

Study Guide HS2018: Reshaping Global Trade

Ferdinand Baune

* E-mail: content@ethmun.org

1 Introduction and Executive Summary

In this semester's sessions ETHMUN will simulate a WTO committee to assess, discuss and resolve the recent challenges in trade politics. On the respective committee we find a selection of the world's most relevant economic unions and markets, which all have joined these trade games. Throughout the semester we will engage in a range of issues from the continuous tariffs that several of the world's most powerful markets engaged in to more regional issues, such as disagreements within NAFTA or China's new silk road.

This Study Guide will briefly explain the World Trade Organisation (WTO) and look at trade wars, trade mechanics and impacts. Further, it gives a brief introduction to Model UN and explain the changes in procedure for this semester's sessions.

2 The WTO [1]

As the only multilateral organization dealing with the rules of trade between nations, the World Trade Organization (WTO) is the forum of choice for tackling issues of trade, tariffs and taxes on a global scale. When created in 1995, the WTO became the first global organisation to not only cover trade in goods, but also services and intellectual property. As the WTO grew, negotiations were extended to various industries, from agriculture to telecommunications. Today, there is almost no field of trade, that has not been covered by a WTO regulation.

International trade under WTO rule is governed by WTO agreements, which are negotiated, signed and ratified by the WTO member states and their respective governments/parliaments. The WTO promotes frictionless, predictable and free trade, based on simple, fundamental principles as the foundation of a multilateral trading system. If achieved, this should leave both consumers and producers with certainty, raising the trust in the economic system and thereby promoting growth and prosperity.

Trade disputes can be settled by the WTO Dispute Settlement Understanding. If a country sees an agreement violation or other mistreatment, it may bring the case to the WTO, which then sees to reinstate order: The system first encourages countries to settle their differences through consultation. Failing that, they can follow a carefully mapped out, stage-by-stage procedure that includes the possibility of a ruling by a panel of experts, and the chance to appeal the ruling on legal grounds.

Ultimately, though, the WTO can only serve as a public forum and mediating platform; it cannot enforce its rulings on member states.

It is important to note, that not all countries are equally represented on the WTO General Council. For instance, while all EU member states are also WTO members, they are represented by the EU as a whole. This is due to the EU's single market, which allows member states to only decide en bloc on issues of customs and tariffs. Other countries, such as Iran, that are not yet members of the WTO, may have been granted an observer status. This allows them

to actively join the debate, but does not grant them a vote on the council.

3 How to Win a Trade War

During the past year, the words *trade war* have been all over the news. In recent months, with constant agitations and retaliations between the Trump Administration and their trade adversaries, these attention-grabbing headlines turned more and more into a reality. Generally speaking, a trade war is inflicted not by matters of security or over territorial disputes, but by economic differences and trade disagreements. One country disagrees with another's trade policy, which could be too protective (neglecting free trade and creating trade barriers) or because the adversary's exported goods are threatening the country's own economy. If the conflict is not resolved through negotiations and cannot be settled under WTO legislation, it may escalate into a trade war. The weapons in a trade war are the tariffs and trade barriers set up by conflicting parties. Similar to a military action, imposing tariffs on imported goods from the other nation may put economic pressure on that nation. These tariffs come at a cost, though: Consequentially, the targeted nations will apply retaliative measures, leading to a spiral of tariffs.

As almost no country is able to live in subsidiarity, foreign trade is crucial to every economic strategy. An economy's relationship with its trade partners is called the balance of trade. It accounts for exported and imported goods and services of a country's economy in a certain amount of time, hence showing, whether more money is leaving the country or is gained by it. In general, one cannot say, whether a trade deficit or surplus is good or bad. However, some issues may arise, if a trade relationship is overwhelmingly unbalanced: Trade deficits can lead to foreign exchange shortages and trade imbalances can turn into financial imbalances. A continuous trade surplus, on the other hand, may be just as bad.

While countries like China or Germany consider trade as a win-win, where the total amount benefits both partners, others, such as Russia or the current US administration, believe trade to be a zero-sum game, where a surplus means enrichment on the expense of a trade partner.

Trade wars can have long-term effects, playing not only into the minds of businesses assessing investment strategies, but also into the hearts of people. A recently resurfaced example is the 1960's *Chicken War* (see [4]), where a German import-tariff on frozen chicken led to retaliative tariffs affecting various other industries. The tariffs culminated in the promotion of American-made pick-up trucks, which are still US-top-sellers today. [3]

There is no obvious or simple solution to a trade war, as the involved parties are usually gridlocked and unwilling to give in. The trade can only be resolved by either one party giving in, usually because the damage to the parties economy has become too severe, or by both parties returning to the negotiating table, perhaps under new leadership, and resolving the situation to everyone's benefit. Only the first case offers a clear and obvious winner, at least in the short term.

