

USA's Protectionist Policies and the Reconfiguration of Global Supply Chains.

إعداد الطالب/

Saud Hussein Ali Adam

241002071

إشراف/

د.الفیصل عبد الحمید

د.فايز جراد

العام الدراسي:

2025

All Copyright is owned by Midocean University

Acknowledgements

I would like to express my deepest appreciation and sincere gratitude to my supervisors, **Dr. Al-Faisal Abdul Hameed** and **Dr. Fayez Jarad**, for their continuous guidance, encouragement, and invaluable insights throughout this research. Their expertise and constructive feedback have been instrumental in shaping the direction and depth of this study.

I am also grateful to the faculty members of the **College of Management at MidOcean University** for their academic support and for providing an environment that fostered learning and research.

Special thanks are due to all the researchers and authors whose works informed and inspired this study. I also extend my appreciation to my colleagues, friends, and family for their moral support and understanding throughout this academic journey.

Finally, I am thankful to everyone who contributed in any way, directly or indirectly, to the successful completion of this research.

Abstract

This research explores the impact of the United States' protectionist trade policies on global supply chain structures, particularly in the context of rising geopolitical tensions and the shift away from multilateral trade agreements. Focus is placed on key events such as the U.S.–China trade war, the implementation of tariffs between 2018 and 2020, and the renegotiation of NAFTA into the United States–Mexico–Canada Agreement (USMCA). These policies triggered large-scale disruptions across various sectors and regions, leading firms to reconsider their global sourcing, production, and distribution strategies.

By examining case studies and reviewing current literature, this study analyses how affected companies and governments responded to trade restrictions, supply chain bottlenecks, and shifting alliances. The research finds that U.S. protectionism has accelerated trends such as regionalisation, nearshoring, and supply chain diversification. It also underscores the importance of resilience and adaptability in global operations.

The findings of this research aim to provide insight into how protectionist measures reshape the dynamics of international trade and influence the long-term structure of global value chains.

المخلص

يتناول هذا البحث تأثير السياسات التجارية الحمائية التي انتهجتها الولايات المتحدة الأمريكية على هيكل سلاسل الإمداد العالمية، وذلك في ظل تصاعد التوترات الجيوسياسية وتراجع الالتزام بالتجارة متعددة الأطراف. يركز البحث على محاور رئيسية مثل الحرب التجارية بين الولايات المتحدة والصين، وفرض الرسوم الجمركية خلال الفترة بين عامي (USMCA) 2018 و2020، وإعادة التفاوض على اتفاقية نافتا وتحويلها إلى اتفاقية الولايات المتحدة–المكسيك–كندا. وقد أدت هذه السياسات إلى اضطرابات كبيرة أثرت على العديد من القطاعات والدول، مما دفع الشركات إلى إعادة تقييم استراتيجيات التوريد والإنتاج والتوزيع العالمية.

من خلال تحليل دراسات الحالة ومراجعة الأدبيات الحديثة، يوضح البحث كيفية استجابة الشركات والحكومات للقيود التجارية والاختناقات في سلاسل التوريد والتحالفات المتغيرة. وتُظهر النتائج أن السياسات الحمائية الأمريكية ساهمت في تسريع توجهات مثل الإقليمية، والإنتاج القريب، وتنويع سلاسل الإمداد. كما يسلط البحث الضوء على أهمية المرونة والقدرة على التكيف في العمليات العالمية.

Table of contents

No.	Section Title	Page
1	Chapter One: General Framework of the Study	6
1.1	Introduction	7
1.2	Literature Review	7
1.3	Research Problem	8
1.4	Research Hypotheses	9
1.5	Research Objectives	10
1.6	Importance of the Study	10
1.7	Research Methodology	11
1.8	Limitations of the Study	12
2	Chapter Two: Theoretical Foundations	13
2.1	Global Value Chain (GVC) Theory	14
2.2	Realism in International Political Economy	14
2.3	Supply Chain Risk and Resilience Theory	14
2.4	Institutional Theory	14
2.5	Summary	15
3	Chapter Three: Case Analysis and Findings	16
3.1	Impact on Chinese Supply Chains	17
3.1.1	Table 3-1: U.S. Tariffs on Chinese Imports by Sector	17
3.2	Impact on Canadian and Mexican Supply Chains	18
3.2.1	Table 3-2: U.S. Imports from Canada and Mexico by Sector	18
3.3	Diversion of Trade and Investment	19
4	Chapter Four: Discussion of Results	20
4.1	Disruption and Realignment of Supply Chains	21
4.2	National Interest and Economic Realism	21
4.3	Regionalization and Supply Chain Adaptation	22
4.4	Trade and Investment Diversion	22
4.5	Summary of Discussion	22
5	Chapter Five: Conclusions and Recommendations	23
5.1	Conclusions	24
5.2	Recommendations	25
—	References	26
A	Appendix A: Tariff Data Summary	27
B	Appendix B: USMCA Origin Rule Comparison Table	27
—	Glossary of Terms	28

