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The Double-Edged Sword: Shock, Resilience, and Strategic Transformation of Chinese Enterprises Amid Sino-American Trade Friction

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Abstract. This study explores how the U.S.-China trade friction has affected Chinese companies since 2018. The study uses a mixed-methods approach. First, it measures the economic impact by examining changes in trade volumes, export structure, and global trade patterns. The analysis shows a sharp drop in Chinese exports to the United States. At the same time, Chinese firms began shifting their focus to other international markets. Second, the study uses case studies from the technology and manufacturing sectors to understand how firms responded. These case studies show that the trade war caused clear economic harm. However, they also show that it pushed many companies to make strategic changes. U.S. tariffs and sanctions sped up efforts to diversify supply chains and develop domestic technology. Many firms also started building stronger, more globalized business models. The paper concludes that the trade conflict has had both negative and positive effects. It caused disruption, but it also helped create a new wave of Chinese companies that are more adaptable and better prepared for global economic challenges.

Keywords: Economics, International Trade, International Politics.

1. Introduction

1.1. The end of an era

The year 2018 marked a turning point in the global economic order that had taken shape after the Cold War. The United States launched a trade war with China, breaking sharply from the long-standing commitment to economic integration that had guided international policy for nearly thirty years [1]. This shift signaled the end of an era of hyper-globalization, which had gained momentum after China joined the World Trade Organization (WTO) in 2001.

China's WTO entry triggered a massive expansion in global trade. U.S.-China trade grew rapidly. American consumers benefited from lower-priced goods, while U.S. companies saw higher profits. At the same time, China experienced unprecedented economic growth [2,3]. Between 2001 and 2018, U.S. imports of Chinese goods rose from around $102 billion to more than $539 billion [4,5].

This sharp change in U.S. trade policy was not sudden. It reflected years of growing frustration among American policymakers [1]. Key concerns included intellectual property theft, heavy Chinese

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industrial subsidies, and pressure on U.S. firms to hand over technology in exchange for market access. In addition, economists studying the "China Shock" pointed to the damaging effects of Chinese import competition. They linked it to widespread job losses in U.S. manufacturing and rising political polarization in affected communities [4].

Amid these concerns—economic, strategic, and political—the U.S. government began imposing tariffs on Chinese goods. These actions reshaped the structure of the world's most important trade relationship and marked the beginning of a more confrontational phase in U.S.-China economic ties.

1.2. The "double-edged sword" thesis

While the immediate impact of the U.S.-China trade friction was a clear economic shock, this paper presents a more complex picture. It argues that the trade war acted as a double-edged sword for Chinese firms. On one side, rising tariffs and trade restrictions brought serious challenges. Companies faced higher operating costs, lost access to key markets, and had to deal with growing uncertainty across global supply chains. These pressures forced many firms into a reactive mode. They had to focus on short-term survival, managing financial losses and disruptions to their operations [6].

On the other side, this external pressure also triggered important changes. The hostile trade environment became a strong and often necessary push for strategic transformation. It encouraged firms to move faster on long-term goals that had previously been delayed or ignored. Companies began to rethink their dependencies and restructure their operations. Many pursued new supply chain strategies, entered new markets, and aligned more closely with national goals for technological independence.

As this paper will show, the trade war created unexpected opportunities. It helped push Chinese firms to upgrade their capabilities and adopt more resilient business models. These changes are helping them adapt to a global economy shaped by rising geopolitical and economic uncertainty [7].

1.3. Research approach and structure

To provide a robust and multi-layered examination of this dual impact, this paper employs a mixed-methods research approach. The analysis begins in Section 2 with a quantitative assessment designed to establish the scale, scope, and anatomy of the economic shock. By analyzing aggregate trade data from the period before and after the 2018 tariff escalations, this section provides the essential macro-level context, quantifying the direct impact on bilateral trade volumes, the composition of exports, and the geographic realignment of global trade flows [8].

