

THE RISE OF PROTECTIONISM AND THE FUTURE OF MULTILATERALISM

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I - Introduction

Scholars in the field of International Relations could not evaluate, so far, the economic and political impacts of the September 11 events. Those events were then compared to the attack to Pearl Harbor. Some scholars wrote that, as the Japanese attack had promoted the United States participation in World War II, the terrorist attacks to New York and Washington would induce a military reaction. Samuel Huntington's ideas were immediately recalled, as a prophetic statement about the clash of civilizations¹.

The first predictions after the 9/11 pointed a dark future, begrimed with armed conflict and economic chaos. Some gurus stated that the consequent recession in the U.S. would ruin the world financial structure, provoke the wreckage of international institutions, and disseminate disorder in a global scale. Fortunately, these catastrophic previsions did not materialize.

On the other hand, the optimistic few imagined that the 9/11 events would promote international cooperation, as a consequence of joint efforts against terrorism and its political and social roots. These authors expected the international links would be strengthened, especially among the Western World. Under this view, the World Trade Center phoenix would thus be the reinforcement of multilateralism and the joint

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¹ Indeed, Huntington wrote that: "A global war involving the core states of the world's major civilizations is highly improbable but not impossible. Such a war, we have suggested, could come

quest for solutions to international problems. Ten months later, these predictions can also be called unrealistically confident.

Between pessimists and optimists, the world has become something in the middle. The military cataclysm has not happened, nor has multilateralism been reinforced. If the world, including the Arabic countries, has generally supported the U.S. crusade against terror, an adverse character has been increasing in international relations. In fact, unilateralism has gained space along the last months, particularly in the U.S. foreign policy.

This article presents the unilateralism's main characteristics, before addressing its economic facet, protectionism. Along the text, the article examines how unilateralism reinforces the discourse of national security, in detriment of collective and human security. To achieve this aim, the first part explores the evolution of international organizations, and searches its identification with human security. The second part concentrates on the international consequences of the 9/11 events. Next, the article examines how the rise of protectionism may be explained by such context. The final part points some elements that could contribute to the reversion of this scenario, in order to increment multilateralism.

II - The evolution of multilateral organizations

The quest for security and predictability is constant in international relations. The presence of these elements stimulates cooperation and exchange among international actors, whose behavior is biased if binding rules are not guaranteed. However, when compared to domestic law, international law may be characterized as a "primitive legal order". According to Kelsen, this expression is applicable, once

about from the escalation of a fault between groups from different civilizations, most likely involving Muslims on one side, and non-Muslims on the other" (Huntington, 1998, p. 312).

international law is decentralized and its imposition over States is highly dependant on the military argument available to force compliance².

Nonetheless, Kelsen's texts also encompassed an optimistic view regarding the evolution of international law, and the future possibility that this primitive trace could be surmounted by more elaborated mechanisms that could enforce international rules. This view is grounded on the Kantian tradition of "peace through law", which had been first materialized in the League of Nations, created as a means to avoid the repetition of World War I. Notwithstanding this attempt of an international organization to guarantee peace, war reappeared in 1939, as a consequence of nationalist demagoguery.

The next attempt would be the creation of the United Nations (NU), whose legitimating stone would be "to avoid the scourge of war"³, by asserting that the national security of Member States should be subordinated to the existence of collective security. The subordination of individual interests to collective security and the obligation of peaceful dispute resolution are the fundamental components of the United Nations Charter:

Article 1
The Purposes of the United Nations are:
To maintain international peace and security, and to that end: to take effective collective measures for the prevention and removal of threats to the peace, and for the suppression of acts of aggression or other breaches of the peace, and to bring about by peaceful means, and in conformity with the principles of justice and international law, adjustment or settlement of international disputes or situations which might lead to a breach of the peace (...).

