THE ECONOMIC AND FINANCIAL AFFAIRS COUNCIL

STUDY GUIDE

JB MUN 2025

LETTERS FROM THE EXECUTIVE BOARD

Letter from the Director

Dear delegates,
It is my honour to introduce myself as your Director for the Economic and Financial Committee in JBMUN 2025, where we will be discussing the complex issue of Trade Wars, a challenge that continues to shape our world economy in profound ways. In this committee, there is no set course. Every word said, every decision made can influence the global economy, whether it is for better or for worse; it is up to you.

I am currently studying in the tenth grade at The J.B. Petit High School for Girls. My own MUN journey began when I took part in my very first MUN in the seventh grade, and instantly fell in love with the feeling of being part of something bigger than myself, where opinions aren't just heard but actually matter. With each MUN I have attended, I have learned how to place myself in another person's shoes and defend them, be it a world superpower or an extremist organisation, expanding my knowledge of global politics along the way.

Outside of MUN, I spend most of my time listening to music, baking, and watching cricket and Formula 1. I love to sing and binge-watch my favourite sitcoms, but nothing can beat the love that I have for pizza. Being a Ferrari fan has taught me not to lose hope, which is very important in MUN, as sometimes things don't always go your way, but you have to keep pushing even when the odds seem against you. I hope to see this same resilience and determination from all of you in the committee, no matter the challenges you face.

ECOFIN is not just about research skills, but also your ability to think on your feet and improvise during crisis situations. In this committee, you will have to navigate world-shifting decisions and crises that could reshape economies and alliances. My hope is that all the delegates in this committee embrace the challenges and crises, using them as a way to show their skills and ingenuity.

This conference won't be easy, but hopefully, it will be an unforgettable experience. Trade wars are complex battles shaped by bold strategies, shifting alliances, and major economic stakes. My best advice is to be well-researched and bring creativity, confidence and energy.

See you soon,
Isha Parekh
Director, Economic and Financial Committee
JBMUN 2025

Letter from the Assistant Director

Dear Delegates,
It's my pleasure to welcome you to the Economic and Financial Committee at JBMUN 2025. This year, we'll be working on the agenda: 'U.S. Global Tariff Escalation and Its Economic Consequences with a Focus on Escalating U.S.-China and U.S.-India Trade Tensions.' It's a topic that might sound technical at first, but once you get into it, you'll see how it ties into global politics, competition, and the everyday lives of millions of people.

I'm currently in the tenth grade at The Cathedral and John Connon School, studying the IGCSE curriculum. MUN has always been a space where I can explore global issues in a way that's both challenging and exciting, and I'm looking forward to seeing how each of you approaches this agenda.

Outside of MUN, I spend a lot of time listening to The Weekend, playing with my golden retriever Mowgli, and being a Manchester United fan. Being a United fan has taught me a thing or two about patience and loyalty, which is something I think will become very important when you're defending your allocation's stance in committee, no matter how tough things get.

My hope for this committee is that you come prepared, but also ready to adapt and think creatively. Trade wars aren't just about economics; they're about resilience, strategy, and timing. If you bring those qualities into debate, you'll make the discussions far more engaging and impactful.

I'm excited to see the energy you bring to ECOFIN, and I can promise you this committee will be intense, unpredictable, and rewarding.

See you in committee,
Meher Singh
Assistant Director, Economic and Financial Committee
JBMUN 2025

Letter from the Assistant Director

Hello Delegates,
As your Assistant Director, it is with great pleasure that I welcome you to this committee and I am extremely excited to be part of the Executive Board in the Economic and Financial Committee (ECOFIN) at the J.B. Petit Model United Nations.

My journey in Model United Nations began two years ago, and I instantly loved it! If you decide to take up MUN, it will become a significant part of your life, forming friendships, memories and giving you an abundance of knowledge.

Model United Nations is the perfect platform to express your thoughts on global issues and simulate real-world diplomacy. It challenges delegates to think critically and develop solutions while interacting with their peers. We encourage you to participate enthusiastically and always convey your views during committee sessions and immerse yourselves in the research and preparation.

The topic we will be discussing and delving into in the ECOFIN this year is the U.S. Global Tariff Escalation and Its Economic Consequences with a Focus on Escalating U.S.-China and U.S.-India Trade Tensions. This crisis is about international trade conflicts and economic diplomacy and will test your analytical, negotiation, and policymaking skills.

I am truly excited to guide you through your JB Petit MUN journey this year as we delve into this fascinating topic, and I cannot wait to hear your insightful points in committee!

See you soon,
Shlok Bohra
Assistant Director, Economic and Financial Committee
JBMUN 2025

Letter from the Assistant Director

Dear Delegates,
Welcome to JBMUN 2025 and to the Economic and Financial Committee (ECOFIN). I could not be more excited to work with you on an agenda that sits at the very heart of today's global order: U.S. Global Tariff Escalation and its Economic Consequences.

When I first began my own MUN journey, I was drawn to committees like ECOFIN precisely because they force us to think in layers: not just about what countries say, but why they say it, and how economics, politics, and strategy overlap in ways that shape people's everyday lives. Tariffs might look like percentages on paper, but in reality, they affect whether a farmer can sell crops, whether a factory worker keeps their job, and whether a consumer can afford basic goods. That is why debates here matter: they bring abstract policy into sharp human focus.

As Assistant Director, my role is to guide you through this process, not by giving you answers, but by pushing you to dig deeper into your research, test the strength of your arguments, and most importantly, listen to and build on each other's perspectives. Great committees are never about individual dominance; they are about collective progress. ECOFIN, more than any other, is about compromise and balance, because economics is a field where gains and losses are always interconnected.

Outside of MUN, I spend much of my time writing, reflecting, and searching for stories-whether in books, in history, or even in the everyday humour of a good sitcom (which I never get tired of rewatching). I believe those passions influence how I approach debate: with curiosity, creativity, and a strong cup of coffee always in hand.

Over the next three days, I hope you will not just argue about tariffs and trade, but also experiment with innovative solutions, challenge old assumptions, and push the boundaries of what this committee can achieve. If you come in with both preparation and openness, I promise you will leave ECOFIN with not only sharper skills but also a deeper understanding of how intertwined our world truly is.

