

Article

## Trade, geopolitics, and environment

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**Abstract:** The convergence of multifaceted global challenges encompassing the rise of populism, Brexit, the climate crisis, the COVID-19 pandemic, and the Russian invasion of Ukraine has catalyzed a profound reassessment of international trade policies. This article critically examines the intricate linkages between these challenges and their profound implications for the contemporary international trading system. Traditionally, globalization debates in the 1990s underscored the social and environmental dimensions of trade, yet the current landscape reveals an undeniable entwining of societal implications with trade policies. This article delves into the interconnectedness of these global challenges with trade, evaluating how each phenomenon influences and reshapes policy discourse. In particular, the rise of populism and its attendant protectionist sentiments have engendered a reevaluation of trade relationships and multilateral agreements. The seismic geopolitical event of Brexit has disrupted regional trade dynamics, signaling a paradigm shift in established trade blocs. Simultaneously, the imperatives of addressing the escalating climate crisis have spotlighted the necessity for trade policies to align with environmental sustainability goals. The COVID-19 pandemic, acting as a disruptor on a global scale, has accentuated vulnerabilities within supply chains, emphasizing the need for resilience and adaptability in trade frameworks. Additionally, the Russian invasion of Ukraine has introduced geopolitical tensions that further complicate the trade-policy landscape. By critically evaluating these intersecting challenges, this article delineates the evolving nature of trade policies and their inextricable relationship with societal and geopolitical realities. It underscores the imperative for a holistic approach in policy formulation that integrates social, environmental, and geopolitical considerations, acknowledging the integral role of trade policies in addressing contemporary global challenges.

**Keywords:** trade; nationalism; populism; environment; sustainable trade; deglobalization; WTO; just transition

## 1. Introduction

The phenomenon known as globalization has had an immense effect on the field of international trade and the world economy. World historians theorize that globalization has existed for millennia and economic historians believe that modern globalization spreading as it has is a rationally precedented occurrence. An abundant collection of evidence suggests that the 1820s were a turning point with the occurrence of a globalization “bang” (O’Rourke and Williamson, 2000). During the 1990s up until the 2007–2008 global financial crisis, economic globalization reached its peak with a majority of supporters.

This article has two parts. Section 2 links trade to nationalism and populism, while section 3 explores the links between trade and the environment, bearing in mind the standpoint of right-wing rising populism, which refuses to accept that climate

change is anthropogenic.

Nationalism, as a political ideology, can be defined as placing the interests and aspirations of a particular nation above global considerations, potentially resulting in the imposition of trade barriers to protect domestic industries. These barriers can hinder the flow of goods and services and limit the benefits of multilateral trade linkages. However, it is important to recognize that multilateral trade agreements, which involve three or more countries and aim to regulate trade without discrimination, are widely recognized as effective approaches to promote trade liberalization and economic integration in an interconnected and interdependent global economy. For instance, the Regional Comprehensive Economic Partnership (RCEP) is a large regional trade agreement, involving countries such as China, Japan, South Korea, Australia, New Zealand, and the Association of Southeast Asian Nations (ASEAN) member states, covering a significant portion of the global population and GDP (Fitch, 2023).

The rise of nationalism has led to a reconsideration of the trade system. In today's world, with a resurgence of nationalism and a shift to reduce interdependence, the complex network of international trade faces unprecedented obstacles. The dominant belief in an interconnected global economy is being reevaluated as nations increasingly prioritize their own trade policies over agreements with multiple countries. This situation raises questions about the practicality of making national trade policies multilateral and the potential consequences for trade. As protectionist measures and bilateral agreements become more prominent, and nationalism rises, concerns arise regarding the effectiveness of existing institutions such as the World Trade Organization (WTO) in managing national interests. Section 2 explores the implications of our global landscape examining the tension between nationalistic approaches to trade and the desire for a more multilateral system. As we untangle this web it becomes increasingly clear that trade foundations are undergoing significant changes that require us to have a nuanced understanding of both challenges and opportunities ahead.

As for populism in the context of international trade, the traditional definition of populism in economics comes from a study published in 1991. The authors characterize populism as an “approach to economics that emphasizes growth and income redistribution and deemphasizes external constraints, the reaction of economic agents to aggressive non-market policies, and the risks of inflation and deficit finance.” (Dornbusch and Edwards, 1991).

The rise of populism in recent years has been attributed chiefly to the right, and classic populist platforms do not strongly emphasize economic redistribution. Consequently, it is helpful to use an alternative definition of an anti-elitist and anti-pluralist “thin-centered ideology”, initially put forward in 2017 and now recognized in political science. According to this kind of populism, there are only two antagonistic, homogeneous groups: the “corrupt elite” and the “pure people”. As the sole moral basis for political power, the “popular will” is validated by the “purity” of the people. The homogeneity of the populace points to anti-pluralism and the removal of the need for checks and balances (Mudde and Kaltwasser, 2017).

According to some political scientists, an “authoritarian angle” must be included in populism. One may argue that this makes sense since the head of the “pure people”

can govern directly without needing checks and balances; in fact, many populist parties are moving toward a “strong leader” model. Nonetheless, most populist party and candidate categories do not contain an “authoritarian angle” because many anti-pluralist and anti-elitist parties support democratic standards (Guriev, 2020).

Research published in 2018 presented the third definition. According to the study’s authors, contemporary populist parties meet three requirements:

- 1) They oppose elites;
- 2) They provide instant protection from shocks;
- 3) They conceal the long-term societal costs of these methods of protection (Mudde and Rovira Kaltwasser, 2018).

The most comprehensive definition of populism is an oversimplified response to society’s issues. Many accomplished and imaginative leaders have used this tactic to popularize their views to a broad audience. Examples of these politicians include Nelson Mandela in Africa, Winston Churchill or Kreisky in Europe, Che Guevara in Latin America, and Theodore Roosevelt and Martin Luther King in the US (Aiginger, 2020).

In the context of right-wing rising populism, section 3 explores the link between trade and its environmental implications, which has occurred since the industrial revolution and has led to pollutant-inducing activities. Globalization transformed local environmental issues into global concerns, sparking countless debates on whether trade benefits or harms the climate (Burnete and Pilasluck, 2015). In recognition of this dilemma, the WTO aims to help trade and climate to work together, diminishing its parasitism type of relationship, where one benefits to the detriment of the other (WTO, n.d.).

Let’s turn to the analysis of the links between trade, nationalism, and populism.

## **2. Trade, nationalism, and populism**

The rise of nationalism and populism in recent years poses a significant challenge to the prevailing notion of a globally interconnected economy. This rise has had a significant impact on trade linkages because it is a substantial change characterized by countries increasingly focusing on their own interests (Orbie, 2021).

### **2.1. Nationalism, regionalism, and the future of global trade**

This section analyzes the links between nationalism, regionalism, and the international trading system.

#### **2.1.1. Nationalism and trade linkages**

Rather than engaging in multilateral agreements, countries are focusing on their independent growth. This shift to becoming more independent in managing trade activities has far-reaching consequences because all trading systems necessitate a thorough reconsideration of whether it is feasible to implement national trade policies on a multilateral scale.

- 1) Protectionism and bilateral agreements

The shift away from multilateral approaches to trade is driven primarily by the resurgence of protectionist measures, such as imposing tariffs and implementing trade barriers. Countries are now prioritizing their industries. Seeking economic advantages

through strategic bilateral agreements that cater to their individual interests (Velut et al., 2021). This move towards bilateralism represents a departure from the nature of multilateralism leading to concerns, about the effectiveness and long-term sustainability of initiatives aimed at promoting global trade cooperation.

Multilateralism is the stage of multiple-state interactions which international law entered into fully with the creation of the United Nations in 1945 (Head, 1994) and where to a large extent it remains today (Pellet, 1998). By definition, multilateralism distinguishes itself from bilateralism in the number of States to an agreement: whereas a bilateral treaty is an agreement between two (or, in the case of plurilateral treaties, a few) States, a multilateral treaty is an agreement accepted by many, if not most, States (Head, 1994).

Tariffs serve as instruments of national economic policy. Protectionist measures such as tariffs play a role in national policy. Governments strategically use tariffs to protect industries from competition, regulate the flow of imports, preserve jobs, and address trade deficits. While these measures may provide advantages at the national level, their unilateral nature contravenes the collaborative spirit of international trade agreements, ultimately leading to a fragmented global economy.

Regarding bilateral agreements and economic nationalism, negotiating agreements between countries reflects the growing trend of economic nationalism. Countries enter into these agreements with the aim of maximizing their interests. However, while this approach may benefit nations it raises concerns regarding its impact on global economic integration and cooperation. Focusing on bilateralism can lead to a self-focused mindset, which challenges the principles of inclusivity and mutual benefits that are central to multilateral trade agreements.

## 2) Challenges to multilateral institutions

International bodies such as the WTO have always played a role in promoting trade agreements and offering a structure for settling trade conflicts. However, the emergence of sentiments presents obstacles to these organizations undermining their capacity to mediate and uphold rules for international trade.

Regarding divergent national interests and institutional inefficacy, the WTO was established with the intention of promoting trade and equal treatment among its member countries. However, difficulties are encountered as the interests of its 166 member states become more diverse. This clash between goals and the fundamental principles of global cooperation raises important concerns about how effective organizations like the WTO will be in fostering meaningful collaboration on a global scale. The inherent struggle between sovereignty and collective decision making creates challenges for these international institutions to operate smoothly.

In relation to the erosion of support and the threat to multilateralism, the rise of nationalism is evident through changes in policies and a noticeable decrease in support for organizations. When nations perceive unfairness or limitations on their strategies within these organizations, they may hesitate to participate due to dissatisfaction (LSE Consulting, 2022). This lack of support poses a challenge to the credibility of institutions, jeopardizing the effectiveness of global trade.

### **2.1.2. Regional approaches and lateralization**

In terms of nationalistic trade policies, it is reasonable to argue that regional trade

agreements could be a positive step towards creating a more globalized trade system. However, there are challenges in the path towards regionalism and the achievement of broader global trade goals, especially when it comes to balancing the diverse interests of various regions.

#### 1) Regionalism versus Multilateralism

While regional trade agreements such as the European Union (EU) or the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) serve as compromises between nationalism and global multilateralism, there is still debate about how effective and viable these regional approaches are within the larger multilateral framework.

The European Union serves as an illustration of how different national economies can come together to form a unified market. However, it is important to acknowledge that the EU faced its share of obstacles along the way. The specific historical, political, and economic conditions that helped shape the EU may not necessarily apply smoothly to all regions. By examining both the achievements and limitations of the EU, we can gain insights into how regionalism might pave the way for cooperation.

The CPTPP, which covers the Asia Pacific area, is an effort towards collaboration. Its goal is to foster integration and cooperation among economies. However, the complex geopolitical factors and imbalances of power in the region present challenges to the inclusiveness and effectiveness of the CPTPP (Baldwin and Evenett, 2020). Studying how this agreement deals with dynamics adds to the discussion of whether regional approaches can serve as stepping-stones towards a more multilateral system.

#### 2) Complexity of Regional Interests

Pursuing multilateralization through regional approaches brings many challenges rooted in the diversity of regional interests, economic structures, and political dynamics.

