

**Second Committee on the General**

**Assembly of the United Nations**

**(ECOFIN)**

The impact of economic sanctions

on countries

**Table of Contents**

**Welcome note from the chairs…………………………..………………… 3**

**1. Basic definitions…………………………………………………………… 3**

**2. Introduction to the topic………………………………………………….. 4**

**3. Description and importance of the issue………………………………… 4**

**4. Past events…………………………………………………………………. 5**

**5. Current situation………………………………………………………….. 8**

**6. Points to consider during the debate…………………………………….. 11**

**7. External sources………………………………………………………….. 11**

*Welcome note from the chairs*

Dear delegates,

It is our utmost pleasure to welcome you all to the 4th edition of Bacau Model United Nations. We are looking forward to meeting you all in October and we can assure you that we will try our best to make this edition the best experience for you. However, in order for you to enjoy this session, preparation and punctuality are in order. We would like to ask to you to read this Study Guide, do as much research on your own as possible and please bear in mind that you should always try to meet the deadlines. In case you have any problem or you need any further information please feel free to contact us any time.

Kind regards,

Your Chairpersons

*1. Basic definitions*

* ***Economic sanctions*** are any actions taken by one nation or group of nations to harm the economy of another nation or group, often to force a political change;
* ***Blockade*** is an effort to cut off supplies, war material or communications from a particular area by force, either in part or totally;
* ***Embargo*** is the partial or complete prohibition of commerce and trade with a particular country or a group of countries;
* ***Boycott*** is an act of voluntary and intentional abstention from using, buying, or dealing with a person, organization, or country as an expression of protest, usually for moral, social, political, or environmental reasons;
* ***Autarky*** isa policy of establishing a self-sufficient and independent national economy (closed economy);
* ***Tariffs*** are taxes imposed on goods imported from another country;
* ***Quotas*** are a limit on how many goods can be either imported from another country or sent to that country;
* ***Non-Tariff Barriers (NTBs)*** are non-tariff restrictions on imported goods and can include licensing and packaging requirements, product standards and other requirements that are not specifically a tax;

*2. Introduction to the topic*

This October, the delegates of the Second Committee of the General Assembly of the United Nations will discuss the issue of the impact of economic sanctions on countries.

In world’s history we always tried to find new ways to sanction individuals, groups or countries that break the international laws or treaties. Yet, we found several “more peaceful” ways to do so, such as sanctions on environment, diplomatic sanctions, military sanctions, sport sanctions or economic sanctions.

Economic sanctions are used as a tool of foreign policy by many governments. They are usually imposed by a larger country upon a smaller country for one of two reasons—either the latter is a threat to the security of the former nation or that country treats its citizens unfairly.

They can be used as a coercive measure for achieving particular policy goals related to trade or for humanitarian violations. Economic sanctions are used as an alternative weapon instead of going to war to achieve desired outcomes.

What ECOFIN needs at this point is to review all the past events and their outcomes in order to decide whether economic sanctions were necessary in those situations or if we shall find other measures to punish countries.

*3. Description and importance of the issue*

Sometimes the threat of a sanction is enough to alter the target country's policies. A threat implies that the country issuing the threat is willing to go through economic hardship to punish the target country if any positive change does not occur. The cost of the threat is less than that of military intervention, but it still carries economic weight.

The extent of economic suffering caused by a sanction is often not immediately known. Research has shown that the severity of the economic impact on the target country increases as the level of international cooperation and coordination in its creation increases. It also will be more pronounced if the countries involved in the sanction previously had close relations, since trading ties are more likely to be significant if the countries have a rapport.

The immediate impact of an import sanction on the target country is that the country's exports are not purchased abroad. Depending on the target country's economic reliance on the exported good or service, this could have a crippling effect. The sanction might cause the sort of political and economic instability that results in a more totalitarian regime, or it can create a failed state due to a power vacuum. The target country's suffering is ultimately borne by its citizens, who in times of crisis may solidify the regime in charge rather than overthrow it.

Sanctions can increase costs to consumers and businesses in the countries that issue them, because the target country is unable to purchase goods, resulting in economic loss through unemployment, as well as production loss. In addition, the issuing country will reduce the choice of goods and services that domestic consumers have, and may increase the cost of doing business for companies that must look elsewhere for supplies. If a sanction is made unilaterally, the target country can use a third-party country to circumvent the effect of blocked imports or exports.