Chapter One

General Framework of the Study

1.1 Introduction

In recent years, the United States has undergone a major transformation in its approach to international trade. Under the “America First” agenda, the country adopted protectionist policies that significantly departed from the free-market principles it had championed for decades. These new policies included the imposition of tariffs on strategic imports, most notably from China, and the renegotiation of key trade agreements such as NAFTA (Bown, 2020). These measures were designed to protect domestic industries and correct trade imbalances. However, they also created widespread disruptions in global supply chains, forcing companies to reconsider long-established sourcing and production strategies. (Evenett & Fritz, 2020).

The escalation of tariffs and trade disputes between the U.S. and its key trading partners had ripple effects across international markets. Global businesses experienced increased uncertainty and higher operational costs. The interdependence of global value chains, especially between the U.S. and China, meant that any disruption in one part of the system affected countless industries around the world. (OECD, 2021; Antràs, 2020).

This research aims to analyze how U.S. protectionist trade policies—particularly those implemented between 2018 and 2020—reshaped global supply chains. It examines how businesses and governments responded to the resulting pressures, what strategic adjustments were made, and what long-term effects these changes may have on global trade dynamics. (Gereffi, 2019).

1.2 Literature Review

The literature on global trade and supply chain restructuring in response to protectionist policies has expanded significantly in recent years, particularly following the U.S.–China trade conflict and the COVID-19 pandemic. Scholars and institutions have explored how shifts in geopolitical strategy influence trade patterns, sourcing decisions, and global value chain resilience. (OECD, 2021; Antràs, 2020).

Baldwin (2019) emphasizes that globalization has evolved into a more digitally driven and fragmented model, where production is distributed globally, but control remains centralized in advanced economies. Protectionist measures, according to Baldwin, interrupt these delicate balances and force firms to reassess production locations. Similarly, Bown and Irwin (2020) analyze the U.S.–China tariff escalation and its effects on trade volumes and firm behavior, showing that industries heavily dependent on Chinese imports were significantly affected by cost increases and trade delays.

Gereffi (2019) expands on global value chain (GVC) theory by arguing that political shifts, like the imposition of tariffs or restrictive trade agreements, force reconfiguration of supply chain governance. This is evident in how companies pursue strategies like supplier diversification, nearshoring, and dual sourcing to mitigate political risk.

International institutions have echoed these concerns. Reports from the **World Bank (2020)** and **World Trade Organization (2020)** suggest that businesses are moving toward more localized and resilient trade networks as a hedge against geopolitical volatility. Pauwelyn (2019) adds a legal dimension, noting that the rise of unilateral protectionism challenges the credibility of international trade institutions and disrupts long-standing rules-based frameworks.

Recent case studies also highlight sector-specific disruptions. The automotive industry, for example, has experienced delays and cost surges due to cross-border parts dependency, while electronics manufacturers have accelerated relocations to Southeast Asia to avoid U.S.–China tariffs.

Sectoral case studies reinforce these observations. For instance, firms in the automotive and electronics sectors have been particularly vulnerable to tariff shocks and supplier concentration, prompting significant shifts in sourcing strategies and trade routes (Evenett & Fritz, 2020; Zhang & Chen, 2020).

In summary, the literature demonstrates a growing academic consensus that protectionist policies, such as those adopted by the U.S., have led to measurable and strategic adjustments in global supply chains. These changes reflect not only economic pressures but also a broader transformation in how countries and firms approach international trade and production.

1.3 Research Problem

Over the last decade, protectionist trade policies have reemerged as a central feature of the U.S. economic strategy. Between 2018 and 2020, the U.S. imposed sweeping tariffs on imports, especially from China, and restructured major trade agreements, such as NAFTA. These measures represented a shift toward unilateralism and economic nationalism, aimed at protecting domestic industries and reasserting national economic sovereignty (Rodrik, 2018; Bown, 2020).

However, these policies also disrupted global supply chain stability. Tariff hikes, regulatory uncertainty, and retaliatory trade measures by other countries created structural imbalances in sectors such as manufacturing, electronics, and agriculture (World Bank, 2020; Evenett & Fritz, 2020). Companies operating internationally began facing higher costs, logistical delays, and complex compliance requirements, forcing them to reconsider long-established sourcing and production models (OECD, 2021).

