**Forum:** Economic and Social Council

**Issue:** Mitigating the socioeconomic impacts of the current stalemate in the Sino-American trade war

**Student Officer:** Grace Liu

**Position:** Deputy President of the Economic and Social Council

Introduction

The United States and the People's Republic of China (PRC) are the two largest economies in the world, with the nations respectively being the world's biggest importer and largest exporter. Together, the countries have a dominating effect on the world economy. Since China entered the World Trade Organization (WHO) in 2001, bilateral trade has increased exponentially, but with that, so has the US's trade deficit. In 2006, the trade deficit has surpassed $350 billion and became the largest trading deficit in the history of the US.

A large focus of Donald Trump's 2016 presidential campaign was to protect the domestic industry and to impose tariffs on imports. After winning the election, US President Donald Trump initiated the Sino-American Trade War following decades of accusing China of using unjust practices on July 6, 2018. The accusations included theft of US intellectual property, a lack of market for US companies in China, currency manipulation, and forced transfer of technologies to China. In response, China claims the war is an effort to curtail its rise on the global economic stage.

The current stalemate in the trade war came into effect after numerous failed negotiations between the two parties. Due to a lack of middle ground, the US and the PRC mutually retaliated through enforcing tariffs on an increased amount of goods. Since tariffs are typically only enforced on specific goods instead of all imports, only specific industries benefit as a result. In the US, the most harmed sector is the agricultural industry, with agricultural exports decreasing and farm bankruptcies skyrocketing. The stock market has also reacted to the conflict with uncertainty, with recorded stock dives in single day periods due to increased tensions. Although some recent developments have surfaced through the signing for phase one of a trade deal where China agreed to purchase $200 billion worth of agricultural produce from the US, this target seems farfetched and unrealistic, even to the common eye. For many, the only solution to end the trade war seems to come from a change of leadership on both ends of the spectrum.

Delegates interested in researching this topic for this year's SHASMUN should also take into consideration the inconsistencies with the US proclaiming itself and being known as a "protector of free trade". Tariffs, by definition, directly go against the spirit of free trade, and Trump's policies have been very much focused on protectionism for domestic industries. Additionally, it is also important to note the adverse effects of a trade war. Economic depression occurs through a loss of jobs and triggering inflation, meaning that both sides lose. Moreover, the consumers on both sides have to deal with higher prices for products.

Definition of Key Terms

**Trade war**

A trade war commences when extreme protectionist policies (such as tariffs) are specifically enacted by one country to retaliate or hurt another, creating bilateral tensions. This can occur due to varying circumstances but is primarily because of one country's continuing beliefs that the other is instituting unfair trading practices. When a trade war persists, it causes a domino effect, which results in a global economic slowdown and shifts in supply chains.

**Tariffs**

 A tariff is a tax on imports and exports. This protective policy should, in theory, protect domestic goods and increase their revenue as it drives up the price of imported items and makes domestic products appear cheaper in comparison. It increases government revenue and lowers overseas competition as well as trade deficits. However, it is important to note the side effects that tariffs may cause. Most notably, it will hurt consumers in the long term (since a lack of competition can drive up prices) and as a result, lead to decreasing demand for commodities. It will also cause a decrease in innovation due to less competition.

**Free trade**

Free trade is a trading policy where, under its ideal circumstances, no restrictions are placed on any imported or exported items. This means that countries will not have, or severely limit tariffs, duties or quotas on any foreign goods and the government will not interfere. A real-life example of this is the United States-Mexico-Canada Agreement (USMCA), previously known as NAFTA. The three countries trade without any tariffs or limitations.

**Protectionism**

 Protectionism is essentially the opposite of free trade. Under this trading policy, governments actively intervene to try and protect the domestic industry while simultaneously shielding them from foreign competition by placing various restrictions (ex: tariffs) on imports. A historical example is bananas in Latin America. Countries exporting to the region had to pay almost 210 dollars for one ton of bananas. This effectively protected domestic banana farmers, but this practice was eventually stopped after an agreement was reached in 2012 to reduce the tariff.

**Trade Deficit**

A trade deficit takes place when a nation imports more products than it exports. When a country has a trade deficit, it means that they also have a negative trade balance. For developed countries, this would most likely be caused by raw materials, since they consume more materials than they produce. Although most economists agree that trade deficits are not necessarily bad, over time, it can cause the outsourcing of jobs and lower investments.

