ACROSS MARKETS AND BORDERS

Enterprise, Trade and Leadership with Purpose and Integrity

PART V | GLOBAL FINANCE, TRADE AND ECONOMIC STATECRAFT

CHAPTER 19

TRADE LAW, POLICY AND COMMERCIAL DIPLOMACY

Rules, Institutions, Negotiation and Geoeconomics

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Open Christian Press

2026

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Edition: First edition, 2026
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Publisher: Open Christian Press, a Publishing Imprint of Open Christian University and Center for Faith and Work.
Publisher website: https://press.openchristian.education/
Publisher correspondence: editor@openchristian.education
Chapter DOI: https://doi.org/10.65655/ocp.m23.c78
Book DOI: https://doi.org/10.65655/ocp.m23

Suggested citation. Sangwa, S. (2026). Trade law, policy and commercial diplomacy: Rules, institutions, negotiation and geoeconomics. In Across Markets and Borders: Enterprise, Trade and Leadership with Purpose and Integrity. Open Christian Press. https://doi.org/10.65655/ocp.m23.c78

Abstract

Trade law governs the legal conditions of cross-border exchange, but rules acquire practical meaning only through institutions, evidence, negotiation and power. This chapter integrates WTO law, regional agreements, quantitative policy analysis, commercial diplomacy and geoeconomic statecraft within one decision architecture. It develops MFN, national treatment, tariff bindings, services, intellectual property, SPS and TBT disciplines, customs valuation, origin, trade remedies, dispute settlement and AfCFTA implementation, then connects them to tariff and NTM indicators, gravity-model reasoning, international-relations theory, negotiation, sanctions, export controls, industrial policy and strategic dependencies. South Africa's citrus disputes with the European Union anchor the African legal problem; AfCFTA illustrates treaty implementation and continental bargaining; semiconductor export controls provide a comparative global geoeconomic case. The chapter distinguishes legal compliance from economic wisdom and moral legitimacy. Christian moral reasoning evaluates truth, sovereignty, subsidiarity, coercion, peace, conscience, justice and the protection of vulnerable persons while preserving the legitimacy of rules, prudent statecraft and responsible commerce.

Keywords: international trade law; WTO; AfCFTA; trade remedies; dispute settlement; commercial diplomacy; trade negotiation; geoeconomics; sanctions; economic statecraft

Learning Outcomes

Table 19.1. Learning outcomes for Chapter 19.

No.	Learning outcome
1	Distinguish international trade law, trade policy, economic diplomacy, commercial diplomacy and geoeconomics, and explain why each requires a different form of evidence and authority.
2	Map the sources, institutions and decision procedures of the WTO-centered trading system, regional trade agreements and relevant domestic legal regimes.
3	Apply the core GATT disciplines on MFN, tariff bindings, national treatment, quantitative restrictions, transparency and general or security exceptions to a structured legal problem.
4	Explain the architecture of GATS and TRIPS and identify when services, intellectual property and regulatory measures create trade-law obligations without duplicating technology strategy from Chapter 20.
5	Distinguish SPS and TBT measures; assess scientific evidence, risk assessment, international standards, non-discrimination, necessity and transparency; and avoid treating every regulation as a disguised barrier.
6	Apply introductory legal rules on customs valuation, tariff classification, origin and trade facilitation, and distinguish legal entitlement from the operational shipment procedures taught in Chapter 11.
7	Compare anti-dumping, countervailing and safeguard measures, including the logic of dumping, subsidization, injury, causation, investigation, duration and review.
8	Explain the legal significance of agriculture, fisheries subsidies and selected plurilateral WTO agreements while identifying the limits of a single universal trade regime.
9	Analyze regional trade agreements under WTO law and evaluate the AfCFTA legal architecture, tariff schedules, rules of origin, protocols, institutions, implementation gaps and relationship with African regional economic communities.
10	Trace WTO dispute settlement from consultations to implementation, explain the Appellate Body impasse and Article 25/MPIA alternatives, and distinguish inter-state trade disputes from private commercial arbitration or mediation.
11	Calculate and interpret tariff incidence, revealed comparative advantage, trade intensity, NTM frequency and coverage indicators, and other basic diagnostics used in quantitative trade-policy analysis.
12	Use gravity-model and scenario reasoning responsibly, distinguishing descriptive indicators from causal inference and partial-equilibrium calculations from economy-wide consequences.
13	Compare realism, liberal institutionalism, constructivism, domestic political economy and global political economy as explanations of trade bargaining, institutions and strategic interdependence.
14	Prepare and conduct a trade negotiation using mandates, BATNA, reservation positions, issue linkage, package deals, coalition building, legal drafting, ratification and implementation discipline.
15	Design lawful and accountable economic, commercial, corporate and digital diplomacy that supports firms and national interests without crossing into bribery, capture, deception or improper pressure.
16	Evaluate geoeconomic instruments including sanctions, export controls, investment screening, subsidies, procurement and strategic industrial policy through effectiveness, legality, strategic dependence, spillovers and business exposure.
17	Integrate country risk, conflict sensitivity, treaties, national interest, sovereignty, subsidiarity, freedom of conscience and strategic policy advice into responsible enterprise decisions.
18	Apply Christian moral reasoning alongside serious alternative ethical perspectives and use the Trade Law, Diplomacy and Geoeconomic Stewardship Protocol to defend an evidence-based, legally sound and morally responsible course of action.

Concept Map and Chapter Roadmap

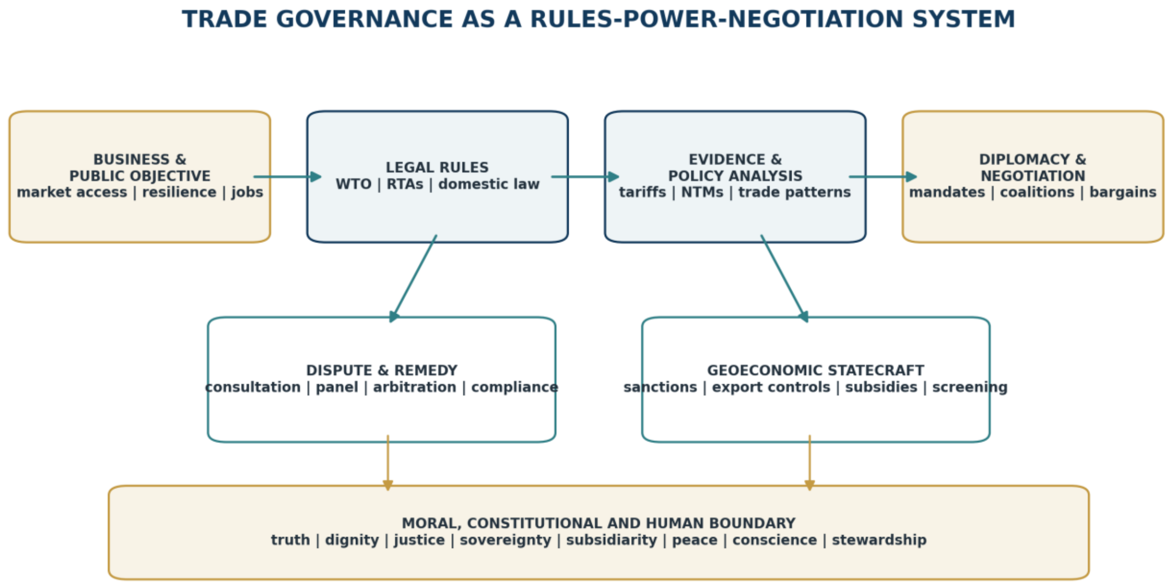

Figure 19.1. Trade governance as a rules-power-negotiation system.

Source/Note: Author's synthesis integrating trade-law doctrine, policy analysis, negotiation, international-relations and moral-reasoning perspectives.

Chapter 18 ended by asking where scarce capital should be committed, at what price and with which rights. Chapter 19 begins when those rights and commercial plans encounter public rules, diplomatic bargaining and geopolitical power. Its central question is not simply what a tariff or treaty says. It is how a firm, government or adviser can determine which rule governs, interpret that rule faithfully, measure the economic stakes, negotiate under domestic and international constraints, and respond when lawful commerce becomes entangled with security, sanctions or strategic dependence. This is the final chapter of Part V because it joins finance and investment to the institutional and political architecture within which cross-border business must operate.

The chapter proceeds from rules to power without collapsing one into the other. Sections 19.1-19.4 establish the distinctions among law, policy, diplomacy and geoeconomics and explain the sources and institutions of the trading system. Sections 19.5-19.12 develop the principal WTO disciplines and the legal architecture of regional integration and AfCFTA. Sections 19.13-19.16 examine disputes, remedies and quantitative policy analysis. Sections 19.17-19.22 move into international-relations theory, economic and commercial diplomacy, negotiation and corporate engagement. Sections 19.23-19.27 develop geoeconomics, sanctions, export controls and industrial policy. Sections 19.28-19.30 return to African and global cases, integrate country-risk advice and prepare the hand-off to technology strategy. The concluding sections integrate faith and moral reasoning, provide a professional protocol, identify recurring mistakes, and supply cases and evidence exercises.

SCOPE BOUNDARY | Chapter 19 owns formal trade-law doctrine, legal remedies, trade-policy diagnostics, diplomatic negotiation and geoeconomic statecraft. Chapter 14 owns comparative advantage, welfare effects, open-economy macroeconomics and the economic theory of trade policy. Chapter 17 owns corporate FX exposure, trade finance, sanctions screening at the payment level and settlement. Chapter 18 owns investment valuation, portfolio allocation and FDI appraisal. Chapter 20 owns technology strategy and intellectual-property management. Chapter 21 owns the full sustainability, circularity and ESG architecture. This chapter crosses those interfaces only far enough to make legal, diplomatic and statecraft decisions coherent.

Table 19.2. Chapter architecture and scope control.

Editorial design question	Chapter 19 answer
Approved purpose	Connect formal trade rules with policy analysis, diplomatic negotiation, geopolitical power and the real-world environment in which cross-border business operates.
Primary course alignment	Quantitative Trade Law and Policy Analysis; International Relations and Diplomacy.
Immediate prerequisites	Trade economics from Chapter 14; multinational strategy and governance from Chapters 13 and 15; international marketing, finance and investment interfaces from Chapters 16-18; operational customs awareness from Chapter 11.
Principal duplication risks	Re-teaching welfare economics from Chapter 14; operational logistics from Chapter 11; payment screening and treasury from Chapter 17; investment appraisal from Chapter 18; IP strategy, cybersecurity and AI governance from Chapter 20.
Major theory streams	WTO treaty interpretation and non-discrimination; political economy of trade agreements; international-relations realism, liberalism and constructivism; two-level games; negotiation theory; economic statecraft and weaponized interdependence.

Editorial design question	Chapter 19 answer
Main evidence streams	WTO legal texts and disputes; WTO and UNCTAD trade data; AfCFTA/AU instruments; official tariff and NTM databases; peer-reviewed trade, IR and sanctions research; national export-control and sanctions authorities.
African cases	South Africa-EU citrus SPS disputes; AfCFTA treaty implementation, rules of origin and continental bargaining; African use of WTO institutions and regional diplomacy.
Global comparison	Advanced-semiconductor export controls and strategic technology dependencies; WTO dispute-settlement alternatives during Appellate Body paralysis.
Quantitative applications	Bound/applied tariff analysis; tariff incidence and pass-through; RCA; trade intensity; NTM frequency and coverage; gravity-model interpretation; scenario and exposure analysis.
Core moral questions	When is regulation legitimate and when is it disguised protection? When does bargaining become coercion? What makes sanctions proportionate? How should sovereignty, peace, vulnerable persons, conscience, truth and national interest be weighed?

Opening Case: South African Citrus, European Plant-Health Rules and the Difference Between a Legitimate Standard and an Unlawful Barrier

A citrus shipment can be commercially excellent and still become a legal controversy before it reaches a supermarket shelf. The exporter must satisfy phytosanitary requirements intended to prevent plant pests and disease. The importing government has a legitimate responsibility to protect agriculture and ecosystems. Yet the same regulatory instrument can impose large compliance costs, interrupt market access and, if it is discriminatory, unsupported by sufficient scientific evidence or more trade-restrictive than justified, become vulnerable under international trade law. South Africa's recent disputes with the European Union place this tension at the center of African trade practice rather than at the margins.

On 27 July 2022, South Africa requested WTO consultations concerning European Union measures applied to citrus fruit in response to the false codling moth. The request, registered as DS613, challenged aspects of the EU phytosanitary regime under the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) and GATT 1994. On 15 April 2024, South Africa initiated a second dispute, DS624, concerning EU measures relating to citrus black spot caused by Phyllosticta citricarpa. At its meeting on 26 July 2024, the WTO Dispute Settlement Body established panels in both disputes. South Africa argued, among other matters, that the contested measures were insufficiently grounded in science, more trade-restrictive than necessary and inconsistent with obligations concerning regional conditions. The European Union rejected those characterizations and defended the measures as necessary plant-health protections. The latest publicly available WTO case summaries in 2026 still record the disputes at the panel stage; an intellectually responsible textbook therefore does not prejudge the merits (World Trade Organization [WTO], 2022, 2024a, 2024b).

The business stakes are tangible. In its statements to the WTO, South Africa emphasized the employment and regional-logistics importance of the citrus industry, including more than 140,000 jobs and the use of South African infrastructure by neighboring exporters. Those figures were advanced by a disputing member and should therefore be treated as advocacy-supported economic context rather than as findings of the panel. Even so, the mechanism is clear. A regulatory requirement can change treatment schedules, cold-chain procedures, inspection frequency, shipment timing, rejection risk and ultimately whether an exporter can serve a market profitably. The legal issue is not whether plant health matters. It plainly does. The legal issue is what disciplines govern the way protection is designed and applied.

The case reveals four layers that managers often confuse. First is science: what pest or disease risk exists, with what uncertainty, and under which regional conditions? Second is law: which SPS obligations concerning risk assessment, non-discrimination, harmonization, regionalization, control procedures and necessity are engaged? Third is economics: how large are the compliance costs, market losses and adjustment options, and who bears them? Fourth is diplomacy: can technical committees, bilateral engagement, coalition support or negotiated modification resolve the problem without sacrificing legitimate protection? A firm cannot answer the second layer with a lobbying slogan, and a government cannot answer the first with a tariff statistic.

> **EVIDENCE CHECK |** A non-tariff measure is not inherently a non-tariff barrier. SPS, TBT, licensing, labeling, safety and environmental rules can correct real market failures and protect legitimate public interests. The analytical task is to identify the measure, objective, legal test, evidence base, design, treatment of comparable products or origins, trade restrictiveness and feasible alternatives. Counting measures alone does not establish protectionism.

The South African citrus disputes therefore provide the architecture for the chapter. The same discipline that prevents an analyst from dismissing every standard as protectionism also prevents a regulator from treating public purpose as a complete legal defense. International trade law is an attempt to constrain arbitrary or discriminatory state power without denying governments all policy space. Trade policy analysis asks what the rule does economically. Diplomacy asks how states and firms communicate, bargain and build coalitions. Geoeconomics asks what changes when economic instruments are deliberately used to obtain strategic or security objectives. Moral reasoning asks an additional question that none of the first four can answer alone: even where a measure is lawful and effective, is its use just, proportionate and consistent with the dignity of persons who bear its foreseeable costs?

19.1 Trade Law, Trade Policy, Diplomacy and Geoeconomics: Four Distinct Lenses

International business encounters public authority in several forms, and analytical error begins when they are treated as interchangeable. International trade law concerns rights and obligations created by treaties, schedules of commitments, accession instruments and related rules. Trade policy concerns the objectives and instruments governments choose, such as tariffs, standards, subsidies, export restrictions or negotiated preferences. Diplomacy concerns the processes through which governments communicate, represent interests, bargain, manage disputes and sustain relationships. Geoeconomics concerns the deliberate use or structuring of economic relationships to pursue geopolitical, security or strategic objectives. A tariff can therefore be at once a legal measure, a policy instrument, a bargaining signal and a geoeconomic tool, but the questions asked under each lens are different.