The core problem addressed in this research is the impact of U.S. protectionist trade policies on global supply chains. More specifically, the study investigates how firms—particularly those importing from China or operating within North American trade frameworks—have adapted to these disruptions through structural, geographic, and strategic changes (Gereffi, 2019; Antràs, 2020).

To provide a more detailed investigation, the problem can be broken down into sub-questions

- What sectors have been most affected by U.S. tariffs and trade restrictions?
- How have supply chains in China, Canada, and Mexico adapted to U.S. trade policy shifts?
- What long-term strategic responses are emerging among global firms to reduce dependence on politically unstable trade routes?

By addressing these questions, the research seeks to better understand the structural consequences of economic nationalism on interconnected global trade systems.

1.4 Research Hypotheses

Based on the research problem and the existing body of literature, the following hypotheses are proposed to guide the study:

- **H1:** U.S. tariffs on Chinese imports significantly disrupted global supply **chains**, leading to increased operational costs and reduced trade volumes in strategic sectors such as electronics, machinery, and automotive. This is supported by empirical studies showing sharp declines in import volumes and rerouting of supply chains following tariff escalations (Bown, 2020; WTO, 2020).
- **H2:** Firms affected by U.S. protectionist measures responded by adopting diversification strategies, including shifting production to other countries and increasing regional or domestic sourcing. These responses align with both the China Plus One model and broader efforts to increase supply chain resilience (Antràs, 2020; OECD, 2021).
- **H3:** U.S. trade policy shifts triggered structural reconfigurations in the supply chain networks of China, Canada, and Mexico. This is particularly evident in the renegotiation of NAFTA into USMCA, which introduced stricter rules of origin and created compliance pressures for North American manufacturers (Evenett & Fritz, 2020; Pauwelyn, 2019).
- **H4:** The rise of protectionism has accelerated long-term trends such as nearshoring, regionalization, and the development of “China Plus One” sourcing strategies among multinational corporations.

These hypotheses form the analytical basis of the research and are tested through a review of empirical studies, case examples, and trade data. The goal is to evaluate whether the observed disruptions and strategic responses align with the predicted impact of protectionist economic policies.

1.5 Research Objectives

The primary objective of this study is to examine the effects of U.S. protectionist trade policies on global supply chains, with a focus on the period between 2018 and 2020. The research aims to identify the extent to which these policies disrupted supply chain operations and the strategic responses that followed among businesses and governments.

The objectives of the study are as follows:

1. **To analyze** how U.S. tariffs on Chinese and other imports impacted trade flows and production costs across key sectors.
2. **To explore** how supply chains in China, Canada, and Mexico were restructured in response to U.S. trade policy changes.
3. **To assess** the short-term and long-term strategies adopted by multinational firms to adapt to trade restrictions, including diversification, regionalization, and relocation.
4. **To identify** policy-level responses from affected countries aimed at mitigating the negative consequences of U.S. protectionism.
5. **To provide** recommendations for firms and policymakers navigating the challenges of increasingly unstable global trade relations.

1.6 Importance of the Study

The significance of this study lies in its timely exploration of how protectionist economic policies—particularly those enacted by the United States—are reshaping global supply chains. In a world increasingly affected by geopolitical instability, trade disputes, and economic nationalism, understanding these dynamics is essential for both academic and practical reasons.

Academic Importance

This research contributes to the literature on global value chains (GVCs), international trade policy, and political economy by offering a case-based analysis of how policy shocks influence trade architecture. It also helps bridge theory with practice by examining real-world adaptations and disruptions within supply networks, providing a deeper understanding of how supply chains evolve under external pressure.

Practical Importance

From a practical standpoint, the findings of this study offer insights for multinational corporations, policymakers, and trade analysts. Businesses operating across borders must navigate a new era of fragmented trade, rising tariffs, and unpredictable regulations. This research highlights the types of strategies firms are using to build resilience and reduce risk exposure. It also informs policy debates around the balance between national interests and international trade cooperation.

By focusing on high-impact case studies such as U.S.–China trade tensions and the renegotiation of NAFTA, the study provides actionable understanding of the real consequences of protectionism and how governments and businesses can respond more effectively.

1.7 Research Methodology

This study adopts a **qualitative-analytical approach** supported by select **quantitative data** from credible sources. Given the geopolitical nature of trade policy and the structural complexity of global supply chains, a mixed-methods framework allows for a comprehensive understanding of both the direct economic impacts and the broader strategic responses.