The tension between national security and collective security would mark the forty years following the World War II, as a consequence of the American-Soviet rivalry. In a world polarized by the capitalism-socialism dichotomy, the restriction of

² Kelsen, 1991, p. 338.

the other ideology would subordinate political and economic decisions. Such subordination affected not only the central nations, but also those who were at the periphery of the disputes. In Latin America, for instance, the national security ideology promoted and legitimized military groups, and directed State policies.

For the same reasons, the Cold War created a deadlock in the UN. Immediately after World War II, when the UN needed to assert its authority and to affirm its role as an adequate forum to the resolution of international conflicts, the world ideological division hindered its initiatives⁴.

Notwithstanding the ideological bipolarity and its static effects, the UN could attain some moments of cooperation along the Cold War. The conflicts of conception, though, restricted such cooperation to the same ideological block, or to the regional level.

The *anno mirabilis* of 1989 allows a change in this scenery, particularly on the conflicts of conceptions among actors in the international relations. The end of the "real socialism" initially sounded as the victory of the liberal conception of democracy and the market. The tensions seemed reduced to the conflict of interests. The end of the Berlin Wall seemed to evidence the exhaustion of viable alternatives to western liberalism and to consecrate the world spread of liberal democracy as the definitive model of government.

This historical context led to the consolidation of a new legal order, markedly multilateral, based on liberal political principles and free trade economic guidance. The influence of these tendencies concurred already in 1990, when one of the Uruguay Round meetings happened.

This part of History should be recapitulated. The Uruguay Round was initiated in 1986, in the midst of an impasse between developed and developing countries and

³ Cf. Preamble, UN Charter.

mutual accusations of protectionism. In Punta del Este, the negotiating agenda was restricted to ordinary issues, an agenda thought then to be accomplished in three years, improving the GATT system that had been created in 1947⁵.

The unexpected political changes after 1989, however, allowed the negotiators to heighten their pretensions. The allegedly victory of capitalism allowed the negotiating agenda to be expanded, and the creation of a multilateral organization to create trade rules became acceptable. This historical context led the contracting countries to sign, four years later in Marrakesh, the international commitments that were materialized in 26.000 pages with complex rules and impenetrable text.

Initially, the WTO was greeted by politicians and scholars. It consolidated, especially in its dispute settlement system, the rational ideal of peace through law, and of growth through trade. It was thought to confirm the denser legality that would improve the primitiveness of International Law.

Eight years after that meeting in Marrakesh, one may point relevant advances and visible limits in the legal order created by the Uruguay Round. On one hand, there are increasing claims about the WTO myopic vision that ignores the human factors and the environmental effects of international trade. Criticisms are also grounded on the existing legal disadvantages for developing countries, and the lack of considerations about fairness, when the unequal should be treated unequally. In some moments, the critics demonize the WTO, and see as its responsibility the scourges that inflict Mankind, such as famine and unemployment.

Evidently, many of such criticisms derive from a mistaken vision of the WTO and its real powers. Indeed, we should initially remember that the WTO is not

⁴ According to Hobsbawn (1995, 419), the UN's greatest accomplishment, along the XX Century, was to demonstrate that a new state had been formally accepted by the international community, for the UN has never achieved real independent powers for other ventures.

⁵ Cf. GATT, **Ministerial Declaration on the Uruguay Round**. Veja-se também Croome, 1995, p. 382.

autonomous to decide its own rules⁶. These rules are the result of fierce negotiations among its Member States. To expect these Members to have the same power is to dream with the ideal world. Secondly, because the WTO - as any other multilateral organization - has political and institutional limits that reduce its role to the objectives set by its Member States. So, the multilateral organizations are not supranational entities that may impose their will upon their electors. Third, some critics seem to forget that social problems were not born with the WTO, and these problems may be hardly solved by it. Therefore, many criticisms are based on exaggerated and unreal expectations about its powers.

