
1. Introduction: politics, trade, and the international political economy

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Trade is the area of international political economy (IPE) that is monitored the most directly by key actors, both public and private, from individuals to the global trade regime. It carries with it profound questions and issues about property rights and the role of the state, foreign direct investment and investment agreements, integration and regionalism, development strategy and inequality, international collaboration and governance, and transnational networks and coalitions. For research in international politics and IPE, trade is the preeminent domain for studying the interconnections of domestic and international politics. From understanding the evolution of labor and children's rights, to the horizontal and vertical shifts in authority levels under globalization, or the legalization of dispute settlement in both public and quasi-public domains and the establishment of a coherent body of international trade law, trade leads the way for other domains of IPE. Furthermore, trade is profoundly interconnected with the other main areas of IPE, from international production to investment, state-owned enterprises, energy markets, technologies and sustainability, money and exchange rates, and the Internet. In other words, trade is fundamentally political, as well as regional and inter-continental.

The Edward Elgar *Handbook of the International Political Economy of Trade* brings together the most important and promising research and policy questions regarding international trade. The authors are leading thinkers and writers from different countries representing a range of disciplines from political science and political economy to law and economics. Their work presented here begins with fundamental theory about trade as international communication, as well as its longer-term effects on growth and inequality. It then examines trends in the domestic politics of trade, and how government trade policies lead to optimal or suboptimal contributions to growth and development. In particular, the authors highlight how US and EU trade policy could be much more development-supportive, and how food and agriculture policies in particular call out for reform and opening.

The volume then covers in sequence the strong recent trend towards bilateral and regional trade (and investment) agreements and their

implications, key issues of how trade is governed globally, and how trade continues to define and advance globalization. The conclusion highlights critical implications of the broader and deeper connections between societies worldwide caused by the flow of ideas over the Internet and of people through immigration.

In sum, this volume illustrates that over recent decades international political economy is the sub-field of international relations that has contributed the most in theoretical terms, and trade is very likely the most researched area of IPE. Thus it is no surprise to find frontier insights and debate in the IPE of trade about the basic politics of national economic policy as well as international economic exchanges, connections, and engagements.

THE FAILURE OF INTERNATIONAL POLITICAL LEADERSHIP IN ADVANCING GLOBAL TRADE NEGOTIATIONS

Perhaps the single most important dimension of trade policy and politics over the past decade is the crucial shortfall of international political leadership. Neither US, European, Brazilian, Indian, or other heads of state, nor the US Trade Representative, the EU Trade Minister, the World Trade Organization (WTO) Director-General, or other leading trade ministers have stepped forward alone, or especially in small groups, to provide the critical catalysts required to revitalize the global trade negotiation process. The July 2004 Geneva Package included significant aspects of what was not agreed in Cancun as of December 2003, but the progress stalled and then stopped after the July Package. Especially after the Hong Kong Ministerial in 2005 and its aftermath in 2006, scholars began to question whether the global process is even still relevant, and since then some have essentially declared it moribund.

This failure is sometimes attributed to the relatively low level, as compared to the Uruguay Round, for example, of business support and enthusiasm for the Round. This is certainly one contributing factor to the lack of leadership, and particularly by the largest market countries. At the same time, I believe that the deep political rift between US, European, and other leaders after the US invasion of Iraq in March 2003 is a more important explanatory factor in the lack of US and EU focus on, and initiative in, generating the critical small-N group consensus and leadership required to activate the Round. Additional key explanatory factors are the great recession of 2008–09 in the United States and the economic crises of several European states and the euro

from 2010 to 2012. Certainly American foreign policy was consumed by the war on terror, the insurgency in Afghanistan by 2003, and the seriously escalating insurgency in Iraq by 2004–05. In addition, the overall reputation and public opinion of the US Bush administration by 2005–06 was not amenable to broad leadership, except for the war on terror, which was emphasized above all else. There were deep, enduring costs to US foreign policy of pursuing simultaneously the so-called “war on terror” and major counterinsurgencies in both Afghanistan and Iraq from 2004 onward. Other important foreign policy priorities were either no longer feasible, including intensive small group international trade policy leadership, or could not compete for the time and resources of top decision makers.

Furthermore, once profound economic crisis had gripped the US by late 2008, the highest-level US government efforts shifted to manage the crisis, and leaders were engulfed in crisis management for 2009–10 in response to the US great recession of 2008–09 and its international ramifications. Indeed, the new Obama administration was forced to focus its intensive efforts on damage control for the economy before it even formally began to govern in 2009. When the crisis reverberated internationally and European countries faced deep sovereign debt challenges by 2009 onward, all European leadership focus turned to managing the crisis in Europe. In light of the crisis gripping European economies from Ireland to Portugal, Spain, and Greece since then, it is no wonder that global negotiations have not been revitalized. Thus, it is important to acknowledge that crisis management dominated the years from 2008 to 2012. In addition, the processes engaged over the past few years to concoct multiple free trade agreements (FTAs) and regional trade agreements (RTAs) worldwide have taken up much of the political capital and time available for trade policy liberalization efforts in key countries. The US executive branch, for example, has made the European and Pacific deals, the Transatlantic Trade and Investment Partnership (TTIP), and the Trans-Pacific Partnership (TPP), respectively, its top international trade negotiation priorities. In addition, it has exerted considerable effort in reaching and implementing fully the bilateral agreements with South Korea, Singapore, and Australia, as well as expanded trade with the Association of Southeast Asian Nations (ASEAN) member states.

