

**Forum:** Economic & Financial Committee (GA2)

**Issue:** Reforming Global Trade Systems to Foster Equitable Tariff Policies for Sustainable Development



**Student Officer:** Margarita Sfakianaki

**Position:** Co-Chair

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## Personal Introduction

Dear delegates,

My name is Margarita Sfakianaki, and it is my immense honor to welcome you to this year's ACGMUN and, more specifically, the GA2 as a co-chair. I am sixteen years old and an IB1 student at Pierce - The American College of Greece. I joined my school's MUN club after my first conference in 2023, and it is one of the best decisions I have ever made. Model United Nations has taught me valuable lessons, such as comprehending difficult topics, vocally advocating for human rights, and successfully addressing pivotal problems that affect us all. It has provided me with countless opportunities and skills, such as learning more about the world we live in, as well as diplomacy.

Through this study guide, I aim to assist you in understanding the first topic of GA2. Hopefully, it will provide you with all the necessary information you will need. However, be reminded that the purpose of this study guide is not to be your sole research material but rather a basis for further research on the topic so that you can go into more detail on UN documents as well as your country's policy.

My email address, [m.sfakianaki@acg.edu](mailto:m.sfakianaki@acg.edu), always remains open for you. Do not hesitate to contact me if you have any questions regarding this study guide, your delegation's policy or the rules of procedure in general. I hope we have a good conference with a fruitful debate and active delegates. I advise you to prepare well so you can enjoy the conference. Best of luck to everyone, and I'm looking forward to meeting you all in person!

Best regards,

Margarita Sfakianaki

## Topic Introduction

Tariffs, taxes on imported goods, have served as a source of government revenue and a shield for domestic industries. In the early years of their use in governance, tariffs were primarily a source of income rather than a tool for industrial defense. This historical perspective highlights how economic priorities evolve in response to shifting national needs and global economic contexts, thereby connecting us to the development of this financial tool.

Protective tariffs function by reducing the demand for imported goods. They achieve this by making foreign products more expensive relative to untaxed domestic alternatives<sup>1</sup>. This discourages imports, thereby supporting local producers. However, excessively high tariffs can significantly reduce overall trade volume, disrupt global market dynamics and limit consumer choice.

The concept of equitable tariffs within the energy sector, especially as it intersects with sustainability, might initially seem complex. However, at its core, the meaning is quite straightforward: it refers to designing and implementing energy pricing systems that are fair and just for all consumers, while simultaneously promoting sustainable energy practices. Let's begin by providing a simple definition of what equitable tariffs are, before expanding on their significance and the challenges involved in their implementation<sup>2</sup>.

Equitable tariffs, in contrast, seek to account for various factors to ensure fairness. These factors can include income levels, access to energy resources, and the overall goal of transitioning towards a sustainable energy future. The intention behind equitable tariffs is to move beyond a one-size-fits-all approach and create a system where energy is affordable for everyone, and where pricing structures actively encourage responsible energy consumption and investment in renewable sources.

In extreme cases, high tariffs can result in substantial declines in international trade. However, modern tariffs tend to be lower and more targeted. These typically focus on manufactured goods that do not face significant domestic competition. This approach minimizes broader economic disruption while still achieving protective aims for selected industries.

From a political perspective, tariff policy reflects more than just economic efficiency; it encompasses national priorities, social equity, and sectoral interests. Governments assess tariffs based on what is needed to protect domestic industries, address trade imbalances, or respond to unfair trade

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<sup>1</sup> "Welcome to Zscaler Directory Authentication." Procurementandsupplychainmanagement.co.uk, 2026, [www.procurementandsupplychainmanagement.co.uk/import-%2F-export/f/the-impact-of-customs-tariffs-on-global-trade](http://www.procurementandsupplychainmanagement.co.uk/import-%2F-export/f/the-impact-of-customs-tariffs-on-global-trade).

<sup>2</sup> Toward a Just and Fair Energy Transition in Europe, mapre.it/wp-content/uploads/2025/11/Toward-a-just-and-fair-energy-transition-in-Europe.pdf, <https://doi.org/10.2777/8415283>.

practices. The importing countries usually benefit from a tariff, as they are the ones imposing the tariff and collecting the revenue. Domestic businesses also benefit from tariffs because they make their goods cheaper than imported goods, hence driving up the demand for their products. Tariffs hurt consumers in the country that imposes the tariff because of the increased prices of imported goods. Since an importer must pay the cost of the tariff on the goods that they import, they pass this increased cost on to consumers in the form of higher prices. The concept of sustainable development, in contrast, addresses the need for progress that meets the requirements of the present without compromising the ability of future generations to meet their own requirements. Sustainable development recognizes that these three pillars are interconnected and interdependent.