**Import**

An import is anything that is purchased by one country from another. It refers to the action of buying. Note that this includes both goods and services. A country typically imports commodities that cannot be made or aren't as effectively produced domestically.

**Export**

An export is anything that is made in one country and sold to another. This refers to the action of selling. Similarly, this includes both goods and services. Countries export to increase sales and profits. Exports and imports together make up the two major aspects of international trade.

History & Developments

China’s entry into the World Trade Organization (WTO)

 The United States granting China the status of permanent normal trading relations (PNTR) in late 2000 set the stage for China's entry into the World Trade Organization in 2001 as a most favored nation (MFN). This event marks a landmark change for economic relations between the two countries. Although the President at that time, Bill Clinton, pushed for this event to occur, his administration has also expressed doubts about the economic practices of China, such as not abiding by the global trade rules. The extension of PNTR also represents the first time American companies are allowed to disperse products to the Chinese market without having to change manufacturing locations to China. As a result of joining WTO, trading between the two nations escalated, increasing by over thirty times. Through this, American consumers benefitted as they were able to buy Chinese goods at a lower price while American corporations also had access to an entirely new market, allowing them to increase their profit. Despite this, stark effects were also displayed in the US labor force. For China, the effects of joining the WTO and signing the PNTR have been overwhelmingly positive. The Chinese economy has expanded eight times since 2001 and four hundred million citizens have been raised out of extreme poverty.

 The China Shock

The China Shock refers to the impact of China exporting more goods to the US after joining the WTO. As labor is much cheaper in China, many American companies opted to offshore manufacturing, leading to the rapid decline of manufacturing in the US. Labor unions were especially hard hit by this, as between 1999-2011, almost six million manufacturing workers were laid off. The same outcome has been seen in other countries such as Germany, Spain, and Norway. However, despite this, trade between the US and China has led to overall net gains in employment during the same period.

US’s rising trade deficit

 There are many causes for the increasing trade imbalance between the two nations. The main reason is that the US has a larger demand for labor-intensive products than the country produces. This makes sense because many of the labor-intensive goods are produced in China, where it is much cheaper to employ workers. Another reason is that the Chinese currency is partially fixed to the dollar, meaning its value fluctuates as the dollar fluctuates. In 2019, the US's trade deficit reached its peak at $419.2 billion. As seen in Figure 1, the trade deficit between the two nations began its exponential increase after China joined the WTO.



Figure #1: US-China trade deficit 1995-2015 in billions

Obama’s Presidency

 Throughout the Obama presidency, several disputes had arisen through the US increasing tariff rates and accusing that China was not complying with WTO guidelines to international trading.

 2009

During September of 2009, a trade dispute emanated after the US increased its tariffs on Chinese tires. Previous tariffs were comparatively much lower, and this sparked controversy after Chinese officials criticized it as a measure of protectionism. WTO dictates its members to set tariffs below a certain percentage, which is usually around 39%. When the tire tariff was increased to 35%, it was still within the WTO range but was comparatively almost four times higher than that of the usual tariffs countries impose, which lay around 9%.

 2010

An investigation was launched by the Obama administration in 2010 over accusations of the Chinese government subsidizing alternative energy businesses, which is a violation of section 301 of the US trade act of 1974 as well as WTO trading practices. Such businesses would include wind and solar energy. Since all businesses are supposed to have an even chance in the industry, subsidies from the Chinese government would provide an unfair advantage to the businesses receiving them. The outcome of the investigation has not been disclosed. However, the US did not launch settlement proceedings at the WTO with China.

 2011

During a meeting with President Obama and Chinese leader Hu Jintao in 2011, US representatives were worried about China's trading practices, stating they were against what was promised when the nation joined WTO in 2001. Many thought China was manipulating their currency by undervaluing it and continued limiting its offshore investment in addition to not upholding intellectual property (IP) rights. Numerous senators and congressmen threatened the possibility of further tariffs.

 2012

In 2012, another trade dispute erupted between various nations including the US and China over rare earth minerals. The other countries included western European nations as well as Japan. The file charged China for implementing unjust restrictions on rare earth mineral exports which were immensely demanded by all nations. While President Obama stated that America should have access to such minerals, China responded with dismissing the charges, stating that the rules they follow are justifiable while simultaneously implying that if the accusations are continued, there will be ramifications.

