

# The Impact of Regional Economic and Trade Conflicts on Participants and the Global Economy: A Case Study Based on the China-U.S. Trade War

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**Abstract.** Against the backdrop of globalization, China and the United States, as the world's two largest economies, exert profound influence on the global economy through shifts in their trade relations. Since the outbreak of the trade war in 2018, the United States has imposed substantial tariffs on Chinese goods and implemented restrictions in high-technology sectors, while China has responded with reciprocal tariffs and a strategy of market diversification. This conflict has not only reshaped China-U.S. economic and trade relations as well as industrial structures but has also generated extensive repercussions for global supply chains and the economies of other nations. By compiling data on China-U.S. trade, policy updates, and case studies, and employing comparative analysis alongside case study methodology, this paper delineates the key policies and developmental stages of the trade war and assesses its impact on both China and the United States, as well as on the global economy. The findings reveal that the trade war has imposed economic pressures on both nations, while simultaneously accelerating the restructuring of global industrial chains and heightening uncertainty in the international economy.

**Keywords:** China-U.S. trade war, Global supply chain, Bilateral economic relations, Industrial structure, Policy impact.

## 1. Introduction

### 1.1. Research Background and Research Topic

Over the past few decades, China and the United States have forged a close economic bond in the globalized era. China, with its vast manufacturing system, has become the world's factory, continuously supplying various goods to the global market; while the United States, relying on advanced technology and developed service industries, has firmly held the upper hand in the international industrial chain. This complementary relationship could have led to mutual benefits for both sides and promoted the sustained development of the global economy. However, in recent years, as China's economy has rapidly risen, the United States has begun to feel uneasy. Some in the United States believe that their trade with China has led to an increasingly large trade deficit, their intellectual property rights have not been adequately protected, and the competitiveness of their domestic industries has also been impacted [1]. With these concerns and doubts, trade friction between the two countries has escalated continuously. In 2018, the conflict erupted completely. The US government used the excuses of "trade imbalance" and "inadequate protection of intellectual property rights" to successively impose tariffs on Chinese goods exported to the United States. A trade war with a wide-ranging impact was thus launched. This conflict far exceeded the scope of simple trade and was also mixed with technological competition, strategic games, and the fight for global influence. The global economy has thus been overshadowed and become more turbulent and unstable. Based on the aforementioned background, this study aims to clarify the specific policies of the China-US trade war, as well as to assess the impact of these policies on both countries and the global economy in the short term and the long term.

## **1.2. Research Objectives and Research Significance**

This study seeks to provide a clear and practical overview of the specific policies implemented during the China-US trade war and to evaluate their short- and long-term effects on both economies, as well as on the wider global economic landscape. By examining real-world impacts on industries, consumers, and international markets, this study aims to offer a grounded understanding of how large-scale trade conflicts unfold and what they mean for ordinary businesses and national economic stability. The findings may serve as a useful reference for policymakers, business leaders, and researchers looking to mitigate trade tensions, foster cooperation, and support sustainable economic growth in an increasingly uncertain global environment.

## **1.3. Research Methods and Research Structure**

This study employs case analysis method, comparative analysis method, and secondary data analysis method, etc. Firstly, it discusses the main policies and development stages of the China-US trade war, then analyzes its impact on the economies of both China and the United States, followed by exploring its influence on the global economy, and finally summarizes the conclusions, points out the shortcomings, and looks forward to the future.

# **2. The Main Policies and Development Stages of the China-U.S. Trade War**

## **2.1. Main Policy Measures of the Trade War**

During the China-U.S. trade war, tariff and non-tariff measures emerged as the core instruments of policy confrontation between the two countries. In 2018, the United States invoked domestic laws such as Section 301 and Section 232, imposing additional tariffs in several phases on Chinese goods worth approximately 360 billion USD, with tariff rates ranging from 10% to 25% [1]. The scope of these tariffs gradually expanded from basic industrial components to end-consumer products. In response, China implemented reciprocal countermeasures, levying tariffs on U.S. goods valued at around 110 billion USD, with a particular focus on sectors in which the U.S. held traditional export advantages, such as soybeans, automobiles, and chemicals [2]. Beyond tariffs, the U.S. built a comprehensive system of non-tariff barriers. In the technology sector, it tightened restrictions on Chinese firms' acquisitions of American high-tech companies and strengthened the review of cross-border technology-related investments, effectively cutting off channels of China-U.S. technological collaboration. At the industrial level, Chinese technology companies such as Huawei, ZTE, and SMIC were placed on the "Entity List," thereby limiting their access to U.S. technology and key components [3]. As a result, the conflict evolved from a simple tariff confrontation into a multi-dimensional contest spanning technology, capital, and other strategic domains. By 2025, the trade war had further escalated, though with more sophisticated and targeted approaches. The United States continued to impose phased tariffs on certain Chinese goods, with a new focus on high-tech products, renewable energy equipment, and critical minerals. Moreover, Washington increasingly relied on non-tariff measures, such as expanding the Entity List and tightening export controls, especially in areas like artificial intelligence, quantum computing, and advanced semiconductors. It also promoted "nearshoring" and "friend-shoring" strategies to restructure global supply chains. In response, China adopted targeted tariff adjustments on U.S. exports including agricultural products, chemicals, and high-end consumer goods. Simultaneously, it accelerated breakthroughs in core technologies and pursued supply chain diversification, while employing legal tools such as the Anti-Foreign Sanctions Law to counter U.S. actions. Overall, this trade war has transcended the issue of trade imbalances, evolving into a comprehensive struggle over technological dominance and supply chain security.

