WORLD TRADE ORGANISATION

BACKGROUND GUIDE

INDEX

I. LETTER FROM THE EXECUTIVE BOARD

Greetings Delegates!

It gives us immense pleasure to welcome you all to this simulation of the **World Trade Organisation (WTO) at 'SHIS Model United Nations 2025'**. We look forward to an enriching and rewarding experience.

The agenda for the session is: ***"Navigating the Global Trade Landscape and Addressing the Consequences of Recent United States Tariffs"***

This study guide is by no means the end of the research, we would very much appreciate it if the members are able to find new realms in the agenda and bring it forth to the committee. Such research combined with good argumentation and a solid representation of facts is what makes an excellent performance.

In the session, the executive board will encourage you to speak as much as possible, as fluency, diction, or oratory skills have very little importance as opposed to the content you deliver. So prime emphasis on research is recommended.

The Executive Board looks forward to an efficient & progressive committee as the issue is very sensitive. We, therefore, expect you all to play your roles with responsibility. Hopefully we, as members of the Executive Board, will also have a chance to gain insight from this committee.

All the best!
Regards,

Aaditya Wadhwa
Chairperson
aadityawadhwa125@gmail.com

II. Suggested Pattern For Researching

To start researching on the agenda of the committee, participating members should do the following:

1. Start researching your respective countries and its geopolitics. As no definite document may be found which contains the stand of a country, the delegates must do the tedious yet rewarding work of going through past news clippings/ magazine articles/ government websites/ social media handles/ YouTube videos to understand the country's stance on the said agenda.
2. After gaining knowledge about the portfolios, the delegates must start their research on the agenda at hand. This must be done by researching further upon the agenda using the footnotes and links given in the guide and from other sources such as academic papers, institutional or governmental reports, national reports, news articles, blogs etc.
3. Characterize the agenda into sub-topics and prepare speeches and statements on them. The delegates should also prepare a list of possible solutions and actions the WTO can suggest/adopt on the issue.
4. Assemble proof/evidence for any important piece of information/ allegation you are going to use in committee and keep your research updated using various news sources, specifically government studies or data released by the same.
5. To have an edge in the committee in terms of debate, delegates must also research about the other countries and try to find their contradictory statements or controversial stands on various issues to raise allegations/ substantial questions in the committee.
6. Lastly, we would expect all the delegates to put in serious efforts in research and preparation for the simulation and work hard to make it a fruitful learning experience for all. Feel free to contact the undersigned if you have any queries or doubts.

III. Committee Overview

About WTO

As globalization proceeds in today's society, the necessity of an International Organization to manage the trading systems has been of vital importance. As the trade volume increases, issues such as protectionism, trade barriers, subsidies, violation of intellectual property arise due to the differences in the trading rules of every nation. The World Trade Organization serves as the mediator between the nations when such problems arise.

The World Trade Organization (**WTO**) is an intergovernmental organization headquartered in Geneva, Switzerland, that regulates and facilitates international trade. Governments use the organization to establish, revise, and enforce the rules that govern international trade in cooperation with the United Nations System. The WTO is the world's largest international economic organization, with **166 members** representing over *98% of global trade* and global GDP.

The WTO's creation on 1 January 1995 marked the biggest reform of international trade since the end of the Second World War. The WTO facilitates trade in goods, services and intellectual property among participating countries by providing a framework for negotiating trade agreements, which usually aim to reduce or eliminate tariffs, quotas, and other restrictions; these agreements are signed by representatives of member governments and ratified by their legislatures. It also administers independent dispute resolution for enforcing participants' adherence to trade agreements and resolving trade-related disputes. The organization prohibits discrimination between trading partners, but provides exceptions for environmental protection, national security, and other important goals.

IV. Introduction

Countries around the world have long used tariffs, a tax on imports, to prop up homegrown industries by inducing citizens to buy goods produced domestically. After World War II, however, tariffs largely fell out of favor in advanced economies because they often lead to reduced trade, higher prices for consumers, and retaliation from abroad.

In his first term, President Donald Trump broke with this economic orthodoxy and imposed tariffs on hundreds of billions of dollars worth of imported goods from China and other countries to try to combat alleged unfair trade practices, reduce the U.S. trade deficit, and boost domestic manufacturing in the name of national security and U.S. economic competitiveness. President Joe Biden largely left these tariffs in place and wielded his own, helping to shape an emerging bipartisan revival of their use.

