



**Forum:** Security Council

**Issue:** Addressing the trade war in China

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**Position:** Chair

### Overview of the Issue

The US-China Trade war, which was initiated shortly before Donald Trump took office in 2016, is an issue which grows in urgency every day. In 2017, the United States launched an investigation into Chinese trade policies, as they believed they were not fair, and in turn they imposed tariffs worth \$250bn which caused China to retaliate. In the following months, each nation chose to add tariffs, or create policies aimed at negatively affecting the other's economy in a major way. For the first time, a breakthrough was reached in December of 2018, and both nations agreed to stop new trade tariffs for 90 days, in order for them to complete their talks. As this is a matter of urgency which has affected both nations greatly, the accord additionally stated "If at the end of this period of time, the parties are unable to reach an agreement, the 10 percent tariffs will be raised to 25 percent." and their goal is still to have resolved the issue by March of 2019. After the G20 Summit, the United States reported that China agreed to purchase a considerable amount of agricultural, energy, and industrial goods, which would supposedly reduce the trade imbalance between the two. Within this deal, China has essentially risked and given up nothing, as the future tariffs were solely to retaliate, and not an actual governmental desire. While many hope and have analyzed these past events as a temporary suspension of the trade war as a whole, it is in fact only a halt in the rapid escalation of the trade war. Trade and oceans have been connected for centuries, for example the Suez Canal in 1869, and Tacoma port in Washington, which has been built since 1918. Control of these various ports, rivers, and seas is one of the main determining factors of global supremacy. Having said that, when China overtook the United States as the world's largest trading nation, they also then started their South China Sea building campaign. In efforts of retaliation, United States vice president - Mike Pence, has called out China on several trading factors such as military aggression, and unfair trade practices. With each day, and with the current government in the United States, the trade war is intensifying, and shifting from coexistence to harmful confrontation. Despite the fact that the trade war has just started, the Chinese economy has suffered significantly, as their GDP growth decreased to 6.5% in October of 2018. As a result of this, China has lost some of their biggest investors, in fear that this may not just be temporary conflict, but a full trade war

will take place soon. The consequence of an issue like this would be if the Chinese economy continues this degradation, they may decide to take a more aggressive stance, which would not be an issue for China. As of 2018, the US Department of Defense stated that they have the world's largest and most capable military, more specifically, their naval force. The risk of this conflict grows, as Donald Trump has shown no hesitation in challenging China directly. For example, US military presence in the South China sea has also increased substantially, claiming "freedom of navigation" operations. Additionally, as the Chinese military has given several warnings; however, various US jets have flown over Chinese artificial islands, and have also encouraged France, and the United Kingdom to do the same. The effects of a war like this has the potential to lessen global security, and shift the economy as a whole. In accordance to this, the International Monetary Fund has lowered the probability of global growth within the next few years. Furthermore, due to the fact that the United States is still recovering from economic hardship, and plays a key role in the global economy, an event such as this would set the world over 1 decade back. Trade policies are generally a reflection of the current state of national politics, therefore, it will cause political unrest. The trade war would potentially damage all emerging market economies, such as that of Venezuela and Argentina. Already, without the war being in full effect, several industries have already been affected significantly, with their profit decreasing, and a great unavailability of materials. For countries geographically close to China, this war brings both positive and negative effects. Economically speaking, Southeast Asian nations may actually benefit, as their main competitor is the vast Chinese market. With the absence of these Chinese products, ASEAN goods will act as a substitute, and foreign investment would also then shift to that region. On the other hand, Chinese goods may also take over the Southeast Asian markets, which would be more harmful than what the current situation is now. It is advisable to the United States that they should aim at giving responsibility to China, rather than encouraging extreme nationalism. For Southeast Asian nations, they simply do not have the means to compete with the Chinese market. If China was to turn the South China Sea into a war zone, not only would this have severe economic effects, but they would additionally receive political and social backlash.

For more information, here are some interesting articles:

- <https://www.bbc.com/news/business-44706880>
- <https://thediplomat.com/2018/11/how-the-us-china-trade-war-could-impact-the-south-china-sea/>
- <https://www.forbes.com/sites/kenrapoza/2019/01/14/china-is-losing-the-trade-war-in-nearly-every-way/#e5775837f03f>
- <https://www.politico.com/story/2019/01/23/us-china-trade-war-1121833>

(Feel free to research further from my works cited)

## Key Terms

**Tariff:** A tariff is a tax on imports or exports between sovereign states. It is a form of regulation of foreign trade. Tariffs tax foreign product to encourage and also protect local domestic industries. For example, if foreign goods are more expensive, people are more likely to look for domestic products to buy, as they will be cheaper. On the other hand, they may also have a reverse effect whereby the domestic industries will actually become less effective, as they would have reduced the competition, which in turn will raise the prices.

