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Abstract

Are the Benefits of Trade No Longer Sufficient?

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Trade policy has two roles: (1) to deal with issues in international commerce and; (2) to alter the behaviour of foreign parties through the ability to apply economic sanctions. In the international institutional architecture established at the end of the Second World War the two roles were separated with the first function housed in the GATT while the second function was the purview of the UN Security Council. The GATT/WTO provided substantial *gains from trade* and these benefits were sufficient to largely inhibit the use of trade sanctions outside of the Security Council. Recently, however, groups in civil society have been advocating the use of trade sanctions to achieve other foreign policy goals such as foreign recognition of geographical indications, enforcement of labour standards and protection of marine mammals. Environmental tariffs are being given serious consideration by the EU and the Trump administration is using trade measures to sanction Chinese commercial and government activities it considers *cheating*. The Trump administration is also actively working to remove WTO constraints on the use of economic sanctions. More than the *gains from trade* are now expected from trade policy in major economic powers. In the process, however, the benefits of trade are at risk.

Keywords: behavioural change, gains from trade, preferential trade agreements, trade sanctions, WTO

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