I look forward to hearing your voices, your visions, and your strategies. Let's make ECOFIN a space where we don't just analyse the global economy; we reimagine its future.

With enthusiasm,
Maitri Varaiya
Assistant Director, Economic and Financial Committee
JBMUN 2025

INTRODUCTION TO THE COMMITTEE

The Economic and Financial Committee (ECOFIN), the second principal committee out of seven of the United Nations General Assembly, addresses challenges relating to global economic growth, finance, and development. It is considered a critical organ of the UN; without it, the United Nations and the other organs attached to it would cease to function, as ECOFIN apportions funding among programs and committees. It consists of all 193 UN member states, acting as a forum for deliberation and creation of guiding resolutions on matters such as international trade, external debt, sustainable development, and so on. ECOFIN aims at promoting equitable growth and supporting nations in overcoming economic inequity, encouraging collaboration in development, trade, and financial stability.

ECOFIN's distinct mandate includes examining globalisation and its impacts, facilitating financing for development, managing operational activities targeting the eradication of poverty, and building strategies for regional support, especially for least developed countries. The committee cannot enforce its resolutions but relies on consensus and voluntary cooperation as the basis for effective global economic reform. Debate procedures enable structured dialogue and creative problem-solving. Delegates are expected to formulate incentive-driven mechanisms for implementation, avoiding unrealistic funding models and instead focusing on sustainable, actionable, and inclusive solutions.

The Economic and Financial Committee (ECOFIN) in JBMUN 2025 will discuss the U.S. Global Tariff Escalation and Its Economic Consequences, with a focus on the growing trade tensions between the United States, China, and India. We convene at a pivotal moment in global politics and economics, a moment where tariffs are no longer mere technical tools of trade policy but instruments of power, leverage, and confrontation.

INTRODUCTION TO THE AGENDA

The rising issue of global tariffs in the United States raises serious concerns for the world economy, as it affects a key governance priority for trade. Trade not only impacts tariffs, quotas and sanctions but also a broader set of governance priorities reflected in issues of sovereignty, technology, intellectual property protections and the securitisation of global supply chains. The United States has historically been one of the foremost supporters of liberalised trade, but the country has now pivoted to a protectionist economy, deploying tariffs in trade and geopolitical strategy. These trade policies have far-reaching consequences in the global economy, but they can first be detected with respect to China and India.

The tension stems from the U.S.-China trade friction that began to ramp up in the late 2010s. To change trading habits, respond to disfavored subsidies, and combat intellectual property theft and state-sponsored industrial policy from China, Washington imposed tariffs on hundreds of billions of dollars worth of goods imported from China. This led Beijing to target exports from the United States that may be labelled as politically sensitive (i.e., agricultural, auto and energy exports) with their own tariffs. This tit-for-tat tariffing reduced trade flows between two of the world's largest economies and initiated spillover effects in trade markets worldwide because both countries account for just under forty per cent of global GDP. The trade direction has had consequences for the two economies, and the accessory economies along the supply chain, from Southeast Asia to Latin America, have had to adjust by changing suppliers and/or opening new production locations for their products.

At the same time, the trade policy of the U.S. and India is growing more troublesome. Washington and New Delhi are certainly not strategic rivals to the same extent as Washington and Beijing; however, the United States has raised alarms about tariffs imposed by India on a few goods from the United States, including agriculture, medical devices, and information technology hardware. For instance, the United States suspended India's beneficiary status in 2019 under the Generalised System of Preferences (GSP) program, claiming the United States did not have "acceptable and effective access" to the Indian market with several U.S. exports. India's response included tariffs on U.S. imports, including almonds, apples, and steel. Therefore, while the U.S. trade dispute with India is clearly of a smaller scale than the U.S. trade dispute with China, it is interesting because of India's position as one of the fastest-growing major economies in the world and India's role in global supply chains of pharmaceuticals, textiles, and services.

The effects of increased tariff levels by the United States flow through commerce well beyond bilateral trade effects. Firstly, tariffs interfere with the efficiency of the global value chain, prompting firms to rethink sourcing, raise prices, or sustain losses. Secondly, developing countries reliant on an export-led growth model are in the immediate crossfire, with trade flows often changing to create new opportunities, but conversely exposing new vulnerabilities. For example, at times, Vietnam, Malaysia and Mexico have received

benefits from m the diversion of investment and trade flows away from China. However, each of these
nations faces the constant risk of being targeted themselves if U.S. protectionism broadens.

An important item on the agenda pertains to the systemic implications of international trade governance. The United States' use of unilateral tariffs with regularity has created immense strain on the multilateral trading system built on rules, particularly through its operation via the World Trade Organisation (WTO). When large states either sidestep or ignore mechanisms for resolving disputes, they deprive international institutions of the legitimacy that is intended to deter such increases in tension in the trading system. The International Monetary Fund, the World Bank, and UNCTAD have expressed concern about the systemic instability associated with enduring tariff increases, specifically warning of not only reduced expectations for investment flows and global economic growth, but also the growing inequalities between countries.

As members of this committee, you face a major challenge. The decisions you make throughout these three days will not only affect how countries respond to current trade conflicts, but also whether the world can keep a system based on rules or fall into more division. The agenda goes beyond tariff disputes; it is about the future of globalisation. Will the world economy continue to fracture into competing blocs with tariffs as tools of geopolitical competition? Will states recommit to cooperation and reform of international institutions to better address today's challenges? The answers will shape not only U.S.-China and U.S.-India relations, but also the wider trajectory of the global economy in the decades to come.

You are responsible for thinking about compromise, balancing different interests, and planning what comes next at this important moment. The choices you make here will affect more than just trade numbers: they will also influence the lives of millions, the stability of markets, and the strength of international cooperation. Your voice, your vote, and your vision will determine whether tariff escalation becomes a story of conflict and division or an opportunity to reimagine a more resilient and fair global trading system for generations to come.

