

**Forum:** The Economic and Social Council (ECOSOC)

**Issue:** Open borders, resurgence of protectionism, de-globalisation

**Name:** Gerald Kang

**Position:** Head Chair of the Economic and Social Council

---

## **Introduction:**

In the age of globalisation, international trade has emerged as a focal point for numerous nations. With the proliferation of multiple trade treaties and agreements and the forging of new diplomatic relationships throughout the last century, many experts accentuate the importance and various benefits of international trade. Indeed, many countries benefited heavily from international trade, where through the existence of comparative advantage and specialisation, countries were able to produce and purchase goods at a lower price, accelerating economic development within the nations.

However, recent circumstances involving the COVID-19 pandemic and conflicts of interest due to political polarisation led to the resurgence of protectionism. Countries began implementing protectionist measures, discouraging foreign imports to protect their domestic industries. This, in return, led to more countries adopting protectionism, some even employing direct retaliative measures, thus decreasing the rate of globalisation.

With that in mind, delegates should refrain from focusing too much on political matters specific to certain nations and their conflicts with other nations; rather, they are highly encouraged to critically evaluate and explore the potential effects the protectionist policies could bring to not only their nation, but to the global community and ways to proceed further and amend protectionist policies for global benefit.

## **Definition of Key Terms:**

- 1. Globalisation:** Globalisation is the process by which organisations and businesses around the world become interconnected by branching out of their domestic economy and gaining international influence.

- 2. Protectionism:** Protectionism is a type of government policy which protects the domestic industry by discouraging foreign competition. Examples of protectionist policies include import quotas, tariffs and subsidies, and such policies are called “trade barriers”.
- 3. Free Trade:** Free trade is the exchange of goods and services between nations without trade barriers. Free trade leads to globalisation as it encourages countries to open their borders, participate in the global economy and increase the opportunity for foreign direct investments.
- 4. Trade War:** According to the Oxford English Dictionary, a trade war is “a situation when countries try to damage each other's trade”. These actions are taken with the intention of protecting the nation's domestic industries and markets or addressing perceived unfair trade practices by their trading partners.

## Background Information

### History of facilitating international trade

To facilitate trade on a global scale, countries first came together in 1948, when GATT (General Agreement on Tariffs and Trade) was put into force. As the name suggests, it was an effort by 23 nations to eliminate trade barriers between countries and established an opportunity for multilateral trade negotiations to ensue. However, despite its initial success in enhancing global efficiency, increasing productivity, and lowering tariffs, leading to almost a 40% reduction in tariffs on industrial goods (Donald M. McRae), its major weakness was the failure to take into account the needs of developing countries, as most of the power was still under the hands of the countries with the stronger economies and thus favoured industrial countries. In addition to having a more equitable trading policy, GATT needed to be more adaptable to the changes in the world, where trade now had to accommodate more complex matters such as intellectual property rights and settling commercial disputes.

Addressing these issues, WTO (World Trade Organisation) was founded in 1995 to inherit the role of GATT as a central body to facilitate international trade.

Providing the necessary framework for countries to formulate multilateral plans and negotiate by consensus, WTO creates legal foundations that bind nations to fulfil the trade agreements, making the organisation transparent and stable.

Along with the establishment of the WTO, Free Trade Agreements (FTA) became a common practice between a small number of nations to discuss country-specific matters. For instance, NAFTA (North American Free Trade Agreement), now USMCA (United States-Mexico-Canada Agreement), places more emphasis on agricultural aspects of free trade, including dairy products, compared to other FTAs. This meant the US, Mexican and Canadian farmers, workers and businessmen could all benefit from the creation of the free trade zone due to a reduction in tariffs and protectionist measures. Essentially, the FTA is a legally binding agreement to economically cooperate and enhance trade relations by eliminating trade barriers. FTA provides the framework for establishing essential standards and regulations, covering many aspects of trade, including tariffs, quotas, customs procedures, intellectual property rights, etc. In the FTA, countries can tailor the agreement's conditions to suit their needs and objectives, making each FTA unique depending on the countries involved.

