

Forum: Economic and Social Council

Issue: The question of international trade development

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Introduction

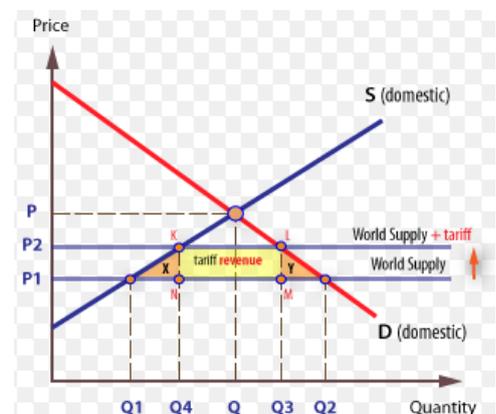
International trade was evolved after the formation of transportations (ships, cars, planes etc.), which allows nations or individuals to trade goods, services and capital around the world easily and more efficiently; therefore creating a larger cash flow which forms the economic that we are discussing now days. Despite of this, the information of trade is contributed in what's called GPD, the Gross Domestic Product. GDP is the monetary measure of goods/ services in a given period. GDP is perhaps calculated by simple factors that contributes to its final outcome: Consumer Expenditure + Investment spending by firms (planned/ unplanned investment in stocks etc.) + Government spending (general government consumption) + (Cash Export – Cash Import).

The result of international trade, is indeed forming more and more trading organisations such as: The WTO, ASEAN, TPP, ECFA, FTA etc. (please view the subsection called 'Definition of Key Terms'). International trade always add on monetary values within a country. Such countries can add on indirect tax i.e. Tariff, Quotas etc.

Definition of Key Terms

Tariff

An example of indirect tax of imports and exports in a



nation. The purpose of tariff is mainly to do with protectionism which the government protects its domestic suppliers that produce certain goods by applying an extra cost to an international firm which wants to sell their company's product in others domestic environment. By applying the cost, this will affect the rise of the line World Price upwards to World Price + Tariff, as shown in Fig.1. The equilibrium is PQ. Without the tariff the price were P1Q1 and P1Q2. However, after the tariff the price increased from P1 to P2Q4 and P2Q3. The rectangular box KLMN shows the tariff revenue of the government when tariff is added. Unfortunately, X and Y resembles social cost, also known as the dead weight loss, meaning that some factors are diminished. Once again this act will influence the willingness of importers, since cost will need to be higher thus importers will need to be more considerate and think, ways in which they can do to compete with domestic suppliers.

Quota

The amount that is assigned on imported goods by the government. Usually known as the import quota. Like tariff, quota is also a form of protectionism used by officials. As explained previously about tariff, quota likewise restricts domestic consumers to consume the imported goods by having a higher price set by the government. Meaning that quota raises the domestic price above the world price. In addition to quota, domestic employment will increase due to the lack of imports when quota is taking place. Secondly, corruption is caused, considering that the importers can bribe the customs with money or another way is by providing incentives. Thirdly, smuggling will be likely to increase for the excess of international supply. Fourthly, dumping is a huge issue, because international supplier will sell at a lower cost to compete with the domestic suppliers (e.g. China dumps solar panels into America, and forces American's domestic industry to close down due to weak competitiveness. This is an illegal act, however countries just do so, to survive in society).

Fig. 36.2 represents the effect of a quota graph.

The original supply curve S_M and the demand curve D_M forms the equilibrium E . However, after an added quota, S_M shifts right to $S_M + \text{Quota}$ which decreases the price of the product and increasing the consumer's surplus, which is the triangle formed by $P_d B E D_M$. Whence, producer surplus decreases. The quantity supply will also then decrease from Q_1 to Q_2 .

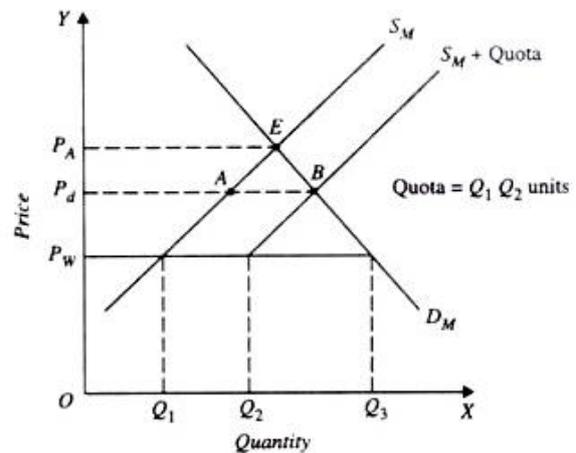


Fig. 36.2. Effects of Quota

Opportunity Cost

The global trade provides consumers from each individual countries a greater preference and choices that could lead to something known as: The next best alternative, however foregone must be made. For example: Before international trade, Country A's people may only buy clothes that are made in their own country, however after international trade, people in Country A have more choices on what to buy, whence this action will increase the domestic firms' competitiveness. In the long run, the conclusion of the emerging red supply market will become "Red Ocean". Furthermore, this explains why countries would add tariff to international suppliers when importing.