Regions participating in trade agreements often exhibit significant economic disparities and varying levels of development. Creating trade rules that are consistent across regions with varying economic structures is a difficult task. Issues must be tackled—such as differences in development, technological progress, and disparities in income per person—to ensure that the advantages of agreements are fairly shared.

Beyond economic considerations, regional blocs' political and cultural heterogeneity adds another layer of complexity. Divergent political systems, governance structures, and cultural norms impact the willingness and ability of member states to align their trade policies. Negotiating and harmonizing these diverse elements to create a coherent regional framework seamlessly integrating into a broader multilateral system requires delicate diplomacy and sustained effort.

The rules and regulations governing trade practices within regional agreements may vary significantly. Achieving harmonization in product standards, intellectual property rights, and environmental regulations is a substantial challenge (Bown, 2022). The absence of uniformity in regulatory frameworks raises doubts about the feasibility of seamlessly integrating regional approaches into a cohesive global trading system. In navigating the complexities of regional approaches and lateralization, striking a delicate balance between regional interests and broader global trade objectives remains a critical challenge for the international community. The journey towards a more multilateralized system demands thoughtful consideration, strategic

collaboration, and a nuanced understanding of the intricate dynamics shaping the future of international trade.

### **2.1.3. Conflicting interpretations of trade law**

The global shift towards deglobalization and fragmented trade approaches not only alters the dynamics of international trade, but also introduces a significant risk of conflicting interpretations of trade law. As nations increasingly pursue individualistic trade policies, the potential for disputes and varied understandings of established legal norms becomes more pronounced, undermining the stability and predictability of the international trading system.

#### **1) Ambiguity in Bilateral Agreements**

Unilateral agreements, which are negotiated outside of a framework, engender uncertainties that create significant challenges for the consistency of trade regulations. In contrast to the nature of treaties, the lack of precision and transparency in these agreements enables varying interpretations of trade responsibilities.

Unlike agreements that are governed by bodies and undergo scrutiny, bilateral agreements often lack a broader institutional framework than that in unilateral agreements. This absence of multilateral oversight means that the language and terms of agreements can be interpreted differently by the parties involved. This variance in understanding trade obligations can give rise to disputes and legal uncertainties.

When there is no framework in place for agreements, the possibility for regulatory arbitrage opens. This means that countries can take advantage of ambiguities in trade laws to further their interests. Parties involved in agreements might interpret the provisions in ways that benefit their term economic goals, which introduces unpredictability and contradicting the principles of fair and transparent trade via arbitration.

Bilateral deals typically involve discussions regarding trade responsibilities. These trade responsibilities include cutting tariffs, protecting intellectual property rights, and setting standards. The complexities of these agreements can occasionally intensify the challenge to interpret the reach and effect of provisions. This complexity increases the chances of interpretations in more nuanced aspects of trade law.

#### **2) Jurisprudential Challenges in Regional Agreements**

Although regional trade agreements provide a compromise between nationalistic and fully multilateral approaches, they come with their own challenges when it comes to interpreting trade laws. Without alignment of frameworks, differences in interpretation among member countries can arise, and the lack of a centralized mechanism for resolving disputes adds to the concern of inconsistent rulings.

The diversity of legal traditions, systems, and structures among member states in regional agreements can lead to variations in the interpretation and application of trade law. The challenge lies in harmonizing these legal frameworks to ensure a common understanding of trade obligations, but achieving this harmonization is often complicated by the sovereign nature of member states.

In contrast to agreements that have defined mechanisms for resolving disputes, regional agreements may not have a strong and centralized framework for resolving conflicts. Differences in interpretation can give rise to disagreements among member states. The lack of a dispute resolution mechanism can lead to ad hoc solutions that

fail to establish clear legal precedents. These shortcomings undermine the effectiveness of trade agreements in ensuring a stable and predictable trade environment.

Achieving convergence is a task that involves understanding the unique legal and economic contexts of each member state. Without an understanding of every country's interest and preference, it is difficult to converge and make decisions that consider the global view of the issue, resulting in the emergence of populism. The challenges escalate with the need to strike a balance between preserving sovereignty and establishing a reliable and harmonized legal framework for international trade.

## **2.2. The rise of populism: Implications for the international trading system**

One explanation of populism is a political style that pits the virtuous "people" against the corrupt "elite." Another interpretation is that the "elite" is virtuous and "people" need to give up democracy because it is based on the will of the majority. For the left, "elite" refers to big corporations, whereas for the right, "elite" refers to scientists. Populism emphasizes the direct will of the majority, distrusts established institutions, and often utilizes charismatic leadership and simple narratives to mobilize support. The challenge of existing power structures seems to lead to democratic erosion. While diverse in policies and ideologies, populism thrives in times of crisis by challenging power structures and raising concerns about democratic erosion (Illing, 2017). In 2016, populist movements emerged in the West: Brexit in the UK and the election of President Trump in the U.S. are two examples.

### **2.2.1. Causes of populism**

Populism has four leading causes: economic issues, cultural factors, the rapid pace of change brought about by digitalization and globalization, and, last but not least, the inability of policy to handle the shift to greater well-being locally and globally (Aiginger, 2020).

Populist movements worldwide generally express dissatisfaction with what they perceive as the harmful effects of globalization, especially on trade. The main issues are job losses, widening inequality, environmental degradation, and the erosion of cultural identity. These concerns have fueled a backlash against free trade agreements and led to a rise in protectionist policies. Populist leaders often promise to prioritize the needs of their own country over global cooperation, advocating for measures such as tariffs and stricter immigration controls. However, critics argue that these actions can further exacerbate economic inequalities and hinder global growth (Aiginger, 2020). Finding a balance between addressing the legitimate concerns of those affected by globalization and maintaining an open and interconnected trading system remains a complex challenge for policymakers.

Measurement of the latter needs to be appropriately undertaken to analyze the link between labor market performance and increasing populism. In addition, increasing evidence indicates that labor market disruptions caused by globalization, technological advancements, and crisis-induced spikes in unemployment are key factors contributing to the rise of populism in developed nations. When conducting research inside a country, populism is quantified by the vote share of the relevant

populist candidate at the subnational unit level (for example, analyzing the correlation between local labor market performance and US counties' Trump voters). When a cross-national comparable measure may be used in Europe, cross-country research mainly focuses primarily on the vote shares of populist parties at the national or subnational levels. Researchers must account for nation-fixed effects since different countries have different voting laws.

The US economy has become more globalized due to unfair trade, currency manipulation, and failed trade agreements. This has led to trade imbalances, the loss of about 70,000 factories, and five million manufacturing jobs. The middle-class route for workers still needing a college degree has become more constrained due to this move towards lower-paying service sector positions. For Black and Hispanic workers, as well as other workers of color, the loss of manufacturing employment is especially damaging since they endure prejudice and have restricted access to better-paying jobs. Infrastructure spending and trade balance are required to solve this problem and provide millions of well-paying jobs for people of all educational backgrounds (Scott et al., 2022).

Proportional to production, global commerce increased from the middle of the 1800s to 1913, declined between 1913 and 1950 due to two world wars and protectionist measures during the 1930s and the Great Depression, and began flourishing after 1950. Trade flows only equaled the production proportion at the beginning of the century in the 1970s when tariffs and quotas were loosened, communications improved, and transportation costs decreased (IMF, 2006).

The increase in the exports to total production ratio underestimates the degree of globalization of the product market. Education, government, banking, insurance, real estate, wholesale and retail commerce, and other essentially non-tradable services account for an increasing portion of production in advanced economies. Calculating merchandise exports as a percentage of solely marketable commodities produced would be a more appropriate way to gauge the significance of global commerce. This substitute metric demonstrates a much greater importance for trade. Globalization has occurred and shows no signs of disappearing, no matter how it is assessed, although there are signs of slowbalization (IMF, 2008).

### **2.2.2. Main trends**

The gradual shift in demand from less skilled to highly skilled has been a significant trend in the labor markets of industrialized nations. This is true regardless of how skills are defined—regarding training, work experience, or job title. In some countries, this tendency has led to sharp increases in the salary and income disparity between highly and less skilled individuals; in other nations, it has resulted in higher unemployment rates among the latter group (IFM, 2008).

The US has witnessed a steep decline in wages for less-skilled workers since the late 1970s, with the average salary of a college graduate rising by 20% and the average weekly earnings of males in their forties to those in their twenties rising by 25%. This inequality reverses a trend of greater income equality between the more and less skilled. The average real wage in the US has grown slowly since the early 1970s, but the actual wage for unskilled workers has fallen. In other countries, the impact of wage differentials has been on employment rather than income. About 70% of the overall



shift in US labor demand in manufacturing was a change in skill demands within industries, not across sectors. Income gaps have widened in many developing countries, and labor demand has shifted towards workers with high skill levels relative to the average (IFM, 2008).

The World Investment Report 2004 (UNCTAD) highlights the debate surrounding globalization's impact on the labor market in industrialized countries, particularly offshoring. The report provides examples of offshoring cases in services industries, such as Barclays Bank offshoring 500 back-office staff to India. However, economists have often overlooked the potential links between trade and employment levels due to the theoretical "straitjacket" used in traditional trade models. The Heckscher-Ohlin model assumes perfectly competitive labor markets, predicting that sectors with abundant factors expand while others contract.

However, this does not necessarily mean any net employment changes in the economy. Workers in contracting sectors may lose their jobs, but they will find new employment in expanding sectors where new jobs are being created. The wage rate or factor prices may adjust, affecting the reallocation of labor across sectors. According to Paul Krugman, employment is a macroeconomic issue influenced by aggregate demand and the natural unemployment rate (Krugman, 1993). As stated by Krugman, "trade policy should be debated regarding its impact on efficiency, rather than based on phony numbers about jobs created or lost." (Krugman, 1993).

Thus, given that globalization, technological innovation, and crisis-induced increases in unemployment contribute to the rise of populism in industrialized countries, there is a critical relationship between labor market performance and rising populism. Due to unfair trade practices, currency manipulation, and failed trade agreements, the US economy has become increasingly globally integrated, resulting in trade imbalances. A *contrario sensu*, trade balance and infrastructure expenditure allow individuals of all educational levels to access millions of essential, well-paying jobs. The change in demand from less trained to highly qualified workers has led to rising pay and income discrepancies.

### **2.2.3. Immigration**

Immigration, a significant influencer of economic issues, is often the most important topic for people and populist parties. Data suggest that economic factors—such as poverty, a lack of employment prospects, and salary disparities—are the significant drivers of immigration to the West. Furthermore, the overwhelming body of research suggests that Western people's worries about immigration are not primarily related to how immigration would affect their material status or degree of economic instability (Margalit, 2019). Instead, these concerns are often rooted in cultural and social factors, such as preserving national identity and fearing cultural assimilation. Additionally, studies have shown that perceptions of immigration are heavily influenced by media narratives and political rhetoric, which can exacerbate existing anxieties and shape public opinion (Esses, 2021).

According to a well-known theory, domestic workers working in import-competing industries—primarily manufacturing—have suffered due to increased imports from mid- and low-wage nations. Specifically, the enormous increase in Chinese imports when the country joined the WTO in 2001—also known as the "China

shock”—significantly negatively impacted US companies with more exposure to Chinese competition (Acemoglu et al., 2016).