Economic sanctions may be effective in the resolution of international trade and investment disputes. Most such disputes, however, are resolved satisfactorily through the dispute settlement procedures of the World Trade Organization, regional customs unions like the European Union, regional free trade agreements like the North American Free Trade Agreement, or other bilateral agreements.

*4. Past events*

Economic sanctions have been used since ancient times, yet it was only when the Cold War ended that they became increasingly popular as a tool of foreign policy. This was triggeredWhilst prior to 1989 the United Nations Security Council (UNSC) had only imposed sanctions on two occasions, between 1990 and 2000 it imposed sanctions on more than ten occasions, leading analysts to dub the 1990s as the “sanctions decade“. when the UN institutional paralysis, but also by the belief that sanctions could effectively enforce international norms and prevent conflict without the use of military force.

However, the initial euphoria soon evolved into pessimism, as UN sanctions failed to stop conflicts in the Balkans, Somalia, Liberia, Rwanda and Angola. Sceptics contended that sanctions were ineffective and counterproductive, as they often strengthened rather than weakened authoritarian regimes by sparking nationalism and helping those regimes rally domestic opposition against external pressure.

Doubts also arose regarding the huge economic costs that comprehensive trade embargoes imposed on both sides of the dispute, but above all, criticism grew regarding the terrible humanitarian consequences that affected the innocent population in the targeted countries.

Two controversial actions by the United States in the early 1980’s- president Jimmy Carter’s grain embargo against the Soviet Union and president Ronald Reagans attempt to block the Soviet-European gas pipeline project- rekindled smoldering debate over the use of economic sanctions in pursuit of foreign policy goals.

In October 1960 a key incident occurred, Eisenhower's government refused to export oil to the island, leaving Cuba reliant on Soviet crude oil, that the American companies in Cuba refused to refine. This led the Cuban government to nationalize all three American-owned oil refineries in the nation as response. The refinery owners were not compensated for the nationalization of their property. The refineries became part of the state-run company, Unión Cuba-Petróleo. This prompted the Eisenhower administration to launch the first trade embargo—a prohibition against selling all products to Cuba except food and medicine. The Cuban regime responded with nationalization of all American businesses and most American privately owned properties on the island. No compensation was given for the seizures, and a number of diplomats were expelled from Cuba.

The second wave of nationalizations prompted the Eisenhower administration, in one of its last actions, to sever all diplomatic relations with Cuba, in January 1961. The U.S. partial trade embargo with Cuba was continued, under the Trading with the Enemy Act 1917.

According to the United States Chamber of Commerce, the embargo is currently costing the United States economy $1.2 billion per year due to the legal structures that are preventing U.S. based exporters from entering Cuban markets. The Cuba Policy Foundation (CPF) has provided more extreme data. Their estimates put the cost that the embargo has had on the U.S. at $4.84 billion per year while costing Cuba $685 million per year. As of today, Cuba is estimated to have lost over $28.6 billion in trade according to Cuba's Institute of Economic Research.

Between 1954 and 1958, trade between Cuba and the United States was at a higher level than what it is today. 65% of Cuba's total exports were sent to the United States while imports from the U.S. totaled to 74% percent of Cuba's international purchases. After the formal implementation of the embargo and the passage of Proclamation 3355, there was a 95% decrease in Cuba's sugar quota, which canceled roughly 700,000 tons of the 3,119,655 tons previously allotted to the United States. A year later, Cuba's sugar quota was reduced to zero when President Eisenhower issued Proclamation 3383. This substantially affected Cuba's total exports as Cuba was one of the world's leading sugar exporters at the time.

By 1989, with the collapse of the Soviet bloc, Cuba witnessed its most devastating economic crises. Cuba's GDP plummeted 34% and trade with the nations apart of the Council of Mutual Economic Assistance (CMEA) declined by 56%. Between 1989 and 1992 the termination of traditional trade partnerships with the Soviet bloc caused the total value of Cuba's exports to fall by 61% and imports to drop by approximately 72%. This period is known as the Special Period. Supporters of the embargo and many international economists believed that the dissolution of the Soviet Union and the resultant economic crisis would lead to the downfall of Fidel Castro’s government. Cuba's government however instituted a campaign of macroeconomic adjustment and liberalization which helped significant economic recovery.

