

ORIGINAL ARTICLE

Is Using Trade Policy for Foreign Policy a ‘SNO Job’? On Linkage, Friend-Shoring, and the Challenges for Multilateralism*

Robert Wolfe

Queen’s University, Canada
Email: robert.wolfe@queensu.ca

(Received 1 March 2023; accepted 1 March 2023)

Abstract

Using trade policy to achieve foreign policy objectives, such as stable international relations, has a long history, from Kant to the founders of the GATT. Punishing enemies and rewarding ‘friends’ by granting or withholding market access is also not new, and sanctions or blockades are a venerable form of trade policy used as foreign policy. A more recent form is influencing the domestic policy of another country with non-commercial provisions in trade agreements. All these tools are based on linkage, on the assumption that a desired outcome can be achieved by interventions that would increase or decrease trade. The latest instance is so-called ‘friend-shoring’, which would in principle isolate enemies, although it will be difficult in practice and risks undermining multilateralism. The cost of these interventions is susceptible to economic analysis, even if the conclusion is that it is worth paying. Influenced by Alan Winters who referred to national security as a motivation for agriculture protection as a ‘so-called non-economic objective’ or SNO, I argue that using a trade policy tool for a foreign policy purpose as if there is no cost is a SNO job, an attempt to justify an intervention aimed at one objective by framing it as being valuable for another.

Keywords: linkage; friend-shoring; multilateral; sanctions; non-economic objectives

1. Introduction

Western leaders convinced themselves that Vladimir Putin’s invasion of Ukraine and Xi Jinping’s consolidation of power meant that old ideas about interdependence preventing war and promoting democracy were wrong. Since Russia and China are singularly hostile to the west, trade must now be subordinate to foreign policy and national security. The buzzy new term ‘friend-shoring’ encapsulates this idea. I argue in this article that these premises rest on weak historical and analytic foundations, and that proponents may be underestimating the consequences for multilateralism.

‘Snow job’ in colloquial English is a concerted attempt at flattery (or deception), an attempt to persuade someone that something is good or true when it is not. I use it in the sense of an attempt to justify an intervention aimed at one objective by framing it as being valuable for another. In 1988, Alan Winters argued that many rationales for agricultural policy, such as environmental protection, have ‘an essential economic dimension because their achievement diverts scarce

*Earlier versions of this paper were presented at the Festschrift conference for Alan Winters at the European University Institute in September 2022 and at the Queen’s Annual Institute on Trade Policy in October 2022. I am grateful for the helpful comments of participants at both events and for the suggestions of Bernard Hoekman, Petros C. Mavroidis, Kim Richard Nossal and an anonymous reviewer.

© The Author(s), 2023. Published by Cambridge University Press on behalf of The World Trade Organization. This is an Open Access article, distributed under the terms of the Creative Commons Attribution licence (<http://creativecommons.org/licenses/by/4.0/>), which permits unrestricted re-use, distribution and reproduction, provided the original article is properly cited.

resources from other objectives' and so he called them SNOs – So-called Non-Economic Objectives (Winters, 1988). He then demonstrated that national security, for example being able to withstand a grain embargo, is as much a SNO as any other issue – and agricultural intervention is not necessarily the best way to achieve it (Winters, 1990). Using a trade policy tool for a foreign policy purpose *as if* there is no cost is a SNO job.

Policy about foreign trade is obviously a policy about relations with foreigners, but this trite observation does not clarify the distinction (Cooper, 1972). Whatever government department implements the policy, if the intention is to disrupt or enhance transaction flows across a border, it is trade policy.¹ And it is the border that makes trade policy foreign policy, because foreign policy is about managing relations with other states, usually with some strategic objective in view.

Realists have always argued for the primacy of politics, meaning that the so-called 'high politics' of military security dominates the 'low politics' of economic and social affairs. In contrast, functionalists have always believed in the conquest of the political by the economic, that work on welfare issues was important to remove the economic causes of war and international insecurity.

Much of the talk about our supposedly changed circumstances today misremembers the objectives of post-Second World War policymakers. The balance between the commercial and political objectives of the new world order was found in the core non-discrimination principles of most-favoured nation (MFN) and national treatment codified in Articles I and III of the 1947 General Agreement on Tariffs and Trade (GATT). Those principles are first the basis of stable international relations. It is a kind of golden rule: stability comes from treating others as you would wish to be treated. Justifying a discriminatory trade action as being necessary for foreign policy reasons is a SNO job.