With a significant proportion of trade-exposed sectors, local labor markets in the US saw high job loss rates, declines in labor force participation, and a sustained increase in unemployment (Autor et al., 2013). This theory contends that a variety of populist politicians, parties, and causes have increased in popularity in both the United States and Europe as a result of these detrimental and long-lasting impacts (Ronald and Norris, 2016).

Another hypothesis suggests that the populist vote reacts to deindustrialization and technical advancements. Technology has widened the skills gap between low- and high-skilled professions, contributing to a shift in employment from the manufacturing to the service sectors. Additionally, automation has reduced the need for several regular talents and for jobs requiring a moderate level of competence. Growing spatial differences in economic activity and the depopulation of rural regions often accompanied these shifts. These changes proved to be advantageous for populist movements (IMF, 2006).

A third argument is that populism may be encouraged by financial crises and the way governments handle these crises. Specifically, a prevalent contemporary assertion is that the Great Recession caused a general lack of trust in major parties, who were then held accountable for the crisis and its fallout (Passari, 2020). In general, crises highlight the tensions between creditors and borrowers and give rise to the belief that the “little man” bears the brunt of the errors and corruption of the political and economic establishment (Margalit, 2019). According to this theory, populist parties that capitalize on this disenchantment can effectively represent the voice of the disgruntled by proposing a radical break from the established elites’ rule (Margalit, 2019).

Last but not least, growth in populism is attributed to the adverse economic effects of immigration. According to this theory, native workers’ earnings and employment have been threatened by competition from foreign workers, at least in specific industries and labor market segments. Concerns over immigration’s impact on the welfare state have intensified due to its financial costs and the strain it has placed on already reduced public services. These worries have bolstered the popularity of right-wing populist parties, especially in places where the pace of immigration settlement is high (Margalit, 2019). Everyone in the world is concerned when losing their job and social security. This is not unexpected. However, if we dig deeper, it may be that some structural problems are at the root. If an employer needs workforce and imports it, he creates all mentioned outcomes in the first place.

Populism has increased in the US and Europe due to deindustrialization, the economic effects of imports from low-wage countries, and technological improvements. The skills gap has expanded due to the “China shock” and the transition from manufacturing to service industries, while immigration and financial crises have fed discontent and bolstered populism. These elements have exacerbated the economic crisis and increased the appeal of right-wing populist parties.

It is difficult to find a causal relationship, much less conduct a quantitative analysis, between populism and culture. That does not, however, imply that a cultural explanation is invalid. While acknowledging that cultural factors may contribute to

understanding the populist vote, many economics-centered studies mentioned above dismiss these factors as outside the scope of their research. Some argue that cultural issues are only a fallout from unfavorable economic shifts. According to a recent study, “populism does not have a cultural cause, but rather an economic inequality cause, with an important and traceable cultural channel.” (Springford and Tilford, 2017).

The dismissal of cultural concerns as a component of an economic response ignores the autonomous role that cultural considerations play in the appeal of populism. Furthermore, it disregards evidence of a causal relationship in the other direction, namely how cultural grievances and worries shape people’s ideas about economic development and its detrimental effects on their status. Populists often criticize financial difficulties that they believe reflect this process.

For instance, individuals are more likely to assume that immigration has detrimental effects on the economy if they are concerned about cultural homogeneity or the shifting ethnic makeup of their community (Bove and Elia, 2017). Similarly, those who worry about the cultural implications of globalization are more inclined to think that trade hurts the economy (Margalit, 2019).

People, especially the less educated ones, expressed a significantly more negative opinion about the impact of trade than a control group that was not exposed to the treatment when they were asked a series of four questions meant to elicit a preoccupation with cultural change. For example, they were asked if they agreed with the statement, “Our traditional way of life is getting lost.” Additional instances of how cultural influences impact attitudes and views regarding economic concerns, including healthcare, anti-poverty policies, and welfare, are provided by another experimental study (Institute of Medicine (US) Committee on Unintended Pregnancy, Brown, and Eisenberg, 1995).

Thus, cultural issues play a significant role in understanding populism, but economics-centered research often dismisses these issues as unrelated. Cultural concerns shape people’s ideas about economic development and its detrimental effects on their status. Less educated individuals tend to express more negative opinions about the impact of trade, highlighting the role of cultural influences in shaping attitudes and perspectives on economic matters.

### **2.3. Deglobalization trends**

It is important to note that globalization affects the economies of both developing and developed countries, with major implications on their social, political, cultural, and economic aspects. The global financial crisis and the recent COVID-19 outbreak have highlighted the concept of deglobalization (Eterea, 2019). In recent years, amid to the aforementioned international crises, many have advocated for deglobalization as an alternative to globalization, aiming to mitigate the impact of future crises (whether financial, health-related, or otherwise), primarily within their own country, rather than on a global scale affecting populations worldwide.

Trade is a global connector as it forms connections and associations between different countries, their people, and governments that are built on mutual gain and collaborative effort. Devolving the global connections made by trade would have unforeseeable consequences on worldwide communication and work, especially

within the context of combating the current and shared danger of climate change, which requires solutions proposed and applied collectively. This is especially true within the field of trade as trade greatly intersects with climate change as well as the efforts made and solutions brought against climate change.

### **2.3.1. Impact on trade law and international trade**

Deglobalization, as the antithesis of globalization, entails disentangling the intersections between the overlapping fields (social, political, cultural, and economic) at the multilateral level. This shift could lead to unprecedented changes in the world economy, as a reversal of global connections of this scale has never occurred in recorded history. The only indication as to what deglobalization in the modern age might look like was observed during the global pandemic and international financial crises.

Taking a closer look, an assessment of the effects of COVID-19 reveals a temporary and limited phase of deglobalization, as physical contact had to be restricted to combat the virus<sup>1</sup>. This, in turn, decreased travel and other forms of connection between different states across the world. Although means of international trade still occurred, the decline in tourism and other global factors contributing to the economy cultivated the disintegration of trade processes within the scope of the global economy (Komolov, 2021). This disintegration was anticipated by many to be overcome quickly, so a return to the previous globalization trajectory was expected. These expectations, however, were proven to be groundless (Komolov, 2021). Many researchers, viewing the phenomenon of deglobalization as a serious issue, are looking for new approaches to combating it as it has caused a noticeable decrease in the magnitude and outreach of global trade and the global capital flow. This, in turn, led to the crisis manifesting in regional integration in many parts of the world.

The profound impact of deglobalization on the world economy, and consequently on individual states' economies, is evident in many governments' post-crisis attempts to restore the global economic stability following events such as the global financial crises and the COVID-19 pandemic. When it comes to the global financial crises, it has been observed that deglobalization intensifies significantly in the aftermath. That is likely due to the declining trend in import shares influenced by manufacturing and importation, as well as political divisions arising from industrial competitiveness. Deglobalization in the aftermath of a crisis is more likely to evolve in developing countries than developed countries, showing the negative implication of inequality in the global trade community (Kim et al., 2020). This could prove to be a perilous pattern as it indicates the origin of deglobalization to be the fear and worry that accumulates due to international calamities in finance, health, et cetera.

Globalization has been increasing trade and capital flows for decades. As the trend is abruptly turning towards deglobalization, the effects on the global economy may be detrimental; if not for the global economy as a whole, then on individual states' economies for certain. This effect can be seen in recent evidence showing an international decline in merchandise and capital flows attributed to the deglobalization trend (Garcia-Herrero, 2019).

### **2.3.2. Nationalist policies, protectionism, trade barriers, and how they undermine the principles of free trade and the global trading system**

Deglobalization is regarded as an aggravated approach taken by many states to enact protectionist policies. This applies especially to the objective measures taken against the COVID-19 outbreak. This approach was also taken to prompt state policies in a post-pandemic effort to counter and overcome the after-effects of lockdown and the internal repercussions of quarantine on trade, manufacturing, and business (Komolov, 2021). Deglobalization creates a dual impact by fostering an environment that supports the nationalization of manufacturing and the development of a diverse range of industries.

This is advantageous as it bolsters the individual state's economy, but it is also disadvantageous to the global economy in general since it limits industries to some countries and deprives others of the competitive advantage of supplying certain goods for exportation. This setting would create a major imbalance of economic power and industrial prowess between developing countries and developed countries as the latter have a major head start in terms of knowledge, industry, and financial stability (all key elements to achieving goals of manufacturing, industry, and trade). A complete radicalization towards nationalist methods of trade would cause further political discourse and would likely increase the risk of military confrontation and rising social tensions (Garcia-Herrero, 2019).

A closer look into trade shows that states competing in trade within the global economy could further accelerate the effect of deglobalization, fostering the trend and decreasing opportunities within international trade to even more countries. The strategic rivalry (in this context) between the United States and China provides a suitable example as each country aims to monopolize the fields of trade, technology, and finance (World Trade Organization, 1995).

If this trend of deglobalization continues, it could result in the weakening of the WTO since it serves to provide a framework to conduct and preserve trade relations internationally (Ocampo and Martin, 2003), which cannot be achieved if there is no international trade to regulate, systemize, and consolidate. This means that deglobalization could bear pressure downward on global trade growth, limiting it exponentially without the WTO as a safeguard. This parallel outcome could negatively impact global interconnectedness and cause further detriment to trans-governmental relationships between countries around the world.

Trade policies in support of extreme nationalism against globalization would place trade barriers within the import and export of the countries that enact them, which would prove to undermine the principle of free trade, as it places severe limitations on trade with other states. As such, the global trade system could suffer a great setback and extremely negative implications that would diminish global communication, openness, and cooperation even further and, instead, replace these with hostility between entire nations that might then give rise to more extreme conflict and contribute to even more barriers. Trade has connected entire continents all throughout human history, bridging divides of distance and gaps of culture and language. Limiting trade to individual states could set human civilization back, as competitiveness changes the way countries across the world communicate and

collaborate.

### **2.3.3. Implications for global economic growth, development, and cooperation**

Inequality in how trade progresses has been clear and constant between developing and developed countries. Although the globalization of markets provides various avenues that support developing countries in the global trade scene, it also grants preferable access to trade and new technologies to developed countries and allows for more favorable opportunities for developed countries to integrate and expand into the world economy (Ocampo and Martin, 2003). This imbalance, however, would not be restored or equalized in the event of deglobalization. This advantage would not, in fact, be viable for any state, as international trade connections would cease to exist.

The WTO's framework aids in sustaining the growth of international trade and strengthening various facets of multilateralization and mechanisms of dispute settlement. This shows promise for the future of globalization and international connection as long as the downwards spiral of deglobalization discontinues. This very framework (the WTO's), however, grants unequal ground for developing and developed countries, favoring the former, suggesting that some modification is needed to provide equal opportunity in global trade to developing countries<sup>2</sup>. Moreover, additional protective measures are required to limit the damaging effects of crises and declines in various fields across different countries. Turning towards deglobalization, however, would be extreme as it unbinds the connections between states that were cultivated throughout history as well as repealing the benefits of said connections and trade opportunities that were established through globalization.

