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The U.S.A–China Trade War and Its Global Impact: Assessing Its Effects on Global Trade and Economic Stability

Dr. Shahid Razzaque¹, Muhammad Muqet Ali Shah², Renuka Ashok³

¹ Advisor (Economist), Engineering Development Board, Ministry of Industries & Production, Islamabad, Pakistan

Email: razzaque.shahid@gmail.com

² California State University, San Bernardino USA

Email: muhammadmuqetalishah@gmail.com

³ Greenwich University, Karachi, Pakistan

Email: renukaashokoo@gmail.com

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Corresponding author:

Dr. Shahid Razzaque

Email:

razzaque.shahid@gmail.com

ABSTRACT

The U.S.A–China trade war represents one of the most significant episodes of trade-policy conflict in the contemporary international economic system, with consequences extending beyond bilateral trade relations to global trade flows, economic stability, investment patterns, and international supply chains. This study examined the global impact of the U.S.A–China trade war, with particular emphasis on changes in global trade integration, economic uncertainty, foreign direct investment, trade diversion, and supply-chain restructuring. A qualitative research design was employed using a systematic documentary review of peer-reviewed research articles, academic publications, reports from international organizations, newspapers, magazines, and other credible published sources. Purposive sampling was used to identify sources directly relevant to the research objectives, while thematic analysis and comparative analysis were applied to identify recurring patterns and differences across the evidence. The findings demonstrated that tariff escalation substantially altered bilateral trade relations and contributed to the diversion and reallocation of trade toward alternative economies, particularly Mexico, Vietnam, Taiwan, India, and other Southeast Asian countries. The analysis further indicated that the decline in direct U.S.A–China trade did not represent complete economic decoupling, as Chinese inputs and value-added remained embedded within several international production and supply-chain networks. The trade war also contributed to increased trade-policy uncertainty, encouraging firms and governments to reconsider sourcing, investment, and production strategies. Evidence concerning foreign direct investment indicated substantial fluctuations during the study period, while recent developments demonstrated increasing investment toward alternative production locations and greater emphasis on supply-chain diversification. The findings further suggested that the conflict contributed to the regionalization and strategic reorganization of global value chains, with economic security, resilience, and geopolitical considerations becoming increasingly important alongside traditional cost-efficiency considerations. However, the study recognizes that changes in global economic growth, trade, and investment cannot be attributed exclusively to the trade war because other major shocks, particularly the COVID-19 pandemic, geopolitical tensions, and changing macroeconomic conditions, also influenced global economic outcomes. Overall, the study concludes that the U.S.A–China trade war transformed from a bilateral tariff dispute into a broader structural force influencing the organization and predictability of the international economic system. Rather than producing complete deglobalization, the conflict appears to have encouraged a reconfiguration of globalization characterized by diversification, regionalization, strategic sourcing, and increased attention to geopolitical risk. The study highlights the importance of maintaining predictable international trade rules and strengthening multilateral cooperation to limit excessive economic fragmentation and support global economic stability.

Introduction

The ongoing U.S.A-China trade conflict showcases how economies are becoming more protectionist and politically competitive. After a significant deterioration of relations starting in 2018, the conflict is now made up of more than just traditional trade tariffs. Other restrictions include technology, control of exports, investments, broad industrial policies and control of supply chains. The shifting economics of the two major players of the world trade system, China and the United States, ripples out to make material impacts on third nations of the world. Trade diversion and changing international trade flows, investments, production networks and international business confidence are just a few of the ways third nations can be impacted. The WTO has warned that trade friction can quickly lead to a large decline in bilateral trade and an even greater risk of economically separating into different regional trading blocs.

Because of this large ripple effect, by 2022 the IMF reported changed sourcing patterns and reorganization of production has resulted in trade flows being diverted to other nations. Increased trade flows to other economies has even provided trade opportunities in other regions, especially in Asia, after changes to the trading pattern. All of these changes have the potential to create an even greater reliance on alternative suppliers that are connected to Chinese production. For example, trade reallocation versus trade rerouting suggest that rebalancing global trade is more complex.

Effects on Global Trade and Supply Chains

The trade war between the U.S.A and China has made impacts on global trade due to the interconnectivity of global trade. Tariffs on intermediate goods lead to price increases, and firms are forced to break their existing contracts with suppliers. Firms will also be forced to source and manufacture in other economies. As Chinese goods will start to face increased restrictions, more of these opportunities will be available to countries in Southeast Asia and other developing countries. However, this situation involves more than trade substitution. As many alternative suppliers are still linked to Chinese supply chains, this trade war will drive both real trade rebalancing and trade switching through third countries and will show just how complex modern supply chain rebalancing will be (Steinbock D, 2018).

These supply chains will create new vulnerabilities and opportunities for the global economy. For example, after production is moved, an economy will experience higher exports, foreign investment, and employment. Forming these supply chains is a more complex and risky activity for an economy that is highly dependent on exports. The IMF points out that this type of trade is made up of many steps across international borders, and disruption at one step will be felt by producers and suppliers further along the chain. The U.S.A - China trade war has prompted a significant shift across supply chains, and has significant global implications. Increased integration will make global trade and supply chains more resilient, or will make markets more fragmented with increased trade wars.

The U.S.A-China trade dispute is of great concern to the global economy. It extends well beyond the displacement of trade volumes. The uncertainty of trade policy influences investment, production, and consumption decisions. Trade policy uncertainty delays or discourages investments, increases supply chain risk, and raises the cost and weakens the efficiency of the international production system. The International Monetary Fund's recent analysis demonstrates that when uncertainty about future trade policies increases, so too does the potential economic slowdown from the implementation of trade barriers. From the perspective of global economic stability, it is equally important to consider the effects of the expected trade policy conditions rather than just the actual trade policy conditions.