Background History

I. Introduction

Historically, global trade wars have disrupted the political and economic order of the international system. Trade wars arise when nations employ tools such as tariffs, quotas, and sanctions, or use other means to defend domestic industry and exert geopolitical power, and almost always have retaliatory consequences. In recent history, the U.S. has engaged in these trade wars due in part to its position in the world economy after World War II.

II. Early Historical Context: Trade Wars before the 20th Century

1. Mercantilism (16th-18th centuries):

Empires such as Britain, France, Spain, and Portugal in Europe all established colonial regimes based on protectionist tariffs and monopolies. Trade wars often exhibited as naval blockades and by colonial powers attempting either to outflank one another, i.e. to dominate trade routes (as in the Anglo-Dutch maritime conflicts of the 17th century) or to impose tariffs for the stated reason of maximising national wealth through bullion accumulation.

2. Colonial Trade Wars:

European wars established a naval supremacy (at times including military force), establishing dominion over areas such as the East Indies or Qing Dynasty China in pursuit of trade dominance, which included military force and direct territorial claims until many of the late colonial systems were established, i.e. the Opium Wars.

3. 19th-century Protectionism:

The U.S., as a new republic, also had trade-related conflicts. First, there was the Embargo Act of 1807 against Britain and France that brought American commerce to an effective halt. Also, the U.S. itself was highly protectionist during the 19th century, employing tariffs to protect its necessary industries from competition. The "Tariff Wars" between the U.S. and Europe (U.S. tariffs dominated from the 1860s to 1890s) further entrenched the perception that trade policy was a means to protect the U.S. economy.

III. 1. The 20th Century: From Protectionism to Multilateralism

Interwar Period and the Great Depression:

The infamous Smoot-Hawley Tariff Act of 1930 increased U.S. tariffs on some 20,000 goods and provoked retaliatory tariffs from dozens of countries that deepened the global depression by collapsing trade back to -65 per cent from the volumes before the depression (1929-1934).

2. Post-War Order:
To address these breakdowns, the U.S. initiated the establishment of multilateral institutions - the General Agreement on Tariffs and Trade (GATT) in 1947, which transitioned into the World Trade Organisation (WTO) in 1995. The purpose of these institutions was to provide dispute-settlement processes in an effort to avoid trade wars.

3. Cold War Rivalries:
Trade could also be a geopolitical instrument. The U.S. curtailed trade with the Soviet bloc, while pressing allies to liberalise. Countries such as India, which followed a policy of import-substitution industrialisation, were frequently derided by the U.S. for their protectionist approach.

IV . U.S.- China Trade Wars: A Historical Arc

The U.S.-China trade relationship has undergone sharp transformations, from mutual engagement to growing confrontation.

1. 1970s-1990s: Opening and Engagement
The initiation of trade ties between the U.S. and China can be traced back to President Nixon's visit to China in 1972. In 1979, the U.S. granted China a statutory framework entitled "Most-Favoured-Nation" status, which allowed China to apply very low tariffs on their exports. In the 1990s, many political leaders in the U.S. perceived that trade relations would lead to economic and political reforms in China.

2. 2001: China's Membership in the WTO
China's admission into the World Trade Organisation (WTO), which occurred in 2001, altered the patterns of interaction in global trade. Importantly, inexpensive Chinese products flooded world markets; although this resulted in lower prices for consumers, it devastated manufacturing in the U.S. Between 2000 and 2010, imports from China were responsible for the loss of an estimated 3.4 million jobs in the U.S. This 'China Shock' led to increased anxiety about the U.S. economy and trade spats.

3. 2005-2016: Growing Frictions
The United States accused China of manipulating currencies, stealing ideas and intellectual property, and then unfairly subsidising state-owned companies. The United States initiated a series of World Trade Organisation (WTO) disputes against the dumping behaviour of China (dumping is when a company or organisation sells a product or service below the normal market price). The U.S, for example, initiated WTO disputes against China for their steel, solar panels, and rare earth minerals.

4. **2018-2020: The Trump Tariff War**

In 2018, the United States levied tariffs on $50 billion worth of imports from China, alleging multiple unfair trade practices under Section 301 of the Trade Act. China retaliated by imposing tariffs on agricultural products, including soybeans and vehicles, exported from the United States. Ultimately, the United States levied tariffs on $370 billion worth of imports from China, making it the largest bilateral trade war in history (primarily, the bilateral trade was for goods manufactured in China). In January 2020, a "Phase One" deal was reached that began to bring down the level of conflict between the United States and China, though it did not eliminate the vast majority of the tariffs.

5. 2020-2023: Continuity under Biden

Biden maintained the tariffs imposed during the Trump administration, while placing emphasis on "de-risking" from China instead of a complete decoupling. The United States expanded export controls on China that aimed at restricting Chinese access to advanced semiconductors and artificial intelligence technology. This confirmed a shift from tariff-related disputes between the United States and China to technologically limited access to advanced semiconductors and AI technology.

V . U.S.- India Trade Disputes

While U.S.-India trade tensions have continued for decades and are longstanding, they are not as serious as the U.S.-China tensions.

1. Cold War Era:

India engaged in protectionism through tariffs and licensing requirements, in addition to prohibiting foreign investment, as well. During this time period, U.S. businesses often complained about market entry barriers and market access.

2. **1990s: Liberalisation and New Frictions**

India's economic reforms in 1991 opened up the economy somewhat, but agriculture and pharmaceuticals remained problem areas. The U.S. challenged India's patent laws at the WTO, demanding adherence to the TRIPS Agreement.

3. 2000s: WTO Disputes and Sectoral Clashes

The U.S. filed cases against India over agricultural subsidies and restrictions on poultry/meat imports. India countered by resisting U.S. demands for greater market access in insurance and retail.

4. 2018-2019: Escalation under Trump

In2019, the United States revoked India's GSP status, which impacted about $5.7 billion of Indian exports. India then raised tariffs on 28 U.S. goods, such as almon ds, walnuts, and apples produced in politically relevant states like California.

5. 2020-2023: Strategic Balancing

U.S.-India relations have always been defined by volatility. In the context of risk, it has helped the two nations to have somewhat of a strategic balancing approach, despite the setbacks in the realm of trade. Despite the stable improvement in the U.S.-India relationship, their economic ties remain limited, with a series of delays since 2020.

