Forum: Economic and Social Council (ECOSOC)

Issue: Protection of global economic prosperity in view of tariffs on international trade

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Introduction

The pursuit of global economic prosperity is a key objective of the United Nations Economic and Social Council (ECOSOC), particularly in the context of international trade. Tariffs, as instruments of trade policy, have the capacity to exert a dual effect on economic development, both positive and negative. While the implementation of tariffs can serve to protect domestic industries and generate government revenue, it has also been demonstrated that such measures can lead to the emergence of trade tensions, the creation of geopolitical uncertainty, an increase in consumer costs, and a reduction in global market efficiency. ECOSOC, through its inclusive and multilateral framework, seeks to balance these dynamics by promoting dialogue, cooperation, and policy coordination among nations. ECOSOC seeks to foster a global trade environment that contributes to sustainable and inclusive economic growth by addressing the complexities of tariffs in a fair and constructive manner.

Definition of Key Terms

Tariff

Tariffs are taxes imposed by a government on products imported from other countries, which are paid by the importer. States may increase the costs of imported goods to make domestic products more attractive ,protect local industries from foreign competition in between, to raise revenue, to contact trade imbalances. However tariffs often lead to higher prices for consumers and can disrupt supply chains and sometimes harming the industries they aim to protect.

Customs Duties

Another term for tariffs, which are the taxes imposed on imports and exports basically during the transportation of goods. Customs duties help regulate the flow of goods between states and are often used by governments to achieve economic and political objectives, such as protecting local industries or generating revenue for public spending.

Specific Tariff

A specific tariff is a fixed amount charged on a specific quantity of the imported goods, such as $50 per ton of imported wheat. This type of tariff does not depend on the value of the goods but rather on their volume or weight. For example, a specific tariff could be imposed as a fixed amount of $200 per vehicle, regardless of whether the car is worth $10,000 or $50,000.

Most Favored Nation

Most-Favored-Nation is a status granted in international trade agreements. When a country is granted MFN status, it means that it will receive the best possible tariff treatment from another country in trade relations. For example, if a country agrees to impose a 5% tariff on goods from one country under an MFN agreement, it must offer the same rate to other countries with MFN status. MFN ensures that trade barriers are applied equally, fostering equality in trade negotiations.

Trade Barrier

A trade barrier is any government-imposed restriction on international trade. Tariffs are one type of trade barrier, but there are other barriers such as import quotas, subsidies, licensing requirements, and non-tariff barriers like safety standards or customs procedures. The purpose of trade barriers is often to protect domestic industries or promote domestic economic interests.

Background Information

Global Economic Prosperity and the Role of Tariffs

It is widely acknowledged that global economic prosperity relies heavily on the free and efficient exchange of goods, services, capital, and ideas across borders. International trade is widely regarded as a cornerstone of global economic development, with the potential to enable nations to specialise according to their comparative advantage, reduce costs, access a broader range of products, and stimulate innovation. However, it is important to note that tariffs — taxes imposed on imports and sometimes exports — have emerged as both tools of national economic policy and points of friction in the global system. It is fair to say that their use has become more common in recent years, which has led to some concerns about the potential impact on long-term economic stability, trade relations, and global growth.

Understanding Tariffs and Their Intended Purpose

Tariffs are often implemented for several reasons:

- Protecting Domestic Industries: Shield local manufacturers or farmers from international competition.
- Generating Government Revenue: Especially important in developing countries with limited tax infrastructure.
- Correcting Trade Deficits: Governments may use tariffs to reduce imports and improve the balance of payments.
- Retaliation or Negotiation Tool: Deployed during trade disputes or as leverage in international negotiations.

However, these short-term goals often come at a long-term cost to economic integration and prosperity.

The Evolution of Tariffs

This liberalized system underpinned unprecedented global economic growth and poverty reduction between 1990 and 2015. Yet, the 21st century has seen a reversal in some regions, where populist and nationalist movements have reignited tariff use as a domestic policy tool.

In the United States, tariffs played a crucial role from the country's founding. Initially, from about 1790 to 1860 ("revenue period"), tariffs were mainly to raise government revenue, starting around 20% and peaking at 60% before declining again[1]. After the Civil War, from 1861 to 1933 ("restriction period"), tariffs rose to about 50% to protect burgeoning American industries like steel and manufacturing, reflecting the "infant industry" argument promoted by leaders such as Alexander Hamilton. This protectionism helped the U.S. industrialize rapidly, though it came at some economic cost.

