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Strengthening multilateral trade cooperation regarding tariffs, sanctions and protectionism

Group of 20 (G20)



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Introduction

The international trading system is facing increasing strain due to rising protectionism, expanding use of tariffs, and the growing reliance on economic sanctions. While global trade has historically contributed to economic growth, development, and interdependence among states, recent shifts toward unilateral and restrictive trade measures have weakened trust in multilateral cooperation and challenged existing trade frameworks.

Tariffs and policies

Tariffs and protectionist policies are often introduced to protect domestic industries or address perceived unfair trade practices. However, when applied without multilateral coordination, such measures can disrupt global supply chains, increase costs for consumers and producers, and provoke retaliatory actions between states. Developing and export-dependent economies are particularly vulnerable to these disruptions, as reduced market access can significantly affect economic stability and growth.

Sanctions

At the same time, economic sanctions have become an increasingly prominent tool in international relations. Although they may be used to uphold international norms or respond to security concerns, their expanded scope and unilateral application have raised concerns regarding their humanitarian impact and their compatibility with existing trade obligations. The absence of clear, universally agreed standards for the use of such measures has further contributed to fragmentation within the global trading system.

Strengthening cooperation

For the G20, whose members account for a significant share of global trade and economic output, strengthening multilateral trade cooperation is of particular importance. Improved dialogue and coordination are necessary to ensure that tariffs, sanctions, and protective measures are applied in a transparent, predictable, and rules-based manner. Addressing this issue is essential to preserve economic stability, support sustainable development, and maintain confidence in the multilateral trading system.



Definition of key terms

Dispute settlement mechanism

A formal process through which trade-related disagreements between parties are resolved according to agreed rules and procedures.

Economic sanctions

Restrictions imposed to limit or regulate economic activities, such as trade, financial transactions, or investment, with the aim of influencing behaviour.

Most-favoured-nation (MFN) principle

A principle of international trade requiring that any trade advantage granted by one party to another is extended equally to all trading partners.

Multilateral trade system

A framework governing trade relations between multiple states based on commonly agreed rules and institutions.

Non-tariff barriers

Trade restrictions other than tariffs, including quotas, subsidies, technical standards, and licensing requirements.

Protectionism

An economic policy approach that seeks to protect domestic industries from foreign competition through trade restrictions.

Retaliatory measures

Actions taken in response to trade restrictions imposed by another party, often involving reciprocal tariffs or sanctions.

Sanctions

Measures restricting economic, financial, or diplomatic interactions imposed to influence the conduct of a state, entity, or individual.

Tariffs

Taxes or duties imposed on goods crossing international borders.

Trade frameworks

Sets of rules, agreements, and institutions that regulate and facilitate international trade relations.

Trade liberalisation

The reduction or elimination of barriers to international trade, including tariffs and non-tariff measures.

Unilateral action

An economic or political measure taken independently by a single state without the cooperation, consent, or coordination of other states or international frameworks.

General Overview

The *multilateral trading system* has traditionally been based on the principles of openness, non-discrimination, and predictability. Through reduced trade barriers and agreed rules, international trade has contributed significantly to global economic growth and the integration of national economies. However, in recent years, the effectiveness of this system has been increasingly challenged by rising *protectionism*, the expanded use of *tariffs* and *sanctions*, and declining confidence in existing *trade frameworks*.

Tariffs and their role in global trade

Tariffs remain one of the most widely used tools of *trade policy*. Governments often justify tariffs as a means to protect domestic industries, address trade imbalances, or respond to perceived unfair trading practices. In certain cases, tariffs can provide temporary support to developing industries or generate government revenue. However, higher tariffs can also increase production costs, raise consumer prices, and reduce overall trade volumes.

Recent increases in tariff measures among major economies have demonstrated how unilateral actions can escalate into broader *trade disputes*. *Retaliatory measures* may further disrupt global supply chains, particularly in sectors such as manufacturing, agriculture, and energy. For export-dependent economies and *small and medium-sized enterprises*, such disruptions can result in reduced market access and increased economic uncertainty.

Sanctions as economic and political instruments

Economic sanctions have become an increasingly prominent feature of international relations. They are used to exert pressure in response to *security concerns*, violations of *international law*, or breaches of international norms. Sanctions may target specific goods, financial institutions, or individuals, and can be imposed unilaterally or through *multilateral agreements*.

