



The Consequence of the U.S.-China Trade War on the Global Economy and Multilateral Trade Strategy

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ABSTRACT

This paper examines the consequence of the US-China trade war on the world trade and the economic growth, corporate decision-making, and the possibility of multilateral mechanisms in alleviating its impact. The three major goals will be connected: to measure the macro and trade effects, to find out how multinational corporations (MNCs) have modified the way they do business, and to consider the extent to which multilateral and regional agreements helped stabilize trade flows. We employ methodology that combines secondary data analysis using IMF, World Bank and WTO data; event-style analysis of equity and commodity changes in response to tariffs; and sector specific case studies in electronics, automotive, and agriculture segments. The results show that there is a consistent and negative influence on global trade growth and the heightened volatility in the market that firm adopt a mix of cost absorption as well as selective price pass-through tactics. The non-tariff boundary expenses have risen in connection to the rising expenses of corporate diplomacy and compliance expenditures. At the policy level, WTO limitations have made the rapid settlement of disputes impossible, whereas regional arrangements (CPTPP and RCEP) have become practically important to harmonize rules and access markets. We find that the key to resilience is a diversified supply chain, inventory mass, and dual-market product placement and market placement alongside special-case government actions to mitigate policy uncertainty. Multilateral rules should be strengthened, the modernization of dispute settlement procedures should be enhanced and agreements to be become sector specific to combat fragmentation and ensure a more predictable environment of trading and investments

INTRODUCTION

Transforming Trade Into War

The trade war between the U.S. and China that was formally declared in 2018 has become one of the most fateful economic tussles in the recent world history. This friction was first ignited by the issues that the trade imbalance between the two countries was unfavorable and that there was theft of intellectual property between the two countries. The conflict then quickly grew into a full-blown tariff war [1]. United States, under the presidency of Donald Trump, applied tariffs in a wide range of imports of Chinese merchandises such as electronics, machines, and consumer products. The main aim of these tariffs was to tackle the American trade deficit with China and to force China introduce more rigorous intellectual property rights and business practices [2]. China has since retaliated by imposing their own tariffs on the U.S. products and services thus hitting back at sectors like agriculture, technology and manufacturing which are very crucial areas of interest to the U.S economy [1], [3].

The move made by the Chinese government to impose tariffs on American agricultural products was seen by the American people as a more strategic move not only to weaken one of the key political agenda of President Trump but also to make a statement that it will oppose what it considered an aggressive American approach [4]. During the trade war development, it has become clear that not only the two main sides of the conflict were affected economically. Tariffs on goods had risen to high levels by 2025; 145 % imposed on Chinese goods and 125 % on U.S products; which shook the economy of the world [5]. The long-optimized international supply chains, optimized to be cost-effective and active in cross-border trade, suffered disruption to a large extent. Businesses which depended on goods produced in China to manufacture faced high costs of production, businesses which are dependent on imports into the U.S faced difficulties in reaching their major markets [6]. The impact is especially strong in those industries that are more dependent on the technological development of the United States and China such as the technological one where companies of these two countries could not get access to the basic components needed by the technological sector [7], [8].

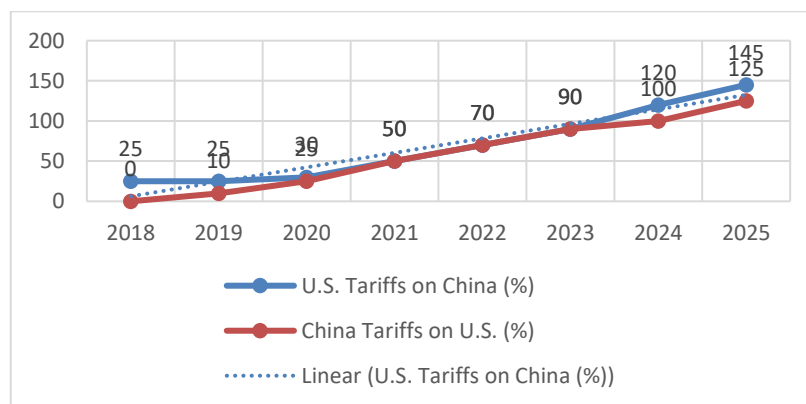


Figure 1. US and China Tariffs from 2018 – 2025

The effects of trade war were massive on businesses and consumers. This cost increase was passed on down the supply chain leading to the rise of prices of many products including consumer products. Companies that operated in the electronic, automobile, and textile industries have also suffered in terms of reduced profitability due to increased operations cost under the tariffs [9], [10]. Consumers were already facing inflationary pressures and this was added to when they were facing higher prices at the point of purchase especially in things like electronics, apparel, and food commodities. Frequently viewed as a policy measure that could protect local industries, the trade war turned itself into a two-sided sword, affecting all sections of the economic scale. Moreover, trade war created the effect of uncertainty which impacted upon global markets [11], [12].

Investors who lacked clarity on how long the standoff will last and how the issue will be resolved became more cautious in their decision-making procedures. Both the United States and China also had stock markets that were both very volatile due to the larger economic effect of the tariffs coming to light. Much to their detriment, even the markets that were not directly participating in the war experienced the consequences, since trade barriers in one area frequently took a domino effect in the other ones [13]. Countries that had trade relations with both the United States and China including European countries and those in the Southeast Asia region were also caught into the webs of trade relations when they tried to reduce the consequences of the economic impacts. In addition, the trade war tested the values of the World Trade Organization (WTO), which is comprised to enhance the free trade and settlement of trade conflicts among countries. When the United States and China flagged tariffs and retaliated against each other, the two nations neglected the dispute-settlement mechanisms already in place within the WTO [1], [14], [15]. It is this loss of credibility in international trade institutions that has led to market concerns on the future of the international trading system and whether free trade principles will withstand the emerging wave of protectionism. The trade war has had a political side, which is more evident as well. Tariff rhetoric was driven by President Trump and his policy of putting America first especially when it came to decreasing U.S. trade deficits and reshoring manufacturing employment [2], [16]. Such moves by the administration were seen by most people as a direct confrontation to the economic rise of China and its increased presence across the international platform. China, on its part, has taken the role of championing free trade by making the American tariffs look like an attack on the world economy. International politics is divided into two extremes and nations are forced to express an opinion either in the ideological battle to determine the course of international trade [17], [18].

