

The Palgrave Macmillan
A Global History of Trade
and Conflict Since 1500

Lucia Coppolaro
and
Francine McKenzie



A Global History of Trade and Conflict Since 1500

Also by Lucia Coppolaro

THE MAKING OF A WORLD TRADING POWER: The European Economic Community (EEC) in the GATT Kennedy Round Negotiations (1963–67)

Also by Francine McKenzie

REDEFINING THE BONDS OF COMMONWEALTH 1939–1948: The Politics of Preference

PARTIES LONG ESTRANGED: Canada and Australia in the Twentieth Century (co-edited with Margaret Macmillan)

A Global History of Trade and Conflict Since 1500

Edited by

Lucia Coppolaro

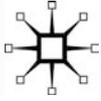
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Abbreviations and Acronyms

CAP	Common Agricultural Policy
CCP	Common Commercial Policy
CET	Common External Tariffs
DCs	Developing countries
DG	Directorate General
EEC	European Economic Community
EFTA	European Free Trade Association
EIC	East India Company
EU	European Union
GATT	General Agreement on Tariffs and Trade
GDL	GATT Digital Library, Stanford University, CA
GDP	Gross Domestic Product
GSP	General System of Preferences
ITO	International Trade Organization
LDCs	Less-developed countries
LTA	Long Term Agreement on Cotton Textiles
MFN	Most-favoured nation
NATO	North Atlantic Treaty Organization
NLA	National Library of Australia
NSC	National Security Council
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
OMB	Office of Management and the Budget
OPEC	Organization of the Petroleum Exporting Countries
QRs	Quantitative restrictions
RTAA	Regional Trade Agreement Act
TEA	Trade Expansion Act
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
VOC	Vereenigde Oost-Indische Compagnie or Dutch East India Company
WTO	World Trade Organization

Introduction: The Intersection of Trade and Conflict Since 1500

Francine McKenzie

In the early seventeenth century, Jan Pieterszoon Coen, the Dutch East India Company's Governor General in the Indies, explained that trade and war were inseparably linked: 'we cannot make war without trade nor trade without war'.¹ The utility of war and other violent methods to secure an advantageous commercial position was an extreme view even by the mercantilist standards of the day, but trade and conflict were commonly connected. About a hundred years later, Montesquieu, the Enlightenment political philosopher, reached the radically different conclusion that trade was an instrument of peace; thus in 1748, he wrote, 'Peace is the natural effect of trade.' Propelled by Adam Smith's *Wealth of Nations* (published in 1776), belief in the connection between trade and peace spread. Trade promoted interdependence and prosperity, which enhanced the economic benefits of peace and the economic costs of war. At the same time that the liberal conception of trade gained currency, there were counter-examples of the non-peaceful pursuit and consequences of trade. The transatlantic slave trade of the eighteenth and nineteenth centuries captured and brutalized approximately 10 million people who were subsequently enmeshed in a violent system of labour in the New World, while at the same time causing tribal wars along Africa's Gold Coast. The Opium Wars (1839–42 and 1856–60) were caused by the British desire to gain access to the vast Chinese market. Rather than stimulate cooperative and peaceful interdependence, coercion and warfare were routinely used to develop commercial opportunities. Despite such evidence, the association of international trade with a more peaceful and prosperous world became a mainstream view. By the end of the Second World War, British and American governments largely based their conceptions of a peaceful postwar trade order on the liberal tenets of non-discrimination, openness and reciprocity.² But trade disputes and trade-related conflicts persisted nonetheless. The recurrence over the last 500 years of trade-related violence, coercion, brutality, destruction and, in its most extreme form, warfare, cannot simply be dismissed as deviations from the norm or as exogenous forces that interfered with the natural development of trade.

This edited volume is a transnational and comparative study that explains the causes and consequences of the intersection of two transformative global forces: trade and conflict. The authors engage existing scholarship along three main lines. The first contribution flows from our definition of conflict. While there are studies of the relationship between trade and war – most notably the magisterial study by Ronald Findlay and Kevin H. O'Rourke of trade and war over a thousand years – our working definition of conflict is broader. Our spectrum ranges from individually sponsored acts of violence or theft to full-scale interstate war and includes multiple manifestations of conflict: economic, political, physical, military, rhetorical and diplomatic. A more inclusive definition incorporates a greater variety of actors who have ranged in size and structure. Pirates and highwaymen waylaid passing traders: robbery was a crime but it was also a means of exchange. Their tactics and ethics were replicated in organized and larger-scale commercial operations, such as those carried out by privateers or the Dutch East India Company. Governments and states were also implicated in the use of trade, or its cessation, as a way to further territorial gains, secure diplomatic advantage and finance wars. An inclusive definition permits a more complete explanation of the association between trade and conflict and the consequences of their intersection.

Second, we explain the consequences of the intersection of trade and conflict beyond the measurement of the volume of trade. One way that economists have measured the costs of wars is by tracking the rise and fall of trade. Most studies conclude that wars decrease trade.³ The corollary, not surprisingly, is also upheld: conditions of stability and peace increase the volume of trade.⁴ It might be that these claims have been accepted too uncritically. As Patrick K. O'Brien pointed out, 'Classical political economy is marked by a laudable bias against armed conflict, and liberal economists are prone to exaggerate the malign effects of war on manpower and capital formation.'⁵ These chapters do something other than measure how conflict affects the volume of trade: they explore the far-reaching, and often unintended, consequences that result when trade and conflict converge. In contrast to the view that conflict is an exogenous factor that distorts or impedes trade, we demonstrate the ways in which the intersection has shaped trade policies (both to liberalize trade and to close off access to markets), reoriented but not necessarily destroyed trade patterns, provoked adaptation to preserve commercial advantages, instrumentalized trade as a means to achieve diplomatic or political goals, influenced political discourse, affected state formation and shaped economic relations amongst commercial actors. The intersection of trade and conflict has had disruptive, transformative and enduring consequences that are not captured by calculating the volume of trade.

