



Background Paper

Committee: World Trade Organization (WTO)

Topic A: The trade war between China and the USA and its future consequences

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A trade war happens when one country retaliates against another by raising import tariffs or placing other restrictions on the opposing country's imports. A tariff is a tax or duty imposed on the goods imported into a nation. China and the United States, the two largest world-economies, over the last year, have imposed tariffs on billions of dollars worth of each other's goods. This has created a huge trade war that has affected not only these two countries, but also the global economy. The World Trade organization, being a place where member governments try to sort out the trade problems they face with each other, urges its members to come up with a concrete solution to this problem. This issue began when President Donald Trump, in 2018, imposed tariffs and other trade barriers on China to force it to make changes to what the U.S. says are "unfair trade practices." Among those trade practices and their effects are the growing trade deficit, the theft of intellectual property, and the forced transfer of American technology to China. This trade war is channeling the global economy closer to the edge. The more it goes on, the more difficult it will be to undo the damage. Economic growth has slowed globally. According to The International Monetary Fund's World Economic Outlook report released in April 2019, the world's economy in 2019 was expected to grow 3.6% in 2018, but amid the trade war, the adjusted growth is 3.3%. The World Trade Organization, being aware that this conflict is affecting nations around the globe, urges once again its members to tackle this situation with a fair, concrete and prompt solution.

U.S. President Donald Trump has accused China of engaging in unfair trading practices and intellectual property theft. On the other hand, China's point of view on this situation is also negative, since they perceive the US as trying to curb its rise. While there are negotiations going on currently, resulting in difficult associations within the countries. Both the United States and China remain far apart on problems such as how to roll back tariffs and enforce a deal. In late June, the leaders of China and the United States announced at the G-20 meeting in Osaka, Japan, that they had reached an impasse which strained relations in the trade war. The US President Donald Trump put on hold new tariffs on Chinese goods, and increased restrictions that prevented US companies from doing business with or selling to big Chinese companies such as Huawei. The United States is trying to make American consumers purchase American products by making imported goods more expensive. So far, the U.S. has imposed tariffs on more than 360 billion dollars of Chinese goods, and China has retaliated with tariffs on more than 110 billion dollars of U.S. products. One of the latest rounds of tariffs targets Chinese imports, from meat to musical instruments, with a 15% duty. Beijing hit back with tariffs ranging from 5% to 25% on US goods. Another current tariff strike included a 5% levy on

US crude oil. This is crucial since it is the first time fuel has been hit in the trade battle. This leads to an important plan that has global emphasis regarding China, and that is the New Silk Road.

The Silk Road was announced in 2013, and it will be reopened with the goal of improving trade relationships in the region primarily through investments in infrastructure. The World Trade Organization, which includes both the United States and China, has been regulating the complaints and responses between these nations. The latest complaint was made by China to the United States on September 2nd, 2019 requesting consultations with the United States regarding tariff measures imposed by the United States on certain goods originating from China. The WTO is aware that countries such as Germany, Canada, the United Kingdom, Japan, and South Korea have been affected in a direct or indirect way by this issue. On the other hand, the WTO is also aware that this issue has benefited countries such as Vietnam, Chile, Malaysia, Mexico, and Argentina. However, due to the severity of the possible consequences, and the current ones, the World Trade Organization invites all its members to debate this topic to come up with a solution to make these disadvantages disappear.

This topic is a matter of urgency for the UN. The WTO, the UN, and every nation is aware that this conflict is a crucial situation that will dictate the future of the global economy, since it revolves around the two most powerful global economies. Even though the issue may benefit some countries, it is doing so by affecting others. The relationship between China and the United States should contribute to an economic environment of harmony when it comes to trading, since the possible outcomes affect countries worldwide, in a direct or indirect manner. Once again, the World Trade Organization longs for a world where every nation can thrive economically, and trade with each other in a healthy way, without succeeding at the expense of other nations. To achieve this, the World Trade Organization invites its member nations to discuss and address this problem promptly, fairly, and concretely.

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