By 2025, the trade dispute grew beyond an economic dispute into a full-blown geopolitical competition where not only the supremacy of the economies but also the edge in technological research and development, military power as well as the overall influence in the world affairs is claimed by both countries. This increased aggression in the trade war is a new reflection of power imbalance between both countries as each of them strives to sabotage the other using tariffs, sanctions and diplomacy. The problem was not about trade imbalances only and

intellectual property theft and became a step towards global dominance in an increasingly evolving environment [9], [18], [19]. The consequences of the US-China trade war will last years, and it will determine the future of international trade relations and world economy. It will be seen whether the trade system that has been established worldwide will go through at least a sort of restructuring, whether new alliances in the trade relationships will develop or whether countries will choose the route towards self-sufficiency. Nevertheless, there is one point that must be outright: the trade war between the United States and China has irreversibly changed the environment of global business, and its impact will resonate across the globe [13].

Research Core Issue and its Scope

The overarching purpose of this paper is to perform in-depth research on the current U.S.-China trade war in 2025 and analyze its impact on the global economy and financial markets as well as multinational corporations (MNCs) since it has serious consequences. As the tension between the two biggest economies in the world is still going, different businesses around the world have been forced to make adjustments in their strategies based on the rising tariffs and the subsequent curve balls to the global supply chain. Such developments have contributed to the proliferation of multilateral trade agreements that have taken on critical significance as counteractions against the US-China conflict since it has hypothetically resulted in economic consequences. Some of the guiding questions in this research study are based on seeking answers to one of the major causes of widespread effects of US-China trade war. To begin with, what have been the changes to the economic policies and commercial rating of the U.S and China to renegotiate the war as it is presently in 2025? With the two countries putting in place new regime of tariffs and readjustments in the economic models, the research paper looks at what specific efforts the two countries have made to ensure the effects of the remodeled trade policies. Moreover, how do the consequences of the U.S. trade war against China pertain to the sizes of global trade, the development of the GDP, and the functioning of financial markets?

The disruption of trade flows, reallocation of production hubs, and shifting balance of global trade power are central to understanding the broader economic impact of the conflict. In particular, this study analyzes how these disruptions have influenced global GDP growth patterns and the stability of financial markets. Equally important is the adaptation of multinational corporations (MNCs) to these changes in the market. How are MNCs adjusting to the new economic realities created by the US-China trade war? This study examines the strategies employed by these corporations to maintain their competitive advantage amidst rising tariffs, changing regulations, and increasingly complex global supply chains. These adaptations may include shifting production bases, form new strategic alliances, and investing in technology to streamline operations. Finally, this study delves into the role of regional trade agreements (RTAs) and the World Trade Organization (WTO) in mitigating the adverse effects of trade wars. In the face of rising protectionism, RTAs have become more prominent, offering nations an alternative framework for conducting trade. This study explores how these agreements and international institutions help cushion

the global economy and provide a counterbalance to the U.S.-China economic rivalry. Through these questions, this paper seeks to offer a nuanced understanding of the U.S.-China trade war in 2025, its global ramifications, and the strategic responses of nations and businesses alike.

LITERATURE REVIEW

The studies of the U.S-China trade war are mainly structured around the four themes that include the macroeconomic impacts, the reconstitution of the supply chain, the strategy of firms and the role of trade governance. Macroeconomic studies mostly find that bilateral trade is decreased due to tariff shocks and that the effects have spillover into the global demand due to uncertainty and costs of inputs.

METHODOLOGY

By using gravity models and counterfactual simulations, the resulting studies can show that there is diversion of trade with third countries rather than total reforming back, and that these welfare losses also are not evenly distributed among different sectors and areas. One would expect an equity and commodity-based tariff-related volatility analysis to reflect such short-term movements, whereas the medium-term effects occur through a narrowing of margins within traded, input-intensive sectors. Literature stresses that it is easier to relocate the final assembly than the deep decision verticals prompting firms to reorganize only the most tariff-sensitive nodes. There is evidence on the inventory/logistics front that suggests even buffer stocks and multi-sourcing to be an effective hedge against policy shocks on a working capital cost front. Mixed tariff pass-through are highlighted in firm-strategy research where consumer staples firms are more likely to pass-through tariffs, whereas technology hardware firms have a competitive, relationship-based cycle to upgrade their products. Investigations of company disclosure and supply chain staffing information indicate three widespread responses; selective price inflation, absorbing costs and increased productivity and redesigning bills of material to change the HS codes. Studies on non-tariff measures point to increased compliance being watched by increasing legal and government-affairs presence in the footprint of multinationals data localization and standards costs are also on the rise. Lastly, the researchers look at the constraints and the potential of multilateralism. Studies of the dispute settlement system in WTO refer to very gradual and incomplete redress, thus encouraging states to join regional regimes. Analysis of the CPTPP and RCEP reveals that they go some way towards countering bilateral frictions due to market access preferences, as well as harmonized rules of origin. Running through all these streams of research is the synthesis that resilience is grounded in diversification, modular product design, and predictable policies, and that the continuing great-power rivalry holds global value chains in an interdependent rather than a highly decoupled state.