**Extraterritorial Rights:** During the 19th century, during the first invasion of China, foreigners (mostly Americans) were given these rights, and under this they could not be tried in Chinese courts.

**Belt Road policy (China):** Also known as the one belt one road initiative, this is a project which is widely seen as China's step to world domination. Within the last 5 years, president Xi Jinping has put out various statements regarding their plan to connect Asia, Africa, and Europe through this 21<sup>st</sup> century Silk Road. Its approximated at \$1 Trillion; however, at the moment China has already invested \$210 Billion, as a bare minimum.

**International Monetary Fund (IMF):** An international organization whose primary goal is to ensure a fixed rate of exchange between nations, provide short term capital, and assists governments in prioritizing economic growth. Furthermore, it implements these new policies through 3 main functions: surveillance, technical assistance, lending.

**Peterson Institute of International Economics:** A non profit institution whose purpose is identifying and analyzing current issues in our world, and to then make globalization sustainable and beneficial for all. They also attempt to provide feasible solutions which are accessible to the public, and inform/create a space for public debate.

**ASEAN:** Association of Southeast Asian Nations, made up by Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. They have 1 Observer – Papua New Guinea. The advantages: Reducing trade barriers between member states and improving economic growth. In addition, it also promotes political, economic, and security cooperation.

**G20 Summit:** Group of 20 summit where 19 governments, and the European Union meet. Originally, the purpose was to bring together finance ministers and central bank governors from various economies to support the stability of financial markets, as well as promote cooperation.

## Countries and Organizations Involved

**China:** China has retaliated against the United States for the different tariffs they have put into place. This has caused some of their industries to suffer, and they play a key role in this crisis.

**USA:** The USA, under Donald Trump has intensified the trade war, as Trump made several allegations about the trade policies in China

**Japan:** On several accounts, Japan has tried to draw attention to this issue, and has also tried to bring the United Nations into it. The trade war started to affect them as their Chinese shares fell, and they did not want their nations economy to be affected. Moreover, most Japanese companies ship parts to China, which are then assembled in China and sent to the United States. Currently, most Japanese policymakers have not expressed their concern that it will affect the economy immediately; however, they worry that they may not be able to restore their economy if Trump goes on with his threats.

**Vietnam:** A nation geographically close to China which may face positive or negative effects, if the trade war is to escalate. With the absence of these Chinese products, ASEAN goods will act as a substitute, and foreign investment would also then shift to that region. On the other hand, Chinese goods may also take over the Southeast Asian markets, which would be more harmful than what the current situation is now. It is advisable to the United States that they should aim at giving responsibility to China, rather than encouraging extreme nationalism. For Southeast Asian nations, they simply do not have the means to compete with the Chinese market. If China was to turn the South China Sea into a war zone, not only would this have severe economic effects, but they would additionally receive political and social backlash.

**Philippines:** A nation geographically close to China which may face positive or negative effects, if the trade war is to escalate. With the absence of these Chinese products, ASEAN goods will act as a substitute, and foreign investment would also then shift to that region. On the other hand, Chinese goods may also take over the Southeast Asian markets, which would be more harmful than what the current situation is now. It is advisable to the United States that they should aim at giving responsibility to China, rather than encouraging extreme nationalism. For Southeast Asian nations, they simply do not have the means to compete with the Chinese market. If China was to turn the South China Sea into a war zone, not only would this have severe economic effects, but they would additionally receive political and social backlash.

## Related UN resolutions and Previous Approaches to Solving the Issue

As this is a current issue, there is not any specific UN resolution which is aimed at this issue; however, a meeting was supposed to have taken place on

September 25th, 2018. Having said that, at the 2018 United Nations Conference on Trade and Development (UNCTAD), they did discuss the implications of a trade war on the global economy, as well as world security. Since the General Agreement on Tariffs and Trade in 1947, the value of tariffs reduced by 85%, which is the direct result of multilateral cooperation. At this moment in time, there are no resolutions which solve this issue.