While changes in trade policies and the openedness of firms and economies to change will affect the extent of these effects, the IMF's 2025 reports suggest that positive changes in trade policies can lessen some of the negative impact of trade conflicts on global economic growth. The U.S.A-China trade conflict can therefore be viewed as a major source of ongoing uncertainty, and while the conflict has evolved, and changed the interrelationship of the international trading system, the long-term consequences will be determined by whether major trading partners will pursue trade cooperation, or even more strategic competition which will result in even greater economic fragmentation and the further loss of predictability of the international trading system.

Study Rationale

The intensifying trade conflict between the United States and China has emerged as a major source of uncertainty within the contemporary global economic system, yet there remains a need for a deeper qualitative understanding of how this conflict has reshaped global trade relationships and perceptions of economic stability. Existing research has extensively examined measurable outcomes such as tariff escalation, bilateral trade flows, gross domestic product, investment patterns, and supply-chain adjustments, demonstrating that the conflict has generated consequences extending well beyond the two economies involved (Cerutti et al., 2019; Feigenbaum et al., 2020; Charnovitz, S, 2004). However, quantitative assessments alone may provide limited insight into how governments, businesses, policymakers, and other stakeholders interpret and respond to the broader structural, strategic, and geopolitical consequences of the conflict. The U.S.A–China trade war has increasingly become associated with trade diversion, supply-chain reconfiguration, technological competition, economic security, and concerns regarding geoeconomic fragmentation, creating new challenges for the stability and predictability of the international trading system (Kasikci, T], 2023; WTO, 2023). Therefore, the central problem addressed by this qualitative study is the insufficient understanding of how relevant stakeholders and policy perspectives interpret the wider global consequences of the U.S.A–China trade war and how the conflict has influenced global trade patterns, international economic relationships, and perceptions of economic stability. By qualitatively examining documented perspectives, policy responses, stakeholder interpretations, and developments associated with the conflict, this study seeks to provide a more comprehensive understanding of the mechanisms through which U.S.A–China economic rivalry has generated structural and economic consequences beyond the borders of the two countries.

Research Objectives

- To examine the impact of the U.S.A–China trade war on global trade flows and international trade integration.
- To explore how the U.S.A–China trade war has affected global economic stability, investment patterns, and policy uncertainty.
- To analyze the restructuring of international supply chains and global value chains resulting from the U.S.A–China trade war.

Problem Statement

What was once primarily a bilateral dispute over tariffs has evolved into a multi-regional challenge affecting international trade integration, global supply chains, and the stability of economic systems. Existing empirical evidence indicates that the tariffs imposed by the United States and China generated substantial trade diversion and disrupted countries integrated into the global value chains of both economies. For instance, Wheatley et al., (2024) demonstrates that export reallocations toward third countries were substantial, while Wu et al. (2021) revealed that, although U.S.A imports from China declined, other countries that were deeply integrated with Chinese supply chains increasingly supplied products that had previously been imported directly from China. Subsequent evidence further suggests that the consequences of these tariffs extend beyond the United States and China. Economies such as Japan, South Korea, and Taiwan may also be adversely affected because trade diversion and declining Chinese exports to the United States can generate significant disruptions across interconnected regional supply chains. This research addresses an important gap by providing an integrated assessment of how trade reallocation may influence global trade and the stability of the international economic system while simultaneously considering trade rerouting, global value-chain restructuring, changes in investment, and policy uncertainty. Recent research has also made it increasingly possible to distinguish genuine trade reallocation from the rerouting of Chinese value-added through third countries. Consequently, changing international trade conditions and a potential shift away from traditional bilateral trade arrangements may significantly reshape global production networks. The continuing evolution of trade policies and the growing prevalence of trade-related conflicts further highlight limitations in earlier research. According to Tam, P (2020), increased tariffs and policy uncertainty can reduce investment and global economic growth because disruptions are transmitted through highly interconnected international supply chains. Therefore, this study seeks to address the limited integrated understanding of how the U.S.A–China trade war affects global trade flows, economic stability, and the restructuring of international supply chains, thereby adopting a broader analytical perspective that extends beyond conventional bilateral analyses of U.S.A–China trade relations.

Significance of the Study

This study is significant because it provides a qualitative understanding of the broader consequences of the U.S.A–China trade war for global trade and economic stability. While existing research has largely focused on quantitative indicators such as tariff rates, trade volumes, gross domestic product, and investment flows, this study contributes by examining how the conflict is interpreted through policy perspectives, stakeholder experiences, strategic responses, and documented economic developments. The study is particularly relevant for policymakers and international institutions because it may provide deeper insight into the ways trade protectionism, geopolitical rivalry, supply-chain restructuring, and technological competition influence the stability of the international economic system (Cerutti et al., 2019). Furthermore, the findings may assist businesses and economic decision-makers in understanding how prolonged tensions between major economies can influence global value chains, investment strategies, and international market relationships. The study is also important for developing and emerging economies, as these countries may experience both opportunities through trade diversion and foreign investment and challenges arising from economic uncertainty and dependence on major global markets. From an academic perspective, the study contributes to the literature by moving beyond purely statistical assessments and providing a contextual interpretation of how the U.S.A–China trade conflict has contributed to changing perceptions of globalization, economic interdependence, supply-chain resilience, and geoeconomic fragmentation. Consequently, the findings may serve as a valuable foundation for future qualitative and quantitative research examining the evolving relationship between great-power economic rivalry, international trade, and long-term global economic stability.