RESULT

The U.S.-China Trade War and its Global Economic Impact

1. Tariff Disruptions

In 2025, by the time, the currently escalating trade tensions between the United States and China were approaching the breaking point, in the form of the unprecedented level of tariffs introduced. In order to deal with imbalance in trade, the United States enacted the 145% tariff on Chinese imports by April 2025, particularly focusing on the major areas of steel, electronics, consumer goods, and machinery. China as retaliation raised a tariff by 125% on the importation of several key U.S imports such as soybeans, automobiles, and aircraft [20]. These high tariff hikes aimed at putting economic pressure on the other country highly strained the bilateral trade and instigated a spree of economic upheavals in both nations [21]. Underlying these increasing trade bickering are the stark consequences of the impacts on the 2009-2025 trade data. U.S. exports to China have been rising steadily until they maxed out at \$ 29.1 billion in the year 2017. This trend however changed as the tariffs were implemented and the tensions heightened. In 2025, American export to China decreased to \$18.9 billion, which was a 14% decrease compared to the prior years. This slump is significant highlighting the severe effect of tariffs especially the American businesses which strongly depend on the Chinese market. This decline is representative of the overall pressure to which the trade dispute subjected American exporters not only did they incur higher expenses but they also lost market access owing to retaliatory tariffs. The Chinese imports to the United States behaved in the same manner. Imports of Chinese origin had reached their highest level \$56.4 billion in 2019, after a protracted track record of steady growth. [20], [22], [23]. However, the trade dispute quickly turned out to have some economic repercussions in the United States. By 2025, imports of the U.S. made to China diminished up to 16 percent that totaled USD 55 billion. Such a decrease attracts attention to the fact that tariffs disrupted world supply chains and illustrated in Figure 2. Businesses and consumers in the U.S. had to deal with increased costs of purchases and decreased selection, and the overall effect of the tariffs slowed down the supply of Chinese products to the U.S. market, further interrupting economic activity on both sides of the trade [24].

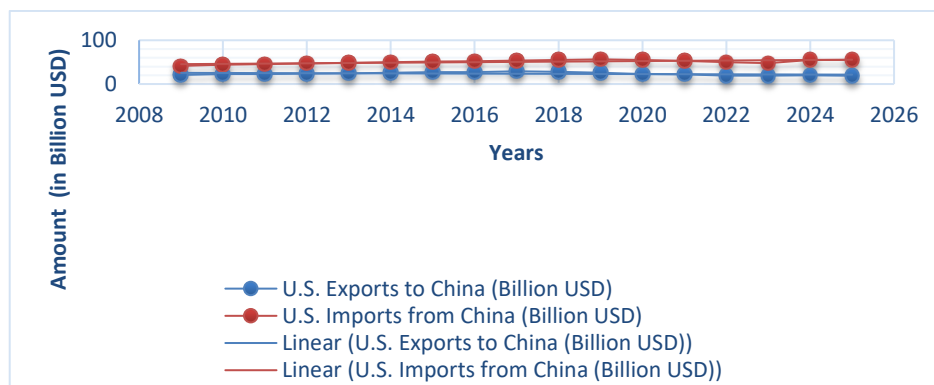


Figure 2. US Trade with China

However, the consequences of these increased tariffs went beyond the trade relationship between the two US and China at the time. The trade war further has had a spillover effect beyond the economy because industries the world over had been forced to adopt to the new trade restrictions, the increased production costs, and the supply chain shocks [9], [25]. It is estimated that in the year 2025, the rate of GDP growth will fall across the world to 2.3% and this is a notable drop as compared to the past years. This decline reminds us of how far-reaching the effects of the trade war can be as the countries across the world struggle to deal with the economic impacts of the conflict between the two biggest economies. The secondary consequences of the US-China trade war are indicative of the fact that all markets in the world are highly intertwined and that the pervasive influence of any protectionist measure poses a threat to the stability of the whole world economy [26].

2. Economic Slowdown and Global Trade Impact

The world economic situation was further worsened by the slow-down in the economy as triggered by the trade war between the US and China. Besides the above findings of the World Bank that have already been reported, where global GDP growth is now expected to be 2.3% by the year 2025, a decline of 0.7% compared to the initial projection of 3.0% (Figure 3), the World Trade Organization (WTO) has reported a global trade volume of 5.3% contraction in the year 2020 [27]. The drop is, however, largely explained by the trade tensions between the two largest national economies in the world and the negative influence of this conflict on other new markets and sectors. Trade war also created chaos in the existing supply chains and brought an element of uncertainty which led to reduced international trade activities and caused slow growth of the economy in the U.S [13].

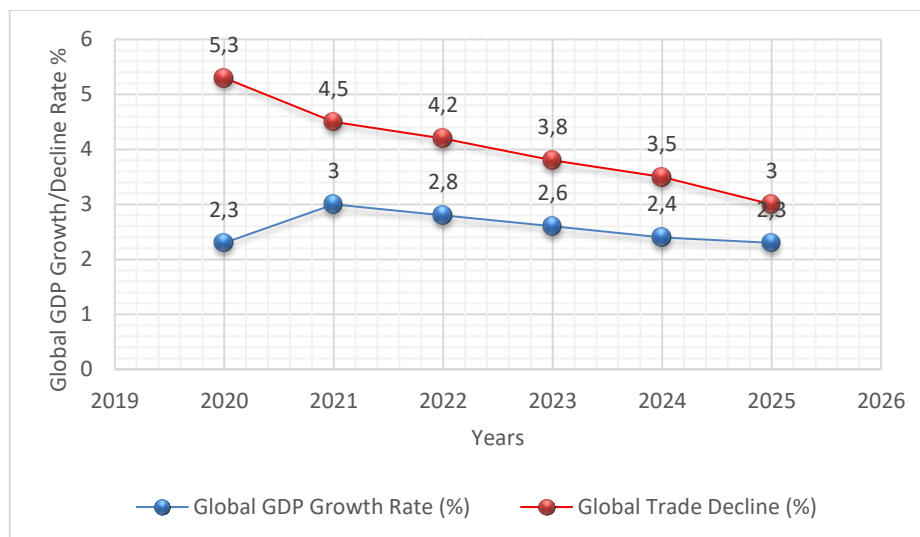


Figure 3. Global Economic Indicators (Global GDP Growth and Trade Decline)

The imbalance in trade has escalated and the countries have been struggling with the consequences of the changing tariffs and trade barriers to their economies. Massive tariffs have forced many countries to change their trade

policies and their supply chains, which have created inefficiency and chaos. This has had a direct impact on industries whose functioning is highly dependent upon the international supply chains, namely manufacturing, technology, and agricultural sector [28]. Tariff-induced instability has resulted in slower production and slower investment in these sectors since their existence rests on the smooth flow of goods and services. This has led to more challenges being posed on the global economy such as the reduction in the foreign direct investment (FDI) and economic recovery slowdown. The long-term effects of the US-China trade war are still unknown, whose consequences could further jeopardize global economic projections although the trade agreements and discussions are likely to provide some relief [29].

