

Committee: World Trade Organization

Agenda Item: Promoting fair trade and addressing economic disparities in global supply chains

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Introduction

Global supply chains are structures that connect producers, workers, and consumers all around the world. The global supply chains are very important worldwide. However, these global supply chains also uncover crucial inequalities. These inequalities can be found in areas such as value distribution, wages, labor conditions and environment. There have also been several recent shocks such as the pandemic, geopolitical tensions, and climate change that have proven how there are equality and fragility issues in global supply chains. The current global trade system that includes the global supply chains have shown to be highly disadvantageous for many marginalized groups, developing countries and small producers.

There have already been World Trade Organization (WTO) discussions regarding the reduction of tariffs. However, discussions have now expanded into areas such as sustainability, transparency in trade which can lead to fair trade, as well as the inclusion of those communities who are usually eliminated from the discussions regarding the global supply chain. There are already some existing WTO initiatives such as Aid for Trade, Trade Facilitation Agreement as well as certain development mechanisms but they are not entirely enough to solve the issue of inequality. There has also been increased dialogue regarding responsible sourcing, supply chain resistance, and development centered trade.

This agenda item continues to be very persistently relevant in current time. This is because there has been heightened global instability which is due to conflict, political tensions, and economic shocks. The inequality of global supply chains also contributes to long-term instability as well as divides in development. There has also been international level concern regarding the exploitation of labor and the lack of equal opportunities in the global market which, with the inclusion of youth employment, also increases inequality in the global supply chain.

It needs to be noted that there needs to be stability in the global supply chain. If stability is ensured then the global supply chains will become more resilient, fair, and transparent. These aspects reduce certain risks brought upon by global chains and also strengthen global security. Youth empowerment is also crucial to address when tackling this issue. Since the youth will make up most of the future population of workers, entrepreneurs as well as policymakers it is very important to uplift them so that they can benefit from the global supply chain and the global market. Policies should be aimed at the protection of young workers and aimed at targeting their needs for the global market.

Definition of Key Terms

Fair Trade: “a way of buying and selling products that makes certain that the people who produce the goods receive a fair price:” (Cambridge Dictionary)

Global Supply Chain: “ worldwide network of suppliers, manufacturers, warehouses and distributors involved in producing and delivering a product to customers across multiple countries” (bdc)

Value Chain: “the series of stages involved in producing a product or service that is sold to consumers, with each stage adding to the value to the product or service:/the series of companies involved in the different stages of producing a product or service that is sold to consumers, with each stage adding to its value:” (Cambridge Dictionary)

Aid for Trade: “aims to help developing economies, including least developed countries, tackle trade-related obstacles, strengthen their capacity to trade, and build the infrastructure they need to integrate into the international trading system - a part of the Official Development Assistance (ODA)-” (WTO)

Trade Facilitation: “aims at achieving simpler, cheaper and faster trade across borders. It aims to ensure that regulatory measures are implemented without becoming a burden on traders.” (UN Trade & Development)

Due Diligence: “action that is considered is considered reasonable for people to be expected to take in order to keep themselves or others and their property safe/the detailed examination of a company and its financial records, done before becoming involved in a business arrangement with it” (Cambridge Dictionary)

Market Access: “involves identifying and overcoming market entry barriers, understanding and complying with regulatory requirements, which can vary significantly between countries, and efficiently navigating the distribution and marketing landscape.” (Wayra Germany)

Non-Tariff Barriers (NTBs): “referral restrictions that result from prohibitions, conditions, or specific market requirements that make importation or exportation of products difficult and/or costly.” (Trade Barriers)

Trade-Distorting Subsidies: “used to describe a tax or action that changes the normal characteristics of trade:” (Cambridge Dictionary)

Sustainable Development: “economic development that is conducted without depletion of natural resources.” (Oxford Languages)

Small and Medium-sized Enterprises (SMEs): “companies that meet specific revenue, asset, and employee thresholds, and can be classified as small or medium-sized businesses” (Investopedia)