Globalization also provides wide new avenues to promote the development of environmental benefits worldwide. This includes using the varied natural capacities of the environment in different biomes globally to encourage the environmental sustainability of these biomes (forests, oceans and straits, natural tourist attractions, for example) and utilizing their economic and ecological values (those capable of absorbing pollutants to aid in achieving sustainability) in strengthening the multilateral aspect of global trade (Ocampo and Martin, 2003). Utilizing these natural capacities, which are uniquely available and suited to each country, would strengthen global cooperation and provide ample opportunities for equality within the international trade landscape. These natural and unique capacities could also provide the historical and scientific connections needed to bond different states culturally, in the sciences, and in the pursuit of knowledge. This approach could open doors towards cooperating in the creation of policies that develop ecotourism, sharing the empirical knowledge involved in the management of natural resources, and could pave the way for further worldwide negotiations. This view would accelerate global economic growth and development in a new light of cooperation rather than competition.

### **2.4. The role of the world trade organization in the context of resurgent nationalism and deglobalization**

Today's globalized world is characterized by enhanced connectivity and interaction; in this respect, the WTO is a global organization that was established in 1995 with the significant role of addressing trade regulations, promoting trade globally,

and offering suitable rules to nations regarding their international economic undertakings (World Trade Report, 2023). However, the WTO has encountered many challenges, including the resurgence of nationalism and deglobalization (Solís, 2020). Such actions comprised a resurgence of nationalism and the open-door policy in the economy the basis on which the WTO is set forth (Tarver, 2022). Therefore, it is essential to understand the historical context in which the WTO was established and it has transformed modern trade negotiation dynamics. This section aims to assess the significance of the WTO in light of the resurgence of nationalism and deglobalization, while analyzing the challenges faced by the WTO in facilitating multilateral trade negotiations and resolving trade disputes. We will examine the potential reforms or adaptations necessary to address the impact of nationalism while preserving the relevance of the WTO.

#### **2.4.1. The WTO in context**

Understanding the pivotal events that led to the establishment of the WTO is crucial for evaluating its evolving impact on today's political landscape of trade negotiations.

The WTO is an international organization that opens trade between countries and operates as a system of trade rules, functioning as a forum where members of the government attempt to resolve their trade disputes (Schmucker and Mildner, 2023). To promote global economic cooperation, it must maintain the capacity to adjust to the changing pressure of nationalism and changes in the international economic environment, which may require relevant reforms (Majaski, 2023).

Before the establishment of the WTO on 1 January 1995, the General Agreement on Tariffs and Trade (GATT) served as a key legal instrument between 1948 and 1994, fostering economic development and facilitating trade relations among nations (Uruguay Round, 1994). The GATT governed many aspects of world trade as, during this time, world trade was increasing. However, in 1994 a significant event took place: the Uruguay Round (WTO n.d.). This event spurred the GATT into becoming the WTO. This transition signified an essential point in the history of international trade.

It is relevant to know that while the GATT was primarily concerned with product trade, the WTO and its agreements expanded to cover intellectual property and services trades. The establishment of the WTO also introduced new procedures for the settlement of disputes, and it demonstrated the adaptation in changing the global economic circumstances. One example of this change was the launch of the Doha Development Agenda in 2001, with one of its primary goals being to enhance the trade opportunities available to developing nations (WTO, n.d.). Nonetheless, the WTO faces challenges that require continuous innovation to maintain efficiency in the constantly changing world of international trade.

#### **2.4.2. Challenges**

The WTO faces both opportunities and challenges for multilateralism. While multilateralism is a fundamental principle that promotes cooperation and fair competition in the complex realm of international trade, it also poses significant challenges for the WTO (WTO n.d.). The main objective of the WTO is to establish a global competition alliance to encourage development while preventing trade barriers. The significance of the multilateral approach within the WTO becomes apparent when

nations address the issues unilaterally (Koopman, Hancock, Piermartini et al. 2020). In doing so, they are compelled to accept the outcome that was agreed upon by their respective parties, which may not necessarily be in the best interest of all participating nations.

Even though the WTO adheres to the principle of multilateralism, which facilitates trade negotiations among its vast members, it also faces some challenges. One of the challenges is the unequal economic power among its member states, which makes it challenging to reach agreements. In addition, the countries which take part in the negotiations introduce complexity to the proceeding, as they require a single point for the decision-making (Howse, 2016). Recently, these challenges have become more complex due to the rise of nationalism in certain nations, which favors unilateral actions over comprehensive multilateral strategies. Such a challenge inhibits the WTO's ability to reach a global trade agreement that is conclusive and comprehensive.

Furthermore, case studies provide extensive insight into the accomplishments and challenges of the WTO negotiations about multilateral trade. The formation of the WTO and the GATT represent significant achievements in multilateral trade. However, a prominent example of prolonged negotiations yielding limited results is the Doha Development Round—an extended multilateral trade negotiation conducted under the auspices of the WTO. The Doha Development Round was for negotiations to reform the WTO and expand trade. Despite this, the Doha Round remains unresolved following a decade of negotiations. Enhancing market access for goods and services from developing countries is an additional objective, alongside reducing trade barriers in sectors including agriculture, industrial products, and services (WTO, 2001). Such examples demonstrate the complexity of multilateral negotiations within the WTO framework.

The WTO has some very rigorous mechanisms for resolving disputes amongst member countries. For example, the Dispute Settlement Understanding (DSU) is an approach to resolving conflicts that commences with consultations and negotiation. Nonetheless, if the parties to the dispute cannot solve the disagreements, a panel of adjudicators is established and the judgments may be challenged. These dispute resolution mechanisms highlight how the WTO seeks to continue with a rules-based international trade system (WTO, 2018). In addition, the DSU has played an essential role in promoting a stable and dependable trading environment by guaranteeing compliance with the trade agreement.

Despite well-defined dispute resolution mechanisms, the WTO faces significant challenges in efficiently resolving trade disputes. The primary challenge lies in the increasing complexity of disputes involving multiple intricate legal and technical issues. This inherent complexity can strain the WTO's dispute settlement system, resulting in prolonged periods before final decisions are reached. Furthermore, improper issuance of decisions and noncompliance with their application contributes to the inefficiency of disagreement management practices (Solís, 2020). Some member states are now resorting to unilateral actions for the same reason. These approaches have heightened the challenge of reaching settlements, as there is a risk that countries may not comply with decisions made by an intergovernmental organization.

The resurgence of nationalism has impacted the WTO's capacity to resolve trade



disputes. There is often a reluctance to comply with WTO rulings, driven by nationalist sentiments that view such resolutions as encroachments on national sovereignty. This resistance weakens the authority of the WTO and undermines the effectiveness of its dispute resolution mechanisms (Solís, 2020). Unilateral trade measures are counterproductive because they exacerbate nationalist sentiments within member states and impede the timely settlement of disputes. The WTO needs to confront the impact of nationalist pressures on dispute resolution if it aims to maintain credibility as a global trade adjudicator.

#### 1) Resurgent Nationalism

The resurgence of nationalism poses a significant threat to the WTO, as countries prioritize their individual issues over global concerns. Heightened patriotic sentiments often foster an anti-globalist mood and a preference for unilateral actions, which undermines the cooperative efforts of the WTO in establishing fair trade regulations. This shift away from global cooperation jeopardizes the WTO's ability to foster equitable trade practices.

Moreover, the WTO operates in an environment marked by clear trends toward re-globalization, with many countries considering departure from global value chains and pursuing bilateral free trade agreements. The WTO should strive to facilitate a global market that is open and interconnected, enabling the smooth movement of goods and services across borders. However, the organization has deglobalization impacts such as reduced cross-border dependencies and possible increased tariffs (Fakhri, 2011). Responding to these trends will enable the WTO to adjust its strategy and maintain relevance in an evolving global economic landscape.

The WTO faces ongoing and often skeptical criticism from various sectors within and outside member countries. These criticisms often highlight concerns about transparency and inclusiveness in the organization's internal democratic decision-making processes. In addition, other people argue that in the context of the rules of the WTO, those prosperous economies are privileged while weak and developing states are victims. Additionally, skepticism of the suitability of the traditional model arises from the fact that it ignores the contemporary issues relating to environmental conservation and labor rights (Baldwin, 2016). This criticism underscores the importance for the WTO to acknowledge and address evolving global expectations and demands regarding legality and transparency.

To this end, addressing the challenge of resurgent nationalism in the WTO requires a vigorous attempt, such as reforms that emphasize collective goals and common advantage in international engagement. These create spaces for constructive communication among members and avenues where national problems may be addressed even as jointly undertaking trade benefits (Fakhri, 2011). Furthermore, the WTO would need to examine ways to incorporate various national interests into multilateral agreements without giving the impression that participation is against national sovereignty.

#### 2) Transparency and Legitimacy

The WTO needs to enhance the transparency of the negotiation process to ensure its effectiveness. By opening up the decision-making structures and offering clear points of entry for input from all member states—even small-economy countries—criticisms can be ameliorated around the issue of exclusivity. Such reform can include

better disclosure of negotiation proposals and increased engagement with stakeholders, including civil societies and nongovernmental organizations (American University, n.d.). Nurturing a more inclusive negotiation atmosphere, the WTO could strengthen trust within its membership and overcome suspicions regarding equal representation and decision-making.

The legitimacy of the WTO as a global trade arbiter hinges on the improvement of its dispute resolution process. Improvement to the dispute settlement process is necessary for decision enforcement and to expedite issue resolutions. Furthermore, empowering the Appellate Body, who ceased functioning in December 2019 when the term of two of the three remaining out of seven Appellate Body members expired (WTO, 2018), can also strengthen the dispute settlement mechanism. The WTO can deter unilateral measures by member states through its ability to make speedy and fair decisions as well as by exploring different ways of settling trade disputes that can address the weaknesses of the current system. This could entail the development of flexible mediation and arbitration models for adaptation. Alternative dispute resolution may bring faster and better-tailored resolutions, which might alleviate pressure on the regular WTO dispute settlement course of action. Through such a mechanism, WTO will adjust to the changes in taste and requirements of members' countries without, however, losing neutrality and efficacy in handling disputes.

The WTO should be more flexible in adapting new rules that suit the present economic landscape, particularly pertaining to electronic commerce, copyrights, and environmental protection. It is in fact imperative to update the WTO's trade rules so they remain applicable as new industries are constantly created and novel technological inventions emerge, thereby keeping the WTO relevant and effective. It is worth noting that the WTO can also work with other international bodies like the World Health Organization or environmental agencies to jointly handle cross-cutting issues that directly or indirectly inhibit free trade. Only with sensitivity to changing economic realities will the WTO be able to deliver on promoting an equitable and sensitive global business environment.

Maintaining the relevance of the WTO requires a concerted effort to address criticisms and reshape negative perceptions. This entails recognizing genuine concerns and proactively addressing them. The WTO should prioritize initiatives that promote enhanced transparency, inclusivity, and fairness. It is essential to let the public know about the specific advantages of the WTO, like promoting overall growth in commerce, avoiding trade battles, and providing dispute settlement opportunities (Trommer, 2017). The WTO needs to engage with its member states and the general public to correct misrepresentations made towards it and generate a more positive overall perception of its impact on international trade regulations.

