Committee: United Nations Security Council (UNSC)

Agenda: Addressing the Tariff War between China and the United States of America

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Introduction of the Committee

The United Nations Security Council (UNSC), established in 1945, has the obligation to maintain “international peace and security,” as mentioned in Chapter V of the United Nations Charter (United Nations). The Security Council has the responsibility to investigate and resolve issues that disrupts international peace and security. The council, being one of the six main organs of the United Nations and the enforcer of UN policies, can call upon the parties involved to suggest methods of settlement and is authorized to use force or impose sanctions to maintain peace and security in the international community in more extreme cases. It is the only council with the power to make decisions that member states are obligated to accept and carry out.

With its first session held on 17 January 1946, the Security Council now permanently resides at the UN Headquarters in New York City and can meet any time an issue arises, thus a representative of each member state must be present at the UN Headquarters at all times. The members of the Security Council consists of five permanent members (P5) - the United States, China, France, United Kingdom, and Russia - and ten other nations that rotates bi-annually. Each member of the council has one vote, but the vote from one of the P5 nations can overturn any decision even if the rest of the members vote otherwise.
General Overview of Topic

In 2018, the President of the United States of America, Donald Trump, began implementing tariffs and trade barriers on China, claiming it is to stop China’s unfair market competition strategy and to decrease the country’s trade deficits. With these actions, President Trump is making Chinese products more expensive for American consumers to buy, thus causing American consumers to purchase products from elsewhere and Chinese businesses to lose money. China, of course, did not sit back and watch this happen; they immediately accused the United States of America of starting a trade war and retaliated by imposing tariffs on US goods - including soybeans, automobiles, and lobsters. The tariff imposements did not stop there; the US president, Trump, continues to impose tariffs and border taxes on Chinese goods. And the cycle goes on with the US taxing Chinese goods and China retaliating by taxing US goods.

With China and the U.S imposing tariffs on each other’s goods, individuals worldwide are affected by price changes and is on track to face an economic recession. The trade war not only increases local job demands, as claimed by President Trump, but also increases the price of goods, making purchase a burden on less wealthy families. The trade war has got many worrying about the potential consequences of holding out the US-China tariff war leading to a decline in both the local and international economy.

Background Information

Background (Economy)

Being two of the world’s largest economies, the United States and China are considered as the “pillars [of] the global economy.” If measured in terms of gross domestic product (GDP), the United States has the largest nominal GDP, meaning the US has the highest market value of all final goods and services. China, on the other hand, has a greater GDP if measured in terms of purchasing power parity (PPP), which considers the relative cost of local goods and price changes of the country. This indicates that the difference in the cost of living in the two countries vary. Nominal GDP does not take cost of living into consideration; it converts GDP into a common
currency through the money exchange rate. PPP GDP converts GDP into a common currency by accounting the different cost of living.

**History of the Trade War**

The “start” of the trade war between the United States of America and China can be traced back to before the President Trump’s election when Trump tweeted “China is neither an ally or a friend — they want to beat us and own our country,” criticizing China’s trade practices. Even throughout his campaign, Trump continues slandering China’s trade practices and urging American citizens to put an end to China’s “theft” actions. Through his tweets and actions, the US president is obviously not pleased with China’s unfair trade practices, hence the reason the trade war begun.

In 2017, China stepped in to negotiate a trade deal with the US president, giving US firms greater access to China’s agriculture, energy, and financial markets.
and warming the relationship between US and China. However, shortly after, the US president began imposing tariffs on goods such as washing machines and solar panels - not just from China. This action caused China to react by implementing tariffs on US products. President Trump then unveils his plan of implementing tariffs on billions of dollars worth of Chinese goods.

Cause of & Reasons for the Trade War

- **China’s unfair market strategy**
  
  One main reason for the trade war is China’s unfair competition strategy. Due to the US's open markets, China’s corporation takes advantage of it, while closing its own market to the US. Thus, resulting in lower output, company (or factory) closures, and increase in unemployment rate for the American industries.

- **Trade deficit**
  
  Another reason for the trade war is due to the increasing trade deficit. President Trump strategize on creating more demand for local jobs by reducing the trade deficit, decreasing the unemployment rate. According to BBC news, a trade deficit is not necessary a bad thing for a country’s economy. Many wealthier countries have shifted from a manufacturing economy to a service economy, meaning less exports does not affect the net income of a country’s economy. Therefore, can the US’s reason for starting a trade war with China be justified?

- **Negotiation**
  
  The United States initiated the trade war with China. However, China is not the only country that has caused trade deficit for the US and used unfair market strategy against the US. Many sources have revealed China’s willingness to negotiate, but whether it is the US or China’s fault for the failed negotiations is unclear. Thus, China is not the sole country at fault. To what extent is China responsible for this trade war? What about the US? How might have negotiation between the two nations succeed?
Current Situation

With the world’s two largest economies going head to head against each other in a trade war, its citizens can only pay for the damage these tariffs has caused in their respective economy. According to a report by JPMorgan Chase, the average American household is estimated to pay $600 per year due to the tariffs already imposed on China, with that number threatened to rise to $1000 if tariffs are imposed on another $300 billion on U.S. imports. The latest news on BBC informs that due to the US-China trade war, the publishers of Harry Potter and the Winston Churchill archive were faced with paying 15% more to produce its books in China, indicating the toll the trade war has taken on individual businesses.
Clear challenges of the Trade War

- Failed negotiation talks
- China’s unwillingness to make its market more open and transparent
- The US’s unwillingness to discontinue trade war until China’s unfair market strategy is terminated
- Challenge of changing China’s culture and structured society
- Trust between the US and China

