

Forum: GA2 - Economic and Financial Committee (ECOFIN)

Issue: The question of securing international trading threatened by national protectionism

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Introduction

International trade is considered as one of the fundamental engines of increasing global development for decades. In international trade environment export profit and import productivity are important to a nation's economy, thus it is crucial that traders are provided with all the tools allowing to do their jobs as effective as possible.

Since 2008 global financial crisis protectionism was tend to lead to the large fall in world trade. Thus, a wave of protectionism and trade tensions risk restricting global growth, stoking inflation and harming living standards.

Stated aims of the WTO is to promote "peace and security" by opening "national markets to international trade"— bringing up the point of sacrificing some short term interest would be able to endorse security in the long run.

Developed nations' protectionist-policies persist while developing nations are compelled to decrease their tariff policies.

Nevertheless, if countries raised tariffs each time when it might benefit their national security interests, there would be no place for an international trade arbitrator.

Although developed nations aim to have more effective labor protections and higher wages, without widening markets where to sell their goods, developing nations will have neither the impetus nor the capital to advance innovation.

Approaches to protectionism:

There are various approaches to protectionism between international institutions and independent analysts. There is no common definition of that term, however, there are two elements highlighted: (1) the discrimination of foreign economic operators, and (2) trade-restrictiveness.¹ The Board views a discrimination approach as the most appropriate to frame issues related to protectionism. It combines normative legitimacy (non-discrimination is a central WTO legal principle) with

¹ "Protectionism in the 21st Century." *Kommerskollegium*, Feb. 2016, www.kommers.se/Documents/dokumentarkiv/publikationer/2016/Protectionism%20in%20the%2021st%20Century_webb.pdf.

practical application (it does not require advanced quantitative analysis). In addition, there is a clear element of implied intent whenever foreign economic operators receive a less favorable treatment than domestic commercial interests.

Definition of Key Terms

WTO (World Trade Organization)- main aim is the prevention of protectionism in international economic relations.

The eight Millennium Development Goals (MDGs)- range from halving extreme poverty rates to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 – form a blueprint agreed to by all the world’s countries and all the world’s leading development institutions.²

Import- to bring in (merchandise, commodities, workers, etc.) from a foreign country for use, sale, processing, re-export, or services.³

Export- to ship (commodities) to other countries or places for sale, exchange, etc.⁴

GATT- General Agreement on Tariffs and Trade (Article XVIII — XXXVIII)

Article XXI: Security Exceptions⁵

Dumping – product introduced into the commerce of another country at less than its normal value⁶

NAFTA- largest free trade agreement

Anti-Dumping Agreement

National security exception- exempts countries from WTO regulations under certain conditions.

It exists to encourage countries to participate in the WTO ⁷

Embargo- an injunction from a government commerce agency to refuse freight for shipment, as in case of congestion or insufficient facilities.⁸

Sanctions- action by one or more states toward another state calculated to force it to comply with legal obligations.

² “United Nations Millennium Development Goals.” *United Nations*, United Nations, www.un.org/millenniumgoals/.

³ <http://www.dictionary.com>

⁴ <http://www.dictionary.com>

⁵ See appendices

⁶ “WORLD TRADE ORGANIZATION.” *WTO / Legal Texts - Marrakesh Agreement*, www.wto.org/english/docs_e/legal_e/19-adp_01_e.htm.

⁷ “Pretextual Protectionism? The Perils of Invoking the WTO National Security Exception.” *Lawfare*, 24 July 2017, www.lawfareblog.com/pretextual-protectionism-perils-invoking-wto-national-security-exception.

⁸ Dictionary.com

ICC- world's largest business organization working to promote international trade, responsible business conduct and a global approach to regulation to accelerate inclusive and sustainable growth to the benefit of all.⁹

OECD- The Organization for Economic Co-operation and Development

Bretton Woods Conference- established the International Monetary Fund and the World Bank

The General Agreement on Tariffs and Trade- the first multilateral treaty establishing reduced tariff policies and proper trade practices.

History

Trade protectionism is a policy limiting unfair foreign industries' competition. It is believed to work in the short run, at the same time being very destructive, making the country and its industries to be less competitive in international businesses.

Trade protectionism weakens the industry in the long term. Without competition companies' innovation is not taking place within the industry. The domestic product's quality will decline.

Increased trade opens new markets for businesses to sell their products.

The understanding from 1961 remains the same today: individual countries are their own judges for the purposes of the national security exception.

Key Issues

International trade involves legal risks, risks of non-payment, transport risks and risks of receiving poor quality goods and risks of exchange rate variation.

The tariff rates and protections of wealthy, productive economies make it difficult for other countries to access markets.

Trade protectionism weakens the industry. While lacking competition, companies within the industry have no necessity to innovate. The domestic product will be less qualitative; moreover it will be more expensive comparing to foreign competitors' production.

Developing countries needed to access international markets, but debt had severely impacted their trade participation and development efforts, making them unable to honor their debt commitments.

Vulnerability of the global economic environment and financial disturbance affects advanced economies. Such events were costly and threatened achievement of the Millennium Development Goals.

⁹ "About Us." *ICC - International Chamber of Commerce*, www.iccwbo.org/about-us/.

