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Discussing Trade Protectionism with a Special Emphasis on Anti-Dumping Regulations

President:

Jude Arabiat

Chair(s):

Noor Al Wir

Hashem Hatamleh

Preface

Trade protectionism is a determined and quantifiable policy decided by a nation to control its imports while promoting exports. This is done with the intention of putting its own economies above other economies. It protects domestic industries form unfair trade. The four primary tools used in trade protectionism are tariffs, subsidies, quotas, and currency manipulation. Anti-dumping duties are often imposed when a foreign company sells a good for a lot less than it costs to make it. Anti-dumping duties may result in higher pricing for domestic customers even though their primary goal is to protect domestic jobs.

Introduction of Key Terms

Tariffs: A tariff is a tax imposed by the government of a country or by a supranational union on imports or exports of goods.

Subsidies: Money given by a government or an organization to reduce the cost of producing food, a product, etc. and to help to keep prices low.

Quotas: A fixed share that a group of people are meant to receive or share.

Currency manipulation: Currency manipulation is one-way countries can shift patterns of trade in their favor. By buying foreign currency in the market, a country can artificially change the price of its imports and its exports.

Domestic trade: Trade within one nation.

Imports: goods coming into a country.

Exports: goods being shipped to out of the country.

General Overview

Protectionism is a form of government policy that was originally put into place in 1816 with the intention of assisting domestic businesses with their trade. Protectionist measures are put in place to boost domestic economic activity, but they can also be taken due to safety or quality concerns.

Although protectionist measures are often directed towards imports, they can also cover other aspects of global commerce, such as government subsidies and product standards. Local businesses are frequently given subsidies by governments to help them compete on the international market. Direct payments or tax credits are both examples of subsidies. Farms receive some of the most popular subsidies, which enables farmers to reduce the cost of the food they produce. As a result, the products are more reasonably priced for the consumer while still generating a profit for the manufacturer.

Subsidies can occasionally become problematic. The Agricultural Adjustment Act of 1933, for instance, permitted the government to pay farmers to stop raising livestock or crops. 5 The goal of the government was to limit supply while raising prices. The benefits of protectionism are hotly contested.

In the long run, critics contend that protectionism frequently causes harm to the people and entities it is meant to defend by decreasing economic growth and escalating price inflation, rendering free trade a preferable alternative. Protectionism's proponents contend that its policies may boost GDP, generate jobs domestically, protect domestic indutries from unfair global competition, and improve a country's economic standing abroad. As mentioned before, there are 4 types of protectionist tools are tariffs, subsidies, quotas, and currency manipulation. Tariffs are import taxes that are applied item-by-item, increasing the cost of goods for the importer and passing those costs along to the final consumer. Import tariffs at peril points target a particular sector. Tariffs may raise the cost of materials, which increases the price of goods using those inputs and reduces private sector output. This would result in lower incomes for both owners of capital and workers.

Quotas are used to restrict an exporter's ability to provide an importer with a certain quantity of a specific product. This is often a less extreme course of action that has a small impact on prices and raises demand for domestic companies to fill the gap. Quotas may also be implemented to stop dumping, which happens when foreign companies export goods for less than it costs to make them. The harshest kind of quota is an embargo, which fully forbids the importing of the products that are subject to it. Subsidies are cash payments that businesses receive. Indirect subsidies take the form of unique savings, like tax cuts and interest-free loans. Currency manipulation is a strategy to artificially devalue their currencies, which lowers the price of their products and gives them an unfair competitive advantage. Government authorities may decide to offer direct or indirect subsidies in the areas of production, employment, tax, property, and other things when considering subsidies.

Trade protectionism aims to benefit economies by improving their activity and encouraging domestic growth, but there are also quality concerns and supply chain issues. In the long-term, protectionism is bad for the economy. It makes buyers and businesses pay more money for their goods in attempts to support the domestic businesses. Even though it can protect jobs in the short term, allowing cheaper imports in would serve the economy better. Although this may temporarily destroy some jobs, increse poverty and inequality consumers benefit from lower prices.