3. Impact on Financial Markets

The U.S.-China tariff battle was the first dominant factor that created a massive sell-off in the world. In early April 2025, it was announced by President Trump that he intended to impose tariffs on the release of a new tax bill he called the "Liberation Day." The decision wiped out profits on tax cut hopes by almost a 20% drop in the S&P 500. However, by late June, U.S. stocks recovered an impressive comeback because the administration delayed its deepest tariffs, and cut deals with China and the U.K... On 19 February, the S&P 500 recouped its previous high 19 February and was now up year-to-date by about 5% as of 27 June [30]. The markets of China also recoiled albeit at an uneven pace. The Hang Seng Index of Hong Kong is also doing well as people are optimistic on the technology and the thawing of trade tensions with increases of around 21% by the end of the month of June and 23.92% since the start of the year by 8 August. The index with the largest A-shares CSI 300 Index stood at 4,104.97 points on 8 August and it indicated it had increased by 22.8% year-to-year. By comparison, the Shanghai Composite rose by virtually nothing, by early July only accumulating around 2 percent over the year to stand at 3,635.13 points as of 7 August 2025 [31]. This deficit highlights the way the investor funds have flown to the tech-heavy Hong Kong and not to the mainland bourses. As in the sector, the boom of AI and technology in China is something positive. Being estimated to be about 38% up this year to date which is depicted in Figure 4, the Hang Seng Tech Index is largely due to the innovations made by AI start-ups like DeepSeek. Industrial stocks (steel and cement) on the other hand have rally only sporadically as Beijing shaves blatant excess capacity and battles price wars, so long term investors remain leery of the market [32].

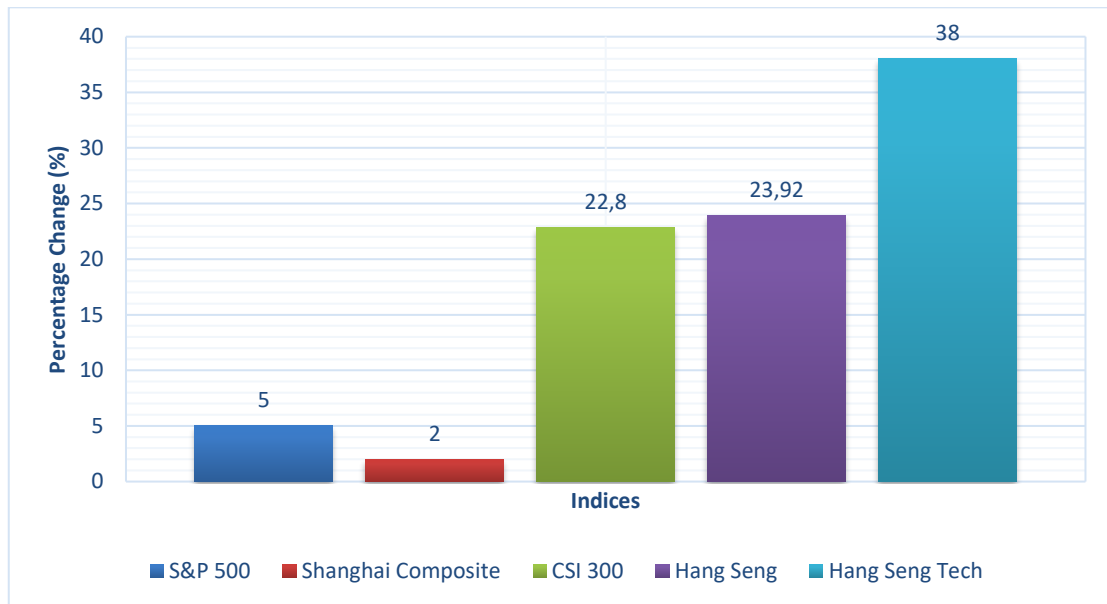


Figure 4. Market Performance Amid US-China Tariff War

There are changes also occurring in the mind of an investor and at Bank of America August fund manager survey indicated that a net 14% of managers showed overweight positioning in the global equities segment which rose comparatively to the past month. The allocation to emerging market equities increased to a net 37% weighty, the strongest since February 2023, reflective of vigorous interest in Chinese and other emerging market securities in spite of the ongoing concerns. Rising trading tensions continue to be the top tail risk, with 29% of those citing it, and there is a widespread feeling amongst managers that the U.S. stocks are overpriced [33]. Although markets have recovered from the downturn experienced in the spring, the tariff conflict continues to exert influence, directing capital towards perceived opportunities in China's technology sector and broader emerging markets.

4. Commodity Dynamics

There were massive effects as far as commodity prices are concerned since the trade conflict had far-reaching effects across markets. For instance, is hanging over international trade, the US-China conflict has had a negative impact on some of the major exports. As an example, Soybeans that were once a huge export product of the U.S to China in China, there was a massive decline. In 2025, the price of soybeans declines up to 39%, going down by about \$5 in 2018 to \$27 by the end of the trade dispute. This drastic drop can be straightforwardly explained by tariffs imposed on products of agriculture that caused a dire disruption in the process of trade between the two countries. Tariff wars have also contributed to price behavior of steel [23], [34]. The price inflated in 2018 when the U.S. government instituted tariffs to guard the U.S market, but by 2025 the market had stabilized, and prices of steel had dropped by 30 % thus dropping to \$42 by 2025 and the peak had been \$80 in 2023. The steel prices stopped soaring due to the initial shock and found a lower equilibrium anew that only restructured global supply chains and trade dynamics could determine. Oil which is not an active part of the conflict in the world market has seen its zigzag movements due

to the trade tensions. In 2025, the cost of crude oil was in the process of tug-of-war between the growing volatility, and the stabilization factors. Oil prices ranged between \$60 and \$80 per barrel in the year 2025 as opposed to the more consistent prices of \$50 to \$60 in 2024. Market stability was criticized since prices of crude oil adjusted in response to the changing trade policies and world supply anxieties [35], [36], [37].

