



# **MONARCH MUN 2024**

**Committee :** ECOSOC

**Issue:** Mitigating the effects of US-China trade war

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# INTRODUCTION

U.S. trade with China has grown enormously recently and is crucial for both countries. Today, **China is one of the largest export markets for U.S. goods and services**, and the United States is the top export market for China. This trade has brought lower prices to U.S. consumers and higher profits for American corporations, but it also comes with costs. An **economic conflict** between China and the United States has been ongoing since **January 2018**. In 2018, the **U.S. imposed tariffs on billions of dollars worth of Chinese goods**, citing **unfair trade practices and intellectual property violations**. **China retaliated** with its tariffs on American products, **targeting key U.S. industries like agriculture and manufacturing**.

# Background Information

Trade wars are not an invention of modern society. Such battles have been going on for as long as nations have conducted trade with one another. Beginning in **January 2018**, former **President Trump imposed a series of tariffs** on everything from **steel and aluminium** to solar panels and washing machines. These duties impacted goods from the European Union(EU) and Canada, as well as China and Mexico. By May 2019, tariffs on Chinese imports impacted nearly \$200 billion of imports. As with all trade wars, China retaliated and imposed stiff duties on American imports. A study by the [International Monetary Fund](#) (IMF) shows that U.S. importers of goods have primarily shouldered the cost of the imposed tariffs on Chinese goods. These costs are eventually passed on to the American consumer in the form of higher prices, which is the exact opposite of what the trade war is intended to accomplish. The trade war has also prompted a reassessment of economic interdependence. Countries worldwide are navigating the delicate balance between maintaining economic ties with both the U.S. and China while avoiding entanglements in geopolitical tensions. Moreover, the trade war has stimulated discussions on broader issues such as technological competition, intellectual property protection, and fair-trade practices.

# PAST SOLUTIONS AND RELEVANT TREATIES

## Phase One Trade Agreement (2020)

In January 2020, the **Phase One Trade Agreement** was signed between the U.S. and China. This deal aimed to de-escalate the trade war and included the following key provisions:

- **Intellectual Property Protections:** China agreed to strengthen protections for U.S. intellectual property rights and curtail forced technology transfers.
- **Currency Practices:** Both countries pledged not to engage in competitive currency devaluations.
- **Tariff Reduction:** The U.S. reduced some tariffs on Chinese goods, though many tariffs remained in place.

Despite the agreement, trade tensions persisted. The COVID-19 pandemic, among other factors, affected China's ability to meet the ambitious purchasing targets.



Vice President **Liu He** and President **Donald Trump** sign the phase One Trade deal in January 2020



### 3. WTO Involvement and Dispute Settlement

The **World Trade Organization (WTO)** has been another avenue for mitigating trade tensions:

- China brought several disputes to the WTO, challenging U.S. tariffs as violations of international trade rules.
- The U.S., in turn, accused China of unfair trade practices, particularly regarding intellectual property and subsidies for state-owned enterprises.

# POSSIBLE SOLUTIONS:

- 1. Diversification of Supply Chains:** Corporate Strategy: Companies heavily reliant on either the U.S. or China should diversify their supply chains to reduce risks.
- 2. Bilateral trade agreements:** The U.S. and China should explore negotiation to resolve key trade imbalances and intellectual property issues through phased agreements. Both parties could lower tariffs on key sectors and commit to structural reforms over time.
- 3. Currency stability and exchange rate policy:** Both the U.S. and China could negotiate exchange rate stability pacts to avoid currency manipulation accusations and reduce volatility in the global financial markets.
- 4. Reducing non-tariff barriers:** The U.S. and China can work to streamline standards and regulations, which are often more restrictive than tariffs. Harmonizing regulations for sectors like pharmaceuticals, automotive, and electronics could ease trade friction.

# APPENDICE:

[How the US-China Trade War Affected the Rest of the World | NBER](#)

[The US-China Trade War: A Strategic Framework For Resolution And Cooperation – The Organization for World Peace \(theowp.org\)](#)

[Solutions to the US-China trade war \(ft.com\)](#)

<https://thediplomat.com/2023/02/gauging-the-impact-of-the-china-us-trade-war/>