The effectiveness and sustainability of the WTO depend significantly on public support. For this purpose, the organization must adopt an extensive communication approach, explaining to society what it does, why, and how it helps maintain a stable world economy, incorporating various media platforms such as online platforms, education initiatives, and the involvement of other NGOs. This could generate support from the public by highlighting how jobs were created through the WTO, promoting economic development and averting trade disputes (Howse, 2016). Additionally, seeking public input on certain decisions could foster a sense of ownership and garner

support for WTO initiatives.

The WTO should continue working with other global institutions to adapt to the current interconnected world. Working with the International Monetary Fund, the World Bank, and regional trading blocs can strengthen global economic governance and promote effective international cooperation. The WTO could demonstrate its commitment to universal global problems by taking joint actions on issues such as climate change, health, and sustainable progress (Howse, 2016), as joint initiatives may show how vital the WTO is because it combines more wisdom, strengths, and authority for more expansive activities.

In conclusion, the WTO continues to evolve in the context of re-emerging nationalism and deglobalization tendencies. It helps facilitate multilateral trade negotiations and dispute settlement, promoting an equitable and constructive global trade environment. However, the WTO faces significant challenges, including the impact of resurgent nationalism on negotiations, skepticism about the effectiveness of responses to nationalist pressures, the need to enhance transparency, and the necessity of adjusting the dispute resolution mechanism. The WTO should also ensure it applies current world economic phenomena and rebuts criticisms to remain relevant. In this regard, the continued evolution of the global economy requires a resuscitated and flexible WTO that recognizes the current realities and strives to reinforce its position in fostering global cooperation, spurring economic development, and bolstering the stability of the international trading regime.

## **2.5. Prioritizing bilateral and regional trade agreements?**

The rise of nationalism in recent years has presented significant challenges to the stability and effectiveness of multilateral trade linkages. One of the key concerns lies in how nationalist agendas may prioritize bilateral or regional trade agreements over multilateral trade frameworks. This shift in approach has the potential to fragment the international trading system, leading to inconsistencies, inefficiencies, and reduced transparency in trade regulations and practices. The rise of nationalist sentiments has been fueled by various factors, including economic uncertainties, political shifts, and a desire to protect domestic industries and jobs. While it is natural for countries to prioritize their own interests, the increasing emphasis on bilateral or regional agreements can undermine the benefits that multilateral trade agreements offer. As countries focus on individual negotiations, there is a risk of overlooking the broader global context and the interdependencies that exist within the multilateral trading system. This can result in a fragmented and disjointed approach to trade, hindering the potential for inclusive growth, cooperation, and the realization of shared benefits (USTR, 2020). Therefore, it is crucial to address the challenges posed by the rise of nationalism and find ways to promote the importance of multilateral trade frameworks in fostering stability, fairness, and sustainable economic development on a global scale.

The rise of regional minilateral agreements has emerged as a means for a smaller group of countries with shared interests and values to address common concerns outside of multilateral frameworks. These arrangements, exemplified by the Indo-Sri Lanka Free Trade Agreement (ISFTA) and the USMCA (United States, Mexico, Canada agreement), offer flexibility, expedited decision-making, and policy

coordination in specific focus areas. However, the preference for these agreements can reduce incentives and pose challenges for engagement with multilateral frameworks. The rise of nationalism presents significant challenges to multilateral trade linkages, as nationalist agendas often prioritize bilateral or regional trade agreements over multilateral frameworks. These exclusive agreements give priority to the interests of specific countries or blocs, potentially excluding others and creating an imbalanced playing field. This fragmentation of the international trading system introduces unpredictability and complexity, as diverse rules and regulations emerge across various agreements (Hadjiyiannis et al., 2018).

The complex interplay between economic and political factors in the face of increasing nationalism poses significant challenges to multilateral trade linkages. Nationalist agendas are often rooted in broader political ideologies and domestic considerations, making it difficult to disentangle purely economic motivations from political objectives. For instance, a country pursuing a nationalist trade policy may prioritize bilateral or regional trade agreements over multilateral frameworks to assert its sovereignty and protect domestic industries. While these actions may be driven by political goals, they can undermine the principles of non-discrimination and equal treatment that are fundamental to a well-functioning multilateral trade framework. This can result in an uneven playing field, where certain countries or blocs receive preferential treatment, creating a fragmented global trading environment. The intricate nature of this interplay highlights the need for a nuanced understanding of the underlying political motivations and their impact on economic decision-making to effectively address the challenges faced in multilateral trade linkages amidst the rise of nationalism.

### **2.5.1. Erosion of trust and cooperation**

One of the significant challenges in multilateral trade linkages amidst an increase in nationalism is the erosion of trust and cooperation among nations, which has significant implications for international law. Nationalist agendas, driven by the prioritization of national interests, can undermine the spirit of cooperation necessary for successful multilateral trade negotiations. This erosion of trust can hinder the progress towards comprehensive and inclusive trade agreements that adhere to the principles of international law. Moreover, the fragmentation of the international trading system can also pose challenges to the effectiveness of multilateral trade frameworks from the perspective of international law. When countries prioritize bilateral or regional trade agreements, they often create a patchwork of different rules and regulations, leading to a lack of uniformity and potential conflicts, often undermining the principles of fairness and non-discrimination enshrined in international trade law, as countries may face different barriers and trade conditions depending on the agreements they are part of (WTO, n.d.).

At stake are the fundamental principles of non-discrimination and equal treatment, which are essential for the effective functioning of a multilateral trade framework. Moreover, the prioritization of bilateral or regional trade agreements undermines the role and efficacy of international institutions such as the WTO. The WTO serves as the facilitator of the implementation, administration, and operation of multilateral trade agreements, while providing the platform for negotiations among its members

on their multilateral trade relations. Additionally, the WTO administers the Dispute Settlement Understanding and offers the common institutional framework for trade relations among its members concerning the agreements and associated legal instruments. By opting for exclusive trade agreements, countries bypass the multilateral mechanisms established by these institutions, thereby undermining their authority and hindering their comprehensive approach to addressing global trade issues. This poses challenges to the coherence and effectiveness of the international trade system as a whole (WTO, n.d.).

The weakening trend of globalization is not only evident in the state of multilateral cooperation processes, but also in the stalemate of multilateral trade rulemaking under the WTO. The lack of comprehensive results, particularly at recent ministerial conferences, highlights the challenges faced in advancing a multilateral agenda during this time. These difficulties stem from the absence of consensus in negotiations on multilateral policies and rules that would effectively support the development process in developing countries. Moreover, the rapid changes in the global economy, such as the emergence of e-commerce and the need for investment and trade facilitation, introduce new issues that some countries are eager to address. Consequently, these factors contribute to the complexity and urgency of revitalizing multilateral trade cooperation and rulemaking, as well as finding innovative solutions to address the evolving needs and interests of all nations involved (Bown, 2022).

The trade war between China and the United States, beginning in 2018, had a significant impact on multilateral trade agreements. The conflict involved the imposition of tariffs and other trade barriers on each other's goods, with both countries accusing the other of unfair trade practices. This trade dispute disrupted global supply chains and caused economic uncertainty, straining relations between the two largest economies in the world and leading to a broader atmosphere of economic nationalism. As a result, the WTO faced challenges in maintaining consensus and advancing negotiations. The trade war highlighted the difficulties in achieving a cooperative and inclusive global trade system, as countries prioritized their own interests over multilateral cooperation (Jaldi, 2023).

The need for increased participation in international trade remains strong in many developing countries, particularly the least developed countries and small and vulnerable economies. It is crucial to establish robust multilateral hard trade rules that provide predictability, transparency, and stability in market openings. However, efforts to improve multilateral hard trade rulemaking have stalled, while bilateral and regional policymaking processes continue to progress. This raises concerns about a more polarized international rule-making approach, which may not be in the interest of parties with limited negotiating power and economic weight. Moreover, such polarization can lead to a set of mutually inconsistent rules that are difficult to establish at the multilateral level, as they are likely shaped by the interests of societal groups and economic lobbies. This uncertainty raises questions about the future of multilateral cooperation and the multilateral trading system (Goes and Bekkers, 2023; Goldberg and Reed, 2023; Pomfret, 2020).

### **2.5.2. War**

Wars have a profound and far-reaching impact on multilateral trade agreements,

presenting numerous challenges that often prompt countries to prioritize nationalism and pursue regional or bilateral trade agreements instead. In times of conflict, nations tend to shift their focus towards protecting their own interests and national security, undermining the spirit of cooperation and compromise necessary for successful multilateral trade agreements. The disruption of global supply chains, the imposition of trade barriers, and the overall uncertainty surrounding the geopolitical landscape all contribute to an environment that encourages countries to adopt more self-centered trade policies.

One of the immediate effects of war on multilateral trade agreements is the disruption of global supply chains. Conflict can lead to the destruction of infrastructure, the displacement of populations, and the disruption of transportation networks, all of which can severely hamper the smooth flow of goods and services across borders. This disruption renders it difficult for countries to fulfill their obligations under multilateral trade agreements, as they struggle to maintain the necessary infrastructure and logistics to facilitate international trade.

Additionally, during times of war, countries often impose trade barriers as a means of protecting their domestic industries and ensuring national security. Tariffs, quotas, and other protectionist measures are frequently implemented, making it harder for goods and services to enter or exit a country. These trade barriers not only hinder the functioning of multilateral trade agreements but also contribute to a broader atmosphere of economic nationalism, where countries prioritize their own industries and markets over global cooperation. Moreover, the uncertainty surrounding the geopolitical landscape during and after wars can significantly impact the willingness of countries to engage in multilateral trade agreements. The shifting alliances, power dynamics, and geopolitical rivalries that emerge during conflicts can create an atmosphere of distrust and suspicion among nations. This can lead to a reluctance to commit to long-term multilateral agreements, as countries may fear being tied to obligations that no longer align with their national interests or security concerns (IFM, n.d.; Jaldi, 2023; Goes and Bekkers, 2023).

### **2.5.3. Ways forward**

Multilateral trade agreements play a crucial role in addressing global problems and promoting sustainable trade. They provide a platform for countries to collectively address shared challenges, fostering cooperation and collaboration. These agreements also establish rules and standards that encourage environmentally-friendly practices and social responsibility, thereby promoting sustainable development. However, the rise of nationalism has posed significant challenges to multilateral trade agreements, impeding their effectiveness in addressing global issues and promoting sustainable trade. Governments often face difficulties in balancing domestic agendas with international commitments, resulting in a reluctance to fully engage in binding multilateral trade agreements. For international cooperation to resume and succeed, particularly in achieving the 2030 Agenda and the Sustainable Development Goals, governments need to advance an economic agenda that is outward looking, fair, equitable, and beneficial to a larger share of their constituents. Without a coherent multilateral agenda that addresses the challenges of globalization, the world may continue to drift towards nationalism and multipolarity (IMF, n.d.).

To address these challenges, it is crucial to strengthen the role of international law in multilateral trade linkages. International law provides a framework for resolving disputes, ensuring compliance with agreed-upon rules, and promoting the principles of fairness and non-discrimination. By upholding the principles of international law, countries foster trust and cooperation, leading to more effective multilateral trade negotiations and the development of comprehensive trade agreements that benefit all parties involved.