Combining these two concepts leads to Sustainable Development Tariffs. These tariffs, in their simplest delineation, are trade levies specifically designed to promote or incentivize sustainable development goals. Their explication is rooted in the idea that trade policy can be a tool to encourage environmentally and socially responsible practices globally. In general, different countries have different characteristics and outcomes in terms of trade and sustainable development. Some developed countries perform well in high-end industrial trade, environmental governance and domestic social fairness, but there are shortcomings in global trade fairness. All countries need to constantly adjust and improve their trade policies to better realize the constructive collaboration between trade and sustainable development.

Therefore, it is essential to closely examine the current state of global trade and explore strategies to improve the climate for international commerce now more than ever in order to ensure sustainable development in the future.

## Definition of Key Terms

### Foreign direct investment

Foreign direct investment is an international investment within the balance of payment accounts. Essentially, a resident entity in one economy seeks to obtain a lasting interest in an enterprise resident in another economy. A lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise, and an investor's significant influence on the management of the enterprise<sup>3</sup>.

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<sup>3</sup> Glossary: Foreign Direct Investment (FDI) - Statistics Explained." *Ec.europa.eu*, [www.ec.europa.eu/eurostat/statisticsexplained](http://www.ec.europa.eu/eurostat/statisticsexplained)

## Free trade

Free trade is a policy by which a government does not discriminate against imports or interfere with exports by applying tariffs (to imports) or subsidies (to exports). A free-trade policy does not necessarily imply, however, that a country abandons all control and taxation of imports and exports<sup>4</sup>.

## Industrial Policies

Industrial policy refers to government assistance to businesses to boost or reshape specific economic activities, especially to firms or types of firms based on their activity, technology, location, size or age. Governments use industrial policies to address important economic, social and environmental challenges that markets cannot address on their own, such as to accelerate the green transition, or improve the robustness of value chains for critical products and services<sup>5</sup>.

## International Trade

International trade is the purchase and sale of goods and services by companies in different countries. Consumer goods, raw materials, food, and machinery are all bought and sold in the international marketplace<sup>6</sup>.

## Policy space

The definition of ‘Policy Space’, in its simplest form, refers to the freedom of action, or the range of options available to policymakers in a given context. Think of it as the area within which decisions can be made and implemented. This area isn’t boundless; it’s shaped by various factors<sup>7</sup>.

## Retaliatory Measures

Retaliatory measures, or reprisal, is a term used in international law to describe the use of diplomatic measures or force adopted by a State in response to a similar use of force exercised by another State.<sup>8</sup>

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<sup>4</sup> The Editors of Encyclopaedia Britannica. “Free Trade | Definition & Facts Definition | Britannica Money.” *Www.britannica.com*, 18 Jan. 2024, [www.britannica.com/money/free-trade](http://www.britannica.com/money/free-trade).

<sup>5</sup> OECD. “Industrial Policy.” *OECD*, 2024, [www.oecd.org/en/topics/policy-issues/industrial-policy.html](http://www.oecd.org/en/topics/policy-issues/industrial-policy.html).

<sup>6</sup> Heakal, Reem. “What Is International Trade?” *Investopedia*, 28 Jan. 2025, [www.investopedia.com/insights/what-is-international-trade/](http://www.investopedia.com/insights/what-is-international-trade/).

<sup>7</sup> Sustainability Directory. “Policy Space → Term.” *ESG → Sustainability Directory*, 2 Dec. 2025, [esg.sustainability-directory.com/term/policy-space/](http://esg.sustainability-directory.com/term/policy-space/). Accessed 2 Jan. 2026.

<sup>8</sup> “Retaliatory Measures.” *LII / Legal Information Institute*, 2022, [www.law.cornell.edu/wex/retaliatory\\_measures](http://www.law.cornell.edu/wex/retaliatory_measures).

## Rising protectionism

Protectionism involves government strategies designed to limit international trade to bolster domestic industries. These policies aim to enhance economic activity within a domestic market and address concerns related to safety and product quality. While protectionism is debated, its supporters claim it fosters job creation and boosts GDP by shielding homegrown businesses from global competition.<sup>9</sup>

## Special and differential treatment

The WTO agreements contain special provisions which give developing countries special rights and allow other members to treat them more favorably. These are “special and differential treatment provisions”.<sup>10</sup>

## Sustainable development

“Sustainable development is development that meets the need defined as of the present without compromising the ability of future generations to meet their own needs”. The question of how to translate this generic ideal into practice has been answered over the years in different ways. The 2002 World Summit on Sustainable Development introduced the notion of the three pillars of sustainable development, that is the environmental, the social and the economic, considered as “interdependent and mutually reinforcing”.<sup>11</sup>

## Tariff

Tariffs are taxes on imported goods, intended to protect a domestic industry, raise revenue, or pressure the other country into changing a particular behavior.<sup>12</sup>

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<sup>9</sup> Investopedia. “Protectionism: Examples and Types of Trade Protections.” *Investopedia*, Investopedia, 11 Apr. 2022, [www.investopedia.com/terms/p/protectionism.asp](http://www.investopedia.com/terms/p/protectionism.asp).

