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**WORLD TRADE ORGANIZATION
TRADE WAR BETWEEN CHINA AND THE UNITED
STATES**



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LETTER FROM THE SECRETARIAT

Dear Delegates,

Welcome to the World Trade Organization. From this moment on, you will be directly immersed in a contemporary issue that is certainly still unfolding as you read this text. It is in the nature not only of humans but also of many animals that there will always be competition where two alphas coexist. The current trade war between China and the United States is nothing more than a confrontation between two alphas for control of a territory—when they collide, everything around them is affected.

As an economics undergraduate, it has always been a dream of mine to bring economic themes to the world of simulations, to show how our lives are influenced by trade and financial decisions—from the market around the corner to the fiscal policies of countries on the other side of the world. I hope this guide situates you in the problems of the current global economy—how it is globalized and interconnected—but, above all, serves as a spark to ignite others' passion for the study and understanding of economic sciences.

Greatness from small beginnings.

“The road to peace is always rewarding, no matter how many curves it presents.”

Star Wars: The Clone Wars

ABSTRACT

In this article, the perspectives of China and the United States on the way towards the position of world powers will be presented, contextualizing the traditional North American economy and the exponential growth of the Chinese dragon in the last twenty years. In addition, it will show the clash of interests between them, also called trade war, and how it directly impacts the economic dynamics of the world. It is also important to detail the tax policies of each country to achieve their respective objectives.

Finally, we seek to warn about the importance of the WTO in protecting and guaranteeing a safe and healthy environment for conducting trade and investment on a global basis. And, with that, to propose the dilemma of how influential the big economies can be and whether international institutions should or should not intervene in the functioning of international trade.

Keywords: Trade War, China, United States, WTO, Tax Policies

TABLE OF CONTENTS

INTRODUCTION	8
1 - WESTERN PERSPECTIVE	10
2 - EASTERN PERSPECTIVE	12
2.1 - 21ST CENTURY GROWTH	13
2.2 - BELT-AND-ROAD INITIATIVE	14
2.3 - FUTURE GOALS	15
3 - IDEOLOGICAL CLASH	15
4 - PROGRESS IN NEGOTIATIONS	18
5 - PRESENCE IN THE INTERNATIONAL MARKET	20
6 - IMPACT OF THE PANDEMIC	22
7 - EXPECTATIONS FOR THE FUTURE	24
FINAL CONSIDERATIONS	25
BIBLIOGRAPHIC REFERENCES	27
APPENDIX I – QUESTIONS TO BE ANSWERED BY THE COMMITTEE	29
APPENDIX II – POSITIONING OF BLOCS	30

INTRODUCTION

One of the main tools developed by humanity that enabled widespread contact between distant peoples was trade. Through it, the dynamics of life in rural areas and small villages were shaped. The desire to exchange materials and food was the driving force that moved human evolution toward the formation of cities and nations, where labor, beyond ensuring local survival, encouraged commerce with other cities for the internal development of each population.

Before modern economics, it was social interactions that influenced market dynamics. Ancient political structures were highly stratified, and traditions were strictly followed. Therefore, trade initially served social needs and the preservation of the people's conservative profile. However, as cities and populations grew, trade evolved and became more integrated into everyday life—until the economy itself began to dictate social norms and political practices.

Thanks to this transformation, humanity experienced a wide range of historical events, from the Black Death to the Great Navigations and the Industrial Revolution. Since then, the economy has never ceased to be a central element of human development. Through this context, we arrive at the main theme: the rise of global powers and their struggle for dominant control over modern international trade.

China and the United States—separated by a vast ocean, originating from different cultural and political foundations, yet sharing similar ambitions: to set international policy and lead the global economy on their own terms. As in nature, only one can hold such a high position; otherwise, a fierce competition will always ensue. This has been the case since 2018 and continues today.

The American economy has been considered a global powerhouse for over seventy years, notably during the Cold War and even more so after it, consolidating its global hegemony. China's economic rise, on the other hand, is much more recent—gaining attention only over the past two decades—but it has grown at an unprecedented rate. In addition to historical differences, politically the two governments represent opposing extremes: the United States with a right-wing, conservative administration, and China governed by a single-party system with communist and socialist ideals.

The Trade War in question is not only a clash of political ideologies but also a battle of economic models for the current globalized world. Despite being labeled a “war,” it is not fought with soldiers and bombs, but with pens and speeches, legislation and economic agreements.

Even though both are the world’s leading economies and have countless reasons to oppose each other, they are each other’s top clients and suppliers. They also represent a significant share of the trade balances of many other countries. Thus, any action intended to harm or interfere with one of their economies will have a ripple effect—positive or negative—on several other nations within the global trade network. A true butterfly effect.

One of the most important concepts to understand in this guide is fiscal policy. Through it, governments impose a tax rate on a product, which is the main source of state revenue. However, levying a portion of a product’s value for the state affects not only the final consumer—the average citizen—but also the entire production chain before the product even reaches the store shelf.

This complex system of the modern economy cannot function alone. Historically, conflicts were fought over commercial and political matters, as seen in the World Wars and the Cold War. As a result, the World Trade Organization (WTO) was founded in 1995, on the eve of a new millennium, at the close of the most violent and revolutionary century in history. Its purpose is to regulate international trade and serve as a mediator for disputes between nations.

Headquartered in Geneva, Switzerland, the WTO—through its many bodies and councils—handles issues across several sectors of the global economy: industry, agriculture, intellectual property, services, and more. Due to its principles of impartiality and sustainable, fair global trade, the organization serves as a platform and manager of major economic agreements, overseeing the proper functioning of market laws and fiscal policies among all 164 member countries.

With that, the WTO is now tasked with addressing several key questions regarding the Trade War between China and the United States: What are the objectives of each nation in manipulating tax structures? How does this conflict impact the global economy as a whole? How do external events influence the actions of the two major players? And most importantly, how—and if—the WTO should intervene in resolving this issue?

It is also important to note that member countries are expected to act in accordance

with the principles established by the WTO. This situation cannot be resolved solely through political debate—it also requires cooperation agreements, national and international fiscal legislation, and strategic planning in order to enhance the current globalized economy and strengthen international alliances to overcome global economic, political, and social challenges.

1 – WESTERN PERSPECTIVE

The United States of America has been the world's leading economic, military, and political power for nearly a century. Since the end of World War I, the U.S. has played a central role in the most important events of the 20th century, shaping and setting standards across both the Western and Eastern worlds. With top-tier universities and an entrepreneurial spirit ingrained in American culture, its economy has been responsible for numerous innovations that transformed society—such as the automobile assembly line and the New York Stock Exchange.

