

Committee: World Trade Organization

Issue: Buffering the stagnation of global economy caused by protectionist trade stances

Student Officer: Hansol Lee

Introduction

The World Trade Organization (WTO) is the primary international body responsible for regulating and facilitating global trade among nations. Its main goal is to ensure that trade flows smoothly, predictably, and freely. With a membership-based structure and decisions made through consensus, the WTO provides a forum for negotiating trade agreements, resolving disputes, and monitoring trade policies to ensure member states' adherence to agreed rules. The WTO's most significant feature is its Dispute Settlement Body (DSB), which helps mediate and resolve conflicts between states. Over the decades, the WTO has played a vital role in trade liberalization, promoting economic integration and stability. In recent years, however, the multilateral trading system has been continuously questioned of its effectiveness. Protectionist trade policies have come as a rising trend, particularly among powerful nations seeking to prioritize domestic industries over cooperation in the global market. The United States, China, and the European Union have engaged in eye for an eye tariffs, weakening global supply chains and disrupting economic predictability. Amid geopolitical tensions, economic nationalism, and supply chain vulnerabilities exposed by the COVID-19 pandemic, the WTO now faces an urgent need to adapt its relevance. This committee is tasked with analyzing and addressing rising protectionist trade policies while promoting a more resilient and fairer trade environment for all.

Definition of Key Terms

GATT(General Agreement on Tariffs and Trade)

The global organization that minimized barriers to international trade by reducing quotas and tariffs, currently superseded by WTO

WTO (World Trade Organization)

The global organisation that regulates international trade, sets trade rules, and provides a platform for dispute resolution between member states.

- **Dispute Settlement Body (DSB):** WTO's mechanism for resolving trade disputes between member countries.
- **Most-Favoured-Nation (MFN):** A WTO principle requiring that any trade advantage granted to one member must be extended to all others.
- **Consensus-Based Decision:** WTO decisions require unanimous agreement from all member states.

Global GDP

The total market value of all goods and services produced globally, used to measure overall economic health.

Protectionism

Economic policy of restricting imports to protect domestic industries, often through tariffs, quotas, or non-tariff barriers.

Tariff

A tax imposed on imported goods, raising their cost to encourage domestic consumption.

- **Retaliatory Tariffs:** Tariffs imposed in response to another country's tariffs, often escalating trade disputes.
- **Non-Tariff Barriers (NTBs):** Trade restrictions that do not involve tariffs, such as import quotas, licensing requirements, or sanitary regulations.

Trade War

A situation where countries impose reciprocal trade barriers against each other, harming global trade.

Trade Fragmentation

The breakdown of global trade cooperation, often due to rising protectionist measures or political rivalries.

Compliance Gap

A situation where countries cannot meet trade regulations due to limited capacity or resources

Economic Stagnation

A prolonged period of slow or no economic growth.

Supply Chain Disruption

Interruptions in the flow of goods and services due to conflict, policy changes, or global crises.

Trade Liberalization

The process of reducing tariffs and other trade barriers to facilitate freer global trade.

Fair Trade

Trade practices aimed at ensuring equity, particularly for developing countries, through inclusive rules and benefits.

Resilience

The ability of economies and trade systems to recover quickly from shocks or disruptions.

Trade Finance

Financial tools and instruments that facilitate international trade transactions, especially for SMEs.

Capacity-Building

Efforts to strengthen a country's institutions, infrastructure, and workforce to improve trade participation.

SME

small and medium sized enterprise, which maintains revenues, assets, or a number of employees below a certain standard

History

Rise of protectionist trade policies

The surge of protectionism was during the eighteenth century, right after the Napoleonic Wars, and the resurgence of protectionism began after the 2008 global financial crisis, as governments sought to shield domestic industries. The U.S.–China trade war starting in 2018 marked a key escalation, with the U.S. imposing heavy tariffs on steel, aluminium, and various Chinese products. China and others responded with counter-tariffs, spiralling into a worldwide trade conflict. The trade war created uncertainty and slowed global investment along with trade. The COVID-19 pandemic further accelerated

nationalist policies. Nations imposed export bans on essential medical supplies and vaccines. These measures, although justified in the short-term, revealed the fragility of global trade and created a need to reform trade resilience.