Trump’s Presidency

With President Donald Trump’s presidency campaign highlighting “Putting America First” (bringing jobs back to America), it is no surprise that disputes soon arose between the PRC and the US. After one year and a half in office, President Trump initiated the trade war by imposing numerous tariffs, which eventually became targeted at China. Through failed negotiations, tariff prices on both ends continue to increase as shown by figure #2 below. President Trump has denied criticism that US consumers are being hurt due to the tariffs.

Recent developments with COVID-19 have shown exacerbated tension between the two nations. The phase one trade deal is likely to fail as a result. Numerous countries have supplied hefty stimulus packages to assist the citizens during a time of uncertainty. President Trump approved in March of this year a relief bill of $3 trillion dollars to American households. This is likely to produce adverse effects on the American market, worsening the potential inflation that can arise as a result of the trade war with China. Additionally, due experts from Forbes have speculated that current tariffs on Chinese medical supplies could have contributed to the alarming amount of COVID-19 cases in the US. It will contribute to higher prices for essential items to cure the virus, a costly effect on society.

 

Figure #2: Average tariff rates for China and the US

Socioeconomic impacts of the trade war

 This section will focus on the various effects that the trade war has instigated around the world, not merely in just the United States or China.

 Welfare effects

As one would expect, varying consequences would be displayed in all countries involved in or affected by the ongoing trade war. If it evolves into a fully escalated global trade war, comparatively, the key players (US, China, and the EU) would not suffer as much, with a predicted real income loss of around two percent. However, the same cannot be said for other economies around the world, especially smaller countries with an open economy. An example would be Switzerland, with an estimated real income loss of 14 percent. Countries such as Canada and Mexico would also suffer majorly, with a real income loss of around seven percent. However, if the trade war continues to only be bilaterally oriented, the effects would be scaled in. While China would see a real income loss of around 0.7 percent, the US would see one around 0.4 percent. Keep in mind that these effects are predicted long-term ones, meaning that in the short term, the ramifications are likely to be much bigger.

Economic growth

A global economic slowdown has manifested as a result of the trade war. In measuring real GDP and its growth for a country, it is popularly scaled through four metrics. They are personal consumption (how much people buy), domestic investments, government expenditure, and net exports. These four measures, whether it grows or contracts compared to the previous year, offer advantageous insight into if that country's economy is growing. Through this trade war, the most affected metric would be investments. As confidence in businesses drops through more tariffs, investments will be delayed. According to the US Bureau of Economic Analysis (BEA), Q4 (October to December) of 2019, domestic investment in the US decreased by 6 percent. In Q1 of 2020, it decreased a further 10 percent. Keep in mind that this was when COVID-19 did not majorly affect the US yet. While personal consumption decreased by 6.8 percent and exports decreased by 8.7 percent in the same period, the most effected measurement is evidently domestic investments. This totaled up to a 5 percent decrease in GDP.

On a more global scale, in 2019, the International Monetary Fund (IMF) releases a World Economic Outlook report biannually which estimates the amount of global economic growth. The estimated 2019 April economic growth globally was 3.6% (estimated in 2018) but was lowered later to 3.3%, demonstrating an apparent signal that the trade war between the world's two biggest economies sends ripple effects across the entire world. One continent especially hard hit by this would be South America. Countries would experience both stifled global growth and a tightened financial state. A major impact has been currency devaluation throughout Latin America, especially since the dollar has been dropping in value.

 Tariffed goods’ prices

The consumer price index (CPI) is a widely accepted measure for inflation inside one economy. It measures the price change of items inside a "basket" of goods composed of most commonly bought items. In 2019, it was visible that the prices of the tariffed goods inside that basket had significantly risen in comparison to non-tariffed ones. This foreshadows possible inflation throughout the global economy, especially in the US and China. According to the National Institute Economic Review, the US consumer inflation rate would increase by approximately 0.25% in accordance with the baseline projection while China’s would increase by 0.15. The world’s consumer inflation rate would also increase by around 0.1% due to the trade war’s impact.

 Consumers

The Federal Reserve stated in 2019 that the various tariffs were costing the average US family around $1250 per year. The mechanics of this lay in production. For example, manufacturers tend to source parts and raw materials from other countries where they are more abundant and relatively cheaper. However, when some of those parts have tariffs placed on them, the cost of production rises, meaning the profit margin for businesses are lower unless they also raise their prices. Most businesses choose to raise prices, meaning consumers are paying more.