Its diplomatic and military influence was decisive during World War II and later served as the main challenge to be overcome by the Soviet Union during the Cold War, when the confrontation between American capitalism and Soviet communism unfolded. For that reason, the U.S. has always been a strong source of culture, commerce, and diplomacy—where every move has the potential to influence global dynamics. Consumer culture and the “American Way of Life” were some of the country’s most significant contributions to the global economy during the second half of the last century.

After the Cold War and the fall of the Soviet threat, the United States reigned alone as the world’s sole superpower from the 1990s onward, reversing much of the global communist trend and attracting even more economic partners. This prominence was built and tested throughout the most revolutionary century in human history, establishing the U.S. as a nation capable of influencing life across any corner of the globe.

This historical success stems from a strong sense of nationalism that has been embedded in the country since its independence in 1776—clearly reflected in the Constitution and the ideals of the Founding Fathers. The primary objective has always been to create a powerful, just, and united nation. While such terms are common in many countries, few have them as deeply rooted in both their population and political structure as the U.S. does.

Fast forward to the present day, President Donald J. Trump—representing the

Republican Party—is a clear embodiment of a significant portion of the American population: patriotic, proud, nationalistic, and assertive.

He embodies the right-wing ideals in both politics and economics. Trump is not the first—and certainly won't be the last—leader to govern in this fashion, prioritizing national development while navigating social issues and wielding strong diplomacy. Despite the country's strategic influence, the world does not revolve around U.S. politics alone. However, due to globalization, economic decisions made in Washington often have ripple effects far beyond American borders.

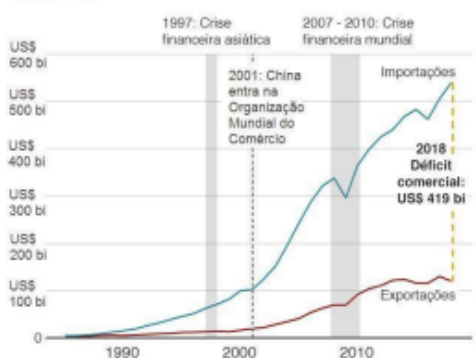
In the 21st century, we observe that global changes are as impactful as those seen in the previous century—thanks in large part to the digital age and globalization. Consequently, new powerful nations have emerged, and the title of “global superpower” has become more contested. The U.S. is clearly unwilling to surrender that status without a fight—albeit not a military one. Its main challenger today is China, which, after experiencing a meteoric rise, now influences the global landscape just as much—if not more—than the U.S.

This looming threat, among other arguments, was a key factor behind Trump's election in 2016 under the slogan “Make America Great Again,” which called for the U.S. to regain its former hegemonic position. Despite his controversial social policies—touching on racism, homophobia, and intolerance toward immigrants—his economic stance was clear: boost the domestic economy and eliminate dependency on other nations for strategic sectors.

Most U.S. exports are not raw materials but rather advanced technologies and manufactured goods. However, the country's largest corporations often only carry out product development domestically, while outsourcing manufacturing to other countries—primarily in Asia—due to cheaper labor and production costs.

Comércio dos EUA com a China

O déficit comercial dos EUA com a China disparou desde 1985



Fonte: Censo dos EUA



2 – EASTERN PERSPECTIVE

The People's Republic of China, as we know it today, is vastly different from the country that emerged at the end of World War II—devastated by Japanese invasion and on the brink of civil war between the nationalists and communists. That political divide was enough to spark a fierce civil war, which resulted in the retreat of the nationalists to the island of Taiwan, where they established the Republic of China with a capitalist ideology. Meanwhile, on the mainland, the Chinese Communist Party founded the People's Republic of China in 1949, aligned with Soviet-style socialism.

Throughout the Cold War, what was once a poor, agrarian country began to see a promising future with Soviet support and the start of industrialization under Mao Zedong's leadership. His policies were part of a strategy known as the Five-Year Plan, which aimed to develop China into a 20th-century industrial nation while also implementing collectivization of land and means of production. The Cultural Revolution was another major campaign to embed communist doctrine into civilian life, re-educating society until 1976, when the course of action shifted.

During this period, China's military and industry were fully funded and trained under Soviet standards. However, when the Soviets refused to share atomic bomb technology, the alliance between the two communist nations collapsed—leading to the Sino-Soviet split. What followed was a period of isolation for China, which began to reverse under the leadership of Deng Xiaoping. He restored diplomatic relations with the United States and secured China a permanent seat on the United Nations Security Council.

Starting in the 1980s, China realized it could pursue economic growth independently of the Soviet Union. Thus, it adopted the "Four Modernizations," an economic strategy that welcomed foreign businesses while preserving communist political control. This model became known as "market socialism," which included the creation of SEZs—Special Economic Zones—designated areas for international investment. Between 1980 and 2000, China experienced an average annual growth rate of 9.5%, demonstrating the effectiveness of the Communist Party's new vision.

2.1 – GROWTH IN THE 21ST CENTURY

China entered the 21st century as the world's largest emerging power, proving that the project launched two decades earlier was yielding significant results. Still, the government believed there was room for even greater expansion. It initiated major infrastructure, urbanization, and industrialization projects, many with strong international footprints. Global

corporations were drawn to China due to its low tax rates, cheap labor, and an enormous consumer market of over one billion people.

More broadly, Asia as a whole experienced rapid development beginning in the 1990s—especially Southeast Asia, where multinational factories began to proliferate, taking advantage of low operational costs and a growing consumer base. Gradually, China came to be known as the "factory of the world," manufacturing and exporting a wide range of goods globally. This industrial surge fueled the nation's wealth and rapid urbanization.

2.2 – BELT-AND-ROAD INITIATIVE

The remarkable growth in the early years of the 21st century led the Chinese government to reconsider the country's global image and role. More than just producing and exporting low-cost goods, China aimed to develop new technologies and export high-end products, culture, and modernization—much like the U.S. and Europe had done for decades in Latin America and former African colonies. This vision marked the beginning of the so-called Belt and Road Initiative (BRI).

Inspired by the ancient Silk Road, which for millennia connected Europe and Asia as a vital trade route for the development of Western societies, the Belt and Road Initiative seeks to establish China in the modern era as a cultural and technological powerhouse—not merely a manufacturer of Western-designed goods. The initiative aims to integrate trade routes across strategic points in South Asia and Africa, ultimately connecting with Europe.

Through partnerships with national and local governments, Chinese companies have been building ports, railroads, industrial complexes, and even entire cities at key logistical points—facilitating the flow of Chinese products to European and American markets. However, beyond its economic ambitions, the Belt and Road Initiative carries political objectives, positioning China as a future global leader—not only economically, but also politically and militarily.