In a widely noted speech, Canada's deputy prime minister, Chrystia Freeland, said 'Where democracies must be strategically vulnerable, we should be vulnerable to each other' (Freeland, 2022). Such friend-shoring is an instance of using trade policy for a foreign policy purpose. The interrelated foreign policy objectives that might be served by a trade policy tool fall in three groups:

1. Ensuring peaceful international relations by promoting mutually beneficial trade.
2. Punishing enemies and rewarding friends by granting or withholding market access, imposing export and import restrictions, and sanctions and embargoes.
3. Influencing the domestic policy of another country by including non-commercial provisions in trade agreements.

Some of these objectives and tools are meant either to increase or to decrease integration. The mix varies by country and over time. Whether they are deemed effective depends on the problem they are intended to solve. Sometimes aiming at one objective (punishing enemies, for example) undermines others (peaceful international relations). My focus is largely on leaders interpretation, not empirical proof.

After a brief discussion of the conceptual basis for linking trade policy and foreign policy, I consider each of the three groups of objectives. Section 3 explores the evolution of thinking about trade and peaceful international relations. Section 4 examines the contemporary face of punishing enemies, so-called friend-shoring, aimed at China. Section 5 considers the other part of punishing enemies, sanctions against Russia. The focus of section 6 is how trade policy is used to influence domestic policy choices, often of developing countries. Section 7 concludes by asking if it is all a SNO job, one with considerable risks for multilateralism.

¹This shorthand is not meant to include financial transactions, although the issues are similar.

2. Linking Trade Policy with Foreign Policy

Trade is only one kind of international agreement, so why do trade agreements include aspects for which other fora and agreements exist? Linkage, on the assumption that a desired outcome can be achieved by interventions that would increase or decrease trade. The offer or denial of access to a larger market creates leverage with at least the appearance of affecting policy change in another country. Adding issues in a negotiation may facilitate the formation of preferential trade agreements (PTAs) if they increase the set of issues over which the parties can bargain (Milewicz et al., 2018), a form of ‘tactical linkage’ (Haas, 1980) often used when either side in effect needs a side payment to mollify a domestic constituency (Limão, 2007; Lechner, 2016). The objective is simply to obtain additional bargaining leverage, to extract a quid pro quo not obtainable if the discussion remains confined to a single issue. Put differently, all trade agreements are a package that can only be assembled with diffuse reciprocity, meaning that direct exchanges between the parties do not have to involve the same goods in the same time frame (Wolfe, 2009, p. 849).

Beyond the usual political economy factors in assembling a package, some domestic groups require protection for workers, or the environment, or human rights before accepting more trade. Such trade-offs are needed even when a broad foreign policy objective motivates a deal. In the US, the Administration might want to use trade to signal support or disapproval of a country, but Congress has long added its own objectives: encouragement of human rights, or conditioning trade with the former Soviet Union on freedom of emigration, or discouragement of nuclear proliferation and terrorism (Cooper, 1987).

Countries choose their partners, sometimes for non-commercial reasons (Hinz, 2022). Early this century, the US launched a burst of PTA negotiations that were largely useful for foreign policy since the commercial benefits would be small (Irwin, 2017, p. 676). A trade agreement is in effect a ‘friendship treaty’ and can be designed to shore up a relationship that matters for security reasons, or to support a developing democracy. That is, in any trade negotiation either partner might compromise on a commercial objective to achieve a deal that they value for its foreign policy benefits. And in either cases, there are trade-offs: less of one to get more of the other.

3. Trade and Peaceful International Relations, or the Long Shadow of the Eighteenth Century

The United States Trade Representative, Katherine Tai, is reported to have wondered in April 2022 (Fortnam, 2022) ‘whether this vision for globalization leading us to a better more secure world has run its course ...’ Tai cited Russia’s invasion of Ukraine, ‘which according to our earlier theory about more trade leads to more peace and prosperity is something that simply should not have happened’. Chrystia Freeland, in her October 2022 speech in Washington (Freeland, 2022) said we cannot be naïve about globalization: ‘As Putin is murderously proving, economic interdependence does not always prevent war. All of this means that we, the countries of the non-geographic West, need to build a new paradigm.’ These claims are themselves naïve: social scientists know that while economic interdependence can raise the costs of war, it clearly does not prevent it (Gartzke and Zhang, 2015; Nye, 2022).