While sanctions are often presented as alternatives to military action, their broader economic effects remain contested. Comprehensive sanctions can have significant *humanitarian consequences* by limiting access to essential goods and services, while *targeted sanctions* may still affect civilian populations indirectly. Furthermore, when sanctions are imposed outside of *multilateral frameworks*, they may create legal uncertainty and tensions with existing *trade obligations*.

Protectionism and its economic implications

Protectionist policies extend beyond tariffs and include *non-tariff barriers* such as subsidies, import quotas, and technical regulations. Supporters argue that such measures are necessary to safeguard *national industries*, employment, and *economic security*, particularly during periods of crisis. Protectionism may also be linked to efforts to reduce *strategic dependencies* and strengthen domestic production capacities.

Critics, however, contend that prolonged protectionism can reduce *competitiveness*, discourage *innovation*, and distort global markets. *Developing economies* may be disproportionately affected, as limited access to international markets can hinder *economic diversification* and growth. The uneven application of protectionist measures has also contributed to widening *economic disparities* between countries.

Challenges facing multilateral trade frameworks

Multilateral trade frameworks have faced increasing difficulties in addressing contemporary trade challenges. Negotiations on *trade reform* have progressed slowly, while enforcement mechanisms such as *dispute settlement mechanisms* have struggled to keep pace with evolving economic realities. Disagreements among major economies regarding *subsidies*, *state-owned enterprises*, and *digital trade* have further complicated coöperation.

At the same time, the use of *regional* and *bilateral trade agreements* has expanded, offering alternative pathways for *trade liberalisation* but also contributing to *regulatory fragmentation*. For some states, these agreements provide flexibility and strategic advantages, while others view them as undermining the inclusiveness of the multilateral system.

Implications for developing economies and global stability

Developing economies are often more vulnerable to disruptions in global trade due to limited *economic diversification* and dependence on *export revenues*. Increases in tariffs, sanctions, or non-tariff barriers can reduce *foreign investment* and constrain access to essential markets. *Least developed countries* may also face difficulties in navigating complex trade frameworks and complying with diverse *regulatory standards*.

For the global economy as a whole, weakened *multilateral coöperation* risks increasing uncertainty, slowing *economic recovery*, and reducing trust among states. Strengthening dialogue and coördination within multilateral trade frameworks remains central to balancing *national interests* with shared *economic stability* and long-term *sustainable development*.

Strengthening multilateral trade and its consequences

Strengthening *multilateral trade cooperation* generally aims to reduce reliance on *unilateral action* and increase predictability within the international trading system. Through multilateral frameworks, states commit to shared rules, dispute-settlement mechanisms, and negotiated outcomes, which can limit sudden or arbitrary trade measures.

In the context of *tariffs*, enhanced multilateral cooperation encourages tariff reductions through negotiated agreements and binding commitments. States are more likely to lower or stabilise tariff levels when trade terms are agreed collectively, reducing the risk of retaliatory tariff escalation and trade disputes.

Regarding *sanctions*, multilateral coordination can shift the use of economic restrictions away from unilateral sanctions toward collectively agreed measures. This may reduce fragmentation in global trade flows, as sanctions imposed through multilateral consensus are typically clearer in scope and enforcement, while unilateral sanctions can create overlapping or conflicting trade restrictions.

With respect to *protectionism*, stronger multilateral cooperation discourages inward-looking trade policies by promoting market access, transparency, and non-discrimination. While states retain sovereignty over economic policy, multilateral commitments can constrain excessive protectionist measures and encourage gradual trade liberalisation.

Overall, strengthening multilateral trade cooperation is generally associated with lowering trade barriers and limiting unilateral economic measures, while maintaining structured mechanisms for addressing disputes and economic concerns.

Major parties involved

Brazil

Brazil is one of the world's largest emerging economies and a major exporter of agricultural goods, including soybeans, coffee, and meat. Historically, Brazil has advocated for the interests of developing and export-dependent countries in multilateral trade discussions, calling for *trade liberalisation* that ensures fair access to global markets. The country has opposed excessive protectionism by developed economies, arguing that tariffs and *non-tariff barriers* disproportionately affect agricultural exports. At the same time, Brazil has occasionally used tariffs to protect domestic industries, particularly in sectors vulnerable to international competition. Its position in G20 debates often reflects a balance between supporting global trade rules and safeguarding national economic interests.

China

China is the world's largest exporter and a central actor in global manufacturing supply chains. Over the past two decades, it has significantly benefited from *trade liberalisation* and integration into the *multilateral trading system*. China has often faced criticism from other major economies regarding state subsidies, market access, and intellectual property practices. In response, China has increasingly engaged in *regional trade frameworks* and bilateral agreements to secure market access and protect strategic industries. During discussions on tariffs and sanctions, China tends to advocate for predictable, rules-based trade while resisting unilateral measures that could disrupt global supply chains or target its industries specifically.