2.3 – FUTURE GOALS

Just like great nations of the past—Portugal, the United Kingdom, and the United States—China has an overarching objective to be achieved within the next few decades: to truly enter the annals of history and set new directions for the world. Anchored in social and economic development, environmental goals, and global political presence, China aims to become the world's leading power by 2035, surpassing the United States. With hegemony in

military, economic, cultural, and diplomatic terms, China seeks to shape the major events of humanity in the coming decades.

To achieve this, it has been developing several billion-dollar projects to meet those goals: the Belt and Road Initiative; geopolitical dominance throughout Asia; economic influence in Africa; and strengthening of its armed forces. With the massive intervention of the Communist Party, these objectives are clearly defined, and the international community increasingly notices China's growing presence across various parts of the globe. Examples include the controversial artificial islands in the South China Sea, threats to Taiwan, and infrastructure projects in African countries.

The cases of the artificial islands and Taiwan are even more delicate, involving China's strategic and military intentions that often exceed the bounds of international laws and treaties. Still, work proceeds, and many debates arise in international organizations regarding China's true objectives in those regions. Consequently, other nations have condemned some of the Chinese government's actions during its ascent to global power, responding with sanctions and threats—which are, in turn, met with equal responses. This is precisely where the trade war between China and the U.S. finds its origin.

3 – CLASH OF IDEOLOGIES

Over the past one hundred years of U.S.-China relations, both sides have seen significant changes in governance and international diplomacy. They have been allies, but also fierce adversaries. Since the 1990s, their interaction has become increasingly controversial—while the U.S. sought to remain the world's sole superpower, China harbored future ambitions of challenging Western dominance. Globalization enabled Asian countries to industrialize, though often at the cost of continuing dependence on European and American manufacturing exploitation.

China, wary that this dynamic resembled the colonialism of the 19th and 20th centuries, and under Communist Party control, swiftly enacted laws and requirements for foreign companies operating there—ensuring, above all, that they would contribute to the country's internal development. For at least the last fifteen years, the success of this policy has been evident, with unprecedented annual GDP growth in the region—encouraging other nations, especially the Asian Tigers, to adopt similar strategies.

With the strong and sizable economy known today, it is clear that Chinese influence would not remain confined to its own backyard, much less to East Asia alone. Projecting

economic and diplomatic power globally would require massive government investments and strategic planning. Following its recent growth, China saw the opportunity to implement such a plan. The Belt and Road Initiative and exploration of the South China Sea are just two mechanisms serving that purpose.

The United States, still the world's largest economy and home to the biggest consumer market, heavily depends on imports of commodities and manufactured goods from Asia—primarily from China—while exporting mostly high-tech and advanced products. As China is the origin of most of these goods, the U.S. also serves as the primary revenue source for Chinese industries. Both nations have long been aware of this interdependence, but with Trump's administration and Xi Jinping's increasingly bold moves, the economic stage became even more politicized.

The ultranationalist ideology promoted by the Republican Party focused on reviving domestic U.S. industry and preventing capital flight by major corporations—reinvesting it in the national economy. Meanwhile, China's communist ideology aligns with its global market integration project—connecting Asian production with American and European consumer markets. At its core, this political dispute generates economic interference, and since it involves the world's most influential powers in this arena, every action carries unimaginable global consequences.

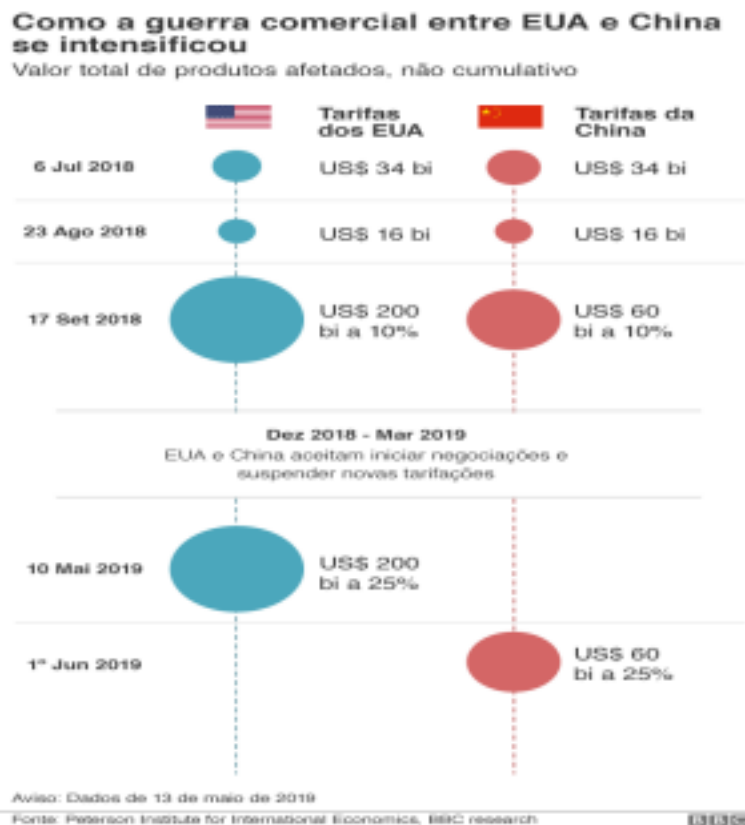
Tensions between the two countries escalated in July 2018, when Trump's fiscal policy—aimed at encouraging domestic product consumption—increased tariffs on Chinese imports, making them more expensive. Initially, over \$360 billion worth of Chinese goods were taxed, prompting retaliation from China, which imposed tariffs on \$110 billion in U.S. goods. During the second half of 2018, three major rounds of tariff hikes were executed on both sides.

In 2019, the tariff disputes continued. Beyond the rising taxes, trade between the two countries began to suffer. U.S. imports from China dropped by 12% in the first half of the year, while Chinese exports to the U.S. fell by 19%—showing that China, too, was playing the political game. As a result of these shifts, farmers, mining companies, and multinational corporations on both sides of the Pacific struggled to maintain their global production chains under high tariffs and reduced sales.

While the U.S. sought to reduce its reliance on Chinese imports and stimulate its domestic economy, China continued expanding its sphere of influence. However, this situation became more delicate as it compromised international agreements and further slowed global

economic growth. Indeed, the trade balance between the two countries was destabilized in 2019 due to these fiscal policies.

Many economists, politicians, and researchers questioned and debated the actions taken by both China and the U.S. in 2018 and 2019—especially the rising import taxes in certain sectors, the justifications for such measures, and the true objectives behind the trade war.



4 – PROGRESS IN NEGOTIATIONS

With the exception of a few countries that benefited from the trade war between China and the United States—such as members of NAFTA and ASEAN—the result of two years of disputes was devastating, comparable to the 2008 housing crisis. The relevance of these two economies is so significant that one cannot underestimate the micro- and macroeconomic impact on every country in the world. Therefore, by the end of 2019, negotiations began to lift the sanctions and restore a healthier trade relationship.