The roots of the thinking that politicians now critique go back a long way, at least to the great eighteenth century philosopher, Emmanuel Kant, who wrote in 1793 that financial power can force nations to pursue peace for reasons of self-interest. These eighteenth-century ideas influenced the founders of the American republic. They believed that the world is divided by monarchies but were brought together by the natural interests of nations in trade, that reciprocity and national treatment were important values, that American trade can bring about changes in international behavior, and that commercial sanctions can substitute for military force (Wood, 2009).

The ideas were later expounded by nineteenth-century liberal thinkers, such as Richard Cobden and John Stuart Mill, and early twentieth-century thinkers like Norman Angell and John Maynard Keynes who was Kantian in his understanding of the relationship between economic and political stability (Keynes, 1919, p. 211). In the same era, the business leaders who created the International Chamber of Commerce in 1919 called themselves merchants of peace. Their successors saw their mandate as creating world peace through world trade – one of the motivations for playing a big role in supporting the creation of the GATT. US Secretary of State, Cordell Hull, believed that ‘The truth is universally recognized that trade between nations is the greatest peace-maker and civilizer within human experience’ (quoted in Irwin et al., 2008, p. 191). Whether or not that is true, what matters here is that leaders believed that trade promotes peace, and they acted on that belief (Zeiler, 2022).

It is conventional wisdom, as Irwin et al. (2008, p. 191) recount, that ‘The most important political motivation for the GATT, for which the United States was prepared to make economic concessions, was world peace.’ In tough bargaining at the end, negotiations almost broke down over British imperial preferences, but the Geneva negotiators were over-ruled by Washington, largely on foreign-policy grounds: supporting friends outweighed commercial considerations (Irwin et al., 2008, pp. 196–167; McKenzie, 2020, p. 67). At the same time, also on foreign policy grounds, the US and its allies isolated the USSR (and China) by not allowing them to join the GATT, making it a pillar and instrument of the ‘free world’ (McKenzie, 2020, p. 101).

Before the establishment of the World Trade Organization (WTO), the multilateral trading system worked as a ‘club’, which allowed the major trading powers to manipulate the circle of participants in trade negotiations depending on how the powers weighed the costs and benefits of the participation of additional states (Lamp, 2016). The club model ended with the establishment of the WTO, although many developing countries complained that the system was still not universal, that it was not responsive to their needs. The proliferation of PTAs after the collapse of the Doha Round in 2008 was a form of working with friends in new clubs as were the ‘joint state–ment initiatives’ for plurilateral negotiations in the WTO after 2017.

Is the long eighteenth century over in elite thinking? By the 1990s, when the Cold War ended, the political salience of foreign policy considerations diminished considerably (Irwin, 2017, Chapter 10 and p. 629). One result was unwillingness to make the concessions that might have been required to conclude the Doha Round. Many tensions in the WTO come from including developing countries, especially China, with no overriding foreign policy logic to manage the inescapable commercial conflicts. Another consequence was the difficulties that trans-Pacific and trans-Atlantic negotiations encountered in Congress. The Obama administration tried to sell both free trade agreements as essential for US security – shoring up alliances by offering access to the US market. This traditional sales effort about mutually reinforcing trade and security objectives did not work in Congress, perhaps because the bigger the partner, the more foreign or security policy is insufficient motivation to conclude a deal that appears to harm powerful interests. And yet the big idea still resonates: the WTO Trade for Peace project, launched in 2017 aims to support the integration into the trading system of fragile and conflict-affected states by recognizing the role of trade in peacebuilding.²

One could argue that the post–Second World War architecture in Europe succeeded in using integration to promote peace. Liberals such as Karl Deutsch and his colleagues in the 1950s stressed the attainment of a ‘sense of community’, including institutions and practices strong enough to create expectations of ‘peaceful change’ among its population. Policy prescriptions included efforts to increase both ‘mutual responsiveness’ (of countries and elites to other countries) and a greater range of mutual transactions (through various forms of trade liberalization) (Deutsch, 1957/1968). The Deutsch book was the basis for the literature on ‘security communities’ – the archetype was Canada and the United States, where conflicts were inevitable, but

²https://www.wto.org/english/thewto_e/acc_e/tradeforpeace_e.htm

settling them with force had become inconceivable. This was also part of the well-known motivation for the process that eventually led to the creation of the European Union. We have long understood that Russia perceived itself as an outsider, a challenger to the 'liberal international order' not an integrated participant (Lake et al., 2021, p. 242), and Russia certainly did not form a security community with Ukraine. Tai and Freeland notwithstanding, the war in Ukraine may even support theories about interdependence and peace, and the supposed need for a new paradigm may be a snow job.

