JejuMUN XII

BACKGROUND GUIDE

ECOFIN

Evaluating the Global Impact of 21st-century Protectionist Trade Policy

SDG: SDG 8 (Decent Work and Economic Growth), SDG 9(Industry, Innovation, and Infrastructure), SDG 11 (Sustainable Cities and Communities)

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Committee Introduction

The Economic and Financial Affairs Council (ECOFIN) is one of the main committees under the auspices of the United Nations General Assembly (UNGA). Founded in 1945 along with the UN as one of its founding committees, ECOFIN's main objective was to restore global economic stability in the aftermath of World War II and assist countries in recovering from the financial devastation. Now, ECOFIN focuses on maintaining global cooperation for economic development, trade stability, and the stability of international financial systems.

ECOFIN mainly focuses on a variety of economic issues, including trade policies, global economic growth, sustainable development, financial aid, tax cooperation, public debt, and financial markets regulation. Its primary initiative is to promote economic stability and ensure that developing countries can take part in the global economy.

To promote growth and prosperity, ECOFIN has provided financial support to numerous developing nations during both times of crisis and development. ECOFIN has set aims to reduce poverty and economic hardship in heavily indebted nations and the need for financial reconstruction through its foreign aid programs.

Most recently, ECOFIN has made a firm stand on Israel and Palestine, two of the most important Middle Eastern conflicts. Given the obvious economic impact that the political, military, and social situation in the region has on the impacted population, ECOFIN has called on Israel to stop occupying Arab areas in Syria and to stop violating human rights laws in line with the Palestinian people.

ECOFIN is a committee where all nations can debate and communicate on resolving economic crises. It does not necessarily have any special power and promotes the inclusion of all 193 countries. ECOFIN typically maintains close ties with ECOSOC, promoting sustainable development, and collaborates with the IMF to manage the global financial crisis, as well as with the WTO for global trade networking.

Agenda Introduction

Trade had a vital role in promoting economic growth and international relations. However, from the 21st century, the global trend began shifting towards protectionist trade policies such as tariffs, quotas, and subsidies. Protectionist trade policies do show effectiveness in uplifting local industries and businesses, but they often take a toll on global trade and cause tensions amongst nations.

One major example of protectionist trade policies would be the U.S.-China trade war. The United States placed a tariff on several Chinese goods to prevent American businesses from what the U.S viewed as 'unfair' trade practices from China. China's retaliatory tariffs caused major trade barriers to form around the world, causing disruption in global supply chains and global markets. As a consequence of the event, global trade took a severe decline in 2019.

Consequently, the COVID-19 outbreak caused most nations to promote protectionist trade policies, causing restricted exports and imports of goods throughout the global market. These two consecutive crises caused most nations to prioritize self-sufficiency over economic dependency.

Although protectionist trade policies contribute to global economic instability, in the 21st century, with several financial crises (most notably the global financial crisis) and geopolitical conflicts, nations often benefit by isolating themselves from the rest of the world. Nations such as Russia, by banning all exports to boost local agricultural production, became the largest wheat exporter in the world through protectionist trade policies.

However, though protectionist trade policies aim to boost local businesses, they can have several side effects. Countries such as Argentina faced economic turmoil due to a lack of competition among local industries, which led to a degradation of quality and an increase in price among local products. With the U.S imposing a 10% basic tariff with additional product-specific tariffs as well as country-specific tariffs on 57 countries, especially on China, the world seems to be heading into another global crisis.

The primary objective of this ECOFIN committee is to weigh the economic benefits and consequences of protectionist trade policies and develop a solution to prevent economic turmoil and ensure sustainable economic growth for all nations.

Letter from the Chairs

Greetings delegates! I am Taewoo Tony Park, a junior at SJAJ. I will be serving as the head chair of the ECOFIN. I started my MUN journey with JejuMUN IX. We acknowledge that winning a prize is also a big part of MUN, but we sincerely hope that delegations can learn about cooperation, debate, and the joys of MUN! I firmly believe that this conference will be an opportunity for you to grow both as a MUNer and as a person. During the conference, you will face a variety of obstacles. These may include disagreements between your allies, objections from your enemies, and all the intricate delegating that must be done in between. However, it is up to you to challenge and climb over these obstacles, one by one. Though these challenges may seem daunting, you should ultimately find the entire process rewarding and enjoyable.