The Tariff of 1828 ("Tariff of Abominations") and subsequent tariff conflicts, including the Nullification Crisis, highlight the political tensions tariffs caused between industrial North and agricultural South]. Tariffs were also a major source of federal revenue until the early 20th century, accounting for 50% to 90% of income between 1798 and 1913.

The 1920s and early 1930s saw very high tariffs, culminating in the Smoot-Hawley Tariff Act of 1930, which worsened the Great Depression by triggering retaliatory tariffs and collapsing international trade[2][5]. This marked a turning point, leading to a shift toward trade liberalization starting with the Reciprocal Trade Agreements Act of 1934, which allowed the U.S. president to negotiate tariff reductions[1][5].

From 1934 onward ("reciprocity period"), tariffs steadily declined, and the U.S. became a promoter of global free trade, culminating in multilateral agreements under GATT and the WTO. Today, average U.S. tariffs are low, with only about 30% of imports subject to tariffs, reflecting a broad move away from protectionism.

Macroeconomic Impact of Tariffs

According to UBS, global GDP is expected to be 0.6% lower in 2025–2026 due to increased tariffs — a reduction equivalent to $2.75 trillion in lost economic output. The International Monetary Fund (IMF) and the World Bank have issued multiple warnings that escalating tariffs undermine global cooperation and long-term growth.

Disruption of Global Supply Chains

Modern manufacturing relies heavily on global supply chains. For example, the production of a smartphone may involve raw materials from Africa, microchips from Taiwan, assembly in China, and final sale in the U.S. Tariffs imposed at any point in this chain disrupt operations, delay production, and increase costs.

Companies like Apple and automotive giants such as Ford and Toyota have reported profit losses and increased expenses due to tariff-related disruptions. Many firms have been forced to consider reshoring or diversifying supply chains, which requires time and capital.

Trade Wars and Global Instability

Tariffs often provoke retaliatory actions, sparking trade wars that spiral into prolonged conflicts. Beyond economic costs, trade wars erode diplomatic trust, create volatility in global markets, and increase uncertainty for businesses.The WTO, once a strong arbiter of trade disputes, has faced challenges in resolving conflicts as large economies increasingly resort to unilateral actions. Without robust enforcement mechanisms, the global trade system risks fragmentation.

Consumer Impact and Social Costs

Tariffs typically result in higher prices for imported goods, which are passed on to consumers. For example:U.S. tariffs on washing machines in 2018 led to an average price increase of 12%, costing American consumers over $1.5 billion.Chinese tariffs on U.S. soybeans harmed American farmers, who lost access to one of their largest export markets, leading to government bailouts and increased national debt.

Geopolitical and Developmental Ramifications

Developing nations are particularly vulnerable to trade disruptions. Many rely on exports to developed countries for economic development and employment. When large economies implement protectionist measures, it disproportionately harms smaller economies that lack the leverage to retaliate.Furthermore, trade tensions often bleed into geopolitical rivalries, increasing tensions not only in commerce but also in areas like digital policy, technology regulation, and even military alliances.

Balancing National Interests with Global Prosperity

While tariffs may appear to serve national interests in the short run, their widespread use ultimately undermines the foundations of global economic prosperity. The evidence suggests that tariffs distort markets, disrupt trade flows, slow global growth, and exacerbate inequality. The international community must prioritize dialogue, reform global trade institutions, and explore alternatives to tariffs — such as innovation subsidies and strategic investment — to foster a balanced, sustainable global economy.

Major Countries and Organizations Involved

General Agreement on Tariffs and Trade

The General Agreement on Tariffs and Trade (GATT), signed in 1947, is a multilateral agreement that regulates trade between 153 countries. According to its preamble, the purpose of the GATT is "the substantial reduction of tariffs and other barriers to trade, and the elimination of preferences, on a reciprocal and mutually advantageous basis".

