



US Economic Committee: Chinese-American Trade War

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I. Historical Background

The United States and China boast the strongest economies in the world and are consistently growing. However, in recent events, these countries have sparked a major conflict in their quest for control of the global market. Both the United States and China have stated their grievance at the lack of justice for the violations of trade policy. Such a dispute is approaching what China's Ministry of Commerce claims will lead to "the largest trade war in economic history to date." The two nations have begun imposing a long string of protective tariffs on each others' imported goods, meaning that firms must pay additional fees for their products to have the privilege of being sold in the foreign market. These tariffs subsequently halt the opposing nation's economic growth, while supporting its own nation's product sales.

The true root of the issue behind the conflict varies greatly depending on the point of view. It is important to note that in the United States eyes, the tariffs imposed did not originally target China, they simply allowed for the US to sell more of its own product to consumers. For example, on March 23, 2018, the United States imposed a 25 percent tariff on all steel imports (except Argentina, Brazil, Australia, and South Korea), with the hopes of helping American steel companies sell more. However, the conflict has now escalated, the United States and China are specifically targeting tariffs on each other in a classic hardheaded show of dominance. To this day, the United States has imposed over \$250 billion worth of Chinese products and threatens to impose \$267 billion more. China has matched each tariff imposed and threatens to

impose qualitative measures that would cause severe detriment to the US businesses currently working in China. The first blood was drawn when, as mentioned, the United States imposed a 25% tariff on all steel imports, including Chinese steel. In addition to this, Donald Trump imposed another 10% tariff on aluminum imports. In retaliation, China imposed a 25% tariff on items such as pork, fruit, wine, recycled aluminum, and seamless steel pipes to counter the tariffs imposed by the United States. As months passed, both nations continued to impose tariffs on each other, with approximately 50 billion USD worth of products from either side already being taxed.

As of just weeks to this very moment, the United States heightened the conflict when they released another set of tariffs worth \$200 billion of Chinese goods which took effect on September 24. Such tariffs will increase annually, increasing by 10% for next year and an additional 25% for the following.

The effects of the trade war have already begun to show, as the International Monetary Fund has announced that the tit-for-tat tariffs imposed by the US and China will lower the rate of global growth by 0.5% within 2 years. Companies such as Morgan Stanley declared that the escalation of the conflict will lower the global gross domestic product (Global GDP) by 0.81 percentage points. As for companies, those that have been affected by the conflict the most are car companies, as the main tariffs are that of steel and aluminum. Both General Motors and Ford have lowered their profit forecasts for 2018, and it is expected to only get worse. The conflict has also affected other relations between China and the US, such as the countries' relationships with smaller East Asian countries. Many are expected to suffer, according to the Economist, 30% of the value of the goods China exports to the United States originates from 3rd party nations.

II. Ramifications of the Trade War

When examining the ramifications of this immediate issue, we can subdivide them into the generic overarching topics of political, economic, and social. When concerning the political conflict, it is important to note that relations between the United States and China are particularly fragile, and have been for a while. However, both nations are in agreement that building and reinforcing a peaceful relation between each other is of a paramount importance. When Donald Trump became president, a potential contradiction to this policy was formed after the US has stated that the primary reason for their actions in Taiwan that counter its claim of support for the One China policy, as well as infringe China's sovereignty. However, such a conflict presents minimal importance when compared to the animosity that will arise between the two nations as this trade war continues. If the war reaches an unfavorable end to either side, the political hole in which both countries find themselves in will become much more difficult to resolve, international uncertainty.

The U.S.-China Trade War will have even more of a substantial impact on the economy and on consumers than it already has. If both countries keep imposing more high-level tariffs on each other's products, the price consumers originally paid for their products will increase. Businesses will also take a heavy toll since they will have to pay more for their supply, and possibly receive less demand due to price increments. Furthermore, with more trade barriers and taxes, the U.S. trade deficit with China may grow from the staggering \$575 billion in 2017. If the trade deficit gets worse, more jobs are bound to be lost, and businesses would have to close. In China, the tariffs have proven negative as well, considering Li Keqiang's administration has focused itself on reducing their foreign trade debt. Rises in the prices of exports and imports

would damage the Chinese economy, especially since this would lower their domestic and external demand. If the trade war between China and the United States continues to build up, the effects on both countries may be detrimental.