A lawyer begins with authority, text, scope, facts, interpretation, precedent-like reasoning and remedy. An economist asks about incidence, incentives, trade creation or diversion, distribution, adjustment and counterfactual outcomes. A diplomat asks about mandate, counterpart interests, coalition structure, timing, credibility, face-saving, domestic ratification and the relationship after the negotiation. A strategist asks about dependence, substitutability, chokepoints, resilience and exposure. A morally serious adviser then tests whether the chosen course treats persons and communities as ends with dignity rather than as expendable instruments. High-quality policy advice is not produced by replacing one lens with another but by keeping the lenses distinct long enough to integrate them correctly.

This distinction also prevents two opposite errors. Legalism assumes that what is legally permitted must be economically wise or morally legitimate. Power reductionism assumes that formal rules are merely rhetoric covering state power. Both are incomplete. Rules can materially constrain behavior, create expectations and empower smaller economies, while power, domestic politics and enforcement capacity influence which rules are negotiated and how they operate. The empirical literature itself is mixed: early aggregate work questioned whether GATT/WTO membership increased trade uniformly, while subsequent research found stronger but heterogeneous effects once participation, product coverage and institutional differences were modeled more carefully (Rose, 2004; Goldstein et al., 2007; Subramanian & Wei, 2007).

Table 19.3. Four lenses on the same cross-border measure.

Lens	Primary question	Typical evidence	Characteristic error
Trade law	What legal rule governs, and is the measure consistent with it?	Treaty text, schedules, facts, official measures, dispute reports, interpretive principles.	Treating legality as proof of wisdom or justice.
Trade policy	What objective is sought, through what mechanism, at what economic and distributional cost?	Tariffs, trade flows, prices, firm/sector data, NTMs, models, implementation evidence.	Treating correlation or a model projection as causal certainty.
Diplomacy	What outcome is negotiable, with whom, under which domestic and international constraints?	Mandates, stakeholder interests, positions, BATNAs, coalition maps, draft text, political timing.	Confusing access or influence with entitlement to favorable treatment.
Geoeconomics	How are trade, finance, technology or capital networks used for strategic leverage or resilience?	Dependency maps, chokepoints, sanctions/export-control rules, supplier concentration, substitutability.	Assuming coercive leverage is costless, durable or morally self-justifying.

19.2 Historical and Theoretical Foundations: From GATT to a Fragmented Trading Order

The post-Second World War trade system was built on a practical compromise. Governments wanted to reduce the destructive tariff escalation and discriminatory blocs associated with the interwar period, but they were unwilling to create an unrestricted global market detached from domestic political responsibility. The General Agreement on Tariffs and Trade was signed in 1947 as a provisional framework after the planned International Trade Organization failed to enter into force. Through successive negotiating rounds, contracting parties reduced tariffs and gradually developed rules addressing non-tariff measures. The Uruguay Round, concluded in 1994, transformed that system by creating the World Trade Organization from 1 January 1995 and extending multilateral disciplines substantially into services, intellectual property, agriculture, textiles, trade remedies and binding dispute settlement.

The economic logic of reciprocal commitments can be understood through the terms-of-trade externality emphasized by Bagwell and Staiger (1999). A large country may have an incentive to use tariffs to shift some costs onto foreign exporters, but if trading partners retaliate, all can become worse off. Reciprocal negotiations can help governments escape that strategic problem. Yet trade agreements also solve domestic commitment problems, reduce uncertainty, support exporters whose interests are otherwise diffuse and create procedures for regulatory cooperation. The theory does not imply that every negotiated commitment maximizes social welfare. Political influence, information asymmetry and unequal bargaining capacity can shape both the substance of agreements and the distribution of gains.

The system has never been a pure free-trade constitution. It contains tariff bindings rather than universal zero tariffs, negotiated schedules rather than identical commitments, exceptions for public policy, special and differential provisions, trade-remedy instruments, preferential agreements and room for domestic regulation. Ruggie's concept of embedded liberalism remains useful because it describes an order that sought international openness while preserving domestic capacity for social and economic stabilization. The balance is contested. Too much policy discretion can empty commitments of value; too little can detach international rules from democratic responsibility, development priorities or legitimate public objectives.

By 2026 the trading order was neither simply globalizing nor simply deglobalizing. WTO analysis published in March 2026 estimated that 72 percent of world merchandise trade was conducted on most-favoured-nation (MFN) tariff terms at the end of February 2026, down from an earlier estimate of 80 percent at the start of 2025. That decline signals meaningful policy change without implying the disappearance of the multilateral baseline. UN Trade and Development reported that trade in goods and services surpassed US$35 trillion in 2025 even as geopolitical tensions, regionalization and policy intervention reshaped trade patterns. The more defensible description is selective reconfiguration: integration persists, but governments and firms are reassessing dependencies in semiconductors, energy, critical minerals, food, defence-relevant technologies and digital infrastructure (UNCTAD, 2026d; WTO, 2026a).

CRITICAL DEBATE | The choice is not between a borderless world and national autarky. Open markets can discipline domestic monopolies, expand choice and support specialization, while concentrated external dependence can create vulnerability. Sovereignty can protect democratic accountability and local institutional diversity, while unilateral power can also facilitate protectionism or coercion. The professional task is to identify which interdependencies create mutual benefit, which create unacceptable single points of failure, and which rules can preserve exchange without centralizing more authority than necessary.

19.3 Sources and Architecture of International Trade Law

International trade law is not one code. It is a layered system. At its center for WTO members is the Marrakesh Agreement Establishing the World Trade Organization and its annexes. Annex 1A contains multilateral agreements on trade in goods, including GATT 1994 and specialized agreements. Annex 1B contains the General Agreement on Trade in Services (GATS), and Annex 1C contains the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Annex 2 contains the Dispute Settlement Understanding (DSU), Annex 3 the Trade Policy Review Mechanism, and Annex 4 contains plurilateral agreements that bind only their parties. The WTO legal compendium was updated after the Agreement on Fisheries Subsidies entered into force on 15 September 2025 for members that had accepted it (WTO, 2025a, 2025b).

A member's obligations also include schedules. Goods schedules bind maximum tariff rates and may contain other concessions; services schedules record sector-specific commitments and limitations. Accession protocols can contain additional commitments. Ministerial and General Council decisions, waivers and interpretations may have legal effects depending on their basis. Committee work contributes transparency and administrative practice, but not every committee discussion creates a new legal obligation. Dispute-settlement reports resolve disputes between parties under the DSU. They are not formal stare decisis in the common-law sense, yet prior reasoning has significant persuasive and systemic value because consistent interpretation supports security and predictability.

Trade treaties are interpreted under the DSU in accordance with customary rules of interpretation of public international law. In practice, Articles 31 and 32 of the Vienna Convention on the Law of Treaties provide the core method: ordinary meaning, context, object and purpose, followed where appropriate by supplementary means such as preparatory work. This discipline matters because policy preferences cannot simply be inserted into treaty text after the fact. At the same time, treaty terms such as necessity, likeness, discrimination, risk assessment or public morals require fact-sensitive judgment. Good legal analysis therefore combines textual discipline with evidence rather than pretending that either text or data can decide the case alone.

Regional and bilateral trade agreements create another layer. Domestic constitutions and legislation determine how treaties enter the national legal order and whether private parties can invoke them directly. Customs acts, tariff schedules, standards legislation, sanctions regulations, export-control rules, investment screening statutes and administrative guidance can be decisive for the firm. Private contracts then allocate risks within the space left by public law. A contract cannot authorize conduct prohibited by public law, and a treaty obligation between states does not automatically create a private contractual remedy. This distinction is crucial for managers deciding whether to challenge a measure, renegotiate a contract or seek government support.

Table 19.4. Layers of legal authority in cross-border trade.

Layer	Illustrative instruments	Who is principally bound?	Managerial implication
Multilateral treaty law	WTO Agreement, GATT, GATS, TRIPS, SPS, TBT, SCM, DSU, TFA, Fisheries Subsidies.	WTO members, subject to the terms of each agreement.	Creates state obligations and a forum for inter-state enforcement; firms usually work through governments.
Regional/bilateral agreements	AfCFTA, EAC instruments, customs unions, FTAs and economic partnership agreements.	Parties to the specific agreement.	May create preferences, deeper regulatory rules, origin requirements and additional dispute mechanisms.
Domestic public law	Customs statutes, tariff notices, standards, sanctions, export controls, licensing and judicial review.	Persons and entities within jurisdiction, as defined by each law.	Often the immediate rule a firm must comply with or challenge in domestic institutions.
Private commercial law	Sales, distribution, transport, insurance, finance and arbitration agreements.	Contracting parties.	Allocates price, delivery, risk, remedy and forum, but cannot override mandatory public law.
Soft law and standards	Codes, guidelines, international standards, regulator guidance, private certifications.	Depends on adoption, contract or regulatory incorporation.	May affect due diligence, market access and evidence even when not formally binding.

19.4 WTO Institutions, Decision-Making and the Problem of Legitimacy

The WTO is member-driven rather than a world trade ministry. The Ministerial Conference, normally meeting at least once every two years, is the highest decision-making body. Between ministerial meetings, the General Council conducts functions and also convenes as the Dispute Settlement Body and the Trade Policy Review Body. Specialized councils oversee trade in goods, services and TRIPS, while committees administer subject-specific agreements. The Secretariat supports members, negotiations, surveillance, technical assistance and dispute work but does not possess an autonomous legislative mandate comparable to a national parliament.

Consensus is the dominant decision practice. It can protect sovereign equality by preventing formal majorities from routinely imposing obligations on dissenting members. It can also slow adaptation where 166 members have divergent interests, levels of development and strategic alignments. Negotiated packages can become difficult to conclude because agreement on one issue may depend on movement elsewhere. Plurilateral agreements and joint initiatives can allow willing members to move faster, but they raise questions about inclusiveness, free-riding, legal incorporation and whether new rules remain genuinely multilateral.

Transparency is therefore not a decorative principle. Notifications, trade policy reviews, committee questions and publication requirements reduce information asymmetry among governments and firms. Yet compliance with notification obligations is uneven. Smaller and lower-capacity administrations can face technical burdens in collecting data and coordinating across ministries. Capacity-building can strengthen participation, but it should not become a substitute for simplifying rules that are unnecessarily complex. A system that formally gives every member a voice but practically rewards only those with large delegations, technical specialists and litigation budgets risks reproducing power asymmetries through procedure.

Legitimacy has at least four dimensions. Legal legitimacy concerns consent and fidelity to agreed rules. Procedural legitimacy concerns transparency, participation, reason-giving and due process. Performance legitimacy concerns whether rules facilitate predictable exchange and address real problems. Moral legitimacy concerns whether the system respects persons, communities, sovereignty and the common good. These dimensions can diverge. A procedurally valid decision may impose severe unintended harm; a substantively attractive policy may have been adopted through opaque coercion. Mature trade governance therefore requires both institutional discipline and moral scrutiny.

19.5 GATT 1994: Core Principles and a Structured Legal Method

GATT 1994 remains the central legal framework for trade in goods. Its architecture can be taught as a series of disciplines rather than as a slogan of free trade. Article I:1 establishes most-favoured-nation treatment for customs duties and certain trade-related advantages: an advantage granted to a product originating in or destined for one country must, subject to permitted exceptions, be extended immediately and unconditionally to like products from all WTO members. The rule disciplines origin-based discrimination, but it coexists with authorized preferential arrangements such as qualifying free trade areas and customs unions.

Article II gives legal force to tariff concessions and bindings. A bound tariff is a ceiling committed in a member's schedule, not necessarily the tariff actually collected. The applied MFN tariff may be lower. This creates policy space but also a legally relevant constraint. Raising an applied tariff from 5 percent to 10 percent may be economically significant while remaining within a 20 percent binding. Conversely, raising it above the binding normally requires renegotiation or exposes the measure to challenge unless another legal basis applies. Analysts must therefore distinguish bound, applied MFN and preferential rates before describing a tariff as unlawful.

Article III establishes national treatment for internal taxes and regulations. Its purpose is to prevent internal measures from protecting domestic production after goods have crossed the border. Article XI generally prohibits quantitative restrictions on imports or exports, subject to specified exceptions elsewhere in GATT and other agreements. Article X addresses publication and administration of trade regulations. Article VIII disciplines fees and formalities connected with importation and exportation. These rules show that market access can be impaired through internal or administrative measures even when the tariff line appears open.

Exceptions are part of the legal architecture rather than loopholes to be treated with suspicion by default. GATT Article XX permits, subject to its requirements, measures addressing objectives such as public morals, protection of human, animal or plant life or health, conservation of exhaustible natural resources and compliance with laws not inconsistent with GATT. The chapeau of Article XX disciplines arbitrary or unjustifiable discrimination and disguised restrictions. Article XXI addresses security exceptions. WTO jurisprudence, including Russia - Traffic in Transit, has rejected the view that every aspect of a security invocation is wholly beyond legal review, while recognizing substantial member judgment within the treaty framework. This matters in an era when security language is increasingly attached to trade controls (WTO, 2019).

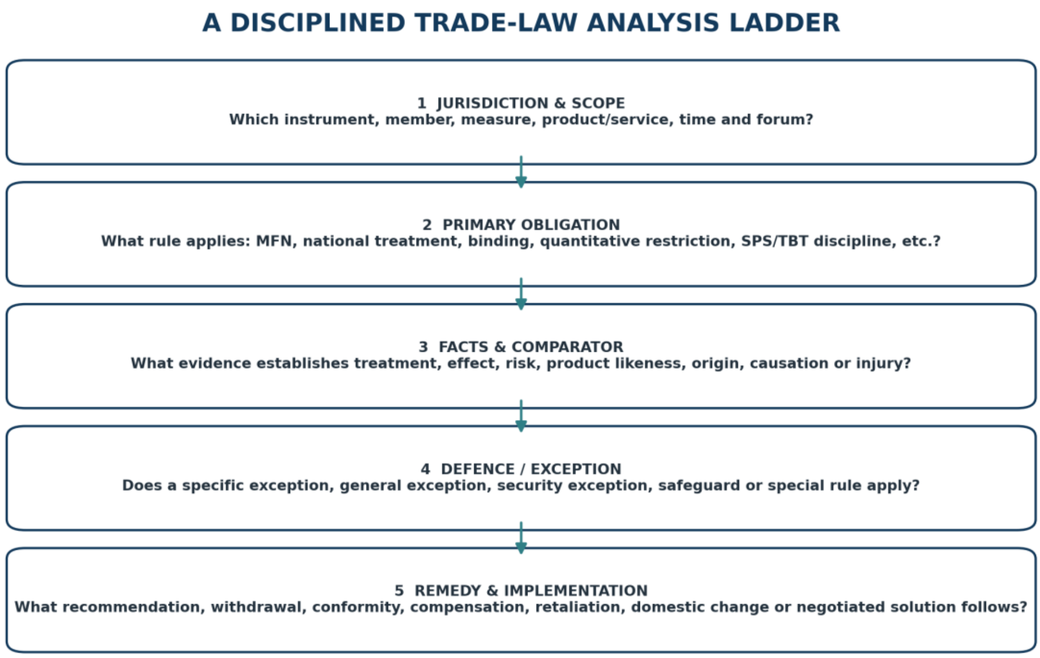

Figure 19.2. A disciplined trade-law analysis ladder.

Source/Note: Author's synthesis. The ladder is a pedagogical method, not a substitute for the text of the governing agreement or qualified legal advice.

PRACTICE TOOL | Never begin a WTO analysis with the question, Is this protectionist? Begin with: What is the measure? Which product or service and which origin are affected? Which agreement and provision apply? What comparator and evidence are legally relevant? Is there a prima facie inconsistency? Which specific defence or exception could apply? What remedy and implementation path are available? A politically unattractive measure is not automatically illegal, and an economically efficient measure is not automatically legal.

19.6 GATS: Market Access and Regulation in Services Trade

Services trade requires a different legal architecture because the product is often inseparable from the supplier, the consumer or the regulatory environment. GATS identifies four modes of supply. Mode 1 is cross-border supply, such as an online professional service delivered from one country to another. Mode 2 is consumption abroad, such as tourism or a student receiving education in another country. Mode 3 is commercial presence, such as a foreign-owned bank subsidiary. Mode 4 is the temporary presence of natural persons supplying services. The classification affects which commitments and regulatory questions arise.

