The Transition from Trade Protection to Trade Liberalization: Lessons for Sustainability Transitions

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1. Introduction

The literature on sustainability transitions is goal oriented, aiming at changing the future, unlike traditional social science which focuses mainly on explaining the past and the present (Schneidewind et al. 2016). In order to develop strategies for changing the future, this literature has developed various theories of change, based on some analysis of the past (Geels 2010, Lachman 2013, Markard, Raven, and Truffer 2012, Schot and Geels 2008, Westley et al.). There is a tendency to draw lessons from the recent experience of specific policy areas that are close to the focus of change efforts, such as the Dutch waste management and energy transitions (Kemp, Rotmans, and Loorbach 2007, Loorbach 2010). While many useful insights are generated, they are not necessarily very systematic. Moreover, it has not been easy to develop good lessons for highly effective transition strategies, partly since there are few recent cases of advanced sustainability transitions. Some major examples from the past have been studied, such as the transition to the automobile (Geels 2005), although this is not a case of a *sustainability* transition. One review of the literature has argued for the importance of linking other scholarly communities to the study of sustainability transitions (Markard, Raven, and Truffer 2012). This paper argues that the transition literature could develop a clearer understanding of the drivers of change to help develop more effective strategies by exploring a wider range of social science literature with a wider range of theories and frameworks for explaining major socio-economic change, even though these changes occurred in fields that are not closely related to major desired future directions of sustainability.

This paper introduces the case of the transition from trade protection to trade liberalization, a major about-face which completely transformed global trade governance, to draw some lessons for the sustainability transitions community from the discipline of political science. Protection of domestic industries by using trade barriers such as tariffs and quotas was the dominant national policy trend and the related international trade regime from the beginning of the modern nation-state from the 1500s (Gilpin and Gilpin 1987, Wallerstein 1980). After World War II, the direction of the global policy regime reversed, moving steadily towards ever-increasing trade liberalization and restricting countries' ability to use protectionist measures to support domestic industries (Frieden and Kennedy 2006). Trade liberalization was at the vanguard of the broader movement towards globalization, which also included capital liberalization. Explaining trade policy trends is a well-researched topic, and many theories have been put forward to explain them (Odell 1990, Milner 1999, Milner 2010), especially in the US which played a key leadership role (Destler 1995, Krasner 1976).

Changes in technology and economic structure played a role, although political science research has emphasized a variety of other factors such as the international political structure, including international institutions (Keohane 1984); domestic institutional structures (Destler 1995, Haggard 1988a); interests, interest groups (stakeholders), and interest group structures (Ferguson 1984, Gourevitch 1984, Milner 1988); and the role of ideas (Goldstein 1993). These sets of factors have also been used to explain other major regimes and transitions in the field of international political economy such as the international monetary system and macroeconomic policy coordination (Eichengreen 1987, Frieden 1991, Garrett 1998, Goodman 1996, Gowa 1983, Helleiner 1994, Henning 1994, Kapstein 1989, Reich 1989).

There is no consensus regarding which factors are most important, and this paper does not intend to take a stand. This paper is also not a comprehensive review of the literature on trade policy.

Rather, this paper seeks to highlight the major theoretical perspectives which might be applicable to transition research and present the key factors in an organized way to the sustainability transitions community and draw implications for how they can be used to strengthen sustainability transition research in terms of theories of change. Many of the suggestions derived from these perspectives relate to traditional national government policymaking processes. These are not necessarily fashionable as current literature tends to emphasize bottom up multistakeholder processes, since national government policy processes have not been easy for proponents of sustainable development to influence effectively. Nevertheless, this paper suggests that sustainability transitions could be accelerated if they could be more strongly promoted through national government policies. Political science perspectives can also contribute to explaining why some sustainability transition efforts fall short.

The rest of this paper is organized as follows. Section 2 outlines the key turning points of trade transitions. Section 3 surveys the major explanations for trade transitions. Section 4 explains the main implications for sustainability transitions and makes some recommendations. Section 5 discusses recent trends in the US and Britain and their implications. Section 6 concludes.

2. Key Turning Points of Trade Transitions

The core trade policy since the beginning of large scale international trade in the Western World from the 1500s was the protection of domestic industries by using tariffs, quotas, and other measures. This was based on a mercantilist perspective which held that believed that wealth was based on trade surpluses. Mercantilism is now rejected by standard textbooks on international economics which hold that, under certain assumptions, world welfare is maximized by free trade, although the benefits would not be equally shared within countries (Gilpin and Gilpin 1987).

