

# The Impact of Trade Wars on Global Business Operations

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The ongoing trade tensions among major global economies such as the United States, China, India, and Russia have significantly influenced international business operations. A trade war—marked by higher tariffs, import restrictions, and protectionist policies—creates uncertainty in global markets and disrupts established supply chains. For the United States and China, continuous tariff escalations have increased production costs, slowed bilateral trade, and pushed many companies to shift manufacturing to alternative countries. This realignment has affected global pricing, investment patterns, and market competitiveness.

India has experienced both challenges and opportunities. While higher global volatility impacts its export-oriented sectors, India has also attracted new investments from companies seeking to diversify away from China. This shift has encouraged India to strengthen its manufacturing base and improve trade partnerships. Russia, on the other hand, faces restricted access to Western markets due to sanctions, which has forced it to redirect trade toward Asian economies and develop parallel financial and logistics systems.

Overall, the global trade war has reshaped business strategies across countries through supply chain restructuring, fluctuating currency values, policy changes, and shifting trade alliances. Understanding these impacts is essential for predicting future global business trends and preparing companies to operate effectively in an increasingly uncertain economic environment.

**Key words:** Tariffs, economic, financial disruptions, financial disruptions, sanctions.

## 1. Introduction

Trade wars and related geopolitical trade measures have become defining features of the global economy in the 2018–2025 period. The US–China tariff episodes, expanding use of export controls on technology, and broad economic sanctions (notably against Russia after 2022) have reshaped how firms source inputs, locate production, and plan market access. This paper asks: **How have these events changed operational decisions of businesses in the US, China, India, and Russia?** The study focuses on effects on costs, supply chains, investment, market strategies, and policy responses.

## 2. Literature overview and theoretical framing

Trade barriers (tariffs and non-tariff measures) raise costs of cross-border transactions and create uncertainty that lowers investment. Economic studies of the US–China tariffs document welfare losses and within-country distributional impacts; firms often absorb tariffs or pass them to consumers, and supply chains adjust by relocating stages of production or sourcing from alternative suppliers. Sanctions have a different character: they restrict access to financial services, technologies, and markets, producing more abrupt disruptions and often prompting firms and states to seek circumvention routes or localization. The OECD and academic literature warn that aggressive reshoring or fragmentation reduces overall GDP and raises volatility.

### 3. Methodology

This is a comparative, qualitative study based on secondary data and recent empirical findings. Sources include peer-reviewed working papers, policy reports, and reputable news/analysis (NBER, WTO, OECD/FT, CFR, SSRN). I synthesize findings to describe (a) direct trade effects, (b) supply-chain responses, (c) investment and firm strategies, and (d) policy measures and outcomes for each country.

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### 4. Country-level analysis

#### 4.1 United States — firms, tariffs, and strategic decoupling

**Direct effects.** The 2018–2020 tariff waves targeted hundreds of billions in imports from China and raised effective tariffs on a substantial share of trade, increasing input costs for downstream firms. Empirical work finds that much of the tariff burden was borne by US firms and consumers rather than foreign exporters; tariffs raised production costs and consumer prices in targeted sectors.

**Supply-chain and investment effects.** U.S. firms began diversifying suppliers (nearshoring/reshoring) where feasible and investing more in supply-chain resilience and domestic capacity for strategic goods (semiconductors, critical minerals). However, analyses warn that aggressive reshoring is costly and could reduce GDP if done naively — diversification, not complete decoupling, is often recommended.

**Business strategies.** Multinationals adopted a mix of pricing strategies, supplier switching, and relocation of non-core manufacturing. Technology and high-value sectors faced intensified export controls (dual-use goods), pushing firms to reconfigure R&D and compliance functions.

**Policy response.** The US combined tariffs with subsidies (domestic production incentives), export controls and coalition building with allies to restrict certain Chinese access to advanced technologies while seeking to keep overall supply chains open were strategic.

