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Trade Wins or Trade Wars

The Perceptions and Knowledge in the Free Trade Debate

Bogna Gawrońska-Nowak
Piotr Lis
Joanna Konieczna-Sałamatin

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ABOUT THE BOOK

This book tackles the disconnect between social perceptions and expert knowledge regarding trade policy decisions. Using a Polish language internet database, the authors shed light on areas that need to be addressed when considering the adoption of particular trade policies by applying content and statistical analysis to produce an easy to deploy measure of populism in digital media, the “Media Populism Ratio”.

Defining a mismatch between social perception and expert knowledge may contribute to a better understanding of the controversies on free trade, as well as properly defining possible sources of populism and social conflicts—therefore also revealing some potential weaknesses in the trade policy implementation level which are at times neglected or underestimated. The book will be relevant to students and researchers interested in economic policy, economic narratives, and cultural economics.

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ABBREVIATIONS

CEE	Central and Eastern Europe
CEFTA	Central European Free Trade Agreement
CETA	Comprehensive Economic and Trade Agreement, sometimes referred to as the Canada–Europe Trade Agreement
CLARIN	Common Language Resources and Technology Infrastructure
DVA	domestic value added
EKD	Expert Knowledge Dictionary (constructed in Chap. 5)
EU	European Union
EVS	European Values Survey
FTA	Free Trade Agreement
FVA	Foreign value added
GATT	General Agreement on Tariffs and Trade
GVC	Global Value Chain(s)
LEM	Literary Exploration Machine (an NLP tool for Polish language)
NAFTA	North American Free Trade Agreement
NLP	Natural Language Processing
TPP	Trans-Pacific Partnership
TTIP	Transatlantic Trade and Investment Partnership
UNCTAD	United Nations Conference on Trade and Development
USMCA	United States–Mexico–Canada Agreement
WTO	World Trade Organization

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Introduction

Abstract This chapter is an introduction to the entire book content. We explain our motivation and inspiration by referring to the literature. Objectives, hypothesis, and assumptions of our work are presented.

Keywords Economic mindset • Online discussion on FTA • Social controversies • Sentiments towards free trade

Economists and policymakers' approach to trade is usually based on David Ricardo's nineteenth-century theory of comparative advantage according to which, as long as countries focus on what they are comparatively good at doing, trade is a win-win situation enabling both trading partners to enrich themselves. This leads to the conclusion that opening country borders, removing trade barriers, and leaving things to the assumed superior efficiency of free international markets are good for people's economic wellbeing. Nonetheless, this conviction lacks deeper insights into the complexity of both international and domestic economies. It does not tell us how gains from trade are distributed among economic participants and it is the fairness of that distribution or redistribution that is likely to drive people's attitudes towards free trade.

Trade liberalisation, tariff reductions, removal of non-tariff barriers, and Free Trade Agreements (FTAs) among countries have been a dominant strategy of the economic policy of developed and developing

countries for at least 40 years. The end of the Cold War, the bankruptcy of central planning, and the ensuing shift to the market economy of countries within the Soviet bloc¹ gave an additional impetus to globalisation as the former bloc members, representing over 400 million citizens, started integrating into the global economy. Many of those countries, including Poland, are now considered open economies. Nonetheless, economic openness has proven to be a controversial and hotly debated topic, both in developed and in emerging economies. An example of that debate in the former group is the narrative surrounding the North American Free Trade Agreement (NAFTA), which has caused major controversy in American politics for many years since it was first signed in 1993. Hillary Clinton called it a mistake during her Democratic primary election campaign in 2008 (NBC News 2008); also Barack Obama appeared sceptical towards the deal and wanted to renegotiate it (The Guardian 2009). The American public opinion perceived NAFTA as a factor contributing to unemployment and erosion of living standards among its middle class. Arguably, this sentiment led to the lack of enthusiasm in the US Congress for the Transatlantic Trade and Investment Partnership (TTIP), which was pursued by President Obama (Irwin 2015). However, it was the presidency of Donald Trump that marked America's turn towards the protectionist trade policy. President Trump withdrew the US from the Trans-Pacific Partnership (TPP), the ambitions for the Transatlantic Trade and Investment Partnership (TTIP) were largely scaled down by both the US and the EU, still little progress was achieved, and he threatened to withdraw from NAFTA if the agreement was not renegotiated. Under pressure, the signatories of NAFTA agreed on a new deal, the United States–Mexico–Canada Agreement (USMCA) which replaced NAFTA in 2020.²

In Kate Raworth's words, "economics [in particular political economy] is a mother tongue of public policy, the language of public life, and the mindset that shapes society" (Raworth 2017, p.6). That "tongue" tells and shapes the world through driving our thoughts, actions, and feelings which are often rooted in economic beliefs, values, and assumptions. In the Anthropocene era, this impact goes beyond our human world

¹The Soviet or Eastern Bloc included the following countries: Albania, Bulgaria, Czechoslovakia, Hungary, East Germany, Poland, Romania, the Soviet Union, and Yugoslavia.