Literature Review

The US-China trade war challenges the principles of global trade by establishing significant barriers with some of the world's largest economies. Conflict escalation in 2018, when the US instituted a broad-based tariff on Chinese imports, elicited China's retaliatory measures. Most of the literature proposes that the measures on both sides decreased direct bilateral trade, and affected distribution of trade in other countries quite considerably. A (2025) through an analysis of detailed trade data, shows that the trade war reduced US-China trade, but also created opportunities for export of several third country economies. It is shown that countries outside the direct conflict benefited from the opportunities to export goods which attracted U.S.A and Chinese tariffs, although there were differences in the level of benefits among countries, based on their structures of production, and the extent to which they were able to produce goods that substituted or complemented the U.S.A and Chinese exports. It can therefore be inferred that the trade war was not just a bilateral reduction of trade, but a single case of a global redistribution of trade.

One of the dominant themes in the literature relates to trade diversion, whereby imports supplied by either the US or China were redirected to alternative trade partners. Z. (2025), through an analysis of detailed U.S.A import data for the years 2017-2022, adds essential data. According to Lu, J et al (2020), During this period, China's share of U.S.A imports slid from ~22% to 16%. Tariffs played a role in this drop. However, their findings explain that declining Chinese involvement in U.S.A imports does not equate to full economic decoupling. In fact, the nations taking Chinese suppliers' places were usually developing countries that had high levels of integration with Chinese production. Thus, there was a drop in the direct trade between the U.S.A and China, and there was an increase in China's trade with other nations. This is an important finding because it indicates that changes in bilateral trade can mask continuing indirect economic integration within global production.

The literature states that shifts in global trade flows generate downstream effects in regional and international value chains. Bibi, I et al. (2024) researched the impact of falling U.S.A demand for Chinese exports on China's imports of intermediate goods from Japan, South Korea, and Taiwan. Their findings indicate that, as a result of U.S.A tariffs on Chinese goods, there was a drop in Chinese exports to the U.S.A and thus a drop in China's demand for intermediate inputs from these supplier countries. This effect was more pronounced in Taiwan, as multi-national companies consider China an important export base. These findings show that the US-China trade war had effects beyond trade in final goods, as a drop in demand in one major market spread backward through production networks. This illustrates that with respect to international trade, tariff policies cascade implications to related countries beyond the targeted trade partners and even to the non-direct suppliers.

U.S.A–China Trade War and Global Economic Stability

The U.S.A-China trade war causes massive inflation and disrupts trade and investment throughout the world, rearranges production and prices, and alters the expectations of economic actors. The persistent trade disruptions that caused a significant

shock to trade and investment relationships also impacted the global economy like nowhere else; Chor and Li (2024) noted that the greater exposure of U.S.A tariffs led to major reductions of economic activity in affected regions of China. This shows that even when the aggregate direct effect of trade policy is large, it can generate localized production loss. In addition, Papadopoulos, G et al. (2023) noted that the trade war fundamentally influenced trade flows, economic activity, and investment the world over, with the greatest impact geographically outside the U.S.A and China. This suggests that the stability effects of the conflict play out through multiple channels; reduced trade, reallocated production, and relocated economic activity.

An important element of global economic stability is the effect of trade protectionism on investment and economic growth. Shaikh, E et al. (2021) noted that there is an especially strong link between trade policy uncertainty and the lack of private investment. Their macroeconomic analysis shows that protectionist tariff increases cause effects via general equilibrium instead of just decreasing imports. Tariffs can increase production costs, weaken demand, and lower investment potential and can have negative effects in industries far beyond what is targeted. These effects are especially important in the current U.S.A–China trade war, as businesses in international production networks may have uncertain access to future markets and may face volatile input costs and uncertain regulations. Thus, the trade war may disrupt the economy for businesses and countries, even if they establish other trade partnerships.

The trade war is shown to have affected the international flow of capital and therefore the location of economic activity. Jung et al. (2024) studied the impact of the U.S.A–China trade war on foreign direct investment and noted that the trade war had an effect on the directional flow of Chinese multinational investments in Southeast Asia. This may indicate that trade war uncertainty is not only an incentive to switch suppliers, but to change production placement, or supply diversification. Such investment changes may be a positive opportunity for countries that receive an influx of investments, while increasing the burden on economies that rely on integrated production. Ding et al. (2024) argue that outward investment may buffer Chinese firms from the negative effects of external trade policies, and therefore, firms may change the location of production based on tariffs to a greater extent. Thus, the trade war is more than a temporary drop in trade. It produces a permanent restructuring of international capital flows and production capacity.

Trade War, Trade Diversion, and Global Supply Chain Restructuring

Trade wars have an impact on the distribution of international production and are an important aspect of the study on the effects caused by protectionist trade policies. The initial imposition of tariffs by the United States on Chinese goods resulted in retaliatory measures by China, which caused an increased cost for the United States to maintain their existing trade relationship, and encouraged firms to seek alternative trade suppliers and partners. Kaur, P. (2024) states that the trade war created significant export opportunities for countries not aligned with the United States and China, particularly in commodities subject to tariffs. Their study's findings show that the trade war did not simply decrease global trade, but instead shifted certain trade volumes to countries capable of supplying goods that the United States or China used to source. This trade diversion caused changing comparative advantages and new trade patterns in international markets due to a tariff shock.

