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GA2: Economic and Financial Committee (ECOFIN)

Research Report

Topic 3: Implementing countermeasures to restrictions on international shipping and trade.



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Introduction

Maritime shipping accounts for over 80% of the global trading system, making it the primary mode of transporting goods in international trade. Developing countries display an even higher percentage of maritime shipping usage. However, there have been a myriad of issues involving shipping such as hijacking, the COVID-19 pandemic, pollution of the sea, and conflicts in trade zones. A recent example that affected global trade was the Yemen Rebels, Houthi, attacking shipping vessels that pass by Yemen to go through the Suez Canal in November 2023. Since the Canal is frequently and internationally used this caused great disturbance to trade. A perspective on this issue can be to recognise the importance of shipping trade and how conflicts can be resolved through international cooperation and by obliging to the rules and regulations of international shipping. On the other hand, it is equally important to consider the underlying political and economic grievances of the parties involved.

Key terms

International restriction- Set of rules to be followed by all countries regarding shipping and trading. There can be restrictions towards quotes, meaning limiting the amount of items being traded or the number of shipments made.

Sanctions- A threatened penalty that is given when the law or rule is disobeyed¹.

Shipping tariff- Tax imposed by governments of countries or supranational union for the goods imported or exported ².

Supply chain distribution- Means of providing the product to the customer.

Trade embargo- When a Government restricts trade of certain goods, services or products.

Background information

International trade allows for inclusive economic growth³. It supports society in many aspects including poverty reduction and the creation of job opportunities globally. The same is true for shipping infrastructures. In South Asia alone 6 million workers have been employed in shipping companies⁴. In addition, the shipping industry contributes immensely to the country's GDP, primarily those with major shipping industries and big ports. Shipping and trade are accustomed to numerous rules and regulations. There are rules regarding prohibited items, such as counterfeit goods, weapons, and hazardous materials. Some countries also have sanctions or embargoes on other countries due to possible history of conflicts⁵. In addition, there are environmental and

¹ Cambridge Dictionary. "Sanction." @CambridgeWords, dictionary.cambridge.org/dictionary/english/sanction.

² Cambridge Dictionary. "Tariff." @CambridgeWords, dictionary.cambridge.org/dictionary/english/tariff.

³ "Despite Massive Trade, Investment, Benefits of Global Trading System, Value Chains Remain Inadequate for Least Developed Countries, Speakers Tell Round Table | Meetings Coverage and Press Releases." *Un.org*, 7 Mar. 2023, press.un.org/en/2023/dev3453.doc.htm.

⁴ Achkar, Souleima El. "Beneath the Surface: Analyzing the Maritime Workforce - ILOSTAT." *ILOSTAT*, 25 Sept. 2024, ilostat.ilo.org/blog/beneath-the-surface-analyzing-the-maritime-workforce/.

⁵ "Private Armed Security." *Imo.org*, 2015, www.imo.org/en/OurWork/Security/Pages/Private-Armed-Security.aspx.

safety standards to be met when it comes to shipping and trade. These include ship construction standards, discarding waste at sea and Emission regulations.

However, over the years there have been issues regarding trade and it begins with the Suez Canal. The Suez Canal is an artificially constructed waterway connecting the Red Sea to the Mediterranean sea made for the purpose of trading. This passage has enabled the efficiency of trade and is the most popular passage used in the present day. However, due to the recent Red Sea crisis, it is troubling to go through the passage. The crisis occurred due to Houthi rebels in Yemen attacking merchant and commercial vessels in the Red Sea in 2023.

In addition, another past crisis includes the trade war between China and the US. It was a back-and-forth between the two countries raising the tariff on the other countries' products. For US tariffs, the price starts at 50 billion USD and is willing to go up to 544 billion USD. While China followed the same pattern of raising the tariff gradually. It began in March 2017 and a deal was signed in January 2020. This affects the global economy by increasing costs for consumers and disrupting the global supply chain. In addition, it had backfired on both global powerhouses.

Major Countries and organisations involved

UN Conference on Trade and Development (UNCTAD)- Supports the countries to develop through trading opportunities. They also help make fair prices regarding international commodities so it's just for the developing countries. In addition, they support developing countries with balanced building trade infrastructure.

United Nations Convention on the Law of the Sea (UNCLOS)- Allocated the rights and obligations of states to respect while going through the maritime zone.

International Maritime Organization (IMO)- a UN specialized agency, is responsible for creating a regulatory framework for the shipping industry that is fair, effective, and universally adopted⁶.

World Trade Organisation (WTO)-It handles the rules for international trading. Currently creates maritime policies and makes the members of WTO oblige more to the polices. In order to further improve the overall shipping trade system.

Relevant UN Resolutions

[Resolution adopted by the General Assembly on 21 December 2012](#)

⁶ "International Maritime Organization (IMO)." Department of Economic and Social Affairs, 2024, sdgs.un.org/un-system-sdg-implementation/international-maritime-organization-imo-57016.

