Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Trade deals, anti-globalisation and protectionism – a storm on the horizon

Globalisation and its discontents are slated to be back on the agenda the coming years as the world grapples with an explosive mixture of attempts at new trade deals, mostly right-wing populist protectionist rhetoric, traditional left-wing distrust, and green barriers.

Most immediately, attention in the European Union will focus on ratification of the recently signed EU-Mercosur agreement that, exaggerating its importance somewhat, includes more than 750 million people in Europe and South America in a new free trade area.

The catch is that trade between the two blocs is, as yet, decidedly minor. But proponents of the deal point at larger economic and geopolitical benefits.

These include, for the EU, access to strategic raw materials and also the symbolism of expanding markets at a time when Donald Trump is threatening to impose prohibitive new tariffs.

Renewed globalisation battles

Trump is one of the reasons for the renewed globalisation battles that can be expected in the coming years. He talks a great protectionist game but has had no problems doing deals in the past.

This might serve a somewhat nefarious purpose: He'll reinforce a mostly populist backlash against globalisation in Europe, while gladly signing similar deals that benefit the American economy.

His renegotiated North American Free Trade Agreement, the USMCA, is slated for review in 2026 and Trump has signalled that he'll use that date to re-renegotiate. Judging by his opening salvos aimed at USMCA partners Mexico and Canada, that will be accompanied by enormous amounts of protectionist bluster.

> Maybe the world need not fear

But maybe the world need not fear. Last time around, Trump in fact signed up to a deal that did indeed somewhat improve protections for the US automotive industry, as well as access to Canadian dairy markets, but also strengthened labour and environmental clauses.

Even if he sets out to scupper the whole agreement this time, it will still be in force until 2036. Plenty of time to rethink for his successors, assuming he leaves office before then.

The UK is in the mix

The UK, too, is in the mix. The country acceded this month to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, becoming the Indo-Pacific bloc's first European member. The previous Tory government had billed this as the biggest trade deal since Brexit.

Yet, the numbers are small, with the effect on the UK GDP expected to be less than one-tenth of one percent, in the long run. Yet, it is attractive from a symbolic standpoint and has the advantage of not including bothersome harmonisation rules.

This does not mean that there's no opposition in the UK to the deal, particularly from farmers. They are not alone in fearing that the CPTPP adjudication mechanisms could, among others, loosen protections against things such as meat from hormone-fed cattle. It might also make veterinary alignment with the EU, currently a much more important market, problematic in the future.

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A farmers' lobbyist pointed out in Farmers Weekly that Trump withdrew the US from the agreement, then known as the Trans-Pacific Partnership, after it had been negotiated by his predecessor Barack Obama, claiming among others that it was bad for American 'sovereignty'.

The UK joining the CPTPP is also a geopolitical move that could see it wield influence in future accession requests, first and foremost from China, which actually applied ahead of Britain.

Not just London but also Brussels and other European capitals very much look at the wider geopolitical context of trade deals in these uncertain times. There is a plethora of challenges that make policy makers cast around for anything that could lift GDP even by a fraction of a percentage point and also make it seem as if the old, more or less stable, world order is still viable.

The anti-globalisation movements

The latter is one of the main obstacles that such trade deals could face. For decades now, there have been popular, often populist, anti-globalisation movements that were reinforced by the austerity imposed after the 2007-2008 financial crisis.

One such a movement led to Brexit, the ultimate European anti-globalist protest, which seeks to influence British politics in the guise of Reform UK.

Where once left-wing activists dominated anti-globalisation militancy, it has now become the battle cry of much of the often populist far-right. Far-left and far-right meet, for example, where it comes to blaming global institutions such as the G7 for the war in Ukraine and are united in their distrust of trade-deal-promoting organisations like the World Economic Forum and also international financial pillars such as the IMF and World Bank.

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Apart from Brexit and arguably Trump, the anti-globalisation movements have scored some minor, but never lasting, successes. Among them was the rejection by Dutch voters of closer EU ties with Ukraine in 2016, which had very little to do with Ukraine itself and more with a generalised anti-EU and anti-globalisation impulse.

Farmers have also found their place in the expanding patchwork of anti-globalisation actors, although they might be said to be more of an industry lobby than anything else, albeit one able to mobilise tractors and other heavy machinery and being able to tap into various romanticised and nationalist narratives about the land.

The EU-Mercosur deal is particularly opposed in Europe by farmers' organisations in countries such as France and Poland. Their arguments centre, as in the UK with the CPTPP, on concerns over unfair competition from less regulated and cheaper producers.

Self-serving propaganda

It's interesting how opposition from environmental groups over access for goods produced or grown under less-than-ideal environmental conditions, often aligns with the farmers' arguments.

Similar concerns are at play with the 2017 EU trade deal with Canada, CETA, which is still not fully implemented because of resistance in some EU countries, among others in France where the Senate has rejected ratification.

European Commission President Ursula von der Leyen possibly used the political vacuum in France to sign the Mercosur deal but spokesmen for President Emmanuel Macron were quick to signal renewed resistance: "The agreement has neither been signed nor ratified. So, this is not the end of the story."

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The anti-globalisation arguments bedevilling new trade deals also coincide with the new derisking strategy that many countries and blocs pursue in the wake of the corona pandemic and geopolitical shocks. On the other hand, this has also made the push for such deals with more or less like-minded geopolitical allies more urgent.

Globalisation and anti-globalisation arguments are hugely complex, and might both contain valid points, but they tend to become reduced to simplistic, populist and politically self-serving propaganda, especially in referenda and particularly within the current polarised political climate.