GATS contains general obligations, including most-favoured-nation treatment subject to permitted exemptions, and a transparency architecture. Market access under Article XVI and national treatment under Article XVII depend on the specific commitments scheduled by each member in particular sectors and modes. A country can therefore be a WTO member without having undertaken identical service commitments across every sector. Analysts must read the schedule, sector classification and listed limitations rather than assuming that a broad commitment to services liberalization creates unrestricted entry.

Market access under GATS Article XVI is especially technical because it does not create an unlimited right of entry. Where a member has scheduled a relevant commitment without limitations, Article XVI disciplines six enumerated forms of restriction: limits on the number of suppliers, the total value of service transactions or assets, the total number of service operations or quantity of output, the number of natural persons employed in a sector, requirements concerning the type of legal entity or joint venture, and limits on foreign-capital participation. National treatment under Article XVII asks a different question: whether scheduled sectors accord foreign services and suppliers treatment no less favourable than comparable domestic services and suppliers, subject to the limitations recorded in the schedule. General exceptions under Article XIV and the security exception in Article XIV bis preserve policy space subject to their terms. The professional consequence is exacting: one must read the agreement, annexes and the member's schedule together rather than infer legal access from a political statement that a services market is open (WTO, 1994b).

Domestic regulation is particularly important because licensing, qualification and technical standards can determine whether a service supplier can actually operate. Regulatory autonomy is not eliminated. The legal question is how domestic regulation interacts with scheduled commitments and applicable disciplines. Financial services, telecommunications, movement of persons and other sectors also have annexes or additional instruments. For business, the practical lesson is that a service-market screen must combine trade commitments with sector licensing, data, prudential, professional and immigration rules. Chapter 16 addressed the customer-market interface; this chapter explains the public legal layer without turning into sector-specific compliance advice.

19.7 TRIPS: Trade, Intellectual Property and Public Interest

TRIPS brought minimum intellectual-property standards into the WTO system and connected them to dispute settlement. It applies national treatment and MFN principles while establishing standards across copyright, trademarks, geographical indications, industrial designs, patents, integrated-circuit layout designs, undisclosed information and enforcement. Its significance for trade is not that intellectual property became absolute. The agreement contains objectives, principles, flexibilities, transition arrangements and exceptions, while other international IP treaties and domestic law remain relevant.

The central economic tension is appropriation versus diffusion. Innovators require credible ways to capture returns from investment in knowledge, but overly broad or poorly calibrated exclusivity can restrict competition, follow-on innovation, access to essential technologies or medicines. TRIPS therefore cannot be evaluated through a binary choice between property and access. The legal task is to determine the protected subject matter, scope, term, exceptions, licensing rules and enforcement. The policy task is to evaluate incentives and access. Chapter 20 will develop intellectual-property strategy from the technology-management perspective; Chapter 19 limits itself to the trade-law architecture and the diplomatic conflicts it can generate.

TRIPS also governs enforcement, not only the existence of rights. Part III requires members to make specified civil and administrative procedures, provisional measures, border measures and criminal procedures available while guarding against abuse and unnecessary complexity or delay. At the same time, the agreement leaves important policy choices to members. Article 31 permits use of patented subject matter without authorization of the right holder under stated conditions, and the agreement does not impose a single international rule of exhaustion for purposes of WTO dispute settlement. These features matter because stronger enforcement can protect legitimate innovation and brand investment while poorly designed enforcement can chill lawful competition, parallel trade permitted by domestic law, research or access. A trade-law analysis must therefore identify the protected right, the domestic implementing rule, the relevant TRIPS floor or flexibility, and the public interest affected before moving to policy advocacy (WTO, 1994c).

The 2001 Doha Declaration on TRIPS and Public Health remains an important interpretive and political reference because WTO members affirmed that TRIPS should be interpreted and implemented in a manner supportive of members' right to protect public health and promote access to medicines. The subsequent Article 31bis amendment, which entered into force in 2017, created a mechanism intended to assist members with insufficient manufacturing capacity in using compulsory licensing for pharmaceutical exports. Whether the mechanism has been easy or effective is an empirical question distinct from its legal availability.

19.8 SPS and TBT: Legitimate Regulation Without Disguised Discrimination

Sanitary and phytosanitary measures address risks to human, animal or plant life or health from matters such as pests, diseases, contaminants, toxins and food-borne risks. Technical regulations and conformity-assessment procedures outside that SPS scope are generally addressed under the TBT Agreement. Both agreements seek to preserve legitimate regulatory objectives while reducing unnecessary or discriminatory trade obstacles, but their legal tests differ. Misclassification can therefore distort the entire analysis.

The SPS Agreement requires measures to be based on scientific principles and not maintained without sufficient scientific evidence, except within the conditions for provisional measures. It links measures to risk assessment, encourages harmonization around international standards and requires adaptation to regional conditions where appropriate. It also disciplines arbitrary or unjustifiable discrimination and control procedures. The agreement does not demand zero risk. It requires a reasoned relationship among the level of protection, evidence, risk and chosen measure. Disagreement among scientists does not automatically invalidate regulation, but a policy assertion cannot substitute for the evidential disciplines that the agreement requires.

The TBT Agreement covers technical regulations, standards and conformity assessment procedures and seeks, among other things, non-discrimination and avoidance of unnecessary obstacles to trade. International standards can facilitate compatibility and reduce duplicated testing, but harmonization is not morally or economically neutral in every context. A standard designed by actors with greater technical resources may impose disproportionate compliance costs on smaller producers. The correct response is not to reject common standards categorically; it is to examine relevance, participation, technical assistance, equivalence, mutual recognition and whether the standard actually serves its stated objective.

Table 19.5. SPS and TBT: a practical comparison.

Question	SPS Agreement	TBT Agreement
Core subject	Food-safety, animal-health and plant-health risks within the agreement's defined scope.	Technical regulations, standards and conformity-assessment procedures outside SPS scope.
Evidence emphasis	Scientific principles, sufficient evidence, risk assessment, appropriate level of protection and regional conditions.	Legitimate objective, non-discrimination, necessity/trade restrictiveness, standards and conformity procedures.
International reference bodies	Codex Alimentarius, World Organisation for Animal Health and International Plant Protection Convention are central references.	Relevant international standards-setting bodies vary by product and technical field.
Common business burden	Testing, treatment, certification, inspection, pest/disease controls, rejected consignments.	Product specifications, labeling, safety, testing, certification and technical compatibility.
Analytical danger	Calling every strict health rule protectionist because it is costly.	Assuming compliance with a standard proves proportionality or equal practical access for small suppliers.

AFRICAN CONTEXT | The South Africa-EU citrus disputes show why SPS law is not an abstract chapter in a legal manual. Phytosanitary rules can determine harvest treatment, inspection, shipping and market viability. Yet African exporters also depend on credible SPS systems at home to protect agriculture and demonstrate compliance abroad. Capacity to regulate scientifically is therefore part of export competitiveness, not merely a constraint imposed by importers.

19.9 Customs Valuation, Classification, Rules of Origin and Trade Facilitation

A tariff is only as determinate as the customs value, tariff classification and origin on which it is applied. The WTO Customs Valuation Agreement seeks a fair, uniform and neutral system based primarily on transaction value, meaning the price actually paid or payable for the goods when sold for export to the importing country, subject to specified adjustments and conditions. Where transaction value cannot be used, the agreement provides a sequence of alternative methods, including transaction value of identical or similar goods, deductive value, computed value and a fall-back method. Customs authorities are not required to accept an implausible declared value, but they must operate within legal procedures rather than invent arbitrary reference prices.

Classification identifies the tariff line under the Harmonized System, maintained by the World Customs Organization. A small classification difference can change the applied tariff, origin rule, licensing requirement, trade-remedy exposure or statistical interpretation. The Harmonized System is internationally standardized at six digits, while national tariff schedules commonly add further digits. Managers should therefore treat classification as a controlled legal-data process rather than a product-description shortcut. Advance rulings can reduce uncertainty where domestic law and the Trade Facilitation Agreement provide for them.

Rules of origin determine the economic nationality of goods for specified purposes. Non-preferential origin can matter for MFN treatment, trade remedies, quotas, origin marking and statistics. Preferential origin determines whether a good qualifies for a lower tariff under an FTA or customs arrangement. Common techniques include wholly obtained criteria, change in tariff classification, regional value content and specific production processes. Cumulation rules allow designated inputs or processing across partner countries to count toward origin. These rules can encourage regional value chains, but overly complex requirements can make a nominal preference commercially unusable.

$$\text{Regional value content (illustrative build-down)} = [(\text{Adjusted value} - \text{Value of non-originating materials}) / \text{Adjusted value}] \times 100$$

The exact formula and allowable costs depend on the applicable agreement. Never transplant a formula from one FTA into another without checking the legal text.

Trade facilitation addresses the time, information and administrative costs surrounding border procedures. The WTO Trade Facilitation Agreement, in force since 2017, covers publication, advance rulings, appeal or review, disciplines on fees, release and clearance, border-agency cooperation and other procedures. It is unusual because developing and least-developed members can link implementation of designated provisions to capacity-building arrangements. For firms, trade facilitation can be as important as tariff reduction when delays, duplicated documents and unpredictable inspections dominate landed cost. Chapter 11 taught operational customs flows; here the concern is the legal entitlement to transparent, reviewable and proportionate administration.

Table 19.6. Four customs questions that must not be conflated.

Question	Legal object	Typical evidence	Frequent mistake
What is the good?	Tariff classification.	Product composition, function, technical specifications, HS nomenclature and rulings.	Choosing a code because it produces the lowest duty.
What is it worth for customs purposes?	Customs valuation.	Invoice, related-party conditions, assists, royalties, freight and the valuation agreement.	Treating invoice value as automatically conclusive or replacing it with arbitrary reference prices.
Where does it originate?	Preferential or non-preferential origin.	Inputs, production process, supplier declarations, certificates and origin rules.	Confusing country of shipment with country of origin.
How should it cross the border?	Trade facilitation and domestic customs procedure.	Published rules, advance rulings, declarations, inspections, appeal mechanisms and time-release data.	Assuming a low tariff compensates for unpredictable administration.

19.10 Trade Remedies: Anti-Dumping, Countervailing Measures and Safeguards

Trade remedies are legally authorized departures from ordinary market access, but they respond to different problems. Anti-dumping measures address imports sold at less than normal value where dumped imports cause or threaten material injury to a domestic industry. Countervailing measures address injurious subsidized imports where the relevant subsidy is countervailable under the SCM Agreement. Safeguards address serious injury or threat caused by increased imports, even when the imports are fairly traded. Using the categories interchangeably creates both legal and economic confusion.

A simplified dumping calculation compares normal value with export price after legally required adjustments for comparability. If an adjusted normal value were 100 and an adjusted export price 80, the absolute difference would be 20 and the simple margin relative to export price would be 25 percent. Actual investigations are much more demanding. Authorities must address product comparability, sales below cost, exchange rates, constructed value, weighted comparisons, sampling and other methodological questions. The WTO agreements also require injury analysis and a causal relationship rather than allowing a duty to be justified merely because imports are unpopular.

Subsidy analysis asks whether a financial contribution or income/price support by a government or public body confers a benefit and is specific within the legal framework. Export subsidies and subsidies contingent on the use of domestic over imported goods are prohibited under the SCM Agreement, subject to the agreement's terms and the special legal context of agriculture. Other specific subsidies may be actionable if they cause adverse effects. Countervailing duties require a domestic investigation satisfying procedural and substantive disciplines. The legal classification of a subsidy is therefore separate from the economic question of whether industrial support is wise.

Safeguards are conceptually different because they respond to import surges and serious injury rather than unfair trade. Their temporary character is important. A safeguard can create adjustment space, but it can also postpone restructuring and shift costs to consumers or downstream industries. Good policy therefore requires an explicit adjustment plan, review points and an exit path rather than treating temporary protection as a permanent entitlement. This is one place where legal compliance and economic discipline must be integrated.

Table 19.7. Comparing the principal WTO trade-remedy instruments.

Instrument	Trigger	Injury standard	Selectivity	Professional caution
Anti-dumping	Dumping plus causal injury.	Material injury or threat under the Anti-Dumping Agreement.	Generally product/exporter/country specific after investigation.	Low foreign prices are not by themselves dumping, and dumping is not by itself sufficient for a duty.
Countervailing duty	Countervailable subsidy plus causal injury.	Material injury or threat under the SCM Agreement.	Targets subsidized imports covered by the investigation.	A subsidy can pursue a legitimate policy goal and still create trade-law exposure.
Safeguard	Increased imports plus causal serious injury or threat.	Serious injury, a higher threshold than ordinary material injury.	Normally applied on an MFN basis subject to agreement rules.	Temporary relief should not become a substitute for competitiveness or adjustment.

19.11 Agriculture, Fisheries Subsidies and the Wider WTO Goods Architecture

A comprehensive trade-law map must include agreements that do not fit neatly under tariffs, SPS or remedies. The Agreement on Agriculture disciplines market access, domestic support and export competition through rules developed from the distinctive history of agricultural protection. Tariffication and bindings improved transparency, but agricultural markets remain shaped by domestic support, tariff-rate quotas, food-security concerns and large differences in fiscal capacity. For many African economies, the policy question is especially difficult because agriculture is simultaneously a source of livelihoods, food security, export earnings, rural development and vulnerability to weather or price shocks.

The WTO Agreement on Fisheries Subsidies entered into force on 15 September 2025 after the required acceptance threshold was reached. It prohibits specified harmful subsidies, including subsidies to vessels or operators engaged in illegal, unreported and unregulated fishing, subsidies concerning overfished stocks subject to defined conditions, and subsidies for fishing in unregulated high-seas areas. It contains transparency and special and differential treatment provisions and binds members that have accepted it. Implementation moved from treaty entry into institutional practice when the Committee on Fisheries Subsidies held its first regular meeting on 1 May 2026. At the Fourteenth Ministerial Conference in Yaounde in March 2026, ministers also agreed to continue negotiations on outstanding disciplines with the aim of making recommendations to the Fifteenth Ministerial Conference (WTO, 2025b, 2026b).

Other agreements matter because trade restrictions often take administrative or sector-specific forms. The Import Licensing Agreement disciplines licensing procedures. The Agreement on Trade-Related Investment Measures addresses specified investment measures inconsistent with GATT national-treatment or quantitative-restriction disciplines. The Government Procurement Agreement is plurilateral rather than binding on all WTO members. The Information Technology Agreement is a tariff-elimination arrangement among participants. The legal map is therefore more plural than the phrase the WTO rules sometimes suggests. An adviser must identify whether a specific agreement is multilateral, plurilateral, conditional on a schedule or accepted only by a subset of members.

POLICY LENS | The entry into force of the Fisheries Subsidies Agreement is a useful reminder that trade law is not confined to liberalization. A trade agreement can discipline subsidies because the production incentive creates transboundary resource effects. Yet environmental language does not remove distributional questions: small-scale fishing communities, capacity to notify and enforce, development needs, and the conduct of large subsidizing fleets all remain relevant to implementation and moral evaluation.

19.12 Regional Trade Agreements and the AfCFTA Legal Architecture

Preferential trade agreements sit inside, not outside, the multilateral system. GATT Article XXIV provides a legal basis for customs unions and free-trade areas in goods under specified conditions; GATS Article V addresses economic integration agreements in services; and the 1979 Enabling Clause provides a basis for certain preferential arrangements among developing economies. These rules recognize that deeper regional integration can support trade while also creating discrimination against non-parties. The economic consequences were developed in Chapter 14. The legal question here is whether the arrangement and its implementation meet the applicable conditions and how the preferential obligations interact with WTO commitments.

Regional agreements often go beyond tariffs. They may include services, investment, competition, digital trade, intellectual property, procurement, labor, environment, standards and regulatory cooperation. Deeper rules can reduce transaction costs and uncertainty, but they can also multiply compliance regimes. A firm trading across several agreements may face different origin rules, certificates, thresholds and data obligations for the same product. This spaghetti-bowl problem is not simply administrative inconvenience. It can change sourcing decisions and prevent smaller firms from using preferences that appear attractive on paper.

