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Rethinking the Dynamics of Inclusion and Exclusion in Trade Politics

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Abstract

The economic populism said to be represented by the votes for Brexit and Donald Trump and the breakdown in trade and investment following the COVID-19 outbreak have rekindled interest in the redistributive consequences of trade liberalisation. Against this backdrop, the authors in this Special Section consider the broader drivers of inclusion and exclusion in trade governance, focusing on the trade politics of Canada, the European Union and the United States. This short introduction spells out the importance of considering the interplay between redistributive and deliberative drivers of inclusion and exclusion in producing trade policy contestation. It focuses on the three key drivers of inclusion and exclusion that the authors subsequently draw on in their contributions: discursive factors; institutional mechanisms and inter-scalar and multi-level dynamics.

Keywords: trade policy, inclusion, exclusion, deliberation, redistribution

Redistributive and deliberative inclusion/exclusion

The rise of populism and economic nationalism – often associated with the vote for Brexit and the election of Donald Trump – has driven renewed academic controversies regarding the winners and losers of trade liberalisation. The more recent effects of the COVID-19 pandemic have given further reasons to re-evaluate the interconnectedness of the global economy as critical supply chains have broken down and nations have hoarded medical supplies and raised barriers to travel.

A new chapter of globalisation debates is unfolding, pitting defenders of free trade against an increasingly vocal chorus of decision-makers calling for trade restrictions and the renationalisation of production processes. Open trade advocates have warned the world against the ‘sicken thy neighbour’ logic of export restrictions and the perils of ‘vaccine nationalism’ (Evenett 2020; Bollyky and Bown 2020) while trade critics have capitalised on the disruption brought by the pandemic to promote a new ‘securitised’ discourse on trade and health (Siles-Brügge 2020; Orbie and De Ville 2020).

These polarising debates come on the heels of years of academic and political controversies surrounding the dislocating effects of trade liberalisation on local labour markets. The release of an article on the ‘China shock’ by Autor *et al.* (2016: 208) marked a departure from ‘the consensus that trade could be strongly redistributive in theory but [...] relatively benign in practice’. This was supported and qualified by research on labour adjustment to trade liberalisation in countries other than the US (Malgouyres 2016; Dauth *et al.* 2015). This also showed that labour markets were surprisingly slow to adapt to trade shocks, with effects on wages and employment lingering a full decade or more after the shift in trade patterns.

This mushrooming literature has provided invaluable insights into the dynamics of exclusion from the dividends of globalisation and the tangible economic realities behind the resentment of a segment of voters against free trade. Yet, these debates have confined our understanding of the multiple linkages between trade and social exclusion to the field of economics. In this sense, the notions of inclusion and exclusion in the trade policy sphere have been reduced to questions of (re)distribution, whether the latter applies to the transnational firms benefitting from trade liberalisation, domestic workers displaced by cross-border trade and investment flows or less developed countries barred access to medical supplies.

This (re)distributive dimension is, of course, central in understanding the effects of trade policymaking, yet overshadows deliberative forms of inclusion and exclusion that hinge upon the premises, modalities and channels through which trade policy is understood, discussed and ultimately decided. In other words, in addition to having uneven material effects, the political economy of trade policy reflects the differential weight given to different arguments and actors in policymaking. It deviates from deliberative democratic practice – where the ‘reason-giving *requirement* [...] asks citizens and their representatives to [...] appeal to principles that individuals who are trying to find fair terms of cooperation cannot reasonably reject’ and where argumentation is public and understandable (Gutmann and Thompson 2004: 3-4, emphasis in the original). Such a frustration of deliberation – acutely epitomised by the rise of technocratic governance in trade policy, which has excluded non-expert and non-free market voices from decision-making – is often linked to the rise of economic populists and their intuitively simple and ‘emotive’ argumentation (Widmaier 2010; Hopkin and Rosamond 2018). Focusing on economic factors therefore provides only a partial picture of the political economy of trade that downplays the socio-political factors that structure state-market relations. Existing trade policy literature also tends to pay insufficient attention to more subtle factors of socio-economic

marginalisation including ‘submerged’ or ‘shadow’ institutional processes as well as subnational or transnational dynamics that are not always captured by state-centred approaches. The point here is not to pit redistributive against deliberative processes of inclusion and exclusion but rather to analyse them in conjunction to better connect processes with outcomes of trade policymaking.