<sup>10</sup> WTO. “WTO | Doha Development Agenda | Briefing Notes - Other Doha Issues.” *Wto.org*, 2019, [www.wto.org/english/tratop\\_e/dda\\_e/status\\_e/sdt\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/status_e/sdt_e.htm).

<sup>11</sup> Centre, UNESCO World Heritage. “Sustainable Development - Glossary.” *UNESCO World Heritage Centre*, 1992, [whc.unesco.org/en/glossary/375](http://whc.unesco.org/en/glossary/375)

<sup>12</sup> Nevil, Scott. “What Is a Tariff and Why Are They Important?” *Investopedia*, 27 May 2025, [www.investopedia.com/terms/t/tariff.asp](http://www.investopedia.com/terms/t/tariff.asp).

## Background Information

### Introduction to global trade systems

In today's interconnected world, international trade plays a crucial role in driving economic growth, fostering global cooperation, and improving the standard of living for people around the globe. The importance of international trade cannot be overstated, as it offers numerous benefits and opportunities for countries, businesses, and individuals. International trade opens doors to new markets, allowing countries to diversify their economies and expand their production capabilities. By engaging in trade, nations can specialize in producing goods and services that they have a comparative advantage in, leading to increased efficiency and productivity. This, in turn, stimulates economic growth and development, creating job opportunities and raising living standards. In theory, global and domestic trade are only differentiated by the kind of parties involved. Domestic trade occurs within a country and global trade between countries.

However, the international laws and logistics at play make selling and buying internationally more complicated. Tariffs, sanctions, trade treaties, watch lists, and more must all be considered when conducting international business. Historically, tariffs and sanctions have often been used as tools of protection or political leverage by disrupting trade flows and limiting cooperation between countries. As global trade is expanding, the absence of clear standardized rules has made these challenges increasingly to manage. This has made the need for a more coordinated international trade system clear, especially after WW2.

### The start of global trade systems

After the events of World War II, global trade became more standardized across the world. In an effort to boost the war-torn global economy, 23 nations signed the unprecedented *General Agreement on Tariffs and Trade* (GATT) in Geneva on Oct 30th, 1947<sup>13</sup>. This agreement minimized tariffs, quotas, and other barriers to free trade. It remained the most prominent global trade agreement for nearly half a century. In 1995, the GATT was expanded into a new agreement ratified by 123 nations.<sup>14</sup> This new treaty would continue GATT's work on an even larger scale and lead to the creation of the World Trade Organization (WTO).

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<sup>13</sup> World Trade Organization. "General Agreement on Tariffs and Trade (GATT 1947)." *Www.wto.org*, 1947, [www.wto.org/english/docs\\_e/legal\\_e/gatt47\\_e.htm](http://www.wto.org/english/docs_e/legal_e/gatt47_e.htm).

<sup>14</sup> World Trade Organisation. "GATT Agreement extension" [https://www.wto.org/english/res\\_e/doload\\_e/inbr\\_e.pdf](https://www.wto.org/english/res_e/doload_e/inbr_e.pdf)

These institutional changes helped facilitate trade between countries with different resource endowments, laying the groundwork for the economic principles that explain why countries trade with one another. Different countries are endowed with different assets and natural resources, such as land, labor, capital, and technology. Global trade allows wealthy countries to use their resources more efficiently. This also allows some countries to produce the same products more efficiently, in other words, more quickly and at a lower cost. Therefore, they may sell it more cheaply than other countries might. If a country cannot efficiently produce an item, it can obtain it by trading with another country that can.

### Current Structure and Participants

The gap between developing and advanced economies is widening. Asia and Latin America remain key trade drivers, but growth has slowed in many advanced economies.<sup>15</sup> South-South trade is successful, yet Africa's intra-regional trade is shrinking, reversing gains.<sup>16</sup> Meanwhile, trade between Europe and Central Asia has declined, reflecting shifting demand. Governments are expanding tariffs, subsidies, and industrial policies, reshaping trade flows. The United States, European Union (EU) and others are increasingly tying trade measures to economic security and climate goals, while China is using stimulus policies to maintain export momentum.<sup>17</sup>

This policy realignment is contributing to uncertainty. Rising protectionism, particularly in advanced economies, is triggering retaliatory measures, through countermeasures from trading partners in response to trade restrictions, and adding trade barriers. Meanwhile, industrial policies are reshaping key sectors like clean energy, technology and critical raw materials, risking competition distortion.

