanegbu (2015) but not limited to the following:

Promotes Peace and Goodwill: International trade fosters peace, goodwill, and mutual understanding among nations (Miklian & Schouten, 2014). Economic interdependence of countries often leads to close cultural relationship and thus avoid war between them. No country would want to be at loggerhead with any country they are mutually dependent on for economic survival.

Favorable Utilization of Natural Resources: International trade enables every nation to make constructive use of its natural resources. Every nation can focus on manufacturing of those goods for which its resources are best suited. It encourages resourceful allocation and better utilization of resources since countries tend to produce goods in which they have a comparative advantage (Vijayasri, 2013; Nwamuo, 2019). When countries produce through comparative advantage, wasteful duplication of resources is prevented.

Greater Variety of Goods Available for Consumption at Cheaper Cost: This trade brings in varieties of a particular product from different destinations. This gives consumers a wider array of choices which will not only improve their quality of life but as a whole it will help the country grow (Gujrati, 2015, Nwamuo, 2019). It enables a country to obtain goods which it cannot produce or which it is not producing due to higher costs, by importing from other countries at lower costs (Vijayasri, 2013). It enables a country to consume things which either cannot be produced within its borders or production may cost very high. Therefore it becomes cost cheaper to import from other countries through foreign trade.

Promotes Efficiency in Production: This trade promotes efficiency in production, as countries try to adopt better methods of production to keep costs down in order to remain competitive. Nations that can produce a product at lowest possible cost will be able to gain larger share in the market (Vijayasri, 2013). Therefore an incentive to produce efficiently arises. This will help to increase the standards of the product and consumers will have good quality product to consume. International trade makes available even those goods which cannot be domestically produced (Paul, 2004).

Encourages Specialization: Foreign trade leads to specialization and encourages production of different goods in different countries (Gujrati, 2015, Tejvan, 2019). Goods can be produced at a comparatively low cost due to advantages of division of labour. It allows countries to specialize in producing only those goods and services, which it is good at producing.

Large-scale Production: Due to international trade, goods are produced not only for home consumption but for export to other countries also. Nations of the world can dispose of goods which they have in surplus in the international markets (Tejvan, 2019). This leads to production at large scale and the advantages of large scale production can be obtained by all the countries of the world.

Exchange of Technical Know-how and Establishment of New Industries: Underdeveloped countries can establish and develop new industries with the machinery, equipment and technical know-how imported from developed countries (Vijayasri, 2013). This helps in the development of these nations and the economy of the world at large.

Provides More Employment Opportunities: More employment opportunities could be generated as the market for the countries' goods expands through trade. International trade helps to expand employment through the establishment of newer industries to cater to the demands of various countries (Nwamuo, 2019). This will help countries to bring-down their unemployment rates.

Theoretical Perspective of International Trade and Peace

Peace is the desire of any human and a goal of any nation. However, achieving peace between individuals tends to be difficult, how much more between nations. Therefore to build peace requires bringing the two groups involved into a situation where each will be dependent on the other. Hence, trade becomes a tool to achieve economic interdependency among nations of the world. This study is therefore hinged on the Dell theory of conflict prevention and the liberal theory of international trade.

The Dell Theory of conflict prevention by Thomas Friedman which stated that no two

countries involved in a major global supply chain and economic interdependency, will ever fight a war against each other as long as they are both part of the same global supply chain and depend on each other. The theorist further propounded that each nation would want to focus on the just-in-time delivery of goods and services so as to get the benefit of increased standard of living that comes with the exchange of goods and services. This theory therefore implies that when two or more countries trade together, the tendency of them being in peace is very high compared to when there is no economic relationship existing between them. International trade has been a tool for peace and will continue to strengthen peace among nations of the world when liberal trade is encouraged.