Antidumping laws are an attempt to prevent products made overseas from being sold by foreign firms in the USA at a lower price that it costed to make. If so, the product must be dumped.

The EU has the following rules for anti-dumping regulations:

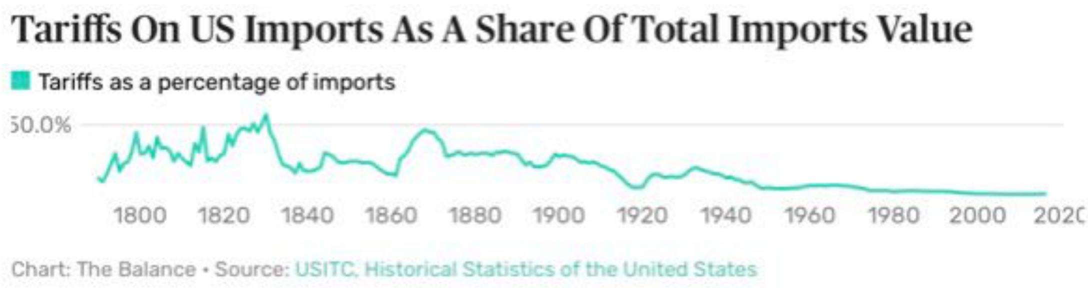
· the imports must be dumped — if a product’s export price to the EU is less than its normal value*; · there must be material injury* to the EU industry producing the like product*;

· there must be a causal link between the dumped imports and the material injury; and · the anti-dumping measure* must not be against the EU interest — the measures should not cause more harm to its overall economy than the relief brought to the industry suffering from the imports.

Stances on trade and protectionism:

United States of America:

Antidumping regulations are perplexing and arbitrary, allowing American corporations to collect harsh duties against competitor imports where no unfair trade practices are engaged. Worse, these rules raise the costs of imported components utilized by other American businesses, reducing their competitiveness in global marketplaces. As a result, American consumers pay more for imported and domestically produced goods, and American employees have fewer job possibilities in less competitive American enterprises. The Bush Administration should seek congressional cooperation to prevent detrimental dumping findings that artificially boost the pricing of specific imports in order to promote free trade and thereby provide consumers with full access to the items they desire. It should, in particular: Seek agreement in the current Uruguay Round of GATT discussions on a multilateral phase-out of antidumping rules in exchange for stronger limitations on government subsidies to businesses. Commission a study of the harm caused by antidumping legislation to American businesses and consumers. Propose interim legislation that embraces the Antidumping Act of 1916's original objective. Dumping happens when "... a thing is sold for less than its 'fair worth,' often meaning it is exported for less than it is sold in the local market or third country markets, or it is sold for less than manufacturing cost," according to the US Department of Commerce. Trade protectionism and specifically anti-dumping can be resolved/overcome easily when the right plan is placed, our goal is to guide our delegates to the straight path in which they can find practical solutions for these issues, and as guidance delegates may use the following questions to find solutions: How can anti-dumping regulations be placed strictly and firmly to assure legal trade within? How can the law stop the manipulation in trade prices between foreign countries? How can trade protectionism be implied while keeping order in state?



Haiti:

In Haiti, companies frequently provide their own supplies due to a lack of dependable security, electricity, gasoline, and water. Armed gangs routinely interrupt commercial transportation routes, resulting in considerable revenue losses, shrinking profit margins, and hefty overhead expenses. Many firms reported complex and sluggish customs clearance processes in 2021, resulting in extended delays for imported items. Companies frequently hire a local agent to help with the process. Corruption frequently has an impact on commercial activities. Laws are applied inconsistently, and the court system is cumbersome. As a result, businesses frequently require the services of a local legal counsel. The following are the most prevalent issues stated by international investors: Insecurity, criminality, and gang violence; political insecurity, Road closures, Fuel scarcity, Strikes at government offices on a regular basis, Foreign currency exchange is unavailable, Corruption is widespread, Transparency is lacking in government tender procedures, Unreliable grid electricity and expensive onsite electricity generating costs, Haiti's weak infrastructure, including a lack of internet access, Credit is difficult to obtain due to the lack of a national credit bureau, and

