

*World Bank*

# *Chinese and American Trade War*

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## *INTRODUCTION*

The World Bank believes the trade war between China and the United States can become one of the major barriers to global economic prosperity if it is not solved properly. Focusing on its mission to maintain economic stability, the World Bank concentrates on how to prevent the negative effects of a trade war. A trade war is a situation in which two or more countries raise import taxes and quotas to try to protect their own economies (Cambridge Dictionary, 2018). Currently, there is a huge trade war between the United States and China. A trade war begins when countries start raising the tariffs to protect their own economies. The trade war began when America introduced tariffs aluminum and steel imports, as a way to punish China for stealing their technology. According to Donald Trump, China was stealing US technology. An investigation was done and on March 22, the investigation results confirmed that China had been trying to steal US technology and intellectual property (Chang, 2018). China had been pressuring US Companies to share the technology in order for Chinese companies to work with them and allow them a place in the Chinese market. The director of the Lowy Institute International Economy Program Roland Rajah mentioned that this is basically a negotiating tactic. "America is seeing practices that it doesn't like and it is imposing tariffs unless China addresses those practices. It is now in a process of negotiation between the US and China" (Rajah, 2018). However, all of this tariffs and changes can have a big impact in different economies. Experts consider that if this new tariffs are actually implemented, the impacts of this could be worse than the Global Financial Crisis. WTO director-general Roberto Azevedo, said the clashes between the US and China were some of the most difficult moments the WTO had faced in its 23

year history. Talks have between representatives of both countries have been conducted. This is a very important conflict since it can affect other countries economies and a global crisis is not convenient for anyone.

### *HISOTRY OF THE PROBLEM*

The trade war between China and the U.S. situation has always changed throughout the years. In 2000 the trade relation between this two countries were normalized. U.S president Bill Clinton signs the U.S.-China relations act of 2000 granting Beijing a permanent normal trade relations with the United States and guaranteeing the way for China to join the World trade Organization of 2001. Then in 2005 the U.S. states a responsible stakeholder. The Deputy Secretary of State Robert B. Zoellick initiates a new strategy with China by which Beijing is recognized as an emerging power, he calls on China to serve as a responsible stakeholder. This way China could use its influence to draw nations such as North Korea, Sudan and Iran into the International system. At the same year North Korea takes the decision and walks away from the six-Party talks and conducts its first nuclear test in 2006, China serves as a mediator to to bring Pyongyang back to the negotiation. After two year in 2008 China surpasses Japan to to become the largest holder of U.S treasuring at around \$600 billion. The growing interdependence between the U.S. and Chinese economies start to be evident as a financial crisis that threatened the global economy causing an imbalance. China also surpasses Japan as the second world's second-largest economy since it was valued in \$ 1.33 trillion for the second quarter of 2010 just above Japan's \$1.28 trillion for that year. The U.S. trade started to rise billions more until 2011. This causes that in March of that year the United States, the EU and Japan file a

request for consultations with China at the World Trade Organization over its restrictions of exporting rare earth metals. In 2017 Trump affirms one China policy after raising doubts. The United States has always maintained formal ties with China but also maintains unofficial ties with Taiwan including the provisions of defense aid. The Secretary of State Rex Tillerson visits Beijing in March and describes the U.S.-China relationship as a built on non-confrontation a mutual respect. This all continues with dependent understanding and greater trust building. Now in this year 2018 Trump tariffs target China.

### *CURRENT SITUATION*

Beijing is less vulnerable than Washington. United States has a trade deficit with China (\$337 billion in 2017). (Legrain, 2018). Be that as it may, despite the fact that China pitches more to America than it purchases consequently, Beijing's position is in reality substantially more grounded, both financially and politically, than that unrefined math proposes (Legrain, 2018). A trade war also poses a threat to U.S. - manufacturers that depend on Chinese parts and segments would become affected. Trump's \$46 billion rundown as of now targets airplane propellers, machine instruments, and other intermediate merchandise. Pushing up their expenses would debilitate producing employments in America's heartland. And keeping in mind that those taxes maintain a strategic distance from shopper staples, for example, attire and footwear, they will blow up the costs of some customer products, for example, TVs and dishwashers. (Legrain, 2018). Both sides have struck introductory blows. The US has forced levies on imports of steel and aluminum. Nations representing the main part of those imports

have been exempted, yet China isn't among them. As far as it matters for its, China has hit back with taxes on US products including pork, wine and nuts. (Walker, 2018). "A year ago, the US imported something in the locale of \$3bn (£2.12bn) worth of steel and aluminum from China" (Walker, A; 2018). That is under 1% of aggregate US imports of Chinese products. China's striking back is gone for about a similar measure of exchange, however it is a bigger offer of aggregate imports from the US (around 2%). It's additionally questionable that the steel and aluminum levies are not by any means exchange war measures, as they are not particularly coordinated at China (Walker, 2018). The US has supported the activity on national security grounds, recommending that the nation's military ought not be so reliant on imports of the metals. Also, China isn't the main nation on the less than desirable end of the new measures, even after every one of the exceptions. (Walker, 2018). "In 2018, 'China can withstand much more than the U.S'." (Long, 2018) In the next 12 months, China can withstand substantially more than the U.S. can withstand," said Evan Medeiros, overseeing executive at the Eurasia Gathering and a previous senior guide to President Barack Obama on Asia. "The Chinese aren't obliged by the administer of law or a delegate majority rules system." The Chinese could quit participating on North Korea, they could offer some U.S. obligation to bother markets and they could make life harder for U.S. organizations working in China, for example, Nike, Disney or Apple. These Chinese activities are viewed as impossible, particularly offering U.S. Treasurys. For the Trump organization, relating moves aren't even on the table, as the U.S. government doesn't have as much direct control over organizations working inside its fringes. While a significant part of the spotlight so far has been on duties — Trump has undermined to put levies on about

\$150 billion worth of Chinese products and ventures, and China has reacted so far with dangers of taxes on \$50 billion of U.S. products — China has more levers it can draw to rebuff the United States.

### *UN ACTIONS*

The United Nations are constantly working to maintain global peace and stability. The UN has not been able to do anything, the World Trade Organization has made an effort to try and make United States negotiate with China, but President Donald Trump is demanding tariffs of excessive amounts. Talks have been conducted between representatives of both countries. The World Bank CEO warns that the trade war could cause a 2008 level crisis. The World Bank also warns that “the impact could be even greater if countries went further than the WTO rules.” So far that is what the organizations have been able to do.

### *POSSIBLE SOLUTIONS*

- Conduct an investigation to find out if China did steal technology from the United States.
- Based on the results of the investigation set a proper penalization.
  - If China did nothing, create an agreement in which the United States will agree to leave the prices of their products at the same price as they were before the trade war started.
  - If China did steal technology create an agreement in which China accepts their responsibility and pays for the stolen technology.

- Make a treaty in which companies can not force other companies to give them technology in exchange for trading with them.
- Set a meeting in which China and US representatives can talk about these taxes to agree on the taxes.
- Negotiate through the World Trade Organization to revise current agreements and negotiate possible new agreements.
- Before agreeing to anything, verifying how new agreements would affect other economies.

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