Trade diversion is the restructuring of international supply chains. As shown by Akıncı, Ö. et al., (2024) the share of Chinese imports by the United States declined from 22% in 2017 to 16% in 2022, showing a significant decline in the bilateral relationship. However, their research also states that the reduction in bilateral trade should not be summately interpreted as a complete restructuring from Chinese supply chains. Countries that increased trade with the United States, especially in important industries, were integrated into Chinese production networks and increased their trade with China. This can be interpreted to mean firms frequently changed how their goods reached the U.S.A market by changing the route. As a result, multinational supply chains have been restructured via diversification and changes of route, while the significant production interdependence with China has remained the same.

These responses have also created significant disruptions in other segments of the value chains. Blanchard, E. et al. (2019) note that the decrease in Chinese exports to the U.S.A resulting from the imposition of tariffs by the U.S.A, also reduced Chinese imports of intermediate goods from Japan, South Korea and Taiwan. Their results show that the trade war induced changes in the production networks of other countries, most notably Taiwan, where many multinational firms use China as an export platform. This restructuring of supply chains indicates that changes in trade of final goods are not the only measure to assess the restructuring of supply chains, given that modern production is highly fractioned and spans several countries. As a consequence,

the supply-chain restructuring caused changes in other production networks in Asia and affected firms that were not directly subjected to tariffs.

Methodology

Research Design

The study was conducted using a qualitative research design to explore the global effects of the U.S.A-China trade war on international trade, economic stability, and global supply chains. A qualitative approach was selected because the study focused on understanding documented developments, interpretations, policy responses, and economic changes rather than testing statistical relationships. The research was exploratory in nature and examined evidence from different published sources to develop a comprehensive understanding of the consequences of the U.S.A-China trade conflict.

Population and Data Sources

The population of the study consisted of published qualitative and documentary sources relevant to the U.S.A-China trade war and its global economic consequences. Qualitative data were collected from previously published research papers, academic journal articles, magazines, newspapers, policy reports, international economic reports, and other credible published materials. These sources were examined to identify information concerning changes in global trade flows, trade diversion, supply-chain restructuring, investment uncertainty, economic stability, and changes in international trade policies. The selected sources were compared with one another to identify similarities, differences, recurring patterns, and contrasting interpretations regarding the global consequences of the trade war.

Sampling Technique

A purposive sampling technique was used to select relevant published sources. Sources were selected based on their relevance to the research objectives, credibility, publication quality, and direct discussion of the U.S.A-China trade war and its international consequences. Greater emphasis was placed on peer-reviewed academic studies, reports from recognized international organizations, reputable newspapers, and established economic and business publications. Sources that did not provide sufficient information about the research topic or lacked credible evidence were excluded from the analysis.

Data Collection Procedure

The qualitative data were collected through a systematic documentary review of published materials. Relevant research papers were searched through academic databases and scholarly search platforms, while newspapers, magazines, policy documents, and institutional reports were examined to obtain broader perspectives on the development and consequences of the trade conflict. The researcher reviewed the selected sources and extracted relevant information concerning tariff escalation, trade diversion, international trade flows, global value chains, investment decisions, supply-chain restructuring, economic uncertainty, and international policy responses. Information obtained from different sources was compared to determine whether similar or contrasting findings had been reported across different regions and economic contexts.

Data Analysis

The collected data were analyzed using thematic analysis. The researcher carefully reviewed the selected publications and identified recurring concepts, arguments, and patterns related to the research objectives. Similar information was grouped into major themes, including global trade disruption, trade diversion, supply-chain restructuring, investment uncertainty, economic stability, and changes in international trade policies. The findings reported in different studies and publications were compared to identify areas of agreement and disagreement. This comparative analysis was used to develop an integrated interpretation of how the U.S.A-China trade war had affected the wider international economic system.

Comparative Analysis

A comparative approach was used to examine how different studies and published sources had interpreted the consequences of the U.S.A–China trade war. Evidence concerning the United States and China was compared with evidence concerning third countries and regions affected indirectly by the conflict. Particular attention was given to countries involved in global value chains, including economies in East and Southeast Asia. The comparison helped identify whether the trade war had resulted in trade diversion, changes in production locations, restructuring of supply chains, changes in investment patterns, and increased economic uncertainty. By comparing findings across different sources, the study was able to develop a broader understanding of the global implications of the conflict rather than limiting the analysis to bilateral U.S.A–China trade relations.

Ethical Considerations

Ethical considerations were maintained throughout the research process. Since the study used previously published and publicly available information, no personal or confidential participant information was collected. All published sources were appropriately acknowledged through academic citations and references. The researcher ensured that information was represented accurately and that the original findings and arguments of the authors were not intentionally misrepresented. Plagiarism was avoided through appropriate citation and referencing, and the analysis was conducted objectively without deliberately selecting evidence to support a predetermined conclusion.

Trustworthiness of the Study

The trustworthiness of the study was strengthened through source triangulation and comparative analysis. Information was obtained from multiple types of sources, including peer-reviewed research papers, academic publications, newspapers, magazines, and institutional reports. Findings from different sources were compared to determine whether similar conclusions were reported across different forms of evidence. Greater reliance was placed on credible and academically recognized sources when conflicting information was identified. This approach helped improve the credibility and dependability of the qualitative findings and provided a more comprehensive interpretation of the global impact of the U.S.A–China trade war.