Greetings, I'm Jiho Lee, a student at Saint Johnsbury Academy Jeju, and I'm excited to serve as the committee's deputy chair. I started participating in MUN in the seventh grade, and as a strategic thinker, I was immediately drawn to it. The complexity of MUN, as well as the requirement for well-considered strategic moves, allowed me to step beyond my comfort zone and further improve myself. I strongly encourage all delegates at JejuMUN XII to actively participate in discussions, exchange varied ideas, and, most importantly, have fun! I'm looking forward to a great debate with critical thinking and fresh thoughts on the chosen agenda!

Greetings, I am Nayun (Claire) Kim, an 8th grader at Saint Johnsbury Academy Jeju, and I am thrilled to serve as this committee's associate chair. I have been participating in the MUN curriculum since 6th grade, and this JejuMUN is my first time chairing. In this conference, I look forward to all delegates participating in fruitful debates and discussions, whether it's their first experience or their 10th experience at MUN, and trying new things. As always, make sure to have fun!

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Key Terms

Tariff

Tariffs are a tool to artificially increase the price of foreign products to protect domestic industries. The United States of America and China's trade war actively used tariffs to regulate imports.

Quotas

Quotas prevent domestic industries from leading to market failure because of overwhelming, cheap foreign products. Understanding how quotas affect international market access, especially for developing countries trying to integrate into the global economy.

Protectionism

Protectionism refers to a government policy created to restrict international trade to help the growth of domestic industries. While many countries, including developed countries, have pursued protectionism, the debate surrounding it has intensified since Trump's "Liberation Day." Tools used to pursue protectionism include tariffs, quotas, subsidies, and important bans, all of which can be used during a recession or national insecurity.

2008 Financial Crisis

The 2008 Financial crisis was a major global economic crisis led by the crash in the housing market of the U.S. It led to a loss of trust in open-market systems. The aftermath of the 2008 crisis pushed many member nations to focus on their economy and protectionist policies to safeguard their economies.

Trade Policy

Trade policy refers to the regulations and policies created for international trade, to manage transparent exchanges of goods and services between nations. These policies help nations protect domestic industries, promote economic growth, and maintain stable trade alliances.

Trade War

A trade war is a situation where countries impose tariffs and quotas to disrupt another nation's economy and trade. A trade war occurs when two countries impose retaliatory tariffs on each other. The U.S.-China trade war is a modern example, which began in 2018.

World Trade Organization (WTO)

The World Trade Organization (WTO) is a global international organization that manages trade among nations. Whenever disputes arise between nations, the WTO is in charge of negotiating trade agreements.

Global supply chain

A global supply chain is an international system of businesses and organizations, where goods and services are distributed. Imposing high protectionist tariffs risks disrupting such systems as they increase production costs and limit access to cheap foreign components.

Free trade

Free trade is when trade between nations happens without trade barriers such as tariffs or quotas. Countries create free trade agreements to boost economies, lower consumer prices, expand market access, and strengthen diplomatic ties through efficient and beneficial trade.

Retaliatory tariffs

A retaliatory tariff is a tariff imposed on another nation when that nation has imposed a tariff on another country. A country may impose a retaliatory tariff to pressure another country that has raised tariffs first, aiming to protect its industries and assets in trade negotiations.

Historical Background

Protectionist trade policy has been present in human society since the development of the first trading network. Usually utilized by nations to protect local economies from foreign competition or to engage in an indirect trade war, protectionist policies acted as a strategic defense for nations in unfavorable situations.

Mercantilism held sway during the seventeenth and eighteenth centuries as economic thinking. The tariffs charged by the likes of England, France, and Spain were prohibitive as well, and the regulations were strict to gather wealth and a surplus to facilitate trade. Colonies normally did not enjoy free trade and had to route output through the metropolis to further the domestic economy.

