

Forum: Economic and Social Council (ECOSOC)

Issue: Navigating the effects of geopolitical tensions on global trade and economic stability

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Introduction

Geopolitical actions worldwide produce significant effects on global trade movements and economic stability. The world economy faces increasing influence from geopolitical tensions which produce three significant effects: sanctions, trade wars and disrupted supply chains. The worldwide economic network demonstrates that regional conflicts create extensive market impacts, demonstrating the necessity of international economic collaboration to resolve this critical issue. The ongoing tensions create financial instability, damaging development targets and intensifying social inequalities. This report will analyze the problem by first providing an introduction to the topic and then reviewing its historical background and discussing potential resolutions.

Definition of Key Terms

Geopolitical Tensions

The term geopolitical tensions describes international conflicts which emerge from political disagreements and territorial disputes, economic rivalries, and past conflicts between nations. The existing tensions between nations typically create diplomatic conflicts alongside military threats and economic sanctions.

Global Trade

Global trade involves the movement of goods and services between countries through border exchanges. Political instability, together with protectionist policies and disruptions in trade routes, make global trade highly sensitive to economic development and growth.

Economic Stability

An economy achieves economic stability when it demonstrates continuous expansion with stable prices and minimal joblessness. External events like trade disruptions, together with volatile markets and geopolitical conflicts, typically damage economic stability.

Sanctions

A country imposes sanctions on another nation through penalties to modify its conduct. Foreign policy tools include trade restrictions together with asset freezes and travel bans that nations use to impose penalties on other countries.

Supply Chain Disruption

The interruption of product delivery or manufacturing processes because of political instability or natural disasters or logistical problems constitutes supply chain disruption. Economic losses and product shortages emerge as direct consequences of extended supply chain disruptions.

Background

The Rise of Trade Wars

Especially today, Trade wars, such as the most recent one between the United States and China regarding Trump's tariffs, has demonstrated how disputes over tariffs and trade imbalances can escalate into broader economic conflicts, with an impact on the market as a whole. These wars not only harm the major economies of the involved nations but also disrupt global supply chains, creating a worse standard of living for all.

Sanctions and Their Economic Impacts

The economic consequences of geopolitical actions became evident when Russia faced sanctions after its invasion of Ukraine. The global economy experienced rising energy costs together with food distribution problems which led developing countries to face higher expenses.

Dependence on Strategic Trade Routes

The global trade depends heavily on three strategic waterways including the Strait of Hormuz and the South China Sea, as well as the Strait of Malacca. Global trade operations experience major delays and cost increases whenever these regions experience disruptions.

Timeline of Events

(1994) The World Trade Organization (WTO) began operations in 1994 to support free trade and dispute settlement.

(2008) The worldwide financial crisis from 2008 intensified economic differences between nations which prompted multiple countries to adopt protectionist trade policies.

(2018) The United States began its major trade war by implementing tariffs against Chinese products in 2018.

(2022) The Russian invasion of Ukraine in 2022 triggered major international sanctions, which damaged worldwide energy and food distribution.

(2023) The G20 summit in 2023 emphasized that multilateral partnerships should be formed to resolve trade problems resulting from geopolitical conflicts.

(2025) The world introduced new tariffs in 2025 because nations reacted to protectionist measures. The United States placed tariffs on Chinese and European Union imports because of national security issues and trade imbalances. The global trade system experienced heightened tensions when China imposed tariffs on U.S. agricultural products following U.S. tariff actions against China.

Major Parties Involved

1. United States

The United States serves as a primary economic power to establish worldwide trade policy direction. The United States uses tariffs and sanctions which lead to economic disputes with China and Russia.

2. China

China maintains its position as a vital force in worldwide commerce because it operates as a major production centre. The economic strategies and geopolitical disputes occurring in the South China Sea produce major impacts on global trade.

3. European Union (EU)

The EU maintains its position as a major economic power while facing Russian sanctions together with Russian energy supply disruptions. The organization plays an essential role in advancing rules-based international trade regulations.

4. Developing Nations

The heavy dependence of developing nations on international trade makes them experience the worst impact of geopolitical conflicts. The rising costs of energy and food due to conflicts lead to increased poverty and inequality throughout these regions.

5. Multilateral Organizations

Multilateral organizations, including the World Trade Organization (WTO), the International Monetary Fund (IMF) and the United Nations Conference on Trade and Development (UNCTAD), function as peacekeepers in trade disputes while promoting economic stability.

Previous Attempts to Resolve the Issue

1. WTO Dispute Settlement Mechanism

The World Trade Organization functions as a platform to help nations solve trade disputes. The WTO faces challenges regarding its effectiveness since major powers have resisted its enforcement of rulings and the organization has experienced delays.

2. Economic Sanction Mechanisms

Geopolitical tensions frequently drive nations to use sanctions as a means of addressing them. Sanctions prove effective yet produce various unforeseen effects including damage to civilian people and market volatility across the globe.

3. Regional Trade Agreements

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the African Continental Free Trade Area (ACFTA) work to build regional economic unions because they decrease dependence on trade routes that geopolitical tensions might interrupt.

4. G20 Summits

The G20 works as a platform to stabilize the global economy by fostering dialogue and cooperation between the major economies of the world. The organization faces constraints from conflicting priorities between its member states.

Possible Solutions

1. Strengthening Multilateral Institutions

Enhancing WTO institutions through reform will result in better dispute mediation capabilities. The current trade system requires modernization to accommodate contemporary economic patterns and to address contemporary trade issues including digital commerce.

2. Diversifying Supply Chains

The reduction of national dependence on single trade routes happens when countries expand their supply chain connections. Nations should invest in establishing regional trading connections as well as multiple trade pathways.

3. Promoting Dialogue and De-escalation

Political efforts to manage and decrease geopolitical tensions should be given top priority. Neutral third-party mediation and confidence-building measures, together with trade conflict prevention agreements, should be used to resolve geopolitical tensions.

4. Supporting Developing Nations

Financial assistance combined with trade facilitation programs enables developing nations to manage economic impacts from geopolitical tensions. The IMF and similar institutions should offer emergency loans together with debt relief programs.

5. Establishing Crisis Response Mechanisms

International systems that manage supply chain disruptions within crisis situations help reduce economic damage from geopolitical tensions. Mechanisms for managing trade route blockages and global price spikes need to be established through international coordination.

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