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ANALYSIS OF THE IMPACT OF THE TRADE WAR BETWEEN THE UNITED STATES AND CHINA ON GLOBAL TRADE

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ABSTRACT

This study aims to analyze the impact of the trade war between the United States and China on global trade, focusing on trade volume, supply chain disruptions, and the response of developing countries. The trade war that began in 2018 was marked by tit-for-tat tariffs between the two countries that caused significant disruption to the international trade order. The research method used is a descriptive-quantitative approach by relying on secondary data from international institutions such as the WTO, IMF, and UNCTAD. The results of the study show that the trade war directly reduced the volume of bilateral trade between the US and China and slowed down overall global trade growth. The global supply chain experienced massive relocation and reorganization, especially in the manufacturing and technology sectors, resulting in increased production costs and logistical uncertainty. Developing countries such as Vietnam, Mexico, and several Southeast Asian countries benefited from industrial relocation, but also faced structural challenges. On the other hand, the emergence of protectionist trends and the formation of new trading blocs reflect long-term transformations in the global economic system. These findings confirm that the impact of the trade war is systemic and is pushing the world towards a more fragmented and competitive trade configuration.

Keywords: Trade War, Global Trade, Supply Chain, Developing Countries,

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INTRODUCTION

In the last decade, the world has witnessed major turmoil in the international trade landscape due to the trade conflict between the two world economic giants, namely the United States and China. This trade war phenomenon has not only created political and economic tensions between the two countries, but has also had a significant chain effect on global economic stability (Badiri, 2020). The trade war began explicitly in 2018, when the United States, under the administration of President Donald Trump, imposed high tariffs on various imported products from China. In retaliation, China also raised tariffs on American goods. This tariff war is a symbol of deeper structural tensions, including issues such as intellectual property theft, industrial subsidies, and trade imbalances (Anggraeni, 2019).

The picture of the global situation after the start of the trade war shows a slowdown in world economic growth, disruption to the global supply chain, and increasing uncertainty in international financial markets (Sonny, 2020). The World Trade Organization (WTO) noted a decline in global trade volume since 2019 as a direct impact of increasing trade barriers between the US and China. Countries that depend on exports of semi-finished goods or raw materials to the two countries have experienced a decline in demand and disruption in distribution (Putri, 2019). In addition, a number of developing countries have begun to experience exchange rate pressures and trade deficits due to the shifting flow of goods and services (Munawaroh, 2019).

This trade conflict not only affects the main actors, but also creates a domino effect that reaches almost all regions of the world. Countries with open economies such as Indonesia, Vietnam, and Mexico have also felt the impact of the shift in global trade strategies (Ibnu Khaldun, Sari, & Ismira, 2023). On the one hand, several countries have the opportunity to divert investment and trade from China to third countries (trade diversion), but on the other hand they are also affected by market uncertainty and fluctuations in global demand (Henry, 2020).

Given the complexity and breadth of the influence of this trade war, it is very important to understand how the conflict between the United States and China concretely affects the structure and dynamics of global trade (Saifulloh, 2020). Therefore, this study raises one main problem formulation, namely: "What is the impact of the trade war between the United States and China on global trade, especially in the context of trade volume, supply chains, and the response of developing countries?".

METHOD

Type of Research

This study uses a descriptive-quantitative approach, which aims to describe and analyze the impact of the trade war between the United States and China on global trade based on statistical data and international economic trends. The quantitative approach was chosen because it allows researchers to measure the impact objectively through analysis of trade data and economic indicators (Niken Wilantari & Bawono, 2021).

Approach and Strategy

The approach used is a global case study with a focus on the trade conflict between the two countries, as well as its impact on developing countries and the international trading system in general. The research strategy includes a comparative analysis of data before and after the trade war (period 2016–2022), as well as trend and correlation analysis of global economic variables (Setianingtiyas, 2022).