### **Benefits of free international trade**

International trade can act as a catalyst for economic growth by stimulating domestic economic activity, such as giving consumers more consumer sovereignty due to a broader range of choices via imports and creating employment opportunities in the import and export industries. Job creation will result in lower unemployment, putting less burden on the government having to provide unemployment benefits or allowing the government to have an increase in tax revenue. With more employed individuals, more money will be spent within the economy, increasing demand for products and services and leading to economic growth.

By acknowledging the existence of comparative advantage and specialisation, free international trade allows countries to increase their economic efficiency. This is due to countries being able to direct and allocate resources to the most productive uses. Furthermore, the focus towards certain industries may give rise to economies

of scale, where the cost per output decreases as production increases. This means consumers are able to enjoy products at a lower price.

These reasons brought countries together towards the goal of globalisation, with governments quickly capitalising on the opportunity for economic growth through free international trade. Despite the benefits, there are reasons why countries are moving away from free trade and moving towards protectionism. The reason for this will be discussed later in the report.

### **Benefits of protectionism**

There are many reasons why countries adopt protectionism despite the risks of doing so. One is to protect their domestic industries from foreign competition, especially their infant industries and strategic industries, and the other is to fulfil their political objective.

Infant industries are new and in their developing stages, where they require protection against competition, namely foreign multinational companies (MNCs), until it is mature enough and thus capable of developing economies of scale to compete against established foreign competitors. By implementing protectionist measures, the government grants ample time for the infant industries to grow, which benefits the domestic economy in numerous ways. The development of infant industries enables the government to achieve key macroeconomic aims, such as lowering unemployment rates by guaranteeing jobs in these new industries and economic growth, where the aggregate demand will increase as exports from the protected industries will increase whilst imports from its foreign competitors will decrease. Furthermore, a healthy and consistent development of infant industries allows governments to reduce their dependence on foreign companies and diversify domestic industries. This indicates that the country can be independent of foreign influence and grow a strong foundation for its economy.

Strategic industries are those the government deem vital to the country's national security or the domestic economy in unprecedented times of stress and pressure. One primary emphasis is industries directly related to the country's defence capabilities; these include defence manufacturing, aerospace,

telecommunications and energy. Reliance on other countries to provide these goods or services may significantly risk the nation's safety in the face of potential threats or disruptions. Another emphasis is on the degree of influence the industry has on the stability of the country's economy. Industries that involve the production of goods and services critical to the nation's functioning or that have a global influence are protected by the government due to their dominant presence in the country, and the absence or decline of these industries may lead to economic uncertainty and over-dependence on foreign sources.

Apart from protecting domestic industries, the government may have reasons outside of its economic interests. Protectionism is often closely related to politics, and when politics gets involved in international trade, they often negate the economic factors that need to be considered. International trade requires bilateral cooperation, meaning both sides must be satisfied to reach an agreement. If one nation were to impose trade barriers for its personal interests, it is highly probable that the other would retaliate, resulting in what is known as a trade war. A country, often the stronger, economically prominent one, may disregard the potential harm of retaliation, which may affect its domestic economy temporarily, to achieve its political goals and forcefully draw an agreement to suit its desires.

## **Current Situation**

### **COVID-19 Pandemic**

Whilst the movement towards protectionism and de-globalisation dates back to the global financial crisis of 2008 and has been building for a while, it was the COVID-19 pandemic that accelerated the global trend towards protectionism.

The sudden outbreak of the COVID-19 pandemic led to a global crisis, where there was an evident vulnerability in the global supply chain, and many countries faced a “pandemic-induced global recession”. First, the governments adopted short-term protectionism by placing export bans to secure vital medical equipment and supplies. As the pandemic ensued, global economic growth took a heavy hit. This pushed governments to raise revenue to pay for the pandemic recovery, with governments turning to protectionist policies as their way of recuperating the economy. As most governments’ priorities and best interests are economic and

social stability within their own nation, they are inclined to adopt protectionist measures to protect their domestic market, particularly in employment.