Geopolitics

United States of America

 President Trump has voiced his opinions to decrease the trade deficit for the US since the 1980s. When he ascended to the presidency, his goals began to take action, through initiating the first tariffs which eventually escalated into a full-fledged trade war. Negative effects have been rampant throughout the US economy. Industries and companies related to farming and agriculture have been badly impacted. Nationally, farmer's incomes have fallen by around $11.8 billion within the first three months of 2019. Despite this, public polls still show the majority of farmers supporting Trump's actions, stating it will ultimately benefit America.

Additionally, tariffs have reduced GDP by 0.6% and real GDP by around 0.3%. Companies' profits have also begun decreasing due to rising prices for US-produced goods. Many financial firms have cautioned against continuing the trade war over fears that it could spark a recession. As predicted, a majority of the effects are being burdened by the US consumers, as mentioned in the history & developments section, with cited evidence by the Federal Reserve stating in 2019 that the trade war is costing the average household slightly less than $1250 per year. As the US's actions are viewed increasingly as less favorable worldwide, many countries are forging trade agreements without including the superpower.

 As a result of the current coronavirus pandemic, relations between the US and China have worsened as President Trump has launched verbose attacks and accusations with the management and origin of the virus.

People's Republic of China (PRC)

The PRC has matched numerous tariffs and launched retaliatory ones on the US as a result of the tariff battle. Similar to the USA, the trade war has also sparked negative effects on China. The most apparent measure of this is seen through the shift of the supply chain and manufacturing. Many American manufacturing companies have relocated elsewhere, primarily in Southeast Asia where there is cheap labor. In contrast to the USA, the worst impacted sector is manufacturing, with industrial output growth slumping to the lowest in 17 years. Additionally, the already slowing economic growth for the nation has increased its decline through the escalation of the trade war. Chinese companies will also bear some of the weight through lowering profit margins as a result of the tariffs imposed. To offset some of the impacts, the Chinese currency has fallen past, as aforementioned, the seven per dollar mark.

The European Union

After the Cold War ended, the European Union along with the United States jointly placed priority on world liberalization. This includes both democratization and the reduction of trade barriers. While trade relations between the various countries in the EU (especially Germany) and the US have flourished within the last six decades, new tensions have arisen through Trump's presidency, specifically, through his actions of backing out of several key agreements such as the Paris Climate Agreement. Despite this, the two share similar opinions with China's trading techniques, such as restricting overseas corporations to the Chinese marketplace. Furthermore, many EU business owners have reverberated the US objections to China entering the WTO without being a fully market-orientated economy. On the other hand, China has been actively trying to further trading relationships with European nations. Recently, Italy has joined the Belt and Road Initiative.

In regards to the trade war, the EU has applied to the WTO to confront the US tariffs for 25 percent on steel and 10 percent on aluminum. As a result of goods being costlier to buy from the US, China has sourced many goods originally purchased from the US elsewhere, namely, France but also the United Kingdom, meaning these countries are benefitting. Alternately, the German economy has suffered as a result of the trade war even as the nation's trade relationship with both parties (China and the US) has remained strong. As it is more dependent on the manufacturing sector and exporting, the nation has been under more pressure and susceptibility. In December of 2019, President Trump announced tariffs on dozens of sought-after French goods. This has exacerbated tensions between the EU and the US.

Russia

Russia, along with China, India, and the EU has filed complaints in regards to the US global tariffs on steel and aluminum to the WTO. Through the economic rivalry between China and the US, Russia has become a more advantageous partner to President Xi, and the Eastern European nation's economy has benefited as a result of this stronger relationship. In June of 2019, Presidents Xi and Putin signed important deals to additionally integrate their two nation's economies. Among those, was an agreement to have Chinese technological giant Huawei to research and develop 5G in Russia. The close ties between these two nations have allowed each other to overcome obstacles from the US's economic tariffs. With Russia being on China's side for this war, both Presidents Xi and Putin have put out verbose attacks on Trump.

Brazil

Brazil, along with Vietnam are among some of the biggest beneficiaries from the Trade War. As US cotton exports to China dwindled, China replaced those by importing from Brazil. From the period of 2018-19, Brazil's cotton exports to China skyrocketed, with an increase of 170%. Additionally, with Brazil surpassing the US as the top exporter of soybeans, China has turned to the country as an alternative, boosting Brazil's soybean exports. Between October to November 2018, China imported two million tons of soybeans from Brazil. In December of 2019, along with new tariffs on French products, Trump also abruptly announced new tariffs on steel and aluminum for Brazil and Argentina specifically, taking both Latin American nations by surprise.

