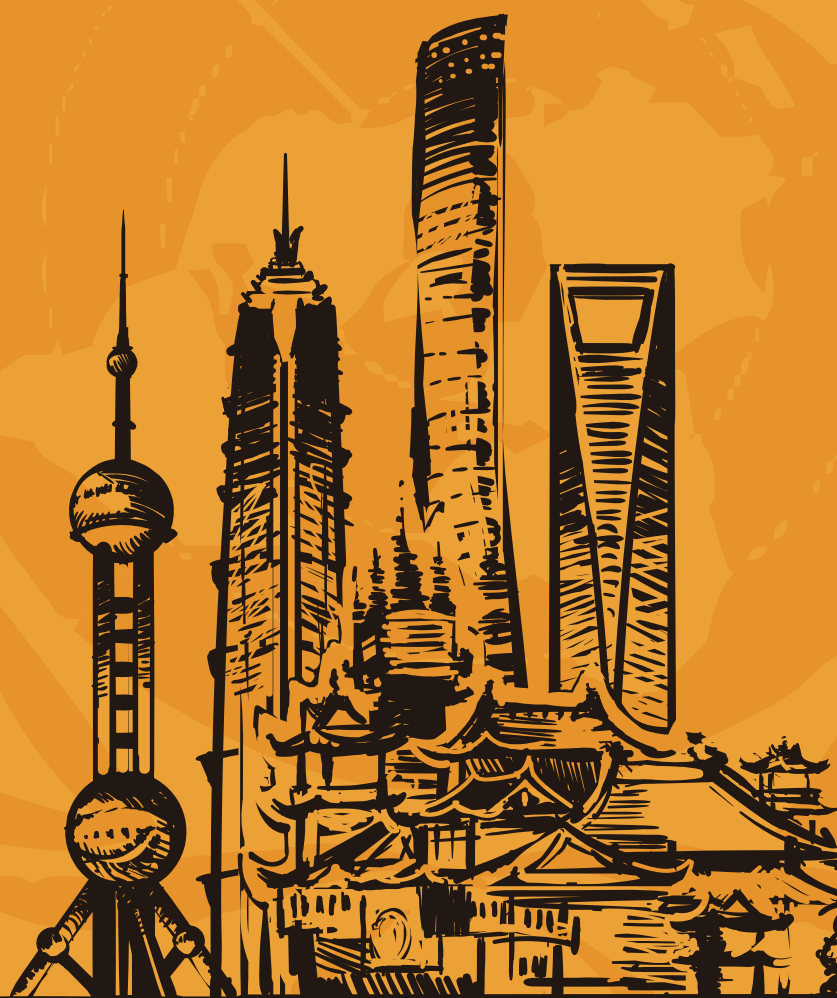
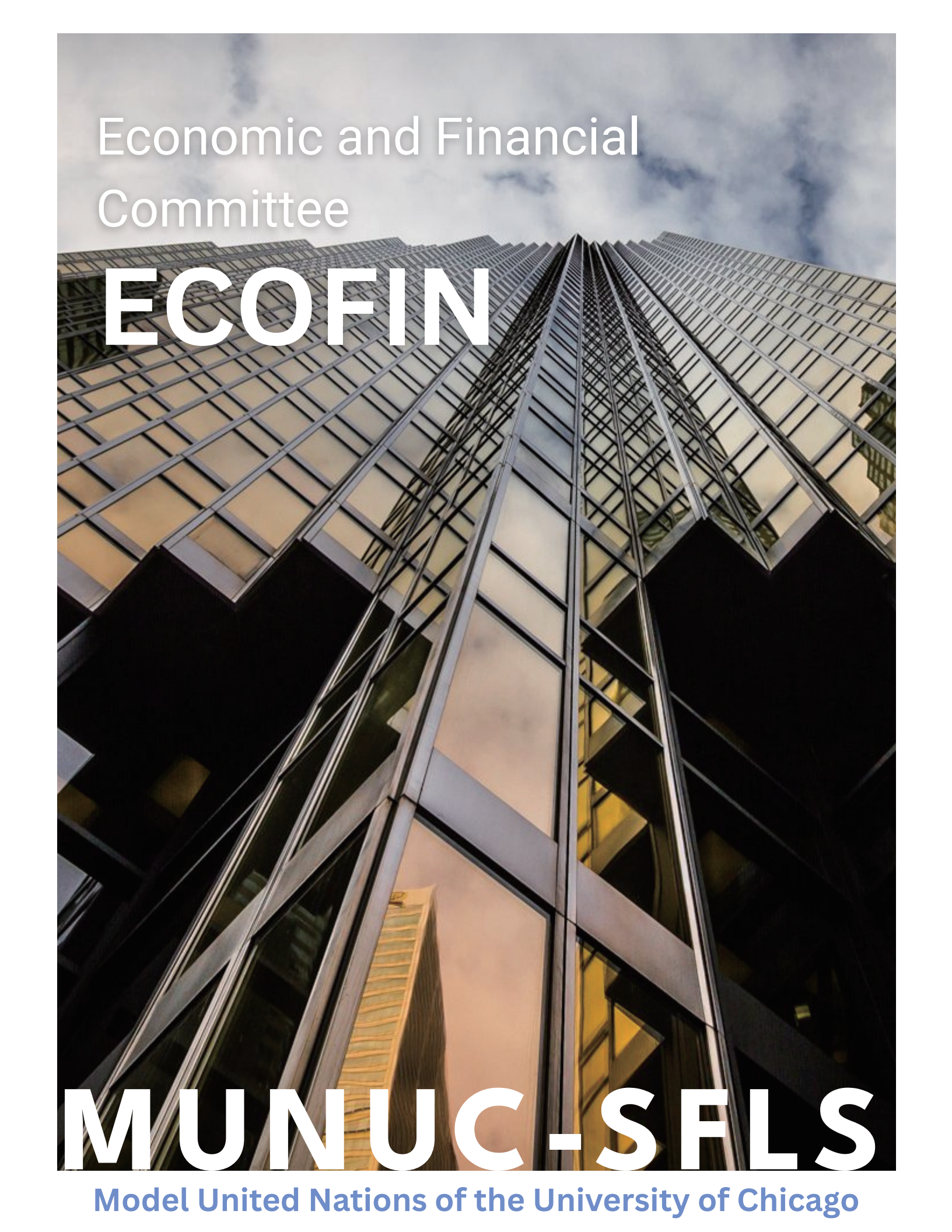