The shift to free trade, or more precisely trade liberalization, is generally considered to have started with Britain in the early 1800s as the industrial revolution gathered steam (Kindleberger 1975). However, the other newly industrializing countries following Britain, especially Germany and the US, maintained high levels of trade protection in order to support the development of their infant manufacturing industries against competition from Britain and each other (Hoffman 1933). Trade protection reached its peak in the 1930s with the infamous Smoot-Hawley Tariff in the US, which was considered to have contributed to the Great Depression. The rest of the world followed, and the resulting trade conflict severely hurt world trade in the 1930s (Kindleberger 1986).

From 1934, in the midst of the Great Depression, the US began a long term about-face in its trade policy towards liberalization under President Franklin Roosevelt. It began gradually, but by the end of World War II, the US led the creation of a new international economic order with trade liberalization at its cornerstone (Frieden and Kennedy 2006). The US did not have a full internal consensus about this direction, and the initial US proposal for a strong International Trade Organization (ITO) was rejected by protectionists in the US Congress. However, the watered down version, the General Agreement on Tariffs and Trade (GATT), and its successive negotiation rounds, established a robust international trade regime based on steady trade liberalization, which was further strengthened by the conversion of the GATT into the World Trade Organization (WTO), with strengthened dispute settlement procedures (Lairson and Skidmore 2003). This trend stalled in the 1970s with the oil shock and accompanying economic slowdown. But it gained steam again from the 1980s as the Reagan/Thatcher spearheaded the market-oriented neoliberal Washington Consensus. The trend towards trade liberalization slowed down only from the Doha Development Round, which began in 2001 with the goal of expanding the trade agenda to focus on the development needs of developing countries, but after 15 years, an agreement remains elusive (Wolfe 2015). Nevertheless, the global trade regime under the existing WTO framework is still characterized by a fairly high level of trade liberalization, especially for manufactured products. As an alternative to maintain the momentum of trade liberalization, strenuous efforts were made to establish regional trade agreements such as NAFTA, TPP, and TTIP. But after the global economic crisis and growing economic inequality of the late 2000s, by 2016 there appeared signs of a populist backlash against trade agreements in the US, contributing to the anti-trade presidential campaign platforms of Donald Trump and Bernie Sanders, as well as in Britain when voters unexpectedly voted in a referendum to leave the EU.

The US case is the main focus of this paper. One reason is that the US played the key role in the shift in the global trade regime from protection to trade liberalization. Another reason is that there is a large literature which has developed a range of possible explanations for this shift, which in turn have been used to explain trends in international political economy more generally.

3. Explanations of Trade Transitions, Regimes, Policies

Explanations for trade transitions are basically explanations about changes in national policies. The factors explaining national policies can be divided into two main dimensions. The first dimension is international vs. domestic factors. International factors are forces from outside the country which influence that country's policy. These could be systemic, or they could come from other countries. Domestic factors come from within the country itself. The second dimension defies easy description, but it is basically oriented around actors and institutions or decision making processes. This second dimension has three main elements: 1) interests (of the actors), 2) institutions (especially decision making processes), and 3) ideas, which also influence the behaviour of actors. Interests, institutions and ideas may be analysed at both the domestic and international levels. There can also be interactions between the domestic and international levels, as globalization (at the international level) influences countries' domestic policies (domestic level), while specific countries (whose policies are decided through domestic policy processes) may also exert influence on the policies of other countries (at the domestic level) through international actions such as diplomacy, pressure, sanctions, etc. A rough illustration of the relationships between these concepts is provided in Figure 1 below.

Figure 1: Explanations of Trade Transitions, Regimes, Policies

	Systemic	**Institutions**	**Interests**	**Ideas**
Inter-national	Hegemonic stability, role of specific countries	International institutions	"National interests," global scale actors	International norms, economic theory
Domestic	Influence of international factors, e.g. globalization on domestic policy	Domestic policy processes	Labor/capital Industry-specific	Economic theory, ideology, perceptions

There can also be interactions between interests, institutions, and ideas. Institutions also are operated by actors, such as politicians and bureaucrats, who have their own interests. Ideas can also influence the actors operating institutions. It should be noted that careful identification of the main actors is a key (often unstated) assumption of all of these approaches. Again, this paper is only surveying selected explanations, and it is not offering a comprehensive explanation, which would probably require a combination of these explanations.

After surveying these explanations, this section concludes with a subsection addressing the issue of compensation for losers, and a subsection briefly mentioning other types of explanations.

International factors

This section highlights two main international factors, hegemonic stability, and international institutions. Certainly there are others, but these are among the most important earlier core theories.