Phase One was the name of the first agreement signed on January 15, 2020, which aimed to open the path toward resolving the issue. It outlined import and export targets for both nations, as well as a commitment not to increase import tariffs further. Agricultural and industrial products, which had been among the most affected sectors, were also covered in the agreement—with trade volumes worth billions of dollars.

Other topics addressed in the agreement included joint efforts to protect intellectual property rights, cybersecurity, financial services, and information transparency. Many of these points had long been criticisms from the U.S. government toward the Chinese Communist Party (CCP), especially regarding government interference and surveillance in private and foreign companies operating in China, as a way of manipulating data and trade arrangements.

Additionally, this phase allows for future chapters to be added to the agreement, depending on how the economic policies of both countries evolve. Importantly, unlike WTO-signed treaties that have a more arbitrary nature, this 2020 agreement relied entirely on bilateral commitment to the negotiated terms, with no mediating body or judge involved in the process.

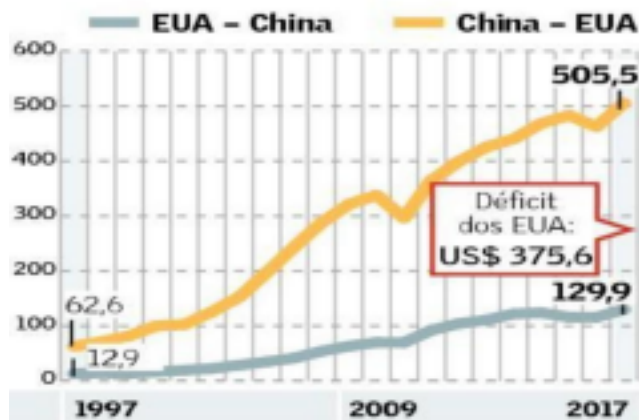
This shift in dynamics occurred largely due to the economic perception of the trade war: what were once just ideological and political jabs began to have tangible consequences on both economies. As major global powers, government actions impact the market—but more significantly, the market also influences their governance.

In the American case, politics operate mainly through elections held every four years, featuring the traditional contest between the Democratic and Republican Parties, each with its own set of ideals and policy proposals. However, as in nearly all modern democracies—where the popular vote is the highest expression of power—expectations regarding the economy and people's quality of life and employment truly determine election outcomes.

In 2020, a presidential election year in the U.S., many political maneuvers were made to secure another term in office—in this case, the reelection of Donald Trump. However, the trade war he initiated two years earlier had a steep cost for the country's economic outlook. In his attempt to stimulate the domestic market, Trump put at risk trade deals and relationships with the U.S.'s largest import and export partner, impacting the country's largest corporations, which employ millions of Americans and are vital to key sectors of the economy.

Comércio EUA x China

Exportações*, em US\$ bilhões



Fonte: Departamento de estatísticas americano.
Elaboração: Valor Data *Bens

On the other side, there was a China determined to resume the impressive growth of its economy, just like five years earlier, which found itself compelled to react against American threats in the struggle for global market influence. Even though it is a one-party government, without popular elections, and with all important decisions made internally by the leadership of the Chinese Communist Party, where public opinion about the government has little impact on decisions.

Still, the Asian country heavily depends on international trade as the "world's factory" and needs to quickly meet the growing demand of its domestic consumer market. This interaction between Chinese companies and agreements with multinationals not only boosts the relevance of the Chinese economy but also serves as a valuable source of revenue for the government. Through this income, the Communist Party can set and implement medium- and long-term plans: public works, infrastructure, international trade agreements, and geopolitics.

Thus, no matter how divergent the political proposals and ideologies of China and the U.S. may be, the market functions very similarly, and its internal influence is very strong. Therefore, after two years of impositions and restrictions, the economic dynamics responded negatively and pressured both sides to negotiate an end to the trade war, as it became clear that both agents were harming themselves with the situation. Since the turn of the year 2020, ways to end the war and resume global economic growth have been discussed.

5 – PRESENCE OF THE INTERNATIONAL MARKET

As mentioned before, the U.S. and China are clearly the biggest exponents of the

global economy. Thus, any action taken by them, any agreement signed, or any imposition made affects directly or indirectly even the smallest and most remote nation. When the trade war started, everyone knew it would have worldwide repercussions, but the scale it reached in two years was beyond even the most pessimistic economists' expectations. In many countries, entire sectors were negatively impacted, but some benefited from the situation.

Being the largest consumer markets today, both sides of this game had to seek alternatives to avoid excessive expenses on tariffs. To do so, they started trading with neighboring nations complementary and substitute products for those each government interfered with.

On the American side, the flow of trade values with neighbors Canada and Mexico increased significantly, making them once again the U.S.'s largest partners. This occurred because many products previously imported from China could be imported from other countries with better fiscal conditions. Other markets were also targeted for exports of American goods to Europe and South America, and although the production chain was hurt, some sectors had significant advances, such as agriculture and mining.

Meanwhile, China also needed to find new markets to sell its production and ensure economic movement, so it refocused efforts on Southeast Asian industries, especially ASEAN members. By enabling trade between these regions under more favorable conditions for companies, Latin American and African countries also experienced an increase in transactions with the Chinese, who sought substitutes for base industry products for their national technological production.

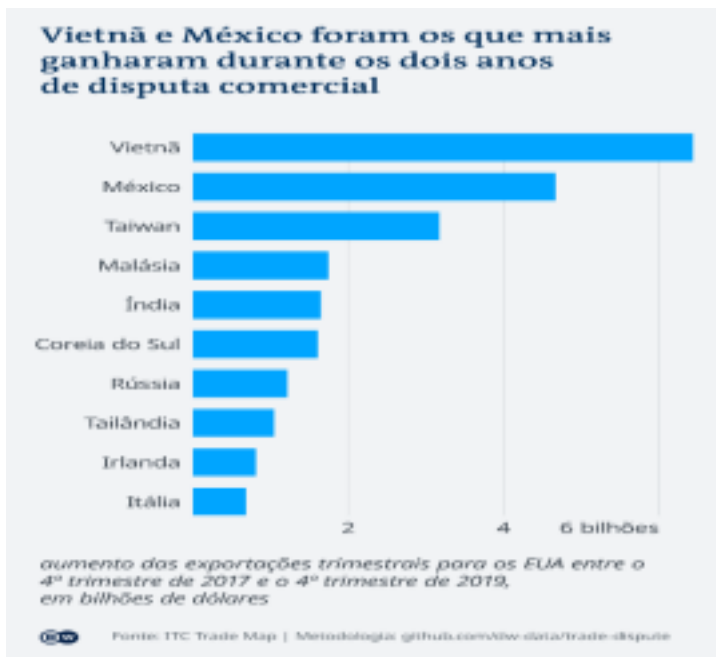
Still, when such an important cog is removed, it is predictable that the world economic machine will not function normally nor be able to develop. This was felt in several markets and economic sectors, prompting governments and international organizations to be called upon to avoid widespread unemployment and bankruptcy crises. Large corporations, which depend on suppliers, tariff agreements, and consumer markets in various countries, saw their profits decrease and sales difficulties increase, thus pressuring nations to rethink the consequences of the trade war.