Vietnam

As mentioned above, Vietnam is among the top winners as a result of the trade war. However, while Brazil benefits through China, Vietnam benefits through the US as a result of the global supply chain shifting south for its cheap production and manufacturing. In comparison to 2018, exports to the US from Vietnam have risen by 40% in 2019. Furthermore, according to Bloomberg, Vietnam's trade surplus with the US increased 39% during the first half of 2019, tallying to a total of $25.3 billion at that time. Due to the rising trade imbalance, however, Vietnam has been added to a watch list for potential currency manipulators by the US. Among the US desired products from Vietnam are solar panels and plywood products.

Japan

Japan is another example of a nation seeing significant increases in exports to America as a result of the trade war. During the G7 summit in August of 2019, Trump announced an "agreement on principle" trade deal with Japan which would benefit US farmers, who are the hardest hit with the trade war devastating the US agricultural sector. However, although increases in exports are apparent in Japan, Japanese companies do not bode the same fortune. In a poll conducted by Reuters published in September of 2019, it revealed half of the Japanese companies have seen decreasing profits as a result of the Trade War. Many businesses also stated fears of a recession as the conflict continues to destabilize the global economy.

Mexico

Similar to Japan, Mexico is also gaining significant increases in exports to the US. In 2019, the nation has replaced China as the US's largest trading partner. The country has always been a top resource for US companies in the search for cheap labor. The signing of the US-Mexico-Canada (USMCA) agreement in 2018 sought to succeed the original NAFTA agreement and has assisted Mexico through increasing their trade surplus. America is now purchasing an elevated amount of data processing and storage devices in addition to electrical wiring and fiber optic cables. If purchased from China, these goods would be subject to 25 percent tariffs. In the first half of 2019, US imports from Mexico increased $11 billion in value.

Australia

Australia's value of exports has grown the most globally over 2019 as a result of the trade war. Although benefitting from both sides, most of the exporting increase has been due to natural resources to China. Due to Chinese tariffs on imports of petroleum, gold, etc. from the US, Australia has filled this void for the imports and replaced the US by supplying such goods to China. Additionally, China has also imported more cotton from Australia. However, amidst the current coronavirus pandemic, tensions have arisen between the two nations. In May of this year, China has banned imported beef from Australia. Merely a week later, the nation also enforced a tariff of over 80 percent on Australia produced barley. This is widely acknowledged as retaliation due to Australia's actions of promoting an investigation into COVID-19.

Canada

Similar to Australia, Canada has also been benefiting from both sides of the trade war, although it benefits from the US more than China. Now the second-biggest trading partner for the US, Canada exports an abundance of computer chips and circuit boards that are replacing the ones that were previously exported from China. In addition, Canada also exports industrial molds to the US. On the other hand, exports of soybean to China are also increasing, although the amount bought from Canada is still much less in comparison to previous purchases from the US.

Previous Attempts to Solve the Issue

 Previous attempts to resolve the Trade War lie in trade negotiations and talks. To some extent, these negotiations have worked.

On December 1st, 2018, the US and China have reached a consensus to stop imposing new tariffs for a 90-day period. Following this agreement, President Donald Trump agreed to defer the scheduled increase on $200 billion of Chinese imports on January 1st, 2019. Along with this decision, the White House issued a statement where they stated that China will purchase a "very substantial" amount of US products. This temporary stop to the trade war was reached after five rounds of retaliatory tariffs between the two parties.

Between April 30th and May 1st, 2019, negotiators from both countries met in Beijing. A 150-page trade agreement was drafted and a seemingly hopeful end to the trade war materializes. However, a call from Beijing to Washington on May 3rd reveals a retraction on China's end to the majority of the agreed-upon details to the agreement. Trump almost immediately tweets out plans to increase tariffs.

On June 18th, 2019, President Trump and Xi reached an agreement on reopening trade negotiations. The G20 summit commences on June 29th in Osaka. While Trump agrees to halt new tariffs and ease previous limitations on Huawei, Xi also agrees to purchase new, unidentified agricultural products from the US. However, on August 1st, Trump imposes new tariffs for 10 percent on $300 billion worth of Chinese imports after reported negotiations with no progress.