2025 MUNUC-SFLS Conference

上海外国语大学附属外国语学校
芝加哥大学国际模拟联合国大会

Economic and Financial Committee (ECOFIN)





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Model United Nations of the University of Chicago

DEVELOPING NEW STANDARDS FOR INTERNATIONAL TRADE AGREEMENTS

Statement of the Problem

International trade ties the world together, employing workers from across the globe and distributing goods and wealth through vast supply chains. In 2023, an estimated \$25.3 trillion worth of physical goods was traded internationally, and another \$6.8 trillion in services was traded.¹ To enable and manage this trade, nations create international agreements between each other. These agreements often focus on reducing tariffs, but also include legal frameworks for resolving disputes, legal protections for workers and investors, and environmental protections. The largest force in international trade is the World Trade Organization (WTO), which has 164 member nations and works to reduce trade barriers. It has created a number of agreements, and additionally provides dispute resolution for a vast number of trade agreements.

In addition to the WTO, nations frequently enter into treaties with each other. They often take the form of free trade agreements, in which nations agree to reduce trade restrictions such as tariffs, import licensing requirements, and other limitations on the sale of goods.² These agreements can occur between two nations (bilateral trade), between several (multilateral trade), or even establish a region with no tariffs between members (like the European Economic Area). Importantly, trade agreements play a significant role in shaping international trade and the economies of participating nations. They reflect the economic and political relationship between nations, and thus often contribute to and reinforce international issues. To address a

¹ "Global Trade Outlook," WTO, www.wto.org/english/res_e/booksp_e/trade_outlook23_e.pdf.

² Britannica, The Editors of Encyclopaedia, "trade agreement," *Encyclopedia Britannica*, 15 Nov. 2023, <https://www.britannica.com/money/trade-agreement>.

number of important economic and social issues it is necessary to redefine international trade agreements and the institutions which influence them.

Protections For Workers

Across the world, workers' rights have been on the decline. In a number of nations, particularly in developing nations, workers have little or no guarantee of their rights. They may be forced to work in unsafe and unsanitary conditions for long stretches, and many face violence or job loss if they attempt to negotiate for better conditions. It may be prohibited by law for workers to unionize, or in other cases unions may be disrupted by police intervention. In an estimated 42% of nations workers may face violence for speaking out, and in 84% of nations around the world there are restrictions on workers' ability to bring legal cases against their employers.³

A prevalent issue is the lack of legal protection for workers due to a lack of robust and enforceable laws. A notable example is minimum wage laws, which are loosely enforced in many developing nations. In Argentina, half of the workforce receives less than the minimum wage, while in Kenya that number rises to over 70% for skilled occupations.⁴ The issue is complicated by the fact that many developing nations actually have relatively extensive laws dictating minimum wages and worker protections. In fact, some studies have suggested that nations with more strict regulations actually enforce them less than nations with fewer regulations. The issue is not just that laws have not yet been enacted, but that nations are not enforcing them properly. The reasons why laws are not enforced are varied, and may include a lack of resources, a lack of care or skill on the part of inspectors, a high degree of unemployment, and many other factors.

³ "2024 ITUC Global Rights Index," ITUC, files.mutualcdn.com/ituc/files/2022-ITUC-Rights-Index-Exec-Summ-EN.pdf.

⁴ Haroon Borat et al., "Compliance with labor laws in developing countries," *IZA World of Labor*, 2019, <https://doi.org/10.15185/izawol.80.v2>.



Miners in the eastern region of the Democratic Republic of the Congo work long days in unsafe conditions.⁵

Marginalized groups like women and children are particularly vulnerable. Among the least developed nations, an estimated 22% of children are employed in child labor.⁶ Children are often forced to work for long periods of time and are paid less than adult laborers. Despite their smaller size, they may be required to do some of the hardest and most back-breaking manual labor. Given the prevalence of child labor in many developing nations, a vast array of industries and multinational corporations have been tied to the use of child labor. For example, the Ivory

Coast, which produces 45% of the world's cocoa beans, has seen widespread reports of use of child labor at cocoa

⁵ Sasha Lezhnev, "Miners in Eastern Congo Work Long Days in Exhausting Conditions.," Flickr, September 6, 2024, <https://www.flickr.com/photos/grassrootsgroup/3795728136>.

⁶ "Child Labor Statistics - UNICEF Data," data.unicef.org/topic/child-protection/child-labour/.

plantations.⁷ As a result, much of the chocolate industry has, knowingly or unknowingly, profited from the use of child labor. The same story plays out across other industries, as children in developing nations are forced to work in appalling conditions. The goods they produce are then bought by other nations who benefit from the cheap labor. Although the focus has often been rightfully put on multinational corporations for their complicity in violations of labor rights and human rights, it is also necessary to attend to the role international agreements play in allowing these kinds of abuses.

Currently, the status of corporations under international law is unclear, which makes it difficult to prosecute human rights violations by corporations. International law – the body of law created by treaties, including all UN treaties – is traditionally understood to only apply to nations and to international organizations like the UN.⁸ No international tribunal has jurisdiction over corporations, which makes it impossible to hold them accountable at the level of international law.⁹ It is simply not possible to try a corporation for crimes before the ICC or a similar international tribunal. Given that tribunals are the primary mechanism through which international law is enforced, there are almost no options for an international organization to directly hold corporations accountable for labor violations. Thus, investigation of human rights violations by corporations and their subsidiaries falls to domestic agencies or, under certain circumstances, bodies set up in trade agreements. A nation can punish a corporation operating within its own borders for labor violations, but this raises the same problem of limited regulation and enforcement of labor rights in developing countries. These issues must be addressed, but it is also necessary to find other means to hold corporations accountable and reduce labor violations. The role of international bodies set up through trade agreements will

⁷ Ibid.

⁸ Jose E. Alvarez, “Are Corporations “Subjects” of International Law?,” 9 SANTA CLARA J. INT’L L. 1, 2011.