The GATT functioned as a de facto organisation, conducting eight rounds of talks on various trade issues and resolving international trade disputes. The Uruguay Round, which concluded on 15 December 1993 after seven years of negotiations, resulted in an agreement among 117 countries (including the US) to reduce trade barriers and create more comprehensive and enforceable rules for world trade. The resulting agreement, the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, was signed in April 1994. The Uruguay Round Agreement was approved and implemented by the U.S. Congress in December 1994 and came into force on 1 January 1995.

A multi-year multilateral trade negotiation (MTN) between 26 nation-states that were parties to the GATT was known as the Dillon Round. The fifth GATT round took place in Geneva from May 1959 to July 1962. The talks were named after the US Treasury Secretary and former Under Secretary of State, Douglas Dillon, who had first proposed them. Alongside reducing tariffs by over $4.9 billion through approximately 4,400 item-by-item cuts, the talks also yielded discussions relating to the establishment of the European Economic Community (EEC).

The Tokyo Round was a multi-year, multilateral trade negotiation between the 102 states party to the General Agreement on Tariffs and Trade. The negotiations resulted in the reduction of tariffs and introduced new regulations aimed at containing the spread of non-tariff barriers and voluntary export restrictions.

World Trade Organisation

The World Trade Organization (WTO) is an intergovernmental international organization established on January 1, 1995, headquartered in Geneva, Switzerland. It succeeded the General Agreement on Tariffs and Trade (GATT) and serves as the global legal and institutional framework for regulating and facilitating international trade among its 166 members, which represent over 98% of global trade and GDP.

The WTO's main purpose is to ensure that trade flows as smoothly, predictably, and freely as possible. It achieves this by:

- Providing a framework for negotiating and implementing trade agreements that aim to reduce tariffs, quotas, and other trade barriers.
- Administering a system for resolving trade disputes between member countries.
- Monitoring and reviewing national trade policies to ensure transparency and compliance.
- Assisting developing and least-developed countries in adapting to WTO rules through technical cooperation and training.
- Cooperating with other international economic institutions like the International Monetary Fund (IMF) and the World Bank to promote coherence in global economic policymaking.

The WTO has played a significant role in increasing global trade and reducing trade barriers. Its agreements serve as a reference point for most preferential trade agreements worldwide. It also contributes to the United Nations Sustainable Development Goals by promoting trade policies aimed at reducing inequality. However, it faces criticism regarding the unequal distribution of benefits from free trade.
In summary, the WTO is the primary international organization that governs and facilitates global trade by setting rules, resolving disputes, and promoting trade liberalization among its member countries.

The Euopean Economic Community

The European Economic Community (EEC) is a regional organization aiming at the economic integration of its members. It was established in 1957 by the Treaty of Rome. With the establishment of the European Union (EU) in 1993, it was renamed the European Community (EC) and incorporated into the EU. In 2009, it was completely transferred to the EU and ceased to exist.

United States Of America

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The tariff or trade war between China and the US was initiated in 2018, the US imposed tariffs on over $360 billion worth of Chinese goods. China retaliated with tariffs on $110 billion in US exports, notably in agriculture and manufacturing. This standoff disrupted supply chains, lowered investor confidence, and reduced GDP growth in both countries.

> Visual Suggestion:
Bar graph comparing U.S.-China trade volumes before and during the tariff period
Caption: Bilateral trade between the U.S. and China fell sharply during the tariff war, affecting multiple sectors

United Kingdom

Post-Brexit, the UK adopted a temporary tariff regime to protect domestic farmers from foreign competition. These tariffs have reshaped UK-EU trade relations and increased import costs, raising concerns among British retailers and food suppliers.

India

India has implemented import duties on products ranging from electronics to agricultural goods under its "Make in India" initiative. While this supports local industry development, it has drawn criticism for potentially violating WTO commitments and raising costs for consumers.

The European Union

.The European Union (EU) uses tariffs primarily as taxes on imports to protect domestic industries and promote local businesses and jobs. The EU is one of the most open economies globally, with about 72% of its imports entering tariff-free, mainly under the most-favoured nation (MFN) regime or preferential trade agreements like free trade areas and customs unions.