VI. Timeline of Key Global and Bilateral Trade War Developments

Pre-20th Century:
1651 - English Navigation Acts provoke Anglo-Dutch Wars.
1773 - Boston Tea Party as a protest against colonial tariffs.
1807 - U.S. Embargo Act disrupts Atlantic trade.
1846 - Britain repeals the Corn Laws, signalling a move toward free trade
.
20th Century:
1930 - U.S. passes Smoot-Hawley Tariff Act.
1947 - GATT established.
1995 - WTO founded.

U.S.-China:
1972 - Nixon's visit initiates trade relations.
2001 - China joins the WTO.
2005-2016 - Multiple WTO disputes filed.
2018 - The U.S. imposes around $50 billion worth of tariffs on China.
2019 - U.S. tariffs expand to around $370 billion.
2020 - Phase One trade deal signed.
2022 - U.S. imposes semiconductor export controls.

U.S.-India:
1991 - India liberalises its economy.
1995 - WTO disputes over Indian agricultural restrictions begin.
2019 - U.S. revokes India's GSP benefits; India retaliates with tariffs.
2021 - U.S.-India launch talks on digital services taxes.
2023 - Ongoing negotiations on trade facilitation and supply chain

Existing Policies Regarding Trade Wars

As global trade becomes increasingly politicised, existing frameworks for dispute resolution and regulation face severe strains. Institutions such as the World Trade Organization (WTO) were designed to provide a neutral, rules-based order, but in practice they struggle when major powers prioritize national interests over collective stability. Trade wars such as those between the United States and India or China highlight this tension: governments invoke multilateral, regional, and unilateral mechanisms, but political imperatives often override institutional commitments. Understanding these policies requires examining their structure, strengths, and limits in the real-world context of escalating trade conflicts.

1. World Trade Organisation (WTO) Dispute Settlement Mechanism (DSM)

The WTO's dispute settlement mechanism (DSM) has long served as the central pillar of global trade governance. It offers a structured legal process for resolving disputes, beginning with consultations, followed by panel rulings, appeals to the Appellate Body, and enforcement measures such as compliance deadlines or authorised retaliation. Since its establishment in 1995, the DSM has overseen more than 630 disputes, and compliance rates have historically been high, with around 80% of cases resulting in implementation of rulings. This track record demonstrates that, under stable conditions, the DSM can effectively enforce international trade rules.

However, its credibility has been severely undermined in recent years. In 2019, the United States began blocking the appointment of new judges to the Appellate Body, leaving it paralysed and unable to function. As a result, losing parties now "appeal into the void," halting cases indefinitely and eroding the enforceability of WTO rulings. Currently, over 30 disputes remain unresolved due to this deadlock. This crisis illustrates a broader reality: powerful states, when dissatisfied with outcomes, can disable the very institutions meant to constrain them. The WTO thus represents both the potential and fragility of multilateral frameworks, showing how national interests can erode global norms.

2. Bilateral and Regional Trade Agreements

With the WTO system in crisis, many countries have turned to bilateral and regional agreements as alternative platforms for managing disputes. Examples include the United States-Mexico-Canada Agreement (USMCA), European Union trade deals, and ASEAN's economic arrangements. These frameworks often include independent arbitration mechanisms or special panels to handle disputes, allowing faster and more targeted resolutions compared to the multilateral WTO process.

Yet these agreements come with clear limitations. Unlike the WTO, which provides universal standards, bilateral and regional deals are shaped by power asymmetries. Larger economies, such as the United States or the European Union, often dictate terms that smaller partners must accept in exchange for market access. This dynamic weakens the impartiality of dispute resolution and risks fragmenting the global trade system into competing blocs. In essence, these agreements show how, when multilateralism falters, states revert to selective enforcement mechanisms that privilege economic strength over universal rules.

3. Retaliatory Tariffs and Unilateral Action

When institutional mechanisms fail or stall, countries increasingly resort to unilateral measures such as retaliatory tariffs, quotas, and export bans. These actions function both as economic weapons and as bargaining tools, aimed at forcing concessions or signalling political strength. The U.S.-India trade conflict provides a clear illustration. In 2019, the United States withdrew India's benefits under the Generalised System of Preferences (GSP), citing insufficient market access and discriminatory practices. Washington followed this with tariffs of 25-50% on a range of Indian goods, including steel, aluminium, and certain agricultural products. India retaliated by imposing its own tariffs on American exports, such as almonds, apples, and walnuts - products chosen strategically to target politically influential constituencies in the United States. At the heart of this standoff were India's refusals to liberalise sensitive agricultural and dairy sectors, which New Delhi defended on grounds of food security and protecting smallholder farmers.

A parallel can be drawn with U.S.-Brazil disputes, particularly over agricultural products like soybeans and beef. As Brazil emerged as a major competitor in global agricultural markets, it frequently faced U.S. trade pressures and retaliatory measures. These disputes underscore how agriculture, a politically sensitive sector tied to rural livelihoods, becomes a recurring battleground in trade wars. In both the India and Brazil cases, escalation was less about legal violations of trade rules and more about defending domestic priorities, demonstrating how trade policy becomes an extension of domestic politics.

4. Limits and Political Imperatives

The limits of existing frameworks become evident when national imperatives directly clash with international obligations. Countries are often unwilling to make concessions in areas central to domestic politics, such as food security in India, rural livelihoods in Brazil, or strategic industries in the United States. In such contexts, WTO rulings or bilateral arbitration are unlikely to override deeply entrenched political considerations. This explains why governments often bypass multilateral processes altogether, preferring retaliation or selective negotiations.Trade wars thus highlight the fragility of the current rules-based order. Instead of stabilising disputes, existing policies are increasingly sidelined in favour of political calculations. The result is escalating cycles of tariffs, growing uncertainty in global markets, disrupted supply chains, and diminished trust in international institutions. Unless political will is restored and institutional reforms are undertaken, the erosion of multilateralism will continue, and trade wars may become a normalised feature of global economic relation

CHALLENGES FACED IN REMOVING TRADE WARS

1. Political and Strategic Interests of Nations

Tariffs as Instruments of Geopolitical Power

Tariff policy is seldom determined by economics; tariff policy is closely linked to states' political and strategic interests. Tariffs are often used as tools of state power, not just as tools of industry protection, but as signals of geopolitical will. For instance, U.S. tariffs on Chinese technology and manufacturing products are not merely an economic competition issue but also one of reining in China's technological ascent and mitigating strategic dependence upon its supply chains. The same applies to India's tariffs on U.S. agricultural and industrial goods, where there is both protection for domestic producers as well as the pursuit of asserting a level of independence in international trade negotiations.