Land conflicts are common, owing in part to a lack of functional cadastral and civil records, as well as ineffective civil dispute settlement. Given the difficult business climate and despite investment-friendly legislation, Haiti receives relatively low amounts of Foreign Direct Investment (FDI). According to the United Nations Conference on Trade and Development (UNCTAD), it has lately increased by more than 100 percent, from $23 million in 2020 to $50 million in 2021. In March 2021, the Haitian government terminated a pre-shipment inspection and customs valuation agreement with Société Générale de Surveillance (SGS) that had been in effect since May 5, 2003. The government of Haiti and SGS agreed that all imports with a Free on Board (FOB) value of at least $3,000 must be examined by SGS. The General Customs Administration (AGD) and the Ministry of Commerce are now in charge of inspection at Haitian entrance ports. It is unknown whether the Haitian government will renew its contract with SGS.

The SGS office in Port-au-Prince remains closed as of June 2022. A September 2020 initiative to test the compatibility of Haitian imports has also been halted until further notice. In May 2021, the Ministry of Commerce announced new regulations aimed at controlling imports and marketing in Haiti. Importers must submit a "digitized import notice" form, which is available on the General Customs Administration's "automated customs system" platform, along with permissions and authorization from appropriate ministries such as Health, Public Works, and Agriculture, among other documents. Before sending cargo to Haiti, all imports must have adequate documentation, including the Declaration Prior to Import (DPI) and the original Certificate of Verification (AV). A DPI is not required for used product exports, regardless of value.

Japan:

While tariffs are typically low in Japan, there are several non-tariff obstacles that may have an influence on economic activity by obstructing or delaying the entry of foreign items into Japan. Even though competition, U.S. and other foreign government pressure, and other factors have diminished the impact of these obstructions, U.S. corporations may still face non-tariff barriers in the following areas: Japan-specific standards (formal, informal, de facto, or otherwise); Some sectors or initiatives require corporations to establish existing expertise in Japan, thus ruling out new competitors. Official restrictions that promote domestically produced goods while discriminating against imported goods, Industry associations with restricted membership, substantial market impact, and the capacity to control information and operate without scrutiny have licensing powers. Crossholding and interconnected commercial interests among Japanese firms that disadvantage suppliers outside the typical business group, Cartel organizations (both formal and informal); and Personal ties are culturally important in Japan, therefore there is a reluctance to dissolve or adjust professional partnerships. Tariffs are administered by the Customs and Tariff Bureau of Japan's Ministry of Finance. Japan's average tariff rate is one of the lowest in the world. According to WTO statistics, the simple average applicable Most Favored Nation (MFN) tariff for Japan is as follows: 4.3% of all goods, Agriculture — 15.5%, 2.5% non-agricultural. Unless a lower Temporary Rate exists, US products are subject to the WTO rate (e.g., U.S.- Japan Trade Agreement, phase 1). Japan applies tariff taxes at ad valorem (based on the value of the goods) or specific rates, and in a few cases, both. Japan's preferential tariff regime provides lower or duty-free prices for commodities imported from developing countries.

China:

When one hears the phrase "protectionist trade policy," one immediately thinks of "America First" or the Sino-American trade war. However, the EU frequently employs trade defense mechanisms, particularly against China. The European Council decided in June 2021 on a mandate to begin discussions on an international procurement instrument to preserve European procurement markets. In 2019, 51% (61 instances) of all EU antidumping (AD) duties in place - the most utilized trade defense tool - were aimed against China. Because of its non-market economy status, China has long been regarded differently than other nations in the EU's AD legislation (NMES). In a nutshell, the importing nation assigns market economy status (MES) to the exporting country, which dictates how AD duties are computed. Exporters in MES nations are subject to firm-specific duties, whereas AD taxes imposed on NMES countries are frequently uniform across all exporting enterprises and, on average, greater than those imposed on MES exporters. The EU formally abandoned the NMES idea in 2017, but the US continues to regard China as a non-market economy. The literature has almost totally neglected the function of MES in the efficiency of AD tasks.