Hegemonic stability

Free traders see trade as a game theoretic prisoners' dilemma. Free trade, the best solution which make everyone better off, cannot be achieved because individual countries have an incentive to "cheat" or "free ride" with protection, which in turn makes everyone worse off. Thus, free trade is said to require a mechanism to overcome the incentive to cheat.

One solution proposed was for a large country to act as a "hegemon" to pay some of the costs of maintaining such a system through some combination of punishing cheaters, rewarding free traders, and absorbing some of the costs of cheating. The large country's economy would benefit from freer trade, but would be willing to absorb some costs and share some benefits with smaller countries for the greater good of the system (Keohane 1984). Kindleberger argued that Britain played the hegemonic role in earlier efforts at international cooperation to promote trade liberalization in the 1800s, but its gradual decline vs. the US and Germany combined with the unwillingness of the US, which replaced Britain as the world's largest economy, to play the role of hegemon, was a major factor contributing to the Great Depression and the breakdown of international economic cooperation in the 1930s (Kindleberger 1986). Conversely, after World War II, as the scope of its dominance over the world economy grew, the US accepted the role of hegemon and worked hard to build up a liberalized international trading system under GATT and other institutions of economic globalization. This was sometimes portrayed as a kind of sacrifice on the part of the US, but other research argued that the hegemon itself benefits considerably from the liberal trading system (Cohn 2015).

Encouraging the US to maintain its role as a hegemon seemed to be one objective of hegemonic stability theory, which was a popular focus of analysis during the 1970s. At this time, protectionist pressures were increasing in the US, and the country's commitment to further trade liberalization was in question. By the time of the Reagan and Bush administrations, the US commitment to globalization and trade liberalization seemed solidified, and the US promoted the strengthening of the international trade regime by upgrading GATT to the WTO.

However, while the theory was broadly consistent with the overall trends, it could not explain the domestic political struggles over trade or changes in detailed policies. This was because as a "realist" theory based on the nation-state as the key actor, it assumed that countries have unified "national interests," however they may be calculated, and does not consider that different stakeholder groups may disagree about the national interest and battle with each other over how to define it.

International institutions

Another international perspective focuses on the role of international institutions. While the initial establishment of specific international institutions may have been based on the national interests of the founding member countries, over time, the institutions themselves have an effect on the behaviour of countries (Keohane 1984).

Thus, once established, trade related institutions like GATT and the WTO have various functions which help countries to overcome the prisoners' dilemma and maintain a liberalized international trade regime. These functions include facilitation of bargaining, reduce transaction costs (compared to bilateral discussions), establishment of norms, and dispute settlement. It gives confidence to countries that major cheating will be minimized. Even though cheating cannot be eliminated, and big countries will always have bargaining advantages, countries still believe that the benefits of participation are greater than the costs (World Trade Organization 1999).

Interests

Explaining why the US had high levels of trade protection was the focus of one of the early works of the emerging field of political science in the early 1900s. Usually, protection for one industry hurts others by raising the cost of inputs. However, Schattschneider found that a win-win equilibrium was created when various industries agreed to support trade protection for each other, and high tariffs resulted from these "logrolling coalitions" which created a fairly stable political equilibrium that stakeholders had little incentive to change (Schattschneider 1935).

Changes in the economic interests of major stakeholders are one of the main explanations for the shift towards trade liberalization, and its institutionalization in GATT and the WTO. By the 1930s, many US firms became major exporters and developed multinational operations, and they preferred trade liberalization. Over time, their share of the overall economy, and thus their influence on policy increased (Milner 1988, Ferguson 1984).

Interests regarding trade policy can be classified along several different dimensions. One dimension is capital vs. labor (Rogowski 1989). Another dimension is sector based, in which neither capital nor labor has unified positions, but rather labor and capital in particular sectors share similar preferences, which may be opposed to both labor and capital in other sectors. Milner (1988) found that firms' policy preferences were related to their trade dependence and degree of multinational operations. Some firms are mainly domestic, and can be classified as either export oriented or mainly competing against imports. Multinational corporations have operations in various countries, and their level of trade involvement may vary, as some compete mainly in domestic markets while other operations may be engaged in international trade.

Institutions (domestic)

While interests are clearly a major factor, they are not the only one. Trade policy has always been a politically contentious issue in the US, and there has always been a certain level of opposition to trade liberalization. It is possible to identify the main interest groups (stakeholders) and estimate their economic interests. It is also often possible to determine (roughly, at least) the relative numbers of actors in different groups. However, there are always a variety of interest groups in society, and policies are not determined simply by the relative number of actors holding specific views Therefore, interests by themselves are not sufficient to explain the trend towards liberalization and need to be combined with other kinds of explanations. Moreover, stakeholders supporting trade liberalization did not wait for economic shifts to change the policy over the long term; they made concerted efforts to influence the policy, as did opponents of liberalization.