We also aim to offer an alternative to the ‘trinity of interests, institutions, and international interactions’ that has been at the heart of the influential ‘open economy politics’ (OEP) approach to trade policy (Oatley 2017: 711). This has sought to offer a rational choice ‘mid-range theory’ alternative to grand theorising in International Political Economy (IPE) research, focusing specifically on individual policy preferences for liberalisation (under ‘interests’), the extent to which different regime types allow for trade openness (under ‘institutions’) and the impact and determinants of WTO membership and of the design of dispute settlement mechanisms in trade agreements (under ‘international interactions’) (Oatley 2017: 701-11). OEP has arguably traded theoretical complexity for positivist methodological rigour (see also Paquin 2016). Accounts of non-material drivers of trade politics have been largely reduced to a residual category of ‘sociotropic’ – related to one’s perception of trade policy’s impacts on the economy as a whole – or ‘ideas-driven’ individual trade policy preferences.¹ In contrast, our aim is to draw on a more eclectic set of theoretical tools to make sense of current trade politics.

Understanding the dynamics of inclusion and exclusion

Our central research question in this Special Section can be stated as follows: *how should we conceptualise inclusion and exclusion in trade politics when the global trading system is facing unparalleled strain?* In addressing this question, we hope to understand:

- a) the production and interaction of distributive and deliberative forms of inclusion and exclusion;
- b) how these have contributed to the contestation of trade policy.

We capitalise on new research trends in the political economy of trade to shed light on three drivers of inclusion and exclusion in trade policymaking, namely: a) discursive factors; b) institutional mechanisms; c) interscalar and multilevel dynamics.

Discursive factors

The first set of factors have their root in the growing scope of trade policy and its constant re-interpretation among both trade policymakers and other interested actors. By growing scope we are referring to the broader shift in global trade governance from focusing on explicitly discriminatory measures imposed at the border (tariffs and quotas) to the broader question of regulation ‘behind the border,’ a slow and sustained process of legal inflation that reached new proportions with the latest wave of trade agreements (De Ville and Siles-Brügge 2016; Velut *et al.* 2017). This shift has arguably also been driven by policymakers’ efforts to keep pace with technological innovation and the shifting terrain of policy issues. Yet, we would argue that the increasing complexity of trade policy also reflects a more political process of social construction. In the case of the global trade regime, its ambiguously worded provisions have been subjected to a ‘two-fold imaginative change consisting of, first, a redefinition of the common sense concept of “trade barrier”, and second, a rethinking of the nature and purpose of the trade regime itself’, which was increasingly cast in ‘formal-technical’ terms as neutrally and objectively applying the rule of law (Lang 2011: 224).

On the first point, the key discursive move has been reframing non-tariff barriers as *any* potential regulatory difference that inhibit cross-border flows of goods and services (De Ville and Siles-Brügge 2016: 51-2). This discursive move has allowed the focus of trade policy to expand from non-discrimination to constraining regulatory disciplines and, ultimately, greater regulatory alignment. It has also allowed advocates of greater trade liberalisation to focus on extolling the economic virtues of trade agreements tackling NTBs, either by pointing to econometric modelling of their macroeconomic effects for growth and jobs (De Ville and Siles-Brügge 2016; see also Mortin and Carta 2014: 126-9) or emphasising the benefits for SMEs (De Ville and Gheyle this issue). Similarly, the focus on the narrow objective of promoting (pro-liberalisation) ‘rules-based’ governance through trade agreements has meant that transparency’s inclusive deliberative potential has been reduced to facilitating ‘regulatory discipline’ (Velut this issue). This technocratisation of the trade regime has therefore been at the heart of deliberative exclusion by defining the acceptable terms of debate on trade policymaking. Even now, during the COVID-19 pandemic, debates around trade policy tend to converge around either liberal (open) or ‘securitised’ (closed) narratives, excluding mention of the impacts that trade and investment agreements might have for public interest decision-making, notably in the public health sphere (Siles-Brügge 2020).

Institutional mechanisms

The second set of factors relate to the institutional processes and structures through which trade policymaking is fashioned. The premise that institutions can play a structuring role in trade policymaking has long been established (Goldstein 1986) but was developed in an era when trade policy outcomes were mostly viewed in binary terms, that is, as a choice between free trade and protectionism. The expanding scope of trade policy has made this dichotomy problematic in both conceptual and empirical terms. Conceptually, the expanding agenda

requires that regulatory provisions in trade agreements be considered not only as an appendage of the trade liberalisation agenda but rather as a broader set of (de)regulatory processes underpinning the current phase of economic globalisation (Deblock and LeBullenger 2018; Velut *et al.* 2017; Young 2017). Empirically, the proliferation of trade policy spill-overs affecting a growing range of policy spheres – public health, data privacy, environmental protection, financial regulation – means that trade policy institutions are ill-equipped to deal with the emerging challenges of economic integration.