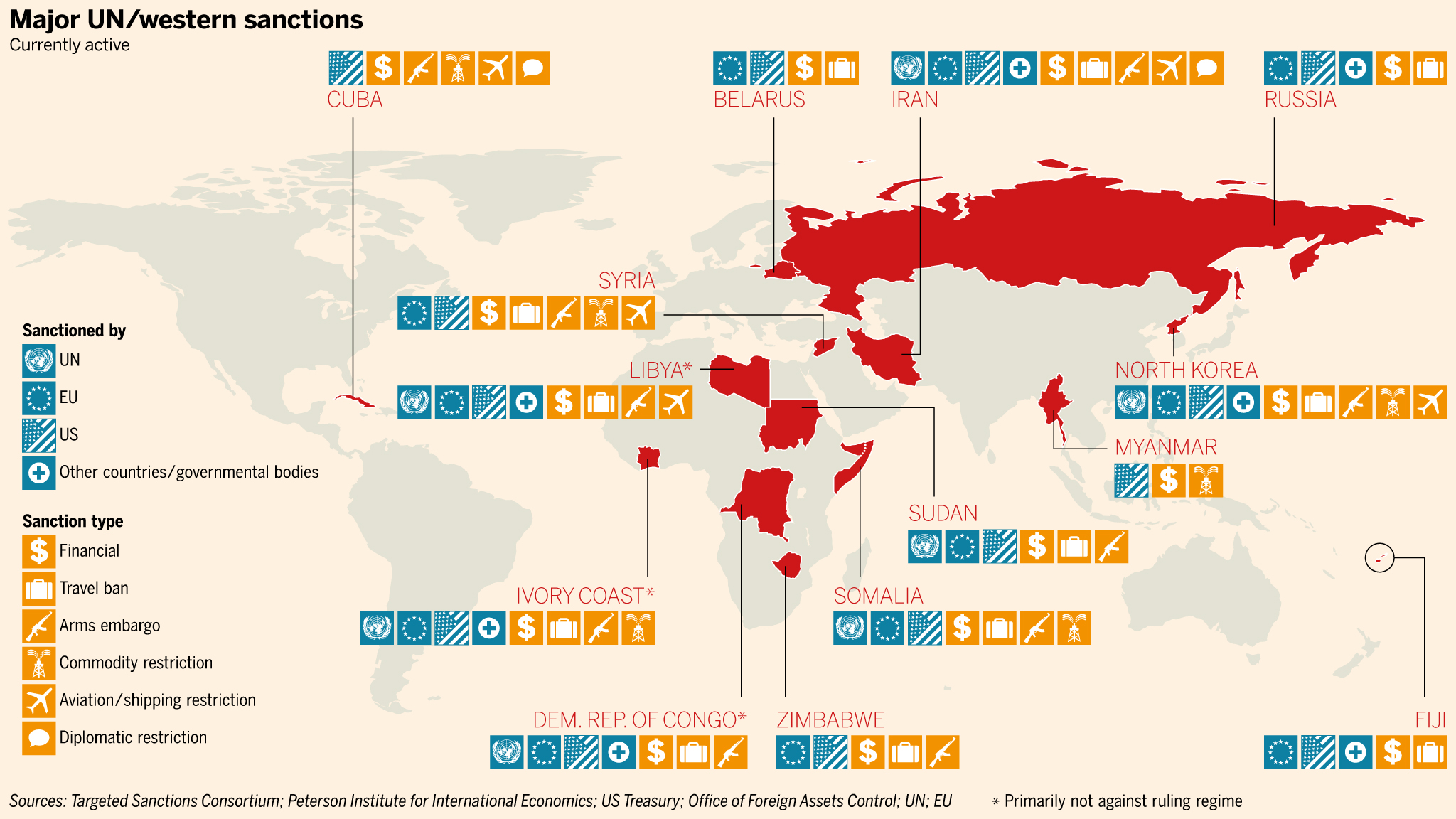
Also, During theYugoslav Wars of the 1990s and early 2000s, several rounds of international sanctions were imposed against the Federal Republic of Yogoslavia, which from 1992 consisted only of the Yugoslav republics of Serbia and Montenegro. In the first round of sanctions, which were implemented in response to the Bosnian War, and lasted between April 1992 and October 1995, Yugoslavia was placed under a United Nations (UN) embargo. The embargo was lifted following the signing of the Dayton Agreement, which ended the conflict. During and after the Kosovo War of 1998–1999, Yugoslavia was again sanctioned by the UN, European Union  (EU) and United States Following the overthrow of YugoslavPresident Slobodan Milosevic in October 2000, the sanctions against Yugoslavia started to be withdrawn, and most were lifted by 19 January 2001.