At the same time, however, leading public international organizations, economists, political economists, and trade policy experts generally agree that a substantial global trade deal would be one of the most helpful steps to longer-term economic growth and development of economies worldwide. There is little doubt that the most promising way to accelerate growth and broaden the base of its beneficiaries is to enact a substantive

Doha Round agreement that includes fundamental reforms to agricultural trade regarding export subsidies, tariffs, and domestic support programs. Yet political leaders are working on the most feasible instead of the clearly optimal. With the US wars in Iraq and Afghanistan over, the major economic and financial crisis in the EU apparently continuing to decline in intensity, and a second-term US president who will most likely be able to work with Republicans in the House on little else beyond trade policy reform, it is certainly the time to step up and advance a serious Doha Round agricultural and broader agenda.

US, EU, Indian, Brazilian, Japanese, and Chinese leaders might instead end up presenting the Bali Package agreed by all WTO trade ministers in December 2013 as their signature achievement. There is an argument for this agreement as not only substantive but also a breakthrough, as no new global deal had been agreed over the 18 years since the founding of the WTO in 1995 or the 12 years from the initiation of the Doha Round in late 2001. The customs clearance and transparency and efficiency elements of the trade facilitation, or primary focus of the deal, are both serious and substantive, and will contribute significantly to trade expansion and economic growth worldwide. In addition, to the extent that developing countries actually implement the specific reforms to reduce inefficiency and corruption inherent in trade flows across their borders rather than relying on opt-outs, a major fraction of the benefits of this agreement would flow to them. Furthermore, other narrow elements such as the reform, especially improved management and greater “filling,” of tariff quotas for agricultural imports, as well as assuring the required financial and technology support for developing countries to implement the agreement, are also valuable contributions to productivity and efficiency in trade and its role in economic growth.

At the same time, with regard to the core issues of agricultural trade reform, phasing out export subsidies, sharply reducing tariffs, and further substantial reforms of domestic support programs, the agreement only specifies that members are committed to establishing a specific negotiating agenda and reaching a deal as soon as possible, and certainly before the next, tenth Ministerial meeting in 2015. This is hardly a breakthrough or any binding commitment that could trigger the necessary political compromises required of the key leaders, beginning in the several largest trading states. At best it provides some momentum towards a broader agreement, and it indicates that the prospect for major agricultural reform (still considerably narrower than the original Doha Development framework) is now more feasible.¹ Finally, however, I note that a recent WTO report on trade measures enacted by the largest, or G-20, states from mid- to late 2013 is not encouraging in that the number of new trade restrictions

increased while the number of new trade-facilitating measures decreased, as compared to the prior period.

Leaders in many countries worldwide have shown their strong priority for a vast array of bilateral and regional trade, or trade and investment, agreements, and therein established a fundamental pattern of activity and arrangements. Trade policy processes do appear to be substitutable in that, when one level is stymied, others emerge in its place. In fact, some policy experts and scholars are musing whether the most likely route back to a broader, substantive global agreement is a major success with either the broad-based US–European framework or even a transpacific one. Indeed, it appears that the EU–Canada trade pact completed in 2013 (in principle) has helped to catalyze and accelerate EU–US negotiations, which might in turn help advance the transpacific process (or vice versa).

It is important to ask whether these RTAs could still be pursued in the larger US trade policy context of those in the 1980s and 1990s, or “competitive liberalization.” If US leaders are willing to use progress with either of these large frameworks as a lever to help convince key countries to negotiate more positively in the Doha Round, then it is possible to see a wider range of options to energize small group international political leadership. However, it may be more that key countries this time around see the transpacific and transatlantic negotiations as stand-alone arrangements to substitute for still mainly “failed” negotiations at the global level. This view could be supported by the narrowness of the relatively modest agenda and outcomes of the December 2013 Bali Ministerial meeting within the Doha Round involving mainly trade facilitation and reform of tariff rate quotas in agriculture.

In this environment, it is important to ask whether any of these broad regional efforts promise the kind of economic stimulus and political platform required to once again connect trade policy liberalization with worldwide improvement in economic growth and poverty alleviation. After the conclusion of the Uruguay Round in 1994, the World Bank and most other estimates expected growth rates worldwide to be increased significantly over the following decade. It appeared that another noticeable boost to world growth could be generated as the Doha Round was launched in late 2001. Even the relatively modest negotiating modalities from the 2008 Ministerial have been estimated to provide very substantial increases in income for countries worldwide. Unfortunately, however, this vital opportunity for a major boost to growth has been forfeited, as the process, which had got bogged down by 2005, became relatively inactive by 2007–08. There is no better time than the second term of a US presidency, post-national elections in India in 2014, and very weak economic growth in Europe to have top US and EU foreign policy leaders reach out to form

a G-5 consensus group for international political leadership on trade with India, Brazil, and China.

There is a serious difficulty with the exclusive focus on bilateral and regional agreements and commitments. Without global talks underlying all these new arrangements the overall effects are clearly suboptimal. First, large countries and markets as well as many intermediate-size ones are left out in part, if not entirely. Brazil, India, China, Russia, Argentina, and Indonesia are not included in either of the major US negotiating priorities. Thus, much of the world's trade is not included, and these countries will become ever more interwoven into their regional and inter-regional trade networks and likely less fully committed to making the global trade rules and procedures their highest priority. Second, crucial issue areas led by agriculture are likely to be substantially omitted and therefore continue as very closed, suboptimal market areas. (Note: The EU–Canada agreement does include some agriculture.) Indeed, the countries with the largest agricultural protection programs and barriers generally refuse to negotiate them in bilateral or multilateral deals in order not to lose leverage in global negotiations. This forfeits major potential boosts to growth, innovation, and market reform at the international as well as national level.