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Changrok Soh, “Extending Corporate Liability to Human Rights Violations in Asia,” *Journal of International and Area Studies* 20, no. 1 (2013): 23–38, <http://www.jstor.org/stable/43111513>.

be explored later, but they present one of the few avenues through which labor rights can be better applied. In short, it is necessary for nations to take the lead in establishing new forums to try corporations and more broadly to find ways to better enforce labor rights. Simply expanding the prosecution of corporations is not enough – it is necessary to strengthen labor protections in the developing nations in which corporations operate. How these protections can be strengthened through new trade agreements is the question delegates will need to address.

Tariffs and Trade Wars

Following decades of increasing globalization, a handful of nations in the 2010s began to turn their backs on free trade. Most notably led by the United States under Donald Trump, who initiated tariffs against China, a number of nations have begun to enact tariffs. Increasingly, western leaders have for geopolitical reasons turned against free trade.¹⁰ Key technologies, such as semiconductors and advanced chips, have seen their export banned to rival nations in the name of protecting national security. Leaders now fear that, in the event of a major conflict, their nations would be weakened by their dependence on goods produced by their rivals. As a result, nations have begun to argue in favor of building “resilience” by either developing new supply networks through more favorable nations or by increasing domestic production of key industries. The desire to protect against geopolitical threats is also accompanied by a desire to punish “unfair” competition.¹¹ The relationship between the US and China is the most emblematic of this change, as the US enacted tariffs against Chinese goods due to their use of subsidies and restrictions on companies operating in China.

The impact of the resurgence in tariffs and export controls remains to be seen, but it is largely agreed that they have resulted in higher prices and may stand in the way of addressing critical international issues. The reduction in free trade means that cheaper goods are no longer able to be imported, which often forces nations

¹⁰ Pinelopi K. Goldberg and Tristan Reed, “Growing Threats to Global Trade,” IMF, 1 June 2023, www.imf.org/en/Publications/fandd/issues/2023/06/growing-threats-to-global-trade-goldberg-reed.

¹¹ Ibid.

to develop their own solutions at high cost. This has been the case with the US's decision to offer tax incentives for electric vehicle batteries produced outside of China, which has led to higher prices and a need for vast investments.¹² Similarly, the breakdown in free trade has led to a slowdown in addressing international issues. In 2021, India banned exports of COVID-19 vaccines due to a domestic shortage. Those vaccines had been subsidized by a variety of foreign companies and foundations, who had planned on exporting vaccines to other nations. The resources devoted to addressing the international issue were thus turned to resolve domestic issues, slowing progress at the international level. As these types of actions become more common, it becomes more difficult to continually make progress towards international issues. This is particularly critical as it pertains to climate change. The US and other nations have begun to place import restrictions on solar panels and other clean energy technologies produced in China, despite the fact that this will raise the cost of moving away from fossil fuels.¹³ These restrictions will slow progress towards addressing climate change both by increasing the cost and by slowing the pace of innovation.

Beyond the consequences of trade wars between western nations and China, the rise of limitations on free trade have significant implications for other developing nations. As an example, Russia is one of the world's largest producers of wheat. Despite vast sanctions placed against Russia for its invasion of Ukraine, exceptions were made due to the importance of its wheat to global food supplies.¹⁴ The example illustrates the significant consequences trade barriers can have on developing nations, and the necessity for careful consideration of the global impacts. Similarly, export bans on certain technologies and goods to Russia also prohibit other nations from buying those goods and then trading them to Russia. If a nation violates these restrictions, they may face

¹² Chad P. Bown, "The Challenge of Export Controls," IMF, 1 June 2023, www.imf.org/en/Publications/fandd/issues/2023/06/challenge-of-export-controls-chad-bown

¹³ Jamie Merchant, "The Economic Consequences of Neo-Keynesianism." *The Brooklyn Rail*, 29 June 2023, brooklynrail.org/2023/07/field-notes/The-Economic-Consequences-of-Neo-Keynesianism.

¹⁴ Chad P. Bown, "The Challenge of Export Controls."

sanctions or other penalties from the nation in which those goods are produced. It is important that this information be communicated to developing nations and to export companies, or else nations may unknowingly violate export restrictions and face severe consequences.¹⁵ As the number of export restrictions grows, these issues only become more pronounced, and the risk to developing nations increases. This is particularly a problem in nations with limited regulatory resources, as it becomes more and more of a challenge to make sure that none of its companies violate export restrictions.

International Organizations

In international trade, the primary international organization is the World Trade Organization. There are a number of others which play a significant role, including the International Labor Organization, the World Bank, the International Monetary Fund, and the International Trade Center. The role of these organizations in international trade is uncertain and, at times, contested. Only twice since 1995 has the WTO enacted a multilateral agreement which is binding on all members, due in large part to the fact that its agreements require all 164 of its member nations to agree.¹⁶ Additionally, since 2019, the WTO's Appellate Body, which is responsible for mediating disputes between members and which constitutes a key method of enforcing trade rules, has been unable to operate due to the fact that the US has blocked new appointments to the Body.¹⁷ The US has contended that the Appellate Body limits the US by issuing rulings which make it harder to fight against what it perceives to be unfair practices. It also has taken issue with the legal status of the rulings, which may be legally binding.

¹⁵ Ibid.

¹⁶ James Bacchus, "The Future of the WTO: Multilateral or Plurilateral?," Cato Institute, 2023, JSTOR, <http://www.jstor.org/stable/resrep49726>.

¹⁷ Jennifer Dikler, "Future of WTO reform: Paths forward for the appellate body," SSRN Electronic Journal, 2021, <https://doi.org/10.2139/ssrn.3820380>.

The WTO has faced a number of additional challenges from a broad spectrum of interests. One issue is intellectual property laws, which specifically protect drug patents and which some developing nations have argued restrict access to medicine.¹⁸ Another issue is the influence of wealthy nations on WTO decisions. Leaders and decision makers in the WTO often come from large corporations in the Western world, skewing its decisions towards those favorable to wealthier nations. In a number of issues, including agricultural tariffs and foreign direct investment, developing countries contend that the WTO serves to uphold western interests.¹⁹ One such example is the Most Favored Nation principle, which all WTO countries must adhere to. The principle, which is central to international trade as a whole, states that each nation must give all other WTO nations equal market access as it does the most favored nation. Thus, a nation cannot enact higher tariffs on goods from France, for example, than on goods from Ghana. Some developing nations argue that this approach undermines their economic development by eliminating their ability to protect domestic industries from much larger multinational corporations. Their nascent industries are not able to compete with those of more developed nations, and thus without the ability to place tariffs on goods from more developed nations their industries are wiped out.²⁰ These arguments are a major source of controversy between WTO nations and among academics, with some developing nations in support of tariffs and others against it.

