Issue: Making sure that protectionism does not affect the world trade market
Forum: Group of Twenty Summit
Position: President
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Introduction

Protectionism within trade is defined as a nation, or in some cases cooperating nations in a coalition, creating trade barriers with a particular goal. This is done because nations try to protect their economy from the doable perils of international commerce. Instead of opening up their borders for free trade and letting their citizens buy and sell goods from and to wherever they want to, nations demand taxes; otherwise the product will not get into the country. Worst case scenario, nations can decide to put restrictions on some goods. These kinds of measures are also known as hindrances and governmental interferences. The main target of protectionism is to safeguard a nation's important economic interests like its key industries, goods and employment of employees. However, against the philosophies of some nations, free trade strongly encourages a significant better level of domestic consumption of products. Upon that, through using the world market, resources are used undoubtedly more efficient. Additionally, it is widely known that free trade seeks to stimulate economic processes and wealth.

Besides protecting their key industries, national security plays a big role whether governments implement import/export taxes. National security is used for trade protectionist widely across the globe nowadays. This is because of some policies. These nations do not want their defense to be reliable on other nations´ companies which could have huge impacts during war time. These industries involved include defense-related companies and high-tech firms. The argument here is that industries such as aerospace, advanced electronics and semi-conductors are of utmost importance for national security. In case of relying on foreign manufacturers, this could seriously affect a nation's defense in time of war. To conclude, there are multiple reasons why nations would implement import and export taxes to help their own great nation.

Definition of Key Terms

Tariffs

Tariffs are taxes on imports from different nations and foreign markets. By imposing tariffs, governments are trying to limit imports of foreign merchandise and services, and thereby protect their own industries and firms producing such things and increase tax revenues. Tariffs may well be specific within their charge per unit or fee for every unit of a product or goods brought into a nation.

Quotas

Quotas are an instantaneous restriction on the amount of specific merchandise, products and goods which will be allowed to be imported into a nation. This import quota is usually implemented by the import licenses to a precise cluster of persons or firms. Additionally, there's voluntary export restraint (VER) which handles as a trade quota by an exporting nation. VERs are mostly seen in the shape of political pressure on a nation by another nation. Through the VER, the prevention the export of products or commodities is prevented from happening.

Subsidies

Subsidies are payments done by governments to producers. These subsidies available in the shape of money but in payments, low-to-no interest loans and tax breaks as well. Domestic producers are stimulated by having further money offered for production of products and thereby lowering production prices. In addition to that, these same firms are thus capable of competing on the international markets.

Local content requirements

Local content requirements are set by governments. A government which is seeking to decrease the import of a specific product, would be likely to implement this way of protectionism. Hereby the government decides that a manufacturer is required to make parts of the product domestically and thus develop the economy for their own nation. Most of the time, the requirements read that 60% of the product, for example, should be created domestically.

Administrative trade policies

Administrative trade policies are done via the well-known bureaucratic rules. The government strictly describes what may be imported and what not. Understandably, this is very difficult for manufacturers from all over the globe. That is why this way of protectionism often is seen as one of the toughest. Formal trade barriers consist of rules and laws. In contrast, informal trade barriers are feared by lots of companies because informal trade reads that every product is inspected individually. Without a doubt, this will take time, effort and typically severely impact the costs of the item being inspected.

Antidumping policies

Antidumping policies are enacted by a nation’s government. This is done because governments want to avoid companies to literally dump their products on other markets in order to get shares in that respective market. Following anti-dumping rules, companies are not allowed to sell products, or commodities below its honest market price.

General Overview

Despite the intent of sure economists and policymakers, the economic policy of protectionism has long and short-run effects on a nation’s macro-economy and indirectly the worldwide economy.

These effects include:

Consumers’ restricted alternative options and pay a lot more for product and services. A key impact of protectionism is that buyers can only have a limited choice of products and that consequently comes from quotas on what proportion is allowed into the country. Due to these quotas, consumers will have a very limited choice as to the quantity, quality and type of product that would otherwise be available to them without trade protectionism. Protectionist policies that are supposed to safeguard industries, companies and jobs actually mean that consumers are limited in the availability of products and goods and may have to settle for poor quality instead.

Another downside which consumers can face is that they're going to need to pay a lot for the limited amount of these products and thereby causing inflation to possibly greatly increase. If buyers have a limited alternative, must settle for lower quality and pay more for a particular product, then they may either pay that amount, purchase less of that product, or not make a purchase at all.