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#### 4.2 China — retaliation, adaptation, and industrial upgrading

**Direct effects.** China experienced reduced export demand for tariffed goods but often reoriented toward other markets. Chinese firms absorbed certain losses while government stimulus and targeted support helped cushion affected sectors.

**Supply-chain and investment effects.** China accelerated efforts to upgrade domestic capabilities in semiconductors, critical materials, and higher value manufacturing to reduce vulnerability to external controls. Some production that relied on inputs from the US or its allies moved to alternative suppliers or into China's domestic ecosystem.

**Business strategies.** Chinese firms diversified export markets (regional partners, Belt and Road markets) and pursued import substitution in strategic industries. State support (subsidies, credit) eased transition costs but also increased state-firm coordination.

**Policy response.** China combined retaliatory tariffs, industrial policy to boost self-reliance, and diplomatic-economic strategies to maintain trade links (including with emerging and developing markets). The long-term aim: reduce exposure to foreign technology chokepoints and currency/finance pressures.

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### 4.3 India — spillovers, opportunities, and structural constraints

**Direct effects.** India has experienced mixed spillovers. On one hand, some manufacturing and sourcing shifted away from China to India, creating export and investment opportunities; on the other hand, input linkages and higher global costs raised production costs for Indian firms reliant on China for intermediate goods. Studies and commentaries highlight both the potential and constraints for India to capture reallocated production.

**Supply-chain and investment effects.** Foreign firms considered India for diversification, but infrastructure, regulatory complexity, and skills gaps limit rapid large-scale relocation. India's gains are therefore selective (textiles, certain electronics assembly, APIs/pharma intermediate processing), and require sustained policy and investment to scale.

**Business strategies.** Indian firms expanded exports where they could; multinational firms used India as an alternative manufacturing location for less complex goods. Simultaneously, Indian businesses face increased costs for intermediate inputs and must invest in suppliers and logistics.

**Policy response.** India's responses include production-linked incentives, tariff adjustments, and efforts to improve ease-of-doing-business to attract relocation. Success depends on long-term improvements in infrastructure, skills and supplier ecosystems.

### 4.4 Russia — sanctions, reorientation, and systemic shocks

**Direct effects.** Following the invasion of Ukraine (2022 onward), Russia faced wide-ranging sanctions restricting trade in energy technologies, finance, and high-tech inputs, along with secondary sanctions from Western partners. These measures sharply reduced Russia's access to many global markets and financial channels. Reports and studies document large initial economic contractions and trade realignment.

**Supply-chain and investment effects.** Sanctions created acute shortages for specialized inputs (advanced semiconductors, aviation components), forcing Russian firms and the state to seek substitutes, rely on legacy stocks, or source through intermediaries. Trade re-routing towards non-Western partners (notably parts of Asia and the Middle East) increased, and financial workarounds (alternative payment arrangements, partial de-dollarization) accelerated.

**Business strategies.** Russian firms prioritized survival: localization where possible, stockpiling, and legally/illegally complex rerouting. Energy exporters continued to find buyers, but at greater logistical and reputational cost.

**Policy response.** Russia pursued de-dollarization, strengthened trade ties with sympathetic partners, and mobilized industrial policy to produce critical goods domestically. Results are mixed: some adaptation succeeded, but high-tech dependence remains a major constraint.

## 5. Cross-country comparison and common themes

1. **Costs and who bears them.** Across cases, firms and consumers mostly bear tariff costs; tariffs rarely achieve full redirection of trade without economic losses. Empirical work on the US–China tariffs show overall welfare losses and costs passed to firms and consumers.
2. **Supply-chain reconfiguration, not instant reshoring.** Firms respond by diversifying suppliers and adding buffer capacity. The OECD/FT analysis warns that aggressive reshoring can reduce GDP and resilience if it sacrifices efficiencies for geopolitics. Policymakers must balance resilience with openness.