Multinationals are very important in the dynamics of the international market, but the situation also impacted two crucial economic segments: small and medium-sized entrepreneurs and end consumers, who numerically are the majority and move larger amounts of money. They witnessed price increases, higher taxes, and less variety in imports; furthermore, farmers and other traders saw the costs and bureaucracy involved in exporting

their production increase considerably due to more expensive tariffs.

Nevertheless, with a diversified economy as the current one, it is always possible to find similar or complementary products in other countries, and that is exactly what happened with East Asian and North American industries. This shows that the economy always manages to reestablish itself and reach equilibrium, where some markets suffer from reduced demand while others see an increase.

It can be observed that, no matter how much governments try to control and manipulate the economy for a time, in the end, market forces and laws prevail, and balance is always restored. Nowadays, there are several organizations and institutions concerned with the healthy functioning of the world economy that are relevant in combating market crises, which affect all nations on both micro and macroeconomic levels.



6 – IMPACT OF THE PANDEMIC

The pandemic caused by the COVID-19 virus is one of the most significant events of the century due to its high infection and mortality rates, which are disrupting and revolutionizing the entire dynamic of human interaction. What initially, at the end of 2019, seemed to be a flu outbreak in the city of Wuhan, in central China, turned out to be a global public health threat. Coupled with fear and the unknown nature of the pathogen, the coronavirus sparked debates about politics, information, and socialization worldwide.

As the virus spread across Asia and Europe, governments and institutions struggled to

understand and slow down the contagion. The fact that it originated in China, combined with the lack of transparency from regional authorities and laboratories regarding the origin and characteristics of the disease, fueled false and premature conclusions about the situation. The Trump administration accused China of manipulating information and even spreading “fake news” that the virus was a biological weapon created by the Communist Party.

Thus, less than a month after the signing of Phase 1 of the trade war negotiations, political relations between the two sides were affected by the coronavirus controversy, presenting an additional challenge to ending the economic conflict. Social isolation rules and business closures directly impacted the service and retail sectors, which were already weakened by the trade policies between China and the U.S.

The first six months following the pandemic’s escalation in March resulted in the true collapse of the American economy and dealt a severe blow to the global scenario. While the West faced a summer marked by closed stores and millions of confirmed cases, China successfully controlled the virus that originated within its territory by isolating entire cities and implementing strict lockdown and testing policies.

While hospitals were overwhelmed with patients, scientists raced against time to understand the virus and develop a rapid and effective vaccine. Fortunately, by the second half of 2020, vaccines began to be tested and approved for manufacturing. Russian, American, and Chinese laboratories were the first to release these doses of hope. However, this effort faced criticism and concerns—many unfounded—regarding the origin and safety of the vaccines.

The Trump administration, still suffering from the highest number of cases and deaths worldwide, was and remains critical of the Chinese-origin vaccine, alleging that it contains Communist Party microchips for espionage. This despite depending on China for many hospital supplies and medicines to support the extremely high demand on the healthcare system for caring for the infected. Other nations and leaders also question the provenance of these “vachinas” and call for more medical equipment and resources from the Eastern country.

The American president is in a very delicate position, negotiating the beginning of the end of the trade war, dealing with the worst pandemic in a century, and just a month away from presidential elections. The political, economic, and health scenario is as dire as possible, and every move he makes—and the Chinese government’s response—will dictate the course of the world for the coming months. Previously, the discussion was only ideological and fiscal—contentious enough—but now, lives are at stake, and entire businesses suffer because

of the situation.

Thus, global pressure to end the trade war increased, since more than impacting various economies, agreements and supplies for vaccines and hospital products depend on the U.S.-China bridge. Another country concerned with this issue is India, the world leader in vaccine manufacturing and exportation, but it depends on the API (active pharmaceutical ingredient) from American and European laboratories and syringes produced in China. However, political disputes could harm this production chain when vaccines start being approved and manufactured for billions.



7 – EXPECTATIONS FOR THE FUTURE

If economists and politicians had been asked at the beginning of this year what their expectations for the future were regarding the trade war, there was an atmosphere of optimism and hope. However, the pandemic that developed in a worrying manner completely changed the dynamics of the conflict—one more variable that could impact the future of the economic relationship between the U.S. and China. Added to this, the American elections will be held in November, so much of Trump's policy regarding the trade war and the coronavirus may change to influence the results and seek re-election.

Pressure from multinationals and cities to resume healthy and thriving commerce also signals to governments that the situation is no longer sustainable or beneficial to anyone. In the Asia-Pacific region, many nations took advantage of the trade war and expanded their

industries and partners, presenting themselves as a new opportunity for trade flows with other countries. Certainly, this growth will continue even after the war ends. Corporations always seek new suppliers who can reduce fixed costs.

The economic recession caused by the pandemic influenced how governments and companies view and interact with international trade. Now, with less physical contact and more online meetings, knowing how to effectively and freely connect producers and clients will be fundamental for the future of the economy. When there is less interference and fewer barriers from the state against the free market, agreements are made more easily, money flows faster, and the market grows more.

Much is at stake for both sides; the negotiations in the coming months will shape geopolitics for the years ahead. For China, dealing with the pandemic and restoring its international image as a great power is paramount—after all, the virus originated there, and the government's initial actions were highly questioned by the global community. Resolving the crisis also relates to the Communist Party's larger plan for global market hegemony projected for the coming decades, such as the Belt and Road Initiative and the South China Sea.

On the American side, ensuring 'victory' or 'leadership' in the trade war relates to ending Trump's first term with a win for the nationalist and Republican ideology of his government, as a form of political propaganda for the elections. Just as he came to power in 2016 with extremist and segregationist rhetoric, this year, with both the pandemic and the trade war involving China, these issues may again be used in the upcoming elections.

The duel for global hegemony leaves the world apprehensive about how long and how far this fight can go. Tax disputes over products may become restrictions on the movement of people, medical resources, and sanitary supplies. As is already clear, there is a strong political-ideological basis in the conflict; therefore, there is a risk it may escalate to dimensions of declared diplomacy or even war—especially regarding Taiwan and the Pacific Ocean, as well as the presence in Guam and other islands in the East.

While the two sides fight, the rest of the world reacts, trying to minimize losses or maximize gains caused by the current situation. After all, combining Europe, Latin America, Africa, and Southeast Asia results in more geopolitical and economic power than the U.S. or China alone. How the other 194 countries respond to the destructive environment in which the global market finds itself will be just as important as the agreements and promises that the two

nations will make in the coming months and years.