Under increasing pressure from voters and civil society groups, governments in Europe and North America have undertaken reforms to adapt trade policy institutions to the new reality of twenty-first century trade negotiations, and more specifically to try to make the policy process appear more inclusive, transparent and accountable. Yet, as the contributions to this Special Section reveal, these efforts have been hampered by a variety of obstacles, be they discursive (Velut this issue), institutional (Drieghe *et al.* this issue) or inter-scalar (Paquin this issue). In some cases, the mixed record of institutional reforms on behalf of inclusiveness and the unabashed pursuit of trade liberalisation has further alienated the public from trade policymaking.

Inter-scalar and multilevel dynamics

Finally, the third set of factors pertain to the multi-level consequences of trade agreements, and more specifically to the growing frictions between the local or subnational sphere on the one hand, and the international rules imposed by new generation agreements on the other. At a time when regions, provinces, states and cities are designing new social and environmental regulatory schemes, the intrusion of trade agreements in many policy spheres is creating new conflicts with subnational jurisdictions. While several subnational entities have therefore called

for more involvement in trade negotiations through what some might call ‘paradiplomacy’ (Paquin and Lequesne 2017; Kukucha 2015), their actual participation is very uneven and constrained by path dependent dynamics; it is highly dependent on the historical construction of (federal) states and the role their constitution grants to subnational actors.

As a result of such dynamics, in consultative federal systems, such as Canada’s, there is uneven participation for subnational actors. While Canada has participated in trade negotiations with 64 countries, it was only for the CETA negotiations that the ten provincial and three territorial governments were invited to the negotiation table (Paquin this issue). Thus, while some subnational actors have increased their weight in international trade policy making, institutional obstacles such as configurations of federalism, information asymmetries or unevenness in participation have been thwarting inclusion in recent trade negotiations.

Overview of the Special Section

The contributors to this Special Section address these drivers of inclusion and exclusion from a variety of different perspectives, covering the trade policies of the EU, the US and Canada. De Ville and Gheyle’s contribution focuses on the discursive politics of a frame commonly deployed in defence of trade liberalisation: that of stressing the benefits of trade opening for Small and Medium-sized Enterprises (SMEs). De Ville and Gheyle assess how the European Commission has used this framing to promote the controversial EU-US Transatlantic Trade and Investment Partnership (TTIP) talks and how organisations representing European SMEs have responded in a lukewarm fashion. They highlight how the academic and political debate on the redistributive impacts between differently-sized firms of trade agreements remains far from settled, despite the efforts of policymakers to present these as a boon for SMEs.

Meanwhile, Drieghe *et al.* and Velut's papers assess how trade policymakers have responded to criticism of the conduct of trade negotiations, focusing respectively on the use of civil society mechanisms in EU FTAs and on the politics of transparency in the US. Despite their intended goal of accountability, both engender institutional processes that either serve to exclude or do little to include non-traditional actors in the trade policy process. Velut's contribution deconstructs the concept of transparency in relation to inclusive processes in trade policymaking. It analyses the discursive and political dynamics in US trade policymaking in this context, focusing on the legacy of the Obama administration. Velut shows how efforts to bring more accountability to the trade policy process have largely failed, while the transparency narrative has been instrumentalised to pursue national economic objectives by imposing market disciplines on America's trading partners. Drieghe *et al.* devise an innovative framework – the 'inclusiveness ladder' – and combine quantitative and qualitative analysis to assess civil society participation in the mechanisms established by EU trade agreements. The authors conclude that these civil society mechanisms have failed to deliver a significant level of inclusion, largely limiting participation to information-sharing activities rather than producing policy impact.

Finally, Paquin focuses on the role of subnational actors in trade policymaking, specifically the Canadian provinces and Belgian regions. He finds that diverging institutional processes and structures enable and constrain the participation of subnational governments in international trade politics. Paquin compares the role of the provinces of Quebec in Canada and the regions of Wallonia and Brussels in Belgium in the CETA negotiations in order to explain why sub-state governments are increasingly involved in trade negotiations. The author concludes by arguing that greater inclusion of subnational actors in trade talks, notably in regard of information-sharing, may help to improve the legitimacy of subsequent trade agreements.

Notes

¹ On ideas as a ‘residual’ variable in mainstream International Relations or IPE accounts, see Blyth (1997).

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