An acceptable criticism, however, refers to the ideology that motivates the world trading system, based on: (a) the formal equality among States as to the signed commitments, which is one corollary of the liberal democracy; (b) the belief that the market is capable by itself to promote and regulate world economic growth; (c) the assumption that multilateral rules will be an efficient hindrance to artificial barriers against free trade.

The last eight years weaken such certainties. That explains the increasing demands for fairness, mainly when referring to "the less developed countries" (an euphemism for "the end of the world"). Concomitantly, economic models that ground development only on free market are opportunistically questioned. And the recent recurrence of protectionist measures, especially in developed countries, makes the free trade discourse sound hypocritical.

In spite of these realities, the existence of WTO may be characterized as positive, once its dispute settlement system serves as a brake against unilateralism. Moreover, it is a mechanism to legitimize the efforts for multilateralism and for the search of joint solutions.

When a new round of negotiations is under consideration, this positive character shall only be reinforced if preoccupations with economic fairness are

⁶ Jonquières, 2001.

included in the - some times vague - legal texts. These preoccupations, however, shall be repetitively advocated, within a realistic framework of pretensions and expectations. In fact, no international organization, nor legal entity, shall be able to change the State behavior, nor the human nature.

If the creation of the WTO may be indicated as an example of the reinforcement of multilateralism in the last decade, other examples may be recalled as advances towards a greater legality in international relations. In fact, the UN activity on the regulation of trade problems, the negotiation of environmental treaties, the recent creation of an international criminal court, are examples of legal mechanisms that propose alternatives to challenges faced by all the nations and that strengthen means of peaceful dispute resolution of international conflicts.

Ultimately, the negotiation of multilateral treaties also implies the increasing relevance of the foreign policy in domestic politics. One example is the current situation of the Latin American countries, who shall participate simultaneously, along the next years, in the negotiation of important trade agreements: (a) the Doha Round, in the WTO; (b) the Free Trade Area of the Americas; (c) the continuing of the regional trade agreements; (d) free trade agreements with the European Union. This situation creates a complex framework, where national interests shall be expressed and defended. For the Latin American countries, these opportunities may also represent the risk of accelerated commitments, hardly understood by their civil societies.

III - September 11: a change of route?

Once the impressive evolution of multilateral rules was noticed, along the last decade, one may interrogate if such evolution may be interrupted by the 9/11 events. In effect, the U.S. was the political and ideological motor for the building of a post-socialist world, and any change on the pattern of its behavior will evidently provoke effects upon this world.

Historically, the U.S. was never the champions of multilateralism. As late as the World War II, isolationism kept obstinate adepts among the American leaders. Between 1778, when an alliance was signed with France in order to secure the American independence, and 1949, when the NATO treaty was signed, the U.S. never assumed a long-term international commitment. Even during the Cold War, the American unilateral positions were a source of conflicts even with its closest allies.

Therefore, the 9/11 events do not create a new political phenomena, but they reinforce a historical characteristic in the U.S. foreign policy, unilateralism. In this text, unilateralism is understood as the political praxis that elects the direct and isolated attitude as more appropriate to defend the State's interest, ignoring or minimizing efforts for cooperation with enemies or allies. This text also understands that two political patterns may be identified with unilateralism: in the domestic political field, the national security discourse; in the trade field, the adoption of protectionist measures.

Some words may be mentioned about the national security discourse. Its fundamental characteristics are the urgency and relevance of preventive measures for the security of the State and its citizens. Under this discourse, the world assumes a polarized structure, and all those who are not declared allies become main suspects. On example of this tendency may be found in President George Bush's speech: "My hope is that all nations will heed our call, and eliminate the terrorist parasites who threaten their countries and our own. Many nations are acting forcefully. (...) But some governments will be timid in the face of terror. And make no mistake about it: If they do not act, America will"⁷.