Next, it continues to bisect and trisect world markets into mainly more dynamic regions, and reinforces the most intensive bonds across OECD member states in intra-industry trade. Certainly, in more technical terms, each of the FTAs and RTAs becomes more efficient in its purposes and/or outcomes if there is a global agreement that reduces most favored nation (MFN) tariffs. Trade diversion is much less likely for members of new FTAs and RTAs if they also establish a new global reform framework. Finally, it leaves the new WTO Director-General, Roberto Azevedo, in particular and the more general global governance mechanisms without the international political leadership that is crucial to help stimulate deeper coordination in other issue areas such as foreign direct investment, environment and climate change, and labor and human rights.

International political leadership for the Doha Round will have to contend with the following:

1. It will have to turn around the weak support there has been from the US, EU, India, and Brazil since 2008. First and foremost, each of these countries or their top leaders would have to make this a high-level priority and commit to providing consistent pressure on the others. Indeed, it is particularly important to do so in 2014 instead of falling back on the excuse, rather than the “accomplishment,” of the successful Bali Package of December 2013. Certainly the US president could, in principle, take up this leadership challenge in his second

term, despite the deep difficulties posed by a deadlocked congressional process. There is already some indication from US House Republicans that they might support a global trade reform agreement. The US and EU presidents will have to challenge the Chinese, Brazilian, and Indian heads of state to step up and re-establish common ground around foreign policies despite substantial differences in the domestic regulation of public procurement and foreign investment (see Chapter 19 in this volume). Furthermore, all of these states have significant overlapping (along with the conflicting) interests in related issue areas of food supply, energy markets, and climate change that might be linked informally.

2. With the concerted efforts mainly focused on RTAs at the moment, some new combination of emphasis would have to be constructed. Beginning with Indian, US, and EU leaders, they would have to exhibit their leadership by regularly announcing support for pursuing the agricultural reform efforts emphasized again in the Bali Package. One way to encourage this is once again to present significant early progress on the US–EU and Transpacific RTAs as a way to help engage India and Brazil, but there is no assurance that either of these large-scale regional negotiations will succeed before a global, WTO framework could be agreed.
3. Each key leader will have to break loose of, and offer targeted compensation in response to, serious domestic political constraints, including important labor groups in the US and EU. Top leaders have to build support for the global talks that is based on key advantages presented to the most powerful domestic constituencies, as well as gain the active support of the pro-liberalization groups such as green energy firms. Elections in India in 2014 may help increase its key leaders' willingness to negotiate a serious, substantive agreement on agricultural reform. This, in turn, could encourage US and EU negotiators to play a stronger international political leadership role.

THE THEMES, SCOPE, AND FINDINGS IN THIS VOLUME

Our definition and approach to trade are necessarily broad based. As Montesquieu argued, trade is as much about communication as it is strictly commercial activity. We understand today that it shapes, indeed defines, in part the nature of human, organizational, and national interactions. Some cultures are designed around trade; some economies are very heavily reliant on it; and what we call globalization today is substantially

defined by intra-industry trade and the exchange of goods, services, and ideas within and across the regions of the globe. Indeed, as this volume will explain and document in detail, trade and related interconnections are advancing intra-regional integration even faster than global or inter-regional connectedness.

Ever more intense communication, exchange, and engagement challenge us, even our identities, and stimulate us at the same time to incorporate, contest, and reject elements of the “foreign.” Individuals, firms, industries, regions, and states struggle to retain their advantages or establish new ones. The western countries, and many of their most “liberal” legislators, preach freedom and ever “freer” trade, while systematically supporting and protecting several key agricultural markets (as well as the flow of workers and immigration more generally) which could and should, in fact, be allowed to develop into truly international “markets.” In any case, where trade is allowed, it tends to shape and re-shape production and even services within and across individual economies. This, in turn, shifts the interests of groups, firms, industries, and entire sectors and thus changes how they pressure and shape national and international institutions. Thus, just as politics is constantly shaping trade and its networks, politics is also modified, extended, and eventually even transformed by it.

Trade as an “Engine” of Integration, Growth, or Inequality? Development Strategy, Policies, Growth, and Inequality

Crucial to the international political economy research agenda are growth, integration, and inequality, as trade is often considered the most reliable or consistent source of national economic growth and development. Furthermore, we know that cultures are shaped by, and sometimes around, trade, for example the new silk road being mapped across the Middle East, India, and East Asia. As Randal R. Hendrickson presents in Chapter 2, trade represents much more than simple economic exchange. Indeed, Montesquieu argued that trade or commerce is much more natural to republics, and that the interactions involved in trading are much more extensive and important than only economics. Hendrickson explains for us Montesquieu’s claim that “The history of commerce is that of the communication of peoples.” Montesquieu’s contribution was to transform the ancient concerns about acquisition and trade into a fuller understanding about human nature, its advancement, and how, in fact, a society and state encouraging acquisition and exchange will help develop and instill values of frugality, moderation, and an awareness of the needs of others. These are basic outcomes of commerce, competition, and interdependence pursued as it occurs naturally among people.

Pushing further to what we call today the “democratic peace” at the level of states, Montesquieu observed that commerce also induces peaceful relations, as dependence and interdependence create strong interests in avoiding the loss of trade during war among trading societies and therefore remaining at peace. In other words, almost three decades prior to the American Revolution and Adam Smith’s *The Wealth of Nations*, Montesquieu explained what we still understand today to be the two core pillars of the “democratic peace” – the republican form of government and commerce among nations.

Trade is also closely related to some of the most important progress made across states worldwide over recent decades in terms of reforming economies and reducing poverty. What has trade contributed? In Chapter 3, Christopher Bliss emphasizes that manufactured exports have generated the revenues required for importing energy and other inputs to production, and world markets provide crucial demand for successful products. He also explains the quite dramatic decrease in the number of people in severe poverty as well as the profound transformation of the world economy. At the same time, Bliss cautions against overemphasizing the contributions of trade in the rapid growth paths of Brazil, China, India, and other, smaller countries. Certainly trade and globalization more generally have been important, but they have been enabled by the fundamental economic reforms and development of infrastructure executed at the national level.