Data Sources

1. This study uses secondary data, obtained from:
2. World Trade Organization (WTO)
3. International Monetary Fund (IMF)
4. World Bank (WB)
5. United Nations Conference on Trade and Development (UNCTAD)
6. U.S. Census Bureau and National Bureau of Statistics of China
7. Academic reports and publications related to trade wars and international economics

Data Collection Techniques

Data collection was carried out using the documentation method, namely collecting and recording statistical data and official reports related to international trade, tariff policies, and global economic growth indicators. In addition, researchers also utilized scientific journals, annual reports, and relevant research articles to support theoretical and empirical analysis (Ilhamsyah & Arisyahidin, 2019).

Data Analysis Techniques

The analysis techniques used in this study include:

1. Descriptive Statistical Analysis: to display an overview of global export-import trends, trade growth, and fluctuations in trade volume.
2. Comparative Analysis: comparing global trade conditions before and after the trade war (pre-conflict vs post-conflict).
3. Simple Correlation and Regression Analysis: to determine the relationship between tariff variables (US and China) and global trade indicators such as world export volume, total trade value, and international investment distribution.

Research Limitations

This research focuses on trade conflicts that occurred in the period 2016–2022 and does not discuss political aspects in depth. The impacts studied are limited to the goods trade sector, without discussing services or investment specifically.

Data Validity

To maintain validity and reliability, data is obtained from credible international institutions and compared across sources so that the analysis results have high argumentative strength. Source triangulation is carried out to ensure consistency of data and findings (Aini, 2021).

FINDINGS AND DISCUSSION

The trade conflict between the United States and China—conceived as a tariff war—has escalated into a global issue from 2018 to the present. Before the escalation phase, bilateral trade relations between the two countries were interdependent, with annual trade volumes reaching hundreds of billions of dollars. However, the tariff policy announced by the US in 2018, covering more than US$360 billion of Chinese products, triggered a wave of responses—China retaliated with US$110 billion worth of tariffs on US goods. These massive tariffs rose to an average level of around 17–21%, which was partially reduced through the Phase One Agreement in early 2020, but the high tariff levels still persist. The trade war then shocked the world: global trade volume slowed sharply, from routine growth of around 3% to just 1.2% in 2019. According to the World Bank and IMF, global economic growth was also distorted, with a downward revision to 2.3% in 2025. These projections show how the tariffs imposed not only affect China and the US, but also spread to the global area (Natalia, 2020).

More concretely, a WTO assessment found that the relocation of manufacturing supplies from China to countries such as Vietnam, Mexico, and India is increasing. Multinational companies are shifting production facilities to avoid high tariffs. Empirical studies of the impacts show significant changes: for example, Vietnam is increasing its share of US exports to the US and attracting FDI, while

China is also re-evaluating its supply chain structure (Parbo, 2021).

In terms of bilateral trade volume, the data shows a drastic change: US–China trade of US$582 billion in 2024 is expected to decrease by 80% if Tariffs continue to be increased, with a complete economic decoupling projected. One immediate effect of this decoupling is a decline in US imports from China—although the US remains a major export destination for many competing countries, such as Mexico and Vietnam.

This decline in volume is not only a decline in the dollar value of trade, but also has an impact on logistical difficulties: global supply chains are disrupted. The electronics, automotive, agriculture, and steel sectors are facing significant disruptions. Analysis shows that tariffs are causing industrial relocation, increasing production costs, inflation risks, and fluctuations in stock markets and foreign exchange markets. In fact, PIIE points out that the shift to RCEP and CPTPP has partly offset the negative impacts of US–China bilateral trade, although its effects have not fully compensated for the decline in traditional trade volumes (Utami, 2021).

Strategically, China appears to be adapting by prioritizing economic self-reliance through a “dual circulation” policy—reducing export dependence and strengthening domestic consumption and internal technological innovation. The US has retaliated with legislation such as the CHIPS Act, to bring critical technology supply chains such as semiconductors back into the country. These policies reflect how the trade war has become a catalyst for the geopolitical restructuring of the global economy (Sahide, 2021).

Not only China and the US, developing countries—especially in Southeast Asia—are feeling the domino effect. Studies in Vietnam show that the trade war has driven the relative success of exports of goods to the US, especially in the manufacturing and agricultural sectors. FDI from the US has also increased, creating alternative economic opportunities. However, challenges remain: increased logistical burdens, pressure on infrastructure, and the risk of disruption due to geopolitical conflicts (Wambrauw & Menufandu, 2022).