19.12.1 AfCFTA: from continental agreement to enforceable trading conditions

The African Continental Free Trade Area is the central African legal project in this chapter because it connects treaty law, regional institutions, diplomacy and implementation capacity. Trading under the AfCFTA regime commenced on 1 January 2021. The agreement establishes an institutional framework that includes the Assembly of Heads of State and Government, a Council of Ministers responsible for trade, a Committee of Senior Trade Officials and the AfCFTA Secretariat in Accra. Its first-phase architecture covers trade in goods, trade in services and dispute settlement. Subsequent protocols have expanded the framework to investment, intellectual property rights, competition policy, digital trade, and women and youth in trade (African Union [AU], 2018, 2023a, 2023b, 2023c, 2024a, 2024b).

The trade-in-goods architecture includes schedules of tariff concessions, rules of origin, customs cooperation and mutual administrative assistance, trade facilitation, non-tariff barriers, technical barriers to trade, SPS measures and transit. The original liberalization modalities were structured around a large share of tariff lines for progressive elimination, a smaller sensitive category and an excluded category. By 2026, however, African Union decisions were pressing implementation further. At the 39th Ordinary Session in February 2026, the Assembly expressed concern about the pace of tariff reduction and directed work toward enhanced modalities for complete elimination of customs duties on eligible intra-African trade. That political direction should not be misread as an instantaneous legal conversion of every tariff line to zero. It requires schedules, rules of origin, domestic implementation and administrative capacity to translate the continental decision into an entitlement at the border (AU, 2026a).

Rules of origin are particularly consequential. If they are too loose, goods produced substantially outside Africa can be transshipped to capture preferences without developing African production. If they are too restrictive or administratively expensive, legitimate African producers may fail to qualify or choose not to claim the preference. The policy design must therefore balance prevention of simple deflection with productive cumulation and usable documentation. The African Union published updated consolidated AfCFTA rules-of-origin materials in June 2026, illustrating that the legal infrastructure continues to be refined as implementation deepens (AU, 2026b).

The relationship between the AfCFTA and existing regional economic communities is equally important. The AfCFTA does not erase the EAC, ECOWAS, SADC, COMESA or other integration arrangements. It overlays a continental framework on existing preferential regimes and recognizes RECs as building blocks. For firms, this can create opportunities for broader cumulation and market access but also demands careful determination of which legal route offers the relevant preference. For governments, it creates a coordination challenge: continental bargaining power is weakened if commitments, standards or third-country positions are negotiated inconsistently across overlapping arrangements.

Table 19.8. AfCFTA legal architecture and the business question behind each layer.

Layer	Selected content	Business question	Implementation risk
Trade in goods	Tariff schedules, origin, customs cooperation, NTBs, TBT, SPS, transit and facilitation.	Does the shipment qualify, and can the preference be claimed predictably?	Incomplete schedules, origin complexity, administrative capacity and uneven domestic implementation.
Trade in services	Scheduled commitments and sectoral regulatory disciplines.	Can the supplier enter, establish or deliver across the border under the relevant mode?	Licensing, domestic regulation, data and professional requirements may remain decisive.
Dispute settlement	State-to-state mechanism modeled substantially on WTO-style procedures.	What government remedy exists if a state measure breaches an AfCFTA obligation?	Private firms generally need state engagement; institutional practice is still developing.
Investment	Continental rules on investment protection, facilitation and sustainable-development related obligations.	How do continental rules interact with domestic law and existing investment treaties?	Ratification, implementation and treaty-overlap questions require current legal verification.
Digital trade	Rules for a growing digital trade framework adopted in 2024.	How will cross-border data, digital transactions, trust and platform regulation affect market access?	Annexes and domestic implementation evolve; technology strategy belongs to Chapter 20.
IP, competition, women and youth in trade	Additional protocols broaden the institutional scope of continental integration.	Do new rights, obligations or support mechanisms change market conduct or access?	Legal entry into force and domestic operationalization can differ by protocol and state party.

AFRICAN CONTEXT | AfCFTA should not be evaluated only by the number of signatures or the size of the continental population. The legal performance test is whether an eligible trader can identify the tariff, satisfy origin, obtain documents, cross the border, challenge an improper charge and receive a predictable decision. Continental ambition becomes commercial law through schedules, customs systems, administrative review, courts, dispute mechanisms and the repeated conduct of officials.

19.13 Trade Disputes, WTO Adjudication and the Appellate Body Impasse

The WTO dispute-settlement system was designed to replace unilateral retaliation with structured adjudication. A dispute normally begins with consultations. If consultations fail, the complaining member may request a panel. The panel examines the claims and defenses within its terms of reference and issues findings. Under the original DSU architecture, a panel report could be appealed on issues of law to the standing Appellate Body. Once adopted by the Dispute Settlement Body, recommendations ordinarily require the respondent to bring inconsistent measures into conformity. If immediate compliance is impracticable, a reasonable period may be available. Compensation is voluntary and temporary; suspension of concessions is a last resort after specified procedures.

The system has been institutionally impaired since December 2019 because appointments to the Appellate Body ceased and the body lost the minimum number of members needed to hear appeals. The last sitting member's term expired on 30 November 2020. As of mid-2026, proposals to begin the appointment process continued to be blocked in the Dispute Settlement Body. WTO members nevertheless continued to use panels, consultations, mutually agreed solutions and arbitration. At the Fourteenth Ministerial Conference in 2026, the WTO reported active consultations, panels and arbitration even though the second-tier system remained unresolved (WTO, 2026c, 2026d).

One interim response is appeal arbitration under DSU Article 25. A group of members established the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) to preserve a two-tier review mechanism among participating members. It does not amend the DSU or bind non-participants. Article 25 arbitration has also been used through case-specific agreements. By 2026, MPIA awards had been issued in disputes including Colombia - Anti-Dumping Duties on French Fries and China - Enforcement of Intellectual Property Rights, and additional parties had joined the arrangement. This demonstrates institutional adaptation, but it is not a complete substitute for a universally accepted appellate mechanism.

Businesses need to understand a critical standing rule: WTO disputes are disputes between members, not direct lawsuits by private companies. A harmed exporter normally has to persuade its government that the measure warrants consultation or litigation. This places evidence, diplomacy and public-private dialogue before formal adjudication. The government may consider broader national interests, resource constraints and the effect of litigation on other negotiations. Firms should therefore maintain contemporaneous records of affected products, transactions, rejected shipments, costs, comparable treatment and legal correspondence. A compelling commercial grievance without verifiable facts is difficult to convert into a state case.

Table 19.9. WTO dispute settlement in 2026: formal path and practical reality.

Stage	Formal purpose	2026 practical issue	Business implication
Consultations	Clarify facts and seek negotiated settlement.	Still fully available and often commercially preferable to prolonged litigation.	Prepare evidence and realistic remedies, not only legal arguments.
Panel	Independent findings on covered claims and defenses.	Panels continue to be established and reports circulated.	Expect litigation to require technical, economic and legal evidence over a long horizon.
Appeal / review	Correct legal error and support coherence.	Standing Appellate Body remains unable to hear appeals.	Forum strategy and opponent participation in Article 25/MPIA can affect finality.
Adoption and implementation	Bring inconsistent measures into conformity.	Unappealed panel reports can be adopted; appeal-into-the-void risk remains in some disputes.	Commercial relief may lag behind a legal victory.
Arbitration / alternative resolution	Provide agreed procedures under DSU Article 25 or resolve implementation issues.	MPIA and ad hoc Article 25 mechanisms provide partial alternatives.	Contractual and state-to-state alternatives should be distinguished and planned separately.

CURRENT INSTITUTIONAL NOTE | At the WTO Dispute Settlement Body meeting of 23 June 2026, a proposal to start Appellate Body appointments was blocked for the 98th occasion; at the 24 July meeting, it was blocked for the 99th. These counts are date-specific and should not be treated as permanent facts. The durable lesson is institutional: businesses operating under treaty rules must assess not only substantive rights but also the current availability, timing and enforceability of remedies.

19.14 Private Commercial Disputes and Alternative Dispute Resolution

A dispute between states over WTO or AfCFTA obligations is fundamentally different from a dispute between private contracting parties. A buyer who refuses to pay, a distributor who breaches exclusivity, a logistics provider who damages cargo or a joint-venture partner who violates a governance clause ordinarily faces domestic courts, arbitration, mediation or another contractual forum. Invoking WTO law does not usually give the private firm a direct claim against the trading partner. Contract design should therefore anticipate private remedies independently from public trade rights.

International commercial arbitration is attractive because parties can select a neutral forum, procedural rules, language and arbitrators with relevant expertise. The 1958 New York Convention supports recognition and enforcement of foreign arbitral awards across a large number of jurisdictions, subject to defined defenses. Arbitration is not automatically cheaper or faster than litigation, especially in complex cases. It can also be poorly suited where urgent public-law relief, third-party participation or precedent is important. The correct choice depends on dispute value, asset location, enforceability, confidentiality, procedural needs and the legal systems involved.

Mediation can preserve commercial relationships and allow remedies that adjudicators could not impose, such as revised delivery schedules, product redesign or future purchasing commitments. The Singapore Convention on Mediation provides a framework for enforcement of qualifying international mediated settlement agreements among parties to the convention. Negotiation and mediation are not signs of legal weakness. They are governance tools when they preserve legitimate rights and informed consent. They become problematic when a stronger party uses delay, confidentiality or cost pressure to force an unjust settlement.

MANAGERIAL INSIGHT | Draft dispute architecture before the dispute. A cross-border contract should make governing law, forum, arbitration seat where relevant, language, notice procedures, interim relief, service, evidence preservation and enforcement assumptions explicit. Trade treaties cannot rescue a contract whose risk allocation and dispute clauses were never designed.

19.15 Quantitative Trade-Policy Analysis: From Tariff Lines to Defensible Evidence

Trade-law advice becomes strategically useful when the legal measure is connected to quantified exposure. Quantitative policy analysis begins with classification and denominators. The analyst should identify the HS revision, tariff line, partner, trade flow, time period, customs value, unit, treatment of re-exports, tariff regime and data source before calculating an indicator. An impressive chart built from mismatched nomenclatures or inconsistent partner definitions can mislead more effectively than no chart at all.

19.15.1 Bound, applied and preferential tariffs

Three tariff concepts answer different questions. The bound rate is the WTO ceiling in the member's schedule. The applied MFN rate is the ordinary tariff currently charged to WTO members absent a preference or special measure. A preferential rate applies to eligible origin under an agreement or preference program. The binding overhang is the difference between the bound and applied rate. Large overhang creates lawful policy space but also uncertainty because an applied rate can sometimes be raised without breaching the binding.

$$\text{Binding overhang} = \text{Bound tariff rate} - \text{Applied MFN tariff rate}$$

A positive value indicates tariff policy space, not a prediction that the tariff will rise.

Suppose an illustrative product has a 25 percent WTO binding, a 10 percent applied MFN rate and a 0 percent AfCFTA preference for qualifying originating goods. A proposed increase in the MFN rate to 15 percent would remain below the binding, but it could materially alter sourcing incentives and consumer prices. An African supplier would receive the 0 percent rate only if the goods satisfy the applicable origin rule and documentation. Legal eligibility and commercial utilization are therefore separate questions.

19.15.2 Tariff incidence and pass-through

The statutory importer remits the tariff, but the economic burden can be shared among foreign producers, importers, downstream firms and consumers through price adjustment. If a tariff of 10 percent is imposed on a customs value of 100, the gross duty is 10. If empirical evidence suggests 70 percent pass-through to the buyer price, the immediate observed price increase attributable to the tariff may be about 7 before indirect taxes, margins and behavioral responses. This is an incidence question, not a legal one. The same tariff can therefore be legally owed by one entity while its economic cost is distributed more widely.

$$\text{Tariff revenue (simple)} = \text{Tariff rate} \times \text{Customs value of dutiable imports}$$

For policy analysis, adjust for exemptions, preferences, behavioral responses, valuation changes and collection realities.

19.15.3 Revealed comparative advantage and trade intensity

Revealed comparative advantage (RCA) is a descriptive specialization indicator. The Balassa form compares a product's share in a country's exports with that product's share in world exports. A value above one indicates that the product has a larger export share in the country than in the world. It does not prove an immutable technological advantage, profitability or policy success. RCA can reflect subsidies, historical specialization, resource endowments, trade barriers, firm concentration or temporary prices.

$$RCA(i,j) = (x(i,j) / X(i,\text{total})) / (x(\text{world},j) / X(\text{world},\text{total}))$$

WITS uses this standard revealed comparative advantage formulation. RCA > 1 indicates revealed export specialization relative to the world benchmark.

If coffee represents 20 percent of an illustrative country's exports and 2 percent of world exports, RCA equals 10. That identifies strong revealed specialization. It does not answer whether further coffee concentration is strategically desirable. A policymaker must still consider value addition, market concentration, climate risk, producer incomes, logistics and the opportunity cost of diversification.

Trade intensity asks whether a country trades with a partner more or less than the partner's share in world trade would suggest. If 15 percent of country A's exports go to country B while country B absorbs 5 percent of world exports, the simple ratio is 3, or 300 if expressed on a 100-based index. An intensity above the benchmark can reflect proximity, an RTA, language, transport links, supply chains or historical relationships. It does not isolate the causal effect of any one factor.

19.15.4 Non-tariff-measure indicators

UNCTAD's NTM methodology emphasizes that non-tariff measures are policy measures other than ordinary customs tariffs that can affect quantities or prices, but they are not defined as barriers. The frequency index reports the percentage of traded product lines subject to at least one NTM. The coverage ratio reports the share of import value subject to NTMs. A prevalence or count measure captures the number of measures applied to products. High frequency can coexist with justified public regulation, and low frequency can conceal a single highly restrictive measure.

Recent evidence reinforces the need to distinguish regulatory presence from regulatory burden. UNCTAD's May 2026 synthesis estimated that NTM-related export costs exceed tariff costs for 88 percent of countries and argued that improved transparency could reduce NTM-related trade costs by nearly one-fifth. These are aggregate analytical estimates, not a legal finding that 88 percent of NTMs are unlawful or unnecessary. They instead direct attention to the mechanisms that make legitimate regulation costly in practice: duplicated testing, unavailable local certification, opaque requirements, administrative delay and divergent standards. For African and other developing-country exporters, the policy response may therefore be better information, mutual recognition, equivalence, regulatory cooperation or compliance capacity rather than simple deregulation (UNCTAD, 2026c).

Frequency index = (Number of traded product lines subject to at least one NTM / Number of traded product lines) x 100

Coverage ratio = (Import value of product lines subject to at least one NTM / Total import value) x 100

Consider 100 traded lines with 60 subject to at least one NTM. The frequency index is 60 percent. If those lines account for 40 million of 50 million in imports, the coverage ratio is 80 percent. The gap reveals that regulated lines are disproportionately important by value. Neither statistic proves welfare loss or illegality. The next question is what the measures are, which objective they pursue, how they are designed and whether comparable suppliers face similar burdens.

Table 19.10. Quantitative trade-policy indicators and what they can legitimately support.

Indicator	What it measures	Useful question	What it does not establish
Binding overhang	Difference between WTO bound and applied MFN tariff.	How much tariff policy space exists before the binding is reached?	Whether a tariff increase is economically wise or politically likely.
RCA	Relative product share in a country's exports versus world exports.	Where is revealed export specialization strongest?	Causal productivity advantage, future competitiveness or social value.
Trade intensity	Partner share in a country's trade relative to partner's world share.	Is bilateral trade unusually concentrated relative to a benchmark?	Why the concentration exists.
NTM frequency	Share of traded lines subject to NTMs.	How pervasive are formal measures across products?	Whether measures are protectionist, costly or unlawful.
NTM coverage	Share of trade value covered by NTMs.	How much observed import value is exposed?	The burden on marginal or deterred trade that never appears in customs data.
Preference utilization	Share of eligible trade actually claiming a preference.	Are negotiated preferences commercially used?	Why eligible firms do or do not claim the preference.

19.16 Gravity Models, Scenario Analysis and Causal Discipline

The gravity model is one of the most empirically successful frameworks in international trade. In its basic form, bilateral trade rises with economic size and falls with trade costs such as distance. Modern structural gravity models derive these relationships from theory and incorporate multilateral resistance, meaning that bilateral trade depends not only on costs between two partners but also on each partner's costs with the rest of the world. Policy variables such as FTAs, common borders, language or tariffs can be added, but specification and identification matter.

$$\ln X(ij) = a + b1 \ln GDP(i) + b2 \ln GDP(j) - b3 \ln Distance(ij) + b4\, Policy(ij) + controls + error$$

In applied policy work, fixed effects, zero trade, endogeneity, heteroskedasticity and multilateral resistance require methods beyond this simplified teaching equation.