Brazil:

Latin America has historically supported the "infant industry" argument for protectionism, which claims that tariffs encourage the rise of national champions who would otherwise be crushed by international competition. Protectionist policies aided in the construction of most of contemporary Brazil. Since the 1950s, trade obstacles and government incentives have been utilized to compel major automakers such as Volkswagen, Ford, Fiat, and Mercedes to establish plants in the nation. Many uncompetitive businesses, ranging from textiles to computers, were able to thrive because of trade laws that made foreign goods prohibitively expensive to import. Brazil did not begin to open to the rest of the globe until the early 1990s, although protectionism remains an essential factor in driving international players to produce locally. Brazilian industry still relies heavily on trade barriers and subsidies to protect its national industry. Last year the WTO ruled against the country's car industry policy, known as Inovar-Auto, which has dished out almost $8bn in incentives to local producers since 2010. Jobs are a central part of the strategy: many subsidies and tax breaks were issued in 2014 to protect jobs at a time when the country was slipping into a damaging recession. Could historically protected economies such as Brazil gain if other countries apply greater tariffs and continue to fight trade wars? Ironically, the rise of protectionism comes at a time when Brazil is attempting to open its economy and has just sought to join the OECD (Organization for Economic Co-operation and Development), a club of wealthy nations. The application is part of the Brazilian government's effort to attract more foreign investment and transform the economy into a more market-driven one. According to an OECD analysis released earlier this year, unlocking Brazil's full economic potential, and eliminating inequality would necessitate more cuts in government spending as well as increased trade and investment. Meanwhile, the trade war between China and the United States is unlikely to aid with the liberalization of trade policy in South America. Those who support free trade in Brazil, a G20 member, argue that the struggle comes at an inopportune time for an economy still battling to emerge from recession.

Pros and Cons of Trade Protectionism:

Advantages:

Tariffs shield a country's new industries from foreign competition: Tariffs shield a country's new industries from foreign competition. This gives companies in the new industry time to develop competitive advantages.

Temporarily creates jobs for domestic workers: Tariff, quota, or subsidy protection allows domestic firms to hire locally. This advantage expires when other countries retaliate by instituting protectionist policies of their own.

Disadvantages:

Companies with no competition lose quality: Trade protectionism weakens industry in the long run. Companies do not need to innovate if there is no competition. Domestic products will eventually degrade in quality and become more expensive than those produced by foreign competitors.

Job outsourcing is a result of the United States' declining competitiveness. This is especially true in high-tech, engineering, and science. Increased trade creates new markets for businesses to sell their wares. According to the Peterson Institute for International Economics, eliminating all trade barriers would increase US income by $500 billion.

Suggested Solutions

Increased production due to specialization is one way to alleviate the scarcity problem. When productive resources concentrate on a narrow range of tasks or the production of a limited variety of goods and services, specialization occurs. The concept applies to all production factors, but it is most associated with individuals and locations. Specialization allows for higher levels of production than would otherwise be possible. Concentrating on one productive activity allows a resource to be used more efficiently — and greater efficiency results in more output without increasing costs. However, specialization is dependent on the ability to sell what one produces and purchase what one requires from someone else, or on the ability to trade. Access to appropriate markets where trade can take place is thus a requirement for specialization. International specialization occurs when countries focus their productive efforts on the goods and services they are best at producing and trade for the goods and services that are most expensive to produce. A low-wage country may specialize in producing goods that require substantial labor inputs; a country with good agricultural resources may concentrate on growing crops or livestock; and a country with technologically advanced equipment and production methods may use these to its advantage. When each country focuses on what it does better than other countries, international specialization raises total output and reduces scarcity on a global scale. Division of labor and specialization, followed by exchange, result in increased output of everything, and the same holds true for international trade.

Guiding Questions

1. What are your country's regulations on trade protectionism?

2. What are your country's regulations on anti-dumping?

3. How can anti-dumping regulations be placed strictly and firmly to assure legal trade within?

4. How can the law stop the manipulation in trade prices between foreign countries?

5. How can trade protectionism be implied while keeping order in state?

6. What is your country's stance on trade protectionsim in general?

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