Since 2018, when the trade war began, it was clear that it would not be limited to just economic and fiscal matters, but would become a political and diplomatic clash far beyond the two countries. Even at the beginning of 2020, there was hope for better days, but in less than a quarter, the progress of a whole year was lost. What can be expected from the last quarter of this year and the following year is history being written for the whole world to witness and interact with.

FINAL CONSIDERATIONS

It can be observed that both the U.S. and China have reached the level of global superpowers of the 21st century—a position few nations have historically attained, and those who did constantly competed with one or more rivals. This status carries with it great power and even greater responsibilities, since any action or policy has worldwide consequences. Therefore, these countries are expected to act with awareness and diplomacy in both economics and geopolitics, especially in modern times.

Over time, the international market has evolved through economic cycles—that is, successive periods of growth, crises, and depressions. Each of these cycles has been met with various economic policies, whether liberal or interventionist in nature. The fact remains that states and national and international organizations react to market phenomena to resolve crises and ensure healthy and steady economic growth.

The current trade war in question is yet another key moment in the cycle the global economy is experiencing. However, now the situation goes beyond theory and the financial market. There are also ideological, political, and diplomatic frameworks in the actions taken by the two countries. Disagreements over imports and exports happen constantly between large corporations and governments. The contemporary economy is very complex and interconnected; not always does a flow of goods and capital instantly benefit all parties involved.

However, when this dichotomy concerns economic agents with the capacity to influence and harm the entire global market, it is risky to simply allow the economy to self-regulate without intervention. Therefore, the World Trade Organization must become actively involved as soon as possible in the current situation to ensure that international laws are not violated and that the problem does not escalate into something more serious and delicate. Today's world depends heavily on the flow of goods and economic agreements for

civilization to function properly—from mega-corporations to small traders.

Negotiating and resolving the issue at hand requires much study, awareness, and objectivity so that neither side feels harmed and the economy can grow again with all countries and sectors together. More than setting new agreements, tariff quotas, and minimum expenditures, the numbers only show the surface of the machine or the problem. Thinking in diplomatic and social terms is just as important as considering statistics and probabilities. Humans are sensitive and social animals; therefore, the committee must, just as it thinks about the economy, reflect on the political, social, and ethical repercussions of the trade war and modern diplomacy.

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APPENDIX I

Questions to be answered by the committee

- What are the objectives of China and the U.S. with the fiscal impositions? What efforts are China and the U.S. making to end the attacks?
- How is the world being affected by the trade war?
- In what ways has the pandemic compromised and may continue to compromise the negotiations?
- What measures and recommendations will the WTO make to resolve the problem?

APPENDIX II

Positions of Countries

South Africa

As one of the largest economies on the African continent, South Africa holds great relevance in the regional scenario, with strong relations with Europe, especially the British Isles. Due to its strong industry and mining sector, it is a strategic target for trade relations from both the West and the East. Currently, the country is divided between its traditional ties with Europe and the U.S., a relationship established since neocolonialism that enabled its development but brought many social problems, such as Apartheid. However, it also seeks to modernize towards new economies, like China's, which has been heavily investing in the region's infrastructure.

Germany

Leading the European powers as the most influential and developed country on the continent, Germany has considerable weight in the commercial and legal decisions of the European Union, and its internal diplomacy reflects on the dynamics of the Old Continent as a whole. As a NATO member with strong relations with Americans, British, and French, it is expected that its position tends toward the Western side of trade disputes, but without dismissing potential business opportunities with Asian nations, especially in the automotive and pharmaceutical sectors.

Saudi Arabia

Saudi Arabia has strong ties with the Americans regarding the military and oil sectors, with large Western military technology agreements and significant oil flows through the Strait of Hormuz. The Saudi monarchy is subject to much criticism for its authoritarian government, human rights violations, and corruption. Nonetheless, it holds the world's largest explored reserve of "black gold," which means bargaining power and easier negotiations with other nations.

Argentina

The Argentine economy has been suffering for 30 years from inefficient political and fiscal decisions that have already resulted in three Concordata requests (when the government is unable to pay external debt with the IMF and requests renegotiation of rates). Sharing

protagonism in South America with Brazil, it influences regional geopolitics and counts China as its largest partner, which imports a large part of the minerals and grains produced in the country.

Australia

“Down Under,” as Australia is commonly called, despite being geographically isolated from global air and maritime trade routes, still manages to influence Oceania’s dynamics and has strong ties with the British, Americans, and Japanese. This is evident when it participates in a task force aimed at countering Chinese expansionism in Southeast Asia.

Belgium

One of the founding members of the European Union, since the BENELUX 30 years earlier, Belgium has always been a stage for political and economic discussions and treaties in Europe. The result is the high percentage of imports and exports via the North Sea and inland waterways between France, the Netherlands, and Germany. Trade with China and the East occurs mainly through industrial and electronic products, with diplomatic agendas following the consensus of European unity.

Brazil

Brazil is the largest Latin American economy and one of the largest in the world, despite recent commercial and political crises, corruption scandals toppling governments, and the threat of the pandemic. In recent years, it experienced fourteen years under a leftist government (PT) and recently shifted to a strongly right-wing government (PSL). Its main economic partners are China, followed by the U.S., to which it exports large quantities of iron ore and soybeans, among other commodities. Therefore, Brazil cannot simply take sides without risking affecting an entire trade chain in such a delicate and complex situation.

Canada

The second-largest country in the world by land area, during the trade war and pandemic, Canada again became the U.S.’s largest economic partner, with automobile, technology, and agriculture flows as main goods. Although a secondary actor in international geopolitical matters, it is an active NATO and WTO member, always supporting and investing in American and European projects and policies.

Chile

This small Latin American country holds a strategic position on the continent's west coast, making it ideal for the offloading of Chinese ships with imported products, in addition to exporting many automobiles, wines, and grains to Asia. Its contact with the Pacific Ocean makes Chile a perfect ally to connect the U.S. or China with Latin markets in mining, agriculture, and telecommunications.

China

The fastest-growing economy in recent decades and now considered the next global hegemonic power, the People's Republic of China, with 1.4 billion inhabitants, is the largest population and consumer market worldwide, with the second-largest GDP and rising. The "world's factory" project carried out by the Communist Party has made the country an industrial giant and a leader in many sectors of the international economy. Practically any product today is either made or contains parts from the Asian dragon. With clear goals to become the world's largest economy in the future and supplant the U.S., China is implementing national policies for industrial and urban development of cities, as well as expanding its sphere of influence to the South China Sea, Africa, and all other continents—for example, the promising Belt-and-Road Initiative connecting Asian ports to Europe.