Institutional explanations, which focus on decision making processes, have also been raised to explain trade policy trends, and can help to explain which interests (or stakeholders) win battles over policy. Many institutional explanations can be specific to different countries or time periods.

The Reciprocal Tariff and Trade Agreement Act (RTAA) of 1934 is one of the first institutional innovations in the US to promote the trend to trade liberalization. President Franklin Roosevelt, who was first elected in 1932, was inclined to negotiate trade liberalization treaties in an effort to support increasingly international US businesses and promote economic recovery from the depression. In the US, trade agreements are negotiated by the president, but must be ratified by Congress, which gives interest groups considerable opportunity to block trade agreements. Therefore, supporters of liberalization developed a strategy to let Congress to authorize trade negotiations within certain parameters, but agree not to offer amendments, and pass with an up-or-down vote, which became known as “fast track.” This procedure successfully made it easier for congress to agree to trade liberalization treaties, and the initial RTAA was succeeded by similar laws over the decades, until the 2000s (Haggard 1988b, Hiscox 1999).

US presidents generally supported trade liberalization from 1932-2016. An institutional explanation for this is that the president represents the country as a whole, which tends to benefit more from liberalization, and is not as easily influenced by more parochial protectionist groups compared to senators and representatives which represent smaller geographical areas. Moreover, responsibility for trade negotiations has been placed in a special office under the president, the United States Trade Representative. This office has historically been a force for trade liberalization, perhaps more so than if responsibility had been with an industry-related department as is in the case of some other countries (Destler 1995).

It has also been observed that key Congressional committees in charge of trade related legislation, especially the former Ways and Means Committee of the House of Representatives tend to be chaired by supporters of trade liberalization, although it is not entirely clear why this should necessarily be the case (Destler 1995).

Ideas

Trade has been a highly controversial political issue for the past few hundred years, and the opposing sides have made significant efforts to develop related ideas and belief systems. The justification for free trade was one of the core elements of early modern economics from the time of Adam Smith and David Ricardo, and after World War II, the virtues of free trade were enshrined in standard texts on introductory and international economics (Krugman, Obstfeld, and Melitz 2014).

Some research explored how and to what extent trade policies were influenced by ideas (Goldstein 1993). Certainly, the trend towards greater trade liberalization was accompanied by a similar trend of spreading free trade ideas. However, it is not easy to distinguish the influence of ideas compared to other factors such as economic interests.

To be sure, it is also not always easy to calculate what is or should be in an actor’s interest. Businesses with complex operations may have conflicting interests, with some divisions benefiting and some losing from particular trade liberalization proposals. Some actors, particularly those with low information or analytical capability, may not be able to correctly calculate their economic interest, and may even advocate for policies against their own interests.

Compensation of losers

One key issue is compensation of the losers from trade liberalization. According to textbook theory, free trade is better for the economy as a whole, but it creates winners and losers (Krugman, Obstfeld, and Melitz 2014). Therefore, everyone will benefit from trade only if some of the gains from the winners are redistributed to the losers. A corollary is that politically, it can be hard to get enough support to realize trade liberalization without some kind of compensation for the losers.

Therefore, trade liberalization agreements typically allow various safeguard mechanisms to compensate the losers in order to gain sufficient political support for them (Destler 1995). This paper will not describe these in detail, but typically they involve some kind of temporary protection to ease adjustment or combat unfair trade measures, such as antidumping tariffs in order to respond to exports which are priced significantly below the cost of production. They may also involve financial compensation, training, or other help to workers dislocated by imports. In the US, an institution called the International Trade Commission was established for some related procedures.

A key problem is that these measures are not well implemented. This was especially true under GATT; under the WTO there was some increase in efforts, but they have been extensively subjective to dispute settlement, and panels have generally ruled against them (Sykes 2003). It is not clear how much there was any real intention to implement them. Rather, efforts to implement these measures have themselves generally been criticized as protectionist (Bhagwati and Patrick 1990).

Other types of studies

There are some other types of studies, but they tend to use variants of the perspectives discussed above. For example, some studies which use mainly economic analysis and modelling tend to relate to either interests or institutions or both (Grossman and Helpman 1994; Rodrik 1995). Some studies have focused on explaining voting patterns, but these tend to focus on examining the relative importance of various types of interests or ideas (Guisinger 2009). Some studies have focused on the trade policy preferences of individuals (Scheve and Slaughter 2001). Other studies focus on the influence of voting and elections on politicians (Kucik and Moraguez).

