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The Impact of Changes in America's Economy and Political Participation on the Pattern of International Trade

Mingrui Bai

Political Science and Public Administration, Gansu University of Political Science and Law, Lanzhou, China
bmr1106@qq.com

Abstract. In recent years, the United States has frequently adjusted its trade policies, including imposing additional tariffs and renegotiating trade agreements. These moves are closely linked to the decline of domestic manufacturing jobs, uneven income distribution and the rise of populist political forces. By analyzing imbalances in economic and political participation, this paper systematically investigates the underlying logic driving the resurgence of populism in the United States and further uncovers the mechanisms by which it translates into trade protectionism, thereby reshaping international trade patterns. The study finds that the uneven distribution of benefits and the hollowing out of the manufacturing sector under globalization have directly undermined individuals' economic participation rights. Meanwhile, decision-making dominated by elites and the dilution of public political voice have led to a prominent imbalance in political participation. These two intertwined factors have jointly fueled the resurgence of American populism, thereby prompting the U.S. government to implement a range of protectionist measures, including unilateral tariffs, trade barriers, and deviations from multilateral rules. And these policies have systematically affected global industrial and supply chains, the multilateral trading system, and the stability of international trade. Building on these findings, this paper proposes policy recommendations from three dimensions: enhancing economic participation, strengthening political participation, and optimizing trade policies. These measures are intended to balance the interests of different social groups and reduce the adverse effects of populism on trade policymaking.

Keywords: Resurgence of populism, Economic participation, Political participation, Impact on international trade, Benefit distribution

1. Introduction

Economic globalization has facilitated the cross-border flow of production factors and reshaped the global industrial division of labor as well as the pattern of international economy and trade. The United States has reaped substantial benefits amid globalization. Nevertheless, disparities in the distribution of economic gains and divisions within the social structure have emerged in the United States (U.S.). Transnational corporations, along with the technology and finance sectors, have accrued increasing advantages, while regions dependent on traditional manufacturing have suffered

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from industrial relocation, shrinking employment and stagnant incomes. And the widening imbalance in regional development has exacerbated economic insecurity among middle- and lower-income groups, contributing to shifts in public sentiment and fueling the rise of populism. At the policy level, this trend is reflected in the unilateral turn of foreign economic policies and the adoption of trade protectionist measures, which have disrupted the international trade order. Most existing studies analyze globalization imbalances, populism or shifts in U.S. trade policies from a single perspective. Some focus on economic factors such as income polarization and industrial relocation, while others emphasize political factors including the rise of populism and its impacts on policies. However, there is a lack of systematic research on the interaction between imbalanced economic and political participation, as well as its transmission mechanism affecting trade policies. This paper takes U.S. populism and its impacts on trade as the research subject. It first explores how imbalanced economic and political participation fuels the resurgence of populism, and further analyzes how populism influences trade policies and the global trade landscape. Additionally, it examines feasible approaches to mitigate the potential impacts by optimizing economic participation, balancing political access and improving global governance. Overall, this study conducts analysis from both economic and political dimensions, explores the influences of populism on trade policies and the global trade pattern, and aims to provide references for relevant discussions.

2. Basic concepts and analysis approaches

2.1. The definition of core concepts

The resurgence of populism represents a political trend defined by opposition to elites, established authority, and globalization. It portrays society as a division between "ordinary citizens" and "corrupt elites" and emphasizes that governance should reflect the will of the people [1]. In the United States, this ideological trend has grown notably since the 2008 financial crisis. Its emergence is linked to the uneven distribution of benefits brought by globalization and the lack of political representation [2]. Meanwhile, economic participation refers to how widely people can access opportunities and benefit from economic activities, including jobs, income, market access, and public services [3]. Economic participation not only reflects economic output, but also embodies the fairness and inclusiveness of the development process, and is closely linked to the socio-economic foundation of populism. In this context, political participation refers to citizens' efforts to influence government decisions and public affairs through legal means. In trade policy, it appears as groups' voice and influence in negotiations, rule-making, and policy implementation. According to Olson, unequal political participation biases policy toward well-organized interest groups and may also amplify the influence of populism on policy orientation [4].

2.2. Analytical approach and pathway design

Based on the political economy framework, this paper constructs a transmission mechanism of dual participation imbalance, the emergence of populism, and shifts in trade policy. From an economic perspective, the uneven flows of capital and labor under globalization have resulted in differentiated interest distribution. As a result, the decline of manufacturing and shifts in employment structures have weakened the economic participation of traditional industrial workers, laying a social foundation for anti-globalization sentiment [5]. From the political perspective, transnational capital and the elite class have dominated the formulation of trade policies through lobbying, political

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donations and other means, while ordinary people have limited channels for political participation. The lack of political representation has deepened the public's distrust of the existing system. Furthermore, the imbalances in economic and political participation form a mutually reinforcing positive feedback loop: a decline in people's economic status weakens their political influence, and insufficient political influence further entrenches inequalities in the economic structure. Such dual imbalances create fertile ground for populist politics. Populist politicians gain support by mobilizing public discontent and promoting "people-first" policies, thereby driving the shift in U.S. trade policy toward protectionism. This policy shift has exerted systematic impacts on the global trade landscape through trade diversion effects, investment restructuring effects and rule reshaping effects.