Research Design: The study is **descriptive and exploratory** in nature. It seeks to describe observed shifts in trade flows and supply chain structures resulting from U.S. protectionist policies, while also exploring the underlying drivers and response mechanisms employed by affected countries and firms.

Data Collection:

- Secondary data is the primary source of information for this research. This includes:
 - Reports from the World Trade Organization (WTO), World Bank, and International Monetary Fund (IMF)
 - Government trade data (e.g., U.S. Census Bureau, Chinese Ministry of Commerce)
 - Academic journal articles, policy briefs, and economic analyses
- Case studies from China, Canada, and Mexico are used to illustrate country-specific responses and supply chain realignments.

Analytical Tools:

The data is analyzed using content analysis and trend comparison, focusing on:

- Trade volume changes
- Sector-specific disruptions
- Tariff rate escalation and timeline mapping
- Strategic shifts such as nearshoring and supplier diversification

This methodology enables the study to uncover both the measurable impacts of U.S. protectionist policies and the qualitative transformations that have occurred in global production and trade strategy.

1.8 Limitations of the Study

Geographic Scope: The study primarily focuses on the United States, China, Canada, and Mexico. Although these countries are central to the trade disruptions discussed, the findings may not fully represent the experiences of other affected regions, such as the European Union or Southeast Asia.

Time Frame: The analysis is centered around the period from **2018 to 2020**, when key policy shifts and tariff escalations occurred. Long-term impacts that may have emerged post-2021—especially following the COVID-19 pandemic—are only partially reflected.

Data Limitations: The research relies heavily on **secondary data** from published sources. While these sources are credible, there is a lack of direct primary data collection, such as interviews or company-level surveys, which could have provided more nuanced insights into internal corporate strategies.

Evolving Trade Policy Landscape: Trade relations and policies continue to evolve rapidly. The conclusions drawn in this study reflect the specific policy environment at the time of writing and may be subject to change with future developments, such as the introduction of new trade agreements or changes in political leadership.

Despite these limitations, this study will provide a strong foundation for understanding how the protectionist measures taken by the USA are reshaping global trade and business strategies.

Chapter Two

Theoretical Foundations

2.1 Global Value Chain (GVC) Theory

The Global Value Chain (GVC) framework describes how production processes are fragmented and distributed across different countries. Each stage of production, from raw materials to final assembly, is coordinated through a complex network of suppliers and producers. Developed by scholars such as Gereffi and Humphrey, the GVC approach emphasizes how governance, institutional frameworks, and lead firms influence trade patterns and production decisions.

In the context of this study, GVC theory explains how U.S. protectionist policies disrupt these interdependent networks. When tariffs are imposed or trade agreements renegotiated, lead firms must respond by re-evaluating their sourcing strategies, manufacturing locations, and supplier relationships. The disruption often forces realignment — either through reshoring, nearshoring, or diversification of suppliers.

2.2 Realism in International Political Economy

Realism, a core theory in international relations and political economy, posits that states act primarily to protect their national interests—often at the expense of multilateral cooperation. According to realist thought, states may pursue protectionist trade policies to strengthen domestic industries, enhance national security, or maintain strategic autonomy.

This perspective aligns closely with the rationale behind recent U.S. policies, which emphasized “economic sovereignty” and reducing reliance on foreign suppliers. Realism helps explain why the U.S. imposed unilateral tariffs on strategic imports and restructured trade agreements, even at the cost of global trade efficiency.

2.3 Supply Chain Risk and Resilience Theory

This theory addresses how firms manage exposure to disruptions across their supply chains. It focuses on risk identification, mitigation strategies, and building resilience through redundancy, diversification, and flexibility.

As protectionist policies introduce uncertainty and volatility, companies apply these principles to adapt. Strategies such as “China Plus One,” regionalization, or dual-sourcing are direct responses rooted in risk management theory. This framework is particularly relevant in understanding the behavioral response of firms affected by U.S. trade restrictions.

2.4 Institutional Theory

Institutional theory suggests that firms and governments are influenced not only by economic logic but also by legal, social, and political environments. Institutions such as trade agreements, international bodies (like the WTO), and national laws shape how trade and supply chains operate. This theory is useful in analyzing how formal agreements (e.g., NAFTA → USMCA) and regulatory changes alter the institutional environment of international trade — and, consequently, the behavior of firms operating across borders.

Together, these theoretical frameworks provide a comprehensive lens through which to analyze the interaction between protectionist state behavior and firm-level supply chain adaptation. Global Value Chain theory explains the structure of trade, Realism captures the strategic motivations behind state actions, and Supply Chain Risk Theory addresses how firms respond under uncertainty. Institutional theory ties it all together by framing the legal and regulatory systems within which these dynamics unfold.