Colombia

Colombia is a major exporter of coffee and raw materials for American and European industries to produce food and clothing. With proximity to the Caribbean and North America, it trades many goods in the region. China also sees it as a potential partner to displace other nearby mineral resources, including those from Brazil and Venezuela.

South Korea

Since the ceasefire of the Korean War, South Korea has become a base for American capitalism, maintaining military relations and agreements with Japan and the U.S., allowing a highly influential technological sector to develop in the region. With no relations with its sister country North Korea and its proximity to Japan and Taiwan, China considers South Korea an obstacle to its goal of Eastern hegemony. Nonetheless, South Korea remains firm in its traditions and loyal to its international partners.

Denmark

Denmark holds a strategic position in northern Europe, serving as a connection between the Baltic Sea and the Atlantic Ocean. It also controls Greenland, near Canada, with

unexplored natural resources and freshwater reserves. With strong economic ties to the European Union, the Danish monarchy is an important ally in the maritime and cargo sectors.

Egypt

Among the largest economies in the Arab world, Egypt stands out for its military power and control of one of the world's most important maritime passages—the Suez Canal. Subject to various wars and treaties, this route connecting the Middle East and Asia with Europe is crucial for international trade dynamics, including China's Belt-and-Road Initiative. It is also strategic for the transition of American naval power in the region, especially involving Israel and Iran.

United Arab Emirates

In recent years, the UAE has sought to reduce its economic dependence on oil by investing in urbanization, tourism, and finance to diversify GDP. Aiming to transform the desert region into a geographic hub for travel and business, as well as a stopover for the flow of goods, people, and capital, the strong royal government—the Khalifate—wants to project an image of an imposing and wealthy country to tourists and major corporations, attracting investors and international brands from America, Europe, and Asia.

Spain

As a consolidated economy on the world stage, Spain continues to establish itself as an important nation in tourism, industry, and energy sectors. Thus, many international companies look to Spain for healthy investment environments. However, after the 2008 subprime crisis and now the pandemic, Chinese presence in Spanish trade has grown as Asian companies take responsibility for public infrastructure and energy projects.

United States

Undoubtedly the most powerful, wealthy, and influential nation in the world for about a hundred years, the U.S. wishes to remain the hegemonic power as long as that implies power. With alliances among American and European countries (NATO) and presence in Asia, it can project force and order anywhere in the world. Perceiving China's threat to share this position, the nationalist Trump government justified a trade war as opposition to the "red communism" threatening capitalist freedom. The industrial strength China has become worries the U.S. government about capital flight to Asian countries with lower costs and laws, stealing American jobs and increasing dependency on imported products. Therefore, as a

fiscal maneuver that harms the entire international trade dynamic, the U.S. decided to tax Chinese products—the origin and destination of most of its trade balance—in response to accusations of patent infringements.

Philippines

The Philippines was one of the few nations to truly benefit from the trade war. With difficulties in transacting goods across the Pacific extremes, the Philippine economy proved an excellent opportunity for companies to establish industries and consumer markets. The country will strive at all costs to maintain this influx of capital that came with the crisis and ensure prolonged development.

France

Among the oldest countries in the world, France has witnessed many changes in government and society, forming a traditional and developed economy today, including sectors like historic tourism, defense, energy, and transportation. A P5 member, France's geopolitical power is underestimated, but between the Caribbean, Africa, and islands in the East, it transmits strength and influence. Quite aligned with the European Union and America, it was also affected by the trade crisis and pandemic but still seeks to position itself as a right-wing economic power.

Netherlands

The Netherlands represents a major port economy in Europe, with a significant part of maritime trade passing through the Port of Rotterdam between the continent's interior and the sea. It is certainly opportune that China may in the future leverage this preexisting infrastructure and develop profitable agreements unless the West and the EU maintain this traditional ally.

Hong Kong

The small Hong Kong peninsula was historically an English victory in the Opium Wars against China in the 19th century. In the second war, it was determined the region would belong to the crown for 100 years until 1997, when it once again became part of the mainland. Additionally, it was agreed that until 2047, the island would have its own government and constitution, creating a very peculiar Chinese city. The current political and economic crisis is certainly relevant regarding the territory's future.

Hungary

Hungary's dark past made economic and diplomatic relations with Europe after 1990 crucial for the country's development. Marked by the Austro-Hungarian monarchy, German occupation, and Soviet influence, many issues still hinder closer contact with Chinese politics while seeking greater proximity to the EU. Its strategic position on the Danube River is a competition ground between American and Chinese companies.

India

With the second-largest population and fifth-largest economy in the world, India certainly seeks to leverage the current trade war to position itself as another great modern economy beyond mainstream media coverage. China's plans for the Indian Ocean worry Indian trade with the rest of the world, claiming to be strangled by Chinese policy. Territorial disputes with Pakistan and China over Kashmir and Bhutan further complicate their economic relationship. A positive opportunity has been the proximity to Europe and BRICS negotiations, which may be necessary to overcome the country's crisis and resume rapid economic growth pre-pandemic.

Indonesia

Indonesia's industry and large consumer market were key factors for it to achieve good results in relations with China and the West despite the trade war's global impact. As a substitute economy for the high tariffs and impositions of the Chinese and American governments, many companies signed agreements with the region's cheap labor force. Therefore, it is expected that Indonesia will strive at all costs to maintain its excellent trade and development environment.

Ireland

For many centuries, the Irish economy and people were closely linked to the English and Europeans, sharing wars and crises. Today, there is no doubt that the entry of Chinese companies into the island worries neighboring nations, but other recent debates divide politics and the population. Discussions about BREXIT, the UK's exit from the EU, and Northern Ireland are considered in relation to the trade war.

Israel

Since its official recognition by the UN in 1949, the Jewish state has lived under risks of wars and invasions from neighboring Arab countries. Still, Israel has managed to establish

a strong economy, with an environment conducive to startups and new businesses. Its relationship with the U.S. is solid, and the current situation is handled with caution. Above all, the Israeli government seeks to protect itself from enemies and maintain sovereignty as a free nation; the economic issue is crucial for the growth and future of the Jewish people.

Italy

Strong in its diversified industry and renowned automotive and agricultural sectors, Italy's economy represents a considerable portion of European trade, including Mediterranean contacts that open many opportunities. Tourism and tradition are also strong, with the country being a popular destination for Asians in the summer, mostly Chinese, fostering better relations between the two countries. Still, Italy's participation in NATO and the Western market will not be easily shaken.

Japan

The Land of the Rising Sun is today known for its traditionalist and pacifist culture, as well as a highly technological and modern economy. However, the violent legacy of World War II remains. At that time, the invasion of China marked one of the darkest eras of the conflict. This scar has not been forgiven by the Chinese government, which exerts commercial power and threats against the island, which has hosted an American military presence for nearly eighty years. The trade war affects not only the large national economy but also the country's future and security.