4 Rules of Procedure (RoP) and Modus Operandi

General Introduction to Model UN Debate

Model United Nations (MUN) is a simulation of the United Nations (or of any other political body, for that matter). By multilateral approaches, the participants debate and tackle various global issues from the perspective of a delegate representing a country/party/person of the respective body. In MUN, as in the *real* United Nations, a committee is headed by a chairperson, that directs the formal debate by granting delegates the right to speak, allowing delegates to raise motions and conducting the voting procedures.

Once in session, the flow of debate is controlled by the General Speaker's List (GSL). It is a List of countries wishing to speak, kept and controlled by the chair. The GSL is the core of every debate, if it runs out, the debate ends.

If delegates wish to further tackle an issue and an actual exchange of ideas, it is possible by deviating from the GSL into a *moderated* or *unmoderated caucus*. A moderated caucus is short (roughly 5 to 20 min) disruption of the GSL, during which countries get the chance for a quicker exchange. For that, a new speaker's list is opened. An unmoderated caucus may take up to roughly 30 min and delegates get the chance to move around freely and talk to each other. These unmoderated sections are the chance to find allies, negotiate and formalize (i.e. write down as a working paper) the results of the debate. Once a caucus has elapsed, formal debate is resumed and the committee return to the GSL.

The goal of every debate should always be a written document. In classic MUN, as well as the United Nations, this would be a resolution. These formal documents have a clear structure and distinct choice of words, that takes a while to learn and to adapt. The process of creating a resolution, however, always begins with a simple draft of ideas, that doesn't require any formalities. If a draft is sufficient enough to be accepted by the chair, it becomes a working paper, which is properly introduced to everyone and can then be subject of debate. If it requires changes or other delegates wish to put in their (sometimes hostile) ideas, amendments can be introduced.

Debate ends, once the GSL has elapsed or a motion has been passed to directly go into voting procedure. In voting procedure, the committee votes on every amendment and every draft resolution (i.e. working paper, fit to be voted upon, chair will make sure of that) until at least one resolution is adopted.

This very brief introduction into Model UN throws around a lot of notions and terms, that cannot be fully explained here. If something has been left unclear or you wish to further read into the matter, please refer to Reference [5], the ETHMUN Rules of Procedure or simply ask an MUN Veteran. Feel free to contact me at ferdi@ethmun.org.

New Debate Mode: Single Cabinet Crisis

In HS2018, we will try to fuse the tension and excitement of a crisis with the somewhat *classic* MUN experience, i.e. committee-based debate. In this MUN-hybrid, a chaired debate will be held on the floor, just as in any other committee. While in *classic* MUN, this debate would culminate in a resolution (or any similar written document), here delegates will have the opportunity to submit *directives* and negotiate bi- or multilateral agreements. Progress therefore relies less on consensus and more on compromises. Delegates are encouraged to use the time during the week to communicate with other delegations; back-channeling will be considered an integral part of negotiations.

RoP Changes for HS2018

As mentioned in Section 4, the main change to the Rules of Procedure will be the introduction of directives and the dismissal of resolutions. Compared to resolutions, directives are meant to be passed at any point of the debate, so that the consequences of a delegates actions may be subject of the continuing debate.

Country Directives can be used by a single country or a number of countries to address an issue of trade. They can range from import tariffs by single countries to complete embargos by a coalition of like-minded states. All economic powers may be exceeded to their fullest extent, the more creative, the better.

Council Directives may be used to manifest the debate progress or to make a united effort. They are more similar to resolutions, since they need a council majority. Contrary to resolutions, however, they are only binding to those who approve them and non-binding for all others. This should provide us with interesting showdowns and simultaneously provide written results of debate progress.

Bilateral/multilateral **Trade Agreements** may be passed as Country Directives, since they only concern the involved parties. As there will be no single delegations, negotiations may be held outside of the committee. Unilateral Agreements, that should become part of the WTO legislation, must be passed as a Council Directive.

*For detailed insights into the RoP changes and more info on the directives mentioned above, please read the **WTO Special Rules**, which you can find attached to this document.*

5 References

- 1 The World Trade Organisation: 'The World Trade Organisation ... in brief'
https://www.wto.org/english/res_e/download_e/inbr_e.pdf
- 2 The World Trade Organisation: 'Understanding the WTO: Settling Disputes - A unique contribution',
https://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm
- 3 'How To Win A Trade War', R. Dottle, O. Roeder, J. Wolfe, *FiveThirtyEight*, 28.03.2018
<https://fivethirtyeight.com/features/how-to-win-a-trade-war/>
- 4 'A 1960s 'Chicken War' reveals the driving force behind the boom of American pickup trucks', A. Oyedele, 22.06.2018
<https://www.businessinsider.de/american-trucks-chicken-tax-explains-domination-2018-6>
- 5 bestdelegate.com: 'MUN Made Easy: How to Get Started with Model United Nations'
<http://bestdelegate.com/mun-made-easy-how-to-get-started-with-model-united-nations/>

Appendix

- A.1 *ETHMUN Rules of Procedure*
- A.2 *HS2018 Sessions Special Rules*