National Security Considerations

National security is also a strong impetus. Governments tend to impose tariffs or limits on sectors considered essential to defence, including steel, rare earth elements, and semiconductors. By casting these tariffs as security-related, governments can override usual trade conventions and defend protectionism in strategic terms. This makes international negotiations more difficult since economic compromises are now mixed up with issues of sovereignty and security.

Domestic Political Pressures and Policy Challenges

Domestic political pressures also influence tariff choices. Rulers tend to increase tariffs to win votes based on nationalist rhetoric, defend domestic jobs, and satisfy powerful industries' lobbying. Such actions may bring temporary political dividends but threaten to trigger retaliatory measures that destabilise long-term economic stability. Therefore, the coming together of politics, security, and economics renders tariff conflicts very hard to settle. Any multilateral attempt to lower trade wars has to be aware of these political facts, reconciling sovereignty interests with the greater objective of maintaining global trade stability.

2. **Economic Dependence and Vulnerabilities**

Impact on Key Industries and Supply Chains

The global economy exposes nations to contemporary tariff spikes, with important industries heavily depending on global supply chains. The effect of tariffs can be biased toward sensitive industries such as technology, steel, and agriculture, with countries depending on imported raw materials and exported manufactured products. The United States' tariff onChinese aluminium and steel, for example, creates ripples through the supply chain across Europe and Asia, increasing production costs within the world's car and building markets. Similarly, Indian agricultural exports of spices and rice suffer due to tariff pressures, impacting farmers' incomes and food security across partner nations. The vulnerability results from destabilised industries that need stable trade flows.

Consequences for Emerging and Commodity-Dependent Economies

New economies that depend on commodity exports of copper, soybeans, or petroleum experience losses of competitiveness and a decline in investor confidence through tariff barriers. This results in ripples of foreign investment decline, slower economic growth, and increased unemployment. These effects highlight how interconnected trade systems transmit the shockwaves of tariff disputes, particularly hurting countries whose export revenues rely heavily on a narrow range of goods.

Technological Decoupling and the Need for Cooperation

Another sector that is greatly influenced by tariff conflicts is the technology sector. The U.S.-China tariff conflicts have resulted in rapid technological decoupling, with global corporations being compelled to redesign their production chains and shift their manufacturing to third nations. Although Southeast Asian economies benefit from this shift, they can be drawn into a broader trade war. The challenge lies in striking a balance to protect vulnerable industries against the danger of causing disruption across the world. The solution to this vulnerability necessitates cooperation mechanisms that provide special protection to affected industries while stimulating diversification to reduce overdependence on any single trading partner.

3. **Retaliatory Measures and Escalation Cycles**

The Cycle of Retaliation in Trade Conflicts

One of the largest travails to ending trade wars is the ingrained spiral of retaliation that arises with tariff escalation. Once a country implements tariffs, aggrieved trading nations often respond with counter-tariffs to protect their domestic industry, creating a spiral of mutual economic harm. Such tit-for-tat dynamics have been extremely evident within U.S.-China trade disputes, whereby tariffs imposed on billions of dollars of goods provoked simultaneous retrenchment by Beijing against American manufacturing and agricultural exports. Similarly, U.S.-India trade disputes over steel and aluminium tariffs were matched with mutually imposed Indian tariffs against American agricultural exports such as apples and almonds.

Erosion of Trust and Diplomatic Breakdown

Such spirals create an atmosphere in which trust between trading countries is eroded, and bargaining becomes increasingly confrontational. Each country views concession-making as a show of weakness, while escalation is cast as a defensive protection of national pride. These dynamics prevent defusing the situation without the intervention of fair mediators ormultilateral forums such as the WTO. As diplomatic channels narrow, negotiations shift from cooperative engagement to competitive posturing, deepening economic divides.

Economic Penalties and Pathways to Resolution

The long-lived presence of escalation spirals carries broader economic penalties. Companies must cope with ongoing uncertainty by passing on costs to consumers through higher prices, delaying investment, or shifting supply chains. Such unpredictability hurts investor sentiment, damages small and medium-sized enterprises, and inhibits potential economic growth. Halting these spirals requires new solutions, including graduated tariff step-backs, resolution of dispute procedures, and trust-building initiatives. Without them, spirals of retaliation can become open-ended trade confrontations that harm not only the countries directly involved but also the world economy that relies on stable and cooperative relations of commerce.

4. **Global Market Reactions and Investor Confidence**

Stock Market Reactions and Investor Caution

Tariff escalation goes beyond bilateral trade relationships and carries important implications for global markets and investor confidence. The uncertainty that trade wars create about global commerce makes companies and investors wary. Stock markets have regularly reacted adversely to new tariffs, reflecting fears of lower profit margins, supply disruption, and weaker global demand. Announcements of higher U.S.-China tariff levels, for instance, regularly triggered sudden drops across global equity markets and demonstrated how sensitive investors remain to trade tensions.

Currency Volatility and Economic Vulnerabilities

Another outcome of tariff disputes is currency fluctuations. Nations that experience trade wars frequently see depreciation of their currency because markets anticipate lower export income. Volatility makes border-based businesses more expensive and creates difficulties for countries that rely on fixed exchange rates. Economies that require stable trade flows and foreign investment suffer particularly hard. When trade wars between important economies destabilise markets, investor money flows out of developing regions to safer assets, deepening economic vulnerabilities. Commodity exporters across Africa and Latin America, for instance, experience declining revenue with weaker global demand and limited capacity to fund development and social programs.