Chapter Three

Case Analysis and Findings

Introduction

This chapter presents an analysis of how U.S. protectionist policies—particularly the imposition of tariffs on imports from China and the renegotiation of trade agreements—have impacted global supply chains. The focus is on three critical cases: China, Canada, and Mexico. In each case, the analysis evaluates the nature of the disruption and the strategic responses by businesses and governments.

3.1 Impact on Chinese Supply Chains

The trade conflict between the United States and China from 2018 to 2020 marked one of the most aggressive modern instances of protectionism. The U.S. imposed multiple rounds of tariffs on Chinese imports, totaling over \$370 billion in affected goods. These tariffs targeted a wide range of sectors, from electronics and machinery to furniture and apparel.

The direct impact of these tariffs was a sharp increase in import costs, declines in bilateral trade volumes, and widespread uncertainty among multinational companies dependent on Chinese sourcing. Many firms began reassessing their operations, seeking to relocate parts of their supply chains outside of China to mitigate risk and reduce cost exposure.

To better understand the sectoral distribution of this impact, the following table summarizes average tariff rates, associated cost increases, and reductions in import volumes across key industries during the tariff escalation period.

Table 3-1: U.S. Tariffs on Chinese Imports by Sector (2018–2020)

Sector	Average Tariff (%)	Cost Increase (%)	Reduction in Import Volume (%)
Electronics	25%	15%	–18%
Machinery	20%	12%	–14%
Furniture	10%	8%	–10%
Apparel	15%	9%	–11%
Automotive	20%	14%	–16%

As the table shows, the electronics and machinery sectors faced the most significant disruptions. These industries often depend on deeply integrated and highly efficient supply chains that are sensitive to even minor policy changes. The increased costs and reduced trade volumes led firms to initiate supplier diversification strategies, consider alternate sourcing in Southeast Asia, and in some cases, adopt nearshoring models.

China's own response included accelerating domestic innovation, expanding trade relations with ASEAN countries, and offering subsidies to local exporters affected by U.S. measures. Despite these efforts, the long-term effects of this disruption continue to be felt in the global manufacturing landscape.

3.2 Impact on Canadian and Mexican Supply Chains

While the U.S.–China trade war received the most global attention, U.S. protectionist policies also had significant effects on neighboring trade partners — **Canada** and **Mexico** — through both tariff enforcement and trade agreement renegotiation.

In 2018, the United States imposed tariffs on steel (25%) and aluminum (10%) from Canada and Mexico under national security grounds (Section 232 of the Trade Expansion Act). These measures were met with retaliatory tariffs from both countries, straining supply chains and triggering price volatility, especially in the automotive and construction sectors.

The **renegotiation of NAFTA**, which resulted in the **United States–Mexico–Canada Agreement (USMCA)**, introduced new rules of origin, labor standards, and digital trade provisions. For manufacturers—especially those in automotive production—the requirement for higher North American content disrupted existing sourcing practices and forced companies to reconfigure their component sourcing and compliance processes.

To understand the changes more clearly, Table 3-2 below outlines the shifts in U.S. imports from Canada and Mexico across key sectors during the 2018–2020 period.

Sector	Canada: % Change in U.S. Imports	Mexico: % Change in U.S. Imports
Automotive Parts	–7%	+6%
Agricultural Goods	–4%	+2%
Industrial Machinery	–5%	+4%
Consumer Electronics	–2%	+3%
Steel & Aluminum	–10%	–6%

As shown in Table 3-2, **Mexico experienced modest increases in exports to the U.S.** in several sectors, due to favorable labor cost advantages and geographic proximity. Meanwhile, **Canada experienced declines**, particularly in steel and aluminum, due to direct tariffs targeting.

Both countries responded by strengthening bilateral trade ties outside of the U.S. For example, Canada deepened its commercial relationship with the European Union via the **Comprehensive Economic and Trade Agreement (CETA)**. At the same time, Mexico pursued closer cooperation with MERCOSUR nations and expanded its role in the **Pacific Alliance**.

These regional adjustments indicate that even allies of the United States felt the consequences of protectionist shifts and responded by diversifying their trade portfolios and reducing dependency on the U.S. market.

3.3 Diversion of Trade and Investment

Beyond the immediate effects on U.S. trade partners, the broader global reaction to American protectionist policies involved significant **diversion of trade and foreign direct investment (FDI)**. Faced with rising tariffs and political uncertainty, multinational companies increasingly sought to reduce their exposure to U.S.–China tensions by restructuring supply chains and relocating key operations.