In conclusion, addressing the challenges of multilateral trade linkages amidst the rise of nationalism requires a careful and balanced approach that takes into account both national interests and the benefits of multilateral trade cooperation. While nationalist agendas may prioritize exclusive agreements, it is essential to explore ways to multilateral national or regional approaches to trade. This can be achieved through mediation and conciliation, while upholding the principles of non-discrimination and equal treatment. In finding this balance, it is possible to create a more integrated and cooperative global trading environment that addresses the concerns and interests of individual countries or regions. Furthermore, multilateral approaches can help mitigate the fragmentation of the international trading system and strengthen the role and effectiveness of international institutions, such as the WTO, in addressing global trade issues comprehensively. By embracing this approach, the international community can work towards fostering trust, cooperation, and the development of comprehensive and inclusive trade agreements that uphold the principles of fairness, non-discrimination, and international law standards (Jaldi, 2023; United Nations, 2018).

## **2.6. Conflicting interpretations of trade law: Harmonization and dispute settlement**

Given all the arguments made above, this section examines whether trade law will be subject to conflicting new interpretations under a more fragmented international trading system, solidifying deglobalization trends.

### **2.6.1. Overview**

Economic globalization and trade have stirred interaction among nations. International trade law allows different states to exchange cultural goods more easily and expanding connections between nations involved in the act of trading. However, despite the increased engagement between nations in recent years, there are clear distinctions when it comes to their interpretations of trade law. The lack of consistency is inevitable because, after all, nations are separate entities.

This section will outline the reasons for conflicting interpretations of trade law under a fragmented international trade system, methods to harmonize interpretations of trade law, and mechanisms for dispute resolutions for issues that may arise from the diverse interpretations of the laws.

### **2.6.2. Reasons for inconsistency in trade law interpretations**

Interpretation universally, as a general concept, is prone to alteration. Whether that is interpreting a language or a complex scientific hypothesis, interpretation is no stranger to diversity even when it comes to the same concept. Likewise, law is also susceptible to interpretation diversity, which places our topic on trade laws

interpretations in this section. While there are various reasons as to why trade law is prone to inconsistent interpretations amongst nations, some of the most common reasons include the following:

1) Cultural, Religious, and Linguistic Reasons

One reason for a lack of consistency in interpretation is cultural, religious, and linguistic differences. Each state worldwide has a different culture and language, which on its own creates a kind of invisible barrier separating nations. Such separations will eventually, if not already, include different views and interpretations on laws and legal matters.

As for culture and religion, various points may trigger inconsistent interpretations in trade laws. Culture and religion give rise to differing legal traditions, and one such tradition impacts a nation's view on trade. These reasons consist of cultural norms, values, and ethical considerations. Culture and religion influence how people behave and interact. In the end, every nation has a culture and value that sculpt the way society views trade practices and regulations.

Every nation has its own attitudes towards business practices, including but not limited to local trade. Some cultures, for example, negotiate deal-making by signing contracts, while others do so by fostering relations between parties (Salacuse, 2005). If trade law holds a regulation that may require the creation of a contract for a certain trade, it may be overlooked by nations that rely primarily on relations, thereby creating a different interpretation of this regulation. A religious aspect that may alter an interpretation might include an instance where the regulation or rule clashes with a nation's ethical consideration. Given how many nations harbor their own specific religious affiliation, a nation may take it upon itself to prioritize its religious values over the trade. Therefore, if a nation does indeed feel inclined to practice international trade, then some trade laws may be reinterpreted differently to allow the practice of the trade without a breach of religious values.

As for linguistic reasons, a text may be translated with the entire meaning influenced by one singularly chosen word. The same legal text, when translated into different languages, can undergo multiple interpretations that lead to inconsistent understandings due to linguistic nuances. Indeed, one language may have many meanings for a single word, highlighting the probability of an altered interpretation.

2) Complexity of Trade Laws

Like any spectrum of law, trade laws are inherently complex, whether due to the volume of content or simply the procedures involved. Naturally, international trade would require the execution of detailed international trade agreements between nations to undergo the practice of trade (International Trade Law, 2023). International trade agreements on their own take many different forms—unilateral, bilateral, or multilateral—depending on their reasons for trade, adding to the complexity on how to apply the trade laws for each of the forms depending on the parties' benefits (Trade Agreements, n.d.).

3) National Objectives

Every nation has its own national objectives and goals that can be affected greatly by trade. For instance, some nations would rather focus on trade law to promote sustainable development for their economy, while others might focus on more rapid economic growth with greater risk. Finland, according to the latest sustainable



development report in 2023, is in the highest rank in terms of performance in achieving sustainable development (Sustainable Development Report, 2023). China, on the other hand, has been known to embrace an objective for a more rapid economic growth (Gibson, 2023). These varying objectives would mean that countries may adapt to trade laws or interpret them in a way that aligns with their own needs and objectives.

#### 4) Preserving Sovereignty

Some states would rather preserve their sovereignty than have an international organization to govern their trade practices. This reluctance leads some nations to avoid joining organizations or treaties that could potentially encroach on their sovereignty, even if it is only merely related to how they would undergo trading with other sovereign states.

### **2.6.3. Harmonization**

Due to there being reasons for inconsistency in interpretation of trade law among nations, there may be a few applications to balance such inconsistencies. Essentially, harmonization aims in aligning more uniformly in the understanding and application of trade laws across jurisdictions.

One way to balance the inconsistency is the involvement of countries in more multilateral trade agreements. Expanding trade collaborations among nations with more countries can promote greater agreement on common principles and policies. This requires nations to converge on a unified interpretation of trade laws to facilitate their trade interactions while maintaining a shared understanding among them. This approach involves more members agreeing on specific interpretations, reducing the need for individual translations of trade laws.

Nations could collaborate to establish a more consistent and ideal model of trade law that focuses more on good practice than anything. Emphasizing best practices and successful approaches based on shared experiences can harmonize legal standards that benefit all parties involved. This convergence can be achieved by encouraging more nations to become members of the WTO and adhere to established guidelines within the framework, rather than relying solely on individual interpretations.

Legal professionals, government officials, and any others involved in nation-wide trade should undergo capacity-building. Offering training and enrichment for understanding trade laws more could ward off the issues regarding their complexity. This can aid in enhancing their understanding of trade laws and their applications to contribute to creating a more uniform application of trade laws across jurisdictions.

### **2.6.4. Dispute settlement mechanisms**

Various international organizations already provide frameworks for settling disputes, such as the World Trade Organization. Yet, there may also be other mechanisms to deal with disputes as well. With the lack of coherence in trade law interpretations, a consequence that would arise are disputes, due to the lack of such consistency. Any legal dispute, including commercial ones, may be handled according to the following:

#### 1) Dispute Settlement Terms in Agreements

All contracts and agreements hold to terms and conditions to provide a framework for the transactions. In these terms, both parties may include any provisions for scenarios that would require a dispute to be settled, whether it includes

compensation or a certain track of actions that ought to be taken by the party responsible for the conflict of interest.

## 2) Arbitration

Arbitration is a popular method of settling conflicts of interest and disputes, bypassing the need to bring the issue before a court. In arbitration, the dispute is submitted to an arbitrator or a panel of arbitrators, instead of taking the dispute to a traditional court of law for resolution (What is International Commercial Arbitration? n.d.). This approach allows both parties to reach a mutually agreeable solution without incurring the potential losses associated with a court hearing. It also preserves the capacity of courts to address matters of higher importance that may not be suitable for arbitration. Commercial arbitration is one category of arbitration that is utilized for such issues, since any kind of trade law dispute falls under the commercial category, this is one method to resolve issues between contracting nations due to trade law interpretation problems (What is International Commercial Arbitration, n.d.). For instance, the United Nations Commission on International Trade Law (UNCITRAL) provides provisions and rules for international commercial arbitration for matters including trade-related disputes tailored for the parties' specific needs (Kenton, 2023).

## 3) Expert Consultation

Aside from arbitration, if the parties involved in the dispute have no desire to involve a third party to settle the dispute for them with a legally binding solution, then they have the alternative option of reaching out to experts. Consulting experts intend to settle the issue without needing to take legally enforceable measures, allowing the parties to resolve the dispute on their own amicably.

## 4) The World Trade Organization's Dispute Settlement Understanding

Moreover, there is always the option of accessing already provided valid provisions that are aimed specifically at resolving disputes. The WTO established the Dispute Settlement Understanding as a framework for handling trade disputes among its members for any WTO agreements (WTO dispute settlement, 2023). If negotiations fail, WTO members can request that the dispute be settled by forming a dispute settlement panel (WTO dispute settlement, 2023). The panel then issues a report that is subject to appeal before the WTO's Appellate Body, comprised of seven people (which has ceased to exist for a few years now because of the Trump administration). This body of individuals has the authority to modify, uphold, or even reverse the legal conclusions of the dispute settlement panel (WTO dispute settlement, 2023). In the instances that there is no compliance with the dispute settlement recommendations, it may lead to trade compensations and sanctions (WTO dispute settlement, 2023). Implementing this approach would streamline the process of identifying trustworthy arbitrators or experts, thereby incentivizing parties to adhere to dispute settlement procedures to avoid potential penalties. This efficiency would ultimately save time and enhance reliability in the resolution process.

All the issues analyzed in section 2 bring us to an analysis of section 3 on the link between trade and environment from the perspective of the right-wing rising populism, which refuses to accept that climate change is anthropogenic.

### **3. Trade and environment**

The climate crisis is an urgent matter with irreversible effects on the environment and every organism on this Earth. If nations are unable to reduce their use of coal, oil, and gas, global warming effects will accelerate and become more severe, leading to soil degradation which ultimately results in food loss (United Nations, n.d.). Nations have until the mid-2030s to control and minimize their use of elements that affect global warming to avoid a rise in global temperatures of more than 1.5 degrees Celsius above pre-industrial times, which is more than the climate target in the Paris Agreement on Climate Change (Mckoy, 2023). The climate crisis not only targets environmental catastrophes, but economic as well. The climate and economy are directly proportional to each other, the worse the climate gets, the greater the harm caused to the economy (IMF, 2020).

#### **3.1. Building a sustainable trade system**

The most pressing issue of our day is the climate crisis, a multifaceted and intricate problem casting a long shadow over every facet of humanity, including international trade. We stand at a critical crossroads: can we transform trade from a blind engine of growth into a catalyst for a sustainable future, where economic prosperity and environmental responsibility go hand-in-hand? The world faces an unprecedented challenge—the climate crisis. This complex and multifaceted issue demands a fundamental rethinking of global systems, and the international trading system is no exception. The current model, built on the assumption of limitless resources and infinite growth, is demonstrably unsustainable. As the urgency to mitigate climate change intensifies, trade policies must be meticulously revised to foster environmental sustainability, social equity, and global cooperation (IPCC, 2021).

##### **3.1.1. Addressing the climate crisis through policy reform**

The global commerce system is one of the many facets of human existence that is heavily impacted by the specter of climate change. In the face of this existential peril, the existing trade paradigm—which is based only on the pursuit of economic efficiency and growth—has shown itself to be terribly insufficient. We find ourselves in a precarious position, needing to undertake a comprehensive reassessment of trade regulations to create a sustainable future for the Earth and its inhabitants (World Economic Forum, 2023).