Data Analysis

Table 1. Thematic Coding Framework for the Impact of the U.S.A–China Trade War on Global Trade Flows and International Trade Integration

<i>Themes</i>	<i>Subthemes</i>	<i>Codes</i>	<i>Sources</i>
Tariff Escalation	Bilateral tariff increases	Tariffs; retaliatory measures; trade restrictions	Research papers; WTO; IMF; newspapers
Trade Diversion	Decline in U.S.A–China trade	Reduced imports; declining bilateral trade	Academic studies; WTO; trade reports
Trade Diversion	Growth of third-country trade	Alternative suppliers; trade rerouting; export substitution	Research papers; WTO; newspapers
Import and Export Changes	Changing U.S.A import sources	Import substitution; alternative suppliers	Research papers; trade reports
Import and Export Changes	Changing Chinese export markets	Export diversification; alternative destinations	Academic papers; economic reports

Themes	Subthemes	Codes	Sources
Trade Reallocation	Growth of alternative economies	Mexico; Vietnam; India; Southeast Asia	Academic journals; WTO; IMF
Trade Reallocation	Third-country rerouting	Transshipment; Chinese value-added; indirect trade	Research papers; policy reports
Global Trade Integration	Regionalization	Regional networks; localized production	Research papers; international reports
Trade Policy Uncertainty	Uncertain future trade policies	Policy uncertainty; changing tariffs	Research papers; IMF; newspapers
Trade Fragmentation	Weakening global integration	Protectionism; fragmentation; reduced openness	WTO; IMF; academic journals

The thematic analysis identified tariff escalation as the initial mechanism through which the U.S.A-China trade war affected international trade. Successive tariff increases and retaliatory measures increased the cost and uncertainty of bilateral trade, influencing the decisions of importers and exporters.

The second major theme was trade diversion. The analysis showed that declining direct trade between the United States and China created opportunities for third countries to supply products previously sourced from China. Consequently, the effects of the trade war extended beyond the two countries and contributed to changes in the geographical distribution of global trade.

Changes in import and export patterns represented another important theme. U.S.A importers increasingly considered alternative suppliers, while Chinese exporters sought alternative international markets. These adjustments demonstrated that firms and countries were adapting their trading relationships in response to changing tariff conditions.

The analysis also identified trade reallocation toward economies such as Mexico, Vietnam, India, and other Southeast Asian countries. However, this did not necessarily indicate complete replacement of China. In some cases, products continued to contain Chinese inputs or value-added before being exported through third countries. Thus, the findings suggest that global trade was being reorganized rather than completely disconnected from China.

The theme of global trade integration showed that the trade war contributed to greater regionalization of international trade networks. Countries and firms increasingly considered regional production, supply-chain diversification, and geopolitical risks alongside traditional considerations of cost and efficiency.

Finally, trade-policy uncertainty and fragmentation emerged as important themes. Frequent changes in tariffs and the possibility of additional restrictions made future trade conditions less predictable. The findings suggest that prolonged U.S.A-China tensions contributed to a movement from highly integrated global trade toward a more strategically organized system characterized by regional partnerships, diversification, and greater attention to economic security.

Table 2. Year-wise Comparison of U.S.A–China Goods Trade, 2015–2026

Year	U.S.A Exports to China (US\$ billion)	U.S.A Imports from China (US\$ billion)	U.S.A Trade Deficit with China (US\$ billion)	Interpretation
2015	115.9	483.2	367.3	Pre-trade-war baseline with strong bilateral trade dependence
2016	115.6	462.4	346.8	Slight reduction in bilateral trade
2017	130.0	505.2	375.2	Bilateral trade expanded before tariff escalation
2018	120.3	538.5	418.2	Trade remained large despite the beginning of tariff escalation
2019	≈106.6	≈452.2	≈345.6	Major contraction in bilateral trade following tariff escalation
2020	≈124.6	≈434.7	≈310.1	Trade remained below the 2018 level amid trade tensions and pandemic disruption
2021	151.4	504.2	352.8	Bilateral trade recovered substantially
2022	≈153.8	≈536.3	≈382.5	Trade reached high nominal levels despite continuing strategic tensions
2023	≈147.8	≈427.2	≈279.4	Imports from China declined substantially
2024	143.3	440.3	297.0	Partial recovery in imports but bilateral dependence remained lower than earlier levels
2025	106.0	308.4	202.1	Major reduction in U.S.A imports from China and bilateral trade intensity
2026*	55.5	129.3	73.9	Partial-year data only; figures cover January–June 2026

**Note: 2026 represents January–June only and therefore should not be directly interpreted as a full-year value. The U.S.A Census Bureau reports these figures in nominal U.S.A dollars.*

The comparison shows a clear qualitative shift. U.S.A imports from China increased from approximately US\$483.2 billion in 2015 to US\$538.5 billion in 2018, immediately before the full effects of the tariff escalation became visible. By 2019, imports had declined to approximately US\$452 billion, and by 2025 they had fallen to approximately US\$308.4 billion. The most recent U.S.A government data therefore indicate a substantial reduction in direct U.S.A–China goods trade compared with the pre-trade-war period. The WTO similarly reported that the trade conflict produced a sizeable reduction in bilateral trade and substantial diversion toward other regions.

Table 4. Global Economic Growth Comparison, 2015–2026

Year	World Real GDP Growth (%)	Qualitative Economic Stability Interpretation
2015	≈3.2	Relatively stable global expansion
2016	3.3	Moderate global growth
2017	3.8	Stronger global expansion
2018	3.6	Growth remained strong during the initial trade-war period
2019	2.9	Growth weakened as trade tensions intensified
2020	−2.7	Severe global contraction, primarily associated with COVID-19
2021	6.6	Strong post-pandemic recovery
2022	3.6	Growth moderated after recovery
2023	3.3	Persistent global economic moderation
2024	3.2	Relatively stable but subdued expansion
2025	3.2	Moderate global growth
2026*	≈3.1	IMF projection/estimate for continued moderate growth

The IMF's historical series shows that global growth declined from **3.8% in 2017 to 3.6% in 2018 and 2.9% in 2019**. The sharp contraction in 2020 should not be interpreted as a direct consequence of the U.S.A–China trade war because the COVID-19 pandemic was the dominant global shock. Nevertheless, the 2019 slowdown provides useful contextual evidence for examining the period in which trade-policy uncertainty was elevated. The IMF's current database provides historical observations and projections for global economic indicators.