¹⁸ “What’s next for the WTO?,” Council on Foreign Relations, accessed August 20, 2024, www.cfr.org/background/whats-next-wto.

¹⁹ “Who Truly Benefits from Free Trade? A Critical Analysis of the WTO,” The Observer, accessed August 20, 2024, theobserver-qiaa.org/critical-analysis-of-the-wto.

²⁰ Ibid.



High-ranking members of the WTO speak during a meeting of the Ministerial Conference of the WTO, the foremost decision-making body of the organization, in 2011.²¹

²¹ “Ministerial Conference 2011,” Flickr, September 6, 2024, https://www.flickr.com/photos/world_trade_organization/6683489395/.

History of the Problem

World Trade Before 1945

The roots of international trade go back millenia, but modern international trade began in the late 19th century. Western industrialized nations like Britain and France began to repeal the high duties on foreign imports and began to liberalize trade.²² This allowed for goods to move freely throughout Europe and enabled greater exportation. Early treaties, like the Cobden-Chevalier Treaty in 1860 between Britain and France, established the first preferential trade agreements. The Cobden-Chevalier Treaty lowered British tariffs on French goods and vice versa, but also marked the introduction of the most favored nation provision (MFN). This meant that if France agreed to lower tariffs with another nation it would need to lower its tariffs with Britain to match. As a plethora of trade agreements were signed between European nations, tariffs across the continent fell due to MFN provisions.²³ Although Europe began to resemble a free trade region as we might recognize it today, it nonetheless was built solely upon bilateral treaties. Each nation had to sign a treaty with nations it wanted to engage in trade with, and it was only due to the inclusion of MFN provisions that tariffs began to fall for all nations. The bilateral system disadvantaged small nations due to the fact that larger nations were less interested in establishing trade relations with them. They were thus left out of trade, and when they were able to join they had much less bargaining power than their larger counterparts and thus had little leverage to negotiate a favorable agreement.

Only a few decades after the trade liberalization in the 1870s did nations once again begin to enact **protectionist** policies. Although international trade as a whole continued to grow, nations increasingly enacted

²² Markus Lampe, "Explaining Nineteenth-Century Bilateralism: Economic and Political Determinants of the Cobden-Chevalier Network," WTO, www.wto.org/english/res_e/publications_e/wtr11_forum_e/wtr11_11jan11_e.htm.

²³ Ibid.

protectionist policies driven in part by nationalism and fears of economic insecurity.²⁴ These fears were only accelerated by the Great Depression, as nations around the world enacted protectionist tariffs both to preserve their domestic industry and to pacify their voters. The United States enacted the Smoot-Hawley Tariff of 1930, raising average tariffs to 42.5 percent, and was partly responsible for the 40% decrease in the volume of US trade between 1930 and 1932.²⁵

The tariffs were also partly responsible for other nations raising tariffs in retaliation against the United States. Even those that did not respond directly to the US began to raise their tariffs, not wanting to be the only nations who failed to protect their industries. Whether or not these tariffs were raised out of genuine economic necessity is still debated. One large school of thought argues that the tariffs were motivated not by economic concern but rather out of voter interest. This underlies one of the key aspects of international trade: nations make deals not just to improve their economic position but also to advance their domestic and geopolitical goals. Raising tariffs on the US was driven in large part by the desire to make a political statement and not let their nations look weak by comparison. Whatever the reasons for rising tariffs may be, the results were devastating to world trade, and between 1929 and 1932 the volume of international trade worldwide fell by 32 percent.²⁶

GATT

Less than 15 years later that would all change. Following World War II, the United States emerged as the premier economic superpower. Its massive industrial capabilities had been expanded by the war effort and its industrial competition had been burned to the ground. The rest of the world needed American goods, and the

²⁴ Matthew Johnston, "A Brief History of International Trade Agreements," Investopedia, www.investopedia.com/articles/investing/011916/brief-history-international-trade-agreements.asp.

²⁵ Douglas Irwin, "From Smoot-Hawley to Reciprocal Trade Agreements: Changing the Course of U.S. Trade Policy in the 1930s," *The Defining Moment: The Great Depression and the American Economy in the Twentieth Century*, NBER, 1998.

²⁶ Ibid.

United States needed exports to grow. Britain was the other dominant force in the post-war economy, and together the two built the world economy as we know it.²⁷

After World War II, the US, Britain, and 21 other (mostly European) nations negotiated and signed the General Agreements on Tariffs and Trade (GATT), a multilateral trade agreement upon which modern trade is built.²⁸ The treaty was designed to prevent the re-emergence of the retaliatory tariffs of the 1930s and create an international framework for trade to work in. The key component of the agreement was unconditional MFN status to all signatories (referred to as contracting nations). This meant that tariffs as a whole would trend downwards and enabled greater stability, since there was no longer a web of different tariffs for different nations. The other key feature was the rule of national treatment.²⁹ This meant that once a good was imported, no further taxes or restrictions could be placed upon it. It had to be treated like any other nationally produced goods once the tariffs were paid. Another key feature was the almost complete elimination of import quotas. Under the GATT system, nations would protect their industries by raising tariffs, but not by limiting the quantity of goods which could be imported.³⁰ Other important details included the creation of more standardized laws for customs and the attempt to make tariffs negotiations more standardized and less **quid pro quo**.

GATT took effect in 1948 and featured reductions in tariffs for some 5000 commodities. Each of these tariffs was meticulously negotiated between contracting nations in a “round,” or a trade summit of all GATT

²⁷ Matthew Johnston, “A Brief History of International Trade Agreements.”

²⁸ Chad P. Bown, *Self-Enforcing Trade: Developing Countries and WTO Dispute Settlement*, Brookings Institution Press, 2009.

²⁹ Ibid.