Pros and Cons of the Trade War

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<th>Pros</th>
<th>Cons</th>
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<td>Increase demand in local jobs</td>
<td>Unemployment rate increases in long run</td>
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<td><strong>Negotiation with China, creating possible opportunities for US industries to enter Chinese market</strong></td>
<td><strong>Negotiations often fails</strong></td>
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<td><strong>Other Asian countries, such as Brazil and South Korea, has the chance to compete in the market</strong></td>
<td><strong>Americans are affected by the raised prices</strong></td>
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<td><strong>Decreases US’s trade deficit issue</strong></td>
<td><strong>International consumers are affected by raised prices due to China and US being two of the largest economies</strong></td>
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<td><strong>Formation of new supply chains</strong></td>
<td><strong>Possibility of facing an economic recession</strong></td>
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In the figure above, the graph highlights China’s purchasing of US and Brazilian soybeans from 2004 to 2019. Due to the trade war, the amount of US soybeans exported to China decline drastically during 2017, around the time when the trade war between China and
US started. Thus, China started to buy more Brazilian soybeans, allowing Brazil to compete in that market. This demonstrates one of the advantages of the trade war, opening different markets to nations other than the US and China.

**Key Terms**

*Trade War*

Nations often argue over trade, which they can go to the World Trade Organization (WTO) to sort out the one who’s right and the one who’s wrong. Negotiations usually take place as countries strike deals with one another to end the disagreement. However, if one country began imposing tariffs on another country and that other country retaliates, then it turns into a trade war.

A trade war is when a nation imposes tariffs on imported goods and another (or other) countries retaliate. Usually, countries start trade wars as an attempt to protect its own industry and create local jobs, which may work in the short run since tariffs give competitive advantage to local producers with lower price. However, in the long run, it will cost jobs and suppress economic growth not only for that nation, but all nations involved.

*Tariffs*

Tariffs are a tax on products made from foreign countries. Tariffs are used to make people buy less imported goods and buy more local goods, boosting one’s own economy due to cheaper local products.

*Trade deficit*

Trade deficit is a term for the difference between the amount country A buys from country B and the amount that country A sells to country B - measured in dollars.
Protectionism

Protectionism is using restrictions to try and boost one’s country's industry, and protect it from outside competitions.

GDP

Gross domestic product (GDP) is the total economic output, or the total market value, of a country. GDP is basically the total amount of money a country makes. Two common ways to measure GDP per capita includes nominal and purchasing power parity (PPP).

*Nominal:* Nominal GDP attempts to obtain an absolute measure, determining the economic performance of a whole country and using it to compare with the international community. Nominal GDP does not consider the differences in the cost of living in different countries and results vary greatly depending on the fluctuations in the exchange rates of the country’s currency.

*PPP:* PPP attempts to obtain a relative measure, thus, it considers the different living standards in different countries when comparing the differences. PPP exchange rates are comparatively stable over time and is arguably more useful than nominal GDP when assessing a country’s domestic market. However, PPP is harder to measure than nominal GDP.

Past Actions

*The Treaty of Wanghia*

Signed in 1844 by the then president, John Tyler, the Treaty of Wanghia was the first US-China trade deal. This treaty opened up new opportunities for the American merchants in China and established foreign trade for the United States.
Initial Trade Deal (ongoing)

The US and China has been talking and negotiating for a while now and they’ve concluded with the Initial Trade Deal that has not yet been signed by both parties. The Initial Trade Deal consists of different phases, all of which the US and China has yet to implement.

Major Parties Involved

United States

The start of the trade war between the US and China can be traced back to the US making the first move. Unhappy with the trade imbalance and the trade deficit China has caused the US, the US president implemented tariffs on Chinese goods in an attempt to strike negotiations and deals with China.

China

Negotiation between the US and China has been going on for quite a while now and China seems willing to negotiate with the US. However, according to economist, Yu Chunhai, the current deal between China and the US is part of China’s negotiation strategy, indicating to other nations that China is thinking about their future and preventing a bigger compromise with the US in future phases.
Questions to Consider

1. How can we find a balance between both nation’s wants?
   a. How can we persuade China to be more transparent and open its market to the international community?
   b. At what point will the US deem China is using “fair” market strategy?

2. Will establishing an international guideline on the bases of fair market competition stop the trade war?
   a. If so, what laws or rules can we encourage?
   b. How will be judge whether a country is following the guideline?

3. What can the international community do to stop the trade war before an economic recession occurs?
   a. Should the United States’ allies unite to form a united front against China, demanding China to be fairer?
   b. Should the international community be involved in the trade war?
c. Should the nations discourage its citizens to buy from and sell to China and the US?

d. Should the international community be present at China and the US's negotiation meeting?
  i. If yes, in what ways can their presence help the negotiation?

4. If China does sign the papers and agree to make its market more open to the US, adopt a more transparent foreign exchange policy, and agree to US’s other demands, how can the US and/or the international community work to make China’s words trustworthy?
  a. Should the international community help assess whether China has kept their words? Or leave the issue between China and the US?
  b. What would be the timeframe? Or will the assessment continue forever?

5. How has the trade war between the US and China affect other nations?
  a. What can the international community do to help the affected nations?
    i. Should the US and China pay for the damages they’ve caused to other nations?
    ii. If so, how can we calculate the damage they’ve caused?
  b. How can the international community ensure future trade wars between powerful nations (or any nation) cease to exist?

References


