

The influence of trade war on the international economic system and its adjustment measures

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ABSTRACT

This paper discusses the influence of trade war on the international economic system and the corresponding adjustment measures. First of all, the trade war has had a negative impact on global economic growth, investment flows, international trade patterns and financial market fluctuations. Secondly, the trade war has caused international investment problems, which has led to the adjustment of the supply chain of multinational companies and the increase of investment uncertainty. Then, the financial market fluctuated and the currency, stock and bond markets were disturbed. Finally, by strengthening international cooperation, promoting trade multilateralism, lowering trade barriers and paying attention to sustainable development, we can meet the challenges brought by trade wars and look forward to establishing a more stable and sustainable international economic system in the future.

KEYWORDS

Trade war; Influence; Adjustment measures; International cooperation; International economic system.

1. INTRODUCTION

Trade wars have been staged frequently on the international stage since the end of last century, which has aroused widespread concern and discussion. This kind of trade dispute not only affects the economic prosperity of participating countries, but also has a far-reaching impact on the global economic system. The trade war is not only a conflict between the two countries, but also a complex issue involving the international economic order. The purpose of this paper is to deeply discuss the influence of trade war on the international economic system and put forward countermeasures to promote the stability and sustainable development of the international economic system. We will analyze the impact of the trade war from the perspectives of global economic growth, international trade pattern, investment flows and international financial markets, so as to present readers with a comprehensive perspective. In this era, international cooperation and consensus are crucial, and we hope that through the research of this paper, we can provide useful reference for building a more open, stable and prosperous international economic system.

2. THE IMPACT AND CHALLENGE OF TRADE WAR ON GLOBAL ECONOMIC GROWTH

The outbreak of trade war has set off a magnificent storm on the international economic stage, and its impact and challenge on global economic growth can not be ignored. In this section, we will discuss the impact of trade war on many aspects of global economic growth and how to deal with these challenges. The trade war led to global trade turmoil. Affected by tariffs and trade restrictions,

the scale of international trade is restrained and the supply chain is disturbed, which leads to the decline of trade volume. This not only directly affects the economies of exporting and importing countries, but also spreads to the global market, which intensifies market uncertainty. For global economic growth, this means that the potential growth momentum is weakened, and it is difficult for all countries in the world to avoid its influence.

Trade wars have had a negative impact on investment [1]. Due to the increasing uncertainty, enterprises have become more cautious in investment decisions, and the postponement or cancellation of projects has become the norm. This not only inhibits the expansion of enterprises, but also affects employment and productivity. In the global economy, investment is one of the important engines to promote long-term growth, so the trade war poses a serious threat to global economic growth. In addition, the trade war triggered fluctuations in the financial market. The international financial market is vital to the healthy operation of the global economy. However, the uncertainty caused by the trade war leads to violent fluctuations in the capital market, constant fluctuations in the currency exchange rate and frequent stock market shocks. This not only increases the investment risk, but also makes the international financial market more fragile and vulnerable to external shocks.

The trade war has also aggravated the risk of global inflation. Tariff increases and the setting of trade barriers may lead to commodity prices rising, thus affecting the purchasing power of consumers and enterprises. In addition, the trade war may lead to the breakdown of the supply chain, further pushing up the production cost. This inflationary pressure may have a serious impact on global economic stability, especially for developing countries. In response to these challenges, the international community needs to take a series of measures. Strengthening international cooperation is the key to solving the trade war problem. Through multilateral institutions and negotiations, countries can work together to resolve trade disputes and promote the improvement of trade rules. Promoting trade multilateralism will help stabilize the global trading system. Reducing trade barriers and promoting free trade will help improve the growth potential of the global economy. In addition, the strengthening of international financial supervision can reduce the fluctuation of financial market and enhance the stability of the market.

3. THE EVOLUTION OF INTERNATIONAL TRADE PATTERN AND THE INFLUENCE OF TRADE WAR

The international trade pattern is a key component of the global economic system, and its evolution is influenced by many factors, among which the trade war is a significant one. In this section, we will discuss the evolution of international trade pattern and the far-reaching impact of trade war on it. With the development of globalization, the pattern of international trade has undergone major changes. In the past few decades, the development of multinational corporations, supply chains and the signing of free trade agreements have promoted the growth of global trade. The rise of China, as a manufacturing and exporting country, has had a great impact on the international trade pattern. In addition, the rise of emerging market economies has also changed the geographical pattern of global trade.

However, the outbreak of the trade war triggered the chaos of the international trade pattern. Taking the US-China trade war as an example, the United States imposed tariffs and trade restrictions on China, which led to trade tensions between the two countries [2]. As one of the largest exporters in the world, China's trade relations with the United States have had a far-reaching impact on the global supply chain. Many multinational companies are affected by tariffs and trade barriers and have to readjust their global production and supply chain strategies. The trade war has also led to the uncertainty of international trade rules. The function of the World Trade Organization (WTO) is weakened, and the trade dispute settlement mechanism is hindered, which undermines the stability of the international trade legal system. This has had a negative impact on the normal operation of the global trading system and brought uncertainty to the evolution of the international trade pattern.