4. Punishing Enemies with Friend-Shoring

The latest fashionable term encapsulating the idea that foreign policy trumps trade is 'friend-shoring'. The use of the term can be found in US policy documents in 2021, but it first gained wide attention in a speech by Treasury Secretary, Janet Yellen, in April 2022 (Yellen, 2022). Echoing concepts like 'weaponized interdependence' (Drezner et al., 2021), she said that 'We cannot allow countries to use their market position in key raw materials, technologies, or products to have the power to disrupt our economy or exercise unwanted geopolitical leverage.' The implication was simple: the US should favor 'the friend-shoring of supply chains to a large number of trusted countries.' Friend-shoring is obviously associated with industrial policy measures ostensibly aimed at improving the resilience of supply chains. Hence, it is a SNO, and its meaning varies depending on which US official is speaking (Harput, 2022), but it also requires using trade policy for foreign policy.

Without necessarily using the term friend-shoring, EU officials also now say that they must reduce the supply chain risk of being vulnerable to Russia and China because of the fear that supply could be arbitrarily disrupted for non-economic reasons (coercion), or that products might have inherent security risks (Huawei), or that western technology might be used for military purposes. One response to the new vulnerabilities is autarky, or self-defeating attempts at 're-shoring', but Canada's Finance Minister knows that autarky has a cost, and so she agrees that friend-shoring is an alternative, and something that can be accomplished through trade agreements (Freeland, 2022).

The Biden Administration is not interested in new trade agreements but is pursuing several 'frameworks': the Indo-Pacific Economic Framework with 13 countries, the Trade and Technology Council with the EU, and the Americas Partnership for Economic Prosperity for the Western Hemisphere. What unites these frameworks is an unwillingness to pay a domestic price. By design none will require Congressional approval because none offer the inducement of binding American commitments. Freeland (2022) had a message: 'Our alliance of democracies must be open ... to any country that shares our values and is willing to play by collectively agreed upon rules.' Such clubs could be non-discriminatory, especially if the WTO is involved in providing transparency for the talks. But it seems unlikely that the proponents intend to create 'open plurilateral agreements' in which anyone who meets the conditions can participate (Hoekman and Sabel, 2021), because only some countries will be defined as 'friends'.

We know that closed agreements with 'friends' have significant costs for global efficiency and can only be achieved with interventions designed to shift economic outcomes in the direction desired by foreign policy. They are SNOs. These expensive interventions will run counter to WTO rules with discriminatory tariffs, subsidies, and regulation. And they will provoke bilateral Chinese retaliation – Australia, Canada, Lithuania, and South Korea have suffered such retaliation in recent years. The government of China has certainly shown that like the EU and the US it will use economic leverage for political purposes. We also know that western hostility is leading to growing 'securitization' of Chinese policy: Chinese elites increasingly see integration as a source of vulnerability (Tan, 2022). Trading only with friends was what the GATT was about, since there was no Russia or China. Do the friend-shoring proponents want to create a new institution so that they can again isolate 'non-friends'? But who are the friends and do all of them have the

same friends? And how many plurilateral trade-related agreements can achieve critical mass without China? Friend-shoring is a snow job that risks undermining global order.

5. Punishing Enemies with Sanctions

While friend-shoring is naturally an effort to trade more with friends, sanctions are an effort to trade less with adversaries. Despite US President Joe Biden thinking that sanctions are ‘a new kind of economic statecraft with the power to inflict damage that rivals military might’ (Luce, 2022), sanctions are in fact one of the oldest forms of trade policy used as foreign policy, going back in US thinking to the founding of the Republic, and they are seen as an essential tool by the EU (European Council, 2018). They have evolved from wartime blockades to peace time sanctions as an alternative to war (Mulder, 2022). Sanctions are an obvious way to use a trade measure to affect the policies and actions of another state. But they are also a SNO because they have an economic cost.