The sanctions had a major impact on the Yugoslav economy and Yugoslav society, with Serbia the hardest hit, its GDP dropping from $24 billion in 1990 to below $10 billion in 1993, and $8.66 billion in 2000.  They also had a devastating impact on Yugoslav industry. Poverty was at its highest in 1993, with 39 percent of the population lived on less than $2 per day. Poverty levels rose again when the sanctions were re-implemented in 1998. An estimated 300,000 people emigrated from Serbia in the 1990s, 20 percent of whom had a higher education.

*Other past sanctions*

1. UK vs. Germany (1914-1918 World War 1)
2. USA vs. Japan (1917-1918)
3. UK vs. Russia (1918-1920 Anti-Bolshevism)
4. UK vs. URSS (1933: Release of British Citizens)
5. URSS vs UK, USA and France (1948-1949: Berlin Blockade)
6. UK and USA vs. Iran (1951-1953: Expropriation)
7. URSS vs. China ( 1960-1970: Ideology and Nationalism)
8. China vs. Vietman (1978-1979: Regional Influence)
9. Canada vs. Japan (1977-1978: Nuclear Safeguard)

*5. Current situation*

**

*Europe*

On 6 March 2014, EU’s Heads of State or Government strongly condemned the unprovoked violation of Ukrainian sovereignty and territorial integrity by Russia and called on the Russian Federation to immediately withdraw its armed forces to the areas of their permanent stationing. They stated that any further steps by Russia to destabilize the situation in Ukraine would lead to additional and far reaching consequences for relations in a broad range of economic areas. The Council of the EU further urged Russia to withdraw its additional troops from the border area. In view of the gravity of the situation, on 31 July 2014 the Council of the EU took restrictive measures in response to Russia's actions destabilising the situation in Ukraine.

The European Council considered that certain economic, trade and financial restrictions regarding Crimea should be proposed for rapid implementation.   
  
On 27 March 2014, the UN General Assembly adopted Resolution 68/262 on the territorial integrity of Ukraine, affirming its commitment to the sovereignty, political independence, unity and territorial integrity of Ukraine within its internationally recognised borders, underscoring the invalidity of the referendum held in Crimea on 16 March, and calling upon all States not to recognize any alterations to the status of Crimea.  
  
On 23 June 2014, the Council of the EU considered that the import into the EU of goods originating in Crimea or Sevastopol should be prohibited, with the exception of goods originating in Crimea or Sevastopol having been granted a certificate of origin by the Government of Ukraine.

On 30 July 2014, the Council of the EU adopted additional measures restricting trade with and investment in Crimea. On 18 December 2014, the Council further restricted investment in Crimea. In addition, trade in goods and technology for use in certain sectors in Crimea were restricted. Services in the sectors of transport, telecommunications, energy or the prospection, exploration and production of oil, gas and mineral resources, as well as services related to tourism activities in Crimea including in the maritime sector were also prohibited.

*Africa*

The economic sanctions covered trade and finance. In the trade sector, the EC and Japan sanctioned import of the Kruger rand and certain steel and iron products, whereby Germany and Great Britain in part merely made recommendations and imposed no binding sanctions. The USA too embargoed importing the Kruger rand and certain steel and iron products. The sanctions also covered import of products from partially state-controlled enterprises, uranium, coal, textiles, agricultural products, and food as well as export of petroleum products. The most crucial trade sanction was OPEC’s oil embargo, though it also had loopholes.

*Asia*

Sanctions and embargoes are a significant, yet controversial component of the relations between the EU and Asia. EU sanctions regimes against Asian targets, especially the arms embargo against China and the sanctions against Myanmar/Burma, often trigger strong criticism in Asia and have broader consequences for EU foreign policy.

The main goal is to provide a comprehensive overview of EU sanction policy in Asia. Examining the three most prominent episodes: the arms embargo on the People’s Republic of China (PRC), the sanctions against Burma/Myanmar, and the sanctions against the Democratic People’s Republic of Korea (DPRK). In the cases of the arms embargo on the PRC and Burma/Myanmar, the EU uses sanctions autonomously, whereas in DPRK EU sanctions are embedded in the broader framework of UN sanctions.