The erosion of the rules-based multilateral trading system is driving greater uncertainty and higher costs for businesses and potentially leading to higher prices for consumers. This will particularly affect developing countries, for which the multilateral trade rules provide opportunities for higher growth and income convergence with advanced countries. Without the global trading system, developing countries would see a 33% drop in merchandise trade relative to a baseline scenario with the

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<sup>15</sup> Global Trade Update (September 2025): Trade Policy Uncertainty Looms over Global Markets |." *UN Trade and Development (UNCTAD)*, Sept. 2025, [www.unctad.org/publication/global-trade-update-september-2025-trade-policy-uncertainty-looms-over-global-markets](https://www.unctad.org/publication/global-trade-update-september-2025-trade-policy-uncertainty-looms-over-global-markets)

<sup>16</sup> *Global Trade Outlook and Statistics*. [https://www.wto.org/english/res\\_e/download\\_e/inbr\\_e.pdf](https://www.wto.org/english/res_e/download_e/inbr_e.pdf)

<sup>17</sup> Kirtika Suneja. "India, China Outperform Global Trade in 2024, Trade Resilience Stressed in 2025: UNCTAD." *The Economic Times*, Economic Times, 14 Mar. 2025, [www.economictimes.indiatimes.com/news/economy/foreign-trade/india-china-outperform-global-trade-in-2024-trade-resilience-stressed-in-2025-unctad/articleshow/119018458.cms](https://www.economictimes.indiatimes.com/news/economy/foreign-trade/india-china-outperform-global-trade-in-2024-trade-resilience-stressed-in-2025-unctad/articleshow/119018458.cms)

multilateral system still in place, and a permanent GDP loss of over 5% – driven in part by a 5% decline in foreign direct investment flows.<sup>1</sup> Fragmentation in trade or foreign direct investment (FDI) could reduce global GDP on average by about 2%.<sup>18</sup>

### **Tariff Policies and their impact**

Tariff Recourse Policy refers to the range of existing and prospective measures to sustain affordable access to electricity. Tariff management involves pre-adjustment awareness that prepares customers' mindset and post adjustment campaign that will help them absorb the shock and mitigate reactional wave. Therefore, customer management for tariff acceptance is necessary and requires a set of well-thought strategies that range from macro level in form of recourse policy, through organizational standards and practices, to micro level in form of customer care services. In case of integrated markets, if countries have varying tariff management styles, then consumers will experience various tariff impacts resulting into economic and welfare imbalances.

### **Challenges in the current trade system**

Global trade compliance is becoming increasingly complex and critical. Businesses involved in logistics, freight forwarding, and air transportation face growing pressure from constantly evolving regulations, geopolitical tensions, and rapid technological shifts<sup>19</sup>. Compliance officers, trade compliance professionals, and customs brokers must navigate this intricate landscape carefully to avoid significant penalties, operational disruptions, and severe reputational damage. One of the most significant obstacles in trade compliance is the continual updates to sanctions, tariffs, and export restrictions. Governments worldwide are rapidly introducing new laws and regulatory measures, often with minimal notice<sup>20</sup>. Despite rapid technological advancements, many companies still rely on manual processes such as spreadsheets and emails to manage trade compliance. This approach is inefficient, error-prone, and insufficient in addressing today's complex compliance landscape. Surveys indicate that only 8% of companies use dedicated compliance software, leaving the vast majority vulnerable to

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<sup>18</sup> Audrey. "The Impact on Developing Economies of WTO Dissolution: Regional and Country-Level Analysis - ICC - International Chamber of Commerce." ICC - International Chamber of Commerce, 2 July 2025, [www.iccwbo.org/news-publications/report/study-shows-wto-collapse-could-slash-exports-of-developing-countries-by-33-percent/](http://www.iccwbo.org/news-publications/report/study-shows-wto-collapse-could-slash-exports-of-developing-countries-by-33-percent/)

<sup>19</sup> Kampinga, Pauline. "Global Trade Compliance: Overcome 2025'S Top 5 Challenges." *Be Informed*, 2 June 2025, [www.beinformed.com/global-trade-compliance-overcome-2025s-top-5-challenges/](http://www.beinformed.com/global-trade-compliance-overcome-2025s-top-5-challenges/).

<sup>20</sup> "Descartes' Study Finds 67% of Freight Forwarders and Customs Brokers View Technology as Fundamental to Growth | Descartes." *Descartes.com*, 2025, [www.descartes.com/resources/news/descartes-study-finds-67-freight-forwarders-and-customs-brokers-view-technology?](http://www.descartes.com/resources/news/descartes-study-finds-67-freight-forwarders-and-customs-brokers-view-technology?)

human error<sup>21</sup>. Leading businesses increasingly view automation as critical, integrating advanced technologies such as artificial intelligence and machine learning to ensure accurate, timely, and scalable compliance checks.