³⁰ Britannica, The Editors of Encyclopaedia, “General Agreement on Tariffs and Trade,” Encyclopedia Britannica, August 9, 2024, <https://www.britannica.com/topic/General-Agreement-on-Tariffs-and-Trade>.

signatories.³¹ The longevity and influence of GATT is due in no small part to the fact that it continued to be updated and expanded. More than just a one-off trade agreement, it became an institution for resolving trade disputes and a forum for two nations to establish new trade agreements between each other. If contracting nations had an issue with trade of a particular commodity, they would use GATT to hold meetings between nations and attempt to resolve the issue. These constant small changes were supplemented by much larger changes made in each round of negotiation.

Throughout the development of GATT and the many trade agreements created under its auspices, international trade began to develop a coherent body of law. Although international trade law far preceded the establishment of GATT, the multilateral nature of it helped lend legitimacy to its treaties. As a result, some of the features of GATT treaties became to be considered part of customary international law.³² These were features that were considered custom – that is, standard. Even without signing a treaty, a nation needed to follow customary international law.

As time went on, the number of contracting nations grew from 23 in 1948 to 125 in 1995.³³ In addition to the many nations who were part of GATT, many more were considered de facto participants. GATT allowed for nations who were not contracting parties to effectively receive all the benefits as long as they followed the rules of GATT.³⁴ By 1995, point global tariffs had decreased from an average of 40% to under 5%, and GATT covered about 90% of all industrial trade.

³¹ Chad P. Bown, *Self-Enforcing Trade: Developing Countries and WTO Dispute Settlement*.

³² Craig VanGrasstek, *The History and Future of the World Trade Organization*, World Trade Organization, 2013.

³³ Britannica, The Editors of Encyclopaedia, "General Agreement on Tariffs and Trade."

³⁴ Judith L. Goldstein et al., "Institutions in International Relations: Understanding the Effects of the GATT and the WTO on World Trade," *International Organization*, vol. 61, no. 1, 2007, pp. 37–67, JSTOR, <http://www.jstor.org/stable/4498137>.

The WTO

At the Uruguay Round of 1994, GATT came to an end and was replaced by its successor, the World Trade Organization. Curiously enough, the WTO was very nearly called the Multilateral Trade Organization. It was only at the very end of negotiations that the US forced the change. The other nations, tired of the US's many demands, were willing to change the name if it meant finally finishing the agreement.³⁵

The reasons for replacing GATT were numerous. For one, GATT was not properly an international organization the same way the UN or IMF was, which led to issues with its power. Additionally, some nations like the US wanted GATT to address more than just trade policy and instead include intellectual property rights, investor rights, and dispute resolution. Another key reason was that the political-economic situation had changed since 1945.³⁶ New nations were industrializing and wanted to have a say in remaking the economic order, while established **hegemons** like the US also wanted to see change in order to protect their new priorities.

The new WTO expanded well beyond the limits of GATT both in terms of size and scope. It not only includes far more nations than GATT, but those nations dedicate more resources and attention to it. GATT was influenced by a select few nations which took the time to deploy large delegations, but the new WTO saw most nations assign large and dedicated staffs. One important shift has been the rise of coalitions. Whereas in GATT most nations negotiated solely for themselves, in the WTO it has become more common for coalitions to form to push for their interests.³⁷ This has enabled smaller nations to get a say in trade policy by banding together, which became more important given that the WTO involves almost every nation on Earth. This shift mirrors an overall change in how the WTO is approached. No longer is the WTO just a place for individual nations to

³⁵ Craig VanGrasstek, *The History and Future of the World Trade Organization*.

³⁶ Ibid.

³⁷ Ibid.

resolve trade disputes and policy, but instead it is a place for nations to shape and shift global trends. If any nation wishes to achieve its goals it has to ally itself with others in order to make it happen.

These coalitions have become even more official as time goes on. Now, nations form blocs, which are official groups that meet formally and informally to agree on trade policy. These blocs are more formal than clubs but less restrictive than political parties, and don't so much as control members' policies as provide a way for members to form agreements and provide a united front.³⁸ Blocs can form along many different lines, including regional, such as the Caribbean Community (CARICOM), or economic, such as the developing nations which form the Group of 77, or may mirror existing organizations, such as the European Union. Oftentimes nations will participate in multiple groups at once.



³⁸ Ibid.

*A meeting of the Group of 77 (G77) in 2023. The G77 is a united alliance of developing nations that together attempt to promote each other's economic interests and have collective bargaining power within the United Nations.*³⁹

Trade and Development

Trade and investment are closely tied to the economic development of nations. Developing nations depend in part upon loans from wealthier nations in order to develop their economies, but also crucially rely upon them for exports of their goods. This had led to a number of criticisms leveled against the way nations, particularly Western nations, have used trade policy to influence the development of other nations over the course of centuries.

One view argues that the structure of the world economy since the 1600s has served to develop three distinct categories of nations.⁴⁰ The “core”, which comprised Europe and later the United States, colonized and conquered much of the rest of the world. They not only ruled over their new colonies, but transformed them and other nations into the “periphery”. This represented a transformation of trade on a global level. Where trade had previously been largely a local affair, occurring within the borders of a nation or within a limited region, it now became truly international. Peripheral nations existed to benefit the core, providing it with raw materials and manpower. The core nations used their powerful militaries and strong government to impose unequal trade policies with the periphery. This meant not only exploiting their colonies, but using their stronger position to

³⁹ “G77 Hand-over Ceremony 2023,” Wikimedia Commons, accessed September 6, 2024, https://commons.wikimedia.org/wiki/File:G77_Hand-over_Ceremony_2023_%2801314342%29_%2852650480338%29.jpg.

⁴⁰ Immanuel Wallerstein, “The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis,” *Comparative Studies in Society and History*, vol. 16, no. 4, 1974, pp. 387–415, JSTOR, <http://www.jstor.org/stable/178015>.

require other nations to trade the goods they wished to have with them. The periphery thus was economically stunted, as its economy became more dependent on exporting raw goods to core nations.

To be clear, although the periphery were often colonies, not all of the periphery was a direct colony. The United States, for example, was part of the periphery for decades after it was founded. Thus, although the periphery was stunted, the continual expansion of the world economy and colonial empires provided an opportunity for some nations to make the jump to core nations.