European Union

The European Union (EU) represents a bloc of 27 member states and is a major global trading partner. The EU has historically promoted *multilateral coöperation* through institutions such as the World Trade Organization, while also employing tariffs, *retaliatory measures*, and sanctions to defend common interests. European policy often emphasizes the enforcement of *trade rules*, protection of strategic sectors, and support for *sustainable development* within trade agreements. The EU has also been a key actor in negotiating regional trade agreements and in mediating disputes between members and non-members, aiming to maintain predictability and stability in international trade.

India

India is a major emerging economy with a diverse industrial and agricultural base. The country has been a strong advocate for protecting the interests of developing nations within the *multilateral trade system*, particularly in areas such as *agriculture subsidies* and *market access*. India has used tariffs selectively to protect domestic industries and maintain economic security, while also pursuing regional trade agreements to expand export

opportunities. In debates over sanctions and protectionism, India emphasizes balancing national development goals with *global economic stability*, often highlighting the potential negative impact of unilateral trade measures on developing economies.

United States

The United States is one of the world's largest economies and a key driver of global trade rules. Historically, it has supported *trade liberalisation* and *multilateral frameworks*, but in recent years, it has increasingly used tariffs and sanctions as tools of economic and political strategy. The U.S. has occasionally engaged in *retaliatory measures* in response to perceived unfair trade practices, particularly with major trading partners. Its position in G20 discussions often emphasizes protecting domestic industries, enforcing intellectual property rights, and ensuring that *trade frameworks* reflect national security and economic interests, while still advocating for predictability in international trade relations.

World Trade Organization

The World Trade Organization (WTO) is the primary international body governing the *multilateral trading system*. It oversees trade agreements, monitors trade policies, and administers the *dispute settlement mechanism* aimed at resolving trade-related disputes between members.

In recent years, the WTO has faced challenges including stalled negotiations and reduced effectiveness of its dispute settlement function, limiting its ability to respond to rising *protectionism* and unilateral trade measures. Despite these difficulties, the organization remains a central forum for dialogue on tariffs, sanctions, and trade rules, particularly for countries seeking predictable and rules-based trade relations.



Timeline of events

- 2001 September 11th** Following the terrorist attacks in the US, the United States implements targeted financial sanctions on individuals and organizations linked to terrorism.
- 2002 March 3rd** The US increases tariffs on steel imports to protect domestic steel producers, prompting trade concerns from major exporters.
- 2005 July 1st** China joins the World Trade Organization dispute settlement process, committing to reforms to reduce trade barriers and increase market access.
- 2009 December 1st** In response to the global financial crisis, G20 nations coordinate temporary stimulus measures and pledge to avoid new protectionist tariffs.
- 2010 May 6th** The EU imposes sanctions on Iran targeting specific sectors in response to nuclear program concerns, affecting trade and investment flows.
- 2018 July 6th** The United States implements tariffs on steel and aluminum imports from the EU, Canada, and Mexico, prompting retaliatory tariffs and escalating trade tensions.
- 2019 September 1st** China imposes additional tariffs on US goods in response to ongoing trade negotiations, further intensifying the US-China trade dispute.
- 2020 March 15th** In the early stages of the COVID-19 pandemic, several countries implemented export restrictions on medical supplies, highlighting vulnerabilities in global supply chains.
- 2021 January 1st** The African Continental Free Trade Area comes into effect, aiming to reduce tariffs among participating countries and promote regional trade integration.
- 2022 February 24th** Following geopolitical tensions in Eastern Europe, the EU, US, and other allies impose economic sanctions on Russia, affecting energy and trade relations.
- 2023 June 12th** G20 trade ministers meet to discuss strengthening multilateral cooperation and improving transparency in the application of tariffs, sanctions, and protectionist measures.

Relevant UN treaties and events

Charter of the United Nations: Foundational treaty establishing the principles of international coöperation, peaceful relations, and collective action, including the authority of the UN Security Council to impose sanctions, 26 June 1945.

General Agreement on Tariffs and Trade (GATT): Multilateral agreement establishing rules to reduce tariffs and prevent discriminatory trade practices, forming the basis of the modern international trading system, 30 October 1947.

Marrakesh Agreement establishing the World Trade Organization: Agreement creating the World Trade Organization and formalising a rules-based system for international trade, including dispute settlement mechanisms, 15 April 1994.