In addition, Bliss documents very concerning, widespread increases in inequality within societies affecting not only the rich countries but also developing states such as India and China. As the supply of skilled or highly educated workers increases in the US and other well-off economies, the difference between the real wages of the skilled and unskilled increases, thus aggravating problems and consequences of inequality across essentially all income and wealth levels in these societies. Bliss believes that it may well be that technology advances and the demand for higher, as opposed to less, skilled manufacturing production are more important than trade to this growing gap. Still, it is likely that trade is especially favorable to high-productivity activities and firms and particularly challenging for low-productivity firms and low wage earners, including immigrants. Education, a minimum wage, and trade adjustment assistance can all help in this regard, but the changing structure of economies is more about technology advancement than it is about trade per se.

Despite these differential impacts of trade within societies, it also tends to cause gradual convergence in income and degrees of trade among all trading states. No matter what level of development and type of national economic structure, in Chapter 4 Zining Yang and Mark Abdollahian find that over the long run trade causes convergence in both growth rates

and income level. This holds true despite other fundamental differences in the way that national economies are affected by the degree of trade connectedness and the nature of trade partners. More specifically, they find that the quality of trade connections can often matter the most for poor countries that, unlike the most developed ones, do not appear to benefit from any overall increase in the level of trade connectedness. In parallel with work by Hancock (Chapter 12) and Hoekman (Chapter 13), Yang and Abdollahian establish that RTAs provide benefits in both efficiency and productivity, but only for complementary (not competitive) market trade among relatively equal members. In sum, developing states should be careful and strategic in selecting trade partners. Importantly, they also show that for all countries close-in trade among neighbors is extremely important in advancing economic growth.

Domestic Politics, Development Strategy, and Democracy

Perhaps the richest of all research agendas in international politics is the interactions of international and domestic politics, and trade is the single most studied issue area in this fundamental set of questions and theories.

The ever increasing share of national and global economic growth based on trade is due in part to the opening up of economies to foreign direct investment (FDI), and the global search for efficiencies and competitiveness among key production sectors. Dramatically opened national markets for manufactures trade, and the EU expansion to 27 members in particular, have spawned extensive internationalization of production, probably the most distinctive aspect of contemporary globalization. In Chapter 5 Mary Anne Madeira explains why intra-industry trade, or that within corporate frameworks and networks, is the fastest-growing type of trade. Companies increasingly move similar goods from the same industry, whether semi-finished or complete products, across borders as part of their global production chains. This is central to the politics of trade, as countries, such as most of the OECD members, with a high level of intra-industry trade tend to liberalize more readily between and among themselves, whereas those engaged in mainly inter-industry trade, such as many North–South interactions, experience more difficulties reaching trade agreements and benefiting from new trade.

Furthermore, Madeira shows that the most productive firms, including many large ones, are much more likely to export their goods, which helps the overall industry and economy by reallocating resources to higher-productivity activity. It also means a wider base of options for consumers and higher wages for exporting firms. Still, it creates increased competition within an industry, and, since most firms in an industry do not export,

they incur losses or even failure as a result. With the distributional effects and pressures brought to bear on public actors, it is ever more difficult for class-based or sector- or industry-based coalitions to form as their interests diverge. Therefore, Madeira concludes, lobbying will be pursued more intensively by individual firms, where exporters prefer liberalization and domestically oriented firms do not.

For developing countries, FDI and supply chain participation offer potential social and environmental as well as economic and financial benefits. Indeed, FDI can be a pillar of a national sustainable development strategy, provided that host governments establish and implement coherent development and regulatory policies that capture the opportunities of FDI while managing its risks. In Chapter 6 Lyuba Zarsky warns, however, that good governance of FDI is often absent, most often in the extractives sector, which has been marked by intense conflict over human rights abuses and environmental degradation, especially in Latin America. Zarsky argues that, in three ways, current international investment rules impede host country governance for sustainable development. First, they constrict space for industry and investment policy. For example, investment agreements are restricted from including performance requirements that help developing countries selectively capture growth-enhancing technology spillovers from multinational corporations. Second, investor–state arbitration clauses, now virtually ubiquitous in investment agreements, have been used repeatedly to challenge environmental and social regulations. The prospect of costly lawsuits and settlements acts to “chill” domestic regulation. Finally, international investment agreements do not oblige foreign investors to uphold human rights and operate to high environmental standards. Zarsky suggests, however, that changing global business norms, as well as the urgency of a global response to climate change, are shaping international investment rules in ways that will promote sustainable development.²

As assessed by Christian May and Andreas Nölke in Chapter 19, development strategy and assistance are linked substantially to export-led growth, even if that may be changing to a more domestic orientation for some of the largest developing countries. Thus, the World Bank, among other organizations, dedicates extensive attention to trade policy and trade facilitation. Yet in Chapter 7 John M. Rothgeb, Jr. presents a reality check on the real world that developing countries confront as they seek to mobilize trade for development, or export-led growth. Exports can be crucial, as explained by Bliss in Chapter 3, but most producers in developed countries focus on domestic markets, and they are generally opposed to imported goods which compete with their products. This is especially pronounced in key agricultural markets, but, even for less expensive manufactured

goods, developing countries' exports face a daunting array of "unfair" trade regulations, especially so-called antidumping and countervailing duties. Rothgeb advises these countries to seek out alliances with the firms importing their products in developed countries, as even their increasing use of dispute settlement at the WTO and the global trade negotiations are not proving to be adequate remedies.