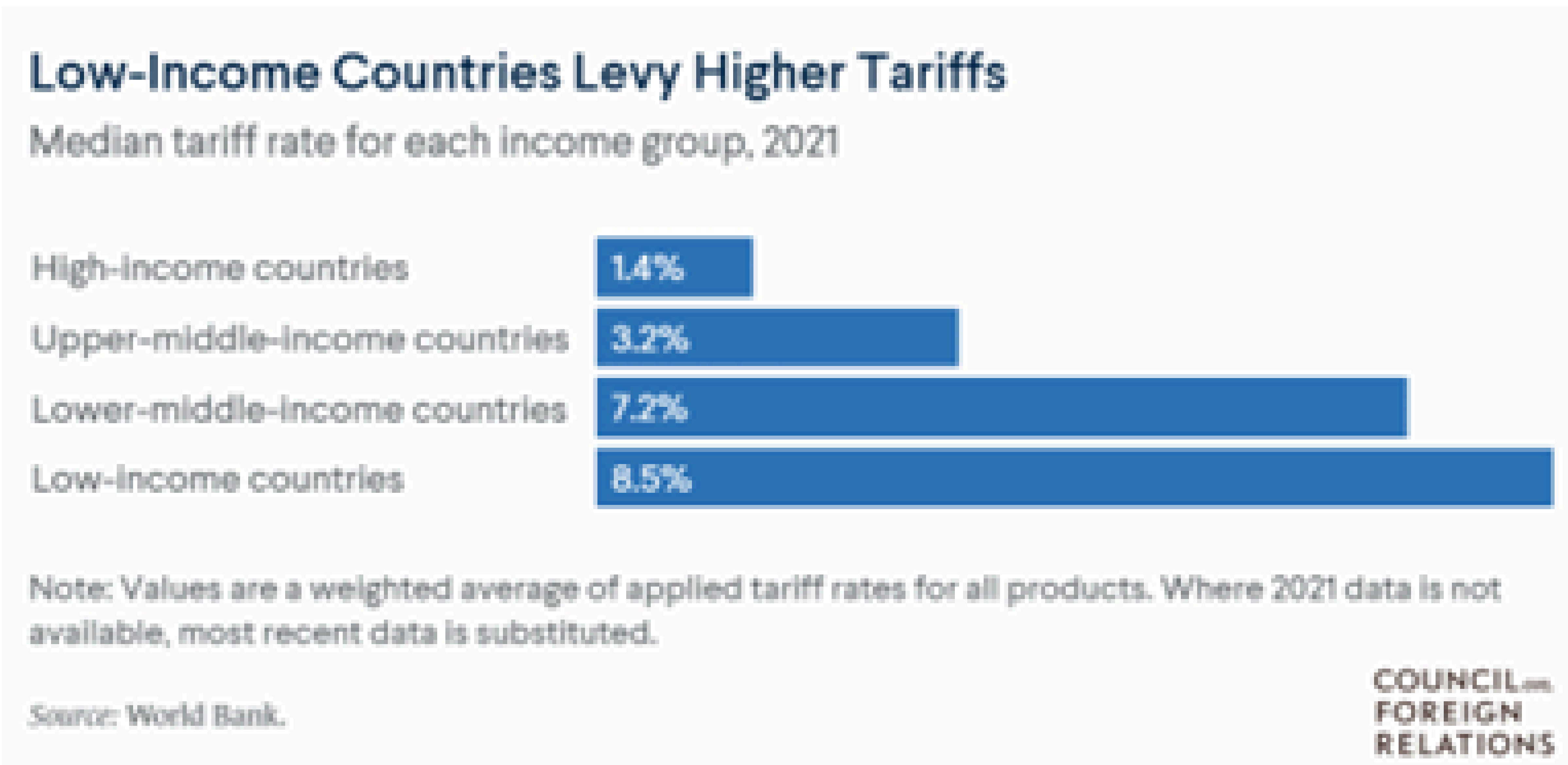
In his second term, Trump is again relying on tariffs to achieve an even wider array of goals. He has imposed sweeping tariffs on Canada, China, and Mexico, citing the countries' lack of immigration enforcement and failure to control the flow of illegal fentanyl into the United States. In an effort to promote domestic manufacturing, his administration has also announced duties on all imports of autos and certain auto parts—which could significantly hurt European carmakers. The raft of new tariffs comes even as many economists continue to warn that their use has significant downsides.

V. What are Tariffs

A tariff is a tax imposed on foreign-made goods, paid by the importing business to its home country's government. The most common kind of tariffs are ad valorem, which are levied as a fixed percentage of the value of the imports. There are also "specific tariffs," which are charged as a fixed amount on each imported good (for example, $2 per shirt) and "tariff-rate quotas," which are tariffs that kick in or rise significantly after a certain amount of imports is reached (e.g., fifty thousand tons of sugar).