Liberalization increased throughout the nineteenth century as free-trade doctrines came into fashion, one of the most notable events of this moment being the repeal of the Corn Laws in Britain in 1846, which was taken by many to indicate a willingness to reduce tariffs. Still, many countries maintained a series of protectionist regulations to support their growth industries. It was during the late nineteenth and early twentieth centuries that there was a massive increase in tariff levels, especially in the United States, Germany, and Japan, as those countries industrialized and tried to protect their growing manufacturing industry.

The modern version of the policy was first seen during the Great Depression, when countries such as the United States refused to take imports. This was followed by WWI and WWII, where countries engaged in a series of blockades and sanctions, which devastated global trade. This includes the Smoot-Hawley Tariff Act in 1930, which raised U.S tariffs and triggered global retaliation, which worsened the economic crisis, and the establishment of the General Agreement on Tariffs and Trade (GATT) in 1947, which was created for the purpose of reducing trade barriers, which in the future led to the World Trade Organization (WTO). Also, the Fordney-McCumber Tariff (1922) resulted in the increase of US tariffs, and thus caused a chain reaction where multiple countries were encouraged to raise tariffs as well. The U.S. also lowered taxes to encourage more trade and grow the economy, showing that it used both protectionist rules and free trade ideas at the same time.

As seen in previous events, the implementation of protectionist policies is usually the result of instability and uncertainty in the era. Entering the 21st century, with increasing geopolitical tensions, pandemics, and trade wars, the delegates must understand that though protectionist policies may result in degradation of the global economy and trade networks, it is important to realize the dangers of being overly reliant on the global economy.

Current State of Affairs

Trade has always been a point of growth in economic activities and the development of transnational partnerships. However, in the current twenty-first century, most countries have crossed over into the direction of protectionism by putting up protection measures like tariffs, quotas, and even subsidies to cushion their local production. Although these measures can bring immediate benefits to the local industries, these situations always have negative consequences, the most apparent of which is price increases, reduced international trade, and increased geopolitical tension.

Such a transition is what was witnessed in 2018 when the United States and China fought an open trade war. Washington has levied tariffs on many of China's products, claiming that the trading policy practiced by Beijing was unfair. Beijing reacted by introducing retaliatory tariffs; the following confrontation disrupted global supply chain stability, and a widespread contraction of international trade in 2019 occurred.

In 2022, the pending tension between Russia and Ukraine, as well as the repeated attacks on merchant vessels in the Red Sea, forced some governments to limit the supply of energy and fertilizer, thereby limiting the world markets.

During the second term of U.S. President Donald Trump in 2025, Washington reinstated blanket tariffs: ten percent additional duties on the majority of imported goods and a fifty percent tariff on steel and semiconductor parts. Such actions have generated a new tension with Canada, Mexico, and the European Union. Even though Washington and Beijing had negotiated a ceasefire regarding rare earth minerals, most trade barriers remained.

These have heightened price inflation to the consumer sector, increased the complexity of the supply chain, and created uncertainties within the business environment, mainly in the developing economies whose growth is based on exports. International trade has become more fragile and hard to govern with the revival of protectionism, not to mention the architecture of international trade.

New issues have also arisen, such as inflation pressure and reduced economic growth. Both the OECD and the WTO have cautioned that unless the trend of protectionism is reversed, global trade may remain in a worse position.

Even if protectionism did create chaos on an international scale, it is important to note that individual nations benefit extensively from protectionism. For example, India, which restricted rice exports to other nations, greatly benefited from having enough food supplies for their own citizens. Nevertheless, Russia was able to gain independence from its European neighbors, thus solidifying its sovereignty.

At this moment, the issue is becoming more serious. Although some of the governments are finding some partisan political or economic advantage, the effects of this on international trade and relations are highly adverse.

Stances of Parties

Argentina

Argentina is quite prone to resorting to protectionist policies whenever its economy is in trouble, claiming that local industries and its currency need protection. However, such policies tend to cause inflation and complicate trade relations.

