Forum: General Assembly 2

Issue: The issue of protectionism and its effects on the global economy

Student Officer: Charlotte Chen & Ashley Tan

Position: Chair (Charlotte Chen)
Deputy Chair (Ashley Tan)

Introduction

Protectionism has gained increasing prevalence in the past few years, with major economic powers imposing greater tariffs and trade restrictions. Notably, in April 2025, the Trump Administration announced a sweeping round of tariffs, including a 10% tariff on all goods imported to the US and a 125% tariff on China. Similarly, other countries such as Brazil, Japan, and the EU had also followed the trend in increasing tariffs on foreign goods. These tariffs are a response to increasing global competition that may potentially hinder the development of domestic industries in countries. This shift toward protection is a sign of regression toward the progress of globalization over the last few decades. The result on the global economy may be devastating, as international trade is a fundamental pillar of the global economy and has increased worldwide income by 24% since 1990.

Globalization and growth have been profoundly affected by protectionism. While countries implement protectionism in the hope of protecting their domestic industries and consumers, the results often show the opposite: indicated in inflated prices, reduced consumer choices, and even an estimated GDP loss of 5 percent. In many cases, the complex supply chain that has been developed over decades cannot be easily replaced, particularly for those industries that rely heavily on specialized inputs or global networks. Over time, protectionism may reduce efficiency by protecting less competitive firms, dislocating resources, and discouraging innovation due to the lack of competitors.

Definition of Key Terms

Protectionism

Protectionism refers to the economic policy of restricting imports through tariffs, quotas, or regulations with the aim of protecting domestic industries from foreign competition.

Free Trade

Free trade is the opposite of protectionism. It refers to a policy that allows goods and services to move across borders without restrictions such as tariffs or quotas.

Tariff

A tariff refers to a tax placed on imported goods, making them more expensive compared to domestic goods. This is one of the most common protectionist tools.

Subsidy

A subsidy refers to financial support provided by governments to domestic industries. This essentially allows them to make their goods cheaper and more competitive against imports.

Retaliatory tariffs

Retaliatory tariffs refers to a tax that a government charges on imports to punish another country for charging tax on its own imports.

Trade War

A trade war means a cycle of retaliatory tariffs and trade barriers between countries, an example of which includes the recent trade dispute between China and the United States. This often escalates economic tensions and disrupts global trade.

Background Information

Historical Background of Protectionism

Mercantilism and Early Trade Restrictions

During the 16th to 18th century, the dominant European trade policy is mercantilism, where countries believe that wealth equals to power, hence, exports should exceed imports to ensure that the wealth stays within the country. To carry out mercantilism, European nations carried out heavy tariffs on imported goods from foreign countries, restrictions on colonies trading with other nations, and provided subsidies to promote domestic industries and monopoly (like the East India Company)

20th-Century Shifts

In 1930, the US enacted the Smoot-Hawley Tariff act, which raised tariffs on more than 20,000 imported goods. As a result, countries all around the world responded with retaliatory tariffs, which caused global trade to fall for about 40%. Consequently, many countries that relied on exports had their source of demand cut off. However, after the second world war, several organizations and treaties were created such as the General Agreement on Tarrifs and Trade (GATT) and World Trade Organization(WTO) which aimed to prevent tariff wars through promoting free trade. Although tariffs generally lowered accordingly, barriers like quotas, subsidies, and regulations still remained.

Theories and Rationale Behind Protectionism

Economic Justification

Some of the economic reasons behind imposing protectionist policies are to develop new domestic industries until they can compete on a global level, to prevent domestic workers from losing their jobs to cheaper imports, and to protect vital sectors in a country such as energy, agriculture, and defense technology. Protectionism is also used when governments deemed that they are too reliant on a country for a specific sector, and hence, needs to protect its domestic sector so that the country can become more reliant in the future in case some conflicts happen.

Political Justification

Sometimes, restrictions are imposed as a way to protect sensitive goods like semiconductors or military technologies. This happens when governments deem that a sector is way too important for a country to be relying on others, especially if tension rises. By restricting imports, governments try to keep control of these goods. For example, the US banned sales of advanced semiconductor and chip-making equipment to China, arguing that they can be used for military purposes.

Major Countries and Organisations Involved

United States

The United States frequently employs tariffs to protect domestic industries and jobs from foreign competition. During Trump's trade war with China from 2018 to 2020, industries such as steel, aluminum, agriculture, and technology faced trade protectionism. Recently, electric vehicles, semiconductors, and green tech imports have experienced increased tariffs.

China

In China, they impose tariffs to protect key industries such as steel, manufacturing, rare earth minerals, and technology. They use subsidies, which are used to keep the price of an industry low, to support domestic companies such as Huawei and EV makers. Due to China's recent trade disputes with the United States, the nation has imposed retaliatory tariffs.

India

India uses high tariffs to protect its agriculture and manufacturing sectors. Additionally, they implemented "Make in India" and "Atmanirbhar Bharat" policies to encourage domestic production. They frequently restrict imports of electronics, textiles, and food products.

European Union (EU)

The European Union protects agriculture through the use of tariffs and regulatory barriers. They have engaged in disputes with the U.S and China over tech, aircraft, and green energy. Recently, they have imposed tariffs on Chinese electric vehicles due to so-called unfair subsidies.

World Trade Organization (WTO)

The world trade organization was established in 1995, the only global organization that sets and enforces rules for international trade between nations. It aimed to ensure trade flows smoothly, freely, and predictably.

Viable Solutions

Strengthening Multilateral Trade Systems

One solution to the issue is to modernize the World Trade Organization to handle current trade conflicts more effectively. This could include restoring its dispute settlement system, adding rules on digital trade, and tightening oversight of subsidies. Though it requires major countries to agree, by strengthening the already existing trade oversight system, trade wars overall could be reduced.

Worker Adjustments and Social Safety Nets

As many countries impose a protectionist stance to provide more job opportunities to their citizens, instead of protecting industries with tariffs, governments should directly support workers harmed by globalization through retraining, relocation aid, and investment in new industries. This could work through setting up funds designated for workers displaced by imports or factory closure. These programs could help transfer them into other growing sectors that may be less affected by globalization, such as green energy, healthcare, and digital services. In this way, governments are able to provide opportunities to those affected by globalization without risking inflations or other negative effects.

Bibliography

Bender, J. (2025, March 3). *The Price of Protectionism: Understanding the economic trade-offs of tariffs*. https://www.ssga.com/ca/en/institutional/insights/the-price-of-protectionism

European Central Bank. (2018, April 6). *The consequences of protectionism*. https://www.ecb.europa.eu/press/key/date/2018/html/ecb.sp180406.en.html

IMF, Amiti, M., Redding, S. J., & Weinstein, D. (2019). INTERNATIONAL ECONOMY FOCUS. In *INTERNATIONAL ECONOMY FOCUS* (pp. 15–16). https://www.caixabankresearch.com/sites/default/files/content/file/2019/07/im_1907_15-17_focus_2_en.pdf

Symeonidis, P. (2025, March 6). *Understanding the implications of trade protectionism for the economy*. FocusEconomics. https://www.focus-economics.com/blog/effects-of-trade-protectionism-on-economy/

Team, C. (2024, December 2). *Protectionism*. Corporate Finance Institute.

https://corporatefinanceinstitute.com/resources/economics/protectionism/

Team, I. (2025, August 8). *Understanding Protectionism: Tools and examples for trade policies*. Investopedia. https://www.investopedia.com/terms/p/protectionism.asp