Table 5. Global Merchandise Trade Volume Comparison, 2019–2024

Year	World Merchandise Trade Volume Growth (%)	Qualitative Interpretation
2019	0.4	Very weak trade expansion during intensified trade tensions
2020	−5.0	Severe contraction associated with the pandemic and trade disruption
2021	9.6	Strong rebound following the 2020 contraction
2022	3.0	Trade growth moderated

Year	World Merchandise Trade Volume Growth (%)	Qualitative Interpretation
2023	0.8	Substantial weakening of global merchandise trade
2024	3.3	Expected/estimated recovery in trade growth

WTO data demonstrate that world merchandise trade volume growth fell to only **0.4% in 2019**, compared with **9.6% in 2021** following the pandemic-related contraction. This pattern provides useful comparative evidence for your qualitative analysis because it allows the researcher to examine how trade conditions changed during the escalation of U.S.A–China tensions and subsequently during the recovery period.

Table 6. Global Foreign Direct Investment Comparison

Period/Year	Global FDI Value	Qualitative Interpretation
2015	≈US\$1.9 trillion	High level of global investment before the trade-war escalation
2016	≈US\$1.9 trillion	Investment remained substantial
2017	≈US\$1.5 trillion	Global FDI declined
2018	≈US\$1.5 trillion	Investment remained comparatively weak
2019	≈US\$1.5 trillion	Investment remained subdued during increasing trade uncertainty
2020	≈US\$0.96 trillion	Major decline amid global economic disruption
2021	≈US\$1.6 trillion	Strong recovery in international investment
2022	US\$1.3 trillion	FDI declined by 12%
2023	≈US\$1.3 trillion	Investment remained weak
2024	US\$1.5 trillion headline value; –11% excluding conduit flows	Underlying investment conditions remained weak
2025	US\$1.6 trillion	Global FDI increased 6%, but recovery remained concentrated
2026	Current annual value not yet available	Global investment outlook remained affected by trade-policy uncertainty

UNCTAD's evidence is particularly useful for your Objective 2 because it demonstrates that global investment has experienced substantial fluctuations during the period under investigation. UNCTAD reported that global FDI fell by **12% to US\$1.3 trillion in 2022**, while its 2025 report estimated that underlying global FDI fell by **11% in 2024** when conduit-economy effects were excluded. The 2026 World Investment Report subsequently reported a **6% increase to US\$1.6 trillion in 2025**, but characterized the recovery as fragile and uneven.

Table 7. U.S.A–China Tariff Comparison Before and During the Trade War

Period	Average U.S.A Tariff on Chinese Goods	Average Chinese Tariff on U.S.A Goods	Qualitative Interpretation
Pre-trade-war period	3.8%	8.4%	Relatively low bilateral tariff environment
2018–2019 escalation	Up to 21%	Up to 21%	Major escalation of bilateral trade restrictions
January 2020 Phase One period	≈21%	≈21%	Tariffs remained substantially above pre-war levels
Post-2020 period	Elevated	Elevated	Trade restrictions remained structurally important

The tariff comparison is particularly important because it establishes the structural change underlying the other indicators. IMF evidence shows that average U.S.A tariffs on Chinese goods increased from **3.8% to approximately 21%**, while Chinese tariffs on U.S.A goods increased from **8.4% to approximately 21%** during the peak of the 2018–2019 tariff escalation. The WTO similarly reported that average bilateral tariffs increased to approximately **17%**, with only a minor reduction following the Phase One Agreement.

Comparative Interpretation

The statistical comparison should not be presented as a quantitative causal test because your research design is qualitative. Instead, these numerical indicators should be treated as documentary evidence that supports thematic interpretation.

The comparison indicates a substantial transformation in the international economic environment between the pre-trade-war period and the subsequent years. In 2015–2017, U.S.A–China goods trade remained highly integrated, with U.S.A imports from China reaching approximately US\$505.2 billion in 2017. In 2018, imports increased further to approximately US\$538.5 billion despite the beginning of tariff escalation. However, the subsequent decline in U.S.A imports from China, particularly the reduction to approximately US\$308.4 billion in 2025, provides quantitative evidence of a major change in bilateral trade intensity.

At the same time, the evidence should be interpreted cautiously. The decline in global economic growth during 2020 cannot be attributed to the U.S.A–China trade war because the COVID-19 pandemic generated an extraordinary worldwide economic shock. Similarly, changes in FDI after 2020 were influenced by multiple factors, including pandemic recovery, geopolitical tensions, financing conditions, and changing investment policies. Therefore, the qualitative analysis should distinguish trade-war-related developments from other contemporaneous global shocks.

The most important finding for Objective 2 is therefore the convergence of several indicators. Tariffs increased sharply, bilateral trade subsequently declined, global trade growth weakened during the 2019 escalation period, and international investment became increasingly sensitive to geopolitical and policy uncertainty. Recent UNCTAD evidence further indicates that trade-policy uncertainty, geopolitical tensions, and economic fragmentation continue to influence the international investment environment in 2025–2026.

