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Issue:

Tackling the issue of trade induced conflicts and their negative impact on the global economy

Forum:

Group of Twenty Summit (G20)





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Introduction

The last decade was a period of globalization where free trade was seen as the main goal for most of the nations. States all around the world collectively tried to remove every barrier that hindered the global trade and these efforts gave them good results.

Trading had become much easier than before. However, in today's world the policies have changed drastically. Most of the leaders that are now in power are trying to rebuild the barriers that were once removed by great effort. The world is now in an era where one of the most popular policies is protectionism. Major powerhouses like the US and the UK are trying to boost their inner market, thus putting more sanctions and tariffs for on the global market. The leaders' aim is to prevent the inequality within their country. On the surface this policy is beneficial for the lower socio-economical segment of the population, however, when looked at the long-term outcomes there are no winners in these trade wars. This policy decelerates the global economic growth, blocks the way of co-operation and coherence, causes great amount of GDP losses for every country (e. g. 3% GDP loss for UK, 4% GDP loss for US). This conflict can only be solved by decreasing the effects of sharp polarization. If not there will be massive consequences that no one will favor.

Definition of Key Terms

Protectionism

This is the policy of many states nowadays. It is the sharp opposite of globalization, where states try to block the global market to intervene in the national market as much as possible. Placing high numbers of tariffs and sanctions on other countries are the most seen actions taken by a government following this particular policy. It plays a great role in trade wars.

Free Trade Agreements

An agreement between two or more states to dispose of any obstacle laying in the way of smooth trade. Taxes and tariffs are frequently

lessened. The agreements almost always benefit every party's economy since the market in both states can export and import with lesser costs.

General Overview

At the end of the 1990s, the world faced a new trend. Many states tried to tackle every obstacle hindering the process of trading. The growing economy of the larger countries needed bigger and new markets. Following the decrease in taxes on exports and imports, many Asian countries, especially China, benefited from the trend. The workforce was cheaper compared to any other country and this encouraged many of the big companies to relocate their factories into these Asian countries. This act has enhanced the economy in Asia. Especially China started to become a big rival to the super power USA. Benefitting from a large population, China had the highest growth for years. As the years went by USA and other countries started to theorize that China would be the biggest economy and this theory changed a lot of things after a long period of globalization.

The largest country taking a dislike to the unprecedented growth of China was undoubtedly the USA. During the Obama Government, the USA followed a less aggressive policy towards world economics and this has been perceived as a weakness by some parties. In the USA, especially Republicans perceived this as a great lack. Following these policies, Asian countries continued to strive. Many technological developments shifted from the USA to Asia. Asia became the biggest technology manufacturer. This shift in power did not concern many countries including those in the European Union and many others since many countries did not want a powerful USA.

During the 2010s, far-right movements that promoted patriotism and conservatism were established in many countries, including the USA, UK, Germany, and many others. People from all around the world, especially the ones with lower incomes, started to rise against globalization. Many blamed the global powers and the globalization for their poverty. The main reason for imposing blame was that, due to the globalization, it became a lot easier to immigrate to a country and work there. Immigrants worked at lower prices and this caused the local population to face unemployment.

In 2016, the new republican president of the USA was elected, Donald Trump. The USA government started to shift the policies drastically after this election. These far-right policies ignited new waves of far-right fanaticism in many countries all around the world. After a year, many countries elected new presidents whom supported conservatism and fanatic patriotism.

The main idea of this new movement was that the economy would thrive in a

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market where local producers were encouraged. To enhance the activities of local producers the taxes on exports rose. It became much harder to sell products in foreign countries, due to the fact that many companies could not compete with local companies who faced hugely lesser tax rate.

The effects of these movements mostly affected the EU, USA and China. The biggest trade induced conflict started between USA and China. The US government tripled the taxes and tariffs on many of the Chinese products overnight. Many technological items were banned to be sold in the USA, including products produced by the major phone company Huawei. China responded by raising taxes on US exports. This conflict has gotten tenser over the years and it still continues onward, with no clear solution in sight.

In the European Union, the most significant act was taken by the UK. The UK started to talk about Brexit. In short, the Brexit is the UK leaving the European Union, with the main cause for the Brexit and people voting in favor of the Brexit being unemployment. In the EU, it is free for any EU citizen to work in any other EU state. Many immigrants coming to the UK took vacant positions and left the locals no chance of getting employed. This has caused the lower income citizens to support Brexit. As of the 31st of January, the UK has officially left the EU, going into a transition period up until the 31st of December 2020.

