Committee: Economic and Social

Question of: Reducing International Trade Barriers

Students Officer: Marta Guinea

Introduction:

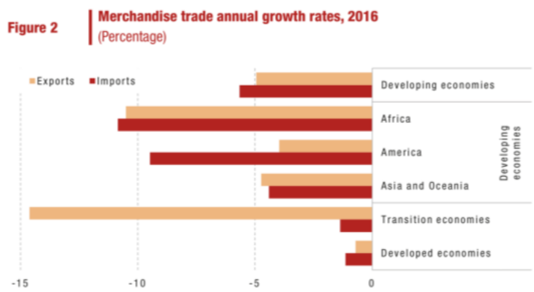
Trade barriers can be defined as anything imposed by a Government which reduces the competitiveness of imported goods or services, therefore making them less desirable to domestic consumers. They are imposed by governments so that they can reduce the amount of goods imported. Trade barriers are often used as a method of protectionism; this is when countries attempt to shield their domestic economy. However, trade barriers hinder the development of

Low Income Countries (LICs) as they are unable to export their goods, and so grow their economy. Currently, there are fewer trade barriers than there have been historically, as following the Second World War, there was a shift towards Free Trade. Free trade is international trade without restrictions, and can be beneficial to the global economy, as will be outlined later in this research paper.

There are different forms of trade barriers – generally classified as tariff barriers and non- tariff measures. Tariff barriers are when Governments impose tax or duty on a specific class of import. Non-tariff measures are any other barriers that do not include taxes, including quotas, regulations, export subsidies, embargos etc.

The Issue:

Trade barriers hinder the economic growth and so development of developing countries as they make it more difficult for local producers to receive the best prices for their goods and services. For example, a farmer may be able to find the best price for their agricultural good in another country, however non-tariff barriers may be in place. This would mean that before importing their good, they would have to undergo processes such as expensive licensing, lengthy customs procedures, or high product standards which their good may not meet.



As the trade barriers hinder small local producers in developing countries from exporting, or reduce the profit they can make, developing countries are then unable to grow economically. One component of economic growth is having exports greater than imports; therefore, if the country is unable to export, it is unable to experience the economic growth that would allow it to develop. In addition, if the local producers are unable to obtain a reasonable price for their good, the profit that they are able to make is reduced and so is their taxable revenue. This means that the country's tax revenue is not as high, therefore there is a smaller amount of money to be spent on development within the country.

WTO

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to ensure that trade flows as smoothly, predictably and freely as possible.

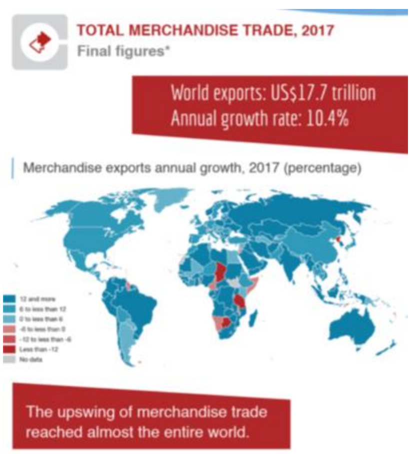
UNCTAD

The United Nations Conference on Trade and Development, support sdeveloping countries to access the benefits of a globalized economy more fairly and effectively. And help equip them to deal with the potential drawbacks of greater economic integration. To do this, they provide analysis, facilitate consensus-building, and offer technical assistance. This helps them to use trade, investment, finance, and technology as vehicles for inclusive and sustainable development.Together with other UN departments and agencies, they measure progress by the Sustainable Development Goals, as set out in Agenda 2030.

The Doha Round

The Doha Round is the latest round of trade negotiations among the WTO membership. Its aim is to achieve major reform of the international trading system through the introduction of lower trade barriers and revised trade rules. The work programme covers about 20 areas of trade. The Round is also known semi-officially as the Doha Development Agenda as a fundamental objective is to improve the trading prospects of developing countries.The Round was officially launched at the WTO's Fourth Ministerial Conference in Doha, Qatar, in November 2001.

Tariff Escalation.



Tariff escalation is a significant trade barrier as it has the effect of removing the incentive for developing countries to manufacture exports. According to the WTO, tariff escalation is when countries impose 'higher import duties on semi-processed products than on raw materials, and higher still on finished products'. This means that despite goods being costlier to produce and so typically would be more profitable, as the level of processing increases, tariff escalation has the effect of making it more desirable for countries to simply export their raw materials as they will be more able to compete and obtain more profit. Whilst this allows more developed countries to both protect their own manufacturing industries as well as obtain cheaper raw materials, it is a significant hindrance to the development of LICs as it discourages the development of processing industries in the countries.