Australia

Australia has lived in free trade since it exports its minerals and food to the rest of the world, hence despising protectionism and entering trade agreements as much as possible. However, they also suffer when nations such as China raise tariffs in the event of disagreements, indicating how infuriating trade can turn out.

Bangladesh

Bangladesh relies on the exportation of clothes as a source of employment and development, hence it likes free trade yet despises protectionism by the developed countries. According to the leaders, the tariffs imposed by the rich countries on the poor ones, such as Bangladesh, often suffer since trade is their only mode of creating a good life.

Brazil

Brazil believes that protecting its local farmers and industries by applying tariffs is reasonable since it needs to boost its economy and retain jobs in the home country. They are members of Mercosur and discuss trade, but at the end of the day, they would like to maintain some walls so that they can assist their people.

Canada

Canada is largely a pro-trade nation that enters into agreements such as USMCA; however, in the area of dairy and agriculture, it imposes tariffs and quotas to save the local producers. According to leaders, it is necessary to sustain farms even though leaders are fighting back in terms of blanket protectionism by other nations.

China

China claims to be a proponent of free trade, but it will advocate for measures to safeguard its industries, including subsidies and regulations, to provide its local firms with a competitive advantage, and respond to tariffs when necessary. They speak of openness, but in fact, what they want is to ensure their growth remains robust as they regulate foreign competition, particularly in cases of trade wars such as the one with the US.

Egypt

Egypt also applies the virtue of restrictions on importation and subsidization to safeguard its industries as it attempts to attract foreign investors and trade as well. Politicians believe that they have to save jobs and keep the economy on stable ground as long as they continue searching for growth possibilities.

France

France is in full favour of EU trade, but on French farmers, it does not stop short of saying it is about food security and identity. They enter trade agreements and are ready to attack anything that may damage their farmers in the attempt to continue trade and the defense of what is perceived to be too important to lose out on.

Germany

Protectionism is not something Germany is fond of, with the entire economy resting on exports, the leaders are ever ready to point out that tools of trade will do nothing but harm everybody in the end. They demand trade agreements and free markets so that their sectors remain healthy, but this becomes difficult when other economies adopt tariffs at the expense of German automobiles and equipment.

India

India employs tariffs as an armourer to its technology and agricultural industries, arguing that it must guard its bulging population and industries as it makes itself strong. Political figures promote the idea of self-sustainability and reject certain trade agreements to prevent being overburdened by imports, despite their efforts to encourage foreign investments so that the economy will expand.

Indonesia

Indonesia enacts export restrictions on raw materials such as nickel to compel companies to establish facilities on Indonesian soil rather than export bare minerals. They claim that this assists them in ascending the value chain in their economy, though sometimes it disrupts international supply chains.

Japan

Japan will be opposed to protectionism since it wants a free market to sell its cars and technology to sustain its economy; thus, it will enter trade agreements with whoever wants them. The leaders are constantly threatening that tariffs affect everyone and that they cannot do anything when the other countries erect trade barriers that affect Japanese exports.

Mexico

Mexico relies on trade with the US, but when it has a need, it erects protective barriers to business, such as steel and agriculture. They desire to have a free flow of trade and do not want smaller businesses and local jobs in a particular geography to be snuffed out by larger players.

New Zealand

New Zealand adores free trade as it depends on the export of its agricultural goods to the rest of the world and thus signs up to the trade agreements and opposes tariffs. However, it remains stuck in the middle when its fellow countries erect the barriers that have an impact on its exports.

Nigeria

Nigeria is against imports of commodities such as rice to stimulate local manufacturing in a bid to minimize the extent to which it relies on imported commodities. The leaders note that it is all about job creation and saving the economy, though it leads to a rise in prices and availability of goods at times.

Russia

Protectionism in Russia is part of its independence drive, particularly following the sanctions launched by the West, which prohibit importation with the aim of developing local industries. It has to do with sovereignty and stability, they say, whether some things will cost more as they attempt to make more of them at home.