[67/196. International trade and development](#)⁷

2. Reaffirms that international trade is an engine for development and sustained economic growth, and also reaffirms the critical role that a universal, rules based, open, non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberalization, can play in stimulating economic growth and development worldwide, thereby benefiting all countries at all stages of development;

11. Stresses the need to remove food export restrictions and extraordinary taxes on food purchased for non-commercial, humanitarian purposes by the World Food Programme and to not impose them in the future;

20. Invites the United Nations Conference on Trade and Development to continue, in accordance with its mandate, to monitor and assess the evolution of the international trading system and of trends in international trade from a development perspective, and in particular to analyse issues of concern to developing countries, placing greater emphasis on practical solutions, to undertake policy analysis, including from a gender perspective, to work with all relevant stakeholders and to support developing countries in building productive national capacities and international competitiveness, including through technical assistance activities;

[United Nations General Assembly Resolution 3281 \(XXIX\): Charter of Economic Rights and Duties of States](#)⁸

Mindful of the need to establish and maintain a just and equitable economic and social order through:

- (a) The achievement of more rational and equitable international economic relations and the encouragement of structural changes in the world economy,
- (b) The creation of conditions which permit the further expansion of trade and intensification of economic cooperation among all nations,
- (c) The strengthening of the economic independence of developing countries,
- (d) The establishment and promotion of international economic relations, taking into account the agreed differences in development of the developing countries and their specific needs,

Article 6:

It is the duty of States to contribute to the development of international trade of goods, particularly by means of arrangements and by the conclusion of long-term multilateral

⁷ "Resolution Adopted by the General Assembly on 21 December 2012 ." United Nations, 5 Feb. 2013, p.5, financing.desa.un.org/sites/default/files/2023-03/N1249036.pdf. Accessed 18 Jan. 2025.

⁸ "UNITED NATIONS GENERAL ASSEMBLY RESOLUTION 3281 (XXIX): CHARTER of ECONOMIC RIGHTS and DUTIES of STATES ." UNCTAD Investment Policy Hub, 12 Dec. 1974, investmentpolicy.unctad.org/international-investment-agreements/treaty-files/2778/download. Accessed 18 Jan. 2025.

commodity agreements, where appropriate, and taking into account the interests of producers and consumers. All States share the responsibility to promote the regular flow and access of all commercial goods traded at stable, remunerative and equitable prices, thus contributing to the equitable development of the world economy, taking into account, in particular, the interests of developing countries.

Article 26:

All States have the duty to coexist in tolerance and live together in peace, irrespective of differences in political, economic, social and cultural systems, and to facilitate trade between States having different economic and social systems. International trade should be conducted without prejudice to generalized non-discriminatory and non-reciprocal preferences in favour of developing countries, on the basis of mutual advantage, equitable benefits and the exchange of most-favoured-nation treatment.

Article 32:

No State may use or encourage the use of economic, political or any other type of measures to coerce another State in order to obtain from it the subordination of the exercise of its sovereign rights.

Previous Attempts to Solve this Issue

The UNCTAD advocated for enhanced international cooperation to stabilize trade routes, investment in resilient infrastructure, diversification of shipping routes, and support for vulnerable economies like small island developing states (SIDS) and least-developed countries (LDCs)⁹.

The IMO has created frameworks to combat fraudulent ship registration, enhance maritime safety, and address climate-related risks as part of an effort to safeguard international shipping¹⁰.

Frameworks such as Djibouti and Yaoundé Codes of Conduct were created to combat piracy and ensure freedom of navigation in critical areas such as the Red Sea and Gulf of Guinea¹¹

Possible Solution

1. Strengthening international cooperation to stabilise trade routes, enhance resilience and minimise supply chain disruptions from geopolitical and climate-related risks.

⁹ “Review of Maritime Transport 2024.” UNCTAD, 22 Oct. 2024, unctad.org/publication/review-maritime-transport-2024.

¹⁰ United Nations. “Applying the Law of the Sea to Protect International Shipping.” United Nations Chronicles, 28 Feb. 2024, www.un.org/en/un-chronicle/applying-law-sea-protect-international-shipping.

¹¹ “International Maritime Organization (IMO).” Department of Economic and Social Affairs, 2024, sds.un.org/un-system-sdg-implementation/international-maritime-organization-imo-57016.

2. Improved monitoring systems for early detection of chokepoint disruptions and faster rerouting, such as satellite monitoring, AI-based surveillance, and early warning systems.
3. Support for regional trade to reduce reliance on vulnerable routes and boost intraregional supply chains.
4. Promote free trade agreements (FTAs) to reduce tariffs, quotas, and other regulatory barriers
5. Establish uniform global standards for shipping and trade practices through third party such as the IMO and WTO
6. Address the root causes of international trade restrictions by fostering dialogues between major trading nations to resolve disputes and lift restrictions

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