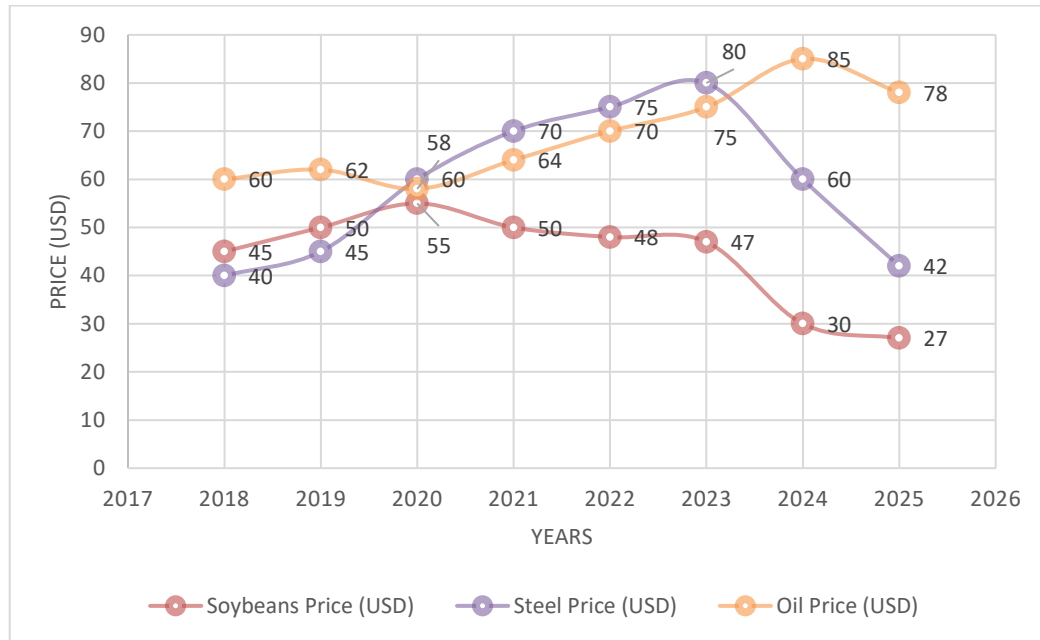


Figure 5. Commodity Price Fluctuations

As the effects of the trade war faded in the history, the repercussions remain there, and these are witnessed in the turbulent price changes of commodities like soybean, steel, and oil. These prices are now charged not only with supply and demand dynamics but also with the complicated interrelations of political forces, trade policies and the development of the global alliance [38].

Globalization Trends in Business Strategies in Multinational Corporations (MNCs)

1. Supply Chain Diversification

Multi-Country Sourcing Strategy has become one of the key strategies among the multinational corporations that want to diversify their supply chains and reduce risks of being highly dependent on China. This policy would involve continuing manufacturing operations in China and at the same time extending manufacturing facilities to other states like Vietnam, India, and Mexico etc. which demonstrated in Table 1. This is one of the strategies that many businesses have embraced to minimize their degree of exposure to global geopolitics, rising labour expenses and supply chain risk [39].

Table 1. Major Companies Implementing Multi-Country Sourcing Strategy

Company	Original Base	New Manufacturing Hubs	Industry Focus	Comments
Apple	China	India, Vietnam, USA	Consumer Electronics	India now accounts for up to 14% of global iPhone production; expected to double by 2025.
Samsung	South Korea	Vietnam, India, Mexico	Consumer Electronics	Over \$23 billion invested in Vietnam; significant production shift.
Dell Technologies	USA	Mexico	Computers & Electronics	Expanded manufacturing in Mexico to reduce reliance on USA.
Nike	USA	Vietnam, Indonesia, Cambodia	Apparel & Footwear	Diversified production to Southeast Asia to mitigate risks.
Sony	Japan	Thailand, Malaysia	Consumer Electronics	Expanded manufacturing in Southeast Asia to reduce dependence on Japan.
Charoen Pokphand	Thailand	China, Vietnam, Cambodia	Agribusiness, Retail	Operates Southeast Asia's largest retail business by revenue; significant investments in China.

2. Cost Absorption and Price Adjustments

The worldwide increase in tariffs has forced companies in the technology and consumer goods industries to decide how they should cover these additional expenses or pass them along to customers. Remarkably, even the major corporations like Intel and Qualcomm decided to subsidize the effect of the new price because of the tariffs and even Intel reporting on a 25% increase in the production expenses but stable market pricing to protect sales volume [40]. Likewise, Qualcomm embedded a 15% increment in costs to keep its customers in the same period. On the other hand, the reaction to tariffs imposed on the imports of China by Apple was to raise its prices on iPhones by up to 5 percent. In consumer goods industry, suppliers like Procter & Gamble and Unilever have increased their prices due to the tariff load by up to 10% in 2020 [21], [23], [41]. Market forces and the strategic goals of a company determine whether it is preserving costs or delegating them. In markets that are very competitive, companies tend to incur expenses in a bid to maintain brand loyalty especially in product areas where price is quite sensitive. Nonetheless, companies that have higher pricing power like Tesla have raised their prices to ensure profitability and that has shifted the costs to consumers [42]. The fact that China is the largest exporter in the world and a key manufacturing location also has a great influence on this decision. Cost-effective manufacturing has been enabled by the dominance of China in production of consumer electronics, the solar panels and electric vehicles. Its Belt and Road Initiative and technology investments also enhance international trade and offset the financial results of tariffs so that businesses can avoid increased expenses to keep their prices competitive [43].