4. Implications for Sustainability Transitions

Interests

The first major implication is that businesses do not necessarily have the same view on policy. On trade policy, there are clearly opposing views, and the different sides battle each other to try to influence the policy in their preferred direction. In some discussions of sustainability, there is still some tendency to view business as a single generalized actor, or to divide businesses along broad dimensions such as participation in particular sustainability initiatives such as corporate social responsibility (CSR), etc.

Second, a related point is that the positions of business and labor are often aligned by industry. In other words, the main interest cleavage is often not business vs. labor overall. Rather, the cleavage is often based on specific industrial sectors, with businesses and labor in one sector holding a fairly unified view against businesses and labor in other sectors. In other words, workers' trade policy preferences may be based on the industry that they work in, rather than their class interest.

Third, companies and industries use a variety of political strategies to advance their interests. Most of these strategies are not specifically limited to trade policy. The most basic idea is that firms and industries are not always fully engaged in policy discussions, so that sustainability proponents may need to promote a particular policy direction with industries that may benefit. Thus, from the 1930s, industries which were becoming more dependent on international trade and multinational operations became more mobilized to support trade liberalization. In the case of US-Japan trade friction, in which the US found it difficult to overcome opaque structural trade barriers, political scientists explicitly recommended a strategy to expand participation in Japan's domestic trade policymaking process of industries which might benefit from trade liberalization (Schoppa 1993).

The fourth implication is that interests of specific actors can take a variety of forms, and are not necessarily all consistent. For example, short term interests might not be consistent with long term interests, or different divisions within a specific company may have different interests according to their particular business conditions. Also, a company's interests may change over time. In particular, interests of firms are likely to diverge in the cases of issues affecting the relative competitiveness of not only firms in different industries but also firms in different competitive positions in the same industry. This means that there may be opportunities to appeal to the interests of businesses which may benefit from particular sustainability related initiatives.

The fifth implication is that win-win solutions may not always be possible. Trade theory promises that trade liberalization everyone will be better off. However, trade liberalization inevitably leads to adjustment costs for some stakeholders, so compensation for losers is required to achieve a win-win result – and also to achieve enough political support to enact more liberalized trade policies. This is probably also the case for sustainability transformations. Nevertheless, even in the case of international negotiations to liberalize trade, industries and individual firms compete fiercely to prioritize their own interests, or at least to avoid harm to their own interests, in the course of development of each country's negotiating position. Businesses know that trade negotiations can easily create winners and losers, and that political struggle is always necessary, sometimes even attacking other industries as industries strongly supporting protectionism were attacked as inefficient and undeserving.

Sixth, the history of trade policy has shown that interests are not always effectively mobilized to take action, especially in the initial stages of a transition, such the trend towards the increased trade dependence and multinational scope of operations which emerged in the early 1900s. It took some time before these companies and industries were mobilized into an effective coalition to promote trade liberalization. Similarly, in the case of sustainability transitions, the companies and industries that could benefit may still be emerging. In some cases, there may also be divisions within individual firms, as small, emerging divisions more oriented towards sustainable business compete for management attention and resources with larger non-sustainability oriented divisions.

This leads to several recommendations relating to interests for actors seeking to promote sustainability transitions. First, it is necessary to conduct analysis on how specific proposals for sustainability transitions will affect related industries and firms. Second, this will enable the identification of industries that benefit from sustainability transformations, and these industries should be actively mobilized in order to generate political support. Industries that could be harmed by sustainability initiatives should also be analysed, to wee whether these firms might be miscalculating their own self-interest, or whether an appropriate strategy could be developed to neutralize their potential opposition, such as through some kind of compensation or other means. Third, careful analysis of different dimensions of industry interests combined with advocacy initiatives may be able to help them to change their perceptions of their own interests, and possibly persuade them to support sustainability transitions, or at least lessen the opposition. Fourth, proponents of sustainability transitions should study these strategies, not only to get ideas for positively promoting sustainability transitions, but also for defending against resistance. Finally, it may be desirable to modify sustainability proposals based on these suggested analyses in order to enhance political support and reduce political opposition.

Ideas

Ideas may be the factor that could be most easily influenced by research institutes, NGOs, or other actors promoting sustainability transitions. Ideas contribute to general awareness-raising, and can also help other actors to change their perceptions of their own self-interest. The importance of strengthening efforts to promote sustainability concepts in the general media is one obvious implication.

Of course, it is not easy to distinguish the importance of ideas in comparison with other factors, but overall, the trade policy research tends to emphasize interests and institutions much more than ideas. Even research which highlights the importance of ideas generally found that ideas tend to have more influence when they are embedded in important institutions involved in policymaking or when they reinforce economic interests. Therefore, the implication is that proponents of sustainability transitions should focus on promoting their ideas in key decision making institutions and with key stakeholders. In many countries, this should include ministries of finance, economy, trade, and planning, not just environment and development.