The third category was the “semi-periphery”.⁴¹ These were nations that lacked the military and economic power of the core, but which were not subject to the same unequal trade. Semi-periphery nations formed a transition between the core and periphery, with more complex and advanced economies than the periphery. These nations often developed labor-intensive but advanced goods, in contrast to the raw products which often came from the periphery. This three-tiered system of core, semi-periphery, and periphery forms what some scholars see as the dominant economic system of the last centuries. This relationship, some scholars argue, continues to exist today, as wealthy nations use the cheap labor and goods of the poorest nations to produce their valuable commodities, while using the semi-periphery for more advanced production of certain goods and as a market for selling their products. In this view, world trade is built upon an unequal relationship between nations. Centuries of unequal economic development have led to the present day, thus making world trade unequal even if the current agreements are fairer.

However, this view has received considerable pushback. A number of scholars argue that even though we should not discount the long legacy of colonialism, nor deny the injustice and harm that it has caused, the best path forward for developing nations continues to be improvements in trade and business.⁴² This view takes

⁴¹ Ibid.

⁴² Lesly Goh et al., “Workers’ Rights: Labor Standards and Global Trade,” Brookings, 28 July 2016, www.brookings.edu/articles/workers-rights-labor-standards-and-global-trade/.

a look at the economic history of nations in the 20th century. In this view, the greatest improvements in quality of life for people around the world have come from continued economic growth. There are a number of cases which bear this out. Countries that focused on international trade, such as India, Vietnam, and Uganda, saw greater economic growth and a greater reduction in poverty than those that did not.⁴³ Several nations in Asia saw tremendous success by pursuing a policy of export-driven growth.⁴⁴ They focused their economies around producing industrial goods to export to other nations, such as cars and electronics, and saw tremendous growth in the 1970s and 1980s. Korea and Japan both become economic powerhouses in part by pursuing this strategy.

What does this mean for the core, periphery, and semi-periphery? The answer is complicated. While centuries of economic development followed the growth of the core at the expense of the periphery and semi-periphery, the benefits of economic growth suggest that it may be possible to change the system. The periphery and semi-periphery may be able to improve living conditions for their citizens by developing their economies. But doing so will be difficult, and will require taking a hard look at existing trade structures. Even if an agreement is fair, there are centuries of inequality which have put nations into unequal negotiating conditions. It is necessary to take a look at why developing nations are in their current economic situation, and the ways in which these economic problems can be remedied. This is more than about just tariffs. It will require careful understanding of investments and a nation's position in the global economy. All nations will have a role to play, as ultimately economies can only grow if they have someone to sell to. It will be up to each nation to consider its objectives and chart a vision of what it wants global trade to look like.

⁴³ "Global Trade Liberalization and the Developing Countries -- an IMF Issues Brief," International Monetary Fund, www.imf.org/external/np/exr/ib/2001/110801.htm.

⁴⁴ "The Contradictions of Export-Led Growth," Levy Economics Institute, www.levyinstitute.org/publications/the-contradictions-of-export-led-growth.

Past Actions

Considering the WTO's status and influence within the realm of international trade, the perceived issues and dysfunctions associated with it deserve close analysis alongside the actions taken to remedy them. What follows is an overview of actions taken to rectify these issues.

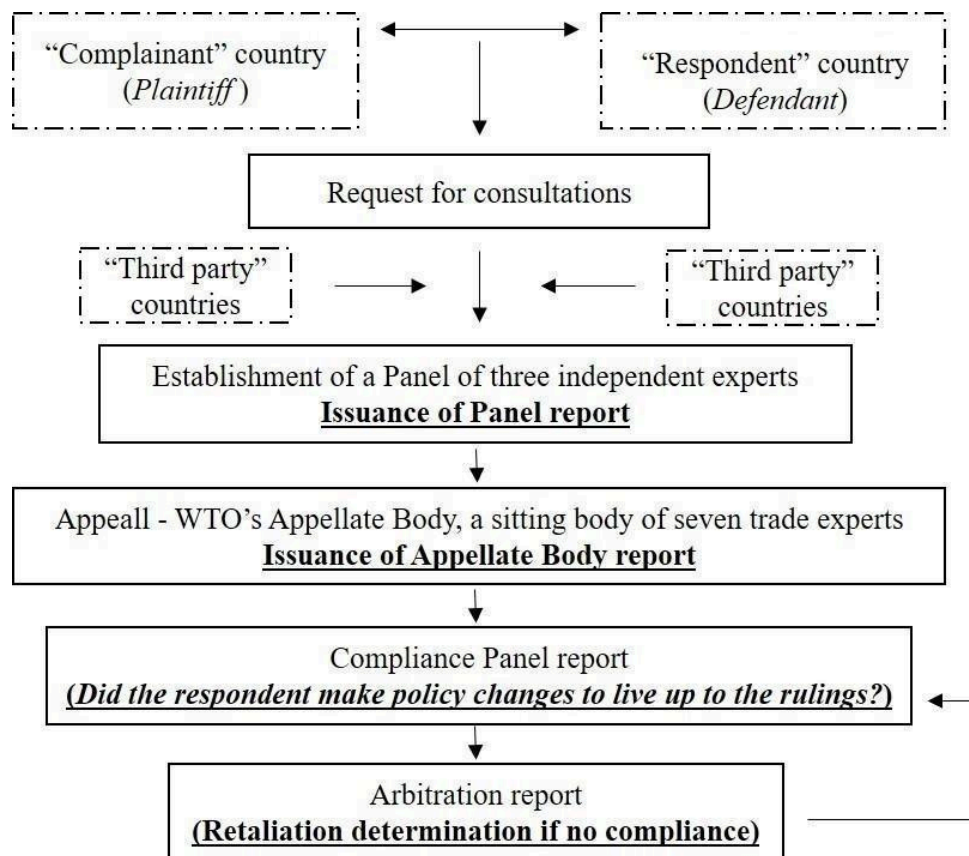
Passivity of the WTO & Rise of PTAs

Due to the unilateral nature of WTO policies and agreements, nations have begun to engage in preferential trade agreements (PTAs) with their trade partners as a means of further liberalizing their economies. While the entirety of the WTO must agree to change MFN tariff statuses, PTAs allow for countries to determine trade policy outside this system and reduce tariffs below WTO levels with members of a PTA. PTAs are allowed under the WTO's Article XXIV so long as they eliminate tariffs on nearly all trade between PTA members and that the most favored nation tariffs remain on imports from countries outside the PTA.⁴⁵ The 1987 Canada-US Free Trade Agreement, NAFTA, ASEAN, and the EU's own trade policies are all examples of notable PTAs introduced in the past decades. About 50% of all international trade occurs between nations with shared membership in a PTA which has led some to question what role the WTO should play given this explosion in discriminatory trade practices.