After Russia seized Crimea from Ukraine in 2014, many western countries began to use trade as a tool to punish Russia through sanctions, and to support Ukraine with new agreements. Russia’s full-scale invasion of Ukraine in February 2022 provoked a much stronger sanctions response (McDaniel and Ghei, 2022). The WTO Secretariat tracked hundreds of sanctions on Russia in the first part of 2022, most of which were not trade-related but included dozens that did affect trade in goods and services; they were generally announced and implemented with reference to security considerations (WTO, 2022b).³

Evaluating sanctions as a tool begins with being clear on the objective. In the Russia case, some tools are designed to hurt rich individuals who are presumed to be influential with Putin. Others are more traditional designed to impede his ability to wage war. Trade measures do not stop tanks in their tracks immediately, but they do have short-term consequences for a military rapidly depleting its supplies, and longer-term consequences for Russia’s defence industrial base, not to mention industries like oil and gas that need advanced technologies from abroad.

It could be said that sanctions are a way to signal to domestic opinion in the sanctioned country. In the case of Iran, the message to women in the streets in the fall of 2022 could have been that the outside world has not forgotten you. However, if the Iranian target is the educated middle-class, they are the least affected by sanctions (Ghomi, 2021). Sanctions on Russia may be important for maintaining civilian morale in Ukraine. Sanctioning a few more Russians might be a signal to Canadian public opinion that their government is doing all it can. But sanctions can also increase domestic hostility towards the sanctioning state.

Export controls are a particular kind of sanction. At the beginning of the Cold War, when the US and its allies moved to restrict the supply of military materials to the USSR, they set up the Coordinating Committee for Multilateral Export Controls (COCOM). Other agreements followed, leading to the Wassenaar Arrangement after the Cold War ended. For decades, the primary focus was a conventional understanding of national security, but, as competition with China became more salient, domestic economic considerations led to a securitization of economic policy that transformed export controls into a trade instrument (Whang, 2019). And that may be how we should understand current US policy on denying China the most advanced semiconductors and fabrication tools in the guise of national security. These export restrictions are discriminatory by design and could only be defended if challenged by invoking the GATT Article XXI national security exception.

Not listening to your adversary is also a kind of sanction. During the June 2022 WTO Ministerial Conference, some countries refused to participate in any dialogue that included Russia, a tactic that had been slowing down work for months. On the opening day of the

³Chad Bown has done an outstanding job tracking sanctions on Russia, www.piie.com/blogs/realtime-economic-issues-watch/russias-war-ukraine-sanctions-timeline.

Ministerial, about three dozen delegations including the US, EU, and Canada walked out of the room before the Russian economic minister spoke in the meeting's first 'thematic' session. The same group suspended the process of Russian accession to the Government Procurement Agreement and of Belarus accession to the WTO.

The sanctions question came up again and again in most WTO bodies during the first half of 2022, including in two lengthy exchanges in the Council for Trade in Goods (WTO, 2022a). Russia complained that a long list of trade actions against it were illegal and unjustified while many OECD countries condemned Russia's actions. Canada concluded its statement with a clear articulation of why these trade policy actions were taken for foreign policy reasons:

Russia's hostile act is ... a blatant violation of international law and the rules-based international order ... Canada is acting to protect its essential security interests, which are inextricably linked to that rules-based international environment. In addition, Canada will continue to work closely with like-minded partners to promote peace and security for all states and their citizens. (WTO, 2022a, p. 91)

6. Using Trade to Influence Another Country's Domestic Policy

There is another thread to the trade policy as foreign policy story. The EU says the broader objectives for trade policy 'go far beyond climate, the environment and human rights to include geo-strategic interests, security, public order and more' (Weyand, 2021). In that speech earlier this year, Katherine Tai was also reported to have said that 'Protecting and having high standards for workers and the environment mean higher costs', implicitly recognizing that these objectives are SNOs because the attempt to shape the non-commercial policy decisions of another country has a cost. It may also be a snow job if it has an unspoken commercial dimension.