Impact on Long-Term Investment and Productivity

Uncertainty additionally deters long-term planning of investments. Businesses delay expansion, research, and innovation due to fears that future shifts in tariffs will erode profitability. This hurts global productivity and slows economic growth, particularly after shocks such as the COVID-19 pandemic. Concerted global action is needed to rebuild investor trust. Transparent negotiations, clear tariff schedules, and strengthening the capacity of dispute settlement mechanisms can create stability and reduce uncertainty, helping induce increased investment across the world.

ECONOMIC IMPACT OF TRADE WARS

Trade wars reshape economies by disrupting the natural flow of supply and demand. In theory, tariffs increase the price of imported goods, reducing efficiency by forcing consumers and producers to purchase more expensive alternatives. While the intention is to protect domestic industries and correct trade imbalances, the consequences often extend beyond short-term gains. In the short run, trade wars generate inflationary pressures, supply chain uncertainty, and consumer welfare losses. Over the long term, persistent tariff escalations can erode competitiveness, deter investment, and encourage structural shifts in global production networks, fundamentally altering the balance of international trade.

I. **Impact on Domestic Economies**

1. Consumer Prices and Inflation

One of the most direct consequences of tariffs is an increase in consumer prices. When imports become more expensive, domestic consumers face higher costs for goods ranging from electronics and clothing to food items. For example, during the U.S.-China trade war, the cost of household appliances, furniture, and smartphones rose significantly, with economists estimating that U.S. households paid between $800-$1,300 more per year due to tariffs. Inflationary pressures reduce consumers' purchasing power, disproportionately affecting lower- and middle-income groups.

2. Producer Costs and Supply Chains

Producers also bear a significant burden in trade wars. Many industries rely on global supply chains, where components are sourced from multiple countries before final assembly. When tariffs are imposed on intermediate goods such as steel, semiconductors, or machinery, production costs rise, squeezing profit margins. This can force companies to either pass costs onto consumers (further driving inflation) or cut back on investment and employment. Supply chain disruptions also create uncertainty, as businesses must decide whether to relocate production to tariff-free countries or absorb the losses.

3. Employment and Wages

Trade wars create uneven effects in labour markets. Protected industries (e.g., steel producers in the U.S.) may see temporary job growth, but the larger economy often suffers job losses in sectors that depend on global markets. For instance, American farmers lost billions in export revenue when China imposed retaliatory tariffs on soybean and pork, leading to widespread financial stress in rural communities.
Meanwhile, industries reliant on imported components faced declining competitiveness, causing layoffs or slower wage growth. Studies of past trade conflicts show that while a small group of workers may benefit, the overall labour market experiences net losses, with reduced employment in export-oriented sectors outweighing gains in protected industries.

II. **Impact on International Trade**

1. Decline in Exports and Imports

Trade wars typically reduce the volume of international trade. Tariffs make goods more expensive, discouraging imports, while retaliatory measures shrink export markets. For example, U.S. soybean exports to China fell by more than 70% in 2018 after retaliatory tariffs, forcing American farmers to seek alternative markets in Europe and Latin America. Similarly, Chinese exports of electronics and machinery to the U.S. slowed sharply, hurting industries dependent on American demand.

2. Diversification of Supply Chains

To cope with these disruptions, multinational companies often diversify supply chains. During the U.S.-China trade war, many firms shifted assembly operations to Vietnam, Thailand, India, and Mexico. While this reduces dependence on any single country, it also raises production costs and increases complexity in global trade networks. Diversification may also shift the global balance of trade, with new manufacturing hubs emerging as beneficiaries of geopolitical tensions.

3. Parallel and Grey Markets

Another overlooked consequence is the growth of informal or grey markets. When official imports become too costly, smuggling or unofficial channels sometimes emerge. For example, electronics or agricultural goods subject to high tariffs may still reach markets through unofficial trade routes, depriving governments of customs revenue. Grey markets also undermine consumer protections and make it harder to regulate product standards, creating hidden costs for economies.

III. Case Study: U.S. - China Trade War

The U.S.-China trade war, beginning in 2018, provides a clear example of the wide-ranging impacts of tariff escalation.

1. Impact on the United States

The U.S. imposed tariffs on over $370 billion worth of Chinese goods, covering products like electronics, machinery, and consumer goods. This drove up prices for American households and industries. Studies by the Federal Reserve and academic institutions found that U.S. consumers bore the majority of the costs, with tariffs translating into higher retail prices. The agricultural sector was hit particularly hard: China's retaliatory tariffs targeted soybeans, corn, pork, and other farm products, devastating rural communities. To offset these losses, the U.S. government provided over $28 billion in subsidies to farmers between 2018 and 2020, highlighting the fiscal costs of trade wars.

2. Impact on China

China also faced economic consequences. Export growth slowed as tariffs reduced demand in its largest market. Certain industries, such as consumer electronics and manufacturing, experienced revenue declines, while Chinese farmers lost access to U.S. agricultural markets. To counteract the impact, Beijing employed strategies such as currency adjustments (allowing the yuan to weaken, making exports cheaper) and expanding trade ties with other regions, including Africa, Southeast Asia, and Europe.

3. Global Spillovers

The effects spread beyond the two countries. Electronics supply chains, which often depend on Chinese assembly and U.S. technology, faced higher costs and uncertainty. Steel and aluminium markets worldwide suffered from oversupply, as producers redirected goods away from the U.S. market. At the same time, Southeast Asian economies like Vietnam and Malaysia benefited from supply chain relocations, attracting investment from companies seeking tariff-free production bases. The trade war thus reshaped global trade networks, demonstrating how bilateral disputes ripple across the world economy.

IV . Case Study: U.S. -India Trade Dispute

1. Impact on the United States

One crucial lens for understanding the economic effect of rising tariffs is the United States-India commercial relationship. The trade in dairy products and farm commodities has been a hot spot of contention. Traditionally, the United States has attempted to improve market access for its dairy products in India; however, complications have arisen due to tough Indian laws requiring evidence that dairy comes from animals that do not eat animal feedstocks. In response to U.S. tariffs on Indian aluminium and steel in 2018, India retaliated against U.S. walnuts, apples, and almonds with tariffs. This adversely affected U.S. farmers who had greatly relied on Indian customers

2. Impact on India

Tariffs have created a variety of effects on industries in India on a national level. While on the one hand, protective tariffs helped small- as well as medium-sized companies that were threatened by import competition, on the other hand, Indian business house owners had been hurt by a loss in competitiveness in U.S. markets in terms of the farm segment as well as the textile segment, with reduced foreign exchange earnings as well as lower job creation prospects.