Domestic corporations might also be hurt financially since they'll need to purchase elements to construct their products. Eventually, the consumer will have to face serious price differences. Overall, world competition could be a key for keeping the value of various product down and provides shoppers more flexibility.

Trade wars

A known downside with protectionism is that nations can take reciprocal action if there are trade protection policies placed and implemented. The problem here is that nations can retaliate if they can't sell their products in markets wherever they normally would. No matter if those nations would be political and military allies, nations could impose countervailing tariffs, quotas, subsidies and rate controls. To call some; The US and Japan, long-time allies, each politically and militarily since the top of war II, have invoked tariffs and body trade policies against one another.

This has resulted in costs accounting the shoppers of these respective countries billions of dollars by redoubling prices and limit shopper possibilities. Ultimately, a trade war could result in redoubling import taxes. Because manufacturers are now almost required to get their parts of the product from the international market (if they do not make them themselves of course), these parts would be immensely expensive. Consequently, the end product would be extremely expensive. Not only the consumers would feel the impacts of trade wars, the nation’s real GDP growth would feel it too.

According to a study by the International money (IMF), a permanent 10% increase in tariffs on imports from all elements of the world can lead to a permanent 1 percent decrease in the GDP of a nation. The most notable for many trade war retaliations that occurred within the history of the US, was the Smoot-Hawley Act in 1931. President Herbert Hoover signed a tariff bill that raised taxes on many agricultural products and goods causing retaliation by other nations. While the act was supposed to shield yank corporations and industries, it increased tariffs by an average of 20 percent on more than 20,000 imported products and goods.
Eventually this caused world trade to drop significantly and yank exports suffered the most with a maximum amount of export loss at around 75%.

Last but not least, protecting jobs and industries could be a political argument for respective trade policy from the point of view that protecting workers is of vital importance. Therefore, the industries and the corporations that use them are important to a nation’s economic process and well-being. The premise is that while not trading efficiently a nation may lose long-established industries and companies that initially created a product in a very specific nation. This product which was designed for a nation is now useless. This can eventually end in the loss of jobs, rising unemployment, and ultimately decrease a nation’s Gross Domestic Product (GDP). There are loads of reasons why nations could implement protectionist measures. In the appendix you can find more relatable articles.

Major Parties Involved

Nations

Obviously, the measures concerning the protectionism are taken by governments. Each nation has their own point of view on trading. Some nations like the Netherlands try to make their import and export laws as interesting as possible. Without trading, the Netherlands would be literally too small to compete on the international market since there is simply not enough space for all the agriculture.

Manufacturer and consumers

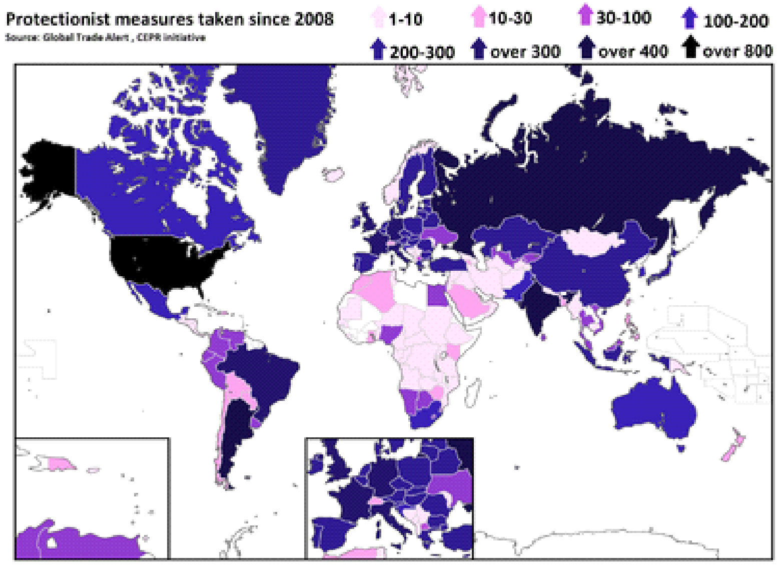
Both of these have an interest of keeping free trade. This makes the goods cheaper and most of the time even better. Logically, because when a manufacturer (A) offers a product but the same product from the other manufacturer (B) is at the same price manufacturer (A) would likely try to out develop manufacturer (B). Eventually, hoping that his product sells even better.

United States of America

The USA has increased their protectionist measures ever since President Trump arrived. He found it important to focus on their own economy first as we have seen in his inaugural speech in January 2017. The USA has increased multiple kinds of taxes on products from foreign nations like China.