On January 5th, 2020, a Phase One trade deal was signed between US President Trump and Chinese Vice Premier Liu. The deal rests on the requirement that China will purchase $200 billion of US exports (including manufactured, farm and energy products) within 2020 and 2021. Additionally, China needs to implement measures to take down websites selling copyrighted goods. In return, Trump would halt his scheduled 15% tariffs on $160 billion worth of Chinese imports. They would also cut the tariff imposed on September 1st, 2019 for $120 billion worth of goods by half. Further talks of a Phase Two deal would assume later on. This deal is currently still in effect.

**Relevant UN Treaties and Events**

* June 28th, 2016: Trump states plans to respond to unfair trading practices instigated by China during a campaign rally.
* April 6-7th, 2017: First meeting between Presidents Trump and Xi, both settle on a 100-day plan for trade negotiations.
* July 19th, 2017: Both parties fail to reach an agreement on how to lessen the trade deficit.
* January 22th, 2018: President Trump instructs tariffs on all foreign solar panels and washing machines. These tariffs apply to all imported products in those categories, not just from China.
* March 8th, 2018: President Trump instructs new tariffs for all countries with 25 percent on imported steel and 10 percent on imported aluminum.
* April 2nd, 2018: China responds with tariffs up to 25 percent on 128 different US exports.

Tariffs continue to get imposed from both sides until December 1st, 2018 when China and the US consent to a 90-day cease to new tariffs.

* April 30th - May 1st, 2019: Negotiators from both countries meet in Beijing and outline a 150-page trade agreement.
* May 3rd, 2019: Communication from Beijing to the White House reveals China's retraction to almost all details agreed on in the agreement.
* May 16th, 2019: US announces the ban of Chinese telecoms giant Huawei from purchasing materials from US industries.
* June 18th, 2019: During a phone call, Presidents Trump and Xi agree to restart trade negotiations.
* June 29th, 2019: During the G20 summit at Osaka, Japan, President Trump agrees to stop new tariffs and lessen the restrictions placed on Huawei while China agrees to buy more US farm produce.
* August 1st, 2019: President Trump announces new tariffs for 10 percent on $300 billion worth of imported Chinese goods after negotiations with no progress.
* August 5th, 2019: China stops US agriculture purchases and the Yuan (Chinese currency) loses value past the seven Yuan per dollar mark while the United States Treasury accuses China of currency manipulation.

New tariffs continue from August 13 to October 10.

* October 11th, 2019: A Phase One deal is announced between China and the US with suspended tariffs in exchange for promises to buy more US goods.
* January 15th, 2020: US President Trump and China Vice Premier Liu He signs Phase 1 of the Trade Deal in Washington, which encompasses intellectual property rights, technological transfers, trade, etc.
* February 17th, 2020: China exempts 696 United States goods from tariffs to assist purchasing.
* June 2020: China reassumes position for being US's top trading partner once again during coronavirus although both nations are not on track towards meeting the trade deal.

Possible Solutions

 The swiftest way to mitigate the socioeconomic impacts of the trade war is to end it. This would be achieved through **bilateral negotiations between China and the US**. The process would look similar to the trade deal currently negotiated, but with more lenient terms for China. Especially with the current economic devastation due to COVID-19, the US has to draft terms that are achievable for China which would simultaneously lower the trade deficit. This would most likely include a number of goods that China has to purchase, an agreement to stop the alleged “unfair trading practices” as well as enforcing rules for IP rights. On the other hand, the US would have to lower the tariff rates significantly.

 Another way to settle the dispute is through the WTO, where **China or the US would have to file a complaint to the WTO and enter the dispute settlement process**. If conducted smoothly, this process will help the trade war subside in around a year. The process consists of two stages with a hearing in the second stage. The first stage is a consultation between the two parties for a maximum of 60 days where the problem is hopefully solved between themselves. However, if that does not work, the second stage is initiated where a panel will be appointed. During this time, there will be a hearing where both sides will present their cases, and the panel will make recommendations and a ruling.

 Meanwhile, during the time where negotiations are happening or if they fail, **countries need to take action to better themselves and spur economic growth** to mitigate any impact. This can take place in various forms, such as improving human capital, encouraging investments and innovations, signing trade agreements with other countries, etc. To give a more in-depth example, a country can improve human capital by creating laws with a requirement for minimum years of education or create programs to assist with job training. In regards to encouraging investment, a solution in the US would be to have the Federal Reserve injecting more money into banks, which they would then loan to various people. All in all, any projects or programs to simulate a country’s overall growth or to protect themselves will be effective in reducing negative impacts as a result of the trade war.

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