Stalled multilateralism

The Doha Development Round, launched in 2001, was intended to make trade more inclusive, but it has stalled over disagreements on agriculture, intellectual property, and special treatment for developing countries. Simultaneously, the Appellate Body of the WTO became inoperative in 2019, weakening dispute resolution capacity even more. As a result, confidence in multilateralism has declined, prompting nations to pursue regional agreements outside of WTO structures, thus questioning the power of WTO.

Current trade inequalities

Even with open markets, many developing nations remain at a disadvantage due to structural inequality. Commodity-dependent economies like those in Africa and Latin America export low-value raw goods while importing high-cost finished products. Without trade finance, SMEs in low-income countries struggle to engage in cross-border trade.

Key Issues

Protectionism and global instability

Protectionist policies increase tension among countries and disrupt established trade relations. Tariff wars between major economies have already caused supply chain bottlenecks and raised consumer costs. This threatens economic stability, particularly in trade-reliant regions. Furthermore, such policies may harm the fundamental ideology of free trade settled by GATT

Fair participation in global trade

Developing countries face systemic barriers in participating in the international market, such as lack of access to infrastructure, finance, or skilled labour. Uniform rules may unintentionally exclude them from having the same opportunities as other member states. Thus, the WTO must adapt its rulemaking to reflect diverse member capacities.

Collapse of trust in WTO mechanisms

The Appellate Body's paralysis and lengthy negotiation stalemates have eroded the WTO's credibility. Reform is necessary to restore faith in multilateral trade governance and ensure enforcement of agreements.

Major Parties Involved and Their Views

United States

The U.S. has adopted a protectionist stance under both recent Republican and Democratic administrations. Measures such as tariffs on Chinese goods and domestic subsidies under the Inflation Reduction Act reflect an emphasis on national economic security and industrial independence.

China

China has responded to Western trade barriers with its own tariffs and a pivot towards self reliance. It continues to assert its role as a champion of the Global South while navigating economic retaliation.

European Union

The EU promotes multilateralism but has introduced measures such as the Carbon Border Adjustment Mechanism (CBAM) to protect its industries. These policies may inadvertently disadvantage low-income exporters.

Developing countries (LDCs, ASEAN, Africa Union)

These nations seek greater inclusion, support for trade infrastructure, and access to global markets. They emphasise fairer trade outcomes, not just open rules.

Timeline of Relevant Resolutions, Treaties and Events

Date	Description of event
January 1, 1995	Establishment of the WTO
November 2001	Launch of the Doha Development Round
March 2018	U.S. imposes tariffs on steel and aluminium, citing national security
July 2018	Start of U.S.–China tariff escalations

December 2019	WTO Appellate Body ceases to function due to blocked appointments
2020–2021	COVID-19 pandemic leads to export bans and supply chain collapse

Evaluation of Previous Attempts to Resolve the Issue

The WTO has made several attempts to stop protectionism and reinforce a rule-based global trading system. One of its most well-known tools has been the **General Agreement on Tariffs and Trade (GATT)**, which laid the base for reducing tariffs and promoting non-discriminatory trade among members. Through successive negotiations, GATT helped lower trade barriers and fostered a more open trading environment.

With the establishment of the WTO in 1995, these efforts continued, through mechanisms like the **Trade Policy Review Mechanism (TPRM)**. Now, the TPRM encourages transparency by assessing the trade policies of member countries, as an attempt to discourage protectionist practices through peer nations' review and accountability.

Another notable initiative is **Aid for Trade**, which, launched to assist developing and least-developed countries in building trade capacity, and infrastructure, has been questioned of its effectiveness. While there is no doubt that it was well-intentioned, some argue that it does not sufficiently tackle structural issues, such as limited diversification.