By ‘EU sanctions’ we mean the restrictive measures that the EU autonomously imposes on states, entities, such as companies or banks, and/or individuals. The term used in official documents is ‘restrictive measures’ rather than ‘sanction’. These restrictive measures are autonomous EU measures: they are agreed unanimously by the Council of Ministers, the main EU decision-making organ in the field of foreign policy, to supplement existing UN sanctions regimes with additional measures, as in North Korea, or in the absence of pre-existing UN measures, as in China and Myanmar.

Sanctions imposed by the EU most frequently take the form of arms embargoes, visa bans and asset freezes. While these measures can have economic or financial consequences, they do not resemble traditional ‘economic’ sanctions. Only exceptionally does the EU impose selective embargoes on specific commodities, such as oil, gems or timber, for example. These measures are ‘targeted’. Targeted sanctions, also called smart sanctions, were devised in reaction to the severe humanitarian impact produced by the UN sanctions regime against Iraq in the 1990s. In contrast to comprehensive embargoes, which affect the economy of the target country as a whole, targeted sanctions focus harm on the leadership.

*North and South America*

On June 16, 2017, President Donald Trump announced that while the US embassy in Cuba would remain open, he was canceling the Obama administration's easing of travel and trade restrictions. President Trump stated in a speech in Miami that, "The outcome of last administration's executive actions has been only more repression... Therefore, effective immediately, I am canceling the last administration's completely one-sided deal with Cuba... We will enforce the ban on tourism. We will enforce the embargo." A White House fact sheet stated, "The new policy channels economic activities away from the Cuban military monopoly... while allowing American individuals and entities to develop economic ties to the private, small business sector in Cuba... The policy reaffirms the United States statutory embargo of Cuba and opposes calls in the United Nations and other international forums for its termination."   
  
The Trump administration implemented new Cuba travel and financial restrictions effective Nov. 9, 2017 that require US visitors to Cuba to travel with an organization rather than on their own. A statement from the US Department of the Treasury explained that, "Individual people-to-people nonacademic educational travel will no longer be authorized as announced by the President."

*6. Points to consider during the debate*

1. Have sanctions ever been successful?

2. What shall happen when some countries decide to abuse this deterrent for their personal gain?

3. When exactly shall economic sanction be enforced?

4. What is the main reason why most of the economic sanctions weren’t successful?

5.  What happens if sanctions are breached? How costly are the consequences?

6. How can we make sure that countries respect the sanctions imposed?

*7. External Sources*

1. <https://www.sanctionsmap.eu/#/main>

2. <https://www.gov.uk/search?q=economic+sanctions>

3. <https://www.government.se/>

4. <https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>

5. <https://www.cfr.org/backgrounder/what-are-economic-sanctions>

6. <https://www.brookings.edu/research/economic-sanctions-too-much-of-a-bad-thing/>

7. <http://www.theweek.co.uk/88349/fact-check-do-economic-sanctions-work>

**  Study guide ECOFIN**

**Topic 2 : Trade Wars**

A trade war is an economic conflict between two or more countries which happens when disagrements are met in regards to tariffs or other trade barriers which are imposed between the beligerents of the conflict. Usually they are economicaly driven although some can have a political bias backing them.

In our days international trade barriers and tariffs only hurt the consumers ,which you as ECOFIN are supposed to protect, by increasing the prices of some products sometimes to insane levels, sometimes the product is made unavailable for good.

Some economists agree that certain economic protections are more costly than others, because they may be more likely to trigger a trade war. For example, if a country were to raise tariffs, then a second country in retaliation may similarly raise tariffs. An increase in subsidies, however, may be difficult to retaliate against by a foreign country.

Trade wars and protectionism have been implicated by some scholarsas the cause of some economic crises, in particular the Great Depression. Unlike most other types of conflict, trade wars have a reputation for having only losers and no winners, due to the high cost and lack of benefits for any of the participants.

**Trump’s Trade War**

The 25th President of the United States of America, Donald Trump, has engaged in one or more trade wars so far with the E.U and China, so far all 3 economies are suffering from the ongoing conflict and a agreement between them seems to be extremly far. However if this conflict won’t end soon economists fear that it might plunge the western world into a new Great Depression.

**U.S.A-E.U Trade War Details :**

Trade War With the EU

Trump initially delayed the tariff against the EU until June 1, 2018. He wanted the U.S. ally to cut its 10 percent tariff on U.S. autos. He also asked the EU to set quotas on its steel exports.