It is not enough to simply publish ideas in books, articles, videos, or other media and hope that enough people will be persuaded. Of course, promoting ideas through publishing is certainly important.

Nevertheless, the long term success of trade liberalization owes a great deal to the fact that its ideas are deeply embedded in the trade policymaking process of many countries, especially the US, which has enabled it to weather many protectionist challenges emanating from periodic recessions and other political and economic trends. The role of the academic discipline of economics should not be underestimated. It is often said that free trade is one of the few concepts that most professional economists agree on, and the concept is the foundation of standard textbooks on international economics (Krugman, Obstfeld, and Melitz 2014). The implication for sustainability transitions is that more efforts should be made to mainstream sustainability concepts in standard disciplines, particularly economics. The field of sustainability could be making some progress already, as sustainability thinking is becoming more common in economics research, for example through the subfields of environmental economics and ecological economics. One important sign of progress is that a few central bankers, who are often leaders in academic economics, have recently started to mention sustainability issues. But sustainability is still commonly forgotten in traditional economic policy contexts. The recent issue of Foreign Affairs on the phenomenon of slow economic growth (Tepperman 2016) is a typical example, containing little mention of sustainability issues and recommending traditional textbook remedies of traditional fiscal stimulus.

International discussions on sustainable development often try to avoid significant criticism of industries engaged in unsustainable practices. However, in the case of trade, negative attacks were a feature of trade policy debates. Advocates of trade liberalization often criticized industries and workers supporting trade protection as being inefficient, outdated, and undeserving. To be sure, there was some effort in the US to provide enough compensation to trade-disadvantaged industries in order to get enough support for trade liberalizing policies and international agreements. Nevertheless, industries supporting trade protection, such as automobiles, steel, and textiles, were criticized as not making enough efforts to solve their own problems. The academic literature focused on delegitimizing efforts by specific industries to take advantage of these various safeguards (Bhagwati and Patrick 1990), including steel (Crandall 1981, Moore 1994), autos (Nelson 1994), semiconductors (Irwin 1994), and others. Typically, the industries' problems were attributed to themselves or other non-trade related factors, and non-trade remedies were recommended to address their problems (Krueger 1996, Lawrence 1989). Likewise, opponents of trade liberalization, including not only businesses but also various labor, environmental, and NGO opponents, also made significant efforts to criticize the motives as well as the analysis of the proponents of liberalization. Therefore, the example of trade shows the possible potential of a more critical approach.

Institutions

There are three major implications relating to domestic institutions. They are relatively straightforward, but very important. The most important one is simply the need to analyse the policy decision making process in order to help to develop a political strategy. The political science literature on trade policy devotes considerable effort to analysing the implications of specific institutional features, and the strategies that different stakeholders use to influence, change, create, or abolish them.

A key point here is that actors related to these institutional processes have their own interests. These actors include politicians in various positions such as presidents and legislators, as well as administrative officials. Their interests are often coordinated with related business interests, but not always. Moreover, as mentioned earlier, business interests are also diverse, so these institutional actors are forced to mediate or take sides. Some of these actors have more scope than others for choosing a course of action. The point is that these actors, particularly politicians or higher level decision makers, have some scope to change policy's overall direction or implementation.

The second main implication follows directly from the first: a political action strategy to promote sustainability transitions should be developed based on this analysis, and combined with the earlier recommended analysis of the interests of the major actors (including both business and institutional actors). Forum shopping is one example of a strategy used by businesses to take advantage of institutional complexity and overlapping jurisdictions, by choosing the forum which seems more likely to be sympathetic to their interests (Pekkanen, Solis, and Katada 2007). Sustainability advocates typically criticize regulatory silos and try to promote policy coordination, which may be a good idea in principle, but if this becomes too difficult, an alternative strategy could be to try to strengthen the jurisdiction of forums or agencies more oriented towards sustainability issues.

The third implication would become relevant when sustainability advocates finally have an opportunity to change the policy. Much of policy is institutionalized in specific agencies, organizations, and procedures. Business advocates of particular policy directions compete to influence their shape and direction, because once these are set, it becomes much more difficult to change the policy direction. Therefore, sustainability advocates should try to institutionalize agencies and procedures, etc. to prioritize sustainability concerns. Conversely, sustainability advocates should identify existing institutional barriers to sustainability concerns, and develop strategies to break them down.