If a properly specified model estimated an RTA coefficient of 0.35 in a log-linear setting, the associated conditional percentage difference would be approximately exp(0.35)-1, or 41.9 percent. That number should not be presented as the causal effect of signing an agreement unless the research design credibly addresses selection. Countries that expect trade to grow may be more likely to sign agreements; governments may negotiate agreements with already important partners. Baier and Bergstrand (2007) demonstrated how panel methods and treatment of endogeneity materially changed estimates of FTA effects.

Scenario analysis serves a different purpose. It asks what could happen under explicit assumptions rather than estimating a single causal coefficient. A trade ministry may model tariff elimination, a stricter origin rule, a sanctions shock or a transport disruption under baseline, upside and downside assumptions. Scenario results are conditional, not forecasts unless probabilities are justified. They should show mechanisms, assumptions, sensitive parameters and distributional effects. Chapter 5 developed scenario and sensitivity disciplines; Chapter 19 uses them specifically to test legal and policy choices.

The deepest quantitative lesson is epistemic humility. Trade data record observed transactions, not transactions deterred before they occurred. NTMs can be endogenous to risk, industry structure or political pressure. Tariffs can change in response to shocks that also change imports. Regional agreements are negotiated rather than randomly assigned. Good analysts therefore combine legal detail, descriptive diagnostics, econometric design, firm-level evidence and institutional context instead of allowing one metric to carry more inferential weight than it can bear.

EVIDENCE CHECK | Rose (2004) found little robust evidence that WTO membership uniformly increased trade in a broad aggregate specification. Subramanian and Wei (2007) found strong but uneven effects after accounting for participation and institutional heterogeneity, while Goldstein, Rivers and Tomz (2007) emphasized the importance of de facto participation in GATT/WTO institutions. The scholarly lesson is not that one paper won. It is that institutional effects depend on measurement, treatment definition, sector coverage, participation and identification.

19.17 International Relations Theory for Trade and Business

Trade negotiations take place among legal equals that are not materially equal. International-relations theory helps explain why. No single theory should be treated as a universal law. Each directs attention toward different mechanisms: power and security, institutions and mutual gains, ideas and identities, domestic coalitions, or structural distributions of wealth and authority. For business professionals, the value of theory lies in disciplined diagnosis rather than ideological allegiance.

19.17.1 Realism and the security logic of interdependence

Realist traditions begin from a decentralized international system in which states remain responsible for security and cannot assume that other states will always honor benign intentions. Relative gains, dependence and control over strategic capabilities therefore matter alongside aggregate economic gains. A supply relationship can be commercially efficient yet strategically uncomfortable if interruption would disable critical infrastructure or defense production. Realism helps explain investment screening, technology controls, strategic stockpiles and efforts to reduce single-source dependence. Its limitation is that it can overpredict conflict and understate the durable role of institutions, domestic interests and mutual economic constraints. This systemic emphasis is classically associated with structural realism (Waltz, 1979).

19.17.2 Liberal institutionalism and reciprocal cooperation

Liberal institutional approaches emphasize repeated interaction, information, reciprocal rules, dispute settlement and the possibility that institutions reduce transaction costs and make cooperation more credible. Trade agreements can lengthen the shadow of the future by making violations visible and retaliation more predictable. The framework explains why states may accept constraints that appear costly in a single transaction because stable rules improve long-run exchange. Its limitation is that institutions are themselves negotiated under unequal power, and cooperation can produce uneven domestic effects even when states gain in aggregate. The enduring institutionalist claim is that cooperation can persist because rules, information and repeated interaction alter incentives even in the absence of a world government (Keohane, 1984).

19.17.3 Constructivism: norms, identity and the meaning of legitimate trade

Constructivism emphasizes that state interests are not given entirely by material conditions. Norms, identities, professional communities and shared understandings shape what governments consider legitimate or possible. Wendt's (1992) broader argument that international structures acquire meaning through social practice applies to trade diplomacy as well. Ideas such as development status, food security, digital sovereignty, climate responsibility or strategic autonomy influence negotiating positions because actors interpret interests through institutional and historical narratives. The limitation is operational: norms can be difficult to measure, and analysts must avoid explaining every outcome retrospectively by invoking identity.

19.17.4 Domestic political economy and two-level games

Putnam's (1988) two-level-games framework is indispensable for trade negotiation because an international bargain often has to survive domestic ratification, administrative implementation and political contestation. Negotiators bargain simultaneously with foreign counterparts and domestic constituencies. A narrow domestic win-set can sometimes increase bargaining leverage because the negotiator can credibly say that a larger concession will not survive at home. The same narrowness can also make agreement impossible. Exporters, import-competing industries, consumers, workers, farmers, civil society, subnational governments and ministries can value different components of a package; formal political-economy models likewise show how organized interests can shape protection (Grossman & Helpman, 1994). Professional diplomacy therefore begins with domestic coalition analysis rather than at the conference table.

19.17.5 Global political economy and structural power

Global political economy widens the unit of analysis to relationships among states, firms, finance, technology and social groups. It asks who sets standards, controls infrastructure, finances adjustment and captures rents. Critical and structural perspectives are useful where formal equality hides concentrated market power or where developing countries have limited fiscal and negotiating capacity. The risk is reductionism: if every rule is interpreted only as domination, analysts may miss genuine mutual gains, domestic agency and the possibility that smaller states use institutions strategically. Intellectual independence requires testing structural claims against evidence rather than treating suspicion as proof. Strange (1988) sharpened this perspective by treating structural power as the capacity to shape the frameworks within which others make choices.

Table 19.11. International-relations lenses and business implications.

Perspective	Core mechanism	What it illuminates	Where it can mislead
Realism	Power, security, relative gains, vulnerability and strategic autonomy.	Sanctions, export controls, investment screening, strategic dependencies and alliance trade.	Can treat commerce as zero-sum and understate institutions or domestic pluralism.
Liberal institutionalism	Reciprocity, information, repeated interaction, rules and mutual gains.	Why states create WTO/RTA commitments and dispute procedures.	Can understate coercion, distributional loss and unequal rule-making capacity.
Constructivism	Norms, identity, ideas and socially constructed interests.	Why legitimacy, development narratives and policy meanings affect bargains.	Can become difficult to falsify if norms are inferred from any observed outcome.
Domestic political economy	Interest groups, institutions, elections, bureaucracies and two-level bargaining.	Why national positions reflect internal coalitions and ratification constraints.	May understate strategic-systemic forces or transnational networks.
Global political economy	Structural power across production, finance, technology and institutions.	How value, standards and chokepoints are distributed across networks.	Can overgeneralize hierarchy or treat local actors as passive.

19.18 Economic, Trade and Commercial Diplomacy

Economic diplomacy is the broad management of a state's external economic relations, including trade, investment, finance, development and sometimes energy or technology policy. Trade diplomacy is narrower and focuses on trade rules, negotiations and disputes. Commercial diplomacy generally refers to government support for firms seeking exports, investment or commercial opportunities abroad. Kostecki and Naray (2007) describe commercial diplomacy as a government service to the business community oriented toward socially beneficial international business ventures. Corporate diplomacy refers to the firm's own lawful management of relationships with governments and societal actors. These categories overlap in practice, but clarity prevents conflicts of mandate. A recent synthesis likewise treats commercial diplomacy, international economic negotiation, economic statecraft and sanctions as related but analytically distinct components of contemporary economic diplomacy (Woolcock, 2025).

A commercial diplomat can provide market intelligence, identify public procurement opportunities, convene buyers, support trade missions, explain local regulation, facilitate introductions and help firms navigate administrative problems. The diplomat should not guarantee contracts, suppress legitimate local regulation or use public office to favor connected firms without transparent criteria. Public resources require public-purpose discipline. Support should be based on lawful eligibility, credible commercial value and national policy rather than personal access.

For smaller economies, diplomacy can partially compensate for market and information scale. A well-prepared mission can aggregate exporter problems that would be ignored individually, identify recurring standards barriers and convert firm experiences into evidence for bilateral committees or WTO notifications. Yet diplomatic advocacy is strongest when it is technically credible. A claim that another country is blocking our exports has limited value until it identifies the measure, affected HS lines, trade values, legal concern, comparable treatment, requested remedy and domestic reforms that may also be needed.

Public-private dialogue is therefore an evidence channel, not a transfer of public authority to business. Governments need firm-level information because companies observe border delays, testing costs, licensing failures and procurement conditions before aggregate statistics reveal them. Firms need government because only states can exercise treaty rights in most trade forums. The relationship becomes corrupt when privileged access is exchanged for improper benefit, competitors are excluded arbitrarily, or public officials pursue private interests. Chapter 13 developed the anti-corruption and governance architecture; Chapter 19 applies it to external economic representation.

> **MANAGERIAL INSIGHT |** The best request to a trade ministry is not Please fix this barrier. It is a short evidence dossier: product and HS code; destination; legal measure; date and authority; affected shipments; direct cost; comparison with domestic or third-country treatment; relevant treaty provision; steps already taken; requested government action; and the commercially acceptable solution. Diplomacy works better when the problem is defined in a form that officials can verify and act on.

19.19 Negotiation Architecture: From Mandate to Implemented Agreement

Trade negotiation is not persuasive speaking detached from authority. It is an institutional process for converting interests into text that governments can lawfully implement. The first task is mandate design. A mandate identifies the negotiating objective, authority, scope, red lines, priorities, consultation requirements and approval route. Without it, negotiators may make concessions that cannot be ratified or may protect politically visible interests while overlooking economy-wide costs.

The core strategic concepts are familiar from negotiation theory but acquire special complexity in multi-party trade settings. BATNA is the best alternative to a negotiated agreement. The reservation position is the least favorable acceptable outcome. A zone of possible agreement exists where parties' acceptable ranges overlap, though in multi-issue negotiations that zone can be created by package deals. Interests are the underlying concerns; positions are stated demands. Integrative bargaining seeks value through differences in priorities, timing or risk preferences, while distributive bargaining allocates a fixed concession. Most trade rounds contain both.

Issue linkage can unlock agreement by allowing a state to concede where its cost is low in exchange for gains where value is high. It can also obscure distribution and make democratic scrutiny difficult when unrelated concessions are packaged into an all-or-nothing bargain. Sequencing matters. Early agreement on definitions or transparency can build trust; premature bargaining over politically sensitive tariff lines can harden positions. Drafting matters even more. Diplomatic language that hides disagreement may become litigation risk after ratification. Legal scrub, schedules, annexes and implementation timelines are therefore part of negotiation, not clerical work after the deal.

Coalition building changes bargaining power. A small economy may have limited leverage alone but become influential when it supplies evidence, convenes a group or becomes pivotal to consensus. Coalitions can be issue-specific rather than ideological. Agricultural exporters, least-developed countries, services-oriented economies and regional blocs may cooperate on one issue and diverge on another. Effective coalition diplomacy requires internal discipline: members need a common minimum position, a process for updating offers and clarity about who speaks for the group.

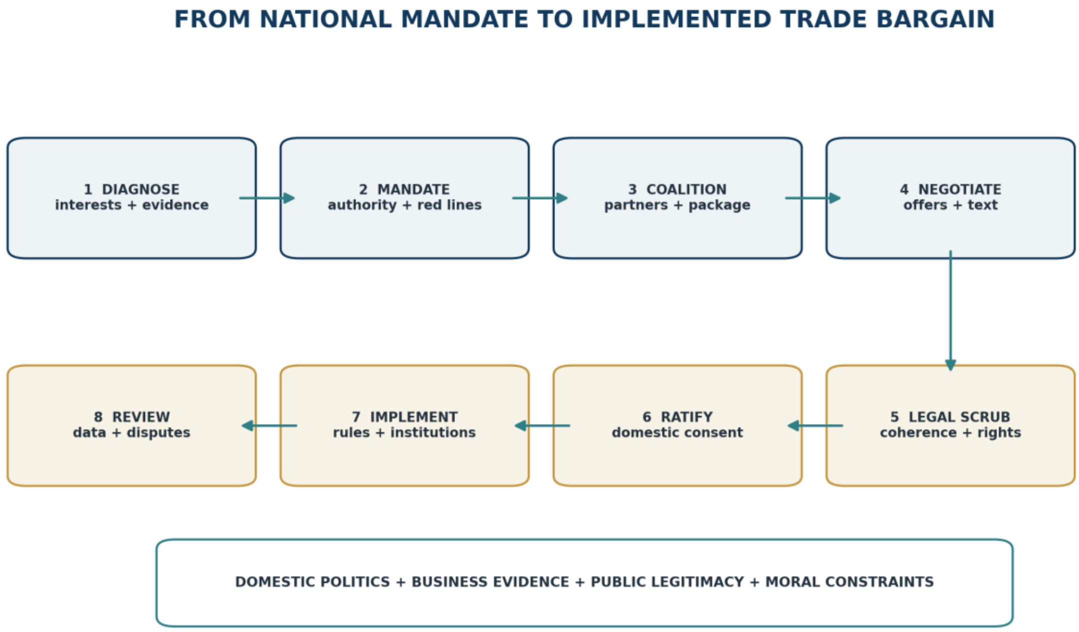

Figure 19.3. From national mandate to implemented trade bargain.

Source/Note: Author's synthesis drawing on Putnam (1988), Odell (2000) and economic-diplomacy practice.

Table 19.12. A professional trade-negotiation protocol.

Stage	Key questions	Evidence/output	Failure mode
Diagnosis	What problem or opportunity requires negotiation? Who gains, loses and implements?	Baseline data, legal map, stakeholder map and objectives.	Negotiating a solution before proving the problem.
Mandate	Who has authority? What are priorities, red lines and approval conditions?	Written mandate, governance and consultation plan.	Personal diplomacy outruns domestic authority.
Preparation	What is the BATNA, reservation point, counterpart interest and coalition map?	Issue matrix, costed offers, draft language and scenario analysis.	Treating counterpart positions as irrational rather than interest-based.
Bargaining	Which issues can be traded, sequenced or packaged?	Offers, brackets, minutes and revised text.	Making irreversible concessions without reciprocal value.
Legal scrub	Does the text create the intended rights and interact coherently with existing treaties and domestic law?	Final text, schedules, annexes and implementation notes.	Leaving ambiguity that later becomes a dispute.
Ratification/implementation	Which domestic actions make the bargain operative?	Legislation, tariff notices, systems, training and public guidance.	Celebrating signature while traders face unchanged border practice.
Review	Are benefits, costs and compliance as expected?	Monitoring dashboard, committee agenda and dispute/escalation rules.	No mechanism to learn, correct or exit.

19.20 African Trade Diplomacy: AfCFTA, RECs and Collective Bargaining

African trade diplomacy operates at several levels simultaneously: national policy, regional economic communities, the AfCFTA, the African Union, WTO coalitions and bilateral relations with external partners. The opportunity is scale. Coordinated positions can reduce fragmentation and improve negotiating leverage in standards, digital rules, agriculture, investment and strategic value chains. The risk is coordination failure. If national agencies, RECs and continental institutions pursue inconsistent offers or duplicate obligations, firms can face legal uncertainty and Africa's collective bargaining power can be diluted.

The 2026 African Union decision on AfCFTA implementation explicitly connected internal liberalization with external bargaining by emphasizing coordinated engagement with third countries. The strategic logic is significant. A continental market that bargains as a bloc may obtain different terms than 50-plus economies negotiating separately. Yet bloc negotiation also raises subsidiarity questions. Issues whose effects are highly local may be better managed near affected communities, while rules whose value depends on network scale may justify continental coordination. The correct allocation of authority should follow function, accountability and evidence rather than an assumption that either centralization or national fragmentation is inherently superior.

Implementation diplomacy is as important as headline negotiation. Customs administrations, standards agencies, transport authorities, central banks, competition authorities and courts have to interpret and operationalize commitments consistently. Private-sector associations can identify recurring bottlenecks, but governments must distinguish broad-based evidence from lobbying by firms seeking protection from competition. Civil society, consumer groups and labor can also reveal distributional effects. A continental agreement gains legitimacy when those affected can understand the rules, challenge errors and observe whether negotiated benefits materialize beyond politically connected firms.

