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Editorial

## Re-Embedding Trade in the Shadow of Populism

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### Abstract

In the last 75 years of international economic cooperation, we have witnessed tremendous changes. The global trade and investment regime is under pressure and undergoing a significant transformation. Supply chains are being restructured, new trade blocks are forming based on strategic and political considerations, support for trade among citizens is weak and inconsistent, and populist opposition to the global economic and political order is ascendant. In this time of uncertainty about the future of the world order, the articles for this thematic issue address how and if the global trade and investment regime can be re-embedded into society.

### Keywords

embedded liberalism; labor rights; populism; trade; trade adjustment

### Issue

This editorial is part of the issue “Re-Embedding Trade in the Shadow of Populism” edited by Kevin Kolben (Rutgers Business School) and Michèle Rioux (Université du Québec à Montréal).

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### 1. Introduction

Nearly 40 years ago, John Ruggie published “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order” in which he argued that the postwar economic order was forged on a compromise (Ruggie, 1982). A liberal multilateral economic regime of rule-based free trade was established that was buffered by a state-based regulatory space to achieve non-protectionist social objectives and pursue full employment (Ruggie, 1982). This international economic order provided a governance framework that preserved the state’s ability to stabilize its national economy without the destructive consequences that plagued the interwar period. National states retained regulatory space to protect national economic stability and implement agreed-upon exceptions to the free trade regime. This domestic regulatory autonomy ensured that the multilateral economic order would maintain its legitimacy and retain domestic political support. The international order, which had been founded to protect regula-

tory space for states, is under stress as political leaders, technocrats, and WTO adjudicators have arguably abandoned the principles of embedded liberalism in favor of free trade and open markets as ends in themselves.

The WTO Dispute Settlement Body, for example, has been criticized for interpreting WTO agreements in ways that prioritize free trade principles over the freedom of states to regulate for the public interest—although the Appellate Body has arguably taken a somewhat balanced approach to that issue (Howse, 2016). Labor and environmental protections remain excluded from WTO agreements and negotiations. Concurrently, the entry of China into the WTO and the transition to supply chain models of production led to significant social and economic disruption in developed economies while social support and trade adjustment assistance have been under attack (Acemoglu et al., 2016). The access to vaccines during the Covid-19 pandemic made painfully clear the inequalities that exist between wealthy and poor countries. This confluence of events has allowed populist politicians to stir up opposition to trade and foster a national retreat

from the global economic order in the name of economic protection, nativism, anti-elitism, and anti-globalism. Yet, there are multiple indications that while perhaps ambivalent about free trade and global economic integration, a necessary condition for citizens and consumers is that trade be embedded in society and domestic social values. Consumers, for example, increasingly seek assurances that the goods they buy are manufactured under socially acceptable working conditions (Kolben, 2019); and bilateral and regional trade agreements increasingly include labor and environmental provisions, in part to boost support for trade in the developed world (Bastiaens & Postnikov, 2020).

## 2. Exploring Embedded Liberalism

Contributors to this thematic issue examine from a variety of perspectives how the global liberal economic order is foundering because the embedded liberal compromise has been—one might say—*compromised*. They explore embedded liberalism from several perspectives and subject areas. Fundamentally, they describe how trade and the liberal economic order have become disembedded from society and how they might become re-embedded. While their views are hardly monolithic, they argue the global economic system is and should be undergoing a reorganization and process of re-embedding. The contributors have been asked to go beyond purely descriptive accounts to also propose policy solutions or approaches to resolving the tensions they describe.

Jones (2023) and Bachand (2023) address the embedded liberalism compromise from contrasting points of view. The former argues for a strong version of Ruggie's original framework and draws on the sociological concept of constructivism to understand the foundation of global trade institutions. He describes an erosion of state adherence to global trade rule exacerbated by populist movements, due to political pressures arising from trade-related displacement and inequality, and highlights Trumpian populism and its success in (a) linking trade openness with elite interests and (b) wielding American power to undermine global trading rules. He proposes several "fixes," including improving trade adjustment policies in domestic trade policy, revisiting the consensus rule at the WTO, providing for more domestic policy space, and finally stronger leadership on trade. In contrast, Bachand (2023) identifies the changes related to the transformations of the world economy and questions international institutions and their capacity to provide a new deal that would be adapted to globalization. This is key to understanding the linkage between embedded liberalism and the underlying labor–capital relationship that was at the basis of tripartism. Can this social compromise be reconstructed in the new global context? A Polanyian double movement is certainly at play, but the national political and legal space is perhaps no longer matching the economic space with the rise of transnational capitalism. Bachand (2023) suggests that

there needs to be a focus on greater democratic participation in the enterprise and the economy generally.