The global trading system is no longer immune to the tightening grip of climate change. Its intricate web is being unraveled by a confluence of climate-related disruptions, threatening economic stability and exacerbating existing inequalities. Extreme weather events—hurricanes, floods, and droughts—fueled by a warming planet inflict billions of dollars in damage on infrastructure and agricultural production. Rising sea levels pose a critical threat to coastal communities and vital trade routes, jeopardizing the flow of goods and services. These changes exacerbate existing inequities, pushing vulnerable populations deeper into food insecurity, triggering energy shortages, and destabilizing entire economies (World Economic Forum, n.d.).

##### **3.1.2. The looming crossroads: Trade, climate change, and the future of humanity**

Trade itself is a major contributor to climate change, not only being a victim of it. A significant amount of greenhouse gas emissions from global transportation is

caused by the movement of products over long distances. Increased reliance on fossil fuels by important economic sectors like manufacturing and agriculture also contributes to the acceleration of climatic destabilization. The intricate interaction between these factors emphasizes how urgently environmental degradation and economic expansion must be separated.

Trade itself contributes significantly to climate change. The transportation of goods and materials accounts for roughly 10% of global greenhouse gas emissions, with maritime shipping playing a particularly significant role. Additionally, many industries, such as agriculture and manufacturing, rely heavily on fossil fuels and contribute directly to deforestation. The current model of trade prioritizes short-term economic gains at the expense of long-term environmental sustainability (UNCTAD, n.d.).

To address the climate crisis and forge a sustainable trade system, we must prioritize a multi-pronged approach, as follows:

1) **Environmental Integration:** Trade agreements must evolve to incorporate environmental considerations. This necessitates the inclusion of provisions that promote sustainable production and consumption patterns, advocate for the adoption of clean technologies and renewable energy sources and incentivize the reduction of greenhouse gas emissions. Trade policy should also incentivize responsible resource management, combat deforestation, and prioritize the protection of biodiversity (World Economic Forum, n.d.).

2) **Social Justice and Equity:** Trade policy must be shaped with social justice and equity at its core. This entails ensuring that the benefits of trade are distributed fairly, particularly among vulnerable and marginalized communities. Trade agreements should uphold labor rights, empower small businesses, and promote inclusive economic growth. Special attention must be given to the needs of developing countries, ensuring that they are not left behind in the transition to a sustainable future (International Institute for Sustainable Development, n.d.).

3) **Strengthening International Cooperation:** Addressing the climate crisis demands a concerted global effort. We must strengthen international cooperation by establishing robust multilateral institutions and developing effective rules and regulations that govern trade in a manner that prioritizes environmental sustainability. This includes reforming the WTO to address environmental concerns and to facilitate the diffusion of clean technologies (International Institute for Sustainable Development, n.d.).

4) **Fostering Innovation:** The pathway to a low-carbon economy necessitates significant investments in clean and innovative technologies. Trade policy should actively promote the development and diffusion of these technologies by reducing trade barriers, encouraging research and development collaborations, and fostering partnerships between public and private entities (WTO, n.d.).

5) **Empowering Stakeholders and Civil Society:** Trade policy formulation cannot be confined to the halls of power. It is crucial to engage stakeholders and civil society organizations in meaningful dialogue to ensure that trade agreements are transparent, accountable, and responsive to the needs of all parties. This participatory approach fosters trust and legitimacy, ultimately contributing to a more sustainable and equitable trade system (UNCTAD, n.d.).

Several countries and regions are already taking steps to reshape their trade policies in light of the climate crisis. The European Union (EU), for instance, has implemented initiatives like the Carbon Border Adjustment Mechanism (CBAM) (Leal-Arcas et al., 2022) to address the environmental impact of trade. Similarly, the African Continental Free Trade Area (AfCFTA) incorporates provisions that promote sustainable development and climate action. These initiatives offer valuable insights into how trade policy can be reimaged to create a more sustainable future (WTO, n.d.).

While the path forward is fraught with challenges, there are also promising opportunities (IRENA, n.d.). Growing public awareness and support for climate action are creating a fertile ground for policy reform (Fair Trade, n.d.). Additionally, technological advancements are opening new avenues for sustainable production and consumption, while the rise of global movements like Fair Trade offer alternative models of trade that prioritize social justice and environmental protection.

The global trade system, long a powerful driver of economic growth and interconnection, stands at a critical juncture. The shadow of the climate crisis looms large, casting an unsettling pallor over the familiar patterns of commerce. The pursuit of unfettered economic efficiency, the very cornerstone of the prevailing trade paradigm, has proven tragically inadequate in the face of this existential threat. This stark reality compels us to confront a fundamental question: can we re-imagine trade not as a blind engine of growth, but as a force for positive change, a catalyst for a sustainable future where economic prosperity goes hand-in-hand with environmental responsibility and social justice?

### **3.1.3. Unraveling the web: The disruptive grip of climate change on trade**

The effects of climate change are already deeply intertwined with the fabric of global trade. Extreme weather events, fueled by rising temperatures and shifting weather patterns, disrupt supply chains, devastate agricultural yields, and cripple infrastructure. Rising sea levels threaten coastal communities and vital trade routes, jeopardizing the flow of goods and services. These disruptions disproportionately impact vulnerable populations and exacerbate existing inequalities, widening the chasm between the haves and have-nots.

Although trade is a victim of climate change, trade also plays a significant role in its perpetuation. The mammoth carbon footprint of global transportation, heavily reliant on fossil fuels, spews greenhouse gases into the atmosphere, accelerating the very crisis that threatens its stability. The resource-intensive nature of many industries, from manufacturing to agriculture, further contributes to environmental degradation and depletion. This intricate dance between trade and climate change underscores the urgent need to decouple economic growth from environmental harm (IPCC, n.d.).

### **3.1.4. Rewriting the rules: Environmental integration as the cornerstone of sustainable trade**

The global trade system, once a seemingly unstoppable engine of economic prosperity, stands at a crossroads. The specter of climate change casts a long shadow over its familiar patterns, demanding a fundamental re-evaluation of its priorities. The pursuit of unfettered economic growth at the expense of environmental well-being is no longer tenable. To navigate this precarious juncture, a radical shift is required—one that places environmental sustainability at the very heart of trade policy. This

necessitates the profound integration of environmental considerations into the fabric of trade agreements, rewriting the rules of global commerce with a focus on ecological stewardship.

This environmental integration is not merely an add-on, a cosmetic veneer applied to the existing trade framework. It is a fundamental overhaul, a reimagining of the system itself. Provisions promoting sustainable production and consumption patterns must become the norm, guiding both domestic and international economic activities. Trade agreements should incentivize life cycle assessments that map the environmental footprint of products throughout their life cycle, from cradle to grave. Eco-labeling schemes, recognizing products that meet rigorous environmental standards, can further empower informed consumer choices and drive market demand towards sustainability. Responsible sourcing of raw materials, prioritizing renewable and recycled resources, must be enshrined in trade policies, breaking the dependence on environmentally destructive extraction practices (MDPI, n.d.).

Beyond production, trade agreements must actively foster the transition to clean technologies and renewable energy sources. Dismantling trade barriers for solar panels, wind turbines, and other green technologies is crucial to accelerating their global adoption. Trade policies can incentivize research and development in clean technologies, fostering collaboration between private and public sectors to unlock the vast potential of a sustainable future (WTO, n.d.). By promoting investment in renewable energy infrastructure and incentivizing the phase-out of fossil fuels, trade agreements can play a pivotal role in decarbonizing the global economy.

However, environmental integration extends beyond mere technological solutions. It demands a commitment to responsible resource management, combatting the rampant deforestation that scars our planet. Trade agreements must include provisions for sustainable forest management practices, ensuring responsible logging and reforestation efforts. Transparency in resource extraction, with robust monitoring and reporting mechanisms, is crucial to combating illegal logging and ensuring the trade does not fuel environmental destruction. Furthermore, trade policies should prioritize biodiversity protection through measures like marine protected areas, endangered species protection, and incentives for sustainable agricultural practices that minimize habitat loss and ecosystem degradation.

Integrating environmental considerations into trade agreements is not without its challenges. Concerns about potential trade barriers and difficulties in enforcing environmental provisions must be addressed. However, innovative solutions exist. Environmental labeling schemes can provide consumers with clear information about the environmental footprint of products, empowering them to make informed choices. Capacity building initiatives within developing countries can equip them with the necessary tools and expertise to implement environmental provisions effectively. Public-private partnerships, bringing together governments, businesses, and NGOs, can foster collaboration and share resources to overcome implementation challenges (WTO, n.d.).

The climate crisis presents a daunting challenge, but it also serves as a potent catalyst for positive change. By rethinking trade policy and prioritizing environmental and social considerations, we can create a more equitable and sustainable global trade system, one that safeguards our planet for future generations. This is not merely a

possibility; it is a necessity. We must seize this opportunity to forge a new economic paradigm, one that aligns economic prosperity with environmental sustainability and social justice, ensuring a future where commerce serves not only as an engine of growth but also as a force for good.

### **3.2. The intersection of environmental standards, sustainable trade, and just transition**

It is important that trade policies all around the globe be reformed and adapted to the accelerating annihilation of the environment. Binding environmental standards should be enforced by nations, encourage sustainable trade practices, and ensure that every nation is willing to move towards a low-carbon future.

#### **3.2.1. Environmental standards and regulations**

Implementing environmental clauses and provisions in trade agreements serves a crucial part in raising global environmental standards. These provisions aim to ensure that nations do not lower their environmental protection measures to attract more business opportunities and to give themselves an unfair advantage in competition with other businesses in the international market who are adhering to those *provisions* (Leal-Arcas et al., 2023; Leal-Arcas et al., 2022). This strategy requires collective accountability and action to manage such a severe and intense climate crisis. Environmental clauses and provisions having binding power in trade agreements prevent trade from triggering a competitive decline in environmental protections. These environmental provisions would prevent countries from attempting to weaken environmental regulations to attract more investments from other countries and gain competitive advantage over other countries in the same field. These provisions help level the playing field for all countries and serve as a sustainable-trade practice.

##### 1) Green Protectionism

Green protectionism refers to the use of environmental regulations as a means of protecting domestic industries from foreign competition. It can impede trade and be used as an excuse for abiding with environmental regulations (The Economist, 2023). An example of a country practicing green protectionism is China. It is anticipated that the Chinese government will implement regulatory measures to secure the supremacy of its manufactures with a worldwide supply chain. This includes providing financial aid to green industries (Katsomitros, 2023).

##### 2) Trade Flow

Environmental provisions and strict clauses restrict trade by imposing additional costs and requirements on businesses that practice international trade. Policy requirements for products to meet a recognized standard would put the onus on businesses to change the materials used to meet those standards, imposing a financial burden on those businesses. The nature of the relationship between environmental regulations and international trade is a complex issue due to the necessity of the environmental regulations and provisions to ensure a sustainable low-carbon future, and these regulations restricting trade if they are too strict or unfairly disadvantaging some countries. Policymakers face the difficult task of finding a balance between the regulations and maintaining the freedom of trade. The policies need to be clear and unambiguous, achievable for all parties, and avoid unnecessary burdens on

international trade (Dai et al., 2021).