Macau

With a history and characteristics similar to neighboring Hong Kong, Macau is a tax and tourism haven. Due to the legalization of casinos and gambling, it attracts millions of Chinese visitors, generating revenue five times greater than Las Vegas. However, despite the friendly blend of Chinese and Portuguese cultures, much debate exists about sovereignty and local government, as the region will definitively become part of the mainland in the future. Concerns remain about the continuation of the leisure and gambling market, which was also affected by the pandemic and could be decisive for the island's future.

Malaysia

Since the 1990s, Malaysia has developed a strong industrial sector characteristic of the Asian Tigers, with lower labor and production costs than China and government incentives. During the active trade war, demand for Malaysian products grew, and many corporations

migrated there to escape the difficulties posed by American and Chinese governments. Malaysia competes for the top spot among Southeast Asian economies and for greater relevance on the international, tourism, and commercial stage.

Mexico

Neighboring the U.S. to the south, Mexico is America's largest partner, with both economies depending on this relationship involving money, goods, and mainly thousands of people crossing the border daily for work. The trade war caused American companies to redirect efforts back to the Latin country for better business conditions, which worried the Trump government and caused the opposite of what was expected. China knows that interfering in this vital and firm diplomacy could cause problems worse than economic ones, but the U.S. needs to deal with its damaged reputation regarding Mexicans and border geopolitics.

Morocco

A nation with a mix of European and Muslim cultures and politics, Morocco connects with French and Spanish economies but also with Egyptian and Arab ones, revealing a highly touristic and investment-susceptible region. Still trying to stand out on the world stage—including Olympic and FIFA World Cup bids—the country disregards geopolitical disagreements to make economic agreements, whether American or Chinese, that can bring good fruits to the kingdom.

New Zealand

The island country shares regional power with its neighbor to the west, Australia, both having the same English colonial roots in history, to conduct trade in the Pacific region and connect Europe with the East. Also affected by the rise of the Chinese maritime economy, it has sought alliances with Japan and the U.S. to prevent violations of international sea and natural resource agreements, such as in the South China Sea. As an extension of the West in the heart of the Indian and Pacific Oceans, New Zealand, though small, projects economic power.

Paraguay

Paraguay has an economy strongly focused on agriculture and trade among close Mercosur partners. It also has strong ties with China, mainly importing industrial products. Known as a haven for purchasing cheap and counterfeit Chinese goods, where Brazilians and

Argentines travel to buy and resell fakes at fairs, the trade war has made the country reconsider the origin of its imports and its dependence on the Eastern economy.

Poland

Since the fall of the USSR, Poland has been moving closer to Western Europe to restructure financially, joining the EU and reducing Russia's shadow. Joining the European bloc enabled the flow of Polish and global companies across the country and continent, diversifying business. The West recognizes the potential and mutual gains of the relationship with the region, as a political maneuver to reduce Chinese and Russian influence in Eastern Europe.

Portugal

Portugal is a traditional economy in tourism, fishing, and cuisine in Europe, exporting much culture and history among EU members and its former colonies in Africa and Brazil. Its solid relationship with the West is notable, but historical contact with Asian peoples remains visible, such as in Macau, which is not yet fully part of China but carries much Portuguese tradition. This detail makes diplomacy between the countries quite unique yet friendly, with Macau serving as a bridge and base of contact. This shows that Portugal seeks to trade and maintain good relations with both sides of the trade crisis.

United Kingdom

The English monarchy is no longer the undisputed power of past eras, but the legacy left by the UK is still seen worldwide today. Even after recently officially leaving the EU, its economic relevance in Europe and the Americas continues. Regarding Asia, besides its influence over former colonies and Commonwealth members, the UK shares economic agreements with political discussions involving Macau and Hong Kong—former protectorates with limited time before becoming definitively part of China. The UK is also active in criticizing China's invasion of strategic regions in the Pacific. The monarchy's position will be crucial for resolving the trade war, the pandemic, and the future of international trade.

Russia

Russia holds a deeply divided stance regarding recent events involving the trade war and the pandemic, considering its desire to remain a prominent competitor to China and the U.S. Its strong commercial and military ties with China show signs of weakening as China seeks greater prominence. In Europe, issues involving Turkey and Ukraine reveal a struggle

for political and economic influence in Eastern Europe, and with the U.S., discussions continue about possible Russian interference in recent elections. Russia's role in current trade and diplomatic agendas will directly impact the outcome of negotiations.

Singapore

The small city-state of Singapore is one of the richest countries in the world, where major companies invest in finance, tourism, and transportation. With a strategic position in the Singapore Strait, much of global maritime trade passes through its highly busy port. To maintain this importance, the country is concerned about the Chinese presence in the South China Sea, which could directly impact city operations and harm the entire international market dynamic.

Switzerland

Traditionally positioning itself as a neutral nation in many wars and political-economic conflicts, Switzerland has always sought diplomatic means and the UN for problem resolution. Representing a safe environment for investment and reserve accumulation, the mountainous country understands that the trade war reverberates even in its operations and contracts with various clients in both the West and East.

Thailand and Vietnam

As two of the Asian Tigers, both Thailand and Vietnam face different moments in the current situation. Both have economically benefited from the trade war, having industrialized economies and environments suitable to replace American and Chinese markets. However, they have also suffered from military threats along the South China Sea, where the two countries share maritime borders and have been impacted by China's new artificial islands. Thailand and Vietnam clearly seek to maintain sovereignty over their legal seas but also intend to continue agreements and new investments in their economies amid current trade tensions.

Taiwan

Since the communist revolution in mainland China in 1949, the small island of Taiwan, or the Republic of China, has sought to establish its identity and sovereignty over the region. Known as "capitalist China," it has strong economic and military ties with the U.S. and Japan, and is constantly on alert against possible invasions from the mainland sister, which classifies it as a "rebel province." The trade war, various nearby Chinese naval exercises, and the issue of artificial islands worry the government and directly impact the

situation between the U.S. and China.

Turkey

Turkey, despite being an important emerging and industrialized economy, faces several political and military conflicts from Europe to Asia. The Syrian war, Kurdish separatism, a failed military coup attempt, relations with Russia, and EU accession remain some of the most critical current issues. The controversy between the U.S. and China is yet another matter demanding Turkish government attention, reflecting business dynamics and values, as well as diplomacy and policies.

Uruguay

Uruguay is another Mercosur member with prominence in the South American scenario. With an economy focused on livestock and agriculture, it has high human development indexes (HDI) and maintains a neutral diplomacy regarding crises. However, the nation knows its trade depends on China and the U.S. for importing goods. Thus, the current trade war complicates and harms its business.