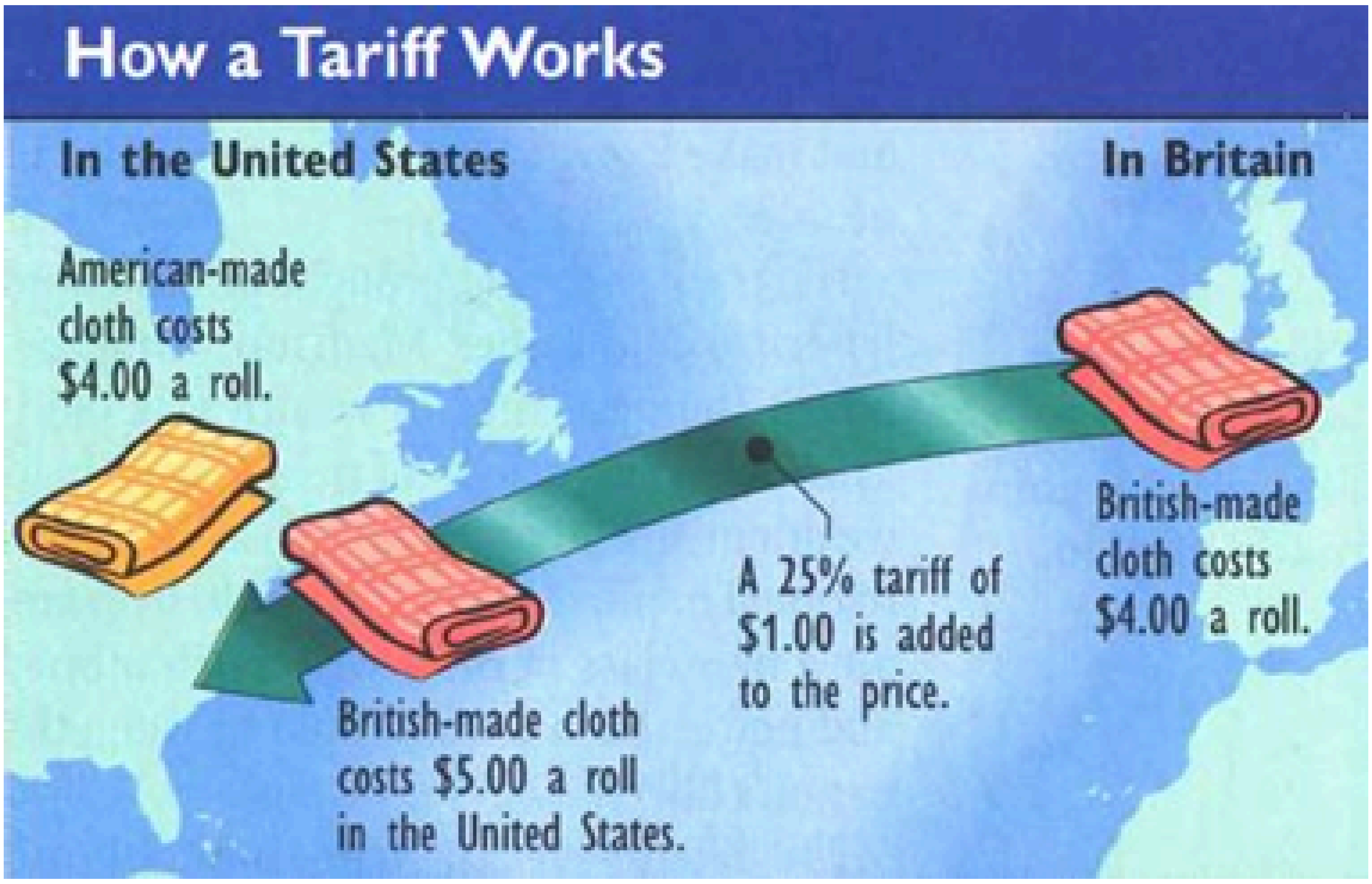
Tariffs can serve several goals. Like all taxes, they provide a modest source of government revenue. Several countries have also used tariffs to help fledgling industries at home, hoping to shelter local firms from foreign competitors. Some tariffs are also meant to address unfair practices that other countries have used to make their exports artificially cheap.

Almost every country imposes some tariffs. In general, wealthy countries maintain low tariffs compared to developing countries. There are several reasons why: developing countries might have more fragile industries that they wish to protect, or they might have fewer sources of government revenue. The United States, for instance, maintained high tariffs for decades, until income taxes supplanted tariffs as the most important source of revenue in the 1930s. After World War II, tariffs continued to decline as the United States emphasized trade expansion as a central plank of its global strategy.