Major Parties Involved

USA

As one of the biggest economies of the world, the USA is the largest player in trade wars. The USA has put many taxes and tariffs on many foreign products. The government uses these taxes as a weapon towards other countries. This kind of usage ends up affecting the smoothness of trade internationally.

China

With the great growth of the economy, China became a target and a rival for many superpowers. In 2017, the state has responded to the USA with the same amount of taxes and tariffs. However, this conflict has harmed China more since its economy relies on mostly international companies using its cheap labor. As a part of this new trend many companies relocated their factories to local areas where it started to become cheaper to manufacture in their homeland considering the taxes. These relocations have harmed the Chinese economy.

The UK

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The United Kingdom is one of the most influenced countries in the world from globalization. As it takes great amounts of immigrants, employers are unable to meet the demand and unemployment rates rise. This has influenced the creation of the idea of Brexit. The UK is one of the countries that suffer from EU's monetary burden. This has forced the country to consider exiting the EU. One more reason for the state to consider Brexit was because of the free migration policies within EU. Since EU citizens are allowed to migrate freely, this has caused an over-migration towards the UK causing a rise of unemployment for natives. These chains of events make UK as one of the most significant parties regarding this issue. Since globalization and free trade have put the state a less economically advantageous place, the UK is now following a protectionist policy.

Timeline of Key Events

June 23rd 2016	UK votes in favor of Brexit
July 15th 2016	Theresa May becomes the new Prime Minister backing Brexit
January 17th 2017	Theresa May sets up a plan for Brexit
February 2nd 2017	UK white Paper on Brexit
April 6th 2017	Donald Trump comes with a 100-day plan to resolve trade problems
May 22nd 2017	US and China agree to a trade deal that would give US firms greater access to China's agriculture, energy, and financial markets, while China gains access to sell cooked poultry to the US.
February 7th 2018	U.S. implements "global safeguard tariffs"
March 19th 2018	EU and UK agree on citizens' rights in Brexit negotiations
March 22nd 2018	Donald Trump signs Memorandum
March 23rd 2018	U.S. imposes a 25% tariff on all steel imports
April 2nd 2018	China imposes tariffs 15-25% on 128 products
April 3rd 2018	USTR publishes a list of proposed tariffs worth 50 billion dollars
April 4th 2018	China retaliates with 25% tariff on 106 products worth 50 billion dollars
May 29th 2018	China and U.S. agree to stop the trade war after China agrees on buying more US goods

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February 15th 2019	Theresa May loses a meaningful vote
March 29th 2019	Theresa May loses second meaningful vote
April 10th 2019	Brexit deal gets extended
May 24th 2019	Theresa May announces resignation
July 24th 2019	Boris Johnson becomes new Prime Minister
October 31st 2019	Brexit Day II
January 31st 2020	Brexit day III
December 31st 2020	End of the transitional period

Previous attempts to resolve the issue

There haven't been any significant attempts to solve the issue. Polarization has been going on for several years but there haven't been any proposals to block this trend. A few countries currently in trade wars, having taken certain steps in relieving themselves of their disadvantages, by compromising on several aspects of their wars. Examples include the USA and China reaching a consensus on their joint trade on the 29th of May 2018. Significant undertakings to prevent trade wars from occurring all together are yet to be taken and have not been seen in the past.

Possible Solutions

The world is going in the wrong direction, however, there are always possible solutions. The first thing that should be done is to start from the bottom and understand why this war is happening. At the basis of this conflict lies the bad conditions of the poor and the sharp act of polarization.

The first thing that should be done is to present the fact that the problem of poorer can be solved better with the right policies in a global world. To start, within a global world, the supply chains are more complex and capable. In a global world competence is high and this causes lower prices, helping the poor to have a higher purchasing power. For the last 15 years, we have been living in a global world but we haven't taken advantage of the benefits of it. So, the right thing to do would be coming up with solutions that will promote the idea of a globalized world. This way the states could change their policies without losing any of their voter's support. Secondly, the polarization of the world has led up to these trade inflicted issues. The policies of states have diverged in opposite ways. These policies have caused great harm to global economic stability. Economic trust has faced a downfall leaving many developing countries vulnerable. The fast pace of polarization should be

blocked and the policies of the world should be more on how to globalize the world once again. The best possible solution for this would be to agree upon treaties and trade agreements that will not limit trading between countries, however keeping in mind all the consequences that might occur, including hesitance from each country's own population. This can be made possible by compensating for every party's benefit. To give an example: the trade war between China and USA has been rising in tension without slowing down. However, this war harms both states since both of these states rely on each other. Complex and functional measures could be taken to eliminate problems and maximize both state's expedience.

Appendix/Appendices

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