Following this quantitative foundation, Section 3 transitions to a qualitative analysis of corporate resilience and transformation. Through a series of in-depth case studies of representative Chinese enterprises in the technology and manufacturing sectors, this section explores the micro-level mechanisms of strategic adaptation. By examining the specific challenges faced by these firms and the concrete strategies they deployed in response, this analysis moves beyond statistical trends to explain the "how" and "why" of corporate change. Section 4 brings together the findings from both the quantitative and qualitative analyses. It discusses the broader implications of these corporate changes for China's national economic strategy. It also examines how these transformations are reshaping the competitive landscape at both regional and global levels. Section 5 concludes the paper. It reflects on the changing nature of economic interdependence between China and the United States. It also considers the future of global value chains in a world that is becoming more uncertain and more contested [9,10].

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2. The anatomy of the economic shock: a quantitative assessment

The first and most immediate effect of the Sino-American trade friction was a sharp and lasting economic shock. This shock came mainly through a fast escalation of tariffs between the two countries. This section offers a data-driven analysis of that impact. It measures the changes in bilateral trade and highlights the challenging side of the double-edged sword faced by Chinese firms.

2.1. The escalation of a trade war

The trade conflict did not begin with a single event. Instead, it unfolded through a series of gradual steps that quickly escalated into a full-scale tariff war. This escalation created deep market uncertainty for businesses on both sides.

The first measures came in early 2018 under existing U.S. trade laws. On February 7, the United States imposed Section 201 "global safeguard" tariffs on solar panels and washing machines. China was a major supplier of both products. Then, on March 23, the U.S. introduced Section 232 tariffs—25% on steel and 10% on aluminum imports. While some allies received temporary exemptions, China did not. In response, China imposed retaliatory tariffs on April 2. These affected 128 U.S. products and were valued at roughly $3 billion [11].

The conflict escalated sharply with the U.S. use of Section 301 of the Trade Act of 1974. This provision targeted China's policies on technology transfer and intellectual property. Between July 2018 and September 2019, the United States launched five rounds of tariffs under this framework. China responded with its own measures. By the end of this period, most goods traded between the two countries were subject to some form of tariff [1]. By late 2019, the U.S. had imposed new tariffs on roughly $350 billions of Chinese imports, while China had retaliated on approximately $100 billion of U.S. exports [1]. The sheer scale of these actions was historically unprecedented, far exceeding prior trade disputes and marking a definitive end to the era of stable and predictable trade relations [1,5]. The timeline in Table 1 illustrates the rapid, tit-for-tat nature of this escalation.

Table 1. Timeline of major U.S.-China tariff escalations (2018-2019) [12]

Date	Action	Tariff Details	Value of Affected Trade (Annual)
July 6, 2018	U.S. Imposes Tariffs	25% on List 1 products	$34 billion
July 6, 2018	China Retaliates	25% on U.S. goods	$34 billion
Aug 23, 2018	U.S. Imposes Tariffs	25% on List 2 products	$16 billion
Aug 23, 2018	China Retaliates	25% on U.S. goods	$16 billion
Sep 24, 2018	U.S. Imposes Tariffs	10% on List 3 products	$200 billion
Sep 24, 2018	China Retaliates	5-10% on U.S. goods	$60 billion
June 2019	U.S. Increases Tariffs	List 3 tariffs increased from 10% to 25%	$200 billion
June 2019	China Retaliates	Increased tariffs on a subset of U.S. goods	~$60 billion
Sep 1, 2019	U.S. Imposes Tariffs	15% on List 4A products	~$112 billion
Sep 1, 2019	China Retaliates	5-10% on a subset of U.S. goods	~$75 billion

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2.2. The impact on bilateral trade volume and structure

The direct consequence of these tariffs was a significant disruption of bilateral trade flows. In 2018, the year the tariffs began, U.S. imports from China reached a peak of approximately $539.5 billion. In the subsequent years, this figure began a marked decline. According to U.S. trade statistics, China's share of total American goods imports fell from a high of 21.6% in 2017 to just 14% by the end of 2023, returning its market share to levels not seen since the mid-2000s.