Many presidents have exercised these powers, though Trump has done so to a far greater extent than most of his predecessors. In his first term, he imposed tariffs affecting hundreds of billions of dollars worth of goods from China and some U.S. allies, including members of the European Union (EU), and in the opening weeks of his second term he has further expanded their use. Biden, for his part, maintained tariffs on China and introduced several of his own while reining in tariffs on EU member countries.

WTO members are supposed to keep their tariffs below an agreed level, or bound rate, which varies among countries. (Developing countries are generally permitted to have higher tariffs.) When a country wins a dispute at the WTO, it is often allowed to impose retaliatory tariffs to pressure the losing country to change its policies. Some experts say that the organization's credibility has been damaged by Trump's—and then Biden's—decisions to bypass the WTO and unilaterally impose tariffs.



VI. Recent Developments

On 1 February 2025, President Trump announced tariffs on imports from three of the biggest US trade partners: Canada, Mexico and China.
On 11 February 2025, he announced tariffs on all steel and aluminium imports. Mr Trump has also said he intends to increase tariffs on imports from other countries.

China, Mexico and Canada

The legal basis for the measures on China, Mexico and Canada is a national emergency under the International Emergency Economic Powers Act (IEEPA):
Mr Trump said the tariffs were a response to the threats posed by illegal immigrants and drugs, particularly fentanyl. Despite the delay by one month, the 25% tariff increases on imports from Canada and Mexico were implemented on 4 March 2025. On 6 March 2025, Mr Trump exempted imports from Canada and Mexico that satisfy the certain 'rules of origin' requirements (which means that those goods receive the label "made in Canada" or "made in Mexico"). These rules come from the United States–Mexico–Canada agreement (USMCA), a free trade agreement negotiated during the first Trump administration. He also reduced to 10% the tariffs on Canadian energy products and on Canadian and Mexican potash that fall outside the USMCA preference rate.

There are questions over the grounds for these measures and how effective they will be. Geopolitical tensions between the US and China are growing over economic supremacy and access to energy resources and technological expertise. The new tariff increases on Chinese imports, totalling 20%, have been described by the Council on Foreign Relations as an attempt to rebalance trade relations and address the effects of China's approach to growth and trade.

Targeting Canada and Mexico appears to violate the USMCA. It is also likely to disrupt supply chains, especially for automobiles, and affect US consumers by, for example, increasing food prices.

Tariffs on other countries

President Trump has imposed a 25% tariff on all aluminium and steel imports from 12 March 2025 to protect domestic industries and jobs. This is likely to increase the price of essential inputs to many US manufacturers.

President Trump has threatened to impose reciprocal tariffs, which would increase US tariffs to the same level as those imposed by other countries on American imports. These new tariffs would also respond to what the Trump administration views as unfair non-tariff measures and burdensome requirements on American businesses. This measure would pressure US trade partners to reduce their WTO-bound tariffs and change their practices and regulations.

Besides violating WTO rules, the planned measure does not acknowledge that, while US tariffs on industrial goods are low, its agricultural tariffs are usually high, which contradicts its efforts to ensure reciprocity. Demanding reciprocity can have broader implications, affecting different US economic sectors.

Response to tariffs

In response, Canada, China and the EU announced countermeasures targeting US exports and industries, that is, retaliation, with other countries expected to follow. This results in more protectionism and could increase international instability and distrust.

For example, Canada announced that it would bring disputes before the WTO and the USMCA, besides imposing a 25% tariffs on $155 billion worth of imported goods from the US, beginning immediately with a list that includes orange juice, peanut butter, wine, spirits and beer.

China also filed a dispute in the WTO and announced retaliation targeting, among others, US farm imports and implementing export controls on 15 companies. The EU announced it will impose countermeasures on £22 billion worth of imported goods from the US, including industrial products, household tools, plastic and wooden goods.

[1]

[1] *First published on Cagle.com, The Netherlands, April 4, 2025 | By Tom Janssen*

VII. Rationale Behind Recent U.S. Tariff Measures

Tariffs in most cases are intended to protect local industries by making imports more expensive and driving consumers to domestic producers. In the United States, several politically sensitive industries benefit from such tariffs: sugar producers have been protected by tariffs since 1789—two years after the signing of the U.S. constitution—and the auto industry has benefited from the so-called chicken tax since 1964, which places 25 percent tariffs on some pickup trucks. Additionally, tariffs are used to shield domestic industries from foreign countries' unfair trading practices and, in some cases, for national security purposes. They can also be a tool of industrial policy.