It is well known that many PTAs include both 'WTO-plus' measures that build on existing WTO rules, and chapters that go beyond existing rules or 'WTO-extra' (Horn et al., 2010). I assume that all WTO-plus measures are economic and that many WTO-extra provisions have an apparently non-economic objective. The many WTO-extra provisions in PTAs seem a new phenomenon, but they have been around at least since the 1990s. And since 1947 the general exceptions of GATT Article XX have been a tool allowing trade policy to be used for at least accommodating other objectives, such as measures 'necessary to protect human, animal or plant life or health'. Not every rich country pursues such SNOs: Australia apparently resists linking trade with social standards (Postnikov and McKenzie, 2022). And stronger developing countries also resist: India is not participating, for now, in the trade pillar of IPEF until it knows more *inter alia* about any commitments required on environment, and labour.

The list of foreign policy SNOs is long. The EU often conditions preferential access to its market on compliance with non-trade policy objectives (Borchert et al., 2021), which can be grouped as civil and political rights, security issues, economic and social rights, and environmental protection. Apparently non-economic WTO-extra provisions in a wider group of PTAs include commitments on visa and asylum, political dialogue, research and technology, public administration, consumer protection, education and training, information society, illegal immigration, cultural cooperation, audiovisual, money laundering, health, nuclear safety and civil protection (Mattoo et al., 2017, Table 1).

Why are these WTO-extra issues included in PTAs? The motivation in some cases might be shared values, but it might also be the assumed linkage to enforcement, just as some people thought non-traditional issues should be in the WTO because of its dispute settlement system. It is somewhat perverse in the case of PTAs, since for the most part their elaborate dispute settlement mechanisms are little used and indeed many WTO-extra measures are excluded from dispute settlement. So, the linkage is in the negotiations not the implementation of an agreement. As discussed in section 2 above, adding disparate issues to a negotiation might facilitate agreement, as long as the reciprocal basis of any trade negotiation is not undermined.

The risk here, especially evident now with the EU and the US, is that these foreign policy objectives drive trade policy. Which comes first, protecting a fragile ecosystem or increasing trade with a country that is trying to grow to provide more work for its citizens? The EU, for example, will not sign a trade agreement that does not have sustainable development provisions. The market power of the EU might allow it to impose these provisions on smaller economies but limits the possibility of deals with larger economies. And it is not even clear that non-trade objectives in agreements make any difference in practice (Ferrari et al., 2021). Even if one can claim an economic benefit from environmental protection that is still not a commercial policy objective, and a trade agreement may not be the most efficient tool, which makes it a SNO job.

7. Conclusion: A SNO Job after All?

Trade policy is over determined, in that analysts can identify more causes than necessary for a simple explanation. Every commercial policy decision can be shown to have a political (economic) motivation, and every political objective included in a trade agreement can be shown to be a SNO. Sometimes the snow job is framing a policy for political support. Sometimes big trade policy initiatives that have multiple pain points for subsets of the population can only be pushed through by framing the initiative in terms of a larger foreign policy goal that enjoys wide support (Tobin et al., 2022). The risk comes when politicians then remember the sales pitch but not the analysis – a classic case of a snow job as self-deception.

For example, consider the Russian Federation after the Cold War. It was worth trying to use trade policy tools as part of the attempt to integrate Russia in the world economy, thereby creating an incentive to sustain the system. It did not work, which the west knew long before the Ukrainian invasion. In that sense, the invasion in 2022 cannot falsify the ‘theory’ about the political salience of interdependence because the theory never said that trade is a substitute for tanks. And in this case, the supposed theory may have been no more than political framing after the Cold War: any chance of integrating Russia into the European security community disappeared in the years after Vladimir Putin took office.

For another example of remembering only the sales pitch, consider China’s accession to the WTO. In that case, the supposed political benefit of more trade was used to sell a process that was desirable in itself on economic grounds. Chinese exports were rising before joining the WTO and accession was used by the leadership to force the pace of domestic reforms that the west saw as beneficial for integrating China into the rules-based trading system. That was an economic objective; the snow job was pretending that it would change the nature of the Chinese state.

If security is what a country wants, manipulating trade in either direction may or may not be the way to get it. Major deviations (liberalizing or not) from what commerce would do on its own requires expensive interventions that divert resources from other uses, which has a cost for the domestic economy and for trade. Such deviations also require major political interventions that are not risk free for foreign policy. Many large countries notably in Asia want to stand aside from the US–China fight, with some calling for a new form of non-alignment. And the US is not finding it easy to get key allies (Japan and Netherlands) to support its semiconductor stance.