3. Corporate Diplomacy and Policy

Engagement Corporate diplomacy, especially the lobbying and policy engagement has become a critical step forward by multinational corporations (MNCs) in China. With China on an economic rising trend, corporate diplomacy has been used by the MNCs to manoeuvre the complex legal environment and ensure favorable business circumstances in China [44]. One such incident has been the way corporations have lobbied tariff exemptions and policy changes in China to mitigate the effect of economic pressures, including trade tensions, tariffs and changing regulation [45]. Multinationals like Apple, Volkswagen and General Motors have gotten into the lobbying game to get friendly policies like tariff exemptions, to maintain profitability in the country. China and its large market with a competitive manufacturing industry are the country that has traditionally been a good choice when it comes to foreign investment. Considering the importance of foreign investment, Chinese government has been open to efforts aimed at lobbying governments, often providing exemptions and making reforms that support the businesses [46]. China has cut or removed the tariffs on many imported products, offered tax rebates, and accommodation of regulatory power in order to entice foreign businesses. Besides, free trade zones and special economic zones that extend concessions to the foreign investors to minimize the economic risks related to the world trade tensions as well as a stable business operation environment are being created by the government itself [47]. Corporate diplomacy in China goes beyond getting exemptions; it involves establishing ties with the local stakeholders, working with policy makers on project policies, and aligning to the changing Chinese regulatory system. In this regard, the aggressive nature of the Chinese government in dealing with international business, allied with the readiness to be reformed makes its case stronger as a good place where the foreign corporate can invest [48], [49].

The Role of Multilateral Trade Agreements and Regional Cooperation

1. The Role of the World Trade Organization

World Trade Organization (WTO) is regarded as the solid foundation of the international trade, which has brought stability, predictability and equity in the international trade. But over the last few years, it is increasingly coming under criticism, especially on the issue of failing to be effective in dealing with the trade conflict between the United States and China. This persistent conflict evidences the flaws of the WTO, particularly regarding a world economy that is dynamic and fast-moving, one characterized by intricate interdependencies, digital commerce, and escalating protectionist measures [15], [50]. Nonetheless, the role of China in the WTO system deserves to be mentioned, and some criticisms currently expressed might not reflect the bigger picture in which these problems are generated. The major criticism of the WTO is its long and unwieldy dispute-resolution mechanism. This issue can be illustrated by the trade tensions between the U.S and China which turned into a complete trade war in 2018. Settlement in disputes by WTO can occupy many years through its Dispute Settlement Body (DSB). The case in point is the U.S.-China trade conflict, which started in 2018, after one reports that in 2020, the WTO made a decision that selected Chinese industrial subsidies contravened WTO regulations, yet the tariffs had been levied

by the U.S. long before the verdict was declared [51]. The WTO estimates its dispute settlement mechanism takes an average of 400 days to resolve disputes but it can take substantially longer as in the case of US-China disputes. Such a lag can contribute to heightened international tensions between the key actors in the international arena, because the economic interests are substantial and there is a need to act at once to prevent the rise of tensions [52]. It is necessary, however, to note that China in general has been obeying the principles of this organization cooperating with it usually in a bid to get solutions within the WTO protocol, unlike the US, which has been conducting unilateral actions followed by it. It is good evidence that China adheres to the multilateral trade regime unlike the U.S. which has regularly sought to bypass the WTO and impose tariffs or sanction unilaterally, weakening the legal predominance of the WTO [15], [53].

The role of China in the WTO is crucial, as far as the wider implication of the issues experienced by the organization is concerned. China is an established presence in international trade since assuming the status of a WTO (World Trade Organization) member in 2001. China is one of the largest exporters in the world and since it is the largest exporter with a total export value of 2.59 trillion dollars in 2022 (World Bank), it is crucial to the economic stability of the world to be involved in decision making in WTO. It is, as well, the second-largest economy, which contributes more than 16 percent to the worldwide GDP in 2023 (World Bank) [54], [55]. This fact renders its involvement in decision-making within the WTO critical to the world economic stability and well-being. Most of the criticisms leveled against China and more often by the U.S are pegged on unfair trade such as theft of intellectual property, state subsidies and restrictions to access the market. Nevertheless, such problems can usually be explained by dissimilarities in economic models and the level of its development, but not based on the intention to weaken the WTO. The Chinese market economy is not a liberal approach to free-market economy as applied by western countries because it incorporates both state-owned enterprises and others in the market. The result of this may increase tension in the way trade rules are interpreted and applied at the WTO [56], [57].

China has also been proposing a serious reform of the WTO to take account of evolving nature of international trade especially in digital trade and protection of intellectual property. As technology progresses today, the WTO regulations, as they exist today, developed in 1990s do not effectively cover the contemporary trade issues. In the global e-commerce market, in the year 2019, it covered an amount of 26.7 trillion dollars which was increased each year by 20%; however, the rules which were provided by the WTO did not entirely take into consideration the expansion of the sector (UNCTAD) [25], [58]. As a nation that has experienced a digital economy explosion and home to technological powerhouses, such as, Alibaba, Tencent, and Huawei, China is heavily committed to amending such regulations to ensure that they support greater protection of intellectual property rights, at the same time encouraging innovation and technology development within the nation. As a result, China has been at the forefront supporting WTO reforms that will provide more of concerted effort to integrate e-commerce, and intellectual property provisions,

where the U.S has been perceived to be a reluctant party to the serious negotiations [59].

The Chinese view on reform of the World Trade Organization (WTO) cannot be understood only through the lens of their economic interests only, it also can be seen as an appeal to the more open and more equal world trade process. Over the years, developing nations have argued that the WTO regulations are unfair because their developed counterparts are more capable of influencing economies and the industries since they are stronger. With its rise as an economic powerhouse, China can become a natural ally to these developing countries since it has been promoting a more inclusive and grounded attitude towards international trade rules, which represent the actualities of multipolar globalism [60]. At the end of it all, although the WTO has not been particularly helpful in mediating the US-China trade war, it is important that people look at the big picture within which these problems are playing out. Being one of the major members of WTO, China has shown itself to be supportive of multilateral system and is at the forefront of reform initiatives. The focus on revising trade regulations, especially in such areas as online business and intellectual rights protection, reflects the changing global economy and the position of China in shaping its development in the future [50], [61]. Instead of focusing on the blame game to state that all fault lies with China, it would be more critical to understand the dynamics in force and the need to have far-reaching reforms in the WTO that can overcome the objections of all its members particularly at a time where the global trading scene undergoes a dynamic transformation [53], [62].

