

Chapter 71

International Trade in the Context of the COVID–19 Pandemic

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ABSTRACT

This chapter overviews the relationship between international trade and the WTO law, international trade strategy, as well as labour standards, human rights, and the public health in the context of the COVID-19 pandemic crisis. It is stated that the most effective way to overcome the crisis is timely and effective information-sharing since informed community can make better decisions on trade issues. The urgency of effective measures and implementation of new WTO regulations are believed to be vital for providing fair trade in the present circumstances. The right trade policies would not only revive the trade and recover the time lost to the crisis but would also shift toward a more sustainable and inclusive future. The author claims that, in view of the pandemic, the efforts of policymakers and business leaders to find ways to achieve trade balance should imply greater coherency between trade, labour standards, public health, and human rights objectives.

INTRODUCTION

Throughout the eighteenth and nineteenth centuries and into the twentieth, many countries limited the competitiveness of foreign goods in order to foster native industries by using the tariff. A tariff is a tax on imported goods that raises their price, thus making similar domestically produced goods more economically attractive. Tariffs were a significant source of income for many governments before they had revenue from income and sales taxes. However, the need for reduced tariffs was advocated by many countries, beginning in the nineteenth and throughout the twentieth centuries. Many countries opened up their national markets to foreign goods by reducing tariffs in return for similar liberalisation by others, because “the key to sustaining increased free trade is to maintain balanced benefits in this process,

DOI: 10.4018/978-1-6684-7460-0.ch071

a concept called *reciprocity* - each government gives similar levels of concessions in order to balance the benefits from the agreements made” (Buterbaugh & Fulton, 2007). The increase of international free trade has been encouraged principally with the goal of solidifying peace and distributing economic development across “national boundaries by means of multinational negotiations and agreements”, in short, “it deals with attempts to liberalize markets” in the world.

However, the current COVID-19 pandemic and challenges have called international trade and related relationships, inclusive the tariffs, human rights, public health and different spheres of trade, into question. Against this background, there is a clear need to keep trade flowing, firstly, to ensure the supply of essential products and secondly, to send a signal of confidence for the global economy. Trade is essential to save both lives and livelihoods. In parallel with the adoption of relevant changes, democratic processes as well as the existence and exercise of fundamental civil liberties and political rights should be maintained to generate the social conditions most conducive to economic development (Abuseridze, 2020).

INTERNATIONAL RULES FOR INTERNATIONAL TRADE

Globalization and international trade need to be properly managed if they are to be of benefit to all humankind. Former GATT and WTO director-general, Peter Sutherland, wrote in 1997: ‘The greatest challenge facing the world is the need to create an international system that not only maximizes global growth but also achieves a greater measure of equity, a system that both integrates emerging powers and assists currently marginalized countries in their efforts to participate in worldwide economic expansion. The most important means available to secure peace and prosperity into the futures is to develop effective multilateral approaches and institutions’ (Sutherland, 1997). One of the most effective means of addressing this crisis is through timely, accurate information as the informed public is better positioned to make sound decisions including on questions related to trade.

But what exactly is the role of legal rules and, in particular, international legal rules in international trade? How do international trade rules allow countries realize the gains of international trade? Of course, under normal conditions, there are basically four related reasons why there is a need for international trade rules. First, countries must be restrained from adopting trade-restrictive measures both in their own interest and in that of the world economy. International trade rules restrain countries from taking trade-restrictive measures. National policy-makers may come under considerable pressure from influential interest groups to adopt trade-restrictive measures in order to protect domestic industries from import competition. Such measures may benefit the specific, short-term interests of the groups advocating them but they very seldom benefit the general economic interest of the country adopting them. ‘Governments know very well, that by tying their hands to the mast, reciprocal international pre-commitments help them to resist the siren-like temptations from rent-seeking, interest groups at home’ (Sutherland, 1997). Countries also realise that, if they take trade-restrictive measures, other countries will do so too. This may lead to an escalation of trade-restrictive measures, a disastrous move for international trade and for global economic welfare. International trade rules help to avoid such escalation. Second and closely related reason why international trade rules are necessary is the need of traders and investors for a degree of security and predictability. International trade rules offer a degree of security and predictability. Traders and investors operating, or intending to operate in a country that is bound by such legal rules will be able to predict better how that country will act in the future on matters affecting their operations in that country. A third reason why international trade rules are necessary is that national governments

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