### **Trade imbalances and protectionism**

The economic and financial impacts of tariffs are complex and multi-faceted, influencing both domestic industries and broader market dynamics. On the one hand, tariffs aim to protect domestic industries, address trade imbalances and support emerging sectors, allowing them to develop and become competitive. They can also enhance national security by reducing dependence on foreign suppliers for critical goods and serve as leverage in trade negotiations to encourage trading partners to adopt fairer practices. On the other hand, while tariffs are intended to achieve these positive outcomes, their broader consequences can extend beyond their original objectives. By raising the cost of imported goods, tariffs can increase consumer prices, particularly in sectors reliant on global supply chains. Over time, they may reduce efficiency by insulating less competitive firms, misallocating resources and discouraging innovation. Additionally, tariffs can limit access to advanced technologies, slowing technological progress and hindering long-term economic development. The impact of tariffs on financial markets is more difficult to quantify. Markets generally experience heightened volatility in response to tariff announcements, particularly in sectors heavily integrated into global trade networks. Their effect on exchange rates is nuanced, shaped by factors such as trade flows, market expectations and policy responses<sup>22</sup>.

### **Impacts on sustainable development**

Sustainable development has numerous benefits for people and the planet. It aims to improve everyone's quality of life based on the understanding that environmental, economic, and social issues are interconnected. From an economic perspective, sustainable practices can create a healthier, safer, and more productive environment. From a social perspective, they can help strengthen community ties, improve the quality of life, and offer hope for a better future. From an environmental perspective, they can protect natural resources, mitigate and help us adapt to climate change, and promote biodiversity.

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<sup>21</sup> BB Agency, info@bb.agency, and Asif Afzal. "2026 Global Trade Compliance Trends for Compliance Leaders." *Visual Compliance: International Trade Compliance Software*, 12 Jan. 2026, [www.visualcompliance.com/blog/2026-global-trade-compliance-trends/](http://www.visualcompliance.com/blog/2026-global-trade-compliance-trends/).

<sup>22</sup> Thiagarajan, Ramu, et al. February 2025 the PRICE of PROTECTIONISM Understanding the Economic Tradeoffs of Tariffs Contents.

Creating a sustainable world fosters innovation. This means embracing the circular economy, turning waste into resources, unlocking new opportunities to improve people's lives through electric mobility and smart homes, smart cities, ultra-broadband connectivity, digital payments, and transactions. Smart and sustainable growth involves environmentally conscious, economically profitable, and community-oriented development. Its approach to land use promotes compact, vibrant, attractive, and livable urban communities.

### **The role of sustainable development in trade reforms**

The integration of Sustainable Development Goals (SDGs) into international trade policy has become a core component of contemporary political discourse. In the case of the EU, this articulation not only reflects commitments assumed within the United Nations framework but also constitutes a comprehensive strategy aimed at consolidating an open strategic autonomy that combines commercial interests, normative principles, and global leadership<sup>23</sup>. Within this context, the EU has promoted the inclusion of Trade and Sustainable Development (TSD) chapters in most of its recent bilateral agreements, incorporating provisions related to labor, the environment, and civil society participation<sup>24</sup>. Nevertheless, a persistent tension exists between the normative content of these commitments and their practical implementation, sparking debate in both political and academic arenas regarding their effectiveness, coherence, and enforcement mechanisms.

## **Major Countries and Organizations Involved**

### **Brazil**

Brazil plays a pivotal part in global trade. As Latin America's largest economy and a prominent producer of prized products, Brazil blends fertile farmlands with flourishing factories, shipping soybeans, steel, and sugar across sprawling seas. This strategic South American supplier isn't just a giant in geography but a cornerstone of commerce, connecting continents with dependable delivery and streamlined supply chains. For freight forwarders, global go-getters, and trade trailblazers, Brazil offers both promise and predictability. By studying Brazil's top exports and imports, supply chain specialists can streamline shipments, cut costs, and cultivate cross-continental connections. Those

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<sup>23</sup> Arias, Christian, and José Varela-Aldás. "Sustainable Development as a Transformative Axis of the European Union's Trade Policy." *Sustainability*, vol. 17, no. 15, 7 Aug. 2025, pp. 7151–7151, [www.mdpi.com/2071-1050/17/15/7151](http://www.mdpi.com/2071-1050/17/15/7151), <https://doi.org/10.3390/su17157151>.