## **2.2. The Development Stages of the Trade War**

The evolution of the China-U.S. trade war can be divided into three distinct stages [4]. From 2018 to 2019, during the first stage, the trade war reached its peak, with both countries frequently imposing

additional tariffs, which caused significant fluctuations in bilateral trade. As a result, businesses and markets on both sides came under considerable pressure. In January 2020, the two nations signed the Phase One Economic and Trade Agreement, which temporarily eased tensions. However, core disagreements—particularly in areas such as technology and industrial policy—remained unresolved, laying the groundwork for future conflicts.

Between 2020 and 2022, the trade war entered the second stage, characterized by a prolonged stalemate. With technological competition intensifying and geopolitical frictions deepening, conflicts were no longer confined to tariffs. Even as the COVID-19 pandemic disrupted the global economy, the United States continued to strengthen its technological blockade against China. Consequently, trade frictions gradually evolved into a normalized confrontation.

Since 2023, the trade war has entered a new stage. The U.S. shifted its strategy from simply imposing tariffs to pursuing “de-risking” and selective decoupling, aiming to reduce dependence on China by leveraging measures such as the CHIPS and Science Act to secure critical industrial chains. In response, China accelerated efforts to achieve independent innovation, promoted breakthroughs in core technologies, and actively pursued supply chain diversification to mitigate external risks [5].

Overall, this conflict has transcended the realm of traditional trade disputes, evolving into a comprehensive strategic rivalry between two major powers, spanning technology, industry, and national security.

### **3. The Impact of the China-U.S. Trade War on the Economies of Both Countries**

#### **3.1. Impact on China**

The impact of the China-U.S. trade war on China’s economy has been complex and far-reaching, bringing tangible challenges while, to some extent, driving structural optimization and the transformation of growth drivers. In the short term, export-oriented enterprises have faced significant pressure. Rising tariffs directly increased production costs, leading to a loss of orders. Traditional labor-intensive industries, such as textiles and furniture, experienced a noticeable decline in export volumes due to their heavy dependence on the U.S. market. Electronics manufacturing firms were also affected, with some companies compelled to adjust production capacity and geographic layouts, resulting in an overall contraction of China-U.S. trade flows [6]. At the same time, the trade war’s effects have spilled over into the agricultural sector. Higher import costs for U.S. agricultural products impacted domestic livestock farming and food processing industries, while also contributing to market price volatility to a certain extent. From a longer-term perspective, however, these pressures have begun to transform into momentum for structural upgrading. An increasing number of manufacturing enterprises have moved up the value chain, with industries such as new energy vehicles, high-end equipment, and green technologies gaining new development opportunities. In the technology sector, external restrictions have, paradoxically, accelerated independent innovation, with continuous increases in R&D investment in key areas such as semiconductors and artificial intelligence, leading to initial progress in domestic substitution. Moreover, in response to the changing external environment, Chinese enterprises have actively pursued market diversification, strengthening cooperation with Belt and Road Initiative (BRI) countries and other emerging economies, resulting in a more balanced global footprint. In sum, while the trade war has caused short-term pain, it has also objectively accelerated the restructuring and competitiveness reshaping of China’s economy, injecting new dimensions into the pursuit of high-quality development [6].

#### **3.2. Impact on the United States**

The United States has also borne tangible economic costs amid the trade conflict. The agricultural sector has been particularly hard hit. For many years, China was a major export market for U.S. agricultural products such as soybeans and corn. However, high tariffs led to a sharp decline in U.S.