By restricting imports (through tariffs or import quotas, which is a limit on the amount of imports) and encouraging exports (through subsidisation by the government) in certain industries, most commonly the agricultural sector, governments can protect and assist their key domestic industries. However, for each individual country restricting free trade to focus domestically, this results in less bilateral cooperation between countries, the net result being everyone who was interconnected due to globalisation negatively affected.

### **Russo-Ukrainian War**

The Russian invasion of Ukraine in 2022 pressured the world to disentangle their supply chains from the warring countries. The war severely affected the recovering global economy from the COVID-19 pandemic, putting the movement of countries back to the pre-pandemic era of international trade to a halt.

Following Russia's invasion, according to the International Food Policy Research Institute (IFPRI), 24 countries implemented export bans covering over 30 food items. These policies affected over 17% of global calories traded. These export bans to secure the country's own domestic food supplies and offset domestic prices only made other countries follow suit through retaliative responses. For instance, Indonesia, the world's biggest palm oil producer, banned all exports of the oil to offset their domestic prices and secure supply for their own nation. Furthermore, a report by a European research group, the Conference Board, found almost 80% of CEOs believe that the number of sectors considered "national security priorities", hence subject to protectionist policies, will increase even more.

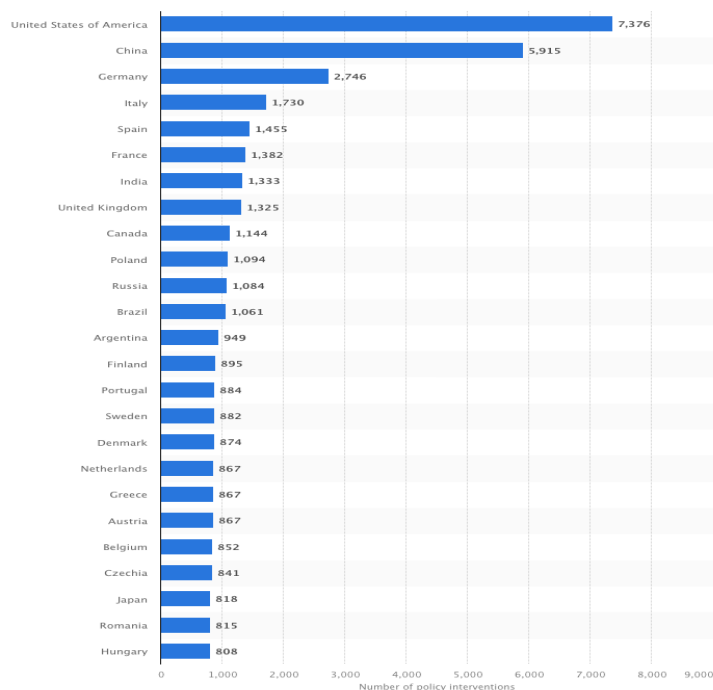
It is said that protectionism breeds further protectionism. The continued implementation of protectionist policies will undermine the previously built trust and diplomatic relationships between countries. Therefore, it is crucial that countries come together and address the issue of protectionism as the world moves into the post-pandemic era.

## Major Parties Involved and Their Views

### WTO (World Trade Organisation)

As mentioned previously, WTO is an international body that provides the necessary framework for countries to formulate multilateral plans and negotiate by consensus. They are currently the only global international organisation dealing with the rules of trade between nations. Thus, its primary purpose is to reduce trade barriers and promote free international trade, its motto being “open trade for the benefit of all”. Despite the WTO’s panel decisions not being legally binding, the signed trade agreements between countries are monitored by the WTO. If there are any disputes between nations, WTO members can request the establishment of a panel to settle the dispute, where it can later be discussed and resolved through negotiations. Thus, if there were to be the need for any international organisation to facilitate or oversee any processes regarding the issue at hand, WTO would be the ideal organisation to be given that responsibility.

