THE ETHICS OF INTERNATIONAL TRADE

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Introduction

Moral and political debates about globalization – the expansion of the flow of goods, capital, ideas and people within a market-oriented framework – have often concentrated on the governance and practice of international trade. For some, the evolving international trading system is indicative of all the benefits that globalization makes possible. For others, it is a sign of the hypocrisy and self-seeking orientation of wealthy people in affluent countries that, they allege, have crafted a global economic order that unduly benefits them at the expense of the poor countries (along with poorer workers in their own countries).

International trade has also begun to attract the attention of moral and political theorists. Here too there have been significant disagreements. For example, some elements of the World Trade Organization (WTO) – the treaty body that governs international trade relations between 155 member states – have been singled out by some as paradigmatic instances of the ways in which the affluent countries contribute substantially to poverty abroad (Pogge 2002). Others have welcomed its emergence as an (admittedly imperfect and still nascent) international institution oriented towards promoting welfare throughout the world (Risse 2005). Controversies among moral theorists have in part been due to differences

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in their views on the effects of current international trade arrangements. But they are also due to different views about the evaluative and normative principles that are appropriate to assess and govern international trade. In this chapter we explore some of these controversies.

We begin by explaining some of the reasons why it might be supposed that there can be substantial gains from international trade. We then explore some distinct types of complaints about trade policies and arrangements for governing international trade, and conclude with a brief discussion of how these normative considerations apply to the international trade in natural resources.

International trade

As we shall understand it, international trade involves the voluntary exchange of goods and services across state borders, whether by states, firms or individuals. The voluntary exchanges may be regulated or unregulated. One country may expose other countries to a range of pollutants (dumping toxic waste, spewing particulates into the air, releasing excess carbon-dioxide emissions, and so on). This does not properly count as trade because the transfer is involuntary. However, if two countries agree that one will accept the pollutants of another in exchange for something, then this transfer counts as (regulated) international trade. And if buyers in one country agree to purchase illegal narcotics that are produced in another country, this counts as (unregulated) international trade. We shall understand goods and services broadly, including not only familiar fare like agricultural produce, industrial manufactures and services, but also items such as intellectual property, financial derivatives, or carbon permits.

In limited forms, international trade has existed for millennia. Most historians of trade date the emergence of substantial and sustained international trade volumes to the fifteenth century (Irwin 1996). The rise of mercantilist economies in the seventeenth century and the

Industrial Revolution further contributed to the rise of international trade as a defining feature of economic activity and a central concern in foreign affairs.[1] Continued technological advancements in transportation and communication, and political and economic changes, have made possible further and deeper international economic integration. This is not to say that progress toward such integration has been unstinting. Indeed, some economic historians have pointed out that periods of globalization have sometimes been followed by periods of de-globalization (James 2002 Frieden 2007). To those with a longer historical understanding, globalization is not an inexorable process but a reversible and perhaps even fragile development. Conflict or sharp rises in the cost of oil could no doubt undermine international integration, at least to some degree (Robb 2008). Moreover, the extent of international economic integration should not be exaggerated: most goods and services today are still traded intra-nationally, not internationally. Nevertheless, far more goods and services are traded today internationally than at any other point in human history, and many of the goods we trade intra-nationally have been created through a process involving inputs in many different countries. The conduct of states engaging in trade, and the arrangements that are brought about to govern trade, are thus quite consequential for human welfare.

Gains from trade

Why might it make sense to engage in international trade? In one sense, the answer is quite straightforward: international trade is just a type of market exchange. As such, it can offer the characteristic benefits that such exchanges can bring. Mutual gain from market exchange is possible whenever one agent is able to provide a good or service that other agents value more than she does. How much any particular agent values a good will depend on their preferences, and how many goods of that type they already possess. Since people throughout

[1] Mercantilists promoted international trade, but on condition that such trade would result in a balance of trade for their country whereby the value of its exports exceeded the value of its imports. That is, they were pro-trade conditional on surplus, and favoured intervention to forbid trade that could result in deficit (particularly when the goods in question were valued metals) (Ormrod 2003).

the world have different preferences and different holdings, gains from trade are often possible. International trade also gains impetus because it connects with a familiar idea—championed by Adam Smith in his classic work *An Inquiry into the Wealth of Nations* (Smith 1776). Smith famously argued that goods could be produced more efficiently (e.g. at lower cost) through the division and specialisation of labour. Just as markets in which labour is specialised within each country can increase the quantity and quality of goods produced while lowering their cost, so too can markets in which there is specialisation across countries. Smith also argued that the extent of specialisation that would be possible within any particular market is in large measure a function of the size of that market. The larger the market, the more room it can afford for specialisation. Correspondingly, the larger the market, the greater the increases in productivity that further specialisation can potentially yield.