> **POLICY LENS |** Continental unity is a means, not a moral end in itself. It can increase bargaining power, reduce duplicative borders and support African value chains. It can also distance decisions from local accountability if authority is centralized without clear necessity or review. Subsidiarity asks which level of governance is competent to solve the problem while remaining closest to affected persons. That principle can support continental action on genuinely cross-border problems and local discretion where uniformity adds little value.

19.21 Corporate Diplomacy and Non-Market Strategy

Firms do not operate only through markets. They interact with regulators, legislatures, ministries, standards bodies, communities, development agencies and international organizations. Non-market strategy concerns these interactions, but its legitimacy depends on method and purpose. A company can lawfully provide technical evidence, comment on proposed regulation, participate in consultations, support industry associations and explain investment consequences. It crosses a line when it buys influence, conceals sponsorship, threatens officials improperly, engineers false grassroots support or seeks rules designed principally to exclude competitors without a defensible public rationale.

Corporate diplomacy is especially important for multinational enterprises because the same business can be interpreted differently across jurisdictions. A data center may be seen as investment, critical infrastructure or security exposure. A mining project may be export capacity, environmental risk or community displacement. A medicine price may be an innovation incentive, public-health burden or fiscal issue. Firms need professionals who can translate technical operations into language relevant to public institutions without distorting facts. Credibility is accumulated over repeated interactions and can be destroyed quickly by a misleading assurance.

Political engagement should be governed. Boards and senior management need visibility over material lobbying, trade-association positions, government commitments, political spending where lawful and promises made in exchange for incentives. The policy position advocated externally should not contradict the firm's own risk disclosures or public claims without explanation. An enterprise that demands deregulation abroad while relying on protection at home may have a legal strategy but lacks a coherent public-interest rationale. Chapter 13 established accountability for corporate political power; this section converts that principle into trade-facing practice.

19.22 Digital Diplomacy and the Changing Practice of Trade Negotiation

Trade diplomacy is increasingly conducted through digital channels, data platforms and hybrid negotiating processes. Digital tools can broaden consultation, accelerate document comparison and allow smaller delegations to participate without constant travel. They also create security and integrity risks. Draft offers, negotiating instructions and legal text are highly sensitive. Compromised accounts, metadata leakage or poorly governed generative AI can reveal strategy before a counterpart makes a concession. Secure document control, access rights, retention policies and verified channels are therefore diplomatic capabilities.

Generative AI can help summarize long texts, compare versions, translate working drafts and identify inconsistent terminology, but it cannot be delegated authority. Models can hallucinate treaty language, miss a cross-reference or produce a confident interpretation unsupported by jurisprudence. Confidential negotiating text may also be inappropriate for external systems. A responsible workflow uses approved tools, controlled data, human legal verification and a record of which text is authoritative. The full strategy and governance of AI belongs to Chapter 20; here AI is treated only as a diplomatic and legal-work instrument.

Digital diplomacy also changes public communication. Negotiations that once unfolded largely behind closed doors are now interpreted in real time by journalists, firms, creators and political movements. Transparency can improve accountability, but partial leaks and synthetic media can harden positions or create false narratives. Negotiators need a communication plan that distinguishes confidential bargaining space from information the public legitimately requires to evaluate a mandate. Strategic ambiguity should never become deliberate falsehood.

19.23 Geoeconomics: When Economic Networks Become Instruments of Statecraft

Geoeconomics describes the interaction of economic instruments and geopolitical objectives. The concept is broader than protectionism. A state may use tariffs, sanctions, export controls, investment screening, subsidies, procurement, development finance, payment infrastructure or technology standards to influence another actor, secure a strategic industry or reduce vulnerability. The same instrument can have ordinary economic and geoeconomic motives simultaneously. Analysis therefore requires evidence of objective, design and strategic context rather than labeling every intervention geoeconomic. This contemporary vocabulary builds on the older concept of economic statecraft: the deliberate use of economic means in pursuit of foreign-policy objectives (Baldwin, 1985).

Farrell and Newman's (2019) concept of weaponized interdependence explains why network structure matters. States occupying central positions in global financial, information or production networks can sometimes use visibility or control over hubs to gather information or exclude actors. This is not equivalent to saying that every central network can be weaponized indefinitely. Firms adapt, states build alternatives and overuse of leverage can accelerate diversification away from the chokepoint. Strategic power is therefore dynamic and can erode when coercion changes counterpart incentives.

Geoeconomic policy creates second-order effects. An export control may slow a target's access to advanced technology but also reduce supplier revenue, encourage indigenous substitution, affect allied firms and fragment standards. A sanction can restrict a designated actor while causing banks to de-risk from lawful customers. A subsidy can build capacity while provoking retaliation or waste. Investment screening can protect security while reducing capital availability. Responsible statecraft therefore requires a theory of change, legal authority, proportionality, implementation capacity, alliance effects, evasion risk, review conditions and an exit strategy.

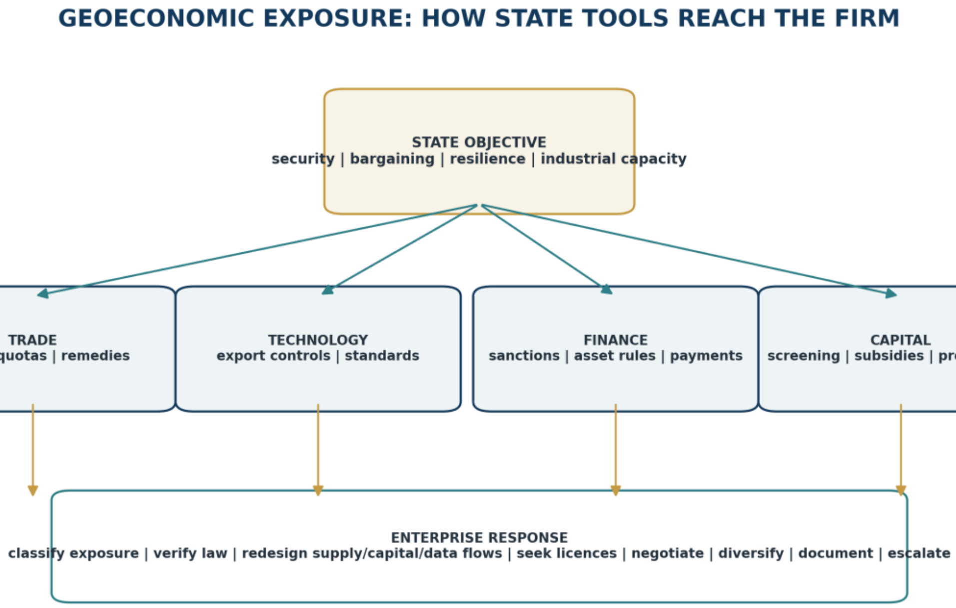

Figure 19.4. Geoeconomic exposure: how state tools reach the firm.

Source/Note: Author's synthesis integrating economic-statecraft and network-dependence perspectives.

Table 19.13. Geoeconomic instruments: mechanism, business exposure and policy risk.

Instrument	Strategic mechanism	Business exposure	Policy/moral risk
Tariffs and quotas	Raise access cost, protect capacity, create bargaining leverage.	Price, sourcing, retaliation and market loss.	Consumer burden, rent-seeking and escalation.
Financial sanctions	Restrict assets, transactions, financing or counterparties.	Frozen assets, payment failure, compliance cost and de-risking.	Civilian spillovers, due process, extraterritoriality and humanitarian access.
Export controls	Restrict strategic goods, software, technology or end uses.	Licensing, product redesign, customer screening and supply-chain change.	Technology fragmentation, circumvention, allied spillovers and overbreadth.
Investment screening	Review or block capital transactions involving sensitive assets.	Deal delay, conditions, ownership limits and valuation impact.	Politicization, uncertainty and discrimination.
Subsidies/industrial policy	Shift capacity, innovation or location through public support.	Location incentives, local-content conditions and competitive distortion.	Fiscal cost, capture, subsidy races and WTO exposure.
Procurement/standards	Use public demand or technical rules to shape markets.	Eligibility, certification, architecture and lock-in.	Hidden discrimination, exclusion of SMEs and standards capture.

Instrument	Strategic mechanism	Business exposure	Policy/moral risk
Infrastructure/finance	Create connectivity, liquidity or long-term strategic relationships.	New corridors, debt, supplier opportunities and dependency.	Opaque terms, sovereign risk, tied procurement and political leverage.

19.24 Sanctions: Law, Effectiveness and the Moral Limits of Economic Coercion

Sanctions restrict economic interaction to pursue foreign-policy, security or legal objectives. They can be imposed through the United Nations Security Council or through autonomous national and regional regimes. Measures vary from asset freezes and travel bans to sectoral finance restrictions, trade bans, service prohibitions and secondary or extraterritorial measures that seek to influence third-country actors. Because regimes change rapidly, a textbook can teach categories and reasoning but should not serve as a live sanctions list. Firms must verify current official sources and obtain qualified advice for high-risk transactions.

Effectiveness is contested because success is difficult to define and sanctions rarely operate alone. Pape (1997) challenged optimistic claims about coercive success, while later literature has identified conditions under which sanctions may contribute to policy change but also emphasized selection effects, interaction with diplomacy and variation by target and instrument. Peksen's (2019a) review argues that the literature is limited by static datasets, sender-centered definitions and insufficient attention to sanctions combined with incentives or other pressure. The mature conclusion is conditional: sanctions can affect behavior and resources, but their effects are not automatic and cannot be evaluated only by the economic pain imposed.

Empirical work also cautions against treating sanctions as a homogeneous treatment. Afesorgbor (2019) found that imposed sanctions reduced bilateral trade whereas threatened sanctions were associated with anticipatory increases, consistent with stockpiling before restrictions took effect. Felbermayr et al. (2020), introducing the Global Sanctions Data Base, documented substantial variation in sanction type, objective, scope and historical use. Neither study supplies a universal causal estimate of political success. Together they reinforce a more disciplined proposition: the question 'Do sanctions work?' is underspecified unless the analyst identifies the objective, sender and target, instrument, timing, enforcement, adaptation, collateral effects and counterfactual (Afesorgbor, 2019; Felbermayr et al., 2020).

Sanctions also produce externalities. Banks and platforms may over-comply because a false positive appears safer than the legal or reputational cost of a missed match. Entire countries, sectors or humanitarian organizations can lose access to finance even when transactions are lawful. Firms may terminate relationships without a transparent correction process. Payment compliance mechanics were developed in Chapter 17. Here the policy question is broader: whether the sanction design, designation criteria, licensing system and enforcement strategy distinguish the intended target from persons who should remain able to obtain food, medicine, remittances or legal process.

A morally serious sanctions assessment should therefore consider legitimate authority, just cause, discrimination between responsible and non-responsible actors, proportionality, reasonable prospect of achieving the objective, availability of less harmful alternatives, humanitarian safeguards, due process, reversibility and periodic review. These criteria resemble elements of just-war and coercion ethics without implying that economic sanctions are identical to armed force. They provide a disciplined way to test whether economic power is being used for a defensible purpose without treating civilian suffering as a convenient transmission mechanism.

Table 19.14. A sanctions assessment beyond the question Is it legal?

Dimension	Questions for decision-makers
Authority	Which legal regime authorizes the measure? What jurisdictional nexus and licensing rules apply?
Objective	What specific behavior, capability or resource is the measure intended to change?
Mechanism	How is the restriction expected to influence the target, and what adaptations are foreseeable?
Evidence	What prior evidence supports the assumed mechanism? What would count as failure?
Discrimination	Can responsible actors be targeted without predictably burdening civilians or lawful third parties indiscriminately?
Proportionality	Are expected strategic benefits proportionate to foreseeable economic and human costs?
Due process	Can designation errors be challenged and corrected through credible procedures?
Humanitarian safeguards	Are basic goods, humanitarian activity and legitimate remittances operationally protected, not merely exempt on paper?
Review and exit	What conditions trigger easing, redesign or termination?

FAITH AND VOCATION | Economic coercion tests character because distance can hide suffering. A decision-maker should not confuse the invisibility of downstream hardship with the absence of moral responsibility. At the same time, refusing every coercive economic measure can leave grave wrongdoing unanswered. Christian moral judgment must therefore ask both whether evil is being resisted and whether the means chosen remain truthful, discriminate, proportionate and oriented toward a just peace.

19.25 Export Controls and Strategic Technology: The Compliance Chain

Export controls regulate the movement, release or provision of specified goods, software and technology, often based on classification, destination, end user and end use. Strategic controls can apply to military items, dual-use items and advanced technologies. Jurisdiction can extend beyond direct exports where domestic law reaches reexports, transfers, foreign-produced items made with controlled technology, services or support by nationals. The practical risk is therefore not solved by asking where the physical product was manufactured.

A disciplined company workflow identifies the item and technology, determines jurisdiction and classification, screens destination and parties, evaluates end-use and end-user restrictions, checks licensing requirements and exceptions, documents determinations, controls technical access and monitors changes. The classification may be highly technical, but governance cannot be left only to engineers or only to lawyers. Product architecture, cloud access, maintenance, hiring and supply-chain choices can all change export-control exposure.

United States semiconductor controls illustrate the geoeconomic logic. Between 2024 and 2026 the Bureau of Industry and Security expanded controls on advanced semiconductor manufacturing equipment, high-bandwidth memory, advanced computing items, entities and due-diligence obligations, and issued further guidance on transactions involving entities headquartered in destinations of concern. These measures aim to restrict access to capabilities judged strategically significant. They also require global firms to map technology, ownership and supply-chain relationships far beyond a conventional shipment screen (U.S. Bureau of Industry and Security [BIS], 2024, 2025, 2026).

The strategic effect is not one-directional. Controls can delay access and raise cost, while also encouraging redesign, stockpiling, localization and alternative supplier ecosystems. Allied coordination affects effectiveness because production networks cross borders. Overly broad restrictions can impose costs on domestic firms or accelerate fragmentation. For managers, the lesson is to treat export controls as a design constraint and scenario variable. For policymakers, the lesson is that the durability of a chokepoint depends on how easily others can route around it.

19.26 Industrial Policy, Strategic Dependencies and WTO Compatibility

Industrial policy uses public instruments to influence the sectoral or technological structure of the economy. It can include subsidies, tax incentives, public procurement, infrastructure, local-content requirements, development finance, training, standards, research support and trade measures. Chapter 14 evaluated the economic cases for infant-industry and strategic policy. Chapter 19 asks a different question: which instruments are legally available, how they affect trading partners, and how they become objects of diplomacy or dispute.

The strongest modern case for targeted support rests on identifiable market failures or strategic externalities: learning spillovers, coordination failures, network infrastructure, national-security capability or underinvestment in research. The strongest case against poorly disciplined industrial policy is political economy: governments may lack information, support can be captured, temporary protection can become permanent and subsidy competition can transfer rents to mobile firms. Legal constraints can therefore function as commitment devices, but rules that are too rigid may also prevent legitimate responses to new technologies or emergencies.

Strategic dependency analysis should be more specific than import share. A high foreign share is not necessarily dangerous if suppliers are numerous, inventories are available and substitution is easy. A smaller share can be critical if a component has no near-term substitute and failure stops an entire system. A useful dependency map therefore records concentration, substitutability, switching time, intellectual-property constraints, logistics, stockpiles, political alignment, financing and the human consequence of interruption. These variables help distinguish resilience from slogans about self-sufficiency.

Friendshoring and nearshoring can reduce some geopolitical exposure while increasing concentration within an alliance or region. Local-content requirements can encourage domestic linkages but raise input cost and, depending on design, conflict with trade obligations. Procurement preferences can build suppliers but also reduce competition. The professional response is neither automatic liberalization nor automatic localization. It is instrument-by-instrument analysis with measurable objectives, sunset or review provisions and a candid account of who pays.

19.27 Country Risk, Conflict, Treaties and Strategic Policy Advice

Country risk is sometimes reduced to a score, but trade-law and diplomatic advice requires mechanisms. Political violence can close a corridor. A constitutional crisis can delay customs decisions. Foreign-exchange restrictions can prevent payment. A sanctions designation can make a customer legally inaccessible overnight. A treaty change can alter preferences. A court decision can change licensing. A new security review can delay an acquisition. Country risk therefore connects legal, diplomatic, operational and financial events to specific exposures.