> **Tariffs are intended to protect local industries by making imports more expensive and driving consumers to domestic producers.**

Unfair trading practices

Some tariffs are meant to counteract specific measures taken by foreign countries or firms.

For instance, the United States applies *"countervailing duties"* when another country subsidizes a domestic industry—allowing its exporters to sell products at a lower price than they would otherwise be able to in a free market—and thereby undercuts U.S. producers.

Antidumping tariffs are applied when a U.S. firm proves that a foreign firm is selling products in the United States at lower prices than they charge at home, often in an attempt to drive competitors out of an industry before raising prices. In both of these cases, tariffs are meant as a penalty that allows domestic producers to compete as if the market had not been distorted. Critics, however, claim that even these tariffs are often disguised protectionist policies.

In 2018, under the auspices of Section 301 of the Trade Act of 1974, the Office of the U.S. Trade Representative (USTR) issued a report detailing how China's intellectual property (IP) practices were "unreasonable or discriminatory, and burden or restrict U.S. commerce." These included pressuring American companies to hand over their IP as a condition for doing business in China, known as *forced technology transfer*. On the basis of the report, Trump imposed a slew of tariffs during his first term, ultimately covering roughly $360 billion worth of imports from China. The Biden administration largely kept these tariffs in place.

Biden also used Section 301 to impose new tariffs. In May 2024, he used the authority to target $18 billion worth of Chinese goods, including steel and aluminum, semiconductors, and electric vehicles and other green technologies—sectors that CFR expert Brad W. Setser says are viewed as "critical for America's economic future." Other analysts say the administration imposed these tariffs to protect the United States' burgeoning green energy industry from a glut of subsidized Chinese products, in addition to supporting broader efforts by the Biden administration, including export controls, to stem the sale of the most advanced artificial intelligence (AI) technology to China.

National security.

> In some strategic industries, often for goods with military uses, tariffs can be used to ensure a country does not rely on trade for its supply of critical products. Most notably, Section 232 of the Trade Expansion Act of 1962 allows the president to raise tariffs on certain goods for national security reasons.

To curb China's massive steel production, Trump used this law to raise tariffs on steel and aluminum imports from China, as well as from allies including Canada and the EU, leading to accusations that national security was being used as a pretext for protectionism. (Tariffs on Canada and Mexico were later dropped as part of the U.S.-Mexico-Canada Agreement, and Biden lifted tariffs on EU member countries.) The use of Section 232 is particularly controversial, experts say, because it exploits an exception to WTO rules for actions taken in the name of national security. In February 2025, Trump signed a proclamation invoking Section 232 to impose a 25 percent tariff on all imports of automobiles and certain automobile parts, citing a critical threat to U.S. national security.

Trump has also drawn on the authority of the 1977 International Emergency Economic Powers Act (IEEPA) to pressure countries who refuse to take back deported migrants; this justification featured in Trump's 2019 threats to levy tariffs on Mexico and again in the January 2025 spat with Colombia over Bogotá's reluctance to accept deportation flights. The IEEPA gives the president expanded authority to regulate international commerce in the event of an emergency, which Trump has declared with respect to immigration at the U.S. southern border. Meanwhile, he has also threatened tariffs for a range of other national security justifications, including on Denmark due to Trump's stated desire for the U.S. acquisition of Greenland, a self-governing territory of Denmark.

Economic competitiveness.

Some support for tariffs stems from a grand vision for how to build an economy. *Alexander Hamilton*, the nation's first treasury secretary, asserted that tariffs are necessary, at least temporarily, to nourish "infant industries" in the United States until they grow strong enough to compete abroad, at which point the taxes can be removed. Variations of this argument have been advanced throughout U.S. history. They have gained credence again in recent years, especially after high-profile supply-chain failures during the COVID-19 pandemic. Both Biden and Trump have cited tariffs as an effective tool for reducing the U.S. trade deficit and bringing manufacturing jobs back to the United States.

Major tariffs imposed by USA:

Tariff action	Tariff rate	Value of trade impacted	Major exporting countries affected
Trump Section 301 tariffs	7.5% to 25%	$360 billion (2021)	China
Trump Section 232 tariffs on steel and aluminum	10% for aluminum products, 25% for steel products	$13 billion (2021)	Brazil*, China, European Union, Japan, South Korea*
Biden Section 301 tariffs on green technologies and other "critical" goods	25% to 100%	$18 billion (2024)	China

*Country agreed to a quota limit in lieu of tariffs.

Sources: Congressional Research Service; CFR research.

COUNCIL on FOREIGN RELATIONS

VIII. Impact

Who pays?