In the academic realm, economic models suggest that tariff wars have a negative impact on jobs: in the US, between 2019 and 2021 there were 50,000–100,000 agricultural jobs lost due to retaliation), in the automotive and electronics sectors hundreds of thousands of positions were eliminated. Meanwhile, global statistics show that manufacturing has lost millions of jobs as production shifts to other countries, including China's shock and countershock in China itself.

Returning to the problem formulation, we can answer the question: "How does the trade war affect global trade volume, supply chains, and the response of developing countries?"

First, changes in trade volume. High tariffs have drastically reduced the volume of bilateral trade between the US and China. Not only the dollar value, but also the frequency of contracts and the direction of goods flows, with the potential for decoupling reaching 80% in 2024/2025. At the global level, the WTO reported a decline in world export-import volume growth of only 1.2% in 2019, below normal growth before the conflict.

Second, disruption to the global supply chain. Decoupling has forced industry players to shift production bases. The supply chains of electronics, automotive, and important commodities are directly affected. For example, the relocation of manufacturing to Southeast Asia and Mexico, where high initial costs are offset by diversification and reduced tariff risks. In critical sectors such as rare earths, US dependence on China has instead encouraged intervention (for example, restrictions on Chinese exports) as well as efforts to rationalize and return supplies. Commodity distribution chains have also been disrupted: tariff fluctuations on soybeans have disrupted the global agricultural chain, while re-industrialization or nearshoring faces challenges in capacity and infrastructure costs in recipient countries.

Third, the response of developing countries. Southeast Asian countries such as Vietnam and Indonesia are showing signs of seizing the re-routing opportunity from the trade war. Vietnam has seen growth in exports and FDI, despite resource, infrastructure and local competition constraints. India, the EU and other ASEAN countries have also attracted production relocation, but some sectors, such as garments, electronics and automotive, are still lagging behind . But these opportunities do not come without risks: a sudden collapse in global demand could hit these countries harder than China or the US (Taufani, 2023).

Fourth, the trend of global protectionism. US-China tariffs have also triggered a wave of protectionism in other countries: the EU is considering tariffs on Chinese electricity, and Latin America and Southeast Asia have adopted similar policies to protect domestic markets from the invasion of low-tariff goods . The formation of regional trade blocs such as RCEP and CPTPP is a mitigation strategy, but it is regional in nature and not enough to replace previous integration.

Fifth, new geopolitical-economic dynamics. Trade wars have marked a global transition to economic multipolarity, with the US, China, Europe and the Asian bloc increasingly autonomous. Policies such as the US CHIPS Act, China's dual circulation and the EU's foreign investment regulation underscore the path to more structural economic fragmentation . At the same time, the era of globalization continues, but has changed: no longer relying on China–US alone, but instead focusing on broader, more flexible and regional networks.

CONCLUSION

From the discussion above, it can be concluded that the trade war between the United States and China has had a significant impact on the structure of global trade. The tariff conflict that has been going on since 2018 has not only caused a decline in bilateral trade volume between the two countries, but has also slowed down overall world economic growth. The tensions that have occurred have had a chain effect on the international supply chain system, driving industrial relocation, increasing production costs, and instability in logistics distribution. Developing countries, especially in Southeast Asia, have experienced a surge in demand as a result of industrial relocation, but at the same time have had to face challenges in infrastructure readiness, labor pressures, and the risk of new dependence on external markets.

This trade war also marks the emergence of a new phase in the global economic order characterized by fragmentation, increasing protectionist tendencies, and the formation of competing regional trade blocs. The United States with its domestic industrial recovery policy and China with its dual circulation strategy both show a tendency towards economic self-sufficiency, which ultimately deepens the economic separation between the two major world powers. Although integration efforts through multilateral agreements such as RCEP and CPTPP continue to be developed, the structure of global trade does not seem likely to return to what it was before the trade war began. The world is moving towards a more complex economic configuration, where countries are required to be increasingly adaptive, independent and responsive to geopolitical dynamics in maintaining the sustainability of their trade and economic growth.

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