The institutional implications are also troubling. Isolation of Russia in the WTO (and the G20, as happened in November 2022) while awkward for daily work probably does not matter much. China, by contrast, cannot be isolated – maintaining a rules-based trading system without the active engagement of one of the world’s largest traders is nonsensical. Similarly, negotiating with smaller groups is a sensible approach now because not all Members want to move at the same speed. But it should be done with full transparency under the auspices of the WTO. And significant new agreements will lack an economic logic, whatever the political attractions, without China. Friend-shoring does not just happen because politicians will it – disentangling

complex supply chains is hard, and risks fragmenting the world economy, an odd foreign policy objective.

Any form of linkage, including tying environmental protection to a trade preference, has a cost, because it involves giving up some of one thing for more of another. The cost may be minimal if a large country only commits to doing what it would be doing anyway but there is a cost for its partners, and perhaps for the country itself both in gaining agreement to include these provisions, and then monitoring compliance. Sanctions have differential costs for governments and citizens in target countries, in countries imposing the measures, and in third countries. And friend-shoring has political costs, not least for multilateralism, as well as economic costs. All these costs are susceptible to economic analysis, even if the conclusion is that the costs are worth paying. If governments do not do that analysis, and explain the costs, then it really is just a SNO job after all.

References

- Borchert, I., P. Conconi, M. Di Ubaldo, and C. Hergelegiu (2021) 'The Pursuit of Non-Trade Policy Objectives in EU Trade Policy', *World Trade Review* 20(5), 623–647.
- Cooper, R.N. (1972) 'Trade Policy Is Foreign Policy', *Foreign Policy* 9(Winter 1972–73), 18–36.
- Cooper, R.N. (1987) 'Trade Policy as Foreign Policy', in R.M. Stern (ed.), *US Trade Policies in a Changing World Economy*. Cambridge, MA: MIT Press, 291–322.
- Deutsch, K.W. (1957/1968) *Political Community and the North Atlantic Area*. Princeton: Princeton University Press.
- Drezner, D.W., H. Farrell, and A.L. Newman (eds.) (2021) *The Uses and Abuses of Weaponized Interdependence*. Washington: Brookings Institution Press.
- European Council. (2018) 'Guidelines on Implementation and Evaluation of Restrictive Measures (Sanctions) in the Framework of the EU Common Foreign and Security Policy', 5664/18, 4 May 2018.
- Ferrari, A., M. Fiorini, J. Francois, B. Hoekman, L.M. Lechner, M. Manchin, and F. Santi. (2021) 'EU Trade Agreements and Non-Trade Policy Objectives', Robert Schuman Centre for Advanced Studies, Research Paper RSC 2021/48, April 2021.
- Fortnam, B. (2022) 'Tai: Recent Shocks Demand Rethink of Free Trade', *Inside Trade*, 26 April 2022.
- Freeland, C. (2022) 'Remarks by the Deputy Prime Minister at the Brookings Institution in Washington, DC', Department of Finance, Canada. 11 October 2022.
- Gartzke, E. and J.J. Zhang (2015) 'Trade and War', in L.L. Martin (ed.), *The Oxford Handbook of the Political Economy of International Trade*. Oxford University Press, 419–438.
- Ghomi, M. (2021) 'Who Is Afraid of Sanctions? The Macroeconomic and Distributional Effects of the Sanctions against Iran', *Economics & Politics* 34(3), 395–428.
- Haas, E.B. (1980) 'Why Collaborate? Issue-Linkage and International Regimes', *World Politics* 32(3), 357–405.
- Harput, H. (2022) 'What Do the Friends of Friend-Shoring Think Its Rationale Is?', Global Trade Alert, Zeitgeist Series Briefing No.1, 24 August 2022.
- Hinz, J. (2022) 'The Ties that Bind: Geopolitical Motivations for Economic Integration', *Review of World Economics*.
- Hoekman, B. and C. Sabel (2021) 'Plurilateral Cooperation as an Alternative to Trade Agreements: Innovating One Domain at a Time', *Global Policy* 12(S3), 49–60.
- Horn, H., P.C. Mavroidis, and A. Sapir (2010) 'Beyond the WTO? An Anatomy of EU and US Preferential Trade Agreements', *The World Economy* 33(11), 1565–1588.
- Irwin, D.A. (2017) *Clashing over Commerce: A History of US Trade Policy*. Chicago: The University of Chicago Press.
- Irwin, D.A., P.C. Mavroidis, and A.O. Sykes (2008) *The Genesis of the GATT*. New York: Cambridge University Press.
- Keynes, J.M. (1919) *The Economic Consequences of the Peace*. London: Macmillan.
- Lake, D.A., L.L. Martin, and T. Risse (2021) 'Challenges to the Liberal Order: Reflections on International Organization', *International Organization* 75(2), 225–257.
- Lamp, N. (2016) 'The Club Approach to Multilateral Trade Lawmaking', *Vanderbilt Journal of Transnational Law* 49, 107–190.
- Lechner, L. (2016) 'The Domestic Battle Over the Design of Non-Trade Issues in Preferential Trade Agreements', *Review of International Political Economy* 23(5), 840–871.
- Limão, N. (2007) 'Are Preferential Trade Agreements with Non-Trade Objectives a Stumbling Block for Multilateral Liberalization?', *The Review of Economic Studies* 74(3), 821–855.
- Luce, E. (2022) 'The World-Changing Meaning of Putin', *Financial Times*, 6 April 2022.
- Mattoo, A., A. Mulabdic, and M. Ruta. (2017) 'Trade Creation and Trade Diversion in Deep Agreements', Policy Research Working Paper WPS8206, September 2017.
- McDaniel, C. and N. Ghei (2022) 'Economic Sanctions as a Foreign Policy Instrument: The Case of Russia', Mercatus Center, George Mason University. Policy Brief, 7 September 2022.