WTO

WTO is the abbreviation of the World Trade Organisation. This organization regulates international trade and encourages nations to obey such regulations to increase economy efficiency and decreases confusions.

ASEAN

Known as the "Association of Southeast Asian Nations". Consists of 10 memberships (nations): Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Vietnam and Thailand. The target of the group is to boost in economic growth, social progress, and cultural development in areas, to make the region a better place.

The countries that participate in the group are mostly neighbouring with each nations,

meaning that one of the target is also about the promotion of the stability and peace in the region. Since it's close to each other, the assistance and training of the workforce and research facilities is also essential.

TPP

The Trans-Pacific Partnership (TPP) is a group run by the United States of America, which their **core objective is to lower trade barriers**, i.e. tariff (as stated in the introduction). 12 countries participate in the TPP: Brunei, Chile, New Zealand, Singapore, Australia, United States of America, Vietnam, Peru, Mexico, Japan, Canada & Malaysia. The extra emphasis on the TPP is that: although it is a trade union promoted by the United States of America, the democratic party of the United States does not support this party, because free trade with other nations can increase the competition of price within the domestic firms, therefore forcing domestic firms will be forced to close down.

APEC

Asia-Pacific Economic Cooperation (APEC) formed in 1989 also has the target of promoting free trade. It consists of 21 Pacific Rim members. Due to the **APEC Trade Facilitation Action Plan (TFAPI)** between 2002~2006, business transactions across the nations were reduced by 6%, which is an enormous amount of money. However, APEC wants an extra 5% reduction between 2007~2010. Transaction costs include: **Search & information cost**, Bargaining costs, Policing & enforcement cost.

FTA

The Free Trade Agreement is an establishment of 2 nations trading in between with no red-tapes i.e. tariff or quota. Many FTA cases have been established.

The **Canada-United States FTA** was the most well-known agreement in the FTA history. It was established in 1988, where 2 nations agreed to trade with no barriers, as a result of such formation of an economic union: the freedom movement of goods, services and the factors of production and a common external trade production is therefore necessary.

IMF

The International Monetary Fund known as the IMF, is a global organization consists

of 188 countries working together on the international monetary cooperation. The current managing director is Christine Lagarde.

FED

The Federal Reserve System (FED) is the Central bank of the United State. Janet Yellen is the current chair of the FED. The purpose of the FED is to manage financial panics such as the Great Depression in the 1930s and also the money supply through monetary policy. The monetary policy can influence the employment rate, inflation of goods (CPI) and interest rates. The fed likewise is able to support commercial banks through the liquidity from the discount window and credit operations.

RCEP

RCEP is an agreement between ASEAN and other FTA members that prosper a non-tax trade between each nation.

AIIB

The Asian Infrastructure Investment Bank (AIIB) is headquartered in Beijing, The People's Republic of China. As obvious as it is, the bank invests in infrastructure that needs development in Asian countries and offers financial support in return of government subsidies and income. Likewise, the investment in international trade is also visible from the fact that investing in infrastructures will lead to the exchange of the resources and the money between nations. The bank is directed by The People's republic of China, many critics were also formed.

ADB

The Asian Development Bank, known as the ADB, is similar to AIIB, however consisting more history can investment events.

The vital reason to mention this bank is because of the fact that it recognizes the members of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP, formerly the Economic Commission for Asia and the Far East or ECAFE) and non-regional developed countries. The ADB is another bank that opposes to the AIIB. The ADB is more of a right-winged approach, which suggest that it is a more

capitalistic mindset of thinking compared to the left wing approach of the AIIB (the People's Republic of China).

Background Information

The global economy is currently suffering through a volatile period, despite the fact that the makeup of the workforce and the national government has changed little. Where government officials are affected, and the hardworking workforce is nothing in difference. Commodity prices dropped, Stock prices dropped, Pension funds experienced problems, causing millions and even billions of people to be affected, losing money, homes & unfortunately families. During these 10 years, Asia - the continent that has most population; expenditure, has been rapidly growing, unfortunately, the economic growth of many countries is slowing down after the economic crisis in 2007/08, which wiped out billions of dollars on the stock market, as a result, stock market collapsed, unemployment rate peaked up to 10.0%, meaning that recession is caused and less disposable income is to be spent, which affected people's income loan. Most importantly, the International Trade which affected this or is being affected. The international trade is a classical approach from the ancient Greeks to intellectuals and government officials now days, emphasizing that trade between nations offer greater choices to domestic buyers, however leading to a more competitive environment within the nation.