### United States of America



**Countries with the highest number of protectionist trade intervention policy measures between 2009 and 2021; Source: Statista Research Department 2022**

The United States of America have recently been moving towards protectionism, leading the world with the highest number of protectionist trade intervention policy measures between 2009 and 2021, with 7,376 cases. The first shift towards protectionism was when Donald Trump levied tariffs on products around the world, the most prominent being China, where he placed a 25% duty on around \$34 billion USD worth of imports from China on 6 July 2018. This ultimately resulted in the infamous trade war between China and the US, and its aftermath is still felt to this day.

As for the Biden administration, subsidies became their predominant tool for protectionism. Ever since the COVID-19 pandemic affected the global supply chain, America needed its own industrial policies to avoid being overreliant on foreign countries. Coupled with the government's aim of striving for a sustainable future through renewable energy, the US government provided subsidies at various levels, from directly subsidising industries (Credit Suisse predicts American solar panels to be the cheapest in the world by the late 2020s), to providing a \$7,500 credit towards the purchase of an electric car assembled in North America.

From being the advocate of free trade, the USA has become one of the most protectionist countries in the world. The United States is currently party to 14 Comprehensive FTAs with 20 countries and one Trade Agreement with one country (Japan). From this, it is discernable that the USA is open to cooperating with its allies, like that of the USMCA (United States-Mexico-Canada Agreement), but it does not seem to welcome the idea of re-engaging in large-scale international trade with its rivals such as China or Russia.

### **People's Republic of China**

The People's Republic of China's meteoric rise to the second-biggest economy in the world is credited to its protectionist policies. China is well known to strongly incentivise domestic companies to export whilst heavily protecting its domestic market by preventing direct access from foreign investments. It uses compulsory joint ventures, technology transfer and access to cheap land and loans to state-owned enterprises (SOEs) to help them establish themselves in the market.



However, China has recently been more willing to move towards free international trade, establishing 17 FTAs, the biggest interaction being between ASEAN and EU and, most importantly, its Belt and Road Initiative (BRI), where the project aims to enhance connectivity and trade between China and countries spanning from Asia, Africa and Europe. Moreover, China has shown and implemented reforms to attract more Foreign Direct Investment (FDI) and begun engaging in more discussions around trade rules and liberalisation, such as the Regional Comprehensive Economic Partnerships (RCEP).

### **European Union (EU)**

The European Union was founded in 1993, consisting of 27 member states. Despite its various purposes involving peacekeeping, political alliance, and more, one of its primary objectives is the economic alliance between its member states. The EU's network of 42 preferential trade agreements with 74 partners worldwide provides opportunities for EU companies in foreign markets while also promoting EU values and international commitments on trade and sustainable development. The EU represents the collective interests of European nations and has a strong presence within the WTO. They are also one of the major groups supporting free trade within the global economy.

The European Commission has also put forward ideas to modernise the WTO and to make world trade rules fit for the challenges of the global economy. For instance, they are leading the discussion to overcoming the deadlock on the WTO dispute settlement system, along with updating the rulebook to encompass the changing needs of the global economy, all the while ensuring European goods, services and investments benefit.

More details involving the works of the EU in trade can be found in the link attached below in the bibliography.

### **UN Involvement, Relevant Resolutions, Treaties and Events**

- The United Nations Set of Principles and Rules on Competition, 2000, UNCTAD (TD/RBP/CONF/10/Rev.2)

- Trade, multilateral cooperation and sustainable development, 15 November 2018, UNCTAD (Action taken by the Trade and Development Board 2018)
- Impact of the COVID-19 Pandemic on Trade and Development, 19 November 2020 (UNCTAD/OSG/2020/1)
- International Trade and Development, 21 December 2020 (A/RES/75/203)
- International Trade and Development, 17 December 2021 (A/RES/76/189)
- International Trade and Development, 14 December 2022 (A/RES/77/151)
  - The UN General Assembly discusses the issue of international trade and development every year. The last three years have been included in the chair report. Nevertheless, delegates are encouraged to explore how the clauses have changed throughout the years.