In Chapter 8 Gonzalo Villalta Puig and Erik Mitbrodt stress the importance of expanding market access for developing countries' exports into developed economies in the always controversial area of agriculture. Many citizens are unlikely to recognize how extensively their countries' markets are in fact protected by a range of requirements imposed on less and least developed countries. Complex rules of origin and stringent "behind the border" barriers ranging from biosecurity to food safety measures are the culprit. Agriculture may provide only two percent of the GDP in developed economies, but it plays a vastly larger role, culturally and politically. Villalta Puig and Mitbrodt explain why protection for the rural aspects of culture and extensive political power and lobbying by large-scale agribusiness in both the EU and the US make it so difficult to open trade in agriculture, which is precisely where most people in developing economies are employed. Global trade talks and pacts such as the WTO's recent Bali Package, development assistance from the EU, US and elsewhere, and even the vast array of freer trade areas around the world are, ultimately, of only very limited value to the legion of farm-based less and least developed countries as long as the developed world shuts out agricultural trade with multibillion-dollar subsidies and support programs.

Important work has been done on not only economic and social but also political development, and the role of trade therein. International relations research has targeted very productively the questions surrounding how the conditions required for membership in the WTO and regional trade organizations may affect democratization, accountability of state institutions, and practices. Whitehead (1996) argued that the majority of transitions to democracy involved a substantial degree of pressure and coercion from external actors and forces. In Chapter 9 Andrey Tomashevskiy considers a more refined approach than prior scholars by assessing how states dependent on trade might make concessions in reforming domestic political processes and institutions in order to gain preferential access to important markets. If autocratic states are confronted with political conditions required in order to join a preferential trade area, a situation increasingly established by democratic states, then they may make incremental changes for that purpose. Tomashevskiy shows that, particularly when a state engages in a trade grouping with democratic members, democratization is more likely, because democratic trade partners press for political

reform. Given the strong surge in RTAs and FTAs, as explained below, it is essential to understand both the increasing imposition of political conditionality on states seeking to enter organizations among democratic states and the use by autocratic states of their own regional organizations as alternatives to stand up against political reform.

Regions and Regionalism in the Lead

The coverage of regions and regionalism emphasizes the nature of, and variation in, regional trade arrangements and levels of integration, and the sharp contrasts from Africa to Asia, and the EU. It also maps out the rapidly changing and ever more complex connections between regions, and how the overall frenzy of regional activity affects global trade rules and negotiations.

As the WTO becomes ever more established as the locus for standing oversight and governance of the global trading regime, and less the site of dramatic global negotiations about major new treaties, bilateral and regional trade arrangements have become the main game in town. Indeed, as explained by Greg Anderson in Chapter 10, the world's largest traders from China to the US and the EU are intensively pursuing such negotiations. Once the Cold War ended, regions and regionalism blossomed, and in 1993 the EU finally forged the long-sought-after common market. This milestone was achieved in the same year that the Maastricht Treaty entered into force. The US had already declared the policy of "competitive liberalization" by 1985 as a way to use its bilateral and regional negotiations to pressure reluctant parties to agree to launch and close global trade negotiations. Indeed, with the US agreements of 1985 with Israel and 1987 with Canada, and the North American Free Trade Agreement (NAFTA) in 1993, it can be argued that the US triggered the entire process of pursuing deals at all levels, in part in order to press trade partners to act in accordance with its goals.

Anderson documents that by the late 1990s, even before the Doha Round was launched, regions and regionalism were ascendant, and liberal thinkers and several trade economists expressed concern that the complex, overlapping, and intermeshed regional arrangements created a "spaghetti bowl" of discriminatory preferences that threatened the open worldwide system. Furthermore, the Asian–global financial crisis of 1997–99 certainly stimulated intensive pursuit of regional deals in Asia.

In Chapter 11 Deborah Elms assesses the accelerating pace of regional negotiations and arrangements in east and southeast Asia which has taken on a life of its own. The region is alive with overlapping and crosscutting negotiations up to the level of, for example, the Trans-Pacific Partnership

with 12 countries, including the US, Canada, Japan, Malaysia, and Mexico. At the same time, Asian countries, in ASEAN for example, do not include the breadth of issue area coverage, such as rigorous dispute settlement, and they tend to negotiate tariff reductions bilaterally even within regional organizations. Interestingly, Elms establishes that they are negotiating a series of agreements jointly with other key Asian countries, not unlike the EU's focus over the past several years. Over the past decade ASEAN has concluded agreements with countries from India to China, Japan, Australia, and New Zealand.

The EU, as by far the most advanced "region" in the world, and China, as the fastest-growing major state in the IPE, are ever more tightly bound by trade and investment flows and political engagement setting the context for their economic and financial interdependence. As Kathleen J. Hancock highlights in Chapter 12, the EU forged a new economic cooperation framework in 2000, the Cotonou Agreement, as a result of the perceived failure of prior arrangements to advance African development, trade, or market shares in the EU states. Unfortunately, the trade preferences granted to all African, Caribbean, and Pacific (ACP) countries were judged to be discriminatory by the WTO, and the EU has instead turned since 2002 to negotiating separate agreements with five different, and confusing, regional groupings. This process is not working, and in any case it runs counter to the larger goal of building broader markets across all of Africa. At the same time, Hancock concludes that the RTAs may be playing unexpected roles such as helping to support regional electricity grids and renewable energy development.