III. Leading up to political action

- A. **September 21, 2011:** During his election Trump tweets “China is neither an ally or a friend they want to beat us and own our country.”
- B. **April 6-7, 2016:** Xi visits Trump and agrees to set up a 100 Day Action Plan to resolve trade differences.
- C. **March 22, 2018:** Trump signs a memorandum directing the following acts:
 - 1. To file a WTO case against China for their discriminatory licensing practices;
 - 2. To restrict investment in key technology sectors
 - 3. To impose tariffs on Chinese products (such as aerospace, information communication technology, and machinery).
- D. **March 23, 2018:** The US imposes a 25 percent tariff on all steel imports and 10% on aluminum
- E. **April 2, 2018:** China imposes tariffs on 128 products (worth US\$3 billion)
- F. **June 16, 2018:** China revises its initial tariff list

IV. Timeline of Major Political Action¹

- A. **Day 1:** July 6, 2018 – The US implements first China-specific tariffs
- B. **Day 5:** July 10, 2018 – The US releases second tariff list

¹ <http://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/>

- C. **Day 29:** August 3, 2018 – China announces the second round of tariffs on US products
- D. **Day 40:** August 14, 2018 – China files WTO claim against the US
- E. **Day 69:** September 12, 2018 – US invites China to re-open negotiations
- F. **Day 74:** September 17, 2018 – US finalizes tariffs on US\$200 billion of Chinese goods
- G. **Day 79:** September 22, 2018 – China cancels trade talks with the US
- H. **Day 81:** September 24, 2018 – US and China implement a third round of tariffs
- I. **Day 83:** September 26, 2018 – US accuses China of election meddling

Total US tariffs applied exclusively to China: US \$250 billion

Total Chinese tariffs applied exclusively to US: US \$110 billion

IV. Guide Questions:

1. What tariffs would your delegation aggregate to contribute to the trade war? What tariffs established during the trade war would your delegation eliminate?
2. Does your delegation support China's restricted market access?
3. Does your delegation find that changes in China's protection of intellectual property rights should be made in order to prevent forced technology transfers?
4. How do you think a rational discourse between the US and China can be reached?
5. What is your delegation's stance on the claims that U.S jobs are being lost?
6. How does your delegation respond to claims that U.S jobs are being lost and how will they bring them back?

7. What does your delegation plan to contribute in order to reach a resolution on the trade war?
8. What actions can your delegation take to alleviate these international trade tensions and find a mutually beneficial solution?

VI. Key Terms:

- A. Tariff: a tax or duty to be paid on a particular class of imports or exports.
- B. Telecommunications: the exchange of information by electronic and electrical means over a significant distance, typically referring to electronics and communication software
- C. Retaliate/Retaliation- to counter, typically of the same magnitude
- D. Export: to send a product to another entity/nation
- E. Import: to receive a product from another entity/nation
- F. Forced Technology Transfer: the event of one obligating another to share private information in exchange for negotiation

V. Helpful Websites:

<https://www.bbc.com/news/business-44529600>

<http://www.eastasiaforum.org/2018/08/28/who-will-be-the-winner-of-the-us-china-trade-war/>

https://www.washingtonpost.com/world/china-vows-to-save-its-companies-from-trade-war-pain-with-cash/2018/07/10/ced65a74-841d-11e8-8589-5bb6b89e3772_story.html?noredirect=on&utm_term=.86a588ddcc6f

<http://www.china-briefing.com/news/2018/09/10/the-us-china-trade-war-a-timeline.html>

<https://www.google.com.pr/amp/s/www.washingtonpost.com/amphtml/news/worldviews/wp/2018/07/05/a-timeline-of-how-the-u-s-china-trade-war-led-us-to-this-code-red-situation/>

<https://www.state.gov/r/pa/ei/bgn/18902.htm>

<https://www.google.com.pr/amp/s/mobile.reuters.com/article/amp/idUSKCN1IT11G>

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VII. Message from the Dais

As your chairs, we would like to wish good luck to all delegates, and we look forward to seeing how each one of your plans will resolve the most pressing issues in the global economy to date. We wish to make clear that delegates should not limit themselves to the information presented in this briefing. You are expected to do outside research on the topic, as it is one of great complexity. The committee will be running in real time, meaning that events taking place between when the briefing is published and **October 19** will be held in consideration. The goal of the committee is to achieve a peaceful resolution to the trade war in which neither country feels the need to impose protective tariffs. We are looking for delegates to produce creative, thorough, and realistic plans while staying within lines of their respective policy. Position papers are expected to have been written in **Times New Roman size 12 font and double-spaced with 1-inch margins**. They should be 2-3 pages with an additional MLA or Chicago Style bibliography. **Note:** Please specify which style you will be using in your citation. Submission for position papers should be no later than **Tuesday, October 16th, 2018 by 11:59 PM**. When submitting, please ascertain that the file is a **Word document or a PDF**, and make sure that it is sent to **BOTH** chairs. Delegates, if you have any questions or concerns, feel free to contact either of the members of the dais via email.

Cordially,

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“China.” U.S. Department of State, U.S. Department of State, 22 Aug. 2018,

“China Vows to Save Its Companies from Trade War Pain - with Cash.” The Washington Post,

WP Company, 10 July 2018

“Digital Power Corp DPW Post # 4534.” Investors Hub, 30 Sept. 2018,

“Factbox: Barrier to Entry - China's Restrictions on U.S. Imports.” Factbox, Reuters,

“US-China Trade Row: What Has Happened so Far?” BBC News, BBC, 18 Sept. 2018,

www.bbc.com/news/business-44529600.

“The US-China Trade War: A Timeline.” China Briefing News, 28 Sept. 2018,

http://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/

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28 Aug. 2018,”