Conflict sensitivity is essential because commercial activity can redistribute resources, mobility and legitimacy during crisis. A firm that continues operating may preserve livelihoods and essential goods, but it may also pay taxes, fees or counterparties connected to violence. Exit can reduce complicity while abandoning workers or communities. A government using trade restrictions during conflict may have a legitimate security objective while burdening civilians. Chapter 13 developed conflict-sensitive business and human-rights reasoning. Chapter 19 adds the treaty, sanctions and diplomatic dimensions.

Strategic policy advice should separate fact, law, forecast, value judgment and recommendation. Facts describe observed conditions. Law identifies applicable obligations and uncertainties. Forecasts state conditional expectations. Value judgments explain the objectives or moral constraints being applied. Recommendations connect them through an explicit theory of action.

When these categories are blended, an adviser can make a political preference appear legally required or make an uncertain forecast appear factual. Decision-makers deserve to know which part of the argument could change if new evidence arrives.

Table 19.15. A country-policy risk register for cross-border decisions.

Risk mechanism	Leading evidence	Business exposure	Escalation question
Tariff/preference change	Official schedules, gazettes, RTA committee decisions.	Margin, sourcing, preference eligibility.	Can origin or contract structure be changed lawfully?
Regulatory/SPS/TBT change	Notifications, regulator consultations, standards updates.	Testing, market access, redesign.	Is technical engagement or formal challenge warranted?
Sanctions/export controls	Official designations, regulations, licensing guidance.	Counterparty, technology, payments, services.	Stop, license, restructure or exit?
Conflict/civil disruption	Security reporting, border closures, government notices.	Personnel safety, corridor continuity, assets.	What duty-of-care and conflict-sensitivity thresholds trigger suspension?
Treaty/institutional dispute	Consultations, panel requests, arbitration or legislative action.	Future rights and policy uncertainty.	How long can the firm operate before public-law resolution?
Political/administrative capture	Procurement patterns, enforcement asymmetry, credible corruption evidence.	Unfair access, bribery pressure, legal/reputational risk.	Which independent channel, collective action or exit option is available?

19.28 African Case Study: From AfCFTA Treaty Text to a Usable Continental Preference

Consider an African manufacturer that sources inputs from three countries, performs final processing in Rwanda and seeks to sell to Ghana under the AfCFTA. The commercial team sees a continental agreement and assumes the shipment should enter duty-free. The legal team cannot begin there. It must identify the tariff line, Ghana's applicable AfCFTA concession for that line at the shipment date, the product-specific rule of origin, permitted cumulation, evidence required, the exporter or producer declarations, and any SPS, TBT or licensing measures. The customs team must ensure that the declaration matches the legal route. The finance team must price the transaction with the preference as a conditional assumption until eligibility is demonstrated.

Suppose the product qualifies only if non-originating materials remain below a specified threshold. The firm has a strategic choice. It can continue buying the cheapest global input and pay the MFN tariff, switch to an African input that allows origin but costs more, redesign the production process, or seek a different market. The right decision depends on the preference margin, input cost, administrative burden, reliability and scale. This is why rules of origin are simultaneously legal rules and industrial incentives. They can stimulate regional sourcing when the preference is large enough, but they can also increase cost if local inputs are not competitive or reliably available.

Now imagine that customs rejects the origin evidence despite guidance suggesting that the method should qualify. The firm needs an escalation ladder. First, preserve documents and request written reasons. Second, use domestic administrative review or appeal. Third, engage the competent national AfCFTA focal point and relevant committee process where the problem appears systemic. Fourth, provide evidence to the government if the measure may breach an AfCFTA obligation. A direct leap to continental political accusation is usually less effective than a traceable record showing which rule, decision and shipment are inconsistent.

The case demonstrates the real measure of integration: whether law can be operationalized at firm level. Continental trade will not expand simply because tariffs are scheduled to fall. Preferences must be usable; origin must fit production; border agencies must be interoperable; payments and logistics must work; firms must know the rules; and disputes must have credible remedies. AfCFTA success is therefore an institutional-capability project as much as a tariff project.

> **PRACTICE TOOL |** For every claimed trade preference, build a preference file containing the HS code, MFN rate, preferential rate, concession stage, origin rule, bill of materials, supplier origin evidence, calculation method, certificate/declaration, customs ruling if available, relevant product regulation, and a fallback price if the preference is denied. This turns a political promise of market access into auditable commercial readiness.

19.29 Global Comparative Case: Semiconductor Export Controls and the Geography of Strategic Dependence

Advanced semiconductors expose a different trade-law problem from citrus. Plant-health regulation seeks to manage biological risk at the border. Semiconductor controls seek to shape access to a capability with economic and security significance. The production network is unusually distributed: design tools, intellectual property, fabrication equipment, foundries, advanced packaging, memory, cloud computing and end-user applications can sit in different jurisdictions. A government controlling a critical node can therefore influence transactions that never physically pass through its territory in the ordinary way.

The United States controls developed from 2022 onward, with substantial changes in 2024-2026, illustrate this network logic. BIS added and revised controls on semiconductor manufacturing equipment, high-bandwidth memory, advanced computing and designated entities, while also expanding due-diligence expectations and clarifying licensing exposure involving specified end users and headquarters relationships. The legal detail is technical and changes rapidly. The durable management principle is that jurisdiction can follow technology, software, components, end use, end users or corporate relationships rather than shipment origin alone.

A multinational firm affected by the rules faces at least five decisions. It must determine whether a product or technology is controlled; map which legal jurisdictions attach; assess customers and end uses; decide whether a license is available or commercially credible; and redesign sourcing, product performance, access controls or corporate processes if necessary. It also needs a geopolitical scenario: if restrictions tighten, which revenue and suppliers disappear? If restrictions loosen, can the firm reverse expensive redesign? If counterpart countries respond, where does reciprocal exposure arise?

The policy evaluation is equally demanding. Controls may slow diffusion of sensitive capabilities and create leverage. They can also accelerate substitution, reduce scale economies, fragment research networks and impose costs on allied or domestic firms. The correct assessment is therefore not whether export controls are protectionist in a generic sense. It is whether the legal authority fits the instrument, the target is defined coherently, the network chokepoint is durable, allies can coordinate, evasion can be contained, spillovers are acceptable and the strategy has measurable review conditions. This is geoeconomic reasoning, not ordinary tariff analysis.

19.30 Current Trade Environment: Fragmentation Without the End of Global Trade

Contemporary trade policy is easily distorted by dramatic headlines. WTO and UNCTAD evidence available by July 2026 supports a more disciplined picture: large cross-border flows persisted even as geopolitical conflict, tariff changes, energy shocks and strategic restrictions altered their growth and geography. The WTO's March baseline projected world merchandise trade volume growth of 1.9 percent in 2026 after 4.6 percent growth in 2025, while commercial services trade was projected to grow 4.8 percent. UNCTAD's July/August update, using current-value measures, estimated that global goods trade reached approximately US$13.7 trillion in the first half of 2026, 12.5 percent above the same period of 2025, but emphasized that higher prices explained an important share of the increase. The contrast is analytically important: trade value and trade volume answer different questions and should not be used interchangeably (UNCTAD, 2026b; WTO, 2026a).

Technology is simultaneously integrating and fragmenting trade. WTO research reported rapid growth in AI-enabling goods in 2025 and argued that AI could lower some trade costs while unequal infrastructure and regulatory fragmentation could widen divides (WTO, 2025c). UNCTAD's July/August 2026 update reported especially strong first-quarter trade growth in technology-intensive categories, including semiconductors and ICT products, while trade performance across regions remained uneven (UNCTAD, 2026b). These patterns do not justify a simple claim that globalization is over. They support a more useful proposition: the rules, prices and strategic geography of interdependence are changing, and firms or governments that confuse nominal trade growth with deeper integration can misread the transition.

For African economies, this environment creates both opportunity and exposure. Fragmentation can increase demand for alternative suppliers, regional processing and diversified value chains. It can also reduce external demand, raise financing and compliance costs, and pressure countries to align with competing blocs. The strategic advantage lies in optionality: stronger continental trade, credible institutions, diversified partners, transparent rules and productive capacity can reduce the cost of external shocks without requiring isolation from global markets.

19.31 Faith, Ethics and Moral Reasoning: Trade Power Under God and for the Good of Neighbour

Trade law and diplomacy are exercises of authority over access, opportunity and risk. Christian moral reasoning begins with a claim about the human person rather than a theory of tariff efficiency. People possess dignity that is not created by citizenship, productivity or bargaining power. Governments have real authority, but authority is accountable and ordered toward justice rather than self-exaltation. Markets can enable service and peaceful cooperation, but neither voluntary exchange nor national interest makes every transaction or restriction morally right. The Christian professional therefore asks what is true, who is affected, what authority is legitimate, what duty is owed and whether the means chosen are consistent with love of neighbour and just peace.

Truthfulness is foundational. Scripture condemns dishonest measures and celebrates integrity in exchange (Proverbs 11:1). In trade diplomacy this principle reaches beyond invoice fraud. Governments should not fabricate scientific evidence for a restriction; firms should not misstate origin; negotiators should not make commitments they know cannot be implemented; analysts should not select data to create a false picture of injury or success. Strategic confidentiality can be legitimate, but it does not authorize deception about material facts.

Neighbour-love provides a test for distribution and externalities (Mark 12:31). A policy can benefit a politically organized sector while imposing diffuse costs on poor consumers or downstream producers. A sanction can burden people with no meaningful influence over the targeted government. A subsidy race can transfer public resources to mobile firms while schools, infrastructure or basic services remain underfunded. Christian analysis does not demand equal outcomes, but it refuses to make less powerful persons morally invisible.

Public authority should pursue justice and order, and Christians are instructed to respect governing authority (Romans 13:1-7). Yet state authority is not absolute. When human authority commands what God forbids or forbids what God commands, obedience to God remains prior (Acts 5:29). This has practical relevance where trade or sanctions rules burden conscience, humanitarian ministry, lawful speech or religious exercise. Claims of national security deserve serious respect, but the invocation of security does not remove moral accountability.

Peace is not passivity. Jesus calls peacemakers blessed (Matthew 5:9), while Scripture also recognizes the public responsibility to restrain wrongdoing. Economic statecraft should therefore be judged by whether it contributes to a just peace rather than by how much pain it can impose. Proportionality, discrimination, due process, humanitarian protection and a credible path to de-escalation are morally relevant because means shape ends.

19.31.1 Sovereignty and subsidiarity

Christian political reasoning can affirm national sovereignty without making the state morally ultimate. Political communities have legitimate responsibilities for security, justice, culture and economic order. International cooperation can solve problems that cross borders and can restrain abuses of power. Subsidiarity offers a disciplined middle path: authority should be exercised at the lowest level competent to address the problem, while higher levels may act where scale, spillovers or coordination make local action insufficient. This principle supports neither automatic centralization nor automatic national veto. It asks which level can act effectively while preserving accountability and human agency.

19.31.2 Engaging alternative ethical frameworks fairly

Consequentialism asks which policy produces the best aggregate outcomes and is essential for comparing costs and benefits, but it can justify severe burdens on minorities if aggregate gains dominate. Deontological approaches emphasize duties, rights and universalizable rules, providing strong protection against instrumentalizing persons, but can become rigid where duties conflict. Justice theories focus on distribution and fair institutions. Capability approaches ask what people are actually able to be and do. Communitarian perspectives emphasize social membership and local goods. Virtue ethics asks what kind of character is expressed in policy and negotiation. Christian reasoning can learn from these insights while grounding dignity, truth, justice, stewardship and neighbour-love in the character and commands of God rather than in utility or social consensus alone.

19.31.3 A Christian test for trade and economic statecraft

A responsible Christian judgment can be organized around seven questions. Is the factual case truthful? Is the governing authority legitimate and acting within its proper competence? Is the objective just? Are the means lawful and morally proportionate? Are innocent and vulnerable persons protected as far as reasonably possible? Are sovereignty, conscience and local agency respected? Is there accountability, review and a path toward restored peaceful exchange? These questions do not mechanically produce one answer. They discipline conscience so that profit, patriotism, institutional loyalty or geopolitical fear cannot become substitute moral authorities.

> **ETHICAL DILEMMA |** A sanction may be lawful, strategically useful and supported by public opinion while still creating severe foreseeable harm for civilians who cannot alter the targeted policy. Conversely, refusing economic pressure may leave serious aggression or abuse unanswered. The moral task is not to choose between caring about victims on one side and victims on the other. It is to identify a just objective and the least wrongful means that have a reasonable prospect of contributing to a just peace.

19.32 Professional Toolkit: The Trade Law, Diplomacy and Geoeconomic Stewardship Protocol

The Trade Law, Diplomacy and Geoeconomic Stewardship (TLDGS) Protocol integrates the chapter into a repeatable professional method. It is designed for managers, trade officials, advisers and analysts facing a measure that is legally complex, economically consequential and politically sensitive. It does not replace specialist legal advice. Its purpose is to prevent premature recommendations by forcing the team to establish authority, evidence, distribution, negotiation options and moral boundaries in the correct order.

Table 19.16. The TLDGS professional protocol.

Step	Required discipline
1. Define the decision	State the exact business or policy decision, affected product/service, jurisdictions, timing and decision owner.
2. Preserve facts	Collect authoritative measures, tariff lines, schedules, correspondence, transactions, costs and comparators before advocacy changes the narrative.
3. Map legal regimes	Identify WTO, RTA/AfCFTA, domestic public law, sanctions/export controls and private-contract rules that may apply.
4. Apply the legal ladder	Test scope, primary obligation, factual comparator, defense/exception, procedure and remedy without skipping steps.
5. Quantify exposure	Measure trade value, tariff/preferences, NTM coverage, delay, price/cost incidence, concentration and scenario sensitivity.
6. Diagnose power and interests	Map state objectives, domestic coalitions, strategic dependencies, counterpart BATNA, institutions and coalition opportunities.
7. Set the mandate	Define desired outcome, minimum acceptable result, red lines, authority, consultation and legal drafting requirements.
8. Generate options	Compare compliance, redesign, licensing, negotiation, committee engagement, litigation, arbitration, diversification and exit.

Step	Required discipline
9. Moral screen	Test truth, dignity, justice, proportionality, sovereignty, subsidiarity, conscience, vulnerable persons, peace and foreseeable consequences.
10. Decide and document	Record assumptions, dissent, legal uncertainty, owner, implementation steps, communications and escalation triggers.
11. Monitor and learn	Track legal change, counterpart response, costs, intended benefits, evasion, spillovers and conditions for review or exit.

PRACTICE TOOL | A one-page executive recommendation should never hide uncertainty. Separate: VERIFIED FACTS; APPLICABLE LAW; ECONOMIC EXPOSURE; STRATEGIC INTERESTS; OPTIONS; MORAL/RIGHTS CONSTRAINTS; RECOMMENDATION; TRIGGERS FOR REVIEW. That architecture makes it harder for advocacy to masquerade as evidence.

19.33 Common Misconceptions, Analytical Errors and Professional Pitfalls

Table 19.17. Common misconceptions and corrections.