Santos (2023) turns our attention to ISDS institutions. He explains why they have fallen into disfavor from both developed and developing country governments. Rather than re-domestication of international dispute settlement, which could harm developing economies, he argues for embedding ISDS institutions internationally and for their restructuration to ensure participation rights to a range of affected stakeholders.

Political space and new economic models might not only favor development objectives but also foster new approaches to the linkage of trade/investment and environmental regimes. Dufour (2023) questions whether the current liberalized trade and investment regime is consistent with the possibility of an ecological transition, and explores ways in which it could be subordinated to ecological and social concerns and contribute to, rather than hinder, an ecological transition. As global capitalism is conducive to an intensification of resource extraction and commodity production, it begs the question of what the necessary adjustments are to achieve sustainable growth and development.

Ehrlich and Gahagan (2023) help clarify the types of opposition to free trade that have emerged in the USA and focus on how populist opposition to trade should be understood. In contrast to Jones (2023), they are less sanguine about the ability of compensation—a key policy tool of embedded liberalism—to address populist opposition to trade, which is rooted in nativism. Their analysis can help inform policies that address popular opposition to trade.

Finbow (2023) focuses on populist opposition to free trade and rejection of the embedded liberal international order by examining the paradoxical contrast between Canadian and American populists. According to Finbow (2023), in contrast to American populists, Canadian populists are generally not opposed to free trade. He highlights the importance of trade to Canada's economy, as well as the electoral success of pro-trade policies to explain why political parties have not utilized anti-trade rhetoric as a populist mobilizer. On the other hand, American populists and conservative leaders have pointed to the concentrated and identifiable harms of trade dislocation to American workers and have combined that with nativist rhetoric to mobilize anti-trade populist movements. According to Finbow (2023, p. 243), "economic asymmetry and political opportunity structures" were key to understanding the different populist rhetoric around trade in the two countries.

One way in which trade has been re-embedded in social values and objectives is through labor and environmental provisions. The inclusion of such provisions is often described as ensuring fair trade over free trade. The USMCA includes stronger labor provisions than its predecessor and is perhaps stronger than any other trade agreement to date. But Velut (2023) asks a different question about embedding fairness into trade

agreements: Why have some domains of trade been disembedded from social objectives such as labor protections? He uses the case of digital trade to ask what caused digital trade to be embedded in a social objective of data privacy but disembedded from the social goal of labor protections. Velut (2023) identifies discursive, institutional, inter-scalar, and countermobilizing dynamics that can help explain “non-decision making,” or the decision to dis-embed some trade issues areas from specific social objectives.

The final two essays turn to the essential social goal of public health—the importance and fragility of which have become amplified during the time of the pandemic. Arguing that this public good was supposed to be protected from unfettered liberalization, Paquin and Plouffe-Malette (2023) examine what they describe as the different responses and capacities of developed and developing countries to provide the vaccines, diagnostic tools, and treatments to their populations. The WTO’s TRIPS agreement facilitated the monopolization of those goods by wealthy countries, but a subsequent agreement was reached by WTO members to provide a temporary waiver to certain aspects of TRIPS. The threat and challenges to public health are viewed with a domestic lens by Dalingwater (2023). Like Bachand (2023), she emphasizes the move away from embedded trade and globalization to a neoliberal form of transnational capitalism. Defending the NHS became the organizing theme of anti-globalization populists on both left and right, helping lead to Brexit, and general skepticism of global economic and political integration.

### 3. Conclusion

These articles provide insights into the economic and political multidimensional crisis that the world is currently facing. If the global economic order is to be preserved, then its goals and objectives need to be re-embedded into social goals and domestic objectives. If not, the world might be sleepwalking into a new era of conflict and economic upheaval that increases the risk of falling into the same disruptions and crises that embedded liberalism was intended to avoid.

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### Conflict of Interests

The authors declare no conflict of interests.

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