What then drives the possibility of gains from trade? As Smith understood it, the main reason that international trade could yield gains for those participating in it resulted from differences between countries that made it possible for countries to produce some goods more cheaply than others could – a relation economists now typically refer to as "absolute advantage". Country A enjoys absolute advantage in the production of some good over Country B if it can produce that good more cheaply than B can. Smith writes "if a foreign country can supply us with the commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage" (Smith 1776: 424). On this account, the gains from international trade are driven by the ability of different countries to produce different goods at different levels of cost.

Contemporary economists have tended to downplay the role that absolute advantage plays in driving international trade. Instead, they have emphasised what is now called "comparative advantage" – an idea that is usually attributed to David Ricardo (though James Mill and Robert Torrens seem to have entertained similar ideas at roughly the same time) (Maneschi 1998; Irwin 1996). Country A enjoys comparative advantage in the production of some good relative to Country B if A is able to produce that good at a lower opportunity cost than B can. The "opportunity cost" here refers to the extent to which A's producing some good diminishes its capacity to produce some other good(s). The idea is that countries would do best to focus on producing what they are *relatively* most efficient at producing, even if there are other things that they can produce at lower absolute cost than others can.

Ricardo famously illustrated his idea through a simple example (Ricardo 1817, ch. 7). He invited us to imagine two countries (England and Portugal) in their capacities to produce two goods (wine and cloth) on the assumption that labour was the only input (factor of production) determining the cost of production. In his model, he posited that Portugal produces both cloth and wine more efficiently (i.e.. at lower cost in terms of labour input) than England does. Portugal thus enjoys absolute advantage (in the sense defined above) over England with respect to the production of both goods. According to the principle of absolute advantage, it would appear that Portugal has little reason to trade with England in either of these goods. However, Ricardo demonstrated that in his model trade in both goods would be beneficial to *both* countries. In order to reap the largest gains from trade, Portugal should produce only that good (wine) which it is relatively most efficient at producing, while England should produce only that good (cloth) which it is relatively most efficient at producing. When countries produce the goods that they are relatively most efficient at producing, their so-called opportunity costs – the cost of not producing other things that they could otherwise produce – will be minimised. He showed that if each country bought their

entire share of some good from the country that possessed the greatest comparative advantage at producing it, each would be better off than they would be in the absence of specialised production and trade. Ricardo's seemingly counterintuitive idea has radical implications. It suggests that even countries that lack absolute advantage in the production of any goods can still reap quite substantial gains from trade and benefit from integration with other countries.[2] On these grounds economists have typically argued that just as economic exchange between citizens within a country is an efficient means of allocating resources (and correspondingly increasing welfare) in that country, so too international trade can increase the welfare of countries independent of how economically developed those countries are (Krugman 1998).

Diversity and trade

Why would some countries enjoy comparative advantage in the production of some goods over others? This question has been the focus of much work in contemporary economics. One very influential response to this is the so-called Heckscher-Ohlin theorem (Heckscher 1919; Ohlin 1933). According to it, comparative advantage is determined by what are commonly referred to as a country's "factor endowments": the resources it possesses that can be marshalled to produce goods and services. These resources can be of various types, including labour, land and capital (resources are referred to simply as "inputs"). Thus, a country will enjoy comparative advantage with respect to the production of some good insofar as the inputs necessary for the production of that good are abundant, relative to its possession of the inputs necessary to produce other goods. On this model, it would be rational in a system of free international trade (given assumptions to be explained shortly) to specialise in the production of those goods for which they enjoy relatively abundant factor inputs. There are other factors that contribute to generating comparative advantage, including level of technological development, preferences, and economies of scale (Krugman 1998. These have

[2] Of course, it is not typically countries that are engaged directly in trade (as in Ricardo's model), but private actors trading across national borders.

been much studied by economists (Morrow 2010 provides a good overview). The basic message of these models remains the same: whenever there are differences between the rates at which one country can transform one commodity into another and the international rates of such transformation, increased production (and, correspondingly, gain from trade) is possible.

Smith himself devoted significant attention to arguing not only that international trade would bring benefits to the countries, but that any attempts to restrict trade would undermine the possibility of the gains made possible by such specialisation (Smith 1776: book IV, ch. 2). They would therefore likely be harmful to the economy implementing them (along with others), rather than helpful to them. In addition to being inefficient, such market interventions would, he feared, typically be used to benefit particular interest groups, rather than society as a whole – a concern that is echoed today by many advocates of trade liberalisation (Bhagwati 1998; Srinivasan 1998). Smith thus argued that countries ought to liberalise trade, freeing it from government interventions (e.g. tariffs, quotas and subsidies) and become more integrated with other countries economically. In his view countries not only had reasons to engage in trade and to engage in specialisation, but also to avoid interposing obstacles to free trade. Connected with these explanations of why people would wish to engage in trade and why it could be beneficial to them is a clear and powerful justification for protecting such practice. Establishing practices of free international trade (whether within or across countries) enhances freedom to make agreements that are welfare enhancing.