Misconception	Correction
A costly regulation is a WTO violation.	Cost is relevant evidence, but legal inconsistency depends on the applicable agreement, comparator, objective, evidence and defense.
WTO membership means zero tariffs.	WTO commitments mainly bind ceilings and non-discrimination; applied tariffs and preferences vary by schedule and agreement.
All NTMs are barriers.	NTMs include legitimate safety, health and technical rules; indicators measure prevalence, not protectionist intent.
The WTO is a supranational trade government.	It is member-driven and treaty-based; the Secretariat does not possess general legislative authority over members.
A business can sue another country at the WTO.	WTO disputes are state-to-state; firms normally must work through their governments while using domestic/private remedies separately.
The Appellate Body crisis means WTO law is irrelevant.	Panels, consultations, committees, adopted reports, Article 25 arbitration and negotiated solutions continue; enforcement conditions nevertheless matter.
A high RCA proves future competitive advantage.	RCA describes observed specialization and can reflect many mechanisms besides productivity.
A tariff is paid by foreigners.	The statutory remitter and economic incidence are different; burden can be shared through prices, margins, quantities and exchange rates.
Trade negotiation is mainly persuasion skill.	Authority, evidence, mandate, BATNA, coalition, text, ratification and implementation are at least as important as rhetoric.
Commercial diplomacy means getting government to win contracts for favored firms.	Legitimate support improves information and access under transparent public-purpose criteria; favoritism and corruption destroy legitimacy.
Sanctions work if they create economic pain.	Pain is an intermediate effect. Effectiveness requires a specified political objective, causal mechanism and assessment of adaptation and collateral harm.
Security exceptions remove law and ethics.	Security can justify exceptional measures, but treaty text, procedure, evidence and moral accountability remain relevant.
Friendshoring eliminates geopolitical risk.	It changes the distribution of exposure and may create new concentration, cost or alliance dependencies.
AfCFTA preferences automatically apply to all African goods.	Eligibility depends on tariff schedules, origin rules, documentation and domestic implementation.
Legal compliance is the end of the moral analysis.	Law sets a floor and institutional framework; power can be exercised lawfully yet unjustly or imprudently.

19.34 Chapter Synthesis

Chapter 19 has connected four domains that are often taught separately. Trade law supplies rules and remedies. Quantitative policy analysis measures exposure and tests claims. Diplomacy converts national and commercial interests into negotiation, implementation and problem solving. Geoeconomics explains how states use trade, finance, capital and technology relationships for strategic purposes. The disciplines interact, but their standards of proof differ. A lawyer cannot replace treaty interpretation with a welfare calculation; an economist cannot infer causation from an NTM count; a diplomat cannot substitute access for legal entitlement; and a strategist cannot treat leverage as proof of moral legitimacy.

The central professional habit is structured judgment. Identify the measure precisely. Read the governing rule and schedule. Establish facts and comparators. Quantify the economic exposure. Test exceptions and remedies. Map domestic and international interests. Build a mandate and BATNA. Consider dispute and negotiated paths. Evaluate geoeconomic dependencies and spillovers. Then apply moral constraints concerning truth, dignity, justice, sovereignty, subsidiarity, conscience, vulnerable persons and peace. That process is slower than a slogan and more useful than one.

Africa is not merely a recipient of global rules in this architecture. South Africa is using WTO dispute settlement to challenge measures it considers inconsistent with SPS obligations. African states are constructing a continental legal order through AfCFTA and refining origin, tariff and digital rules. Regional and continental bargaining can increase agency if implementation remains accountable and commercially usable. The challenge is to convert legal ambition into predictable institutions, productive capacity and real options for African firms and households.

Transition to Chapter 20

Part V ends with the rules and power that condition cross-border enterprise. Chapter 20 moves from external institutional architecture to the enterprise's technological capacity. The hand-off is deliberate. Export controls, digital-trade rules, AI governance, data regulation and intellectual-property law matter because technology has become both a productive asset and an object of statecraft. Chapter 20 will therefore ask how firms design digital transformation, platforms, AI, R&D, intellectual-property strategy and strategic change without repeating the trade-law doctrine developed here. The reader should enter that chapter able to distinguish a technological opportunity from the legal and geopolitical conditions that determine whether it can be deployed across borders.

Key Terms

Table 19.18. Key terms.

Term	Working definition
Anti-dumping duty	A trade remedy imposed after an investigation finds dumping, material injury or threat, and causation under the applicable rules.
AfCFTA	African Continental Free Trade Area, the continental trade framework established by African states and implemented through protocols, schedules and institutions.
BATNA	Best alternative to a negotiated agreement, used to evaluate whether a proposed bargain is preferable to no deal.
Binding overhang	The difference between a WTO bound tariff ceiling and the lower applied MFN tariff.
Commercial diplomacy	Government support for lawful international business development, often through missions, trade promotion and market problem-solving.
Countervailing duty	A duty imposed after a compliant investigation of subsidized imports causing the required injury.
Economic diplomacy	The management of a state's external economic relations through policy, representation and negotiation.
Geoeconomics	The use and strategic structuring of economic instruments and networks to pursue geopolitical or security objectives.
Gravity model	A framework explaining bilateral trade through economic size, trade costs and related structural variables.
Most-favoured-nation treatment	A non-discrimination principle requiring specified trade advantages granted to one member to be extended to like products or services of other members, subject to legal exceptions.
National treatment	A non-discrimination principle concerning treatment of imported goods, services or intellectual property relative to domestic counterparts within the relevant agreement.
Non-tariff measure	A policy measure other than an ordinary customs tariff that can affect international trade quantities or prices; it is not necessarily a barrier.
Rules of origin	Criteria used to determine the economic nationality of a product for preferential or non-preferential purposes.
Safeguard	Temporary trade relief responding to increased imports causing or threatening serious injury under the applicable agreement.
Sanctions	Legal restrictions on economic interaction used to pursue security, foreign-policy or legal objectives.
SPS measure	A sanitary or phytosanitary measure addressing defined human, animal or plant life or health risks.
TBT measure	A technical regulation, standard or conformity-assessment measure within the TBT framework.
Trade intensity	A descriptive measure comparing the share of trade with a partner to that partner's share in a wider benchmark.
WTO binding	A negotiated maximum tariff or other scheduled commitment that constrains future policy.
Weaponized interdependence	The strategic use of central positions in global networks to obtain information or restrict access, subject to adaptation and counter-strategy.

Concept-Check Questions

1. Why must trade law, trade policy, diplomacy and geoeconomics be distinguished before they are integrated?
2. What is the difference among a bound tariff, an applied MFN tariff and a preferential tariff?
3. How do GATT MFN and national treatment address different forms of discrimination?
4. Why is a WTO exception part of the legal architecture rather than a loophole?

5. What separates an SPS measure from a TBT measure?

6. Why can rules of origin determine whether a negotiated preference has real commercial value?

7. How do anti-dumping, countervailing and safeguard measures differ in their trigger and injury logic?

8. Why is the WTO Appellate Body impasse relevant to a firm even though the firm has no direct standing at the WTO?

9. What do the NTM frequency index and coverage ratio measure, and what do they not measure?

10. Why is RCA a descriptive indicator rather than proof of policy success?

11. How does a two-level game change the way a negotiator should prepare an international bargain?

12. What distinguishes commercial diplomacy from improper political favoritism?

13. What makes an economic relationship a potential geoeconomic chokepoint?

14. Why should sanctions effectiveness be defined by behavioral or strategic outcomes rather than by economic pain alone?

15. How does subsidiarity help evaluate the allocation of authority between national, regional and continental institutions?

Higher-Order Analytical and Critical-Thinking Questions

1. A country imposes a strict food-safety rule that eliminates 40 percent of a developing-country exporter's sales but also reduces a scientifically plausible health risk. Develop the legal, economic, diplomatic and moral questions that must be answered before describing the rule as legitimate or protectionist.

2. Does the Appellate Body crisis strengthen powerful countries relative to smaller WTO members? Develop arguments on both sides and identify evidence that would allow the claim to be tested.

3. Evaluate the 2026 African Union direction toward full tariff elimination on eligible intra-African trade through sovereignty, subsidiarity, productive capacity, revenue, rules of origin and implementation capability.

4. When can industrial policy be a legitimate response to strategic dependence, and what governance features are needed to prevent it from becoming permanent rent transfer?

5. Compare a realist and liberal-institutionalist explanation of advanced-semiconductor export controls. Which better explains the policy, and what would each miss?

6. Is weaponized interdependence self-defeating over time because targets build alternatives? Design a research strategy capable of distinguishing short-run leverage from long-run network erosion.

7. Under what conditions can a business association legitimately ask its government to challenge a foreign measure without engaging in protectionist lobbying?

8. Develop a Christian moral argument for and against a targeted sanctions program responding to serious aggression. Your answer must address authority, proportionality, civilian effects, peace and reasonable prospect of success.

Applied Case: Lake Kivu Nutraceuticals and the New Border Rule

Lake Kivu Nutraceuticals is a fictional Rwandan manufacturer of shelf-stable plant-based nutrition products. It has built a fast-growing market in a neighboring AfCFTA state. The product is classified under a tariff line whose MFN rate is 18 percent and whose current AfCFTA preferential rate is 4 percent for qualifying originating goods. The firm has been claiming the preference using an origin calculation based on regional inputs and processing in Rwanda. A new importing-country regulation now requires laboratory testing for a specified contaminant in every production batch, using laboratories accredited under a national scheme. No laboratory in Rwanda currently holds that accreditation. Testing in the importing country adds twelve days and 6 percent to landed cost.

The importing regulator states that recent domestic incidents justify the measure and that foreign suppliers are treated identically. The Rwandan exporter responds that domestic producers usually use in-house laboratories recognized under a transitional arrangement and therefore avoid the delay. Trade data show the market is important: 45 percent of the firm's exports go to this destination. A competing producer in a third country is reportedly obtaining faster clearance, but the evidence is anecdotal. The Rwandan government is preparing for a bilateral trade committee meeting in four weeks and asks the firm for a recommendation.

Prepare a TLDGS memorandum. Identify the classification questions, possible SPS or TBT characterization, comparator evidence, AfCFTA and domestic-law interfaces, information needed from the regulator, quantitative exposure, BATNA and requested negotiating outcome. Recommend whether the firm should comply, seek recognition or equivalence, request a transition, pursue domestic review, ask the government to raise the matter formally, diversify the market, or combine these options. Explain the moral implications if the health risk is genuine but the recognition system creates unequal practical access.

Ethical and Faith-Informed Dilemma: Sanctions, Medicine and the Compliance Department

A multinational distributor operates in a country that has become subject to new financial sanctions after military aggression. The sanctions contain humanitarian exemptions, and the distributor's medicines are not prohibited. Several correspondent banks nevertheless announce that they will not process any payment connected to the country because the compliance cost is too high. The distributor can continue supply only by using a smaller regional bank and a payment route that is lawful but more expensive and subject to heightened scrutiny. Senior management worries that regulators may later question the arrangement and proposes suspending all deliveries until the political situation stabilizes.

Using the TLDGS Protocol, evaluate the decision. Distinguish legal prohibition from private de-risking. Identify the evidence required to verify the payment route and counterparties. Analyze foreseeable consequences for patients, employees, regulators and the firm. Then apply Christian principles of truth, neighbour-love, legitimate authority, prudence and protection of the vulnerable alongside consequentialist, rights-based and deontological reasoning. Defend a decision and specify the controls, escalation triggers and review date that should accompany it.

Data and Evidence Exercise: Trade Diagnostics for a Negotiating Brief

The following dataset is deliberately illustrative and is not actual data for any named economy. Its purpose is to test calculation and interpretation. Country A is preparing an AfCFTA negotiating and implementation brief for four products. World totals and partner shares use the same year and nomenclature.

Table 19.19. Illustrative trade-policy dataset.

Product	A exports product	A total exports	World product exports	World total exports	A exports to Partner B	Traded lines	Pref. tariff %	NTM?	Imports value
P1 Coffee extract	120	600	18,000	3,000,000	80	1	0	Yes	70
P2 Processed fruit	90	600	45,000	3,000,000	45	1	5	Yes	120
P3 Basic textiles	30	600	150,000	3,000,000	20	1	10	No	40
P4 Medical devices	10	600	300,000	3,000,000	5	1	0	Yes	200

Tasks: (a) calculate RCA for each product; (b) identify which product shows the strongest revealed specialization; (c) calculate the bilateral trade-intensity ratio using total exports to Partner B across the four products if Partner B receives 8 percent of world exports; (d) assuming P1, P2 and P4 are NTM-covered, calculate the frequency index and coverage ratio using the four representative traded lines and import values shown; (e) explain why a 0 percent preferential tariff does not prove that trade is frictionless; (f) identify which additional legal and administrative data would be needed before advising the ministry; and (g) propose two negotiating priorities, distinguishing offensive export interests from defensive regulatory interests.

ANSWER CHECK | RCA values are P1 = 33.33, P2 = 10.00, P3 = 1.00 and P4 = 0.17 (rounded). Total exports to Partner B are 150, so the simple trade-intensity ratio is (150/600) / 0.08 = 3.125. With three of four representative traded lines NTM-covered, frequency is 75 percent. Covered import value is 390 of a total 430, giving a coverage ratio of approximately 90.7 percent. These calculations are only the beginning: RCA does not prove causal competitiveness, intensity does not explain why bilateral trade is concentrated, and NTM coverage does not establish illegality or protectionist intent.

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World Trade Organization. (2026c, June 23). Panel to review Indian measures on solar, IT goods; members share views on reform talks. https://www.wto.org/english/news_e/news26_e/dsb_23jun26_426_e.htm

World Trade Organization. (2026d, July 24). Russia requests dispute panel on EU carbon border adjustment and emissions trading scheme. https://www.wto.org/english/news_e/news26_e/dsb_24jul26_464_e.htm

World Trade Organization. (2026e). Multi-Party Interim Appeal Arbitration Arrangement pursuant to Article 25 of the DSU. https://www.wto.org/

World Trade Organization. (2026f). *World tariff profiles 2026*. World Trade Organization, International Trade Centre, and UN Trade and Development.

Annotated Further Reading

Bagwell and Staiger (1999), An Economic Theory of GATT. A foundational economic account of reciprocal trade agreements and the terms-of-trade problem. Read for the mechanism behind negotiated tariff constraints, not as a complete theory of every modern trade rule.

WTO (2025a), The WTO Agreements. The best single authoritative starting point for the current multilateral legal texts, updated to include the Agreement on Fisheries Subsidies. Use the treaty text before relying on summaries.

Odell (2000), Negotiating the World Economy. A rigorous bridge between international political economy and actual negotiating strategy. Especially useful for understanding how beliefs, markets and domestic politics shape bargaining.

Putnam (1988), Diplomacy and Domestic Politics. The classic two-level-games article. Essential for understanding why international negotiators cannot be analyzed separately from domestic ratification and coalition constraints.

Farrell and Newman (2019), Weaponized Interdependence. A highly influential account of how network centrality can create coercive power. Read critically alongside evidence on adaptation, substitution and the long-run costs of weaponization.

Peksen (2019a), When Do Imposed Economic Sanctions Work? A concise critical review that exposes measurement and design weaknesses in sanctions-effectiveness research and shows why sanctions must be studied with diplomacy and other instruments.

Felbermayr et al. (2020), The Global Sanctions Data Base. A major empirical resource for studying sanction episodes by type, objective and historical period. Its value is methodological as much as descriptive: it makes clear why sanction effectiveness cannot be inferred from a few highly visible cases or from economic pain alone.

UNCTAD (2024), Making Sense of Non-Tariff Measures. A practical methodological reference for accessing TRAINS data and constructing frequency, coverage and prevalence indicators without confusing regulatory presence with protectionism. Pair it with UNCTAD (2025) when moving from inventories to impact analysis.

African Union AfCFTA legal instruments. Primary sources for continental trade law. Readers should verify protocol status, schedules, rules of origin and domestic implementation rather than relying on secondary descriptions because the architecture continues to evolve.

Hoekman and Kostecki (2009), The Political Economy of the World Trading System. A broad institutional and political-economy treatment of the WTO system that is especially valuable for connecting legal disciplines to negotiation, development and implementation.

Woolcock (Ed., 2025), The New Economic Diplomacy (5th ed.). A current practitioner-informed study of external economic decision-making and negotiation, updated for geopolitical rivalry, weakened multilateralism and contemporary statecraft. Use it to connect domestic coordination, commercial diplomacy and multilateral bargaining.

WTO (2026f), World Tariff Profiles 2026. An authoritative statistical reference for applied and bound tariffs across economies, with useful contextual material on non-tariff measures and trade remedies.

WTO dispute-settlement and MPIA resources. Essential for verifying the current institutional status of panels, appeals, Article 25 arbitration and the MPIA. These resources should be checked afresh because dispute-settlement arrangements remain politically fluid.

WTO (2025c), World Trade Report 2025. A current evidence base on AI and trade that helps readers understand why digital technology is becoming both a source of lower trade costs and a new arena of regulatory fragmentation.

Irwin (2017), Clashing over Commerce. A detailed historical account showing that trade policy has always combined economic ideas, distributional conflict and political institutions. Useful for resisting claims that present trade tensions are wholly unprecedented.