This aggregate decline was overwhelmingly concentrated in the product categories targeted by the tariffs. Academic analyses confirm that tariffed goods account for essentially the entirety of the drop in China's share of U.S. imports through 2022 [2]. The price elasticity of this effect was substantial; one firm-level study found that for every 1% increase in the tariff-inclusive export price, Chinese firms' exports to the U.S. decreased by an average of 4.16%. The cumulative effect of these distortions was a reduction in U.S. import volumes from China by an estimated 4.5%, representing a substantial economic loss for both economies.

A critical finding from multiple economic studies is that the financial burden of these tariffs was not, as U.S. political leaders claimed, paid by China. Standard trade models might predict that exporters from a "large" economy like China would absorb a portion of the tariff cost by lowering their pre-tariff prices to maintain market share. However, empirical research consistently found a near-complete pass-through of tariffs to U.S. import prices. This means that for a 25% tariff, the price paid by the U.S. importer rose by nearly 25%. Chinese exporters did not significantly lower their prices, effectively passing the full cost on to American businesses and, ultimately, consumers. This phenomenon suggests that Chinese firms either operated with profit margins too slim to absorb such a large cost increase or faced relatively inelastic demand in the short run. This pass-through effect created direct inflationary pressure within the U.S. economy and contributed to a decline in aggregate real income for both the United States and China, demonstrating a significant flaw in the tariff strategy's intended economic impact.

2.3. The geographic realignment of global trade

In response to the bilateral tariffs, global trade patterns underwent a significant geographic realignment. The reduction in U.S. imports from China was mirrored by a rise in imports from other nations, a classic case of "trade diversion" [3,13]. U.S. import data clearly shows that the decline in goods from China was largely offset by increased imports from countries such as Mexico, Vietnam, and other members of the Association of Southeast Asian Nations (ASEAN) [2,13]. Table 2 illustrates this stark shift in U.S. sourcing patterns.

Table 2. U.S. imports from China vs. select alternative regions (2017-2023, % share of total U.S. goods imports) [14]

Region/Country	2017	2018	2019	2020	2021	2022	2023
China	21.6%	21.2%	18.1%	18.6%	17.9%	16.5%	13.9%
Mexico	13.4%	13.6%	14.1%	13.7%	13.6%	13.9%	15.0%
Vietnam	1.8%	2.0%	2.6%	3.1%	3.4%	3.9%	3.7%
ASEAN (Total)	6.0%	6.3%	7.3%	8.2%	8.8%	9.3%	9.1%

Concurrently, Chinese exporters, facing diminished access to their largest single market, actively pursued a strategy of market diversification. This included a notable pivot towards the Euro area,

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which shares structural similarities in import demand with the United States, making it a natural alternative market [14]. Trade with ASEAN nations also intensified significantly, with ASEAN eventually overtaking the European Union to become China's largest trading partner [15]. This dual process of U.S. import substitution and Chinese export redirection fundamentally reshaped global trade corridors.

However, a deeper analysis of these shifting trade flows reveals a more complex reality than simple "decoupling." While the data clearly indicates that the final assembly of goods destined for the U.S. market has been moving out of China—a strategy often referred to as "China + 1"—the new host countries for this manufacturing have simultaneously become more deeply integrated with Chinese supply chains. Research from the World Bank and the U.S. Federal Reserve shows that countries like Vietnam and Mexico, which are replacing China as direct exporters to the U.S., are also increasing their own imports of intermediate goods and components from China [2,13]. This suggests that China's role in the global value chain is evolving from that of the world's final assembler to the critical upstream supplier for new regional manufacturing hubs. As one World Bank report succinctly states, the evidence suggests that "to displace China on the export side, countries must embrace China's supply chains" [13]. This phenomenon demonstrates the profound "stickiness" of China's vast and efficient industrial ecosystem. The tariffs did not dismantle U.S. dependence on Chinese manufacturing but rather reconfigured it, elongating supply chains and adding layers of complexity without achieving a true separation.