United Nations Conference on Trade and Development (UNCTAD) mandate: Establishment of UNCTAD to promote development-friendly trade policies and address the concerns of developing economies within the global trading system, 12 June 1964.

A/RES/55/2; United Nations Millennium Declaration: General Assembly resolution recognising the role of open and equitable trade in achieving global development goals, 8 September 2000.

A/RES/66/10; Strengthening the role of the United Nations in enhancing the effectiveness of the principle of periodic and genuine elections: Resolution reaffirming the use of sanctions within multilateral frameworks to uphold international norms, 9 December 2011.

A/RES/70/1; Transforming our world: the 2030 Agenda for Sustainable Development: General Assembly resolution emphasising inclusive economic growth, sustainable trade, and strengthened global partnerships, 25 September 2015.

A/RES/74/4; Political declaration of the high-level meeting on universal health coverage: Resolution highlighting the importance of resilient supply chains and international coöperation, indirectly relevant to trade restrictions during global crises, 10 October 2019.

Previous attempts to solve the issue

World Trade Organization dispute settlement reform efforts

Several WTO members, including the European Union, Japan, and Canada, have proposed reforms to the *dispute settlement mechanism* in order to address concerns regarding delays and enforcement. These proposals seek to restore confidence in multilateral trade rules, though disagreements among major economies have slowed progress.

G20 commitments to resist protectionism

In response to the 2008 global financial crisis, G20 members committed to refraining from introducing new protectionist trade measures and increasing transparency regarding existing tariffs. While these commitments helped stabilise trade in the short term, their voluntary nature limited long-term compliance.

European Union targeted sanctions policy

The European Union has increasingly relied on targeted sanctions aimed at specific individuals, entities, or sectors rather than broad economic restrictions. This approach is intended to minimise humanitarian impacts while maintaining pressure in response to violations of international norms.

United States–China trade negotiations

The United States and China have engaged in multiple rounds of negotiations aimed at reducing tariffs and addressing structural trade concerns. Although some agreements resulted in limited tariff reductions, broader tensions regarding subsidies and market access have persisted.

India's selective tariff adjustments

India has periodically adjusted tariffs to balance domestic economic development with international trade commitments. These measures reflect attempts to protect strategic sectors while remaining engaged in the multilateral trading system.

Temporary trade facilitation measures during the COVID-19 pandemic

Countries such as Canada, Australia, and South Korea temporarily reduced tariffs and streamlined customs procedures for essential goods to support supply chain stability. These actions demonstrated the potential of coordinated trade responses during global crises.

Possible solutions

Reinforcing multilateral trade frameworks

Member states could strengthen existing multilateral trade frameworks by recommitting to shared rules on tariffs, sanctions, and non-tariff barriers. This may include renewed negotiations on trade reform, improved transparency requirements, and increased information-sharing among states. Supporters argue that stronger frameworks increase predictability and reduce unilateral actions, while critics question whether consensus among major economies is achievable.

Reforming dispute settlement mechanisms

Reforms to dispute settlement mechanisms could help address trade-related disagreements more efficiently and reduce reliance on retaliatory measures. Proposals include updating procedural rules, clarifying the scope of rulings, or introducing interim mechanisms for resolving disputes. While such reforms may restore confidence in multilateral enforcement, concerns remain regarding sovereignty and unequal access for developing economies.

Establishing clearer guidelines for the use of sanctions

States could work toward developing clearer multilateral guidelines on the use of economic sanctions, particularly regarding their scope, duration, and humanitarian impact. Advocates argue that such guidelines could reduce fragmentation and legal uncertainty, while others caution that rigid standards may limit states' ability to respond quickly to security concerns.

Enhancing support for developing economies

Increased technical assistance, capacity-building, and preferential market access could help developing economies better adapt to changes in global trade policies. This approach seeks to reduce inequalities within the multilateral trading system but raises questions about long-term dependency and the distribution of responsibilities among major economies.

Promoting transparency and early consultation mechanisms

Introducing mechanisms for early consultation before implementing new tariffs or protectionist measures could reduce escalation and retaliatory actions. Transparency initiatives may include advance notifications and impact assessments. However, some states view such measures as constraints on domestic policy autonomy.

Encouraging coordinated responses during global crises

States could agree on temporary, coordinated trade measures during global crises, such as suspending tariffs on essential goods or maintaining open supply chains. While this approach may strengthen global economic resilience, differing national priorities may complicate implementation.