Implications

The ideas of the classic political economists discussed in the previous section are of more than merely historical interest. They continue to enjoy a great deal of prestige today. These ideas have informed a great deal of economic thinking about trade. And they have also played a fundamental role in shaping institutional arrangements that have been developed to regulate trade. These institutions, including the General Agreement on Tariffs and Trade (GATT) and

the WTO, along with other bilateral and multilateral agreements, have all been oriented toward liberalising trade between their members.

We discuss these ideas also because many of the moral complaints against current arrangements for international trade depend on objections to these ideas. Few critics of such arrangements reject these ideas altogether, or deny that there can be substantial gains from international trade. Indeed, most accept that some of these models succeed admirably in their own terms. But many insist that, despite their power, these ideas stand in need of substantial qualification, and should not be interpreted as providing simple and unproblematic advice about how different countries should structure their trade policies, or how arrangements for governing international trade should be designed (Rodrik 2011; Stiglitz & Charlton 2006). The elegant models that have been developed to explain the possibility of gains from trade incorporate assumptions that do not hold in the real world. This is not problematic in itself, but it does suggest that we should be cautious in drawing direct policy implications from such models – a point to which we return below.

Moral complaints about trade

Trade involves voluntary exchange. There is ordinarily a presumption in favour of allowing agents to engage in voluntary exchange. How then could there be moral complaints about trade? Four types of moral complaints can be distinguished, which can apply to a particular trading activity, or to institutional arrangements governing trade. The first type of complaint focuses on the content of the trade. The second type of complaint focuses on the process by which the trade came about. The third type of complaint alleges that the trade causes unjustified harm. The fourth type of complaint alleges that the trade brings about an unfair distribution of benefits.

Content

Trade can trigger moral complaints whenever those engaging in trade do not rightfully possess the goods that they wish to exchange. There is nothing wrong with trading books for money, but there is something wrong when I trade a library book for money. Trade always assumes property rights over those things that are tradable, even if not all things over which people have property rights are tradable.

Insofar as some goods and services simply should not be traded, there is obvious reason to complain about such trade, or about institutions that encourage or permit it. That is, most accept that there are some limits to markets, and any markets in goods that fall outside of such limits are problematic. The services of child prostitutes, to take an extreme example about which there is general consensus, are not thought to be tradable. But of course there is a great deal of disagreement over just which things are tradeable. Body parts, rare cultural artefacts, reproductive labour and various animal products are traded, but it is not clear whether they should be (Radin 1996; Satz 2011; Sandel 2012). Other goods and services are thought to be tradable, but only for certain things, or in narrowly circumscribed contexts. As Michael Walzer has put it, "citizens can't trade their votes for hats" (Walzer 1983, 23).

Even with respect to goods that are accepted as tradable, not every agent can permissibly engage in trading them. It seems plausible, for example, that children or mentally incapacitated persons cannot always engage in trades of goods over which they have property rights, even if they would do so voluntarily. And even those who affirm that there can be markets in sexual services typically demand that children be excluded from them as buyers and sellers.

We have been illustrating complaints about trade through simple examples involving individual agents. But these considerations apply also to collective agents such as

governments. For example, Thomas Pogge and Leif Wenar have recently argued that certain types of governments should not be permitted to trade certain things that are ordinarily tradable (Pogge 2002; Wenar 2008). If the government of A is not even minimally representative of the interests of its people, for example, then it is not obvious that it can trade and thereby grant rightful title to the natural resources of the territories that it controls. Similarly, if a country sells away various cultural artefacts and relics (as the Chinese government did for a period), citizens may object to these sales because they were undertaken by a government that was not a legitimate seller (Hessler 2007: 444).

These types of considerations can apply in parallel to the making of trade agreements. The rules of international trade are decided or agreed to by particular governments. The decisions of these countries are treated as binding on all present and future people in that country. Because of that, we may wish to ask whether these governments ought to meet requirements in order to be deemed legitimate rule-making agents in international trade. And if the rules they agree on include as "tradable" things that should be excluded from markets, or permit agents who should be excluded from certain markets to enter them, they will be objectionable for these reasons.

Process

Complaints can also be made about the process through which trade is conducted. A might wrong B through bullying, coercion, or various forms of deception, either in making particular trades or in negotiation over standing and coercively enforced rules that will govern trade in the future. Some who would engage in trade in some market may lack crucial information that would provide them with decisive reason not to do so. And some are so vulnerable that it is easy to manipulate them into trades that may be contrary to their interests. These types of process considerations seem to be relevant not only to trading activity, but to

rules governing trade. That is, whether international trading rules have been agreed to as a result of bullying, coercion, or various forms of deception may be deemed relevant to their legitimacy. And even if some rules have indeed been agreed to in a way that has not involved such interactions, it may nevertheless be maintained that the legitimacy of these rules is seriously called into question, if past interactions between countries making such agreements involved such conduct.