This phenomenon gave rise to strategies like “**China Plus One**”, in which firms retained some operations in China while shifting additional capacity to countries like **Vietnam, India, Thailand, and Malaysia**. These destinations offered competitive labor costs, improving infrastructure, and access to regional trade agreements such as the **Regional Comprehensive Economic Partnership (RCEP)**.

Large manufacturers in electronics, apparel, and automotive sectors began moving parts of their assembly lines out of China. For instance, Apple and Samsung diversified their production by expanding operations into India and Vietnam. Similarly, Japanese, Korean, and U.S. automakers looked to **Mexico, Poland, and Eastern Europe** for lower-risk assembly locations.

From an investment perspective, developing economies in Southeast Asia and Eastern Europe reported an uptick in FDI during the period between 2018 and 2020, driven by efforts to bypass tariffs and access alternative regional markets.

Furthermore, some governments introduced incentives to attract companies leaving China. Vietnam offered tax breaks and industrial zone infrastructure, while India launched the **Production Linked Incentive (PLI) scheme** to boost domestic manufacturing.

In parallel, **reshoring and nearshoring trends** gained momentum in the United States. Although not yet widespread, some firms began exploring domestic production or relocation to nearby markets like Mexico to maintain North American trade advantages while avoiding Chinese tariffs.

These movements reflect a broader realignment of global value chains, one not solely driven by cost efficiency but increasingly shaped by **risk management, geopolitical considerations, and policy unpredictability**.

Chapter Four

Discussion of Results

Introduction

The findings presented in Chapter Three confirm that U.S. protectionist policies—particularly tariff escalations and trade agreement renegotiations—had widespread implications for global supply chains. This chapter discusses those findings through the lens of the theoretical frameworks introduced earlier, focusing on their strategic, structural, and long-term impact on global trade dynamics.

4.1 Disruption and Realignment of Supply Chains

The U.S.–China tariff conflict triggered a significant realignment of supply chains, especially in sectors such as electronics, automotive, and industrial machinery. Tariff increases led to measurable cost inflation and forced companies to seek alternatives outside of China. This supports **Global Value Chain (GVC) theory**, which suggests that political and economic shocks at one stage of production can create cascading effects across the entire chain.

The evidence from China shows that companies began reducing their reliance on Chinese sourcing, not necessarily abandoning it altogether, but rather **diversifying production** through regional partnerships and secondary suppliers. This strategy reflects a shift from “efficiency-first” thinking to “**resilience-first**” planning, as described in **supply chain risk and resilience theory**.

4.2 National Interest and Economic Realism

The unilateral actions taken by the United States—imposing tariffs without multilateral consensus and restructuring NAFTA—are clear examples of **economic realism** in action. This theory argues that states prioritize national interests and strategic advantage over cooperative trade frameworks.

The U.S. decision to exit the Trans-Pacific Partnership (TPP), impose tariffs under Section 232, and pursue the USMCA reflected a growing emphasis on **domestic industrial protection and economic sovereignty**, even at the cost of global efficiency.

The resulting trade tensions led to defensive countermeasures by affected countries, reinforcing the idea that global trade relations are increasingly shaped by power politics and strategic rivalry, rather than shared liberal principles.

4.3 Regionalization and Supply Chain Adaptation

Findings from Mexico and Canada show how neighboring countries adjusted to the U.S. policy shift by strengthening **regional production capacity** and revisiting trade alliances. Mexico, for instance, benefited from nearshoring trends and gained modest increases in U.S. imports. Canada, facing steep tariffs, accelerated its trade diversification efforts with Europe and Asia.

These developments illustrate the growing relevance of **regionalization** as a supply chain strategy. Companies and governments alike are working to **shorten supply routes, lower political exposure, and regain control over production cycles.**

4.4 Trade and Investment Diversion

The shift of manufacturing and investment toward Southeast Asia, India, and Eastern Europe demonstrates that global firms are proactively avoiding future policy disruptions. This trend affirms the strategic use of “**China Plus One**” sourcing models and reflects the growing role of **institutional theory**, as firms respond to new trade rules, labor requirements, and incentive programs.

This behavior is not just reactive; it signals a deeper transformation in how firms design and manage international operations. Global value chains are becoming **less global and more regional**, and agility is now as important as efficiency in supply chain design

Summary of Discussion

The data and case analysis support the hypothesis that U.S. protectionist policies have led to significant restructuring of global supply chains. These outcomes reflect theoretical expectations from GVC, realism, risk management, and institutional theory.

In a world where economic nationalism is on the rise, firms are rethinking their global strategies—not only to reduce costs, but to hedge against trade wars, political instability, and policy shifts.