2. Regional Trade Agreements

Regional Trade Agreements (RTAs) are playing a significant role in the dynamic nature of the international trade presently, as they form economic strategies and alliances. Two of the notable RTAs that have placed prominence have been the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP) especially with regards to the U.S-China trade dispute [63], [64]. The agreements are symptomatic of the changing landscape of the global commerce and of the important strategic location of China in the Asia-Pacific region.

a) Regional Comprehensive Economic Partnership (RCEP)

The Regional Comprehensive Economic Partnership (RCEP), signed in November 2020 and to come into effect in January 2022, is a free trade agreement between 15 states of the Asia-Pacific region: Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, and Vietnam. This group of countries share a total population of about 30% of the world populace and a gross domestic product (GDP) of the entire globe making the RCEP the biggest free-trade area globally [65]. The leadership of China in making and promoting the RCEP shows its commitment to the regional economic integration, and multilateralism. The pact aims at lowering the tariffs, simplifying the customs procedure and improving the flow of trade in goods and services between member states. In China, the RCEP is eventually considered a platform to strengthen its economic relations with the neighbours, diversify trade partnerships, and reduce its

dependence on the Western markets. Since the implementation of the RCEP, China has recorded improved trade between countries that are members to the RCEP [64], [66]. By 2023, China had experienced foreign trade growth of 5.3% with the 14 RCEP member countries, as compared to 2021, and in the first ten months of 2024, trade with other RCEP countries was up 4.3%. This growth curve reveals the material advantages of the RCEP in strengthening the regional trading arrangement of China [67], [68].

b) CPTPP: China's Aspirations and Strategic Considerations

Trans-Pacific Partnership (TPP) was rearranged into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) after the United States pulled out of the agreement in 2017. The other 11- Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam- signed the updated agreement in 2018. The United Kingdom was the 12th member to join the agreement with expansion taking place since its inception in 2024 [69]. In September 2021, China formally applied to join the CPTPP, showing its intention to be consistent with high-standard trade rules and to enlarge its regional economic presence in the Asia-Pacific. It includes about 15% of the world GDP and 580 million citizens, which entails considerable access to markets. Nonetheless, there are numerous threats to the countries of the CPTPP in the accession of China. The strict provisions on the rights of labor, environmental protection and state-owned enterprises in the agreement also require a set of major domestic reforms [69], [70]. China has taken this initiative to say it is willing to engage in such reforms hence showing its dedication to fulfilling the high standards of the agreement. Nevertheless, the accession to CPTPP underscores China strategic plan to become more integrated into the manifestation of the world economy, become more integrated into its trade interactions with the member states, and exert its influence on defining regional economic standards [71].

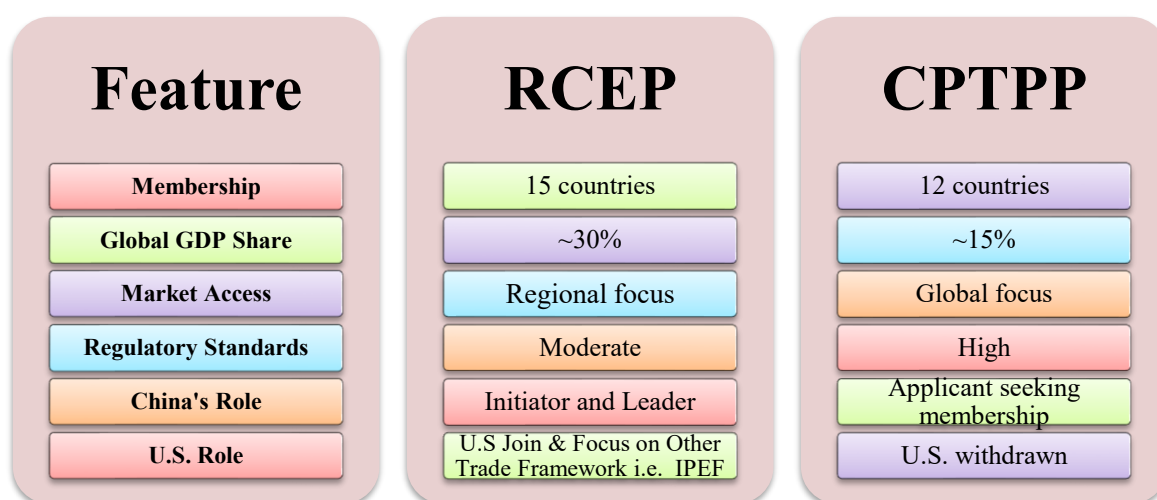


Figure 6. Role of RCEP and CPTPP in Trade

The fact that China is actively engaged in the Regional Comprehensive Economic Partnership (RCEP) as well as seeking a membership to the

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) reflects how it strategically positions in the regional and the international trade patterns. Playing a dominant role in the RCEP, China received an additional opportunity to strengthen its status as the hub economic power in the Asia-Pacific region [60], [72]. Simultaneously, its interest in the CPTPP indicates a desire to get involved in the trade agreements involving higher standards, as a result of which it will improve its global economic position. Further, Inclusion in the regional trade agreements (RTAs) leads to diversification of the trade relations, as China does not depend on a particular market, and it ensures diminishing influences of external trade conflicts, as was the case during the US-China trade war [73].

3. U.S. Dollar and BRICS in the Trade War

The dollar has been the foundation upon which trade and the process of finance is based. The intense trade policies and sanctions slapped by the United States however have made many countries to rethink the use of the dollar. Consequently, the countries of the BRICS, including Brazil, Russia, India, China, and South Africa, have been pushing hard to pursue the de-dollarization [74]. Such a tendency is seen, in particular, in the form of projects like the BRICS Pay system, in which countries engage in transactions involving their respective local currencies, minimizing the necessity of exchanging in dollars. China has led such movement by promoting the use of renminbi (RMB) in international trade. The policies of the Chinese economy and strategic alliances have also advanced the acceptability of the RMB as an international currency as it threatens the dominance of the dollar in the world markets [75].

a) China's Strategic Response to the Trade War

To address rising trade disputes and tariffs, China has deployed a set of actions that curtail their effects and take advantage of new opportunities that arise.