Youth Empowerment: “fostering a deep sense of motivation and self-belief that empowers youth to become active participants in their own lives and communities” (AsanteAfrica)

Corporate due diligence: When a company examines addresses human rights, labor, and the environmental risks in its own operations and supply chain (European Union)

Major Actors Involved

China

China is the world’s largest manufacturer and plays a critical role in global supply chains, especially in electronics. It has a huge workforce, an export driven growth model and vast network of trade contractors. China influences the global economy and overall supply chain stability. Moreover, China has made significant improvements in its working conditions, especially in recent years; however, the working conditions are still not considered good by the ILO and other international labor organizations. The employees work overtime with low wages with limited rights and safety guarantees.

United States of America (USA)

The USA is one of the largest importers and home to many multinational corporations that lead global supply chains. It has an improved economy, a strong institutional framework, and a high purchasing power. These qualities helps it to shape global production standards and trade policies over multiple sectors. The working conditions in the USA are better compared to most countries, especially in terms of wages, legal protections and safety. Despite these benefits, the USA still doesn’t meet several labor standards set by international labor organizations like the ILO. For instance, it’s not adequate enough in paid leaves, wage equalities and such.

India

India is at a strategic position in global supply chains, considering that it is the a key producer of textiles, pharmaceuticals etc, as well as one of the largest developing economies worldwide. Even though it has de labor regulations, India faces significant challenges in their application, due to the scale of its informal economy. Therefore, many workers get minimal wages and limited access to social protections. Although recent projects in India have attempted to expand the scale of these regulations, working conditions still remain a huge concern.

United Nations Conference on Trade and Development (UNCTAD)

The UNCTAD is a special body of the United Nations. It was established in 1964. UNCTAD focuses on integrating developing countries into the global economy. Its headquarters are located in Geneva, Switzerland and it constantly collaborates with other UN agencies such as WTO and UNDP, especially to assess the progress of the SDGs in an economic context. It provides technical assistance and analysis as well as facilitating consensus-building in developing countries.

International Labor Organization (ILO)

ILO is an UN agency founded in 1919. It brings together governments, employers and workers from 187 Member States to achieve its goal of ensuring human and labor rights in workforces. In that sense, it sets labor standards and develops policies.

United Nations Industrial Development Organization (UNIDO)

UNIDO is a special agency of the UN, founded in 1966 and headquartered in Vienna, Austria. Its main objective is to promote sustainable industrialization, especially in developing economies. Therefore, it works to enlarge industrial capacity, support technological upgrades and integrate such developing countries into the global supply chains. UNIDO also assists nations in cleaner production methods and integrating SMEs.

Organisation for Economic Co-operation and Development (OECD)

The OECD is an intergovernmental organization located in Paris. It brings 38 nations together to promote economic cooperation and create high-standard policies. It is very important in the global supply chains as it establishes the conventional responsible business conduct and corporate due diligence. These help prevent labor abuses as well as environmental harm. Subsequently, the OECD also works closely with WTO on the “Aid for Trade” initiative in providing data.

European Union (EU)

The EU is a political and economic alliance composed of 27 Member States. Its headquarters is located in Brussels. The EU has become one of the largest consumer markets as its trade rules strongly affect how global supply chains operate. Like the OECD, in the recent years, the EU has introduced strict laws on corporate due diligence and labor protections.

General Overview of the Issue

Historical Background

After World War 2 since industrialization and trade liberalization increased global supply chains also were increased and expanded in a fast manner. WTO was founded in 1995. It created a structure for rules that were based on trade. However, there were still many inequalities between the rights of the developed and the developing countries. Recent crises such as the Covid-19 pandemic as well as geopolitical tensions proved the fragile and unequal nature of the global supply chains. Ethical labor laws and practices as well as the equal distribution of money and profits needed to be endured with the help of increasing fair rate movements.