agricultural exports to China, resulting in significant oversupply and unsold crops in Midwestern farming states. Many farmers faced falling prices and reduced incomes, forcing them to rely more heavily on federal agricultural subsidies to maintain operations [7]. This development has had a persistent impact on the economic stability of traditional agricultural regions. The manufacturing sector has also encountered substantial challenges. Tariffs on Chinese-imported components drove up production costs for many U.S. manufacturers. Industries such as electronics and machinery were especially affected, as supply chain disruptions and restructuring compressed corporate profit margins. In response, many companies relocated production processes to countries such as Mexico and Vietnam—both to mitigate the impact of tariffs and as part of a broader adjustment of global supply chain structures [7]. In the technology sector, while export controls and market access restrictions constrained the growth of Chinese technology firms, they also caused U.S. technology companies to lose access to significant segments of the Chinese market and disrupted avenues for collaboration. Firms in industries such as semiconductors, software, and technology services experienced declines in revenue, and over the long term, this fragmentation of the technological ecosystem may pose deeper challenges to global innovation efficiency and international cooperation [8]. Overall, while the initial intention behind the United States' trade protectionist policies was to safeguard its economic interests and technological advantages, the implementation of these policies has resulted in negative feedback effects across multiple sectors—including agriculture, manufacturing, and technology—to varying degrees.

## **4. The Impact of the China-U.S. Trade War on the Global Economy**

### **4.1. Changes in the Global Supply Chain**

The global supply chain was once characterized by a high degree of interconnectedness between China and the United States. However, under the impact of tariffs and sanctions, multinational corporations have accelerated efforts to diversify their supply chain layouts. Some companies have relocated production processes to Southeast Asia and India in order to mitigate risks and avoid trade barriers [8]. Nevertheless, this trend has resulted in a decline in the overall efficiency of global industrial chains, leading to higher production and logistics costs [8]. In the long term, the global supply chain is gradually evolving toward a pattern of regionalization and multi-polarity, reflecting a shift away from traditional centralized models.

### **4.2. Impact on the Economies of Other Countries**

The economies of other countries have also been affected by the trade war. Some Southeast Asian nations benefited from industrial relocation, with countries such as Vietnam and Malaysia experiencing significant growth in exports and emerging as new hubs for manufacturing capacity transfer [9]. In contrast, countries heavily dependent on the Chinese and U.S. markets faced substantial challenges. Europe came under economic pressure due to declining demand and supply chain disruptions, while Latin American countries were negatively impacted in terms of raw material exports. As a result, the trade war has become an important source of global economic instability, further intensifying financial market volatility and increasing policy uncertainty [10].

## **5. Suggestions for Economic Stabilization in the Context of Trade War**

To mitigate the impact of the trade war and stabilize the economy, actions can be taken at both the bilateral and global levels: 1) Bilateral level. To address the disruptions caused by the trade war, China and the United States should strengthen communication and consultation mechanisms at the bilateral level. Beyond trade-related issues, the two countries could expand cooperation in areas of shared concern, such as climate change, public health, and technological innovation, in order to build a foundation of mutual trust. On this basis, both sides could gradually reduce tariff and non-tariff barriers, thereby alleviating the operational cost pressures faced by enterprises. At the same time,

establishing a high-level economic policy dialogue platform, coupled with a regular assessment mechanism for trade policies, would enhance policy transparency and clarity of future directions. This would not only help businesses better anticipate changes but also provide clear guidance for adjusting export product structures and optimizing supply chains. In turn, this would make bilateral economic and trade relations more stable, reducing volatility and uncertainty. 2) Global level. At the global level, it is essential to maintain and improve the multilateral trade system, promoting trade rules that are fairer, more transparent, and more inclusive. By actively participating in WTO rule reforms and engaging in negotiations for regional free trade agreements such as the RCEP and CPTPP, China can diversify export markets and reduce dependence on a single market. Furthermore, strengthening international cooperation, promoting supply chain stability, and facilitating trade would help to mitigate the shocks caused by trade frictions. These measures would also provide a more stable operating environment for the global economy and foster long-term mutual benefits and win-win outcomes.

## 6. Conclusion

Overall, the China-U.S. trade war has not produced a clear winner. Traditional export-oriented industries and emerging high-tech enterprises in China have both faced external pressures, while the U.S. agricultural and manufacturing sectors have also suffered losses. More importantly, the global industrial chain has become more fragile and uncertain as a result. This indicates that the trade conflict is not solely about economic interests, but also involves technological competition and institutional differences. Of course, this study has certain limitations. Since it primarily draws on publicly available data and existing studies, it lacks in-depth, first-hand information from enterprises, which may make the conclusions less comprehensive. Moreover, the impact of the trade war is still evolving, and the current observations reflect only a specific stage of its development. In the future, integrating quantitative data with field investigations of enterprises could yield a clearer understanding of the concrete effects of trade frictions on the economy. For instance, by analyzing export data, tariff changes, and industrial distribution, it would be possible to quantify the trade war's impact on different sectors. In addition, surveying enterprises to examine how they adjust supply chains, modify production plans, or make innovation-related investments would reveal micro-level dynamics. By combining such data and case studies, a more comprehensive understanding can be developed of how trade frictions between major powers shape corporate decision-making, supply chains, and the global economic landscape.

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