Importers pay tariffs to their home government, but most economists find that the bulk of tariff costs are passed on to consumers. This is particularly true for industries with small profit margins, such as retail.

Critics say poor Americans are hit the hardest, and recent research has found that U.S. consumers have indeed "borne the brunt" of the tariffs on Chinese goods through higher prices. Still other studies have pointed to different costs for consumers: with tariffs on their foreign competitors, domestic producers can safely raise their prices. Ultimately, consumers share the burden with importers.

At the same time, **tariffs can harm exporters**, who may cut prices to hold on to their market share. If exporters do not cut prices, their products can become relatively more expensive, causing sales to slump. Both cutting and maintaining prices can cause profits to fall and potentially damage the exporting country's economy.

The effect is particularly worrisome for countries whose economies are **export-driven**, including many of those in Asia. China became the world's largest exporter in 2009, and Vietnam has become a hub for low-cost manufacturing exports. Some high-income countries, such as Germany, also rely on exports to support their growth. Companies in countries that depend on exports for growth can lose customers when hit with tariffs, resulting in strong economic headwinds. Some research has shown that U.S. tariffs have led to modest contractions in China's economic growth, though the effects are difficult to measure since growth was already slowing before the tariffs took effect.

What is the impact on tariff-wielding countries?

Many experts challenge the logic behind tariffs and argue that they hurt more industries than they help, saying that tariffs act as an economic drag in the countries using them. When consumers pay the bulk of tariff costs, it makes them effectively poorer because prices are higher.

According to this view, firms that use domestic products as inputs also see their purchasing power shrink, as tariffs allow domestic producers to raise prices. For example, as automakers pay more for steel, economists suggest they are likely to shed more workers than steel mills will hire. A 2020 study by economists at

Harvard University and the University of California, Davis, found that tariffs on steel and aluminum had likely resulted in seventy-five thousand fewer manufacturing jobs in steel-using industries while creating just one thousand jobs in steel production.

Other experts contend that tariffs shrink the economy. The Tax Foundation, which is generally skeptical of tariffs, estimates that the combination of Trump and Biden's tariffs so far will lower U.S. gross domestic product (GDP) by 0.2 percent and reduce employment by some 142,000 jobs.

Tariff critics also warn about retaliatory tariffs. These place the country that first levied tariffs on the other side of the equation and ensure that both its consumers and its export industries will be hit. China responded to Trump's first-term tariffs in kind, while U.S. allies, including Canada and the EU, retaliated against the levies on aluminum and steel products. (In response to Trump's tariffs in his second term, Canada, China, Mexico, and the EU have announced or threatened retaliatory tariffs.) Countries often target the sensitive U.S. agriculture sector, which is reliant on exports.

Still, economists and politicians on both the left and the right increasingly favor tariffs. A 2022 analysis by economists at the Economic Policy Institute, a pro-labor think tank, found that Trump's tariffs helped "reshore" supply chains in strategic industries, and that reducing them "would have only a minimal and transitory impact" on U.S. price levels. Republican strategists generally argue that tariffs create good jobs, increase economic growth, and decrease trade deficits.

Many other Democrats agree that tariffs are good for American workers; the Biden administration also contended that tariffs are necessary to build up the U.S. green energy industry, which it argued will be integral to slowing climate change. In February 2024, Senator Josh Hawley (R-MO) introduced legislation to increase tariffs on U.S. imports of Chinese cars to 100 percent; Biden raised tariffs on Chinese electric vehicles to that level three months later.

IX. Global Economic & Political Repercussions

Tariffs are considered an acceptable trade tool in international law. World Trade Organization (WTO) member states have agreed to bind their tariff rates to certain upper limits, which are different for each state. If a country increases its tariffs beyond its limits, it could be violating its WTO obligations.

If a country applies different tariffs to different countries' imports, it could violate the WTO ***most-favoured-nation principle***, which prevents governments from discriminating between trade partners. Such violation could lead to trade disputes before the WTO Dispute Settlement System. The WTO's Appellate Body is not currently functioning, which may complicate the resolution of potential trade disputes.

Countries joining free trade agreements also seek to further reduce, or even eliminate, the tariffs they have already committed to in the WTO. The lower tariffs then apply to the other parties to the free trade agreement. The goal is to promote better trade terms and improve trade flows between strategic trade partners.

Countries can use tariffs and other trade measures for geopolitical reasons (such as national security or environmental protection); that is, the goal is to influence the balance of power between states, not to secure profit or economic welfare. Geopolitics explains states' behaviour according to power distribution and global leadership disputes.