Recently, the EU has been involved in a tariff dispute with the United States. The US imposed tariffs of 25% on EU steel, aluminum, and cars, and 20% on other EU goods, citing trade deficits as justification. In response, the EU initially approved retaliatory tariffs targeting a broad range of American goods but paused these measures to allow for negotiations. The EU has also launched a formal dispute at the World Trade Organization (WTO) challenging the US "reciprocal" tariff strategy as violating WTO rules.

The EU's approach to managing this tariff conflict combines retaliation, negotiation, and pragmatism. It aims to balance protecting its industries while avoiding escalation, maintaining hope for a negotiated resolution to avoid further economic disruption. The EU's centralized trade bureaucracy allows it to respond swiftly and cohesively across its 27 member states.

Economically, studies suggest that while US tariffs could significantly impact US exports to the EU, the effect on EU exports to the US is expected to be smaller but still notable. The EU's trade with the US is substantial, with a trade deficit of nearly $236 billion in 2024, which partly motivates the US tariffs.

In negotiations, the EU has proposed a zero-tariff approach for industrial products on both sides, but the US has shown limited interest in this. The EU also seeks to diversify its trade relations beyond the US, engaging with other global markets to reduce reliance on any single partner.

China

In May 2025, China and the United States agreed to a major tariff rollback as part of a 90-day trade truce. Reciprocal tariffs between the two countries were cut from as high as 125% down to 10% for this period. However, the U.S. maintained a baseline 20% tariff on Chinese goods, meaning the effective final tariff rate on Chinese imports into the U.S. is about 30%. China reciprocated by lowering its tariffs on U.S. goods from 125% to 10% for the same duration.

Alongside tariff reductions, China agreed to suspend or revoke various non-tariff countermeasures imposed since early April 2025. These included export restrictions on rare-earth minerals critical for technology and defense, placing numerous American companies on export control and "unreliable entity" lists, and launching an anti-monopoly investigation into DuPont's Chinese subsidiary.

The trade tensions had significantly impacted China's economy, with a sharp decline in exports to the U.S. and the fastest drop in Chinese factory activity in 16 months as of April 2025. The tariff rollback is seen as a "best case scenario" from recent negotiations and a preliminary step toward broader trade talks, although major issues remain unresolved.

Additionally, the U.S. eased tariffs on low-value Chinese imports (de minimis shipments), which had been raised to punitive levels earlier in 2025, helping reduce costs for e-commerce and consumers.

This 90-day tariff reduction is temporary, with the possibility of tariffs reverting if no further agreement is reached. The deal also established mechanisms for ongoing bilateral discussions to address trade and economic relations..

Timeline of Events

Date	Event
1947 October	**23 countries sign the General Agreement on Tariffs and Trade**

<table>
<tr><td></td><td>(GATT) in Geneva, Switzerland, initiating multilateral tariff negotiations</td></tr>
<tr><td>1948-1956</td><td>The early GATT rounds reduce tariffs by about 25-36%, with the Annecy (1949), Torquay (1950), and Geneva (1955-56) rounds achieving significant tariff concessions.</td></tr>
<tr><td>1960- 1962</td><td>Dillon Round yields tariff concessions worth $4.9 billion of world trade, involving creation of the European Economic Community. |
| **1964-67** | Kennedy Round achieves tariff cuts worth $40 billion, further reducing tariffs globally.</td></tr>
<tr><td>1973-79</td><td>Tokyo Round introduces tariff cuts and begins addressing non-tariff barriers like subsidies and import licensing, reducing tariffs by about 33%.</td></tr>
<tr><td>1986-1994</td><td>Uruguay Round results in average tariff reductions of 38%, includes ‘tariffication’ of agricultural barriers, and leads to creation of WTO in 1995.</td></tr>
<tr><td>1995</td><td>World Trade Organisation establishment.</td></tr>
<tr><td>1996-2021</td><td>Average WTO member tariffs fall by 44% (simple average) and 47% (trade-weighted), with preferential</td></tr>
</table>

	tariffs and RTAs driving effective tariff rates down from 6.8% to 2.5%.
2004 August	**Geneva talks achieve framework agreement on opening global trade; US and EU agree to reduce agricultural subsidies.**
2005 March- November	**WTO rules US cotton subsidies illegal; membership talks with Iran begin; Saudi Arabia approved as member.**
Early 2025	**U.S. imposes sweeping tariffs: 10% on all imports, 25% on steel, aluminum, autos; reciprocal tariffs on 57 countries including China (34%) and EU (20%). China retaliates with matching tariffs and export controls.**
May 12 2025	**U.S. and China agree to a 90-day truce reducing reciprocal tariffs from up to 125% to 10%, temporarily easing trade tensions.**