Finally, this study complicates the robust academic debate about whether or not trade makes peace more likely, although we do so from a distinctive

vantage point related to our inclusive definition of conflict. Political scientists dominate the core debate about whether trade reduces the likelihood of interstate conflicts and their studies analyse the trade–peace dynamic dating to the late nineteenth century, although the years since 1945 receive considerable attention.⁶ Advocates of the liberal peace theory make a basic claim that trade forges connections and creates conditions of mutual gain that would be put at risk by conflict.⁷ Norman Angell was a scholar who drew out the logic that trade dependence dampened the likelihood of war in 1911 only to be utterly repudiated when the First World War broke out a few years later.⁸ Still, the association has persisted. Over time, the trade–peace link has been refined by scholars. For example, Han Dorussen and Hugh Ward have found that general engagement in global trade networks reduces the likelihood of war.⁹ John R. Oneal and Bruce Russett have affirmed that economically significant trade and democracy have ‘substantively significant pacific benefits’.¹⁰ When challenged, they have revised their calculations, for example by taking distance and size into account, and continue to find ‘clear evidence for the liberal peace’.¹¹

Not all political scientists believe that the association between trade and peace is direct and significant. Katherine Barbieri and Jack Levy have found that trade can increase or diminish in advance of interstate conflict and that trade and war can coexist.¹² In fact, trade between belligerents was observed much earlier by the German economist Carl Brinkmann when he pointed out that economic ties could persist not only in times of war but in ways that undermined political aims.¹³ Erik Gartzke emphasizes the importance of affinity in determining the likelihood of peace or war, which in turn leads him to conclude that ‘interdependence is insignificant’.¹⁴ Even with this research in mind, the study of the relationship between trade and conflict remains less well developed than that between trade and peace.¹⁵

This volume belongs to the group that problematizes the relationship between trade and conflict, exploring important and telling moments in the historical intersection of trade and conflict between 1500 – when international trade links spread like a spider’s web over the whole world – and the late twentieth century – by which time the value of international trade had become almost incalculable. In some cases it is the opportunity or desire to trade that has engendered conflict; in others conflict is the result of limitations placed on trade. Conflict can be in the background, what we might think of as an indirect cause or general condition, or the connection can be direct and proximate. Keeping in mind that conflict is a way to resolve disputes and pursue a competitive rivalry, conflict can also be thought of as a process, rather than a moment or event. Such conflict might have the same impact as the creative destruction that Schumpeter identified as integral to the dynamic that sustains economic growth and transformation. In other words, it causes adaptation and continued growth.¹⁶ A conflict may arise unexpectedly,

even accidentally, or it may be used deliberately as a way to achieve particular goals. The conflict can be rooted in external stimuli or pressures, the internal dynamics of trade, or even human nature. Other scholars have identified the political utility of trade, revealing ways in which trade is enmeshed in political and geopolitical conflicts. For example, Diane Kunz has suggested that trade is not just an instrument of geopolitical tensions, but has become a substitute for wars that are otherwise unthinkable because of the destructive potential of modern weapons. She argues that trade war is 'a viable substitute for military force'.¹⁷ Scholars who affirm a close association between trade and peace will have to take into account the persistent connection between trade and conflict as well as a more complex dynamic between them than the reductionist argument proposes.

At bottom, economists and political scientists have concentrated on two vital and enduring questions: How do wars affect the volume of trade and how does trade affect the likelihood of wars? Their increasingly sophisticated analyses try to demonstrate causation through measurement of volume and probability. To what extent do wars make the volume of trade rise or fall? How much trade, and of what kind, is needed to prevent wars? Schematic representations are central to their methodology and formulas convey their findings. As historians weigh in on the subject of trade and conflict, the scope and purpose of the enquiry move in different, but complementary, directions. We seek to understand the reciprocal dynamic between trade and conflict in all of its manifestations. We try to address why trade has sparked conflicts and how conflicts have affected trade patterns and policies as well as the institutions and societies that give rise to them. We are as interested in consequences as causes. Our approach is qualitative, empirical, experiential and specific, as opposed to quantitative, paradigmatic and predictive.

The nine richly detailed historical case studies in this book collectively demonstrate that conflict triggers the adaptation of trade, creating opportunities as well as undermining existing trade links, and that the pursuit of trade engenders bitter confrontations without destroying trade. Three themes emerge that help to explain the reciprocal dynamic between trade and conflict. First, the domestic contexts in which policies and production occur affect both the volume and direction of international trade as well as the uses to which trade can be put. Second, the state has been a persistent actor in trade. Even as liberal economic orthodoxy became widespread, states consistently used trade strategically and instrumentally – economic calculations were not always paramount in trade policy. This was the case in sixteenth-century China and Portugal, during the Napoleonic Wars, and in twentieth-century Europe and the United States. The third theme stems logically from the first two: that non-economic factors, particular political and geopolitical motivations and interests, are intertwined with trade. These chapters chronicle the evolution of ideas about