- Sanctions vs tariffs.** Tariffs create predictable price wedges; sanctions often induce sudden, deep disruptions (finance, technology) that are harder to work around. Russia's experience highlights how sanctions can fragment trade and push re-orientation to non-aligned partners, but at substantial efficiency loss.
- Opportunities for third parties (like India) are real but limited.** India captured selective manufacturing but faces structural challenges that limit scale without policy reforms and investment.
- Strategic industrial policy grows.** Governments increasingly combine trade measures with subsidies, localization incentives, and industrial strategies to capture or retain strategic industries.

## 6. Policy implications for businesses and governments

### For businesses

- **Diversify suppliers** across geographies rather than concentrate risk.
- **Invest in supply-chain visibility** (digital tracking, multi-tier mapping) and scenario planning for rapid shocks.
- **Localize strategically** for critical inputs while retaining global sourcing where efficient.
- **Strengthen compliance and legal teams** to navigate export controls and sanctions.

**Table 1: Key Tariff Actions – US–China Trade War Timeline**

Date	Action	Description / Impact
15 June 2018	US imposes 25% tariffs on \$34B of Chinese goods	First major list of tariffs under Section 301.
1 Aug 2018	US increases tariffs to 25% on \$200B Chinese goods	Steep escalation.
Dec 2018	US & China agree to 90-day truce	A temporary pause in new tariffs.
Feb 2020	Phase-one deal average US tariff 19.3%	Broad coverage of US tariffs on Chinese exports.
Sep 2024	US raises tariffs further	Average US tariff rate increases.

**Table 2: US–China Goods Trade (Selected Years)**

Year	US Exports to China (USD billions)	US Imports from China (USD billions)	Trade Balance (Deficit)
2018	120.3 B	538.5 B	~ -418.2 B
2023	147.8 B	448.0 B	~ -300.2 B
2024	143.2 B	438.7 B	-295.5 B

**Table 3: India–China Trade (FY / Yearly)**

Fiscal Year	India Exports to China (USD)	India Imports from China (USD)	Trade Deficit (USD)
2023-24	~ 16.66 B	~ 101.75 B	~ 85.1 B
2024-25	~ 14.25 B	~ 113.45 B	~ 99.2 B

**Table 4: Russia Trade Realignment (Before vs After Sanctions)**

Partner	Share of Russia's Trade Before (pre-2022)	Share After (mid-2025)
EU / Western countries	~50% of goods exports / major share before war	Sharply dropped (e.g., EU share of exports fell)
China	~16% exports, ~30% imports (pre-war)	~30% of exports, ~35% of imports (mid-2025)

### For governments

- **Avoid over-broad reshoring policies** that harm overall competitiveness; prefer policies that build resilience (stockpiles, alternative partners, logistics).
- **Coordinate with allies** on export controls and standards to reduce loopholes and unfair circumvention.
- **Invest in domestic capabilities** where strategic dependence is unacceptable (e.g., advanced semiconductors, critical minerals).
- **Support workforce and supplier development** to attract and scale relocations (for countries like India).

These recommendations align with institution analyses that caution against protectionist overreaction and encourage measured diversification and international cooperation.

### 7. Limitations and suggestions for further research

This paper synthesizes secondary literature and policy reports. It does not present new primary data or econometric estimation. Further empirical work could quantify sectoral shifts (jobs, productivity), measure long-term investment reallocation by industry, and evaluate firm-level strategies using surveys and microdata. Research on the effectiveness of specific policy instruments (PLIs, subsidies, export-control coalitions) in preserving competitiveness would be valuable.

### 8. Conclusion

Trade wars and sanctions have materially altered global business operations across the US, China, India, and Russia — increasing costs, prompting supply-chain reconfiguration, and incentivizing strategic industrial policy. While some firms and countries found opportunities (select Indian manufacturing gains; Chinese market pivoting), overall effects point to higher frictions and potential GDP costs if fragmentation proceeds unchecked. The preferred path for resilience is pragmatic diversification, targeted domestic capacity building, and multilateral coordination to manage geopolitical risk while preserving beneficial global commerce.

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