<sup>24</sup> "Sustainable Development in EU Trade Agreements." [Policy.trade.ec.europa.eu](http://Policy.trade.ec.europa.eu), [www.policy.trade.ec.europa.eu/development-and-sustainability/sustainable-development/sustainable-development-eu-trade-agreements\\_en](http://www.policy.trade.ec.europa.eu/development-and-sustainability/sustainable-development/sustainable-development-eu-trade-agreements_en).

advantages include a large, growing, and stable domestic market of 213 million people. Brazil has abundant renewable energy, agricultural resources, and critical minerals that the world urgently needs. It has a dynamic startup ecosystem, especially in services and financial technology, and highly skilled tech talent. What's more, Brazil's geopolitical neutrality and active diplomacy with advanced economies and rising powers alike mean that it can be a reliable business partner for all<sup>25</sup>.

## China

China's entry into the WTO was hailed by Presidents Bill Clinton and George W. Bush, who hoped that integrating hundreds of millions of skilled workers into a rule-based trade order would offer not just economic advantage to the Chinese people, but political liberty, as well. A relatively wealthier, globally connected China continues to violate the human rights of its citizens and neighbors, including Taiwan, Tibet, and Hong Kong. Africa and Central Asia are the main beneficiaries of these mega-projects, which include mining, oil, gas, and renewable energy projects. A record \$25 billion was spent on mining and metals, and \$20 billion was allocated to processing plants in Nigeria. As Western economies raise tariffs and restrict market access, China began to strengthen its infrastructure diplomacy and supply chain integration efforts in the Global South in the 2010s, known as the Belt and Road Initiative<sup>26</sup>.

## Denmark

Denmark's international trade policy fundamentally aims at promoting free trade on a global basis and securing market openings with key trade partners. The Danish economy can be characterized as a small open economy highly dependent on the ability to freely exchange goods, commodities and services with other nations. Denmark fundamentally believes the global economy, including the developing countries, stands to benefit from an increase in international trade. Denmark's international trade policy is conducted in close co-operation with the other EU Member States.

Although international trade policy may be conducted bilaterally and regionally, Denmark and the EU remain strongly committed to furthering multilateral negotiations. The World Trade Organization (WTO) is the primary focus of Denmark's and EU's trade policy. There is limited spare capacity to increase output without fueling inflation. The Danish government's proposed Finance Act includes plans

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<sup>25</sup> Azevedo, Daniel, et al. "A Changing World Order Is a Historic Opportunity for Brazil." BCG Global, 25 Nov. 2025, [www.bcg.com/publications/2025/a-changing-world-is-a-historic-opportunity-for-brazil](http://www.bcg.com/publications/2025/a-changing-world-is-a-historic-opportunity-for-brazil).

<sup>26</sup> CYIS Organisation. "China's Rise in Global Trade: Infrastructure, Influence, and Implications for Europe." CYIS, 15 Sept. 2025, [www.cyis.org/post/china-s-rise-in-global-trade-infrastructure-influence-and-implications-for-europe](http://www.cyis.org/post/china-s-rise-in-global-trade-infrastructure-influence-and-implications-for-europe).

to significantly ease fiscal policy. However, there is considerable uncertainty about how much fiscal policy will increase capacity pressure over the next few years<sup>27</sup>.

## India

Trade reforms under the Make in India 2.0 initiative aim to strengthen 27 different sectors and position the country as a reliable global exporter. A primary focus of this effort is attracting long-term foreign investment and promoting the “Make in India” movement<sup>28</sup>. The government is promoting regulatory reforms, offering targeted incentives and renewing free trade agreements (FTAs) to strengthen the country's stature as a prime destination for global investments and growth. India revamped its Foreign Trade Policy (FTP) in 2023 with an aim to increase its exports to \$2 trillion by 2030<sup>28</sup>.

## International Monetary Fund (IMF)

Established in 1944, the International Monetary Fund (IMF) is an international organization that promotes global financial stability by monitoring economic policies, offering financial assistance, and providing policy advice with the goal of maintaining an overall balanced world economy. The organization provides supervisory and advisory support to nations regarding tariff policies. Although the organization itself cannot determine or adjust the tariff policies of the countries it entails, it is often a critical factor in cases of disputes regarding financial policies between member nations, providing a critical solution in cases such as, but not limited to, the case of tariffs.

