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Journal of International Law and Trade Policy

Abstract

Disequilibrium, Trade and the Consequences of Adjustment

William A. Kerr

Associate Member, College of Law, University of Saskatchewan, Canada

While most shocks to the economy lead to disequilibria that can be anticipated and accommodated, some shocks lead to major disequilibria which are not easily recognized, at least initially, and can have wide-ranging consequences. For some groups in society, these consequences can be life altering in ways which reduce their wellbeing – they bear large costs of adjustment. Some previous shocks of this nature and their consequences are outlined in this article. One source of such shocks is changes in the arrangements under which international trade is conducted. One such event was accession of China to the WTO in 2001. The disequilibrium that followed China's accession is discussed and tied to the political discontent being manifest in many developed countries in the middle of the second decade of the 21st century – fifteen years after accession.

Keywords: China, costs of adjustment, disequilibria, international trade, political dissatisfaction