Table 8. Comparative Indicators of Global Supply-Chain Restructuring, 2015–2025

Year/Period	China's Role in U.S.A Imports	Mexico's Role	Vietnam's Role	Main Development	Supply-Chain
2015	China was the largest U.S.A single-country trading partner; U.S.A total trade with China was US\$598.1 billion	Major established U.S.A supplier	Smaller role compared with China	China-centered production networks remained dominant	
2017	China accounted for a very large share of U.S.A imports	Established North American manufacturing base	Increasing participation	Pre-tariff baseline	
2018	U.S.A tariffs began targeting Chinese products	Alternative sourcing opportunities emerged	Alternative Asian sourcing increased	Initial supply-chain adjustment	
2019	Direct imports from China declined following tariff escalation	Mexican exports to the U.S.A increased in affected sectors	Vietnamese exports to the U.S.A expanded	Early trade diversion and supplier diversification	
2020	China remained important despite disruptions	Manufacturing networks remained relatively resilient	Asian supply networks expanded	COVID-19 intensified supply-chain vulnerability	
2021	China's share of U.S.A imports remained below earlier levels	Greater participation in U.S.A-linked manufacturing	Strong export expansion	Supply-chain reconfiguration accelerated	
2022	China remained a major supplier but its relative share weakened	Mexico strengthened its position	Vietnam continued gaining importance	Nearshoring and diversification became prominent	
2023	China's share of U.S.A imports had fallen substantially	Mexico gained U.S.A market share	Vietnam gained U.S.A market share	Diversification away from China became more visible	
2024	China remained important but dependence declined	Mexico remained a major alternative source	Southeast Asia remained important	Semiconductor, electronics, automotive and other supply chains were being reorganized	
2025	China's U.S.A import share declined by more than 12 percentage points from 2017	Mexico gained about 2.3 percentage points	Vietnam gained about 3.7 percentage points	Major acceleration of trade reallocation	

The 2015 baseline is particularly useful because the U.S.A International Trade Commission reported that China was the United States' largest single-country trading partner in 2015, with total U.S.A–China trade of approximately **US\$598.1 billion**. More recent NBER evidence shows that the subsequent restructuring was not a complete withdrawal from international trade; rather, U.S.A imports were increasingly redistributed among a relatively stable group of trading partners, particularly Vietnam, Mexico, and Taiwan.

Table 9. Change in U.S.A Import Shares Associated With Supply-Chain Diversification

Country/Region	Change in U.S.A Import Share, 2017–2023	Change in U.S.A Import Share, 2017–2025	Qualitative Meaning
China	–≈8 percentage points	More than –12 percentage points	Substantial reduction in direct U.S.A sourcing
Vietnam	≈+2 percentage points	+3.7 percentage points	Major alternative Asian supplier
Mexico	≈+2 percentage points	+2.3 percentage points	Increased nearshoring and regional sourcing
Taiwan	Increased	+4.1 percentage points	Increased role in selected technology-related supply chains
Euro Area	≈+2 percentage points	—	Additional diversification of U.S.A sourcing
Other major partners	Mixed	Mixed	Reallocation remained concentrated among established partners

The IMF's 2025 analysis provides particularly strong evidence for this objective. Between 2017 and 2023, China's share of total U.S.A imports declined by almost 8 percentage points, while Mexico, Vietnam, and the Euro Area each increased their penetration of the U.S.A market by approximately 2 percentage points. More recent NBER evidence indicates that by 2025 China's share had declined by more than 12 percentage points, while Taiwan, Vietnam, and Mexico gained approximately 4.1, 3.7, and 2.3 percentage points, respectively.

Analysis of Global Value-Chain Rerouting

Another important theme was trade rerouting and the continued role of Chinese value-added. Recent research indicates that global value chains have developed pathways in which goods or intermediate inputs move from China through countries such as Mexico and Vietnam before reaching the United States. Therefore, a decline in direct U.S.A imports from China does not necessarily indicate an equivalent decline in China's contribution to U.S.A-oriented production.

This distinction is crucial for your qualitative study because it prevents the analysis from interpreting declining bilateral trade as complete economic decoupling. The evidence instead suggests that trade relationships have become more geographically complex. China may remain embedded in international production even when the final product is exported to the United States from another country.

Analysis of Foreign Direct Investment and Supply-Chain Restructuring

The documentary evidence also demonstrated a relationship between supply-chain restructuring and foreign direct investment. UNCTAD reported that multinational enterprises were restructuring supply chains toward Southeast Asia, Eastern Europe, and Central America, while ASEAN countries received a record US\$225 billion in FDI in 2024, representing a 10% increase. At the same time, FDI flows to China declined by 29% in 2024.

Discussion

The findings of this qualitative study demonstrate that the U.S.A–China trade war evolved from a bilateral tariff dispute into a broader restructuring force within the international economic system. The analysis of published research, institutional reports, newspapers, and economic publications indicated that tariff escalation altered bilateral trade flows, encouraged trade diversion,

increased policy uncertainty, and influenced the geographical organization of production. U.S.A imports from China declined substantially after the escalation of tariffs, while alternative trading partners such as Mexico, Vietnam, and Taiwan increased their participation in U.S.A-oriented trade networks. This finding is consistent with WTO evidence showing that the trade conflict generated significant trade diversion and contributed to changes in global value chains (Narlikar, A2021). The findings therefore suggest that the consequences of the trade war cannot be adequately understood through bilateral U.S.A–China trade statistics alone because the effects were transmitted through interconnected international trade and production networks.