Sub-Saharan Africa is also an important focus of such work, as it is the region least integrated by, and benefiting from, trade agreements and interactions. Why is there less trade within Africa and its many RTAs than in other regions and groupings when the countries are strong exporters? Bernard Hoekman explains in Chapter 13 that this is due in part to their continued heavy reliance on producing and exporting natural resources, energy, and agriculture. He shows that, in addition to their large pool of unskilled labor and large endowments of energy resources, their trade costs are very high. For African states, trade policy liberalization is probably less important *per se* than administrative reform and restructuring. It is barriers along the transportation and border management or supply chain that are slowing and deterring much greater gains from trade. Thus, by effectively waiving the requirements of the current trade negotiations for African countries, it removes the pressure and incentives for them to work on vital service sector reform and trade facilitation. Hoekman analyzes the efforts of the WTO, World Bank, and other international development organizations to promote trade by African countries. Although he finds

that much of value is being accomplished, he strongly recommends adding a “supply chain” approach that focuses on coherence and cooperation across the relevant government agencies and with business. He concludes that trade assistance and agreements will actually improve investment and employment if they are focused on opening the real, practical bottlenecks in moving goods and services through customs, handling, and processing.

At the opposite scale and level of the international trading system is the EU–China trading and investment relationship. This relationship starkly illustrates the politics of ever more tightly interwoven markets in relatively high technologies, and particularly where western market economies intersect state-managed and -directed ones. As these two very large players in trade advance their already extensive level of interdependence, we see what we would expect – an increasing number of bilateral issues that must be managed carefully along with increasing investigations, anti-dumping and related protectionist measures, and WTO dispute cases. In addition, this relationship points to the future of trade relationships and trade politics for countries worldwide as more economies move into trade based on supply chains, extensive foreign direct investment, and not only manufacturing but service sector industries which rely on imported equipment even more than domestic production. Furthermore, it highlights the serious challenges posed for the most advanced “region” in the world, the EU, in the issue area of trade that is supposed to be the most “common foreign policy,” of actually executing a single policy when member states have divergent interests. Finally, it demonstrates the important role of the global trade regime in helping to guide regionalism in productive directions and backstopping it with worldwide dispute settlement and transparency norms.

Chapter 14 by Maria Garcia documents the bilateral, but also global, politics of trade, investment, and manufacturing in “green technologies.” It traces a fascinating story of how the strategies and pathologies of the largest state-directed economy in the world, that of China, led to oversupply and (managed) bankruptcies in its own economy as well as the destruction of jobs and companies in the solar and wind industries in the countries that were the industry leaders. Her study maps out clearly the difficulties of forging a single trade policy among all the EU member states and their fundamentally different industrial, export, and investment interests in the context of an EU bureaucracy with its own agenda and strategies. It shows how China’s industrial development plan must be meshed to some degree with the EU’s strategy for economic and financial development. Garcia’s study of how the EU–China solar panel dispute was resolved foreshadows the future of trade in general, but also of trade among the largest markets and particularly those governed by starkly different political regimes.

The Global Governance of Trade: Who Is Accountable and Who Governs?

The fundamental purposes, design, and legitimacy of public international organizations have been highlighted by the research and debate, as well as the opposition and protest politics, involving the WTO and broader global trade regime. Substantial research and some of the most interesting work on transnational networks and coalitions in interaction with states and public international organizations are vitally connected to trade. Groups seeking to block or enact reform in the global trade regime in general or the WTO in particular highlight questions about its legitimacy, credibility, and accountability. The relatively closed nature of the global trade regime to civil society, as defined very specifically by the WTO members, and the concern about privileging firms and their organizations and networks are the focus of serious and sustained study. Fundamental questions are raised about how and when civil society is allowed to intervene in a tightly member-driven organization, as opposed to, for example, the UN system. How should civil society be represented in the location of an international organization's headquarters, as opposed to only through national capitals?

At the same time, the trade issue area and WTO do not confront some of the fundamental international organizational adjustment difficulties experienced by the International Monetary Fund (IMF) and World Bank (WB), that is, adjusting quotas and decision-making power to accommodate the enhanced role in the global economy of emerging countries. Lacking the formal quota system and the intermediate level of governance by executive board of the IMF and WB, the WTO is able to adjust more incrementally and informally, and enable small and intermediate-size states, for example in the dispute settlement system, to gain experience and participate in bringing cases against the US and EU, and to have their leaders play major roles in standing and temporary committees. Indeed, the recently selected Director-General of the WTO comes from Brazil instead of the traditional path from Europe. Thus, on the dimension of inclusiveness the trade regime can be considered reasonably representative of its membership and thus more accountable than the IMF or WB.

In addition, the very success of trade agreements such as NAFTA, ASEAN, the WTO, and the EU have triggered extensive work on how trade agreements might help to advance (or retard) labor and human rights as well as environmental protection and sustainable development. In one way, the extraordinary degree of legally binding commitments represented by the WTO and its members have spurred efforts to see if this extraordinary capability can be linked or carried over to progress in other vital issue areas. This introduces the crucial question of how domestic and international levels interact and intersect.

As the WTO Dispute Settlement Body (DSB) gained traction and built de facto a relatively coherent body of international trade law, it intersects national environmental and social laws and regulations, and raises fundamental issues of when and how sovereignty over decision making is transferred or delegated to international bodies and authority. Both the WTO and NAFTA establish relatively authoritative dispute settlement mechanisms that can trump national law and regulations in ways that sometimes trigger protest and blowback.

In terms of international coordination and collaboration, for example the institutional designs of public international organizations, as well as “global governance,” trade became the main focus of attention when the WTO was agreed and established in 1995. A rich and diverse set of research programs responded to the WTO dispute settlement system and the negotiations process (especially its failure to produce from 2001), but less so for the very important trade policy review (TPR) mechanism or the mechanism for advancing transparency and surveillance in trade, which is evaluated in Chapter 15 by Marc D. Froese. Despite all the research focused on the WTO DSB and process, the TPR process has been relatively neglected. This is unfortunate, as the TPR process works in parallel to dispute settlement and affects every member’s trade environment from entry at ports to procedures at the highest levels of government. The detailed and fine-grained questions and information exchanged between the WTO Secretariat and national trade officials, and ultimately between the reviewed state and its trade partners serve both to open up actual and potential issues and to provide pressure on the state to resolve problems or deviations noted by trade partners.

