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“Protecting Freedom in the Global Age ”

Economics Committee

*International trade protection, and obstacles for
global economic growth*



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Forum: Economics Committee

Issue: International trade protection, and obstacles for global economic growth

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Introduction

Since the dawn of global Capitalism and technological improvements in communication and transportation leading to the rapid expansion of the global economy, the question of international trade regulation has become a central part of all economic policy decisions. The discussion of such policies has long been a contentious topic in economic theory as well. In this context, policies are usually divided into two: Globalization and Protectionism. Whereas Globalization focuses on an unobstructed global economy governed by the free market, Protectionism advocates for the governments of sovereign nations to put the interests of their country first, and implement economic policies restricting international trade. Proponents of Protectionism often argue that the policies help support the local economy, as it 'protects' domestic producers from international competition, thus keeping capital and funds within the nation as much as possible. Supporters of Globalization, on the other hand, argue that Protectionism limits consumer choice and artificially increases prices for both producers and consumers, and limits both domestic and international economic growth. Although the global trend in the last 300 years has been toward Globalization, in recent years, Protectionism has seen a resurgence, especially among more Nationalistic countries. The role of delegates in the debate between Globalization and Protectionism should be to represent their countries' interests as closely as possible, and come up with solutions to the obstacles posed by Globalist or Protectionist economic policies to global economic growth.

Definition of Key Terms

Capitalism: The private ownership of the means of production, and the predominant economic system in the world since the Industrial Revolution. Discussion of protectionism and free trade exists within the economic context of Capitalism.

Capital: Wealth in the form of money, assets, goods and services; anything that generates wealth.

Economic Globalization: One of the three forms of Globalization, it refers to the free movement of Capital across national boundaries. In accordance with classical economic principles, it aims to increase international productivity, and drive down costs by matching supply and demand on a global scale.

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Free trade: An essential component of Economic Globalization, it refers to the lack of restrictions in international trade.

Neoliberalism: An economic theory that advocates free market Capitalism. It is characterised by privatization, decreased government spending, and pro-globalism.

Tariff: A tax on imports and exports to and from one country.

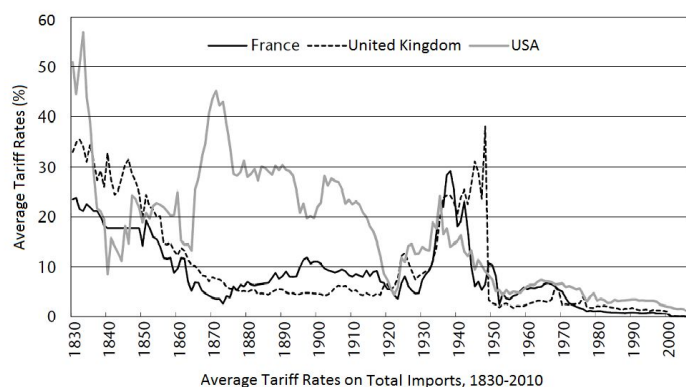
Import quota: A limit on the net amount of goods that can be imported into a country.

Protectionism: An antithesis to Economic Globalization, Protectionism is the restriction of international trade, usually through the application of tariffs, import quotas, subsidies, etc.. It has the aim of safeguarding domestic producers and improving the economy by reducing international competition on the free market. Commonly associated with Nationalist movements.

General Overview

International trade, in the modern sense, came into being only after the Industrial Revolution and the shift from Mercantilism to Capitalism, which started in England in 1760 and continued into the 19th century. Globalization, however, existed since the 1st century BC, through the ancient Silk Road, which acted as a way for western civilizations to trade with China, and continued through the Spice routes, linking Asia and Europe. The Age of Discovery and subsequent European colonization of the world continued this trend. Modern Globalization, on the other hand, is distinguished from globalization as a whole, and is usually separated into four “waves”. Between these four waves are periods of widespread Protectionism, and decreases in global trade. However, it is important to note that all nations do not fit neatly into these time periods.