An additional process consideration focuses on the manner in which some good or service has been produced (Barry & Reddy 2008). For example, it can be complained that it is wrong to import goods and services that are produced through the use of slavery or the worst forms of child labour, or which arose from a process that caused grave harms to the environment or nonhuman animals. For example, WTO/GATT article XX explicitly permits the adoption of impediments to trade in goods produced with the use of prison labour. (WTO 2011a)

Harm

In what sense could the trade policy adopted by Country A be harmful? It is easy to think of simple cases where this could happen. Through trading something – industrial products, say – it might initiate a continuous causal process that leads to environmental damage and health problems in the country that receives them. This would be a clear-cut instance of doing harm through trade. But many of the harms that people complain about in trade are not of this sort. They do not involve discrete casual processes that stretch from the conduct of one agent to injuries of another. They relate instead to the ways in which shifts in the allocation of resources as a consequence of trade policies can make people much worse off, whether in the countries adopting the policy or elsewhere. That is, they focus on the way agents can enable harms to occur through trade (Barry & Øverland 2012).

Now, the very idea that engaging in trade could enable harm by making people worse off may seem odd given what was said about the impetus to engage in trade the first place. Recognise, however, that the agents engaging in international trade, and deliberating over trading rules, are not only individuals acting alone, but are collective agents making these decisions in ways that have impacts on the welfare of a great many people.

Consider first complaints alleging harm that might be made against A by its citizens were it to adopt the policy of becoming more fully integrated into the global economy, say by removing its tariffs or by refraining from supporting domestic producers with subsidies. It may be that through such integration A gains on aggregate, while some people and groups within A do not. It is important to bear in mind that in Ricardo's model discussed above, the only input into production was labour. Consequently, his model does not allow differences between the overall gains from trade and the gains from trade to particular groups. Typically, however, there are multiple factors that are inputs in the production of goods in an economy. Trade liberalisation and specialisation can consequently lead countries to shift their production in ways that will benefit some groups and harm others. For example, if as a result of its removal of tariffs A shifts from production that is labour intensive to production that is capital intensive, then ordinary workers (owners of labour) may be harmed even while owners of capital are benefited. The magnitude and duration of such harm may depend on how 'mobile' the factors of production are – how easy those displaced can be redeployed in other production. That the gains of liberalisation make it *possible* for A to compensate those who are harmed by this policy (whether through lump sum transfers or assistance in gaining access to new production opportunities) will be cold comfort for those who are made worse off if they have little assurance that such compensation will actually occur. The direct harmful impacts of trade might be mitigated by states with strong systems of social protection that are able to redistribute resources to support displaced workers, perhaps through

unemployment programs, and/or to place them in job retraining programs. These redistributive efforts might be made possible by welfare gains elsewhere in the economy resulting from new trade arrangements. However, in the absence of such a redistributive program, assessments of proposed or existing trade arrangements will depend upon whether harms to some groups can be justified by benefits to others – whether compatriots or foreigners.[3]

Just as such harm-based complaints can be made against a particular trade policy, so too can they be lodged against institutional arrangements for governing trade, for example those that require countries to respect the highly restrictive intellectual property rights of foreign firms, including rights over needed medicines and technologies. While countries may accrue net benefits by joining these trade arrangements, some of their constituents may be rendered worse off because they can no longer be provided with generic versions of new medicines and technologies at manageable cost. The question is then whether the benefits to some groups of citizens of increased trade opportunities outweigh the costs to others engendered by compliance with more stringent intellectual property rights (Moellendorf 2005; Pogge 2005).

Another type of harm-based complaint against trade policies is rooted in doubts about how comparative advantage should be understood, and the policies and arrangements that would best enable countries to benefit from it. Recall that comparative advantage (in Ricardo's sense) is static and can identify the most advantageous forms of production for a country at a particular point in time. However, what is arguably more important is what steps

[3] The domestic political economy of the liberalizing country may in fact make it less likely that compensatory actions are undertaken. For example, Joseph Stiglitz (2012, 58-62) argues that trade liberalization (and in particular financial and capital liberalization) in the United States has been promoted by wealthy special interest groups (especially those in the finance sector). These groups are exceedingly unlikely to then endorse progressive taxation and social spending to compensate those who are harmed by trade liberalization, and they actively oppose unionization and other measures that might allow labourers to bargain for a greater share of the social product that arises from international trade.

a country can take to increase over time its productive capacities and to transform such growth into widespread benefits for its people. This is necessarily a dynamic, not a static, process of transformation. Some economists have tried to capture this idea by distinguishing between natural and acquired comparative advantage. But Roberto Unger has rightly noted that the more important distinction is between what might be called "established" comparative advantage – what a country can now produce most efficiently, whether for reasons of natural advantages or otherwise – and "constructed" comparative advantage – what comparative advantages can feasibly be developed (Unger 2007). One harm-based complaint, then, would be that by engaging in a process of liberalisation the government is achieving short-term gains at the cost of significant medium and long-term disadvantages (Rodrik 2011). [4]

So far we have been considering harm-based complaints that can be made by the citizens of a country against its government's policies. But the populations of other countries can also lodge harm-based complaints against some government. In recent years the complaint has often been raised that policies such as subsidies paid to domestic producers by affluent countries and tariffs on goods produced by foreign producers in poorer countries violate important moral requirements because they do severe harm to poor people, even killing them. For example, *New York Times* columnist Nicholas Kristof argues that "[b]y inflating farm subsidies even more, Congress and the Bush administration are impoverishing and occasionally killing Africans whom we claim to be trying to help" (Kristof 2002).[5] And Pogge has frequently cited rich country tariffs on imports from poor countries and subsidies

[4] This is related to, but broader than, the so-called infant industries argument (Mill 1848; List 1841), according to which it would be harmful to the economy to refrain from protecting nascent industries, which can propel the economy in the future, from emerging.