3. Global and Diplomatic Implications

In addition, controversies have been created in the pharmaceutical and IT industries. Even as India remains a leading source of generic drugs and IT services to the United States, growing tension over tariffs has fanned fears over access to U.S. markets as well as the protection of intellectual property rights. American technology companies worry about India's tough regulatory system, while Indian pharmaceutical companies face growing costs in complying with regulations as well as increasing scrutiny by regulators. This scenario sheds light on the means by which tariff disputes influence many industries as well as supply chains, leading to disruption in bilateral trade as well. These disputes complicate diplomatic relationships further, cause tension between national interests as well as global interaction, and remind us that it can be challenging to achieve a balance between market access as well as protective policy in an interrelated global economy.

V . Global Economic Consequences

1. Impact on Global Growth and Trade

Trade wars reach beyond bilateral conflicts to influence the direction of the global economy. One of the more overt effects has been a deceleration in global GDP growth. Higher tariffs lower demand for exports, complicate supply chains, and discourage investment. The International Monetary Fund (IMF) has repeatedly lowered global growth outlooks in periods of escalated U.S.-China and U.S.-India trade conflict, with projections indicating a sanction of up to 0.5% on annual global GDP.

2. Impact on Supply Chains and Emerging Economies

Supply chain bifurcation is another severe effect. Multinational corporations, trying to sidestep tariffs, shift manufacturing locations across several countries, increasing costs and losing efficiency. Electronics companies, once dependent on China as a centre, are diversifying to Vietnam, Malaysia, as well as Mexico. Although that lowers reliance on a sole market, it also generates economies of redundancy as well as extra logistical costs. Emerging economies often get caught in the crosshairs. Nations that are incorporated into global value chains, such as South Korea, Thailand, or Brazil, suffer shrinking exports when demand dries up in major economies. Similarly, African as well as Latin American commodity exporters experience deteriorating revenues when tariffs slow oil, copper, as well as soybeans consumption around the world.

3. Impact on Financial Stability and Globalisation

Investor sentiment is yet another victim. Stock price fluctuations, capital flows out of developing economies, as well as movements all originate from doubt created by tariff hostilities. That has a freezing effect on long-term innovation as well as investment, especially in susceptible economies. Eventually, trade wars risk stifling globalisation itself, exchanging integration for divided markets, more unpredictable growth, as well as deeper divides across regions.

VI. Long-Term Consequences

1. Shift Toward Regionalism and "Friend-Shoring"

The long-term consequences of trade wars are shaping new trends in global economic governance. One significant shift is the increasing momentum toward regionalism and "friend-shoring." Nations are favouring trade agreements and supply chain alliances with political partners as a means to lower exposure to aggressive tariffs. The U.S. and EU, respectively, for instance, are increasingly synchronised on tech and energy supply chains, with Asian economies studying closer arrangements under the aegis of RCEP.

2. Diversification of Supply Chains and Industrial Policy

Another consequence is the diminished reliance on single-country supply chains. The U.S.-China trade war highlighted the peril of overreliance on a sole manufacturing centre. In response, companies are diversifying manufacturing across several locations, a development referred to as the "China + 1" strategy, distributing business across such countries as Vietnam, India, and Mexico. Though this increases resilience, it also increases costs and introduces inefficiencies over the short term. At a national level, tariff pressures help drive innovation across industries that could be shielded against foreign competition. Regimes describe tariffs as a chance to drive self-sufficiency, such as India's "Make in India" push or U.S. investment in chip manufacturing.

3. Emergence of a Fragmented Global System

That being said, such a brand of protectionism also holds the seeds of inefficiency since protected industries might not necessarily find the drive to innovate as much as if they were competing on a global scale. In the long term, the persistence of tariff disputes could speed a more divided, multipolar system of economics. Globalisation might not go away, yet it could evolve toward a network of overlapping regional groupings where innovation thrives in some spots yet stagnation sets in elsewhere. Policymakers' challenge will be making this transition increase stability as opposed to widening chasms

KEY COUNTRIES IN THE AGENDA

United States (USA)

It is the central global economic power shaping trade policy with unilateral tariffs and trade diplomacy. It imposed tariffs on China, India, Brazil, and others, using trade tools to leverage geopolitical goals tied to security and energy policy. There are ongoing efforts in the U.S. to shift supply chains away from distant geopolitical rivals, boosting closer allies like the EU, Japan, and Mexico. The Trump administration's aggressive tariffs (up to 50%) and proposed bills for even higher tariffs (500%) on countries buying Russian oil demonstrate the US's intent to pressure competitors and allies alike to align with its foreign policy goals. It seeks to open markets, especially in agriculture and technology, while controlling the flow of strategic commodities.

China

It is both a target and key player in ongoing global trade frictions, often accused by the U.S. of unfair trade practices and proximity to Russia. It is the world's largest exporter and commodity producer, facing high US tariffs as part of sustained trade rivalry. It is subject to U.S. export controls and "decoupling" pressures, though it is deeply embedded in global supply chains. China promotes multilateral trade norms and BRICS alliances and is one of the strategic competitors, particularly in technology and manufacturing. It is also experiencing shifts as companies adapt to trade realignments and supply chain diversification .

India

It is a growing export powerhouse with strong ties to both the US and BRICS nations, like Brazil and Russia. India is being targeted by US tariffs for buying Russian oil, but stands firm on protecting the agriculture and dairy sectors. Expanding multiple trade pacts, including with the European Free Trade Association (EFTA), makes it an alternative hub amid U.S.-China frictions. It seeks balanced growth and doubling bilateral trade with the US, while safeguarding domestic interests and food security.