In the 19th century, Europe experienced a trend of liberalization, towards free trade and Globalization, indicated by events like the repeal of the Corn Laws in Great Britain. This trend was supported by British economists like Adam Smith and David Ricardo. Many free trade agreements were signed between Western European nations after the 1860 Cobden Chevalier treaty between France and Great Britain. This period, which went on until the early 20th century (1914, to be exact), is usually referred to as the first wave of modern Globalization. During this period, trade grew at an average of 3% a year, and exports accounted for 14% of the World's GDP at the end of it, as opposed to the 6% that they did at the start of the 19th century. This first wave was characterized by European domination in world trade, and colonial empires trading resources extracted from Africa, Asia, and the



Sources: Imhah, Economic Elements

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Americas. However, the colonial order that caused the expansion of Globalization in the first place was also the culprit of its downfall. Colonies could not trade on their own, stifling economic growth in Africa and Asia. Workers living in industrial nations, not able to find work, were dissatisfied with the increased competition and lower prices of the global market.

The first period of Globalization finally ended with the start of World War I, and the downfall of global markets that ensued. Many countries increased their tariff rates exponentially, and global financial networks crumbled. The result was a period of economic downfall, named the Great Depression (1929-1939), starting in the United States with the Stock Market Crash of 1929, and spreading around the world. From 1929 to 32, global GDP fell by 15%, and unemployment in the US increased by 607%. The Great Depression and WWI resulted in mass Protectionism that continued between the World Wars, and until the end of World War II. By then, global trade had fallen to account for only 5% of world GDP—a historic low of over 100 years.

After WWII, however, began a period of resurgence for Globalization, as major economic powers decreased their tariffs, and the Western World, now led by the US, utilized free markets and Economic Globalization to rebuild itself and revitalize economies. Starting with the Marshall Plan (1948) and the Establishment of the European Economic Community (1957), a precursor to the European Union, the Western World had experienced a period of economic growth thanks to the removal of barriers on international trade. This continued with the fall of the Berlin Wall and the “Iron Curtain” (1989), events which opened up Eastern Europe to free markets as well. The establishment of more international customs unions and the World Trade Organization, as well as PR China’s Dengist policies which opened the country up to free markets, culminated in a worldwide acceptance of Globalization, as indicated by global trade accounting for more than 60% of the world’s GDP. Together, these periods account for the 2nd & 3rd waves of Globalization.

This brings us to today, where the global economy is dominated by very few nations like China and the US, as well as the EU. Although some refer to recent decades as the 4th wave of Globalization, the trend towards free markets and customs unions seems to be slowing down. The resurgence of Nationalism, coupled with stagnant growth rates and high unemployment in developed economies, has led to the elections of “anti-globalist” candidates in the west, the likes of Donald Trump of the US and Viktor Orban of Hungary. These, along with recent events surrounding Brexit and the US’s trade war with China, have led some to question the validity of Globalization as the governing force of global economics that it once was, and indicate a return to Protectionism in international trade.

Major Parties Involved and Their Views

United States of America: The US has, since the election of Donald Trump in 2017, adapted a Protectionist approach to international trade. Withdrawing from the Trans-Pacific Partnership (TPP) in 2017 and starting a trade war with its biggest trading partner, China, it has attempted to increase

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employment levels within itself, based on the assumption that US jobs were “exiting the country”. Protectionism has, arguably, hurt the US economy in the process.

People’s Republic of China: Departing from its extremely Protectionist policies with the leadership of Deng Xiaoping, PR China under current leader Xi Jinping is a major force driving Globalization forward. It has initiated the Belt and Road Initiative, an international plan to improve China’s economic relations with Africa and Europe.

European Union: The EU, and its associated organizations, have long acted as major proponents of Economic Globalism. Nowadays, with mostly stagnant economies, EU countries have elected more nationalistic governments, opposing the EU in issues like free trade and open borders.

United Kingdom: Having been the origin of both Globalization *and* Protectionism, the UK has once again found itself in the crossroads of the two economic policies. With Brexit, it is taking the path of Protectionism, a decision that most economists say will impact its economy negatively, especially in the case of no-deal.