### **3.2.2. Sustainable trade practices**

The purpose of sustainable trade is to promote economic development while reducing environmental harm. It requires environmental regulations and provisions into trade-related agreements, policies, and actions (Pangestu, 2023). Sustainable trade is crucial today because it supports the reduction of greenhouse gas emissions and mitigates the impacts of climate change. Countries are able through trade to share environmentally friendly goods and supplies as well as advanced green technologies, such as renewable energy sources. Trade is also important during natural catastrophes and hardships so that countries can distribute essential goods such as food and medicine (Grantham Research Institute on climate change and the environment, 2023). It is essential to find a balance that promotes an environmentally conscious society while also avoiding any additional burden on international trade. The WTO is working on establishing rules that encourage efficient and sustainable international trade (WTO, 2023).

#### 1) The Role of Green Technology in Trade

Green technology plays a substantial role in promoting economic growth while reducing the environmental impacts. Greenhouse gases are reduced with green technology by using energy efficiently and using renewable energy sources. The trade of green technologies between countries enhances economic growth and opens a new market that is based on sustainability, driving innovation and enhancing competition between businesses on quality and price (Ahmed et al., 2021). This means that the more businesses that enter into the green-technology market, the cheaper they become, opening accessibility for less developed countries. The innovation driven by green technology creates more job opportunities for individuals in terms of the production and installment of technology.

#### 2) Renewable Energy Sources

There has been a surge in the demand for environmentally-sound technologies (ESTs) (Leal-Arcas et al., 2023; Leal-Arcas and Minas, 2016; Leal-Arcas and Filis, 2015; Leal-Arcas and Filis, 2014; Leal-Arcas and Minas, 2016a); this has led to the growth of innovation, ultimately lowering costs for developing countries to be able to keep up with environmental regulations (UN Environment Programme, 2023). This allows the developing countries to participate in the transition to clean energy. There has been a global effort to liberalize ESTs by reducing their costs, aiming to alleviate financial burdens and enhance accessibility (UN Environment Programme, 2023). This also increases competition, which benefits the economy. In addition, liberalization gives producers of ESTs access to a larger customer base, driving up supply and demand and making the trade of ESTs easier, ultimately accelerating the adoption of clean energy solutions (United Nations, 2023).

### **3.2.3. Just transition and trade adjustment**

Just transition within the context of trade refers to a framework of principles, methods, and actions aimed at facilitating the transformation of economic and political power towards a sustainable and regenerative environment (Leal-Arcas, 2023; Leal-Arcas, 2020; Leal-Arcas, 2020a; Shaar and Leal-Arcas, 2022; Leal-Arcas et al., 2020; Leal-Arcas, 2016; Leal-Arcas, 2019). The concept promotes the dismantling of



harmful industries while ensuring fair employment alternatives for the workers that got affected from the justice movements regarding labor and the environment (Climate Justice Alliance, 2023). Just transition is based on the principle that economic stability for workers and environmental protection can co-exist together without the existence of one being detrimental to the other. This ideology challenges traditional views that environmental policies would lead to job losses, instead it supports that individuals should feel secure in their jobs, as well as protect the environment (UNDP Climate Promise, 2023). The process of a just transition requires meaningful conversations between all governments, employers, and workers, ensuring that all voices are heard and everyone is on the right page. This involves protecting workers' rights as economies shift towards sustainable practices (ILO, 2021).

#### **3.2.4. Forward-looking strategies**

Developing and adopting guidelines for a just transition involves a systematic approach, requiring review, amending, and adoption. It creates a framework that aids and guides governments, businesses, and workers through the economic and social shift occurring to move towards a greener and sustainable economy.

The initial stage in crafting a guideline is to collect an extensive range of experiences from different countries and their policies and strategies that aim to achieve a just transition. This is a crucial step because of the unique structures of different countries around the world. Examining many different policies from many different areas will help policymakers gain insight into a wider range of scenarios and solutions than if they only examined a select number of countries. Policymakers will be able to analyze the effectiveness of different policies and their success rates to determine their suitability for global application (International Labour Organization, 2015).

When implementing measures to combat climate change and transition towards a greener, sustainable economy, the goal is to maximize benefits and minimize disruptions for individuals and businesses alike. To ensure benefit to everyone and a smooth transition, those who might be affected by the shift should be given an opportunity to voice their concerns. In addition, protecting workers' rights during this transition is vital. Workers should be treated fairly and their rights protected; no unfair treatment at any place of work is to be tolerated. A shift to a greener economy would create more job opportunities for individuals and create new learning skills for those individuals to excel at their new jobs. Unfortunately, this shift, while creating more jobs, would also create a liability for old jobs and potentially abolish them. People who are affected by this unfortunate event should be supported to aid them in finding new jobs (ILO, 2021).

There should be widespread support for governments, businesses, and workers to create and implement action plans and policies that support industries in a way that is beneficial for environmental and economic growth. People who are knowledgeable and experienced can provide assistance and guidance to make sure these regulations are efficient and smart. Governments, businesses, and workers should work together to make decisions for building industries that benefit the environment instead of harming it (International Labour Organization, 2015).

Finally, trade has proven its environmental impacts over the decades. Trade

shows the importance of countries coming together to amend and create policies that prevent the further annihilation of the environment. However, policymakers need to find a balance that promotes an environmentally conscious society, but also prevents any additional burden on international trade. This can be a complex mission to accomplish, but it is possible if all communities come together to shift to a greener economy for the benefit of this planet.

#### **4. Conclusion and recommendations**

This article has delineated the evolving nature of trade policies and their inextricable relationship with societal and geopolitical realities. It has underscored the imperative for a holistic approach in policy formulation that integrates social, environmental, and geopolitical considerations, acknowledging the integral role of trade policies in addressing contemporary global challenges. An examination of the interplay between contemporary global challenges and international trade policies reveals a profound interconnectedness that shapes the trajectory of the global economy. The rise of populism, exemplified by protectionist inclinations, Brexit's disruptive impact, the urgency of climate action, the reverberations of the COVID-19 pandemic, and the geopolitical tensions ensuing from events such as the Russian invasion of Ukraine collectively underscore the intricate relationship between societal realities and trade policies.

These challenges have transcended the conventional realms of trade discussions, emphasizing the imperative for a comprehensive approach that integrates social, environmental, and geopolitical dimensions into policy formulation. The traditional discourse of trade, focusing primarily on economic gains, now requires recalibration to address its multifaceted impacts on societies, the environment, and global stability. This analysis underscores the need for adaptive and resilient trade frameworks that can withstand unexpected disruptions, foster sustainable practices, and navigate geopolitical uncertainties. A holistic understanding of these interconnected challenges is crucial for designing trade policies that promote inclusive growth, environmental sustainability, and geopolitical stability.

A rise in populism has been evident in recent years due to both cultural and economic issues. Discontent has been exacerbated by financial causes such as globalization, income inequality, and job losses, yet the relationship between economics and culture is complex. Concerns about identity, uniformity, and the deterioration of cultural norms may intensify economic frustrations and influence opinions regarding immigration, trade, and monetary policy.

Populist leaders often take advantage of this interaction by presenting stories that set "the people" against dishonest elites and make grand promises about bringing back the grandeur of the past. Recognizing populism's complex appeal—which stems from cultural concerns and a need for acceptance in addition to economic considerations—is essential to understanding populism. It takes a sophisticated strategy beyond financial fixes to address these issues.

Politicians and societies attempting to navigate the complexity of populism in a more globalized world continue to face a crucial challenge: finding a balance between solving economic challenges and honoring cultural concerns. Building more resilient

societies in the face of populist movements and navigating this problematic terrain requires understanding the intricate interactions between economics and culture.

Trade laws establish boundaries and rules to allow nations to trade among themselves under a structured framework of control. Unfortunately, even with set control, each nation has the ability to interpret trade laws in their own accord, increasing the incoherence of interpretation and application of these laws worldwide. The reasons for such inconsistencies stem from cultural or religious values, the complexities of trade laws themselves, each state's own national goals, or simply due to a state more interested in preserving its sovereignty.

Therefore, based on these reasons, it is necessary to aim for harmonization. Harmonizing these diverging interpretations in trade laws can be controlled by promoting more multilateral trade agreements among the states, establishing an ideal model with guidelines to encourage more uniform interpretations, and increasing capacity-building through training for understanding complex trade laws.

Divergence in trade law interpretations increases the chances of disputes arising. Hence, there is a requirement for dispute settlements for these cases. Nonetheless, court hearings are not the only viable mechanisms for resolving these disputes. Methods of dispute settlement include the application of already present terms in trade agreements for the situations of conflict, arbitration, involving more consultation with experts, and applicable dispute settlement provisions in the WTO by the Dispute Settlement Understanding for WTO members.

Though many challenges arise from divergent interpretations in trade laws, one of the main consequences being increased liability for disputes taking place, there are some possible benefits to it. Perhaps allowing trade laws to be interpreted differently could promote more flexibility, innovations, and experimentation with policies. As inconsistent as it may be, national autonomy should be respected as well as cultural and religious appeals. This is why there is a need for further research on the matter, which should be brought upon by experts and professionals. Could there be a middle ground to mediate the pros and cons for conflicting trade law interpretations?

Moving forward, the critical synthesis of these global challenges with trade laws and policies invites policymakers, academics, and stakeholders to engage in a dynamic discourse. It calls for collaborative efforts aimed at forging a new paradigm in trade governance, one that recognizes and incorporates the intricate web of societal, environmental, and geopolitical influences. Ultimately, an adaptive and forward-thinking approach in trade policy formulation is indispensable in addressing the complex and evolving challenges shaping the contemporary global landscape.

The rise of nationalism has dimmed the outlook of a completely interconnected global economy. The different choices that countries make, such as implementing measures, engaging in agreements, or joining regional groups, have significant consequences for the future of global trade. This is because these choices affect how a country operates. Concurrently, they affect the inter-country trade operations. The possibility of understandings of trade law, due to countries prioritizing their own interests, brings in an element of uncertainty that affects the stability and predictability of the global trading system. Rather than adopting a broader global perspective, many countries have focused primarily on their own growth and overlooked the potential impact of their decisions on other nations and global operations.

As we navigate through this changing environment, the contrast between tendencies and the effort to work together with nations presents significant challenges to existing norms and institutions. The complexities of harmonizing regional interests, struggling with legal ambiguities, and addressing institutional weaknesses require a careful and deliberate approach. Such an approach will ease the navigation of challenges that exist between countries and the challenges that countries face in trying to prioritize global interests ahead of individual growth. Adopting such an approach will make international trade more resilient and effective. In facing these challenges, the international community stands at a crossroads: the decisions made today will shape the contours of global economic integration for years to come.

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## Notes

1. During COVID, countries closed borders, thereby prohibiting the flow of medical equipment and medicines. Everyone kept it for themselves. The problem was in the lack of needed resources; otherwise, this situation would not have happened. There were several forms of closure, not only because of restriction of physical contact.
2. In contrast to the Washington consensus (which is about deregulation, free trade, and privatization), there is the Beijing consensus. China's rapid economic growth in recent times "poses a great challenge to the dominant paradigm of law and development. Joshua Cooper Ramo coined the term the "Beijing Consensus" as an alternative to the Washington Consensus, to characterize China's experience, highlighting its emphasis on innovation and experimentation, sustainability and equality, and self-determination in designing and implementing socioeconomic policies." See <https://academic.oup.com/icon/article/17/1/375/5485947>.

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