Germany

It has Europe's largest economy and is a key player in trade realignments within the EU-US-China triangle. It approaches decoupling from China cautiously, retaining strong economic and technological links. Germany advocates multilaterally balanced trade policies, emphasising dialogue and gradual adjustment over confrontation. It is central to the EU's emerging role as an alternative trade link amid U.S.-China tensions.

Japan

It is a major technological and industrial exporter facing challenges from US tariffs and reconfigured supply chains. It is closely aligned with US policies but cautious on full decoupling From rom China due to economic dependence. Japan is engaged in regional and bilateral trade agreements, focusing on resilience and diversification of supply chains. The U.S.-Japan trade agreement modulates tariffs with strategic exemptions for aerospace and pharmaceuticals.

International Monetary Fund (IMF)

It oversees global financial stability, offering economic surveillance and technical assistance amid trade disruptions. It monitors the impacts of tariffs and trade wars on global growth, inflation, and balance of payments. The IMF supports responsible market liberalisation and financing facilities to help vulnerable countries adapt. It advocates for coordinated international policy responses to mitigate negative spillovers from protectionism.

United Kingdom (UK)

It is a post-Brexit trade strategist enhancing ties with the US, EU, and Commonwealth nations. It is engaged in recalibrating trade policies to maximise growth and respond to geopolitical economic shifts. The UK pursues trade agreements to diversify and secure supply chains; it aims to maintain competitive financial and commercial hubs. It aligns with the U.S. on key security and trade issues but maintains an autonomous policy stance.

Apple

It is a leading multinational corporation greatly affected by trade policies and tariffs. It faces cost pressures from tariffs on components and finished goods, influencing global supply chain decisions. Apple drives corporate strategies to diversify sources and production locations across Asia, Europe, and the Americas. It is an example of the business sector lobbying for stable, transparent trade frameworks and innovation-friendly policies.

Russia

It is an energy superpower, exporting oil and gas to countries like India and Brazil amid Western sanctions. It has been targeted indirectly through tariffs on buyers, complicating global energy trade and geopolitical alliances. Russia is a strong BRICS player resisting U.S.-led economic containment; it pivots towards Asia and South America for trade diversification. Its energy exports serve as strategic leverage in global trade and political negotiations.

World Bank

It provides development financing critical for infrastructure, economic reforms, and resilience-building. It supports trade facilitation projects and capacity-building in low and middle-income countries to enable integration into global markets. The World Bank advocates sustainable economic growth policies balancing social inclusion, environmental protection, and trade expansion. It collaborates with the IMF, WTO, and other bodies to promote coherent global economic governance

Position Paper Guidelines

Position Papers are vital for delegates to make the economic and trade policy of their country clear to the Executive Board. A position paper must be succinct and address the issue at hand, the response of your country to the issue at hand, as well as your own unique solutions that you wish to contribute to the committee. All position papers must be in font Times New Roman, size 12.

Please note that the deadline for submission of position papers is 4th November 2025. It must be submitted to jbmunecofin2025@gmail.com in PDF format.

The structure of an ideal position paper is shown below:
Statement of the problem: Under this category, we expect delegates to give a concise summary of the problem. This statement must be from the perspective of their country and reflect the current situation in a clear and concise manner. The problem statement is essentially a summary of the problem that should be conveyed in roughly two to two and a half paragraphs. In this case, delegates must highlight the impact of rising U.S. tariffs on global economic stability, specifically focusing on the growing trade disputes with China and India.

Foreign policy: Delegates must clearly elaborate on their stance on this topic with regard to the consequences of U.S. trade protectionism on international economic cooperation and diplomacy. This includes the effects of trade restrictions on existing economic alliances, global trade regulations, and bilateral relationships. Consideration is given to retaliatory tariffs, disruptions to multilateral frameworks, and the long-term shifts in economic power and strategic cooperation resulting from the trade disputes.

Solutions: Practical and distinctive proposals to address the challenges posed by rising tariffs and trade tensions. Solutions may include strengthening dispute resolution mechanisms, exploring bilateral or multilateral trade agreements, creating frameworks for tariff reduction, and diversifying economic partnerships. Recommendations focus on measures that balance national economic priorities with the need to restore international trade stability and cooperation.

AI and Plagiarism

Please note that JBMUN maintains a strict no-plagiarism and no-AI-use policy. Any delegate found using AI in any form, whether in paperwork or during the drafting of paperwork, will face serious consequences and will be barred from receiving an award.

QARMA

1. Should ECOFIN add new reforms to existing trade dispute mechanisms, or propose the creation of new monitoring structures?
2. How can ECOFIN address the impact of U.S. tariffs on key sectors like manufacturing exports, agricultural trade and technological sectors?
3. What measures can reduce the burden of tariffs on exports like metals, raw materials and agricultural goods?
4. Should ECOFIN encourage bilateral and multilateral frameworks to reduce trade tension between major economies?
5. What role can developing economies play in preserving a fair and predictable trading order?
6. Should member states consider financial assistance to countries suffering damage from tariff disputes?
7. 8. How can ECOFIN recommend a long-term plan for tariff dispute prevention? How can ECOFIN make sure developing economies are protected from spillovers in capital flight and inflation?
9. How can ECOFIN prevent tariff escalation?
10. How can ECOFIN strengthen coordination with organisations like the WTO, IMF and World Bank to ensure tariff disputes are resolved through a multilateral framework?
11. What role do private sector actors, including multinational corporations and investors, play in stabilising the supply chain under the tariff situation?
12. How can ECOFIN address the challenges tariffs create for private companies dependent on global supply chains, imports, or exports?
13. How should ECOFIN respond to supply chain disruptions caused by shifting production from China and India to Southeast Asia and other regions

Further Reading

https://www.orfonline.org/research/trump-tariffs-and-a-history-of-russian-discounts-to-india

https://www.idsa.in/publisher/issuebrief/trumps-executive-order-on-deep-seabed-mining-a-critical-assessment

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https://www.whitehouse.gov/articles/2025/09/president-trump-stacks-up-21-victories-in-the-supreme-court-so-far/

https://www.gatewayhouse.in/immediate-answer-to-trumps-tariffs/

https://www.gatewayhouse.in/india-us-trade-geopolitics-or-geoeconomics/