Timeline of Events

| | |
|------------------------|---|
| 1760 | <i>Start of the Industrial Revolution</i> |
| 1846 | <i>Repeal of the Corn Laws in Great Britain</i> |
| 23 January 1860 | <i>Cobden—Chevalier treaty signed</i> |
| 1929-1939 | <i>The Great Depression</i> |
| 25 March 1957 | <i>Establishment of the European Economic Community</i> |
| 23 January 2017 | <i>US withdrawal from the Trans-Pacific Partnership</i> |

Treaties and Events

The United Nations Conference on Trade and Development (UNCTAD) has been convened every year since 1964.

Countless Free Trade Agreements (FTAs) exist, the most significant ones being the North Atlantic Free Trade Agreement (NAFTA), the European Free Trade Association (EFTA) and its affiliates, and the TPP.

Evaluation of Previous Attempts to Resolve the Issue

The issue at hand is subjective, meaning that, unlike child slavery or starvation, it cannot necessarily be said that Protectionism is *bad*, or that it should be *fixed*. Therefore, previous attempts to improve global economic growth have come from both Globalist and Protectionist perspectives.

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Globalist Member States have initiated their own sets of FTAs, and removed customs duties and tariffs. The UN, as an intergovernmental body, has also taken a pro-Globalization stance, advocating for increased economic relations between Member States. The UN has not, however, displayed any concrete involvement in the construction of FTAs, or in combating Protectionism, since it cannot possess politically motivated economic goals. Other intergovernmental organizations, such as the EU, are not restricted by this requirement, and can thus advocate for neoliberal economic policies that combat Protectionism in trade.

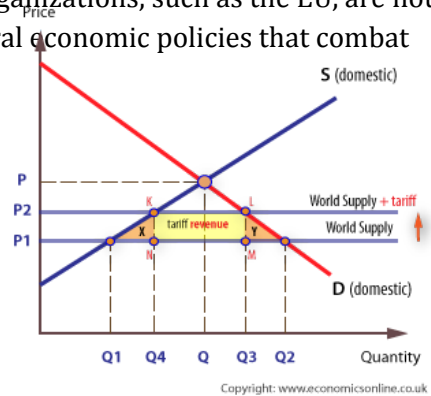
Protectionists, on the other hand, do not aim to improve global economic growth, as they prioritise their own country's economic growth before global markets.

Possible Solutions

Protectionism, as a mechanism that decreases competition for producers in one country by making it harder for those in other countries to compete, increases prices for consumers and producers alike. Apart from limiting international economic growth, it can also be argued that, in the long term, it hurts domestic economies as well. Therefore, any solution attempting to overcome obstacles for international economic growth should address both the concerns of Protectionists and the negative impact that trade wars and tariffs have on the global economy.

Feasible solutions that can be enacted by the UN could involve a condemnation of trade wars, embargoes on Member States that employ unsustainably Protectionist policies, unemployment programs that address the concerns of Protectionists, cooperation with organizations like the WTO, and involvement in Brexit negotiations.

Resolutions can also address problems brought on by *incorrect* Globalization: PR China's Belt and Road Initiative, which is accused of being a front for China's strategy of predatory loans and global domination of smaller nations; large economies' exploitation of undeveloped countries through neocolonialism; and slavery-like working conditions in regions like Southeast Asia. All of these problems with Globalization pose a threat to *global* economic growth: they help concentrate wealth in already developed nations, through the exploitation of developing and undeveloped nations who have the wealth sucked out of their countries. Solution attempts to these might include UN involvement in constructing fair trade deals, inspecting working conditions, implementing minimum wage requirements for workers producing goods for consumers in developed countries, regulating high-risk loans given for infrastructure policies, and regulating international money transactions to ensure that wealth generated from capital or labour within one country is projected onto the economic growth of said country.



A basic supply-demand chart illustrating the inefficiency of tariffs, coloured orange

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In summation, Protectionism creates many obstacles in the way of international economic growth that Globalization claims to be able to solve. It, however, brings with it many problems, some modern, and some reminiscent of the colonial period that gave birth to Economic Globalization in the first place. In order to overcome both new and old challenges that Globalization poses, delegates must involve the aforementioned solutions in their resolutions, while staying in line with their country's policies, in order to create a better global economy in which *all* nations can flourish.

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