Saudi Arabia

Saudi Arabia does not want to leave oil as the only field in its economy; therefore, it will do what it can to keep trade open, at the same time safeguarding the new industries it is developing. Leaders consider selective protection as an instrument to aid them in developing as they continue selling oil to the rest of the world.

Singapore

Singapore is the complete opposite of protectionism as a trade center; it must have free trading markets to exist. The standard warning by the leaders is that no one wins when there are trade barriers, but they cannot influence the actions of larger economies.

South Africa

South Africa is a country that speaks about the significance of trade, yet it imposes duties on commodities such as poultry and clothes to cushion domestic employment and industries. Said leaders need to support their citizens and minimize unemployment even as they continue trading with the world.

South Korea

South Korea enjoys trade as it requires it to expand its exports, but it guards its farmers as well as some other industries, so that the rural world continues to exist. They have entered many trade agreements, but they attempt to achieve a balance between open markets and assisting their national people to remain in business.

Turkey

Turkey employs the use of tariffs and limitations on imports to assist the locally based industries, especially in times when their economy is weak. According to leaders, there is a need to safeguard Turkish businesses, even though it occasionally provokes higher prices and timid trade.

United Kingdom

The UK is seeking all its trade agreements anywhere and everywhere, saying that free trade is where the world is moving, but at the same time, they also want to shelve some of their industries, such as farming, so as they are not to be ravaged in the world market. There has been a juggling act as they determine how to be global and at the same time look after their people.

United States

The US believes that it is mere common sense to ensure that jobs and industries continue to be raised in America by protectionism, especially with leaders claiming that tariffs can restore manufacturing to the states and narrow unjust trade gaps. They imposed tariffs on steel and Chinese wares and even on allies, and plenty of Americans favored it since it was considered a chance that they were taking to defend their workers, even as it led to increased prices on some of the items.

Vietnam

Vietnam enters trade agreements such as the CPTPP to ensure that its exports continue, and yet it safeguards some of the domestic industries to enable them to compete. Leaders think of trade as a source of growth, but they want to ensure their population is not trampled under their feet.

Possible Solutions

The area that the delegates can consider is enhancing the way in which trade disputes are approached in the global society to an extent that the entire nation does not feel the urge to apply tariffs even before proper consultation can take place. A lot of states are implementing their protectionist policies due to the fact that they feel that the existing WTO framework is either too slow or inadequate in addressing the negative trade activities that are currently impacting their business sectors. Delegates could consider what would be a reformed WTO Dispute Settlement Body, or, in fact, how to establish regional fast-track panels that will be able to adjudicate on disputes in a particular sector (such as agriculture or technology) within a more limited period. If countries could address the complaints within a short time and fairly, they would not have the urge to apply protectionist instruments, which are harmful in international trade, although it would mean negotiations on how such panels could be made unbiased and how issues on implementation of the same would be addressed without causing additional trade barriers.

The other prospective strategy may be to promote selective short-term rescue of the industries as opposed to the long-term protectionist policy that tends to displace the international markets. Vertical trade barriers such as tariffs are frequently imposed by countries to shelter particular industries (such as farming or steel) when these have suddenly become open to competition. Delegates might ask in these circumstances whether retraining or modernization grants or temporary payment subsidies will enable adjustments on both worker and industry levels to take place without the recourse to widespread protectionism. It would be of some interest to see whether the international institutions, some type of development bank, or the regional partnership would be able to aid these programs so that they might allow the vulnerable sectors to compete, yet leave trade flows open. This may create debates of how to moderate the immediate interests of domestic workers with the long-term advantages of commerce, and which accountability steps could make certain that temporary aids are not esoterically transformed into lasting obstructions.

Questions to Consider

1. How can countries balance the short-term benefits of protectionist policies and the potential long-term risks to the global economy?

2. Should countries put a priority on restoring broken global trade systems or the well-being of their local economies?

3. How and why is protectionism used in countries? What do they gain? What do they lose?

4. Which sectors of the economy are the most critical in your nation? What should you protect?

5. What is the root cause of the rise of protectionism, and is there a way to prevent it?

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