⁷ *State of the Union Address*. 29 jan 2002, <www.whitehouse.gov>. Later in March, six months after the terrorist acts, President Bush expressed the same attitude: "We face an enemy of ruthless ambition, unconstrained by law or morality. The terrorists despise other religions and have defiled their own. And they are determined to expand the scale and scope of their murder. The terror that targeted New York and Washington could next strike any center of civilization. Against such an enemy, there is no immunity, and there can be no neutrality". *Remarks by the President on the Six-Month Anniversary of the September 11th Attacks*, <www.whitehouse.gov>.

Moreover, the national security discourse legitimates increasing expenses with the military and security fields⁸. In the U.S., the President required a defense budget that will reach US\$ 451 billions in 2007. Consequently, the U.S. will spend more in defense than the 15 richest countries jointly, or 40% of the world's expenditure on defense.

Another trace to be noticed is that, under the national security discourse, arguments favoring democracy or human rights lose relevance. In fact, the reasons of State justify restrictions to individual guarantees and impose the acceptance of these restrictions as a necessary and lesser evil⁹. The "war against terrorism", in the U.S. had its first victims in the individual rights.

If unilateralism is manifested, in the political sphere, in the national security discourse, its consequences reach the trade policy. In this sphere, its visible characteristic is protectionism, as noted below.

IV - Unilateralism and protectionism

The relation between unilateralism and protectionism may be explained by the attestation that reduced cooperation in the international forum allows the strengthening of domestic political pressures in favor of protectionist measures. Moreover, in such international context, retaliation becomes a legitimate practice, and the adoption of protectionist measures is its main expression.

Before going further, however, the concept of protectionism should be discussed. In this text, protectionism is understood as the use of State measures envisaging trade advantages for national producers. Under this concept, protectionism is opposed to trade liberalization, which is grounded on the idea of efficient and competitive market, capable of promoting economic growth and social welfare.

⁸ In his *State of the Union Address*, the U.S. President asserted that the war against terror would be expensive, to cost more than US\$ 1 billion per year, or roughly US\$ 30 millions per day.

⁹ See Ronald Dworkin (2002).

In the economic literature, trade liberalization is generally seen as beneficial, since it tariff reductions provokes changes on the price of tradable goods and induces the better allocation of available resources to more productive activities¹⁰. Under this view, trade liberalization increases industry productivity and facilitates access to sources of capital and technology. Productivity also rises because companies are exposed to international demands and to goods with more affordable prices.

The historic experience demonstrates that the rise of protectionist pressures follow trade liberalization. This paradox may be understood by the fact that increased competition, a normal consequence of free trade, generates domestic reactions in favor of protectionist measures. Thus, the activity of pressure groups may be indicated as one relevant cause for the increment of protectionism. Such pressure groups are more active in traditional industries, where political organization and party influence exist, and also because these are normally inefficient industries, easily menaced by foreign competitors.

But protectionism also has other causes. In fact, it is not complicated to gain popular support for the protectionist discourse, which enjoys the perception that the foreigner good, for some untold reason, represents a kind of unfair competition against the dedicated national producers. In this discourse, the invocation of national pride, the defense of a domestic market, the maintenance of incomes and social values, and other arguments, are used to legitimize the resource to protectionist measures.

Another cause of protectionism is its use as a mechanism to impose sanctions over other countries. In face of the absence of organized sanctions in international law, trade barriers are an option to debilitate or to punish the contending State. Examples of

¹⁰ Evenett, 1999, p. 1. Kenen also asserts that "Under competitive conditions, free trade can maximize the value of global output. Furthermore, it is beneficial to each trading country. It relaxes the constraints imposed by a country's endowment of labor, capital, and natural resources, permitting households to consume better collections of goods than the country can produce on its own" (Kenen, 2000, p. 175).

this use may be found in History, from the Napoleonic Wars to the current U.S. barriers against Cuban products.

The main causes of protectionism were mentioned above: domestic pressure groups, popular support, use as sanction. One shall observe, however, that these causes do not correspond exactly with the justifications usually invoked for the application or continuation of these protectionist measures. In other words, the arguments used to justify these measures, whether in international negotiations or in the domestic political arena, are normally linked with legitimate interest of the State.