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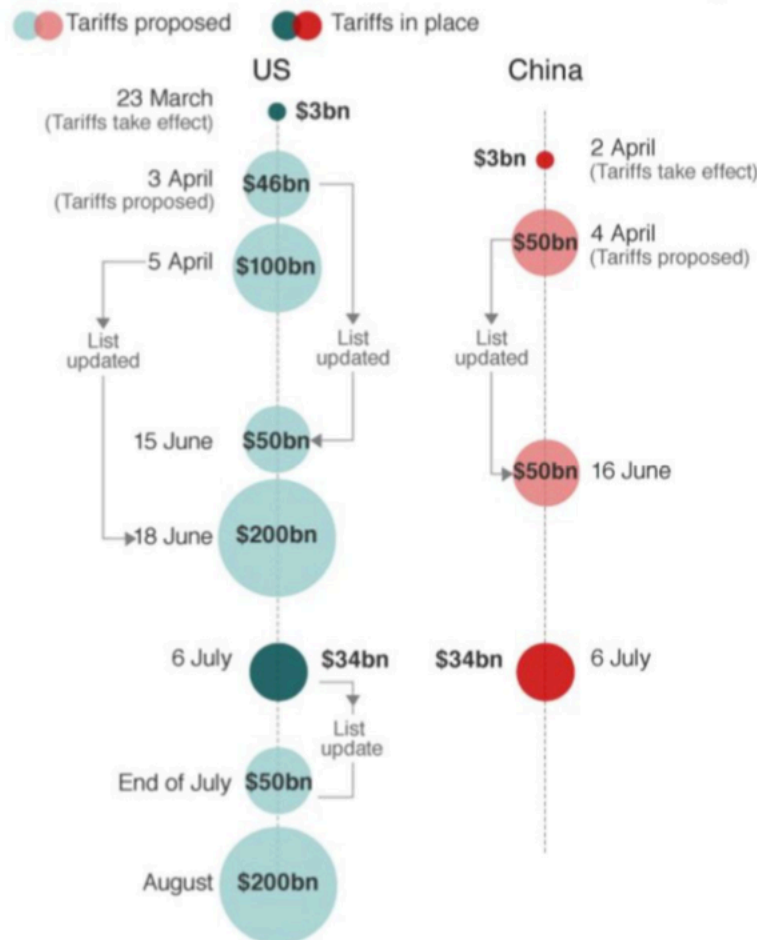
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Appendix

Appendix 1

How the tariffs battle has escalated this year

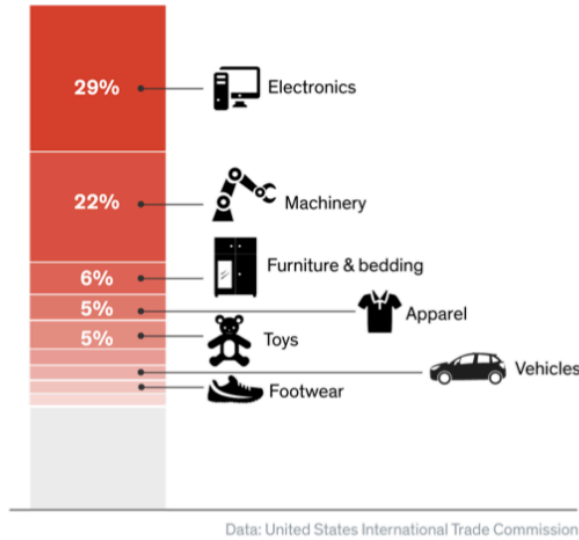


Note: Data as of 11 July 2018

Proposed tariffs vs actual tariffs.

**Appendix 2**

**The U.S. imports these products from China**



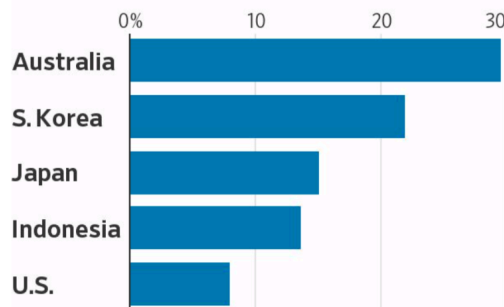
**Most frequently imported products to the United States from China**

**Appendix 3**

**Dependent Relationships**

Asia-Pacific nations rely more on exports to China than the U.S. does.

**Percentage of exports of goods and services going to China, latest annual data**



Note: U.S., Indonesia data for 2017; Australia for year through June 2017; Japan and S. Korea for 2016.

Source: Official statistics of each country

Countries which will be affected by a trade war.