Key Issues

Stated from the introduction, international trade can lead to a viral issue: "Dumping". It is a prohibited act and that the act is against the law. The reason of this is because foreign firms are forced to close when the price of imported good isn't dear, which results layoffs and the increase of unemployment rate. In the simplest term, international trade is once again a matter of decreasing trade barriers to foster countries' economic growth. It is beneficial to the enterprises but not the workforce in some extent.

Major Parties Involved and Their Views

The major controlling countries and involvement of nations are mainly down to 2 opposing countries: The People's Republic of China and The United States of America.

The People's Republic of China controls RCEP which is the Regional Comprehensive Economic Partnership, and is known to be one of the ASEAN Plus+3 (others include, Japan and South Korea).

Alternatively, the TPP is run by the United States of America (although the parliament of the United States of America does not support the partnership due to the fact that both big parties believe that the agreement will increase the closing of a firm in the United States).

These are the foundations of international trading groups that countries are able to trade in a tax free mode when importing or exporting goods. The Economist's Magazine has stated that if tax were to be free, trading nations will experience a large amount of cash flow and transactions resulting the increase in demand of financial sectors due to the fact that transactions and the commission are the incomes for the banks.

Timeline of Relevant Resolutions, Treaties, and Events

ASEAN

8 August 1967 First agreement made by Indonesia, Malaysia, Philippines, Singapore and Thailand.

ATT

The Arms Trade Treaty (ATT) is an agreement in which fosters regulations that involves in the trade of conventional weapons internationally and to reduce illicit trade in arms. The treaty combats human suffering and to promote a safer community for the entire human's race. Below is the simplified timeline for the ATT which created a huge impact behind the society surveillance system.

October 1995 Dr. Oscar Arias calls upon fellow Noble Laureates to promote an

international agreement regulating the trade in conventional arms.

October 18, 2006

United Nations General Assembly passes Resolution 61/89 with 153 votes. UN Secretary General was told to undertake an exploration for a future arms trade treaty. The only country that went against this resolution was the United States of America due to the fact that the United States of America is the leader in trading arms globally and also has the highest consumption of arms inside its own country compared to other nations.

June 3, 2013

The ATT opens for signature. Sixty-seven countries sign on the treaty's opening day.

September 23, 2013

The United States becomes the 91st state to sign the ATT in a hesitating manner.

TPP

4 February 2016

12 Pacific Rim countries signed the trade agreement in Auckland, New Zealand compensating the agreement after 7 years. (Not in effect yet). The 12 nations represent about 40% of the global economy and has a population of approximately 800 million, which is double the amount of the European Union's single market.

Evaluation of Previous Attempts to Solve the Issue

The ATT went smoothly after the combination of each individual nation's signature, however the ATT still does not promote its own means in regulating arms in the United States itself, due to the fact that victims are still increasing in their own nation, resulting gun attacks and other hilarious unfathomable events that occurred. An example of this can be the Ferguson, who was killed by a cop, when Ferguson didn't do anything wrong. In contrary large protests groups were found all over America.

Noting the establishment of ECOSOC's resolution N1525732, government information failure is the problem that was found, and that training and technical support is needed in order to correct false notion that is received by the people, when there is an establishment of information donated by the officials to the citizens.

Possible Solutions

Solutions can be found through the debate however this will also depend on the United Nations Commission on International Trade Law (UNCITRAL) resolution. Therefore, the cooperation or combination of both of the committee's resolution is ideal in order to combat international trade issues.

Secondly, solutions for combating problems of international trade between nations will therefore need the support of the economic unions such as: the TPP, ASEAN etc. to cooperate and find a solution of illegal and also problematic events that happen within an international trade. In contrary, nations that are involved in these trade unions should whence participate the majority of times in the conference to solve the issue in their nations' perspective, due to the fact that political issues are also involved in the negotiation of the international trade development.

Thirdly, the attempt in solving this issue has a huge effect not only on the side of political perspective but also on the society's perspective, which is an important agent that contains the major population.

Due to the fact that nations are now interdependent, country's that get extra benefit from other nations are likely to be bias and does not compensate with opposing nations, meaning that selfishness will be visible (country will be bias when finding a solution to the resolution that is needed to resolve world issues, and often will find the best solution to itself but not the other nations).

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