Benefits of Trade Barriers

Whilst these measures to protect industries can be harmful to other economies, there are arguments in favour of trade barriers. Some countries may wish to grow 'infant

industries' (those which they have the potential to develop an advantage in) and so believe that trade barriers are necessary to protect this industry against existing, more efficient industries in other countries. Another reason for trade barriers is the protection of jobs, as by preventing foreign goods from entering a country, the demand for domestic goods is maintained and so the derived demand for labour is also maintained. In addition, some countries may wish to utilise trade barriers to prevent goods that have negative externalities (costs suffered by a third party when a transaction takes place) from entering their country. An example of this could be if there was an outbreak of a disease amongst cattle in one country and so another country banned imports of meat from that country. Some countries also opt for protectionist methods for political reasons – such as trying to protect what they perceive to be a vital industry.

Benefits of Removing Trade Barriers

Some countries and economists are of the belief that free trade (an absence of tariffs, quotas and regulations designed to reduce or prevent trade among nations) is beneficial to not only developing countries, but the global economy and therefore provides incentive for all nations to remove trade barriers. One benefit of free trade is more choice for consumers at the lowest price. This occurs because goods are produced in countries where they have absolute advantage – where it is most efficient to do so. Also, with the lack of barriers, firms' average costs are lower and so they can pass on this benefit in the form of lower prices.

Furthermore, international trade increases economic growth and so theoretically in the long term may create employment opportunities. However, the relationship between international trade and employment is complex and so this may not be the case – as outlined in 'The impact of trade on employment and poverty reduction' in the Fifth Session of the Trade and Development board. (See http://unctad.org/meetings/en/SessionalDocuments/cid29_en.pdf)

Moreover, free trade increases world output and wealth, as it allows countries to access a bigger market for their goods. For example, countries such as Qatar are very rich in oil however without world trade they would not benefit from this. In contrast, Japan has very few raw materials and so their GDP would suffer considerably without trade. The graph above shows the correlation between the increase in world trade and the increase in world output, in relation to the aforementioned rounds of the WTO.

Key Events

Event/Date	**Explanation**
June 30th 1948	The General Agreement on Tariffs and trade. This was the beginning of an increased amount of global free trade, as has already been outlined.

1965	The introduction of the third provision in the GATT. Developed countries agreed to eliminate tariffs on imports of developing countries to boost their economies.
1st January 1995	The formation of the World Trade Organisation, whose work was and continues to be significant in tackling trade barriers.
1986-1994	Uruguay round of the WTO negotiations
2001-present	Doha Round of the WTO negotiations.
19 September 2000	An UN report made by the General Assembly and the United Nations Conference on Trade and Development (UNCTAD), about the developments in the multilateral trading system. http://www.un.org/documents/ga/docs/55/a55396.pdf

Previous Attempts to Solve the Issue

The General Agreement on Tariffs and Trade

The General Agreement on Tariffs and Trade (GATT) was the first worldwide multilateral free trade agreement. It was in effect between June 30, 1948 and January 1, 1995, when it was replaced by the World Trade Organisation, whose role will be explained later in this paper. It was formed in order to move away from the protectionism that contributed to The Great Depression and move towards free trade. They gave most favoured nation status to each other member country, so had to have equal tariffs for each country. They also implemented a ban on quotas – with some exceptions. Most relevantly, the developed countries which were members agreed to remove tariffs on the imports of developing countries, to allow their economies to grow.

The International Trade Organization (ITO)

The ITO an intellectual precursor of the World Trade Organization (WTO) never existed. During and after World War II, extensive efforts were made to bring it into being, culminating in the multilateral negotiation of a charter for the organization at Havana in 1947–1948. However, the Havana Charter was never ratified, mainly because domestic opposition within the United States led the Truman administration to drop its efforts to win congressional backing for the ITO by the end of 1950. Although the attempt to create the ITO failed, it was nonetheless significant for two reasons. First, the effort to establish the ITO brought the General Agreement on Tariffs and Trade into being, and this in turn had consequences for the eventual creation of the WTO. Second, the idea of the ITO marks an important staging post in the shift between two contrasting types of trade liberalism: moral internationalism and institutional internationalism. This article analyses the unsuccessful attempt to create the ITO and traces the negotiation processes that contributed to this failure.

Possible Solutions

When considering how to approach this issue, it is important to remember that as ECOFIN is not the security council, and so cannot condemn or deplore trade barriers. Instead, delegates may aim to:

- Reduce tariffs between developing countries,
- Reduce the use of non-tariff trade measures,
- Assess whether regulations which stop countries from exporting goods are in place to protect consumers or to reduce free trade (and so assess whether countries are acting within the rules of the WTO),
- Outline situations in which trade barriers may be deemed acceptable,
- Encourage small firms to export, if trade barriers are removed,
- Make the owners of small firms in developing countries aware of how to navigate lengthy export processes if they are in place,
- Or any other actions which are fitting with the policy of the country which they are representing.

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