Relevant UN Resolutions and Other Documents

General Agreement on Tariffs and Trade (GATT) 1947

The foundational multilateral treaty aimed at reducing tariffs and other trade barriers to promote international trade liberalization. GATT establishes principles such as Most-Favored-Nation (MFN) treatment and national treatment, prohibits discriminatory tariffs, and allows safeguard measures under specific conditions. It laid the groundwork for the World Trade Organization (WTO).

United Nations General Assembly Resolution 3281 (XXIX) (1974)
This resolution encourages developed countries to extend and improve the system of generalized non-reciprocal and non-discriminatory tariff preferences to developing countries, promoting equitable trade opportunities.
Adopted: December 12, 1974
[Resolution text (PDF)]

UNCITRAL Model Provisions on Mediation and Guidelines on International Investment Disputes (2023)
Adopted by the United Nations Commission on International Trade Law (UNCITRAL), these texts provide frameworks for mediation and dispute resolution in international trade and investment, which are relevant for resolving tariff-related trade disputes.
Adopted: July 25, 2023
UNCITRAL press release

Previous Attempts to Solve the Issue

The World Trade Organization (WTO) Dispute Settlement Mechanism (1994)

The central objective of the WTO Dispute Settlement Mechanism was to settle potential trade disputes between WTO members where a member country implements a trade policy or action that is considered a breach of the WTO agreements signed by members. The agreement was a way to provide compliance and security to the multilateral trading system. In the case of a dispute, the settlement process involved the two member countries and a third party to the case, with the involvement of the Dispute Settlement Bodies. However, due to the opposition of judges' appointments the Appellate Body faced from the United States in 2019, the body has essentially been non-functional.

North American Free Trade Agreement (NAFTA) (1992)

A trade pact that created a free-trade ring among the three largest countries of North America. The pact gradually eliminated most tariffs between the US, Canada, and Mexico. Products imported from other NAFTA countries were given the status of "National goods". Imposing taxes or tariffs on these products was banned for any state, local, or provincial government. While Mexico experienced a great increase in it's exports from about $60 billion in 1994 to nearly $400 billion by 2013 which was also accompanied by an explosion of imports, critics of the agreement argue that the promise of balanced trade and increased U.S. exports was not fully realized which lead to an increased trade deficit, and the Investor-State Dispute Settlement (ISDS) system that made possible for foreign companies to sue governments for policies being seen as a threat to national soveirnigty eventually leading to it being eplaced by the USMCA (United States–Mexico–Canada Agreement) in 2020.

Autonomous Trade Measures (ATMs) for Ukraine (2022)

Enacted by the European Union to provide emergency relief to Ukraine in maintaining export income during the ongoing Russia-Ukraine conflict. These measures provide the suspension of all import duties, quotas, and trade defense measures on Ukrainian exports to the EU and provide full trade liberalisation for Ukraine. The measures are currently temporary; however, they have faced renewals that include several safeguards to protect the EU market since they first entered force in 2022. Ukraine was able to maintain key exports that boosted export revenue. However, EU stakeholders criticised the extension of ATM,s arguing that it may distort internal market competition.

Possible Solutions

The issue of addressing and protecting global economic prosperity in view of tariffs on international trade is one that requires a multifaceted approach. For the early detection of potentially harmful tariff implementations, the development of early warning systems and monitoring tools, such as yearly published impact reports, can allow a quick response to potentially dangerous situations. Implementing confidence-building measures through forums such as the Group of Twenty (G20) to reduce economic fallout and trade tensions. Targeted tariff relief mechanisms could be implemented temporarily during a global crisis or conflict to provide secure supply chains. The encouragement of rule-based trade could be provided through modernizing reforms to the WTO. Incorporating digital trade provisions in trade agreements can help ensure free and secure data flows and benefit from the digital economy. Domestic adjustment programs that ensure government support for affected businesses and workers could be placed to mitigate the negative effects of tariffs on a country.

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