Key Actors & Roles

Multinational corporations (MNCs) are very relevant regarding this topic. This is because they are in charge of very big parts of the global supply chains. They also have power regarding the pricing of products, the sourcing of products and resources as well as setting the labor standards. In spite of this developing countries and SMEs still often struggle with limited power in the industry and lack market access. They are also likely to be dependent on intermediaries. Governments are also a persistent factor when it comes to discussing this topic as they have the power to regulate trade, impose subsidies and also create certain trade agreements that can directly or indirectly influence the global supply chain. Regarding problems in global supply chains, International organizations such as WTO set rules to combat them. They also can help with technical issues and provide assistance. They can monitor compliance and promote capacity-building. Lastly, consumers and civil society also need to be mentioned, these groups can influence corporate behavior because they have the power to demand certain ethical standards and they might want transparency from the campaigns of companies.

Economic Dimensions

When looking at the economic dimensions of the issue the unequal distribution of profits become very evident. Most of the value is usually captured by brands and retailers who are in developed countries. On the other side, small producers usually have to pay more money for compliance with standards, certifications, and logistics. It is also much harder for developing-countries to compete due to the trade-distorting subsidies in developed countries. There are also certain economic issues for SMEs and small farmers because their access to trade finance is very restricted. This reduces their ability to scale operations.

Social Dimensions

There are the persistent issues of labor exploitation, forced labor as well as child labor in many areas regarding global supply chains. The youth, those who have recently finished their education, usually cannot find job opportunities in supply-chain sectors. This is because these sectors had limited training and resources. There are also gender inequalities in global supply chains. Women usually have lower wages and also fewer access to opportunities in the marketplace. Fair trade as well as CSR initiatives aim to make the working conditions better and strengthen social protections.

Political Dimensions

If trade agreements and certain market access laws are made then those can potentially decrease inequalities. Domestic markets are protected by tariffs, NTBs and some other rules of origin. However, these restrict foreign producers from entering the market. Some governments implement trade sanctions, subsidies, or environmental regulations. These affect the dynamics of the global supply chain. It is very important to note and understand multilateral cooperation in order to address inequalities in the global supply chain, However, they can be slowed due to political tensions.

Geographical Dimensions

As can be seen by the name, global supply chains are very much globalized. They often span across multiple continents. Certain developing regions such as Sub-Saharan Africa, Southeast Asia, Latin America provide raw resources to more developed countries. However, they get very limited value from them. The developed countries have dominance in advanced manufacturing, branding and logistics. Some regions also are vulnerable to natural disasters as well as political instability which affects their strength and resilience.

Cultural and Ethical Dimensions

There are different labor standards and cultural norms in different regions. These can affect the expectations in a workplace. Labor, environmental, and social expectations can be standardized by ethical sourcing and fair trade practices. Consumers are more aware in developed countries. This influenced the companies to create policies on transparency and sustainability.

Timeline of Important Events

Date:	Event:
1 January 1995	The Establishment of the WTO
2005	Introduction of the WTO “Aid for Trade” Initiative
2013	Introduction of the Trade Facilitation Agreement
September 2015	The Adoption of the UN Sustainable Development Goals (SDGs)
2020	Global Supply Chain Breakdown due to COVID-19
2022	Disruption of Supply Chains due to Russia-Ukraine Conflict
2023-2024	Rise of Global Due Diligence Laws

Related Documents

[WTO | World Trade Report 2023 - Re-globalization for a secure, inclusive and sustainable future](#)

[Trade and Development Report 2023 | Growth, Debt, and Climate](#)

[A/RES/79/195 General Assembly](#)

[WTO | legal texts - Agreement on Trade Facilitation](#)

[Ending child labour, forced labour and human trafficking in global supply chains](#)

[Global Digital Trade Development Report 2025 | ITC](#)

Past Solution Attempts

Efforts to address inequality and unfairness in global supply chains have been carried out by numerous international organizations, governments and private institutions. Even though these have made significant progress, they haven't been able to address the issue fully.