## **Possible Solutions**

### **Low-Interest Loans to LEDCs (Less Economically Developed Countries)**

Countries affected most adversely due to the resurgence of protectionism and de-globalisation are the LEDCs. As the developed countries (MEDCs) seek to adopt protectionism by placing an import quota or levying tariffs on imports, the LEDCs' exports, which are often agricultural products, are impacted significantly. This means their primary source of income from exports is affected, potentially leading to unemployment in the export industry and posing a threat to the country's economic stability.

To address this issue, a loan can be issued to the LEDCs through the IMF. The IMF already provides financial assistance to countries under economic or financial crisis. Thus, a new loan scheme could be introduced by the IMF for LEDCs seeking to establish themselves as a global trading partner through international trade. The loan will have minimal interest, putting less burden on the LEDC, and be used by the LEDC to build the necessary foundation and infrastructure. The UNCTAD (United Nations Conference on Trade and Development) or WTO could be involved to facilitate or oversee the process, ensuring transparency and reliability of the loans.

### **Direct Cooperation of the WTO with the UN**

Whilst the WTO indeed provides the necessary framework for international trade, it does not have much jurisdiction to order countries legally. If there has been a breach in an FTA detected by a party involved in the FTA, the country may report to the WTO, where the WTO can cooperate with UNCTAD or any other relevant UN agencies to investigate whether or not the claim is true. If the allegation is true, suitable economic sanctions according to the severity of the breach could be carried out. In addition, the cooperation of WTO and the UN body can provide the opportunity for countries to come together and negotiate with the involvement of an impartial and reliable third party.

### **Setting of a Global Standard on Trade Barriers**

Although this may seem like a highly controversial solution as it limits the autonomy of nations to adopt protectionist measures to their desires, this idea may be worth exploring further. By setting a global standard on the trade barriers that countries can impose, such as the percentage of tariffs (e.g. maximum of 10% increase per year) or import quotas (e.g. can not decrease more than 20% of the previous year's amount of import), this global standard can prevent countries from adopting sudden changes to protectionism, allowing countries have ample time to adjust to the new trade barriers, such as looking for new trade partners. This also prevents countries from adopting neomercantilism, an economic policy that focuses on encouraging exports whilst discouraging imports.

### **Selection of Non-Negotiable Industries (NNI)**

In order for countries to maintain protectionist policies on industries that they deem vital to their domestic economy and the safety of the nation (e.g. strategic and infant industries mentioned above), each country will be able to designate a set number of NNIs, but those that do not fall under NNIs will have to be available for free trade. NNIs will be non-negotiable with other countries, meaning the country has the right to set certain protectionist policies depending on the country's needs without the need for cooperation from other nations. For instance, South Korea can set the semiconductor industry and the EV battery industry as their NNIs, and lift their protectionist policies on agricultural products. This guarantee will encourage

countries to participate in free trade with other countries in various industries other than their respective NNIs.

### **Creation of organisations in respective exporting industries**

Though highly controversial once again, certain countries that are the major exporters of certain products/commodities could come together and form an organisation or a trading bloc similar to that of OPEC (Organization of the Petroleum Exporting Countries). This way, countries within those said organisations could control the global supply of specific commodities, ensuring that there are no excessive trade barriers for trade. To prevent potential monopolistic behaviours from those organisations, a global representative from the WTO or UN will be in those organisations to restrict any move towards the establishment of a global monopoly in a commodity. In addition, the chairman or the representative of those organisations could all come together at the WTO or relevant UN organisations to discuss and provide regular reports on the global supply and demand of said commodities and their plans to establish a robust framework for providing the commodities without the added cost of protectionism.

## **Bibliography**

### **Useful Links**

- 1. World Trade Organisation - Its role in the international community**
  - [https://www.wto.org/english/thewto\\_e/whatis\\_e/wto\\_dg\\_stat\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/wto_dg_stat_e.htm)
- 2. What is Protectionism - An easy guide to understanding protectionism**
  - <https://www.thebalancemoney.com/what-is-trade-protectionism-3305896>
- 3. General Assembly Resolutions on International Trade and Development**
  - <https://www.un.org/esa/ffd/documents/general-assembly/general-assembly-international-trade-and-development.html>
- 4. European Union's trade policies (mentioned in the "Major Parties" section)**
  - [https://policy.trade.ec.europa.eu/index\\_en](https://policy.trade.ec.europa.eu/index_en)

### **Works Cited**

"Infant-Industry Theory: Definition, Main Arguments, and History."