But on May 31, 2018, Trump announced the tariff would be imposed on Canada, Mexico, and the EU. The U.S. Aluminum Association said the move will disrupt "supply chains that more than 97 percent of U.S. aluminum industry jobs rely upon.”

On June 21, Germany proposed an end to the EU's 10 percent tax on U.S. auto imports. In return, Trump must forget about imposing a 25 percent tax on European auto imports. There is already a 25 percent U.S. tariff on light trucks. On June 22, the EU imposed tariffs on $3.2 billion of American products. It targeted imports that will impact Trump’s political base. Examples of these taxable imports are bourbon, motorcycles, and orange juice.

Both moves follow the April 21, 2018, EU upgrade of its trade agreement with Mexico. Once signed, it will remove tariffs from almost all trade between the two areas.

On July 17, the EU signed a trade agreement with Japan. It reduces or ends tariffs on almost all goods. It's the largest bilateral trade agreement, covering $152 billion in goods. It will come into force in 2019 after ratification.

On July 25, 2018, the EU and the United States agreed to hold off on any new tariffs, reassess the steel and aluminum tariffs, and work toward zero tariffs on non-auto industrial goods. The EU agreed to import more U.S. liquified natural gas and soybeans. That would reduce its reliance on Russian LNG and help out American farmers who have lost the Chinese market due to the trade war. But Russia's LNG price is much lower than America's, so it's unlikely any big changes will be made there.

**U.S.A – China Trade War**

On January 22, 2018, President Trump imposed tariffs and quotas on imported Chinese solar panels and washing machines. China is a world leader in solar equipment manufacturing. The World Trade Organization ruled that the United States didn't have a case in levying the tariff. In August, 2018, China filed a complaint with the WTO.

On March 8, 2018, Trump asked China to develop a plan to reduce the $375 billion U.S. trade deficit by $100 billion. China is amenable to the idea. Part of China's economic reform plan is to reduce its reliance on exports. But it cautions there isn't much it can do, since the deficit is fueled by high U.S. demand for low-cost Chinese goods.

On March 22, 2018, the Trump administration upped the ante. It announced it would levy tariffs on $60 billion of imports from China. The administration also said it would limit U.S. technology transfers to Chinese companies. China requires foreign companies who want to sell products in China to share their trade secrets with Chinese companies. China responded by announcing tariffs on $3 billion in U.S. fruit, pork, recycled aluminum, and steel pipes.

On March 26, 2018, the Trump administration began quietly negotiating with Chinese trade officials. The administration focused on three requests. It would like China to reduce its tariffs on U.S. automobiles. It wants China to import more U.S. semiconductors. American companies also want greater access to China’s financial sector.

On April 3, 2018, the Trump administration announced it might impose tariffs on $50 billion in Chinese imported electronics, aerospace, and machinery. China retaliated hours later. It announced 25 percent tariffs on $50 billion of U.S. exports to China. These also won't go into effect immediately. China's tariffs strategically targeted 106 products. China also penalized two other U.S. exports: sorghum and Boeing airplanes. It targeted industries located in states that supported Trump in the 2016 election.

Shortly afterward, China canceled all U.S. soybean import contracts. China imports $12 billion in U.S. soybeans. China needs soybeans to feed pigs, its primary meat staple. But China can replace U.S. beans with those from Brazil. U.S. farmers sell one-half of their crop to China. If that market disappears, it will hurt the United States more than China. In July 2018, soybean prices hit a 10-year low as analysts predicted oversupply.

On April 6, 2018, Trump said he might impose tariffs on $100 billion more of Chinese imports. It would cover just one-third of U.S. imports from China. If China retaliates, that would impose tariffs on all U.S. exports to China.

On April 10, 2018, China announced that trade negotiations had broken down. The United States demanded that China stop subsidizing the 10 industries prioritized in its "Made in China 2025" plan. These include robotics, aerospace, and software. China also plans to be the world's primary artificial intelligence center by 2030. Later that day, Chinese President Xi Jinping announced he would reduce tariffs on imported vehicles. Although it allowed Trump to save face, it wouldn't affect trade very much.

Most automakers find it is cheaper to build in China, regardless of tariffs. Other promises, such as reducing restrictions on foreign direct investment, are not new.

