The Use of Trade Sanctions in International Environmental Agreements

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Abstract

In the dynamic game of an international environmental agreement, where each sovereign country is a player, there needs to be a self-enforcement tool to ensure that the players follow the rules, achieving an equilibrium that is Pareto-superior to “Business-as-Usual.” Although trade sanctions could serve as an enforcement tool, such penalties would certainly violate rules of the World Trade Organization. This paper investigates the possibility of applying the general exceptions clause of the General Agreement on Tariffs and Trade (GATT) in international environmental agreements, and the possibility of using border carbon adjustments to impose trade restrictions without violating GATT principles. The paper finds that trade restriction is a potential effective enforcement mechanism in international environmental agreements both theoretically and practically. In the era of global climate change, international cooperation is essential in solving the problem at any time looking forward. Hopefully trade sanctions could be used to provide most countries with economic incentives to address the challenge cooperatively.