3. The impact of changes in economic and political participation on trade policies

3.1. Differences in economic participation and their specific manifestations

There are significant disparities in economic participation across the U.S., closely linked to the post-industrial transition and the deepening global division of labor. Since the 1970s, the U.S. economy has undergone structural adjustments. The manufacturing share of GDP fell from 25% in 1970 to 11% in 2020, while high-value service sectors, such as finance, technology, and professional services, have increasingly become the main drivers of growth. During this industrial upgrading, U.S. firms have relocated labor-intensive manufacturing processes, such as textiles, steel production, and automobile assembly, abroad, while retaining high-value activities such as research and development, design, brand management, and financial services domestically. While this model has enhanced the global competitiveness of multinational corporations, it has also led to a decline in domestic manufacturing jobs. Between 2000 and 2010, around six million manufacturing jobs were lost in the United States. Traditional industrial areas in the Rust Belt of the Midwest were hit hard, with regional economies facing slower growth, population mobility and strained infrastructure.

Divisions have also emerged within the service sector. Incomes have risen sharply in the finance and technology sectors, whereas wages for jobs in low-end service industries like retail, catering and domestic services have long stagnated, with some positions offering neither stable employment nor social security. Meanwhile, a tax system favoring capital, combined with the weakening influence of trade unions, has contributed to the widening income gap. As a result, the wealthiest 1% of Americans now hold approximately 40% of the nation's total wealth, while real wages for ordinary workers have changed little over the past four decades. Besides, automation has had an impact on manufacturing employment comparable to that of globalization. According to data from the U.S. Bureau of Labor Statistics, roughly 85% of manufacturing job losses since 2000 stem from technological advances rather than trade [6]. Against this backdrop, some people from the middle and lower classes attribute changes in employment and income to international competition, leading them to support policies that restrict imports and protect domestic industries [7].

3.2. Differences in political participation and specific manifestations

There are structural disparities in political participation in the U.S., closely linked to economic divisions. Institutional arrangements favor elites in the allocation of resources and decision-making power, leaving the general public with limited influence over policy formulation. These disparities are reinforced by legal frameworks and administrative mechanisms, which shape the extent to which public demands are reflected in trade policy. Political donations and lobbying provide institutional channels for corporations and industry associations to participate in trade policy formation.

Following the 2010 U.S. Supreme Court ruling in Citizens United v. Federal Election Commission, restrictions on political donations were eased. Super Political Action Committees (Super PACs) are permitted to receive unlimited contributions from corporations and individuals, thereby amplifying the influence of capital in elections and policymaking. In the realm of trade policy, large corporations and industry associations boast well-funded professional lobbying teams that can engage in decision-making at an early stage of negotiations. For instance, during the Trans-Pacific Partnership (TPP) negotiations, over 85% of about 700 external advisors consulted by the Office of the United States Trade Representative were from major corporations and industry associations, while representatives from labor unions, consumer groups, and small and medium-sized enterprises accounted for less than 15% in total. Thus, the interests of ordinary citizens were only marginally reflected in the negotiations.

There has been a partial ceding of Congress's role in trade decision-making. Since the enactment of the Trade Act of 1974, Congress has repeatedly granted the President Trade Promotion Authority (TPA). Under this authority, once the executive branch finalizes trade negotiations, Congress can only vote on the agreement as a whole without making amendments. While this improves negotiation efficiency, it reduces congressional oversight of policy details, leading trade policy to align more closely with executive preferences and established interest groups. Traditional mechanisms of interest representation have also become less effective for middle- and lower-income groups. The union membership rate declined from 35% in 1950 to 6.3% in 2020. Constrained by limited resources and organizational capacity, small and medium-sized enterprises have had limited influence in trade policy formulation. As conventional political channels fail to deliver satisfactory outcomes, some citizens turn to elections to express policy preferences [8]. In the 2016 presidential election, voters in some regions demanded changes to trade agreements and expressed concerns about manufacturing jobs, which was reflected in the results.

3.3. Path and effects of changes in economic and political participation

Imbalanced economic participation has created a social basis for support of trade protectionist policies, while imbalanced political participation has provided channels for these preferences to become actual policies, forming an interactive mechanism between the two. Employment and income challenges from industrial restructuring and uneven globalization gains have broadened the voter base supporting protectionism, prompting both major parties to adjust their trade positions. Meanwhile, the U.S. political system concentrates resources and participation opportunities. As a result, the executive and legislative branches tend to prioritize the preferences of established interest groups in policy-making and respond inadequately to the demands of the general public [1-3]. This institutional arrangement has, to a certain extent, intensified the pressure for policy shifts. Multiple intermediary mechanisms are at work in this process. Mainstream media coverage of the negative impacts of globalization has partly shaped public perceptions of free trade. The polarization of bipartisan politics has, in some cases, turned trade policies into a subject of partisan gamesmanship. Geopolitical factors also play a role in certain trade policy adjustments, lending policy legitimacy to protectionism.