One of the most significant initiatives is the WTO's "Aid for Trade" program. This initiative was established in 2005 with the goal of helping less-developed and developing countries to overcome trade barriers by improving their infrastructure and trade capacity. It was very successful in these areas; however, it did not address wage inequality, lack of technology, the dominance of multinational corporations and the limited ability of the less-developed countries to move past low-value production.

Another major attempt to tackle this issue was the "Trade Facilitation Agreement", once again WTO's, established in 2013. It aimed to facilitate trade between cross border countries and while it reduced trade delays, it did not target the underlying inequalities nor labor issues.

ILO has also created several initiatives that target labor exploitation in supply chains. With groups like "Decent Work Agenda" and projects such as "Towards Fair and Sustainable Global Supply Chains," ILO wishes to improve the wages of the workers, make labor inspections better and more prevalent as well as eliminate child and forced labor. While such attempts were definitely successful in raising awareness and the standards for some nations, enforcing their projects still hasn't been as successful since ILO lacks the binding authority.

Similarly, UNCTAD and UNIDO have attempted to resolve technical inequalities by providing assistance and aid for industrial, technological, sustainable and skill upgrade. Their aids help countries to reduce dependence on raw material export and engage in higher-value manufacturing. However, due to limited funding and the weak technological capacity, multinational corporations continue to dominate the most valuable parts of the supply chains.

Governments have also partaken in such attempts to improve the fairness of supply chains through trade agreements. These agreements are legally binding and establish mechanisms for monitoring violations. Despite their advantages, however, their enforcement is questionable and such agreements can actually be misused as trade barriers rather than agreements to restrict such countries' export competitiveness.

Lastly, the approach of ethical standards and fair trade certification has been on the rise. Numerous organizations have been established in the last 20-25 years to prevent exploitation of workers, improve the working conditions, correct the unfair prices of goods and support small businesses. Institutions like Fairtrade International aim to correct the exaggerated prices, prevent exploitation and support small business. They have definitely created a positive impact on some markets and raised awareness. Yet, since they're volunteer-based, they have a limited scope and resources. Moreover, the certification costs can be a burden for the small-scale producers and therefore participation cannot be enforced.

Possible Solutions

As delegates proceed with their resolutions, they should reflect on why previous efforts have not fully resolved inequalities in global supply chains. Many of these attempts introduced some useful frameworks and support mechanisms, but they often failed to address deeper issues within the global supply chains such as weak enforcement of labor standards and uneven value distribution. They also should consider gender based discrimination.

The first point to consider is supply chain transparency and accountability. This would encompass governments and companies adopting clearer reporting systems and corporate due diligence that extends through production. Delegates may also consider the impact of international organizations, especially of the UN like the WTO, to provide aid and monitor.

Moreover, delegates should also bear in mind the working conditions and rights, especially on sectors with lots of informal workers. They need to find ways to enhance the workers safety, raise awareness, expand social protecting. In that way, they could think of ways such as creating partnerships and making making labor inspectorates more prevalent.

Economic problems are also a huge barrier in enhancing the global supply chains. Solving such economic issues includes supporting industrial development, expanding exports, or introducing training programs about finance and moving into higher-value activities. Trade rules that are creating disadvantages for developing countries, such as tariffs, may also be a good point to consider.

Lastly, delegates should not overlook sustainability. They might focus on how to encourage greener production, reduce environmental harms in supply chains, and ensure that such climate policies actually benefit the developing countries rather than creating a disadvantage for them.

Useful Links

[THE 17 GOALS | Sustainable Development](#)

[Towards fair and sustainable global supply chains: Promoting decent work for invisible workers - Nepal Component | International Labour Organization](#)

[International Fair Trade Charter](#)

[Aid for Trade | OECD](#)

[Responsible business conduct | OECD](#)

[Aligning Small Business and Trade with Nationally Determined Contributions:
A guide for policymakers and stakeholders](#)

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