## World Bank Group

The World Bank has urged developing countries to play a more deliberate and strategic role in shaping global trade standards, warning that the fast growing web of international rules increasingly tilts the balance in favor of advanced economies and large multinational corporations. In its World Development Report 2025<sup>29</sup>, the institution argues that standards, spanning food safety and labelling,

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<sup>27</sup> “Denmarks Nationalbank Downgrades Expectations for Growth in Denmark.” Nationalbanken, 24 Sept. 2025, [www.nationalbanken.dk/en/news-and-knowledge/press/archive/2025/danmarks-nationalbank-downgrades-expectations-for-growth-in-denmark-24-09-2025](http://www.nationalbanken.dk/en/news-and-knowledge/press/archive/2025/danmarks-nationalbank-downgrades-expectations-for-growth-in-denmark-24-09-2025)

<sup>28</sup> “Invest India.” Investindia.gov.in, 2019, [www.investindia.gov.in/team-india-blogs/indias-trade-policies-how-country-positioning-itself-global-investment](http://www.investindia.gov.in/team-india-blogs/indias-trade-policies-how-country-positioning-itself-global-investment).

<sup>29</sup> Chibuike, Isaac. “World Bank Tasks Developing Countries on Trade Expansion, Rules.” The Guardian Nigeria News - Nigeria and World News, 2 Jan. 2026, [www.guardian.ng/business-services/world-bank-tasks-developing-countries-on-trade-expansion-rules/](http://www.guardian.ng/business-services/world-bank-tasks-developing-countries-on-trade-expansion-rules/)

digital technologies, environmental compliance and telecommunications, now constitute a form of economic infrastructure as vital to development as roads, ports and power systems.

According to the report, standards have been instrumental in reducing transaction costs, harmonizing markets and facilitating the expansion of global trade. However, it cautioned that they are also being deployed with increasing frequency as non-tariff barriers, often entangling developing economies in complex and costly compliance regimes.

## **World Trade Organization (WTO)**

The overall objective of the WTO is to help its members use trade as a means to raise living standards, create jobs and improve people's lives. The WTO operates the global system of trade rules, helps developing economies build their trade capacity and seeks to create a more inclusive trading system. Global rules of trade provide assurance and stability. Consumers and producers know they can enjoy secure supplies and a greater choice of the finished products, components, raw materials and services they use. Producers and exporters know foreign markets will remain open to them. This leads to a more prosperous, peaceful and accountable economic world. At the heart of the system, known as the multilateral trading systems<sup>30</sup>, are the WTO's agreements, negotiated and signed by a large majority of the world's trading economies, and ratified in their parliaments. These agreements are the legal foundations for global trade. Essentially, there are contracts guaranteeing WTO members' important trade rights. They also bind governments to keep their trade and tariff policies transparent and predictable, which showcases its critical role in the global financial market.

## **Blocs Expected**

### **Alliance 1**

These countries share a similar economic position, development priorities and beliefs as well as goals on how the future of global trade should be formed. They consist of low-income populations, development gaps in health, infrastructure and education. These countries face high tariffs on value added goods and lower tariffs on raw material.

### **Alliance 2**

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<sup>30</sup> World Trade Organization. "The WTO in Brief." World Trade Organization, 2025, [www.wto.org/english/thewto\\_e/whatis\\_e/inbrief\\_e/inbr\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr_e.htm).

The countries in alliance 2 are high income industrialized economies that benefit from the current global trade systems. They play a central role in shaping the WTO, IMF and World Bank. They support reform only if it benefits them. They support lower tariffs, free trade agreements and market access for goods and services.

## Timeline of Events

Date	Description of Event
September 1945	End of World War 2
1 January 1948	General Agreement on tariffs and trade
18 April 1951	Treaty of Paris
15 April 1994	End of Uruguay Round
1 January 1995	Establishment of WTO
14 November 2001	Launch of the Doha development round
25 September 2015	Adoption of the UN sustainable development goals
22 February 2017	Entry of the WTO trade facilitation agreement
1 October 2018	Publication of the WTO world trade report
12 December 2023	WTO ministerial conference formalizes renewed commitments to promote sustainable development.
14 March 2025	India and China outperform global trade growth
12 January 2026	Automation becomes critical in trade compliance

## Relevant UN Resolutions, Treaties & Events

- [Resolution Adopted by The General Assembly for the Program for the Further Implementation of Agenda 21](#)
- [UN 2030 Agenda for Sustainable Development recognizes international trade as an engine for inclusive economic growth and poverty reduction, and an important means to achieve the Sustainable Development Goals \(SDGs\).](#)
- [UNCTAD Nairobi Maafikiano Outcome](#)

- [WTO Ministerial Declaration on Trade and Environmental Sustainability](#)
- [UNCTAD Trade and Development Report 2025](#)

## Previous Attempts to Solve the Issue

### The European Coal and Steel Community (ECSC)

During the first half of the 20th century, the continent of Europe used nationalist sentiment to accentuate the differences between countries while dismissing their common history and values. The European Coal and Steel Community (ECSC), which came into force on July 23, 1952, was an early attempt at making sure this never happened again<sup>31</sup>. The launch of the ECSC created a common market for coal, iron ore and scrap metal across its six member states, Belgium, France, West Germany, Italy, the Netherlands and Luxembourg. This initiative greatly increased economic co-operation between the signatories, steel trade increased tenfold following the creation of the community, while also showing them the importance of supranational collaboration.