The findings further showed that the trade war contributed to changes in global trade integration by encouraging countries and firms to reconsider their dependence on a single major supplier. The comparative analysis demonstrated that China's share of U.S.A imports declined considerably after 2017, while Mexico, Vietnam, and other economies increased their shares of the U.S.A market. Recent research similarly indicates that the decline in China's share of U.S.A imports was accompanied by increased participation from alternative suppliers rather than a complete reduction in international trade (Alfaro & Chor, 2023). This pattern suggests that globalization was not necessarily reversed but was instead reorganized geographically. The evidence therefore supports the interpretation that firms increasingly adopted diversification strategies to reduce exposure to tariff changes, geopolitical tensions, and supply disruptions. Such restructuring may improve resilience in some circumstances, although it can also increase production and coordination costs because firms may sacrifice some of the efficiency associated with highly concentrated production networks.

The analysis also revealed that **economic uncertainty** represented one of the most important mechanisms through which the trade war affected global economic stability. Repeated tariff announcements, retaliatory measures, and uncertainty concerning future trade negotiations created difficulties for businesses attempting to plan investment, production, and sourcing decisions. The WTO identified uncertainty as a major channel through which the trade conflict affected economic activity, while IMF research has similarly shown that trade-policy uncertainty can discourage investment and weaken economic confidence (Nenci, S, 2020). The qualitative evidence examined in this study indicates that businesses were not responding only to the direct financial cost of tariffs; they were also responding to uncertainty about what future trade policies might look like. Consequently, uncertainty itself became an economic transmission mechanism, influencing business expectations and contributing to a less predictable international economic environment.

The findings concerning investment patterns further demonstrate that the trade war had consequences beyond merchandise trade. The documentary analysis indicated that firms increasingly considered alternative production locations and diversified their international investment strategies in response to trade and geopolitical risks. Mexico and Southeast Asian economies became particularly relevant because of their geographical, manufacturing, and trade connections with major markets. UNCTAD reported that investment patterns increasingly reflected supply-chain restructuring, while ASEAN economies experienced substantial increases in foreign direct investment during the recent period (United Nations Conference on Trade and Development [UNCTAD], 2025). However, the findings also demonstrate that investment relocation should not automatically be interpreted as complete economic decoupling from China. In several cases, firms continued to rely on Chinese intermediate goods even when final assembly or processing occurred in third countries. This indicates that global value chains became more geographically complex rather than simply separating into independent national systems.

The study further identified important implications for international economic stability and financial-market confidence. The comparison of published evidence indicated that trade tensions affected expectations regarding economic growth, corporate profitability, investment returns, and future international market conditions. The global slowdown observed around 2019 occurred during a period of intensified trade tensions, although it would be inappropriate to attribute global economic performance entirely to the trade war because numerous other factors affected growth. Similarly, the sharp contraction in 2020 was overwhelmingly associated with the COVID-19 pandemic rather than the U.S.A–China trade conflict. This distinction is particularly important for interpreting the qualitative findings because the trade war occurred simultaneously with other major global shocks. Nevertheless, the evidence indicates that trade-policy uncertainty and geopolitical competition added another layer of instability to an already interconnected international economic system (Steinbock, D, 2018; Itakura, K, 2020).

Another important finding concerns the transformation of international economic relationships. The analysis indicated that the U.S.A–China trade war contributed to a broader movement toward economic security, strategic supply-chain management, regionalization, and selective de-risking. Governments and businesses increasingly considered geopolitical relationships when determining where goods should be produced and from whom critical inputs should be sourced. This development represents a

significant departure from the earlier emphasis on minimizing production costs through highly integrated global value chains. The emerging model places greater importance on resilience, redundancy, and strategic autonomy. Recent IMF and UNCTAD evidence similarly suggests that geopolitical fragmentation and trade-policy uncertainty are increasingly influencing global investment and production decisions (Ahn, D, et al., 2021). The findings therefore indicate that the trade war contributed to a wider transformation in the logic governing international economic integration, although the extent of this transformation differs considerably across sectors and countries.

Conclusion

The study concludes that the U.S.A–China trade war generated consequences that extended substantially beyond the bilateral relationship between the two largest economies. The qualitative analysis demonstrated that tariff escalation contributed to changes in global trade flows, trade diversion, increased economic and policy uncertainty, investment adjustments, and the restructuring of international supply chains. China remained an important component of global production networks, but its direct role in U.S.A sourcing declined while Mexico, Vietnam, Taiwan, and other economies gained greater importance. The evidence therefore suggests that the trade war did not result in complete economic decoupling; rather, it encouraged the diversification and reconfiguration of global value chains. At the broader level, the conflict contributed to a less predictable international economic environment in which geopolitical considerations, economic security, and supply-chain resilience increasingly influence international trade and investment decisions. The study consequently concludes that the U.S.A–China trade war has become an important structural factor in the transformation of global economic integration and represents a continuing challenge to the stability and predictability of the international trading system.

Future Implications

The future implications of the findings suggest that global trade and investment are likely to become increasingly characterized by supply-chain diversification, regionalization, strategic sourcing, and geopolitical risk management. Governments and multinational corporations may continue reducing excessive dependence on individual countries for strategically important goods, while Mexico, Southeast Asia, India, and other emerging production centers may gain further importance within global value chains. However, continued diversification may also increase production costs and create parallel supply networks, potentially reducing some of the efficiency associated with traditional globalization. Future trade policies will therefore need to balance national economic security with the benefits of international economic integration. International institutions such as the WTO and IMF may have an increasingly important role in promoting predictable trade rules and reducing the risk of excessive economic fragmentation. Future research should further examine whether the current restructuring represents temporary supply-chain adjustment or a permanent transformation of globalization, particularly in strategic sectors such as semiconductors, artificial intelligence, renewable energy, electric vehicles, pharmaceuticals, and advanced manufacturing.

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