Froese resolves a fundamental question, indeed perhaps an assumption by scholars, about how the TPR process likely triggers or otherwise encourages requests for dispute settlement. He finds that issues raised in the TPR process do not predict requests for dispute settlement, but that instead important problem areas raised by multiple members are indeed likely to end up in dispute settlement or to be already engaged in a case. Thus, in an important counterintuitive finding, Froese shows that an issue raised in a DSB case can well lead to its subsequent review in more detail in the TPR process.

This subtle and evolving relationship, then, between the transparency and the surveillance roles of the TPR is fundamental not only to the effective functioning of the WTO but much more generally to how public international organizations in all areas might provide more effective transparency functions linked closely to surveillance operations, even where the latter is not the primary or even an officially allowed role. For example, on a bilateral basis (outside the WTO DSB), the IMF and WB

have greater degrees of direct surveillance roles and authority than the WTO with regard to member states borrowing from the WB and/or IMF. At the same time, the ability of the WB and IMF to produce high levels of transparency about these states is lower because members press hard for privacy and confidentiality of their national data and information. In addition, the IMF and WB do not have direct dispute settlement authority of the WTO. Thus, the IMF and WB help illustrate how strong surveillance and weak transparency work in combination, and the WTO demonstrates how strong dispute settlement interacts with weak surveillance and moderate levels of transparency provided by the TPR process. Perhaps most importantly, the WTO TPR highlights how multiple reviews, even if strung out over ten to 20 years for the smallest members, tend to raise and resolve issues from one review to the next until transparency is significantly improved and outstanding issues are gradually resolved.

Despite the relatively substantial WTO capabilities with regard to dispute settlement, transparency processes, and representation of smaller states in leadership roles, the overall relevance of the WTO and broader global trade regime is declining as newer issue areas emerge and grow in importance. As Chapter 16 by Wei Liang maps out, for the developed states, and their business interests in particular, the trade–investment–services nexus is their highest priority. Since bilateral and regional trade agreements more explicitly target this nexus, as required for example by growing emphasis on global supply chains, these negotiations have overtaken the global Doha Round as the most promising for the developed states. Liang explains that, while the main mechanism of WTO-based liberalization is the exchange of market access, FTAs and RTAs are better able to frame agreements on the domestic reforms necessary to investment and the wide range of service sector activity.

In addition to the relatively slow progress of the global trade regime in incorporating trade in services, at least for the majority of its members, and common regulations for foreign investment, progress in the global negotiations now requires greater inclusion of the large emerging market states and increased representation of the smaller states. For these reasons as well, Liang argues, we must expect the continuation of the worldwide focus on FTAs and their attractiveness to the US and EU in particular. Furthermore, to the extent that bilateral and regional deals incorporate these key new issue areas and the Doha Round and other Geneva-based negotiations do not, the WTO-based processes will become ever less relevant and urgent for most developed states. Unfortunately, as Liang highlights, since small and intermediate-size states have less leverage in bilateral and regional deals than at the global level, this means that they face a declining role in the governance of international trade.

In addition to the gradual evolution of governance at the global level, and rapid development at the bilateral and regional levels, very significant change is occurring worldwide at the level of individuals, groups, and firms. In Chapter 17 Ari Afilalo explains that it is not only that individuals can challenge states with regard to human rights across the EU but more that relations among individuals have come to challenge the very nature of traditional “sovereignty.” He describes new forms of international economic arrangements and institutions that are transforming conventional forms of statecraft well beyond only trade and international finance. In place of, or at least alongside, the traditional vertical system is emerging a much more horizontal or integrated one that reflects the new realities of economic assets and regulatory systems that are no longer associated with any one state or set of national boundaries. As trade and capital are ever more intertwined, private actors establish access, for example through investment treaties, to legal processes that were available only to states in the past. In the new, horizontal system of international law, Afilalo argues, individuals will increasingly pursue legal claims and rights beyond any one state and be able to enforce them against even the most powerful states.

Trade as Globalization

The 1999 WTO Ministerial meeting in Seattle marked a key turning point because, among other reasons, civil society became a visible force in the politics of trade policy making. In the aftermath of this critical juncture in the role of civil society, scholars have focused on how interests and ideas intersect and frame foreign international economic policy outcomes. By this stage in the evolution of globalization, it was necessary to understand, as Silke Trommer explains in Chapter 18, that “the similarities between business and NGO ‘campaigns’ far outweigh their differences” and that therefore policy formation in the field “can be usefully viewed as a contest between two interest groups, without normatively privileging one group over another” (Sell and Prakash 2004: 144). Trommer shows that, as regional and global trade rules engage an ever broader spectrum of domestic regulatory and policy matters, we must expect civil society and corporate groups as well as state actors to press trade policy making in new and different directions as opposed to the conventional expectations, as mapped out for example in Chapter 5 by Madeira on intra-industry trade.

Perhaps the most fundamental question to be asked about the future of politics over trade and international political economy more generally is the nature of its underlying ideas and values. With the rise of the largest several newly emerging political economies to prominence, it is expected that the nature of their ideas, institutions, and foreign economic policies

will play an ever greater role in IPE. Indeed, Christian May and Andreas Nölke argue persuasively in Chapter 19 that the large emerging political economies are much less based on liberal or redistributive principles and more on “reciprocity,” or the interpersonal trust relationships between national capitalists and state agencies that essentially manage their economies. Contrary to the perceptions of key observers in the west, this study finds these long-standing, socially embedded reciprocal arrangements to be both efficient and productive.