Major Parties Involved

United States of America, China, United Kingdom, WTO, Canada, Mexico;

Timeline

1949- Czechoslovak complaint about U.S. national security export controls

1961- Ghana cited Article XXI(b)(iii) as justification to boycott goods from Portugal, whose colonial government in Angola was at war with several revolutionary groups.

1975- the Swedish government used “the spirit of” Article XXI to defend an import-quota on certain types of shoes, borrowing language from part (b)(iii) in formal documentation. It believed that low domestic production had threatened the country’s ability to “secure the provision of essential products necessary to meet basic needs in case of war or other conflict in international relations.”

1985- the United States raised the provisions to justify a trade ban against the Sandinista Nicaraguan government

1994-Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade

2008- global financial crisis

Previous Attempts

Protectionism and inevitable trade retaliation offsets much of the effects of the fiscal initiatives on global and domestic growth, harms living standards, raises prices and leaves countries in a deteriorate fiscal position.

The international community disavowed protectionism and committed to refrain from raising new trade barriers.

One of the ways which countries use as a strategy to protect their trade- is to enact tariffs that tax imports.

Possible Solutions

-Governments to use low borrowing costs to invest and achieve structural reforms.

-By using domestic policies to ensure the gains from trade.

-Increased trade to open new markets for businesses to sell the products.

-To strengthen and supervise a multilateral trade system,

-To remove barriers for trading

-To resist all patterns of protectionism and promote common prosperity.

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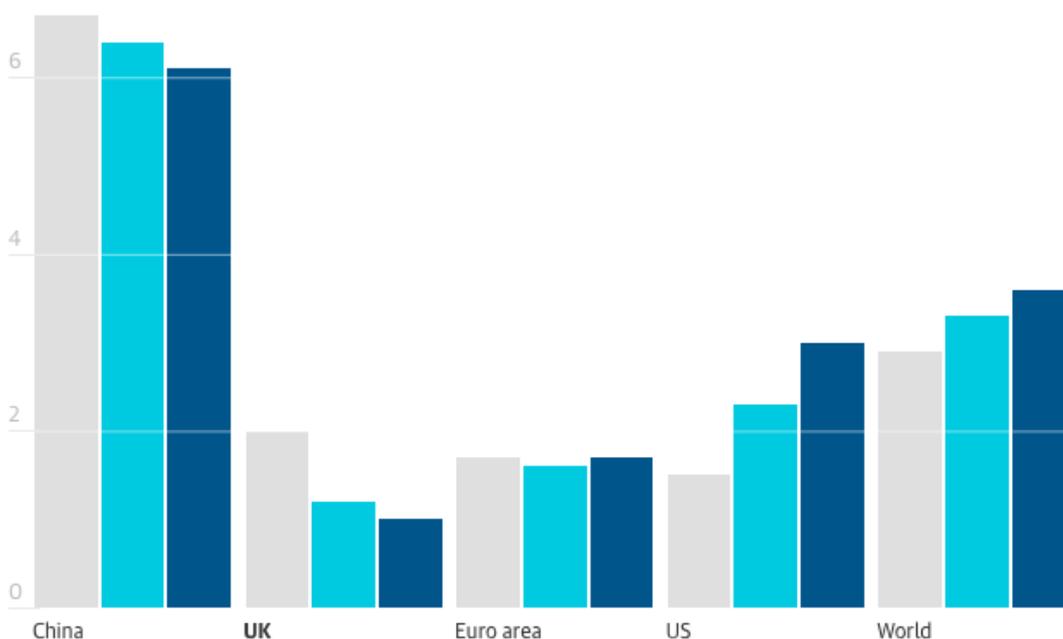
“WORLD TRADE ORGANIZATION.” *WTO | Legal Texts - Marrakesh Agreement*, www.wto.org/english/docs_e/legal_e/19-adp_01_e.htm.

Appendices

I. GDP growth

Percentage growth, November 2016 projections

■ 2016 ■ 2017 ■ 2018



Allen, Katie. "Protectionism and Trade Disputes Threaten World Growth, Says OECD." *The Guardian*, Guardian News and Media, 28 Nov. 2016, www.theguardian.com/business/2016/nov/28/protectionism-trade-wars-world-growth-oecd-donald-trump.

II. Ripinsky, Sergey. "Global Economic Crisis And The Danger Of Protectionism: Does International Law Help?" *Amsterdam Law Forum*, 26 Apr. 2009, www.amsterdamlawforum.org/article/view/77/140.

III. "WORLD TRADE ORGANIZATION." *WTO | Legal Texts - Marrakesh Agreement*, www.wto.org/english/docs_e/legal_e/gatt47_02_e.htm.

IV. "WORLD TRADE ORGANIZATION." *WTO | Legal Texts - Marrakesh Agreement*, www.wto.org/english/docs_e/legal_e/19-adp_01_e.htm.

V. Article XXI: Security Exceptions

Nothing in this Agreement shall be construed

(a) to require any contracting party to furnish any information the disclosure of which it considers contrary to its essential security interests; or

(b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests

(i) relating to fissionable materials or the materials from which they are derived;

(ii) relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;

(iii) taken in time of war or other emergency in international relations; or

(c) to prevent any contracting party from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

The drafters thought these exceptions would ameliorate the most important concerns of potential signatories. Part (a) allows countries to protect sensitive national security information that might otherwise be required in WTO proceedings.