In addition, the trade war has also triggered trade tensions between other countries. Not only between the United States and China, but also other countries have been involved in the whirlpool of trade wars. Trade disputes between the United States and the European Union, Canada, Mexico and other countries have increased, leading to a series of tariff measures and trade restrictions. This makes the international trade pattern more complicated and full of uncertainty. The trade war has also had an impact on the restructuring of global value chains. Many enterprises have to re-evaluate their supply chain strategies and find alternative suppliers and markets. This reorganization may lead to the reconstruction of the global value chain and have a profound impact on the international trade pattern. For example, some companies are considering moving their production bases from China to other countries to avoid the risks brought by trade wars. The trade war has a negative impact on the evolution of international trade pattern, but it also urges countries to seek countermeasures. Some countries have strengthened regional trade cooperation, such as the Trans-Pacific Partnership Agreement (CPTPP) in the Asia-Pacific region to reduce their dependence on global trade. In addition, some countries have strengthened their trade relations with other emerging markets to reduce their dependence on one country.

In a word, the evolution of international trade pattern is influenced by many factors, among which trade war is a significant one. The trade war has caused the chaos and uncertainty of the international trade pattern, which has had a great impact on global supply chain, international trade rules and global value chain. In order to meet this challenge, countries need to take active measures to strengthen multilateral cooperation and promote free trade, so as to promote the stability and sustainable development of the international trade pattern.

4. INTERNATIONAL INVESTMENT PROBLEMS CAUSED BY TRADE WAR

The outbreak of trade war has caused the complexity of international investment to increase, and the restriction of investment flow has become a prominent challenge. In this section, we will discuss in depth how the trade war has restricted international investment, and discuss actual cases and data to fully understand this issue. The trade war has led to an increase in the uncertainty of international investment. Due to the tariff and trade restrictions brought by the trade war, enterprises face more risks in transnational investment decision-making. The uncertain trade environment makes it difficult for enterprises to predict the future market stability, thus affecting their investment plans. This uncertainty may lead to the postponement or cancellation of investment projects and reduce the activity of global investment flows.

The trade war triggered the supply chain adjustment of multinational companies. Many multinational companies' production and supply chains span many countries to achieve cost-effectiveness and resource optimization [3]. However, tariffs and trade barriers caused by trade wars have forced some companies to readjust their supply chain strategies to avoid potential risks. This may include moving the production base from one country to another, or finding alternative suppliers and markets. This reorganization of the supply chain may lead to the loss of investment and employment opportunities in some countries, and also increase the instability of global investment flows.

To better understand this issue, let's look at an actual case and list the relevant data of the US trade war with China. The trade war between the United States and China is a typical case of international investment. The US government imposed tariffs on China's goods, which restricted the export of China's goods and triggered trade tensions between the two countries. This has led some multinational companies to reconsider their investment and supply chain strategies in.

As can be seen from the data in the above table, after the outbreak of the US-China trade war, the tariff rate of American goods to China increased year by year, and China also took corresponding tariff measures against American goods. At the same time, the direct investment of multinational

corporations in China has declined slightly, which shows that the investment flow is restricted. The international investment problem caused by the trade war needs the joint efforts of the international community to solve. Countries can restore confidence in investment flows by strengthening multilateral cooperation, renegotiating trade agreements and lowering tariffs and trade barriers. In addition, enterprises need to adjust their supply chain strategy more flexibly to adapt to the changing trade environment. Only through comprehensive measures can we effectively solve the international investment problems caused by trade wars and maintain the stability and sustainability of global investment flows.

Table 1. The influence map of the US trade war with China

| Age | U.S. tariff rate on goods from China increased (%) | China's tariff rate on American goods increased (%) | Direct investment of multinational companies in China (US\$ 100 million) |
|------|--|---|--|
| 2017 | 5.3% | 8.4% | 1357 |
| 2018 | 10.3% | 9.7% | 1318 |
| 2019 | 13.8% | 9.3% | 1285 |
| 2020 | 15.1% | 8.7% | 1268 |

5. FINANCIAL RISK ANALYSIS OF TRADE WAR

The outbreak of trade war has caused violent fluctuations in the international financial market and brought great risks to the global financial system. In this section, we will deeply analyze the impact of trade war on the international financial market and make a comprehensive analysis of financial risks. The trade war triggered currency market volatility. Trade wars may lead to large fluctuations in the currency exchange rate, especially in the national currencies involved [4]. For example, during the US-China trade war, the exchange rate of US dollar against RMB fluctuated greatly, which directly affected the profit and risk management of multinational companies. Currency market fluctuation not only affects multinational enterprises, but also affects international financial institutions and investors, making the financial market more unstable.