[5] Both of these harm-based complaints rely on the idea that by adopting some trade policy, some people are made unjustifiably worse off than they otherwise would have been. Another type of harm base complaint does not assert that people are made necessarily worse off under some trade arrangement than they would have been in the absence of the trade arrangement, but rather that they are made worse off by some trade arrangement than they would be under a fair or morally justified arrangement.

paid to their own domestic producers when suggesting that the leaders of affluent countries have become "hunger's willing executioners" in relation to the poor in the developing world (Pogge 2002, 24).

It is important to note that different harm-based complaints can pull in different directions. Import tariffs and domestic subsidies are likely to increase welfare for some while decreasing it for others. Consider, for example, the effects that A's removing an export subsidy, say for rice, will have. Such a policy may: harm some domestic rice producers (the recipients of the subsidy); benefit rice producers abroad, because the price their produce will fetch should increase as A is no longer forcing down its price; and harm consumers abroad, who will have to pay more for rice.

A further complication is that even if some countries benefit from this shift, many people in those countries may not benefit. These gains may instead be captured by powerful minority groups (who may agitate politically for policies that favour themselves at the expense of others).[6] Because trade is likely to have very different effects on different groups both at home and abroad, normative assessments of whether or not some policy ought to be adopted will necessarily depend on the appropriate way of balancing these competing claims.

While we cannot provide here a comprehensive assessment of how these various claims should be weighed, a few preliminary notes are in order. First, the assessment of the justice of any shift in trading arrangements should arguably be sensitive to the background conditions of justice existing in the countries in question. For example, if a new trade arrangement may benefit women but harm some men (say, by increasing the amount of textile manufacturing in the country and reducing the amount of resource extraction), this

[6] One further complication in real-world cases is that some small poor countries enjoy tariff-free access to some rich country markets (particularly, under the European Union's "Everything But Arms" Initiative), which enables them to receive a higher price for their exports than they would were the market to be more fully liberalised (Mattoo and Subramanian 2004).

may be more permissible, and perhaps obligatory, if the background conditions are such that women are systematically disadvantaged relative to men. Second, adequate assessment of competing claims must take some position on the overall moral significance of the status quo. If, for example, government pronouncements and programs gave workers reason to believe that a particular industry would flourish in the coming years, and then the government considers a new trade arrangement which would make it quite difficult for that industry to take hold, these workers arguably have a greater claim to government redress given the creation of reasonable expectations by government pronouncement.[7] Third, normative assessments of new trade arrangements have to take a position on the moral significance of non-economic benefits that are alleged to accrue from the persistence of certain industries. For example, European agricultural policy permits French subsidies for farmers (Kurjanska & Risse 2008). This move is defended in part by the perceived importance of the French farmer to the identity of those living in the French countryside, and the nation as a whole. In our view the claims to cultural protection that justify many market-distorting trade policies are probably exaggerated, and this cultural protection could arguably take place through redistributive mechanisms that would not affect international trade.

Fairness

Even if all of the citizens of A, or all of the citizens of its trading partners, do benefit from the liberalisation of trade, there is a further moral complaint that may be made against A or its trading partners. Some trade arrangements, while mutually beneficial, may distribute those benefits in ways that seem unfair. For example, if A is a large and very wealthy country, and enters a bilateral trade agreement with B, which is a much smaller developing country, and B agrees to lower restrictions on foreign direct investment and strengthen legal protections for investors against expropriation, in exchange for lowered tariffs on goods exported to A, then

[7] This point is emphasised by Kurjanska and Risse (2008).

citizens in both countries may on the whole gain. But if, ten years after making this agreement, it appears that gains in both employment and profit have accrued greatly to A's firms, while there have only been marginal benefits to exporting firms in B, B's citizens may object that too much was traded away for too little gained. That is, they have not gotten a fair share of the benefits of the liberalised trading relationship, particularly if some alternative feasible arrangement could have produced more gains for the developing country.[8]

One may arguably also do wrong by offering terms of exchange to trading partners that result in their receiving less than the *fair value* of what they provide to you. Fair trade activists, for example, demand that coffee producers in developing countries (and others) receive a fair price for the goods that they are exchanging, claiming that it is unfair that growers receive prices that barely allow them to maintain their basic needs while the firms that market such goods enjoy massive profits. Similarly, one complaint made against "land grabs" – the purchase by foreign investors of land in developing countries for the production of food and other goods – is that the sellers are not being paid the fair value of their land (made possible, in part, through limited knowledge and coordination among sellers, and the vulnerability of those who need to sell).