*Investopedia*, 20 Nov. 2003,

[www.investopedia.com/terms/i/infantindustry.asp#:~:text=In%20economics%20an%20infant%20industry,competing%20against%20established%20industry%20competitors.](http://www.investopedia.com/terms/i/infantindustry.asp#:~:text=In%20economics%20an%20infant%20industry,competing%20against%20established%20industry%20competitors.)

Reporters, SCMP. "What is the US-China Trade War?" *South China Morning Post*, 13 Apr. 2020,

[www.scmp.com/economy/china-economy/article/3078745/what-us-china-trade-war-how-it-started-and-what-inside-phase.](http://www.scmp.com/economy/china-economy/article/3078745/what-us-china-trade-war-how-it-started-and-what-inside-phase)

"Russia's Aggression Against Ukraine: Global Trade Implications After 7

Months of War." *International Institute for Sustainable Development*, 26 Sept. 2022, [www.iisd.org/articles/policy-analysis/russia-ukraine-trade-implications](http://www.iisd.org/articles/policy-analysis/russia-ukraine-trade-implications).

"Trade Protectionism." *Economics Online*, 6 Apr. 2023,

[www.economicsonline.co.uk/global\\_economics/trade\\_protectionism.html/#:~:text=Protecting%20strategic%20industries&text=Examples%20include%20specialized%20capital%20or,any%20unpredictable%20or%20catastrophic%20events.](http://www.economicsonline.co.uk/global_economics/trade_protectionism.html/#:~:text=Protecting%20strategic%20industries&text=Examples%20include%20specialized%20capital%20or,any%20unpredictable%20or%20catastrophic%20events.)

"Transformation of GATT into the WTO." *Law Teacher* | *LawTeacher.net*, 31 Aug. 2021,

[www.lawteacher.net/free-law-essays/international-law/transformation-of-gatt-into-the-wto-international-law-essay.php#citethis.](http://www.lawteacher.net/free-law-essays/international-law/transformation-of-gatt-into-the-wto-international-law-essay.php#citethis)

"What's Behind the Rise in Trade Protectionism?" *Supply Management*, 19

Aug. 2022,

[www.cips.org/supply-management/analysis/2022/august/whats-behind-rising-trade-protectionism/](http://www.cips.org/supply-management/analysis/2022/august/whats-behind-rising-trade-protectionism/).

"Why Pandemic-induced Trade Protectionism Will Affect Tax for Years." *EY*

*US - Building a Better Working World*, 23 Sept. 2021,

[www.ey.com/en\\_sg/tax/why-pandemic-induced-trade-protectionism-will-affect-tax-for-years#](http://www.ey.com/en_sg/tax/why-pandemic-induced-trade-protectionism-will-affect-tax-for-years#).

Protectionism in China: Forms, Purpose & Outlook." *Intrepid Sourcing &*

*Services*, 23 June 2022,

[intrepidsourcing.com/trade-wiki/protectionism-forms-purpose-outlook/](http://intrepidsourcing.com/trade-wiki/protectionism-forms-purpose-outlook/).

"What America's Protectionist Turn Means for the World." *The Economist*, 9

Jan. 2023,

[www.economist.com/finance-and-economics/2023/01/09/what-americas-protectionist-turn-means-for-the-world](http://www.economist.com/finance-and-economics/2023/01/09/what-americas-protectionist-turn-means-for-the-world).

"Why China Won't Abandon Its Controversial Trade Policies." *The Diplomat* –

*The Diplomat is a Current-affairs Magazine for the Asia-Pacific, with News*

*and Analysis on Politics, Security, Business, Technology and Life Across the*

*Region*, 25 May 2018,

[thediplomat.com/2018/05/why-china-wont-abandon-its-controversial-trade-policies/](http://thediplomat.com/2018/05/why-china-wont-abandon-its-controversial-trade-policies/).