- *Distribution of Trade Partnerships*: China has reinforced its economic activities with the nations of Africa, Latin America and Asia and thus, curbed its reliance on U.S markets. Brazil has become a major exporter to China with Chinese investments strengthening the Brazil infrastructure and energy industries [76].
- *Publicizing of the Renminbi*: China has been active in promotion the use of the RMB in the global transactions. This also embraces the promotion of trading partners to pay in RMB, hence, reducing the use of dollar in world trade [77].
- *Cultivation of Alternative Financial Systems*: China has aided in the development of alternative financial systems like BRICS Pay through which certain nations are building alternative financial systems (outside of western-dominated financial systems) in order to secure more economic sovereignty [78].

b) Implications for Global Trade

The dispute between the United States and China is a trade war that is causing traders to review the way people conduct trade on a global basis. Tariffs are some of the tools of economics that have been employed by the United States;

albeit unintentionally, which have accelerated the move towards a multipolar financial system. Through this transition, China has been found to play a central role in steering global trade. China is not only threatening the dominance of the U.S. dollar but also helping out to rectify a more polycentric and stable world financial structure by encouraging the use of the Renminbi (RMB) and promoting alternative financial systems [79], [80]. This geostrategic location improves the Chinese economic strength in global trade and it can be connected to the entire geopolitical interests of China. The flare-up of the U.S.-China trade war in 2025 has caused serious effects on the global economic systems. The factor that has allowed China to take advantage of the changed dynamics and reduce its reliance on the U.S. dollar and exert more influence on global trade has been its proactive efforts in promoting the RMB and vouching financial projects which were led by the BRICS. These developments underscore China's role as a crucial participant in the evolving international economic order [81], [82].

DISCUSSION AND CONCLUSION

US-China trade war has drastically shifted the world economic scenario, and it has had a far-reaching impact on the world economy in terms of trade, capital markets, and business plans. As of 2025, the rise of tariff levels between two countries ascended to the unprecedented levels releasing rippling impacts on different sectors and areas of the economy. The war has led to massive interruptions in global supply chains and has forced multinational corporations to adjust. The changes can severely affect multinationals that rely on supply chains to support their operations across the planet. Multi-country sourcing is a strategy that has been embraced by many companies to diversify their sources of manufacturing facilities to cut down on their over-reliance on the China supply chain. Among the then beneficiaries of this strategic change include Vietnam, India, and Mexico, which are used as new centres of production in the car industry. There has been an occurrence of volatility in financial markets which was first characterized by the sharp rates of fall then recoveries in both U.S. and Chinese markets. Still, simmering trade protests still occupy the headlines, pushing investor confidence to identified opportunities within the Chinese technology industry and emerging markets as a whole. The trade war has also shaped the prices of commodities with major swings on important exports like soybean, steel, and oil. Such price fluctuations are attributable to the complex interaction of trade policies, geopolitical conflicts and the formation of new global partnerships. Regional trade agreements have been in the spotlight due to these challenges. The Formation of the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has arisen to become the major source of economic collaboration and China has been a major contributor in building those unions. Additionally, trade war has triggered moves to de-dollarization, especially among BRICS countries. The status of the U.S. dollar as the world currency is undermined by the fact that China promotes the use of the renminbi as currency used in the international trade, as well as supports the idea of alternative financial system. With the global economy still struggling with the

effects of the trade war, it is not clear how international commerce would be in the future. The war not only changed the flow of trade but also caused reconsideration of the global economic governance in the region. There has been questioning of the role of the world trade organization which sides with a need to have reforms in world trade institutions. To sum up, the US-China trade war prompted the transformation of the economic world towards a more multipolar one. With countries and companies still coming to terms with this latest reality, the far reaching strategic effects on international trade, economic prosperity, and geopolitical interactions likely will dominate international affairs on a continued basis.

FUTURE STUDY

The trade war between the US and China triggered an array of other essential areas of research in the future that enlighten on the emerging patterns of trade and the economy. One of the main fields of inquiry refers to the long-term effects on the global growth of GDP and levels of trade because tariffs are a source of disruption to international supply and trade chains. In this regard, multilateral trade agreements will play an important role in reducing these tensions and defining the future of the international trade system with the WTO, RCEP, and the CPTPP being just a few of the examples of agreements. The other major trend that is worth considering is the changes to the global supply chain as businesses decouple with China and develop new centers of production in other states, including India, Vietnam, and Mexico. This change does not merely touch on the volumes of trade but also geopolitical relations, making new economic relations and trade attributable. International trade and economic policies are undergoing further redefinition through the role of emerging technologies, such as automation, AI, and blockchain, which will establish new channels of international transactions. This phenomenon of de-dollarisation, especially ideas like the BRICS Pay initiative, threatens the U.S. dollar with its position of authority on the world market. Analysis of the effects of the alternative payment systems and whether corporate diplomacy works is going to be crucial in analyzing how multinational corporations respond to such changes. Also, the ability of the WTO to align to the contemporary trade issues, including digital commerce and intellectual property will play a key role towards the relevance of the organization in a changing global economy. The evolving socio-political effects of the changing trade relationships and the viability of regional trade agreements will be critical in the next few years in defining how economies around the world are integrated. Future studies can then establish a common ground of their interaction when they cross reference trade policies, supply chain, technology, de-dollarization and corporate strategies to holistically understand the changes taking place in the world financial system.

Limitation of This Study

This research was characterized by various limitations that need to be taken into consideration. It takes into consideration only the short to mid-term effects of the U.S.-China trade war and does not look beyond 2025 in regards to the long-term effects. Moreover, the primary perspective of the scope is the trade between the US and China, and may not reveal the entire nature of international trade dynamics, especially non-consideration of other regions and upcoming economies. The decision based on the existing economic trends and forecasts can also fail to capture any unexpected world events or sudden changes in policies. The effects of emerging technologies on modes of trade remain largely untapped and their geopolitical impact cannot be overstated with regards to the trade relations, particularly, those which are shifting. The paper is equally not keen on conducting a thorough study of restructuring the global supply chains and new manufacturing centers. The monetary market effects of the process of de-dollarization and other payment systems like BRICS Pay are not studied up to date. Sectoral break-downs and how corporate diplomacy fares in these sticky trade situations are other areas that will be targeted.

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