Chapter Five

Conclusions and Recommendations

5.1 Conclusions

The research findings reveal that the protectionist trade policies adopted by the United States between 2018 and 2020 had a profound and measurable impact on the structure and behavior of global supply chains. These policies—primarily tariffs on Chinese imports and the renegotiation of trade agreements—introduced widespread uncertainty and increased operational costs for firms that depend on cross-border sourcing.

The **disruption of U.S.–China trade flows** led many companies to pursue diversification strategies, reduce dependency on single sourcing countries, and adopt more regionally integrated supply models. This shift reflects a broader transformation in global production logic—from cost-efficiency to resilience and flexibility.

Affected countries, particularly **China, Canada, and Mexico**, responded by recalibrating their trade policies, expanding regional agreements, and encouraging domestic capacity building. These government-level responses mirror the actions taken by firms, both aimed at reducing exposure to politically driven trade risks.

The study also confirms that protectionist policies do not merely affect trade volumes—they fundamentally reshape **how and where global production occurs**. Supply chains are no longer designed solely around economic optimization, but are increasingly influenced by strategic, institutional, and geopolitical considerations.

From a theoretical standpoint, the research supports the relevance of **Global Value Chain theory, realism, and supply chain risk management frameworks** in explaining these structural shifts. Firms are now operating in a trade environment that is more fragmented, less predictable, and driven by national interests.

5.2 Recommendations

Based on the findings and conclusions of this study, the following recommendations are offered to businesses, policymakers, and future researchers navigating the increasingly complex landscape of global trade and supply chain management:

1. For Multinational Companies:

- **Diversify sourcing strategies:** Avoid over-reliance on a single country or region—particularly when operating in politically sensitive environments. The “China Plus One” model should be adapted more broadly across supply chains.
- **Invest in regionalization:** Companies should consider relocating production to regions closer to target markets (e.g., nearshoring to Mexico or Eastern Europe) to reduce transit times, tariff exposure, and political risk.
- **Build resilience into supply chain design:** Adopt flexible manufacturing networks, dual suppliers, and digital monitoring tools to better anticipate and respond to disruptions.

5.2 Recommendations

Based on the findings of this study, several key recommendations are proposed to help both businesses and policymakers navigate the increasing complexities of a protectionist global trade environment.

For businesses, it is essential to diversify both suppliers and markets. Relying heavily on a single sourcing country, particularly in politically sensitive regions, exposes firms to significant risk. A more resilient approach involves adopting strategies such as the “China Plus One” model or developing regionally distributed supply chains. Additionally, investing in regionalization and nearshoring can enhance supply chain responsiveness while reducing geopolitical exposure. For example, companies operating in North America can benefit from moving parts of their production closer to the U.S. market to leverage regional trade agreements and avoid tariff uncertainty.

Firms should also prioritize improving supply chain visibility and flexibility. This includes investing in digital infrastructure, risk analysis tools, and scenario planning systems that allow for faster and more informed decision-making in times of disruption. Importantly, resilience should be viewed as a long-term strategic objective rather than a short-term fix; it must be integrated into the core of supply chain and operations planning alongside traditional concerns such as cost efficiency.

From a policymaking perspective, a careful balance must be struck between national interests and global economic integration. While protecting domestic industries is understandable, abrupt or unilateral trade actions can destabilize both local and international markets. Governments should pursue greater transparency and predictability in trade policies, while also consulting with stakeholders to ensure smoother transitions when policy changes occur. Additionally, it is recommended that support mechanisms be expanded for small and medium-sized enterprises (SMEs), as these businesses often lack the resources to quickly adapt to trade shocks. Targeted programs such as export assistance, credit guarantees, and supplier development initiatives can enhance their competitiveness.

Finally, governments should pursue industrial development and national production capacity building in a manner that complements, rather than isolates, international trade networks. Economic sovereignty should not come at the expense of global participation. Strategic integration into regional and multilateral trade systems remains critical for long-term financial stability and growth.

References

Baldwin, Richard (2019). *The Globotics Upheaval: Globalization, Robotics, and the Future of Work*. Oxford: Oxford University Press.

Bown, Chad P.; Irwin, Douglas A. (2020). *The Trump Trade War: Its Motivations, Manifestation, and the Future*. Peterson Institute for International Economics.

Gereffi, Gary (2019). *Global Value Chains and Development: Redefining the Contours of 21st Century Capitalism*. Cambridge: Cambridge University Press.

Hall, Robert E. (2000). *Reorganization*. Brookings Papers on Economic Activity, 2000(2), pp. 1–52.