One example relating to these issues is the position of environment ministries. Environment ministries are often weak, and their jurisdiction often overlaps with other, more powerful ministries. One possible strategy to respond to this would be to try to strengthen environment ministries and expand their jurisdiction. An alternative strategy would be to try to shift the interest of other ministries in a more sustainable direction; this might require a campaign to persuade the constituents of other ministries (typically related to particular industry sectors) that they would also benefit from a shift towards more sustainability-oriented policies.

International and systemic factors, institutions

Certainly, it would be helpful to have a hegemon, or several countries to lead sustainability transitions. Some discussions of international environmental cooperation have referred to this, for example, “pusher” or “dragger” countries promoting or resisting the establishment and strengthening of LRTAP in Europe (Sprinz and Vaahtoranta 1994).

Just like the free trade regime, some elements of sustainability, such as GHG emissions reduction, may be considered public goods, meaning they will be under-produced. The critique of hegemonic stability theory argued that free trade was actually beneficial to the hegemon, and therefore not really a public good. Regardless, it would undoubtedly be helpful if sustainability advocates could persuade one or a few countries that sustainability transitions are in their national interest so that they might exercise a leadership role.

International institutions have played a major role in maintaining a relatively open global trade regime, particularly the WTO, but also the EU, other regional institutions such as ASEAN and APEC, and a variety of regional trade and economic partnership agreements. Similarly, a variety of international institutions have played a key role in promoting sustainability issues, although with mainly modest success, at best. Sustainable Development Goals (SDGs) are the latest and largest initiative to institutionalize sustainability. There has already been some literature on the implications of the WTO for sustainability, and this paper has little to add to this discussion.

Much of the literature explaining trade policy focuses on domestic factors, even explanations of policies towards trade related agreements and institutions. Likewise, this paper also emphasizes the implications for sustainability of domestic factors.

Probably the most important implication from the international perspective is that sustainability issues may be related to trade competitiveness concerns among countries. Climate change is a key example (Zhou 2010), although many other aspects of sustainability are also related to trade competitiveness, in particular anything related to pollution or emissions standards, product standards, and certifications. For example, air pollution standards, especially automobile emission standards, will affect the competitiveness of specific auto-related companies, and the overall trade competitiveness of national auto-related industries (Elder 2015).

Trade competitiveness should be considered in the development of proposals for sustainability transitions, and the potential effects of their proposals on the trade competitiveness of businesses and countries should be analyzed. One option is to try to design proposals to be as neutral as possible in terms of effects on trade competitiveness. It may be difficult to do this completely, for example, such proposals would not be neutral towards fossil fuels, but proposals could be neutral towards various forms of renewable energy. Another alternative would be to design proposals to favour more sustainable businesses, which would make it easier to enlist their support as political allies. Either way, this kind of analysis and strategizing should help to improve the political acceptance of sustainability transition proposals.

One more implication is related to the implementation of international agreements and dispute settlement. Implementation is often said to be the key issue with sustainable development. There have been several major global agreements such as Agenda 21 and multilateral environmental agreements, but they have not been implemented well, leading to further efforts to strengthen implementation such as the Johannesburg Plan of Implementation (JPOI), Rio+20, and SDGs. Still, dedicated resources and means of implementation have not been provided, which raises questions about to what extent governments actually intended to implement them.

It may be useful to consider how implementation is addressed in the area of trade. The contents of trade agreements are basically commitments to reduce tariff levels and other protectionist measures, and may also relate to trade procedures. Trade agreements are very different from sustainable development agreements in two major respects, a) trade agreements are very concrete and specific, and b) trade agreements are regulatory in character, and require little direct budget outlays. Therefore, non-implementation is generally quickly detectable by businesses, and would be interpreted as cheating. Another possibility is that a country could devise new ways to protect domestic industry that are not covered by the agreement; technically this might not be considered cheating, but if the scale was significant, it would likely lead to efforts to renegotiate the agreement or retaliation.

For sustainable development agreements, lack of capacity is often cited as a key reason for non-implementation, especially in the case of developing countries. However, in the case of trade agreements, non-implementation would usually not be an issue of lack of capacity, since even most developing countries have some capacity to operate protectionist regulations. Somehow countries are able to sufficiently build up customs institutions. Efficient collection of revenue (tariffs) seems to be not so difficult, while inefficient import procedures may be deliberately inefficient, serving a hidden protectionist function. In the past tariffs were the main form of government revenue because they were easy to collect, despite their overall economic costs. Thus, non-implementation of trade agreements would generally result from a conscious decision.