- Mckenzie, F. (2020) *GATT and Global Order in the Postwar Era*. Cambridge: Cambridge University Press.
- Milewicz, K., J. Hollway, C. Peacock, and D. Snidal (2018) 'Beyond Trade: The Expanding Scope of the Nontrade Agenda in Trade Agreements', *Journal of Conflict Resolution* 62(4), 743–773.
- Mulder, N. (2022) *The Economic Weapon : The Rise of Sanctions as a Tool of Modern War*. New Haven; London: Yale University Press.
- Nye, J.S. Jr. (2022) 'Eight Lessons from the Ukraine War', *Project Syndicate*, 15 June 2022.
- Postnikov, E. and L. Mckenzie (2022) 'Resisting Issue-Linkage: Social Standards and Australian Trade Agreements', *Journal of International Relations and Development*.
- Tan, Y. (2022) 'China's Responses to a Changing External Environment', University of Oregon, Presentation to the Queen's Institute on Trade Policy October 2022.
- Tobin, J.L., C.J. Schneider, and D. Leblang (2022) 'Framing Unpopular Foreign Policies', *American Journal of Political Science* 66(4), 947–960.
- Weyand, S. (2021) 'Sabine Weyand on Role of Trade Policy in Fighting Climate Change', *The Economist*, 16 October 2021.
- Whang, C. (2019) 'Undermining the Consensus-Building and List-Based Standards in Export Controls: What the US Export Controls Act Means to the Global Export Control Regime', *Journal of International Economic Law* 22(4), 579–599.
- Winters, L.A. (1988) *The So-Called 'Non-Economic' Objectives of Agricultural Policy*. OECD Publishing. OECD Economics Department Working Papers No. 52, April 1988.
- Winters, L.A. (1990) 'Digging for Victory: Agricultural Policy and National Security', *The World Economy* 13(3), 170–190.
- Wolfe, R. (2009) 'The WTO Single Undertaking as Negotiating Technique and Constitutive Metaphor', *Journal of International Economic Law* 12(4), 835–858.
- Wood, G.S. (2009) *Empire of Liberty : A History of the Early Republic, 1789-1815*. Oxford; New York: Oxford University Press.
- WTO. (2022a) 'Minutes of the Meeting of the Council for Trade in Goods, 21 and 22 April 2022', G/C/M/142, 17 June 2022.
- WTO. (2022b) 'Report to the TPRB from the Director-General on Trade-Related Developments (Mid-October 2021 to Mid-May 2022)', Trade Policy Review Body, WT/TPR/OV/W/16, 13 July 2022.
- Yellen, J.L. (2022) 'Remarks by Secretary of the Treasury Janet L. Yellen on Way Forward for the Global Economy', US Department of the Treasury, April 13, 2022.
- Zeiler, T.W. (2022) *Capitalist Peace: A History of American Free-Trade Internationalism 1*. New York: Oxford University Press.