In a fundamental argument, they show how external policies, for trade most specifically, replicate reciprocity in this sense, and lead to an IPE based on selective policies and preferential treatment instead of the most basic principles of non-discrimination and national treatment of the prevailing global trade regime. In other words, to the degree that these major new players insist that IPE reflects their own domestic reciprocal relations of loyalty and selectivity, the global trade order must be expected to favor bilateral over global institutions and to lead to a fundamentally different form of IPE in the future.

The evolution of conflicting ideas and interests in global markets and governance is starkly illustrated by the global food system. In Chapter 20 Elizabeth Smythe explains how globalization driven by national liberalization, new technologies, and international financial markets has carved out food markets distant from consumers, wherein a few large corporations play a central role and small farmers are less able to compete. In this core issue area of food and the wide range of differing food and agricultural markets, Smythe explains how the intense competition over the ideas and institutions forming the global food system has not only deadlocked the Doha Round and key international rule-making processes but also thrown into doubt both the viability and the legitimacy of the WTO.

Unlike other issue areas where governance is generally understood to require significant authority at the global level, the food system is being pressed hard by many civil society groups in countries worldwide, a range of broader publics, and food movements, for example for “food sovereignty” and security to support local markets and national (and EU) regulation and standards. In part the problem is driven by the failure of top-level political leaders in the US, the EU, Brazil, China, Canada, and Australia, the largest food exporters, to provide international leadership in the WTO-based negotiations, but it is also driven by strong domestic political pressure on major food-importing states such as India whose leaders have been less inclined to co-lead with the US and the EU than to work with like-minded states. Smythe shows that this issue area is also extremely difficult because the core issues have worsened substantially over

the period since 2001, as the WTO-based negotiations failed to remove in the richest countries the hundreds of billions of dollars in annual export subsidies, the deeply embedded domestic payments systems, and the high levels of border protection. Consensus building is extremely difficult owing to the food price and access crisis of 2007–08, as well as the serious maldistribution of food across national markets, the dominance of key market segments by a few large firms, the inability to resolve serious disputes over genetically modified foods (despite final WTO rulings), and arguments that food is different because it is a basic right for all and unique from culture to culture.

For a significant number of developing countries, the most valuable asset they have to “trade” is their human resources. For many developing countries, human labor, whether shorter-term or long-term, but especially as workers, is a critical part of their need to exchange and engage in international transactions. And, as Joel P. Trachtman argues in Chapter 21, for the overall benefit of not only trade but also social welfare worldwide there is very clearly unprecedented value that can potentially be unlocked by greater opening of borders worldwide to a regulated and agreed movement of workers and migrants more generally. In light of the very wide range of wages paid worldwide, global welfare would be substantially advanced by allowing workers much greater freedom of movement.

Trachtman analyzes a set of scenarios for both exporting and importing states, and clarifies the possible trade-offs and bargains that might be struck. Indeed, the potential efficiencies and gains involved in this movement of people are so important that cross-issue or sector linkages seem appropriate, as well as necessary. He suggests that wealthy importing countries might accept more skilled and unskilled workers in exchange for poor-state reductions in tariffs, especially on manufactures, and barriers to investment and professional services.

The Future of Trade

The final part of this volume addresses the two most fundamental elements of international political economy, and of trade in particular, the global flow of people and of ideas and information. This part asks how the Internet accelerates trade and how trade might help to advance social standards.

Today’s trade policy happens increasingly behind the border, and social standards are a crucial part of it. Labor and environmental provisions have become an important element of all EU and US FTAs. Furthermore, as the preference for “fair trade” grows stronger among both policy makers

and their constituents in the developed world, Evgeny Postnikov shows in Chapter 22 that social standards will feature even more prominently on the trade policy agenda. He documents significant differences between the EU and US approaches towards the content and enforcement of these standards. Postnikov shows that the variation is due to the differing levels of the executive authority's insulation from the pressure of societal actors and control of legislators that characterize trade policy making in the EU and the United States. Indeed, the analysis of domestic political and institutional factors is central to understanding the design of FTAs more generally.

Labor and environmental standards in the trading system can be viewed as particularly valued commodities by some states, as they touch upon the deeply entrenched societal norms. Ironically, as Postnikov explains, social standards in FTAs could become the stumbling blocks in the negotiation process, undermining the whole function of bilateral agreements as an alternative to the complexities of the WTO system. The prolonged negotiation of the EU–Canada Free Trade Agreement, with the disagreements between the parties over the shape of social provisions, is a case in point. Finally, as the European Union and the United States negotiate the TTIP, the question of labor and environmental standards has become ever more important, testing our knowledge of international trade negotiations and providing the impetus to the richer analysis of new trade issues.

Because major countries worldwide have different priorities for privacy, security, the free flow of information, and trade policy openness, it is especially important for the US, the EU, Canada, and the other most democratic polities to provide leadership for coherent open trade and Internet policies. The US and the EU have made Internet freedom a priority. Yet Susan Ariel Aaronson and Rob Maxim argue in Chapter 23 that neither the US nor the EU has clearly defined Internet freedom or developed a compelling and consistent argument as to why Internet freedom and openness are important to both economic growth and political stability. Although the American, Canadian, and EU governments generally share a vision of Internet freedom, they have not collaborated to define the role of governments in supporting an open Internet, or to determine when it is appropriate to interfere in the affairs of other countries to protect netizens. Aaronson and Maxim find that policy makers do not make Internet-related trade policies by weighing the implications of their choices for Internet openness. As a result, US and EU policies to promote cross-border information flows seem disconnected from policies to sustain the open web.

NOTES

1. See, for example, the detailed proposal for a negotiation agenda post-Bali in Evenett and Jara (2013).
2. Rodrick (2000) would add that the crucial flaw in the development strategies of Latin American, Middle Eastern, and other states is the weakness of their domestic institutions of conflict management, which should form the front line in managing the challenges of globalization.

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