3. Forging resilience: corporate strategic responses to trade hostility

The macroeconomic shock detailed in the previous section created an imperative for Chinese firms to adapt or risk failure. This section transitions from the aggregate data to a micro-level analysis of corporate strategy, utilizing case studies to illustrate how the trade war, while imposing severe challenges, also served as a catalyst for transformation and the development of long-term resilience. The diverse nature of U.S. pressures—from broad-based tariffs to targeted technological sanctions—elicited a range of sophisticated and sector-specific responses, as summarized in Table 3.

Table 3. Summary of U.S. threats and strategic responses by case study firms

Case Study Firm/Sector	Primary U.S. Threat	Primary Corporate Challenge	Core Strategic Response
Foxconn / Apple Ecosystem	Tariffs on Final Goods	Loss of Cost Competitiveness in U.S. Market	Supply Chain Relocation & Diversification ("China + 1")
Huawei / SMIC	Tech Export Ban / Entity Listing	Technological Strangulation & Supply Chain Cutoff	Indigenous Innovation & Technological Self-Sufficiency
DJI	Tariffs, Customs Detentions, & Market Exclusion	Loss of Key Market & Operational Paralysis	Strategic Market Withdrawal & Diversification
EV Manufacturers (e.g., BYD)	Prohibitive Tariffs (100%)	Preemptive Market Blockade	Global Market Diversification (Circumventing the U.S.)

3.1. De-risking the supply chain: the "China + 1" imperative

The most direct threat posed by the trade war was the imposition of tariffs on finished goods, which eroded the cost competitiveness that had been the bedrock of China's manufacturing model for decades. The response from companies deeply embedded in this model exemplifies a strategic pivot toward supply chain diversification.

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Case Study: Foxconn and the Apple Ecosystem

The case of Apple and its primary contract manufacturer, the Taiwanese firm Hon Hai Precision Industry Co. (Foxconn), serves as a quintessential example of this strategic adaptation. Prior to the trade war, an estimated 90% of Apple's products were assembled in mainland China, creating an immense concentration of risk [16]. The Section 301 tariffs directly threatened this highly efficient but geographically monolithic production network, potentially adding billions of dollars in costs to its most popular products.

The response was a deliberate and accelerated execution of a "China + 1" strategy, with India emerging as the principal new hub for iPhone production destined for Western markets [16]. This was not a tentative exploration but a large-scale strategic relocation. Foxconn has committed over $1.5 billion to expand its operations in India, particularly in the state of Tamil Nadu [17,18]. The scale of this shift is striking in the twelve months leading up to March 2025, iPhones worth $22 billion were assembled in India, a nearly 60% increase year-over-year [1]. Data from March to May 2025 shows Foxconn exported $3.22 billion worth of iPhones from India, with an overwhelming 97% of that volume destined for the U.S. market [19].

This strategic pivot is projected to continue its rapid expansion. Analysts estimate that "made-in-India" iPhones will account for 25-30% of global shipments in 2025, and Apple has reportedly set a goal to produce all iPhones sold in the U.S. in India by the end of 2026 [19].This relocation is actively facilitated by the Indian government's "Make in India" initiative and its Production-Linked Incentive (PLI) scheme, which provides subsidies to attract high-end electronics manufacturing. For Apple and Foxconn, the trade war acted as a powerful forcing mechanism, transforming India from a secondary market into a primary, parallel production base designed to insulate its most critical supply chains from the vagaries of Sino-American geopolitical friction.

3.2. The crucible of sanctions: the pursuit of technological sovereignty

Beyond broad tariffs, the U.S. deployed more targeted and potent weapons aimed at crippling China's most advanced technology companies. These measures, while inflicting severe short-term damage, inadvertently catalyzed a national-level crusade for technological independence.