Powerful countries such as the US started adopting policies on geopolitical rather than economic or legal grounds. This results in the protection of strategic economic sectors from international competition or interference in a context of changes to power balances.

Countries might seek to improve their geopolitical position by ensuring access to valuable resources, such as critical raw materials, semiconductors or digital technologies, and building or joining resilient supply chains. For example, China, the EU and the US have implemented different measures to limit the access of certain foreign electric vehicles to their domestic markets and to secure a leadership role in the global electric vehicles supply chain.

Countries might use trade tariffs as a geopolitical tool to achieve domestic objectives and to keep or claim global leadership. These new policies can undermine international cooperation and economic interdependence, at a time when many say international rules and institutions are under increasing strain.

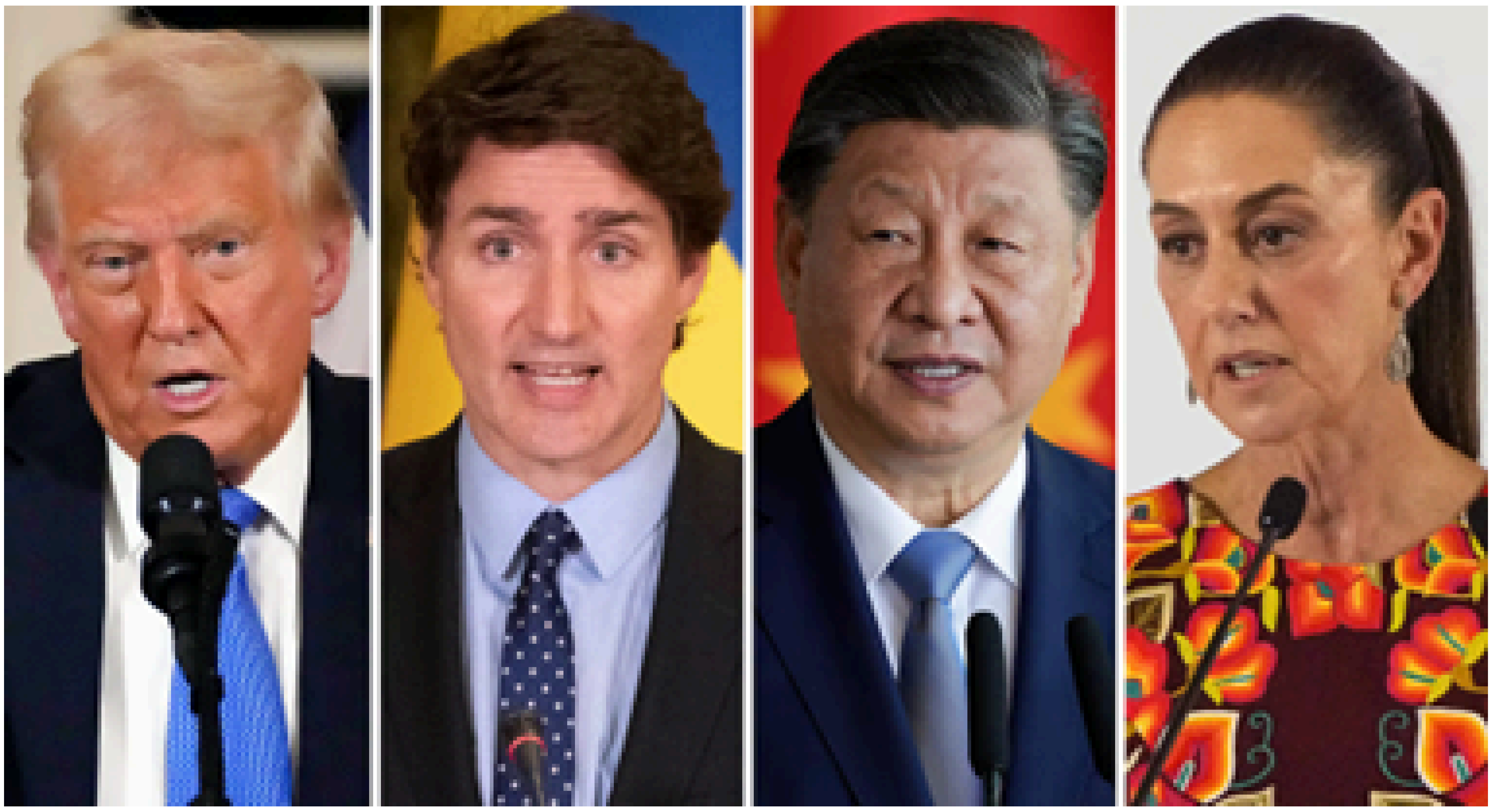
The US tariff strategy seems to be part of a broader challenge to trade multilateralism. The introduction of differentiated tariffs by country – with notable exceptions for certain geostrategic partners – reflects a desire to redefine global trade power dynamics outside traditional institutional frameworks such as the WTO. This policy may reshape alliances and could trigger retaliatory measures from targeted powers, especially China and the European Union, which have already indicated a readiness to respond.