China

China has seen some of their protectionist measures disappear over few months. Xi Jinping announced a few years ago that they would like to integrate even more in the international trade-market. Unfortunately, this has not gone the way a lot of people hoped. China is still utilising numerous measures to keep foreign investors out of their country but at the same time some investors are allowed to come in.



Timeline of Key Events

Year	Nation	Action
2018	USA	25% taxes on steel and 10% on aluminum
2018	USA	retaliatory tariffs on up to $60 billions of Chinese imports
2004	PR of China	Tariffs imposed up to 55%
2003	USA	Scrapped tariffs on steel
2001	European Union	The European Union has threatened to impose trade restrictions on the USA
1994	USA/CAN/MEX	North American Free Trade Agreement
1980	USA	100% Tariffs on almost all machinery

Previous attempts to resolve the issue

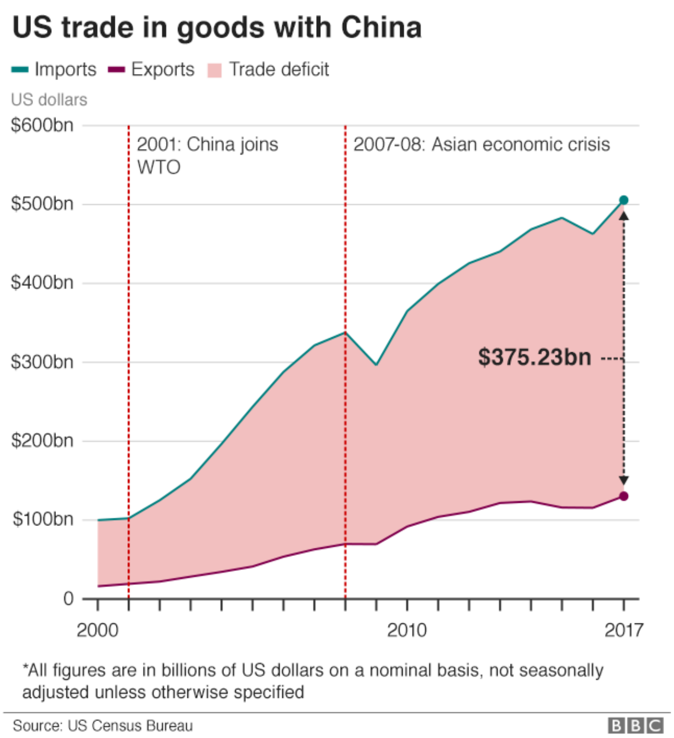
The European Union (EU) is probably one of the best examples concerning anti-protectionism. It started off with ECSC (European Coal and Steel Community) and through the years it developed itself. Eventually, even a Schengen agreement which is a treaty set by the EU. This treaty allows people to move anywhere without visas and so are the goods. Thus, understandably, this encourages free trade.

On the other side of the world, nations did the same. In 1994 the North American Free Trade Agreement was signed. It is an agreement between the United States, Canada, and Mexico. The largest free trade agreement ever made significantly helps the North-American economies. Sadly, the current President of the USA, Donald Trump, is reconsidering scrapping these kinds of free trade agreements. Instead of promoting free trade, Trump is trying to focus more on his own economy. Lately, when Trump withdrew the United States of America, the Trans-Pacific Partnership went down in size. Otherwise, the Trans-Pacific Partnership would have been the biggest as a result, the other involved countries are forming their own new agreement. If China decides to join them, it would replace NAFTA as the world's largest trade pact. To conclude, there are many agreements in the world. All of them, you can find on the internet.

Possible Solutions

The absolute best way to ensure world trade without any limitations is to promote free trade agreements. Although there are many, as we speak, there a still many nations without favorable agreements. As said before, the European Union is a perfect example for these free trade agreements. By establishing free trade agreements tariffs and quotas are reduced or eliminated between trading partners.

Delegates should strive to create as many free trade agreements as possible. If this is not possible, delegates should try to find ways around some measures of protectionism. This could be done by scraping some parts out of the agreements in order to make it possible for that respective nation.



Appendix/Appendices

Appendix A

https://www.economist.com/special-report/2017/10/07/protectionism-and-its-risks

Appendix B

https://en.wikipedia.org/wiki/Protectionism

Appendix C

https://www.investopedia.com/terms/p/protectionism.asp

Appendix D

https://www.econlib.org/library/Enc/Protectionism.html

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