On May 4, 2018, the Trump administration presented China with five demands. It asked China to:

1. End subsidies to tech companies.
2. Stop stealing U.S. intellectual property.
3. Cut tariffs on U.S. goods by 2020.
4. Open China to more U.S. investment.
5. Reduce the trade deficit by $200 billion by 2020.

China is unlikely to comply with the first two demands. They are at odds with China's goal of becoming a tech leader. On the other hand, China does want to reduce its trade deficit. China's economic reform plan is to become less reliant on exports. On May 10, China agreed to import more U.S. products.

On May 15, China agreed to remove tariffs on U.S. pork imports. It will also allow Qualcomm to acquire NXP. In exchange, the United States will remove tariffs on Chinese telecom company ZTE.

This agreement supports a mercantilist philosophy. It promotes specific industriesthat are important for the leaders' political purposes. Pork growers tend to vote Republican, which is why China targeted their exports. The telecom industry is part of China's growth strategy, which is one reason why Trump imposed tariffs. The other is that the company violated U.S. sanctions against Iran and North Korea. On June 12, the Senate blocked Trump's deal.

Many countries see Trump's removal of tariffs on ZTE as a weakness they could exploit. They will redouble efforts to find exceptions to Trump's tariffs. Many European countries want to avoid U.S. sanctions on Iran. They may threaten tariffs on U.S. imports as a bargaining tool.

On May 29, the Trump administration said it would announce by June 15 a final list of products to receive tariffs. It will first target $50 billion in imports from China. By June 30, it would announce investment restrictions on Chinese acquisition of U.S. technology.

On July 6, Trump's tariffs went into effect for $34 billion of Chinese imports. China levied a 40 percent tariff on U.S. autos. It could threaten the exports of American-made cars that employ thousands of workers in the South. Tesla announced it will build a factory in Shanghai to avoid the tariff.

China will also levy tariffs on U.S. agricultural exports. Midwest farmers could be stuck with excess produce and livestock. On July 24, 2018, Trump announced he would offer $12 billion in subsidies to American farmers. On August 27, the administration announced a $4.7 billion bailout. It may make a second payment in December if it's still needed. But corn growers alone said their costs top $6 billion.

On July 10, 2018, the Trump administration announced it might impose 10 percent tariffs on another $200 billion of Chinese imports. They will go into effect on September 24, weeks before the 2018 mid-term elections. The tariffs will rise to 25 percent by the end of the year. They will raise prices on an variety of consumer goods, including fish, luggage, tires, handbags, furniture, apparel, and mattresses.

China will retaliate by adding tariffs on $60 billion in U.S. exports. In response, Trump threatened to add tariffs until all $500 billion of Chinese imports are affected. That could reduce economic growth by 0.75 points in 2018. It could also threaten U.S. shale oil exports. China buys 20 percent of U.S. oil exports.

On August 2, 2018, the administration announced a 25 percent tariff on $16 billion worth of Chinese goods. It went into effect on August 23. It applies to industrial equipment like tractors, plastic tubes, and chemicals. In response, China announced a 25 percent tariff on $16 billion worth of U.S. goods, including autos and coals. It went into effect the same day.

### Causes of U.S. Trade War with China

U.S. politicians have long threatened a trade war with America's largest trading partner in goods. A trade deficit occurs when exports are less than imports.

In 2017, the United States exported $130 billion to China. The three largest export categories are aircraft at $16 billion; soybeans, $12 billion; and automobiles, $11 billion. U.S. imports from China were $506 billion. Most of it is electronics, clothing, and machinery. But a lot of the imports are from U.S. manufacturers that send raw materials to China for low-cost assembly. Once shipped back to the United States, they are considered imports. As a result, tariffs hurt U.S. corporations as well as foreign ones.

China is the world's No.1 exporter. Its comparative advantage is that it can produce consumer goods for lower costs than other countries can. China has a lower standard of living, which allows its companies to pay lower wages. American companies can't compete with China's low costs, so it loses U.S. manufacturing jobs. Americans, of course, want these goods for the lowest prices. Most are not willing to pay more for "Made in America."

External Links :

<https://www.investopedia.com/terms/t/trade-war.asp>

<https://en.wikipedia.org/wiki/Trade_war>

<https://www.theguardian.com/commentisfree/2018/sep/18/the-guardian-view-on-us-china-trade-wars-careful-what-you-start>

<https://www.thebalance.com/trade-wars-definition-how-it-affects-you-4159973>