The announcement of steep tariffs against Taiwan – set at 32% – is a particularly strong diplomatic signal with potentially explosive implications. This is especially concerning given Taiwan's strategic role in global value chains, particularly in the semiconductor sector, which is critical for the global digital economy. While some industries, like semiconductors, currently benefit from partial exemptions, the political message is clear: once sufficient onshoring of key component production has occurred in the US, disengagement from Taiwan cannot be ruled out. This signals an intent to reduce technological dependence on East Asia in favour of greater strategic autonomy.

The pharmaceutical sector also enjoys temporary exemption from the new measures, aiming to avoid disruption in the supply of essential medicines. Nevertheless, this status may change, and the sector remains watchful of future trade policy decisions. These tariffs have been maintained independently of other announced measures, reflecting a distinct approach for industries considered strategic to national security. In 2023, the main exporters of medicines to the US were Germany, Switzerland, Belgium, Ireland and India – the latter playing a vital role by supplying generic medicines worth around $9 billion in 2023, nearly a third of India's total pharmaceutical exports.

Finally, defence-related products such as steel and aluminium are already subject to specific tariffs of 25% under Section 232. However, recent developments suggest that these tariffs could have broader implications for US arms production. Indeed, new tariffs imposed by the Trump administration – including a 20% levy on EU goods and 10% on imports from the UK and Australia – may disrupt global supply chains essential for manufacturing American weapons systems. These disruptions could increase costs and delay production, potentially undermining international security partnerships and joint defence projects like the F-35 fighter jet and the AUKUS submarine alliance.

Russia and North Korea are notably absent from the list of countries facing higher tariffs. The White House has justified this by citing the existing economic sanctions that already severely restrict trade with these nations, making additional tariffs unnecessary. Moreover, regarding Russia, the Trump administration has expressed a willingness to reopen diplomatic dialogue. In February 2025, discussions began between US and Russian representatives to restore normal diplomatic missions. Imposing new tariffs would have jeopardised this rapprochement.



X. Way Forward.

What can countries do to mitigate the effects of tariffs?

The most common way for countries to fight back against tariffs—aside from levying retaliatory tariffs—is to subsidize the domestic industries that have been hit. The first Trump administration countered tariffs on agricultural products by providing farmers with tens of billions of dollars in aid to make up for lost exports. Many economists criticized this strategy as counterproductive and wasteful. Some fear that recipients come to rely on such assistance programs, making them difficult to end.

Some experts suggest that export-dependent countries could let their currencies depreciate in the face of tariffs. This would effectively cheapen exports and make them competitive despite tariffs. But it would also make consumers in that country poorer, as the local currency would have less purchasing power. Another remedy is to find alternative markets for imports and exports. Trump encouraged this, suggesting that companies facing tariffs on imports from China turn to Vietnam and other countries for their products. However, in testimony to the USTR's office, many U.S. businesses complained that they were unable to quickly shift to sourcing products from outside of China, given the country's dominance in manufacturing consumer products, and were therefore forced to pay the tariffs.

> *Once imposed, tariffs are difficult to remove because companies become used to the new environment and lobby against lifting them,* experts say.

Ultimately, it might not be possible to reverse their effects. Once imposed, tariffs are difficult to remove because companies become used to the new environment and lobby against lifting them, experts say. The chicken tax on pickup trucks, for example, was imposed during a trade spat with the EU in 1964, yet has remained in place. If tariffs lead trading partners to find new buyers and sellers, those new relationships can endure.

XI. Focus Questions

1. Are recent U.S. tariffs in line with WTO rules, or do they breach obligations under GATT and related trade agreements?

2. What reforms to the WTO's dispute settlement system are needed to prevent tariff conflicts from escalating into trade wars?

3. How can existing WTO provisions on special and differential treatment better protect developing countries from the fallout of major trade tensions?

4. Is there a way for countries to pursue industrial protection without violating commitments under WTO subsidy and trade remedy rules?

5. What changes to WTO transparency and reporting mechanisms could ensure tariff measures are fair, justified, and predictable for all members?

XII. List of Valid Sources

1. United Nations Digital Library
2. UN Official Website
3. UN Organs' Websites
4. Past UN Resolutions
5. Government Websites of various Countries