The governance of international trade

So far we have outlined the rationale for engaging in international trade and distinguished between different types of complaints that could be made against such trade. We turn now to discuss existing arrangements governing international trade.

The World Trade Organization

The WTO is a 'treaty-based' organization – it was constituted through an agreed legally binding treaty made up of more than thirty articles, along with additional commitments by

[8] For an extended discussion of how the gains from trade should be divided among trading partners, see James (2012).

some members in specific areas.[9] At present, 155 states are members of the WTO. They collectively make up over 98 per cent of all trade worldwide (WTO 2011b). The WTO treaty specifies the rights and obligations of its member states. To become a member of the WTO, a state must treat the agreement as a "single undertaking". Members cannot choose *a la carte* which agreements – for example, regarding tariffs, or trade in services or intellectual property – they want to accede to and which they do not. Instead, they must take on the obligations of the agreement *en toto*.

The WTO came into existence in 1995 at the Marrakech Agreement, itself the culmination of the Uruguay Round trade negotiations, which lasted from 1986–1994(World Trade Organization 1994). The Uruguay Round negotiations were, in turn, carried out against the framework for multilateral trade established in the 1947 General Agreement on Trade and Tariffs (GATT), which had been subject to some modifications through successive rounds of earlier negotiations. Indeed, a great many of the cornerstone articles of the WTO Treaty and the principles animating it are inherited from the GATT. Yet although there are continuities between the GATT and the WTO, the Marrakech Agreement marked a very significant change in the governance of international trade.

First, the WTO represented the first truly international organization to be charged with regulating international trade. This organization allowed for greater juridification of trade norms and a greater capacity to enforce them. It thus represents a drive toward a much more ambitious sort of international economic integration. New arrangements incorporated into the WTO included a Dispute Settlement Body (DSB) that was charged with, among other things, making authoritative rulings on trade disputes between members, and a new mechanism for monitoring the trade policies of member states (the Trade Policy Review Mechanism). Second, the domain of economic activity covered by the WTO agreement is

[9] We draw in the next two paragraphs on Barry & Wisor (2013).

much larger than that of previous trade agreements. In particular, it includes areas that had not previously been regulated as matters of trade such as rules governing investment (TRIMS), intellectual property (TRIPS), and services (GATS). Third, the WTO incorporated many countries into the multilateral trading order that had previously been at its margins. While the GATT was constituted by a relatively small group of similarly situated and like-minded countries (advanced industrialised countries), the membership of the WTO is far more diverse (a significant majority of its members are states from the developing world).

Although the WTO treaty is complex – over 30,000 pages of text in all – it is animated by a few core principles. The first principle is non-discrimination. This is expressed in its so-called Most Favored Nation (MFN) and National Treatment clauses. The MFN requires that all benefits or advantages conferred by one member of the WTO onto another regarding trade be automatically extended to all other members (WTO 2011c). Effectively, this is a commitment to avoid preferential trading blocs, though such blocs have continued to play a significant role in international trade (Bhagwati 2008). National Treatment requires that goods and services traded by locals and foreigners be treated equally once they have entered the local market. The second principle is reciprocity: member states are expected to make concessions to each other in such a way as to balance out the exchange of benefits provided through trade. The third (as noted above) is liberalisation: the aim of the trade policies of member states should be to remove barriers to free trade so as to enable them to capture potential gains from trade. A fourth principle, which is in some ways in tension with the first three, is that of special and differential treatment for developing countries. This principle calls for measures such as support for poorer countries so that they can participate more effectively in the WTO (enabling them to take better advantage of trading opportunities) and flexibility for poorer countries in implementing various accords (especially those requiring regulatory and administrative reforms) (Stiglitz & Charlton 2006).

While the WTO is the dominant international organization governing international trade, it is far from the only game in town. Multi-lateral trade agreements (such as the North American Free Trade Agreement, between Canada, the United States, and Mexico) and bilateral trade agreements (between any two countries, such as the United States and Peru) also govern much international trade. And of course international trade is also governed in large measure by policymaking undertaken at the level of states. Governments can decide whether to permit the production of goods or their export and import, and what types of economic activity to encourage and promote. The evolution of the governance of international trade and its increasing complexity is a response to the rapidly expanding size of international trade and the scope of goods and services subject to international exchange.