Though the WTO has not taken any direct actions against PTAs, their rise has led some to perceive the WTO as "weakening" in some regards. As a result, the relationship between PTAs and the WTO should be considered when crafting solutions for this committee. In an article seeking to answer whether the WTO is being surpassed by PTAs and whether the organization is obsolete, Bagwell finds that the WTO is still efficiency-enhancing and remains quite relevant for several reasons. First is its dispute resolution mechanisms, a weakness for many PTAs whereas the WTO has had a successful record of resolving bilateral disputes through its

⁴⁵ Kyle Bagwell, Chad P. Bown, and Robert W. Staiger, "Is the WTO Passé?," *Journal of Economic Literature* 54, no. 4 (December 1, 2016): 1125–1231, <https://doi.org/10.1257/jel.20151192>.

mechanisms. Secondly, its shallow integration approach to tariff policy that purely concerns itself with trade at the border allows for unilateral, efficiency-enhancing trade policies to be adopted internationally more easily than a deep integration approach that factors in “behind-the-border” measures that countries could disagree on globally. Given that PTAs often are launched due to these behind-the-border factors such as geopolitics or national goals, PTAs could complement the shallow approach of the WTO within reason. This committee should consider what role they wish to see PTAs play in the international stage and how much they cater to regional interests that may not be easily represented in the WTO’s unilateral policy environment.



A diagram depicting the WTO's dispute settlement process.⁴⁶

⁴⁶ “Figure 1: The WTO’s Dispute Settlement System,” ResearchGate, accessed September 6, 2024, https://www.researchgate.net/figure/The-WTOs-dispute-settlement-system_fig1_324826292.

The WTO's Appellate Body & the Doha Round

As previously mentioned, the WTO's dispute settlement mechanism is one of its strengths; about half of all WTO members have used its dispute settlement processes to settle trade frictions. However, several developments have stifled its effectiveness. As briefly discussed in the "History of the Problem" section, the United States has blocked appointments to the WTO's Appellate Body since 2019, making the WTO ineffective in enforcing and punishing WTO trade terms violations.⁴⁷ While experts say that this maneuver was done to skew arbitration over matters in favor of the United States, the U.S. maintains that the Appellate Body has been overreaching by hearing disputes on the U.S.'s "zeroing" approach to **anti-dumping** policies. The zeroing approach assigns a value of zero when a foreign producer's export price is above their normal price, which in essence helps domestic industries hurt by imports that are being unfairly traded. Since this blocking of appointments, the European Union and other members of the WTO established the Multiparty Interim Appeal Arbitration Arrangement as an alternative to the Appellate Body that members voluntarily are using until the power of the Appellate Body can be restored.⁴⁸

This development follows the breakdown in the Doha Round negotiations in 2017. The Doha Round commenced in 2001 to prioritize the needs of developing countries, yet this became a sticking point for negotiations throughout the many rounds of negotiations over the years. Provisions surrounding the special safeguard mechanism for developing countries led to negotiations stalling in 2008. While 2013 saw WTO members agree upon the provisions set out in the Bali Package, a trade agreement aimed at reducing obstacles to global trade, no progress would be made and many commentators considered the Doha Round dead by 2017.

⁴⁷ Kristen Hopewell, "The (Surprise) Return of Development Policy Space in the Multilateral Trading System: What the WTO Appellate Body Blockage Means for the Developmental State," *Review of International Political Economy*, January 22, 2024, 1–26, <https://doi.org/10.1080/09692290.2024.2303681>.

⁴⁸ European Commission, "Press Corner," European Commission - European Commission, March 27, 2020, https://ec.europa.eu/commission/presscorner/detail/en/IP_20_538.



Trade experts and WTO members talking during the WTO Public Forum in 2015.⁴⁹

⁴⁹ “WTO Public Forum 2015,” Flickr, September 6, 2024, https://www.flickr.com/photos/world_trade_organization/21217678963.

Possible Solutions

Addressing the Appellate Body

Finding solutions for these issues will be an extremely difficult endeavor given the complexity of this issue, and while it may be nearly impossible to solve this problem entirely, several steps can be taken to ensure progress is made on establishing a new norm for trade agreements in the long term. As previously mentioned, in the wake of the U.S.'s decision to block appointments to the WTO's Appellate Body, the Multiparty Interim Appeal Arbitration Arrangement (MPIA) was established. Although ECOFIN itself does not possess direct control over the WTO, its power within the UN could enable it to urge member nations to either adhere to the MPIA, use collective action to push the U.S. to allow for Appellate Body appointments, or even push to formalize the MPIA body into the WTO. Alternatively, ECOFIN could choose to establish new bodies outside the purview of the WTO working alongside it on the issue of dispute settlement as another means of circumventing the issue of appointments.

Ensuring Fair Trade Between Developed and Developing Countries

On the issue of the breakdown in the Doha Round debates, ECOFIN is encouraged to find a way to reignite these debates as another means of ushering in a new era of trade agreements. The issue of agriculture is the most divisive as it relates to the Doha Round considering that 75% of developing nations are heavily dependent on their agricultural industry.⁵⁰ The United States was previously asked to reduce domestic agricultural support, creating trade distortions while the U.S. asked developing countries to reduce tariffs and limit import-sensitive and special products protected by tariff cuts. Additionally, the issue of special and differentiated treatment is another concern, as some developed nations found the proposals of developing nations on this issue to be unreasonable and sought to study the effects of these provisions before making

⁵⁰ World Trade Organization, "WTO | Doha 4th Ministerial - Ministerial Declaration," Wto.org, 2019, https://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm.

concretized decisions whereas developing nations believed developed nations were not bargaining in good faith. Though some progress on this issue was made in 2005 with members agreeing to five special and differentiated provisions, progress still must be made on the issue.