### General Agreement on Tariffs and Trade (GATT)

The GATT is a legal framework created on October 30, 1947, for the conduct of trade relations among its members<sup>32</sup>. Main elements include the most-favored-nation principle, whereby each member is required to treat products imported from different trading partners on the same basis. Other central requirements include a prohibition on quantitative restrictions and the “national” treatment of imported products, so that once imported products are inside the border, they face the same conditions of competition as domestically produced products. Exceptions to these obligations may be invoked under certain conditions, including for the purpose of establishing free trade areas or customs unions, to protect the balance of payments, for health and safety reasons, or for national security. The legal framework for trade relations has also been extended through GATT negotiating rounds. These were originally conceived as occasions for the reciprocal exchange of concessions on tariffs between trading partners, the benefits of which were made available to all GATT Contracting Parties through the operation of the MFN principle. The results of GATT rounds have expanded beyond tariffs, and the participation of developing countries in these negotiations has increased substantially.

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<sup>31</sup> Britannica. “European Coal and Steel Community | European Organization.” Encyclopædia Britannica, 2019, [www.britannica.com/topic/European-Coal-and-Steel-Community](http://www.britannica.com/topic/European-Coal-and-Steel-Community).

<sup>32</sup> World Trade Organization. “General Agreement on Tariffs and Trade (GATT 1947).” [www.wto.org/english/docs\\_e/legal\\_e/gatt47\\_e.htm](http://www.wto.org/english/docs_e/legal_e/gatt47_e.htm).

## Possible Solutions

### Preferential tariff access for developing economies

A development focused tariff framework would allow Less Economically Developed Countries (LEDCs) to receive preferential tariff treatment when exporting goods to global markets. This would consist of reduced tariffs for exports from LEDCs, greater flexibility to impose protective tariffs and encouraging industrial growth. This is needed because equal tariff policies often disadvantage LDCs that lack industrial capacity. Implementing such frameworks would help benefit growth and fair participation in global trade. However, as this policy would have to be primarily orchestrated by lender nations, rather than just international organizations, it could potentially be inhibited in case these nations do not participate to the needed extent in the financial reform that is aimed to be achieved.

### The endorsement of fair tariff negotiation outcomes

Tariff policies should promote not only economic growth but also environmental sustainability and social protection. Countries would benefit from lower tariffs for environmentally sustainable goods, tariff incentives for fair labor practices and penalties for environmentally destructive production methods. This will prevent unequal tariffs that harm weaker economies and ensure trade liberalization does not undermine domestic industries in developing countries. Stronger representation and fairness principles in negotiations would lead to more balanced trade relationships and reduced inequality. This could be however inhibited and thus fail to be successful if lender nations and larger economies do not align to the extent required, causing further imbalance to the world economy.

### Sustainable tariff designs

Tariff policies shouldn't only promote economic growth but also environmental sustainability and social protection. Lower tariffs for environmentally sustainable goods, tariff incentives for fair labor practices and penalties for environmentally harmful practices would encourage green industrialization and align trade policy with the UN sustainable development goals. This is needed because traditional tariffs focus more on economic gains and often ignore environmental and social costs. Linking tariffs to sustainability standards would encourage more sustainable production. Again, this could be potentially hindered by effort of larger economies to obtain larger economic gain through tariffs.

### Support for developing countries

Tariff reform alone is insufficient without supporting capacity development in poor nations. Funding for infrastructure and industrial development, technology transfer for manufacturing green energy and access to low interest loans can help countries meet international quality and sustainability standards, improve competition in global markets and reduce economic inequality between nations. This is necessary because lower tariffs alone do not guarantee competitiveness. Providing targeted support would help countries meet international standards and benefit global trade as a whole. International organizations such as the IMF or the WTO could significantly enhance the outcome of this initiative, leading to an overall successful and feasible solution.

### **Digital transparency in tariff systems**

Many countries face difficulties accessing accurate tariff information, which limits trade participation. Open access for governments and exporters, real time updates on tariff changes and centralized databases for tariff rates and trade regulations will reduce corruption and hidden trade barriers, help smaller enterprises enter global markets and improve trust in the global trade system. This is necessary because limited access to accurate data creates barriers to trade, especially for LEDs. Digital transparency could be a mutually beneficial solution, both for larger economies and LEDs, as the overall increase in access to information can lead to the creation of a fair trade and tariff system. Thus, improved transparency would reduce uncertainty and doubt and increase participation global trade and markets.

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