Commendable Features

There are several features of current international trading arrangements that are morally commendable. First, such arrangements are voluntary. Countries must voluntarily accede to the terms of the WTO treaty. Domestic governments must approve accession to the WTO, and they must approve regional and bilateral trade agreements. They cannot be compelled to join it. And no member of the WTO is in any way prevented from engaging in trade with non-members. Further, existing trade arrangements aim at *democratic authorisation*. By requiring domestic authorisation, these processes in principle allow domestic constituencies to contest disagreeable aspects of any particular trade arrangement. Of course, some domestic efforts to change these agreements will be strictly driven by the narrow self-interest of a given sector. But in other cases genuinely moral concerns – for example concerning the distribution of benefits and burdens engendered by trade – may be introduced in the domestic context that lead to reforms in international trade agreements.

The WTO also creates more reliable conditions of mutual market access to countries

engaged in international trade, through a transparent rule-based system with impartial adjudication of trade disputes. By binding of tariff rates (i.e., the placing of a ceiling on tariffs) it prevents countries from engaging in a damaging competition to maximise access to markets of their own producers, which typically will result in a collectively self-defeating outcome. A rule-based multilateral trading system in which countries' freedom to raise tariffs unilaterally is limited is in the interests of all.

Further, it aims at *non-discriminatory treatment*. Non-discrimination requires that trading benefits conferred upon any individual member of a trade agreement be conferred upon all members of the agreement. This is morally significant as it helps to prevent the use of trade as a coercive tool to promote an individual state's self interest, at the expense of some trade partners and their citizens.

When trade disputes arise, existing trade arrangements aim at impartial adjudication according to transparent and previously agreed rules. At the WTO, the primary avenue for resolving a trade dispute is through the Dispute Settlement Mechanism (DSM). The DSM settles disputes between WTO members, and authorises actions by those states after a verdict has been reached. It makes WTO agreements binding and enforceable, through an independent system, which relies on (and develops) international trade law. Such mechanisms help to prevent the escalation of bilateral trade disputes into protectionist trade wars or, worse yet, disputes spilling out of the domain of trade and into political or military dispute more generally. While there have certainly been many cases in which the DSM has failed to settle disputes quickly, or satisfactorily, it has in other cases lead member countries – including quite wealthy and powerful ones – to revise their policies.[10]

[10] Notable examples include India's complaint about the EU's Generalized System of Preferences (GSP) scheme (DS246), and the Brazil-led complaint regarding the EU sugar program (DS265).

Many existing trade arrangements aim at *improving human welfare* by reducing inefficiencies in the exchange of goods and services. This improvement in welfare is both direct, in that two trading parties are made better off than they would have been if they had not traded, and indirect, in that trading parties are thought to be more likely to cooperate in other arenas and less likely to be in conflict, especially violent conflict. Human welfare may also improve in various indirect ways through regular trading relationships through the diffusion of progressive norms and ideas, such as the idea that disputes should be resolved through transparent, rule-based mechanisms in a forum in which the interests of diverse countries are well-represented.

Most trade arrangements, notably regional trade agreements and the founding treaties of the WTO, aim at *multilateral agreement* on trade. This is morally commendable as the trade in goods and services between any two countries inevitably impacts third party countries that are also trading partners or trade in similar goods and services. For example, if the United States agrees to reduce or eliminate tariffs on imports from Ghana, this will disadvantage producers in other countries if they do not receive the same treatment. Therefore, including all affected parties in a trade arrangement makes it less likely (though certainly still possible) that trade will be structured so as to benefit a few trading partners while ignoring the impacts on other trading partners.

The fact that the principle of special and differential treatment for developing countries has been incorporated into the agreement is also commendable. This commitment is reflected in particular articles of the agreement, including Article XVIII, which permits latitude to developing countries in imposing trade restrictions to reduce balance-of-payments problems or to promote economic development (WTO 2011a). Additionally, developing countries are required to make fewer tariff reduction commitments than rich countries.

Finally, it is morally commendable that, despite criticisms to the contrary, many existing trade arrangements permit individual states a significant amount of flexibility in balancing their obligations to trading partners with national prerogatives. Countries can, for example, act unilaterally to interfere with trade (within constraints) so as to protect public morals, or to protect human or animal health in international trade. We take this to be commendable in two senses. First, it is important that trading partners not be required to partake in trade that is morally objectionable. Second, it is important that trade arrangements take account of the reasonable pluralism of various participants. Given that international trading partners reasonably disagree about various questions of public morals, it is important that trade arrangements not impose values when said values could be reasonably disputed.

Concerns

There are other aspects of international trading arrangements that make them vulnerable to some of the moral complaints identified above. Consider first complaints about the process by which such agreements have come about. In negotiating trade agreements, it is clearly morally wrong to engage in outright bullying, coercion, deception and manipulation. Arguably, it is also morally wrong to conclude trade negotiations with partners that do not have the time, resources or expertise to fully understand the implications of a trade agreement. Many critics of the international trade regime argue, plausibly, that some of these features have characterised international trade negotiations (Ryan 1998; Singer 2002; Stiglitz & Charlton 2006). They object, rightly, that while countries are not forced to join the WTO, refusing membership comes at high economic costs. In many ways, the WTO represents an offer that developing countries cannot refuse (Valentini 2011; James 2012). Once members, developing countries have, in practice, much less influence over the direction of trade policy than wealthy countries, and this tends to be reflected in the content of the evolving rules of the system.

