Impact of the China US Trade War on China's Foreign Trade

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Abstract: This study adopts a public governance perspective and combines qualitative analysis with GTAP model simulation to reveal the impact of the trade war on China's foreign trade and governance path. Research has found that the trade war between China and the United States has led to a decrease of 1.63% -12.72% in China's export volume in simulated scenarios, exposing the lack of coordination in industrial policies and the absence of risk warning mechanisms; The significant transfer effect of trade highlights the lagging construction of discourse power in international economic and trade rules; The severe damage to the manufacturing industry reflects the insufficient support of the public service system for industrial transformation; The reduction of the US trade deficit is accompanied by huge costs, which confirms the unsustainability of unilateralism policy tools.

***Keywords*:** China US trade war; Public policy; Collaborative governance; GTAP model; Industrial transformation

1. Introduction

1.1 Research Background

Against the backdrop of widening trade imbalances, the US policy-making system exhibits a dual layer game characteristic: the federal government is constrained by the global interests of multinational capital groups, while local councils respond more to the protectionist pressures of traditional manufacturing interest groups.This economic phenomenon has been politicized as a public policy discourse of "systemic interest transfer", becoming the legitimacy basis for the Trump administration to reconstruct trade policies. At this time, the US policy cycle is entering an "election driven political period", and populist policy entrepreneurs are using social media to construct a cognitive framework of the "China threat" and promote the transformation of trade policy tools from technical WTO rules to unilateral mandatory tariff measures[1]. The current trade conflict between China and the United States has surpassed the traditional economic and trade scope and evolved into institutional competition under the background of global governance system reconstruction.

1.2 Research significance

1.2.1 Theoretical significance

This paper utilizes the GTAP model to quantitatively study the trade war between China and the United States, filling a gap in quantitative analysis. The new round of trade war reflects the economic and trade relations between China and the United States and the structural changes in the global economy, which may have a long-term impact on China's foreign trade and economic growth. The article assesses the impact of the trade war on China's foreign trade by analyzing the current trade situation and the characteristics of the U.S. tax list, and proposes coping strategies.

1.2.2 Significance of Public Governance

The complexity of international trade disputes has exposed the limitations of traditional government governance models, and the escalation of the China US trade war essentially constitutes a stress testing ground for modernizing the public governance system. The current global trade disputes have broken through a single economic field and evolved into a complex governance challenge involving multiple dimensions such as industrial policies, technical standards, and data governance[2]. This requires government departments to transform their functions from "border controllers" to "system coordinators". This study points out the institutional gaps in the current governance system in terms of cross departmental collaboration mechanisms, risk warning systems, and international rule docking, providing empirical evidence for the construction of government governance capacity under the background of deepening the reform of "streamlining administration, delegating power, and improving services".

2. Characteristics of Bilateral Trade Structure between China and the United States

2.1 Exports

China's exports to the United States are mainly concentrated in labor-intensive products and industrial manufactured

goods. In recent years, the structure of China's exports to the United States has been continuously optimized, gradually transitioning from labor-intensive products to capital intensive products[3]. Overall, primary products accounted for a small and declining share of exports to the United States, and machinery, transportation equipment and miscellaneous products accounted for a large share of exports, leading to the possibility of retaliatory restrictions in the trade friction between the two countries is higher.

2.2 Imports

China imports a wide variety of goods from the United States, including mainly SITC2 (non-edible raw materials), SITC3 (mineral fuels), SITC6 (manufactured goods by raw material), SITC7 (machinery and transportation equipment) and SITC8 (miscellaneous products), which account for more than 95% of total imports. Unlike exports, SITC8 accounts for a small share of imports, only about 10%, compared to 30% of exports. In addition, the share of primary products in imports is high, while in exports it is less than 5%.

3. Analysis of simulation results

In the simulation of the U.S.-China trade war, the GTAP model calculates the impact of the implementation of tariff policies on the economies of the two countries by focusing on changes in trade flows, production, consumption and employment. First, the model uses a detailed global economic database covering trade data, production costs and consumption demand for each country. Assuming that the market reaches long-run equilibrium, the model analyzes how tariff policies lead to a decline in trade volumes and calculates the different changes in imports and exports. Through the simulation, it is found that although both China and the U.S. experience a decrease in trade volume, China's trade loss is more significant, especially in terms of GDP, social welfare, consumption and investment.

During the simulation, the GTAP model also takes into account the trade deflection effect and transfer effect from tariffs, which means that China's trade with other countries increases, thus partially compensating for the trade loss with the United States. However, overall, the Chinese economy suffers a large negative impact, especially in terms of employment levels and economic growth rates, which show greater pressure.The GTAP model is thus able to provide a quantitative analysis of the adjustment dynamics and long-term economic impacts of the economies in the trade war between the U.S. and China.

4. Countermeasure analysis

4.1 National level

We must resolutely safeguard our own interests and intensify intergovernmental consultations. First, the friction between China and the United States is not only about trade, but also involves political purposes, which may lead to long-term confrontation and frequent friction even after agreements are reached. Second, it is crucial to strengthen communication between the two governments. The trade war not only damages China's interests, but in the long run, the escalation of trade frictions will also have a significant impact on the United States[4]. Therefore, in trade war negotiations, we should actively strive to leverage our advantages and encourage both governments to reach agreements on friendly trade and common development. Accelerating the upgrading of industrial structure and adjusting foreign trade strategies are important ways to solve trade frictions from the source.

4.2 Industry level

Industry associations should establish a trade friction information database to collect and popularize relevant laws and regulations. By forming an expert group to solve problems, establishing a case database of trade disputes and following up on progress, it will be easier to learn from lessons learned. In addition, an early warning mechanism for the China-U.S. Trade Targeting Index should be set up to monitor real-time information on imported and exported commodities, analyze changes in prices and quantities, and issue early warnings to enterprises when there are economic fluctuations or exchange rate anomalies, so as to protect the interests of enterprises.

4.3 Enterprise level

Implementing the "going global" strategy is an inevitable choice for economic globalization and an effective way for enterprises to develop their own strength and enhance competitiveness. For enterprises with strong comprehensive strength, they can learn from the operation mode of multinational enterprises in developed Western countries and make overseas investments. Manufacturing and selling overseas, converting exported products into local products, can not only save transportation costs and seize international markets, but also bypass national protection measures for imported products[5]. In order to achieve long-term benefits, enterprises should increase investment in product research and development, improve

product technological content, and enhance their competitiveness.

5. Research Conclusion

This study reveals that the impact of the China US trade war on China's foreign trade not only stems from direct economic effects, but also exposes deep-seated weaknesses in the public governance system. The trade war also exposes the urgency of policy tool innovation. Further research confirms that differences in the resilience of governance systems dominate profit and loss distribution. This suggests that the response to trade disputes needs to go beyond the traditional economic and trade scope, and promote the transformation of governance models from passive response to strategic prediction through the construction of data-driven risk warning mechanisms, cross cycle policy toolboxes, and multi subject collaborative networks, ultimately achieving modernization of governance capabilities in an open economy.

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