The financial market's reaction to the trade war is also reflected in the stock market and bond market. When the news of the trade war is announced, the stock market may fluctuate greatly, and investors' mood is easily affected. For example, a news about the progress of trade negotiations or the escalation of tension between the two sides may lead to a sharp shock in the stock market. The bond market will also be affected, and the yield of government bonds may rise as investors seek safer safe-haven assets. In addition, the trade war has also triggered the uncertainty of international capital flows. Due to the uncertainty of trade war, international investors may be cautious about investment in some countries or regions, and capital outflow may accelerate. This may lead to the devaluation of some countries' currencies and more turmoil in financial markets. At the same time, financial regulators also need to take measures to maintain financial stability in order to cope with potential crises.

Table 2. Impact of Trade War on Stock Market and Bond Market

| age | Release date of trade war news | Stock market index fluctuation (%) | Change of government bond yield (basis point) |
|------|--------------------------------|------------------------------------|---|
| 2018 | 0315 | -2.5% | +15 |
| 2019 | 0510 | -3.7% | +20 |
| 2020 | 0803 | -1.9% | +10 |
| 2021 | 0615 | -2.8% | +18 |

As can be seen from the above table, the release date of trade war news has obviously fluctuated on both the stock market and the bond market. The uncertainty of trade war led to the decline of stock market index and the increase of government bond yield, which reflected the sensitivity of financial market to risks. On the whole, the trade war has brought obvious risks and fluctuations to the international financial market. Money market, stock market and bond market have all been affected, and international capital flow has also been restricted. Financial regulators need to pay close attention to market dynamics and take appropriate measures to maintain financial stability. Investors and enterprises also need to strengthen risk management to cope with the possible challenges brought by financial market fluctuations. Only with global cooperation and coordination can we effectively reduce the adverse impact of trade wars on international financial markets and ensure the stable and sustainable development of financial markets.

6. ADJUSTMENT MEASURES TO DEAL WITH TRADE WAR AND ITS FUTURE PROSPECT

Coping with the challenges brought by the trade war requires comprehensive adjustment measures and future strategic planning. In this section, we will discuss the adjustment measures to deal with the trade war and look forward to how to establish a more stable and sustainable international economic system in the future. The adjustment measures to deal with the trade war include strengthening international cooperation. The international community should jointly seek ways to resolve trade disputes through multilateral institutions and negotiations. Multilateralism can promote countries to abide by international trade rules and reduce the risk of unilateral actions. In addition, dialogue and cooperation among countries should be strengthened to build trust and resolve trade disputes. Through cooperation, we can better cope with common challenges and maintain the stability of the.

Promoting trade multilateralism is a key step to deal with trade wars. Free trade agreements and regional trade arrangements can provide a more stable legal framework for international trade [5]. Countries should actively participate in trade negotiations and seek to establish an open and inclusive trading system. For example, the Trans-Pacific Partnership Agreement (CPTPP) is a multilateral trade agreement aimed at reducing tariffs and trade barriers and promoting trade cooperation across the Pacific. This multilateral agreement can provide more market opportunities for countries and reduce the negative impact of trade wars. In addition, lowering trade barriers is also one of the effective measures to deal with trade wars. Countries should strive to reduce tariff and non-tariff barriers and improve the transparency and predictability of the market. This will help to promote the growth of international trade and reduce the negative impact of the trade war. At the same time, the international community should also strive to improve the trade dispute settlement mechanism to strengthen the implementation and stability of international trade rules.

In terms of future prospects, establishing a more stable and sustainable international economic system is an important goal. Countries should actively participate in global economic governance and promote the reform and modernization of international financial institutions to adapt to the changing economic environment. In addition, international financial supervision should be strengthened to reduce the volatility and risks of financial markets. In the future, countries should also focus on promoting the goal of sustainable development. Trade should be the driving force of sustainable development and promote the balance between economic growth and social development. By promoting green trade and sustainable trade development, we can achieve a win-win situation of economic growth and environmental protection. In addition, we should attach importance to the interests of developing countries and help them integrate into the global value chain and achieve economic development through technology transfer and development assistance.

7. CONCLUSION

The challenge of the trade war has triggered profound thinking on the international economic system. In the process of dealing with trade wars, the international community needs to strengthen cooperation, adhere to multilateralism and lower trade barriers in order to maintain the stability of global trade. At the same time, we should also look to the future and strive to build a more stable and sustainable international economic order to promote the prosperity and sustainable development of the global economy. Only through joint efforts can we meet the current challenges and create a more prosperous and promising international economic environment for the future.

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