Instead, many developing countries have insufficient capacity for taking advantage of the benefits of trade liberalization for exports. Developed countries may lower their trade barriers, but companies in developing countries are not able to take advantage of them due to insufficient capacity of their companies, or even a total lack of companies in the liberalized industries (Higgins and Prowse 2010; Zusman, Ofei-Manu, and Elder 2015). This is part of the broader development challenge of building up competitive domestic industries.

5. Recent Trends

In 2015, globalization seemed unstoppable, even by the financial crisis of 2008, and the word's leaders began to talk about addressing the symptoms of the resulting inequality that was famously documented by Thomas Pickety (2014). In the US, trade liberalization was a rare issue on which Congressional Republicans could compromise with President Obama, granting him authority to negotiate the Trans Pacific Partnership (TPP) under fast track procedures.

However, in 2016, a popular reaction erupted against trade agreements in the US and Britain, the historic champions of free trade. In the US presidential nomination process, Donald Trump unexpectedly won the Republican nomination partly on the basis of his strong stand against free trade agreements, and on the Democratic side, socialist Bernard Sanders came unexpectedly close to defeating Hilary Clinton for the Democratic nomination, also partly on the basis of strong opposition to free trade agreements. Hilary Clinton, who strongly supported TPP as President Obama's Secretary of State, turned against it during the presidential election campaign as a result of pressure from Sanders and Trump.

The populist reaction against free trade in the US, at least to some extent, reflects the fact that compensation for the losers of free trade was insufficient or not well implemented, especially for workers in the displaced industries.

The Brexit vote shows that trade policy preferences can even become disconnected from economic interests. Those who voted to leave the EU were mainly motivated by the issue of immigration, according to many commentators, but the EU, at its core, is a free trade agreement. One puzzling aspect of the Brexit vote was the decision by many voters in areas with Japanese automobile factories to leave the EU (Bridge 2016). Japanese auto manufacturers are major employers in the UK, and Britain's membership in the EU is a major reason why the factories are located there. The vote to leave the EU could put the factories and jobs in jeopardy. Thus, some British voters appeared to be voting on the basis of an emotional reaction and against their economic interests, although some news articles reported that some voters in the region did not feel that they benefited from the Japanese auto factories.

The implication is that in democratic political systems, voter preferences can shift significantly in a short period of time. This is especially true when they feel that their economic interests have been ignored, but they may also vote against their economic interests for strong emotional or ideological reasons.

More specifically, promoters of sustainability transitions would be well advised to consider how their proposals would affect the livelihoods of important blocs of voters. It would not be advisable for them to feel that the sustainability movement, similar to the globalization/ free trade movement, does not prioritize their jobs and livelihoods. For example, voters in the Appalachain Mountain region in the US feel that President Obama has declared a "war on coal" and has no alternative plan for their economic future (Davenport 2015).

6. Conclusion

Political science is generally oriented to generating scientific knowledge, not to promoting particular policy agendas. Nevertheless, scientific knowledge about policy change can provide important lessons for those promoting sustainability transitions.

The most important recommendation of this paper is that more attention should be paid to interests of business/industry actors, and to decision making processes and institutions. Ideas are also important, but interests and institutions may be more important.

The long history of trade policy suggests that there is scope for large scale change, as the overall direction of trade policy has shifted in opposite directions a few times over the past few hundred years. Still, not everyone agrees on which direction of trade policy is in the public interest. Since

Adam Smith in the 1700s, a consensus emerged in the field of economics, shared by many political scientists, that free trade is more in the public interest, although some approaches in the fields of environment and sustainability have become sceptical about this. Nevertheless, the trade policy experience demonstrates the potential for policy change, and provides information about potential political strategies used by diverse stakeholders in their efforts to influence the policy direction.

The sustainability community has generally been discouraged with the potential of national governments to promote sustainability transitions, and in response, the trend has been to try to bypass them and instead promote decentralized and bottom-up alternatives such as actions by cities, individual citizens and consumers, and voluntary actions by businesses. The sustainability transitions literature emphasizes concepts like niche management. Certainly it is a good idea to promote these kinds of initiatives.

Still, national governments retain considerable powers to tax, spend, and regulate, even if they are not necessarily using these powers to promote sustainability transitions. So this paper suggests that we should not give up on national governments.

This paper uses the case of trade to show that there is potential for major changes in the direction of economic policies, but a broader comparative perspective would show that there are examples of major directional changes in other difficult policy areas. The case of trade suggests some ways of thinking as well as concrete strategies that could be used to make more effective efforts to influence national level policies. Use of similar political science methods and examining similar research on other policy areas (not directly related to sustainability, or areas which are in fact linked to sustainability but not typically thought of in the context of sustainability) would also illuminate even more possible strategies.

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