²For more details, see <https://ustr.gov/usmca>.

(society) as humanity's actions strongly influence the functioning of the natural world too. Therefore, it is crucial to understand how this economic language, driven by knowledge, models, and expert debates, is perceived by the public. We need to be able to read and understand the feelings, emotions, cognitive processes, and actions taken by the public in response to this economic language if we want to steer the economy and the world towards some goal.

The belief in the strong influence of economists on society has been shared by economists of various schools of thought over the years, including John Maynard Keynes who noted that “the world is ruled by little else” than “the ideas of economists and political philosophers” (Keynes 1961, p. 383). Friedrich von Hayek made a similar observation in his Noble Prize acceptance speech when saying “the influence of the economist that mainly matters is an influence over laymen: politicians, journalists, civil servants and the public generally” (von Hayek 1974). Thus, the gravity of the influence that economists and their theories hold over the world may have been recognised within the profession for quite some time, but how is the influence of economists' knowledge perceived in modern media and among their “laymen” readers?

This book is our modest attempt at answering this question in the context of international trade and Free Trade Agreements. We consider the voices of three groups of participants in the public debate: academic experts actively researching the subject of international trade, journalists whose role is to inform the society, and lay citizens expressing their views online. We focus our attention on the online discussions surrounding seven FTAs that took place in Poland since the mid-1990s. While solutions and recommendations proposed by experts should inform policy-makers on pursuing deals that promote sustainable economic growth and, ideally, do not leave behind considerable pockets of society, we argue that expert views and knowledge should also find their reflection in the content of popular news outlets. The role of such media, and journalists writing the content, is to inform and educate the society, and provide citizens with facts that enable them to develop views, and make decisions regarding their personal life, work, and political choices. To achieve this, the news and media content “served” to citizens must be rooted in factual information, knowledge, and, at least to some extent, critical analysis originating from experts on the subject. Thus, in this book, we set out to investigate how much of what is published online in Polish popular news outlets on the topic of free trade shows signs of containing expert knowledge, what

sentiment and emotions does the content convey, and, finally, what makes media populist.

We also pay attention to the readers' comments posted in response to journalists' texts. Understating the views of the general public, their emotions and ways in which they engage with the expert knowledge content are equally important. In democratic countries, the public elects the government, consumes fruits of free trade but also pays its price, so it is crucial they understand the implication of any FTA for the country, society, economy, as well as personal economic circumstances. From the policymakers' perspective, an unfavourable public mood might derail or delay trade deals, as was seen in the Comprehensive Economic and Trade Agreement (CETA) debacle in Belgium, and the uninformed public is unlikely to express positive sentiment towards deals that appear to them as secretive, murky, or simply are not well understood. Unchecked free trade often creates winners and losers, and society as a whole should decide how the latter group ought to be compensated in order to achieve economic stability and social cohesion. We believe that to facilitate such decisions, and escape the trap of populism, citizens should be adequately informed about the gains and losses caused by FTAs. This brings us back to the importance of understanding how the public engages with information about free trade—a reliable diagnosis of the degree of knowledge and emotions present in the public debate can show policymakers (and experts) how much work needs to be done to inform and educate the public and helps to identify which aspects of trade should be explained better.

This book is a presentation of our research on the sentiments towards free trade contained in expert discourses and non-expert opinions conducted during the period 2016–2020, which was marked by increasing scepticism towards free trade among politicians and public opinion around the world. An important motivation for this work was the observed polarisation of views towards globalisation and trade. We note that large parts of the non-expert discussion ignore objective expert views, analysis, and facts but instead are based on hearsay and subjective emotions. This is worrying because ignoring or rejecting expert voices in the discourse may have harmful consequences for the society and economy, leading to instability, social conflicts, erroneous political decisions, economic inefficiency (reduced wealth), and provide ground for the ascendance of populists to power.

The structure of our book is as follows. In Chap. 2, we present the latest trends in free trade from a global perspective and introduce the essence

of selected FTAs, which we later analyse in empirical chapters. Chapter 3 contains a compilation of our thoughts on the various driving forces that may have shaped major media narratives and collective perceptions of FTAs. In Chap. 4, we compare the Polish society to its international peers to determine the extent to which FTA attitudes are country-specific, and to what extent they fit and connect with the pan-European perspectives. Chaps. 5, 6 and 7 cover our empirical research results, the main purpose of which is to analyse the content and nature of the online FTAs debate. We find what the relationship between the expert knowledge content and the emotion-driven content in digital media is. In the final chapter, Chap. 8, we propose the Media Populism Ratio as a synthetic summary of our considerations.

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