Revising PTAs

Lastly, an issue that ECOFIN can make a greater impact on is the topic of PTAs. It is encouraged that this committee achieves some type of consensus on what the role of PTAs will be in a new era of trade agreements and situations in which they improve trade efficiency or not. Many members of ECOFIN are also members of PTAs ranging from the EU to ASEAN's bilateral agreement with China, so agreement on what lies ahead for the future of PTAs and if they should be further integrated within international organs or not will be essential. Additionally, given their prevalence, mechanisms for dispute settlement within PTAs should be discussed by members of ECOFIN given the relatively weak settlement powers of these agreements and if solutions to this issue should be embedded within international bodies like the UN and ECOFIN.

Bloc Positions

The positions of nations on international trade do not neatly break along the lines of developed and less developed. Instead, nations adopt positions based in part on their relation to international trade and their future economic goals. One group is composed of developed, high trade nations such as the United States and much of Western Europe. Another is composed of nations with a great economic reliance on exports. These nations largely benefit from global trade, as it is responsible for a large portion of their economic growth, but nonetheless are not in as privileged a position as the first group. The third group is nations which rely on trade but nonetheless seek to protect their industries and future growth. This group is composed of many of the least developed nations and largely seek to develop their economies beyond a handful of resources or labor-intensive exports.

Developed, High-Trade Nations

These nations are the ones which stand at the top of the global trade network. They have highly developed economies which produce a variety of goods, from industrial to technology to services. These nations include the US, Canada, and members of the EU. They have largely benefited from the system of free trade and are largely interested in seeing it continue. Despite this, some reservations have emerged, namely a fear of being undercut by competitors.⁵¹ A significant pro-tariffs movement has sprung up, advocating for protections against “unfair” or cheap labor in developing nations. These nations have begun to adopt a protectionist stance towards key industries, using tariffs and technology export bans to protect telecom, oil, renewables, and other industries. Such efforts have accelerated following the widespread sanctions imposed on Russia, which underscored the vulnerability of key resources to their geopolitical adversaries.

⁵¹ Marc Gilbert et al. “Protectionism, Pandemic, War, and the Future of Trade.” BCG Global, February 24, 2023, www.bcg.com/publications/2023/protectionism-pandemic-war-and-future-of-trade.

At the same time, these nations are still deeply attached to free trade and the current system. Despite the ongoing trade war with China, the US continues to trade some \$600 billion in goods and services with it.⁵² Both nations are highly dependent on the other, and the same is true for other nations in this group. They are not revolutionaries by any means.

Nations With Reservations

These nations are in many respects the up-and-comers. Although the largest of these, including China and India, are already economic powerhouses, they lack the same economic power as developed nations. India serves as a useful model for the group – it has a thriving, growing economy which relies heavily on foreign trade, but has adopted a fairly cautious policy. India has been careful with signing free trade agreements with developing nations, imposing restrictions to protect key industries and enable continued economic development. In recent decades it has developed its trade relationships with other developing nations, pursuing a policy of creating free trade agreements with nations in South America as well as in the Middle East and Asia.⁵³ Other nations are likely to follow in its footsteps in the coming years.

The most important takeaway is that these nations are in it for themselves. They seek to carve out a place for themselves on the global stage, which requires them to not only continue expanding their free trade but also to carefully protect themselves and their economics. These nations are the fastest growing economies in the world and will align their trade policy to ensure that continues to be the case.

⁵² Riley Walters, “Can the West Stop China’s Abuses of Trade Rules?,” *GIS Reports*, August 7, 2024, www.gisreportsonline.com/r/china-wabuse-free-trade-rules-west/.

⁵³ Mayank Khurana, “How Is India’s Trade Landscape Shaping up for the Future?,” *Economics Observatory*, 7 May 2024, www.economicsobservatory.com/how-is-indias-trade-landscape-shaping-up-for-the-future#:~:text=The%20newly%20announced%20Foreign%20Trade,to%20address%20emerging%20trade%20needs.

Least Developed Nations

These nations participate in global trade, but without the same breadth and depth of industries. They are concerned with foreign investment and policies of lending money to governments, an area in which many have suffered a great deal from policies which benefit Western nations at their expense. A number of African nations are members of this bloc, although it is important to stress that not all African nations are in this position. Much of their trade is in commodities, particularly minerals and fossil fuels.⁵⁴ Their exports are likely to be dominated by a select number of commodities, leaving them without a diversified industry at home. These nations have a high interest in ensuring that trade policies enable them to develop healthy, diversified economies which will allow domestic industries to grow. They may seek to enact tariffs to protect fledgling industries and to develop regional trade networks to counterbalance Western influence, but also to continue expanding their trade globally. These nations are faced with the sharp reality that exports have both driven much of their economic growth but also led them to develop in an unbalanced fashion.

These nations are also part of a large game of geopolitics. A vast array of players seek to establish trade relations with these nations and bring them within their economic orbit. China's belt and road initiative is one example, but the US, EU, and some Middle Eastern countries have all pursued their own policies in hopes of tapping into this developing market. Members of this bloc will need to navigate the tradeoffs between aligning with a nation and pursuing economic independence.

⁵⁴ David Luke, "Understanding African Trade Is Key to Helping Its Development," *LSE*, January 24, 2023, www.lse.ac.uk/research/research-for-the-world/economics/understanding-african-trade-is-key-to-helping-its-development.

Glossary

Anti-dumping - A protectionist tariff imposed on foreign imports that a domestic government believes are being sold below their market value in the exporting country.

De facto - Practices in effect despite not being formalized.

GATT – General Agreement on Tariffs and Trade. The predecessor of the WTO, it operated until 1994.

Hegemon - A political state that has significant influence over other states.

Intellectual Property – The copyright of and control over things which aren't physical goods. This includes movies, medications, and patents.

Multinational corporation – A corporation which conducts business in two or more countries.

Protectionist - A type of policy that focuses on shielding a country's domestic industries from foreign competitors by imposing restrictions on these competitors.

Quid Pro Quo - A Latin phrase meaning a favor granted in return for something else; quid pro quo exchanges are often not formalized or even disclosed in many cases.

Tariff – A tax on an import or export.

Tribunal – An international court which takes cases, often those involving nations.

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