The liberal perspective to international trade is based on the premise that two countries that depend on each other for sustenance will not create conflict between them. The liberal perspective however believes that conflict is part of human existence and cannot be eliminated completely, but they believe that trade help to reduce of the tendency of conflict between nations. The liberal theory has two notions which are complex interdependence and integration according to Gul, Shah and Ullah (2018). The first notion – complex interdependence occurs when two or more nations who trade together have similar interest and needs which will compel them to look out for each other on the ground that when one party is affected then the other will be affected and thus their economic gain will not be achieved. While integration was viewed as the joining of two or more international actors that would control the behavior and conduct of parties so as to promote mutual trust, clarity and understanding. This theory is therefore relevant to this work in that the work and the theory both focused on the relationship between peace and trade. By implication, trade is an indispensable tool in promoting peace among nations.

International Trade and Peace Building

Peace building is a strategic plan designed to prevent violent conflicts and bring about a lasting peace between two groups or nations (OECD, 2005). Hence, the best strategy of building peace between two group/nations is to create a situation where mutual benefits exist between each of them. This is where international trade becomes a viable tool for peace building among nations. In corroboration with the above view, peace-building is designed to prevent a conflict and to resolve a violent conflict to create peace between groups and nations on post-conflict condition (Tschirgi, 2003). Among other peace related concepts such as peacemaking, peace enforcement, peacekeeping, peace-building is a deeper conflict resolution strategy (Taksás, 2015). This is because peace building aims at removing the root causes of the conflict and strives to discourage the relapse of conflict in the future by ensuring lasting peace among groups.

Conflicts between nations tend to decrease with increase in commerce as nations continue to depend on one another for sustenance and survival. Therefore to promote peace among nations, trade restrictions should be eliminated as a way to promote trade especially bilateral trade between two nations (Mamoon & Murshed). Researches has shown that nations who trade between each other have the reduced tendency to have conflict between them more than the nations who do not (Brack, 2007; Martin, Mayer & Thoenig, 2008; Lee & Pyun (2016). It was on this background that Papadimitriou and Pistikou, (2015) was of the view that trade does not only promote peace but also decrease conflict among nations who share mutual economic benefits.

Trade strategy was portrayed by Gul, Shah and Ullah (2018) as an efficient and effective tool

to promote peace among nations rather than using military strategy that can easily instigate conflicts. All peace building activities are designed to prevent the occurrence, recurrence or continuation of existing conflict through several mechanisms such as relief and humanitarian assistance; disarmament, demobilization and reintegration, strengthening of human rights; crime prevention and administration of justice; election monitoring and support for democratization; economic reconstruction and development; and rehabilitation of civil society among others which are put in place to ensure lasting peace (Lambourne & Herro, 2008). In the opinion of Nagle & Clancy (2012), there is a positive relationship between international trade, economic growth and peace building as both economic growth and peace building depend to a large extent on international trade. Also in consonance with the above, Goodhand (2010) posted that economic growth has the tendency to reduce conflict among nations.

Strategies for Promoting International Trade

Trade liberalization is the removal of any form of restriction and barriers to trade. Trade liberalization according to Agbeyebe, Stotsky and Wolde (2006) is the unification or reduction of tariffs so as to harmonize the world trading system to accommodate all nations of the world. In the opinion of Tuğba and Kara (2008), trade liberalization is said to promote economic growth and development, foster peace through job creation and sustain economic interdependency among nations. For international trade to thrive effectively and promote economic growth that all nations desire, factors such as exchange rate, tariffs, trade barriers, transportation cost, language differences and several trade agreements should be eliminated completely since they inhibit international trade relations among nations (Dubravská & Sira, 2015). For trade liberalization to be possible, some organizations and institutions need to be put in place to make regulations that will guide participants at the world trade level. It was to the above effect that the Organization for Economic Co-operation and Development (2005), are of the opinion that multinationals and multilateral organizations such as European Union, African Union and World Trade Organization among others are set up to help promote peace among nations by making laws and policies that will guide the relationship between two or more nations through trade liberalization.

The need to promote trade among nations necessitated the establishment of World Trade Organization in 1995 as a means through which member nations can trade freely without restrictions and also to protect the developing nations from being marginalized in the world market. Nations involvements in trade among others are encouraged through free trade. When trades between nations are made free, the tendency of nations to participate in global trade activities is enhanced. To this effect, McDonald (2004) declared that trade alone cannot ensure peace among nations but free trade creates the enabling environment for nations to collaborate economically and thus maximize their mutual economic benefits.