Such justifications become particularly useful in a moment when unilateralism is acceptable as foreign policy. An example may be searched in the recent dispute between the U.S. and the steel exporting countries. In February 2002, the U.S. adopted safeguard measures to protect its decadent and inefficient steel industry. Thus, import tariff were majored on average 30%, causing enormous damages to other producers¹¹.

The decision to raise these tariffs was grounded on the risk of bankruptcy in the U.S. steel industry, and the necessity to secure the respective jobs. Besides, the arguments favoring the measures recalled that this industry was essential to national security. International reaction came from many governments: Brazil, Bulgaria, Canada, Korea, China, Japan, Mexico, Norway, New Zealand, Switzerland, Venezuela, and European Union (EU) decided to take the case to the WTO¹².

Clearly, the political reasons beneath these safeguards measures are the congressional elections next October, and also the Executive attempt to approve the *Trade Promotion Authority* (TPA)¹³. Anyway, the safeguards measures on steel are a good example for the point presented in this article. First, the measures were adopted

¹¹ Cf. 'Steeling for a fight'. See also Barral (2002).

¹² Cf. WTO, WT/DS248/12.

¹³ The TPA, formerly called fast-track, is the congressional authority conferred to the President to negotiate international agreements. Without this authorization, the President may negotiate agreements, but such agreements may be modified in Congress. With the TPA, the negotiated agreements shall be approved or not by Congress, without any minor change.

unilaterally, without any attention in appeasing nor compensating trade partners¹⁴. Such behavior is characteristic of a foreign policy based on unilateralism. On the other hand, one justification for the adoption of these measures was the strategic character of the steel industry, and its relevance for national security¹⁵ – in other words, a protectionist measure is grounded on the national security discourse.

The current ambivalence of the U.S. trade policy was also shown in the farm sector. The Congress recently approved huge subsidies that will provoke serious distortions in the agricultural trade, and which constitute an indirect barrier against products from other origins. Thus, beside tariff barriers, agricultural exports are also going to face difficulties created by meaningful domestic subsidies that were diminishing in former years.

V - Conclusion: is it possible to change the scenario?

The rise of protectionism - named here as directly linked with unilateralism - occurs in a crucial moment for the evolution of the multilateral institutions. As noted above, the negotiation at the WTO could bring adjustments to the legal system created at Marrakesh, inserting issues related to development and fairness, which are urgent to keep the system progressing.

However, protectionism may menace this adjustment. First, because of the increasing frustration, especially in developing countries, with free trade and its unaccomplished promises. Also, because protectionism brings trade demagoguery, which pleases domestic pressure groups at the expenses of future collective solutions.

¹⁴ Neste caso, os EUA vêm afirmando que essas medidas são compatíveis com as regras multilaterais, o que é contestado pelos países exportadores de aço, que protocolaram reclamações neste sentido no Órgão de Solução de Controvérsias da OMC, a exemplo da UE.

¹⁵ Cf. **Steel Industry Legacy Relief and Transition Act of 2002** (H.R. 4574). No 9º parágrafo, Seção I, da citada lei, afirma-se que: “a strong steel industry is necessary to a healthy economy and to the defense preparedness of the United States”.

Finally, because protectionism diminishes trust among negotiators, and trust is a fundamental tool in any negotiation where joint gains are envisaged.

What may be asserted, at the end of this text, is that the reduction of protectionism is a condition for the building of multilateralism. The reference here is to the unilateralism-based protectionism, since the other protectionism - based on trade liberalization - will continue to survive, as a natural consequence of free trade. We may also expect that such reduction of protectionism shall only happen after a stalemate. If this stalemate is going to be reached in the short-term is an uncertainty, which will depend on many domestic variables and on the questionable reasonableness of certain world leaders.

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