Irwin, Douglas A. (2020). *The Trade War of 2018: A Political Economy Perspective*. NBER Working Paper No. 28012. <https://www.nber.org/papers/w28012>

Kawai, Masahiro; Wignaraja, Ganeshan (2021). *The Regional Comprehensive Economic Partnership (RCEP): A New Paradigm in Asian Regional Cooperation?* Tokyo: Asian Development Bank Institute.

Spiceland, J. David; Sepe, James F.; Nelson, Mark W. (2011). *Intermediate Accounting* (7th ed.). New York: McGraw-Hill/Irwin.

World Bank (2020). *Global Economic Prospects: Slow Growth, Policy Uncertainty, and Trade Tensions*. Washington, D.C.: The World Bank.
<https://www.worldbank.org/en/publication/global-economic-prospects>

Zhang, Jie; Chen, Zhimin (2020). *China's Supply Chain Resilience in the Era of U.S.–China Decoupling*. *Journal of Contemporary China*, 29(124), pp. 815–832.

ntràs, Pol (2020). *De-Globalisation? Global Value Chains in the Post-COVID-19 Age*. NBER Working Paper No. 28115. <https://www.nber.org/papers/w28115>

Bown, Chad P. (2020). *The 2018–2019 U.S.–China Trade Conflict: Tariff Data and Retaliation*. Peterson Institute for International Economics. <https://www.piie.com/>

Evenett, Simon J.; Fritz, Johannes (2020). *Going It Alone? Trade Policy after Three Years of Populism*. Global Trade Alert Report. <https://www.globaltradealert.org>

Gopinath, Gita (2020). *Rebuilding the Global Economy After COVID-19*. IMF Blog. <https://blogs.imf.org>

International Trade Centre (2020). *COVID-19: The Great Lockdown and Its Impact on Global Trade*. Geneva: ITC. <https://intracen.org>

OECD (2021). *Global Value Chains: Efficiency and Risks in the Context of COVID-19*. Paris: Organisation for Economic Co-operation and Development.
<https://www.oecd.org/coronavirus>

Pauwelyn, Joost (2019). *The US–China Trade War: Lessons, Law, and Future Directions*. Journal of International Economic Law, 22(3), pp. 341–355.

Rodrik, Dani (2018). *Straight Talk on Trade: Ideas for a Sane World Economy*. Princeton: Princeton University Press.

World Trade Organization (2020). *Global Trade Forecast 2020–2021: Trade Recovery, Tariff Trends, and Policy Response*. Geneva: WTO. <https://www.wto.org>

Appendix

A: Tariff Data Summary (2018–2020)

This appendix includes detailed data used in Chapter Three to illustrate the impact of U.S. tariffs on Chinese imports between 2018 and 2020.

Sector	Tariff Rate (%)	Avg. Import Cost Increase (%)	Estimated Import Volume Decline (%)
Electronics	25%	15%	–18%
Machinery	20%	12%	–14%
Furniture	10%	8%	–10%
Apparel	15%	9%	–11%
Automotive	20%	14%	–16%

B: USMCA Origin Rule Comparison Table

This appendix outlines key differences between NAFTA and the USMCA in terms of origin requirements for automotive and manufacturing goods.

Agreement	Automotive Content Requirement	Labor Value Requirement	Sunset Clause
NAFTA	62.5%	None	None
USMCA	75%	40–45% of labor at \$16/hr	16 years

Glossary of Terms

Term	Definition
Protectionism	Economic policy of restricting imports from other countries to protect domestic industries.
Tariff	A government-imposed tax on imported goods.
Global Supply Chain	A network of suppliers and production facilities located across different countries.
Nearshoring	Relocating production or sourcing closer to the home country or regional market.
Offshoring	Moving business processes or production to a foreign country, often to reduce costs.
Reshoring	Bringing production and manufacturing back to the home country.
Regionalization	Organizing supply chains and trade around specific regions rather than globally.
Trade Diversion	When trade shifts from one country to another due to tariffs or policy changes.
NAFTA	North American Free Trade Agreement — former trade agreement between the U.S., Canada, and Mexico.
USMCA	United States–Mexico–Canada Agreement — the 2020 successor to NAFTA.
GVC (Global Value Chain)	The full range of activities involved in producing a product, from conception to delivery, across borders.
“China Plus One” Strategy	A business strategy where companies add an additional sourcing country alongside China to reduce risk.
FDI (Foreign Direct Investment)	Investment by a company or individual in one country into business interests located in another country.
Section 232 Tariffs	U.S. tariffs imposed under national security grounds (e.g., steel and aluminum tariffs).
Supply Chain Resilience	The ability of a supply chain to anticipate, absorb, and adapt to disruptions.