Researches have shown that several factors are contributors of barriers to international trade. These factors include foreign market information, government policy, competitors from other countries and trade documents, cultural differences, exchange rate, transportation expenses, laws and regulations, political socio-economic fluctuations, corruption, pricing policies, import tariffs, government subsidies (Mir, 2001, Farsi, Moradi, Jandoust, & Esfandabadi, 2016). Hence these factors need to be eliminated if trade among nations will be promoted. In consonance with the above assertion, Ajayi (2003) proposed that the elimination of trade

barriers increases trade flows among nations leading to economic development and consequently peace among nations.

Trade is known as a viable tool that builds peace among nations. This therefore implies that trade has the ability to prevent conflict and resolve any existing conflict between nations who are mutually dependent on one another for provision and economic survival. Consequent upon this, there is a need to put up strategies that can promote trade thereby fostering peace amidst nations.

Discourage Trade Restrictions: Economist generally affirmed that trade barrier are injurious and decline the general economic effectiveness. These are the measures taken by government in gratifying their objectives and protecting their national economic interests (Mittal, 2018). Consequent on the impact of international trade as a tool for promoting peace, when restricted, countries will not mutually depend on one another; whenever conflict arises there won't be reasons for stoppage of war as continuity of trade barrier may result in trade war which poses threat to all the countries. However, discouragement of trade barriers can build up relationship between countries since they are interdependent. This interdependency tends to bring peace and harmony between two or more countries trading together as no country would want to have issues with any country they are depending on for provision and economic survival. In order to discourage trade barrier, the following should be adopted:

Low Tariffs: Fundamentally, tariffs are taxes charged on prices of imported goods. When the tariff added to the importation of a product is high, the price of the product increases; hence, decrease in its demand in the market. Tariffs are commonly utilized as a trade barrier, because it not only increases the demand of locally made products, but it also brings tax revenue to the government treasury (Mittal, 2018). However, high tariffs foster trade restrictions which hinders trade beyond boundaries and this does not make countries to mutually depend on one another; of which can promote peace among nations.

Eradicate Import Quotas: Import quota put restriction on the quantities of goods or services being imported. Quota is either in terms of quantity or quality. It is simply established on the basis of first come first serve and once the total quantity allowed is exceeded, importation of that product won't be permitted. The restriction is usually imposed by issuing import licenses to a group of individuals or firms (Mittal, 2018). Import quota should be eradicated so that importation of goods can be freely permitted. For trade to promote peace, it has to be consistent.

Flexible Administrative Trade Policies: Administrative trade policies consist of bureaucratic laws, rules, and regulations structured to create serious difficulties for an importer of goods or commodities into a particular nation. They have restrictive impact on international trade. Administrative policies can also involve levying customs, applying health regulations and other regulations and difficult-to-obtain import licenses for foreign producers (Mittal, 2018). Administrative trade policies should be flexible so that international trade can be encouraged thereby promoting peace.

Conclusion

International trade is a dispensable tool not only for economic growth and development but for peace building among nations. Consequent upon the benefits of international trade, there is no need to doubt its potency for building peace. It is a known fact that all nations are mutually dependent on others for the provision of goods and services needed by its citizens as

a result of comparative advantage, climatic conditions, growth rate, uneven distribution of natural resources, technology and their area of interest. This inter-reliant tends to bring peace and harmony between two or more countries transacting mutually as no country would want to be at loggerhead with any country they are mutually dependent on for economic survival. Therefore trade should be promoted by any means possible if peaceful coexistence can be achieved among nations of the world.

Recommendations

Based on the deliberations made so far, the paper thus proffer the following recommendations:

1. Trade restrictions should be discouraged by World Trade Organization and other multinational bodies by making policies that would encourage trade among nations as a means of promoting peace among them
2. Free trade should be encouraged by government of every nation and other related agencies so as to foster peace among nations and world at large.
3. Furthermore, export subsidies should be encouraged while import restriction should be lifted by trade organization as a means of promoting peace through trade.

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