4. Policy measures to mitigate the impact of populism on trade policy

Based on the core contradictions, addressing the impact of populism on trade policies relies not only on policy adjustments, but also on improving economic and social foundations, reforming political

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transmission mechanisms, and achieving policy balance through the coordination of domestic reforms and international governance.

4.1. Economic participation enhancement

Income disparities arising from industrial restructuring and globalization have weakened economic security [9]. Accordingly, institutional arrangements are needed to expand opportunities for economic participation and weaken the social foundations of trade protectionism. Authorities may optimize the tax structure to narrow the gap between capital gains tax and labor income tax, impose a minimum federal income tax on high-income earners, and expand the coverage and subsidies of the Earned Income Tax Credit (EITC), so as to raise the disposable income of low- and middle-income workers.

To address job losses in the manufacturing sector and employment shifts driven by automation, a support mechanism for industrial transformation should be established. Incentives shall be offered to enterprises that invest in high-value-added manufacturing, new energy, semiconductors and other sectors in declining regions. Besides, industrial parks and vocational training centers need to be built to better align workers' skills with market demands and create more jobs. In addition, the Trade Adjustment Assistance (TAA) program can be reformed to extend coverage to service-sector workers affected by trade. Measures like extended unemployment benefits, training subsidies, and improved infrastructure and public services in affected communities can facilitate economic transition.

4.2. Political participation restoration

In response to the limited channels for political participation and the insufficient public influence in policy formulation, reforms to laws and procedures can be implemented to improve participation mechanisms, thereby mitigating the direct impact of public sentiment on trade policies [10]. To adjust the resource distribution of the lobbying system, a stakeholder representative quota system may be established. This ensures proportional representation of trade unions, consumer organizations and small and medium-sized enterprises on the external advisory committees of the Office of the United States Trade Representative. Additionally, drafts of trade negotiation texts shall be disclosed to the public for comments prior to submission to Congress. To optimize Congress' role in trade decision-making, the TPA provisions under the Trade Act of 1974 can be amended. This will allow Congress to hold separate votes on clauses concerning labor standards, environmental protection, intellectual property rights and other related matters, strengthening its capacity for oversight and revision. To reinstate the traditional interest representation mechanism, legislative measures shall be advanced to safeguard the rights of trade unions. Such measures include prohibiting employers from interfering in union elections and permitting collective bargaining at the industry level, so as to enhance the role of trade unions in the private sector in voicing the interests of grassroots workers.

4.3. Trade policy adjustment and balance

The reconstruction of economic participation rights and the restoration of political participation rights constitute an interconnected long-term process [1]. The adjustment of trade policies should advance in tandem with this process and strike a balance between domestic reform and international cooperation. When formulating policies, it is essential to take into account the affordability of different groups, moderate the pace of trade liberalization, and mitigate impacts on domestic industries and employment. Meanwhile, issues such as labor standards and environmental protection should be incorporated into negotiation agendas, so that trade policies can fully reflect domestic interests. As domestic reform achieves phased progress and public confidence in globalization gradually recovers, trade policies can gradually align with the multilateral system [4]. This entails curbing unilateralism and the use of tariffs, promoting the improvement of the World Trade Organization's dispute settlement mechanism, and establishing more transparent and inclusive international governance rules. Therefore, the adjustment of trade policies must be based on domestic institutional reforms to address the structural imbalances brought by globalization, facilitate the distribution of economic benefits among broader groups, and create conditions for the stable and sustainable implementation of trade policies.

5. Conclusion

This paper examines the dual economic and political mechanisms underlying the shift in U.S. populist trade policy and develops an analytical framework of economic participation divergence, political participation imbalance, the rise of populism, and trade policy shifts. The result indicate that the U.S. populist trade inclination is a long-term outcome shaped jointly by the deindustrialization transition, deepening global division of labor that have led to shrinking manufacturing jobs and uneven income distribution, alongside capital-dominated lobbying systems, the transfer of congressional power and the failure of traditional interest representation mechanisms. From 2000 onward, roughly 85% of manufacturing job losses in the United States have resulted from technological advancement rather than trade. Fiscal policies favoring capital and changes to social security have had a more significant effect on widening wealth inequality. The elite-dominated political system has restricted the public's right to speak in policy formulation. When establishment politicians fail to address the demands of ordinary people, voters boost populist forces through elections, which in turn influences trade policies. Therefore, merely adjusting trade policies cannot resolve such structural issues. It is necessary to improve the economic foundation, reform political mechanisms, and coordinate trade policies to enhance public participation in economic and political affairs. Nevertheless, this study takes only the United States as a case. The applicability of its findings to other countries remains to be verified. Besides, the paper lacks in-depth analysis of the long-term impacts of emerging technologies such as artificial intelligence and the digital economy, and conducts limited research on the role of informal institutional factors including media public opinion and social media. Future studies can compare countries to test theoretical applicability, analyze how emerging technologies reshape the global division of labor and trade policy, study political transmission mechanisms in the digital era, and assess policy instruments, deepening understanding of populism's trade effects.

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