So, the **Doha Development Round**, launched in 2001, was created to address these disparities by implementing fairer trade terms for developing nations. However, the negotiations have been stalled for over two decades due to disagreements between developed and developing countries.

Additionally, the **WTO's dispute settlement mechanism** has faced a crisis in recent years, unlike the past, when it was praised to be the core of the organization. The **Appellate Body** has been paralyzed since 2019 due to the U.S. blocking new appointments, which have, indeed, weakened the very purpose of WTO's creation. Meanwhile, the prolific progress of regional trade agreements has also diluted the WTO's central coordinating role. These agreements may create complex trade rules that do not always align with WTO principles, and sometimes cause a bit of conflict between fellow nations.

Possible Solutions

Strengthening the WTO for a More Resilient Global Trade System

As we navigate a world shaped by geopolitical instability and conflicts, digital transformation, and the urgent need for climate action, the current trading system must evolve. The WTO, as the most essential part of that system, is at a critical crossroads. To build a fairer and resilient global trade framework, reforms must address deeply rooted inequalities, restore trust in its enforcement mechanisms, and update the outdated rules, so as to adapt to the new society.

1. Tackling Structural Inequality in Global Trade

Global trade has lifted tons of people out of poverty; but not everyone has benefited equally. Many Least Developed Countries, and SMEs within those countries, still face huge hardships to even participate in international trade. Thus, reform must start with making trade inclusive .

Expanding Aid for Trade

The WTO's Aid for Trade initiative has been helpful, but it is still too small. We should significantly increase funding and ensure that assistance is specifically tailored to each country's needs—whether that means improving infrastructure, digital systems, or helping SMEs meet standards. This kind of support helps build long-term capacity, which is essential in the current market system, where short-term relief is definitely not enough.

2. Restoring Trust in WTO Dispute Resolution

Since the Appellate Body stopped functioning in 2019, trust in the WTO's ability to resolve disputes has been down to almost nothing. This affects the credibility of the entire system, especially for smaller countries that rely on WTO to protect their interests.

Getting the Appellate Body Back to Work

Therefore, we need to fix this. A possible solution is to change the voting rule, like requiring a supermajority rather than full consensus to appoint new members. The process also needs clear deadlines and guidance on the Appellate Body.

Supporting Developing Countries in Disputes Financially

Taking a case to the WTO is expensive and complex. Many developing countries simply do not have the legal resources to do it. Expanding the **Advisory Centre on WTO Law (ACWL)** and offering more legal aid would help attain justice in the field of trade.

3. Updating WTO Rules

The global economy in 2025 looks very different from when the WTO was created in 1995; but the rules haven't caught up. We need to modernize the rule so it works for today.

A Digital Trade Agreement

From e-commercials to restricting data flows, digital trade is already transforming the way we live. But without clear rules, it can also become a tool for digital protectionism, making only certain countries benefit. A WTO digital agreement should ensure open access to digital markets while protecting legitimate concerns like cybersecurity, along with privacy. And we need to help developing countries build the digital infrastructure to compete fairly, at least in the digital world.

Outcome-Based Rules

Right now, WTO rules are mostly about lowering tariffs. Not that it is unimportant, but it doesn't guarantee the countries will benefit from trade. So, we propose a new approach: **outcome-based rules** that consider real development results like job creation, export diversification, and participation in global values.

Bibliography

WTO – Trade Profiles & Tariff Data.

https://www.wto.org/english/res_e/statis_e/tariff_profiles_list_e.htm

WTO – World Trade Report 2024 (PDF).

https://www.wto.org/english/res_e/booksp_e/wtr24_e/wtr24_e.pdf

IMF – The Costs of Geoeconomic Fragmentation.

<https://www.imf.org/en/Publications/fandd/issues/2023/06/the-costs-of-geoeconomic-fragmentation-bolhuis-chen-kett>

UNCTAD – Trade and Development Report 2023.

<https://unctad.org/publication/trade-anddevelopment-report-2023>