In our view it is also uncontroversially wrong to engage in deliberate or foreseeable promise-breaking in the negotiation of international trade. The Doha development round of trade negotiations at the WTO is supposed to deliver on a range of issues important to developing countries. But for the last ten years, rich countries have failed to make any progress on an agreement that would address subsidies, tariffs, and intellectual property—at the time over writing, the Doha round is largely viewed as a failure that undermines the legitimacy of the WTO.

Most issues of international trade are very complex – empirically and normatively – and require a great deal of scrutiny to reach well-reasoned assessments. We conclude this chapter by examining one issue that has attracted the attention of political philosophers working on trade: natural resource exports. We suggest how the framework developed above can provide a basis for addressing this particular issue of international trade. In doing so, we will also draw attention to other areas of concern in current arrangements for governing international trade.

Natural Resource Exports

The current international trade system confers on all governments the power to authorise the trade in natural resources from that country. This resource right, in conjunction with a variety of other rights, are typically bestowed on a government regardless of how that government came to power or how it governs.[11] There is reason to believe that this right contributes to what some economists have called the resource curse – the propensity of resource-rich countries to be beset by civil war, authoritarianism, coups, economic mismanagement and high levels of gender inequality (Ross 1999, 2012; Karl 1997; Watchekon 2002). Various explanations have been given for this correlation. Pogge and

[11] The phrase "resource right" is due to Wenar (2010). Pogge himself refers to this right as a "resource privilege".

Wenar appeal to the incentive structure created by the resource right.[12] Because any group knows that they will be granted full control over the resources should they succeed in taking power, this provides them with powerful incentives to arm themselves and take power through illegitimate means (Pogge 2002: 112-5; Wenar 2010). The rulers who control the resources both recognise this threat and desire to stay in power. So they use the revenues from resource extraction to arm themselves, purchase support, and pay-off potential spoilers. The revenues from resource extraction prevent the ruler from needing to rely on citizens as an important tax base, therefore undermining incentives to govern democratically or systematically respond to the interests of citizens (Ross 2012; Wenar 2008; Wisor 2012).

Citizens of resource exporting countries can rightfully object to the sale of such natural resources. First, they may rightfully object that their governments ought not authorise the sale of resources without democratic input, especially when the benefits of these sales should accrue to citizens rather than to a small group of elites. Second, they may object to trading partners that they should not be complicit in the theft of natural resources. Such sales not only fail to benefit them but also provide agents with the means to harm. The revenues received by their governments also make them relatively unaccountable to their people (Wiens 2012). Sudanese citizens may object, for example, that China and India extract large quantities of Sudanese oil knowing that the revenue from this oil is spent on armaments used to make war against Sudanese civilians, and to line the pockets of elites connected to the regime in Khartoum, while very few benefits trickle down to most citizens. Furthermore, Sudanese citizens may object not just to the immediate trading partners of Sudan, but to the

[12] For an overview, see Ross (2012).

participants in the world trade system more generally, which permits the continued trade in Sudanese oil.[13]

However, identifying justified reforms to the trade in Sudanese oil is not a simple task, because most proposals are vulnerable to at least some of the grounds for complaint that we have identified earlier. We have argued that when arrangements are designed, they ought to be brought about in a manner that is free from coercion, deception, and bullying, and made by the legitimate (democratically authorised) representatives of the trading partners. We have argued that the agreement should permit the trade of only properly tradable goods; lead to increases in human welfare; distribute the benefits of trade fairly; and avoid unjustified harm. There are several possible reforms that resource importers might make regarding the importation of Sudanese oil. They may impose unilateral or multilateral sanctions on Sudanese oil exports. Or they may institute reforms, such as requiring companies involved in the Sudanese oil industry to be transparent with oil payments and to take efforts to ensure benefits of the sale of Sudanese oil reach Sudanese citizens. In the first case, participants in Sudan's oil industry risk imposing (at least short term) additional harm by departing from the trade relationship if it is foreseeable that they will be replaced by even less scrupulous trade participants. In the latter case, the risk of *additional* harm may be lower, but at the moral cost of participating in illegitimate trade that harms a great many people. Sudan's current and potential trading partners, and advocates concerned with Sudan, must assess difficult trade-offs between competing moral considerations in selecting the best feasible alternative to the status quo. While we will leave the particulars of this case unresolved, we hope that this

[13] Iris Marion Young (2011) argues that participants in systems of trade can be held responsible for the harms that result from those systems, even if they are not directly causally responsible for the resulting harms. On this account of responsibility for injustice, even if a government, company, or individual withdraws from the trade in Sudanese oil, they still bear some responsibility to those who are harmed by such trade if they remain active in the broader system of oil exploration that permits the harmful extraction of Sudanese oil.

chapter provides some guidance on the moral reasons that are relevant to prescribing reforms to the resource curse.

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