Case Study: The Huawei-SMIC Nexus

The experience of telecommunications giant Huawei and China's top semiconductor foundry, Semiconductor Manufacturing International Corporation (SMIC), represents the most dramatic illustration of this dynamic. The placement of Huawei on the U.S. Department of Commerce's Entity List in May 2019, followed by SMIC in December 2020, was an existential threat [11,20]. These actions effectively severed the companies' access to a wide range of critical U.S.-origin technologies. For Huawei, this meant losing access to Google's Android mobile services and advanced semiconductor designs; for SMIC, it meant being cut off from the state-of-the-art manufacturing equipment necessary to produce leading-edge chips [21,22].

Faced with what company executives termed "survival mode," this intense pressure triggered an unprecedented drive for "indigenous innovation," heavily backed by the Chinese state [23,24]. Huawei's response was twofold. First, it massively increased its investment in research and development, with spending soaring to over 23% of its total revenue—more than $27 billion annually—and employing over 114,000 people in R&D roles. Second, it accelerated the development of its proprietary operating system, HarmonyOS, which had begun years earlier as a "plan B" to Android. In the wake of the sanctions, HarmonyOS was rapidly rolled out across smartphones, tablets, and other devices. The project has been a remarkable success in the domestic market, attracting over 8 million registered developers. By the fourth quarter of 2024, HarmonyOS's

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market share in China had reportedly surpassed that of Apple's iOS, creating a viable third mobile ecosystem independent of U.S. control [25].

Simultaneously, SMIC embarked on a mission to circumvent the U.S. blockade on advanced semiconductor manufacturing equipment. Denied access to the latest Extreme Ultraviolet (EUV) lithography machines—essential for producing chips at the 7nm node and below—SMIC engineers adapted. They utilized older, less advanced Deep Ultraviolet (DUV) lithography tools, employing a technically complex and costly process known as "multi-patterning" to achieve a smaller feature size. In a move that surprised international observers, SMIC successfully used this method to manufacture a 7-nanometer processor, the Kirin 9000s, for Huawei's Mate 60 Pro smartphone [11]. While this process faces significant challenges in terms of production yields and cost-effectiveness, making mass production difficult, it represented a monumental technological and political [11]. It demonstrated that China could produce chips only about four to five years behind the global cutting edge, a far smaller gap than U.S. policymakers had anticipated, signaling that their strategy of technological strangulation was not foolproof [11].

The U.S. strategy, designed to halt China's technological progress, appears to have had a paradoxical effect. The sanctions provided Chinese technology firms with a powerful national mandate and an undeniable justification for receiving immense state support, including subsidies and preferential government procurement contracts [25]. This external pressure eliminated internal corporate complacency and forced a level of resource mobilization and strategic focus on self-reliance that might not have occurred with the same urgency otherwise. In this sense, U.S. policy acted as an inadvertent catalyst for China's industrial policy goals. While the sanctions imposed significant costs and undoubtedly slowed China's technological ascent, they also accelerated its long-term quest to build a complete technology stack free from foreign choke points, potentially forging a more resilient and formidable competitor in the long run [9]

3.3. Adaptation and market pivots in the face of exclusion

For other Chinese firms, the U.S. trade friction manifested not just as tariffs or sanctions, but as a multifaceted campaign of market exclusion. The strategic response in these cases has been one of pragmatic adaptation, market diversification, and a re-charting of global expansion plans to circumvent the most hostile territories.

Case Study: DJI Navigates Market Hostility

DJI, the world's undisputed leader in the consumer and prosumer drone market with an estimated 85% U.S. market share, found itself confronting a trifecta of pressures [15]. First, its products were hit with steep Section 301 tariffs, which at their peak created a cumulative duty of 170%, nearly tripling the cost of some models for U.S. importers [16]. Second, beginning in late 2024, U.S. Customs and Border Protection (CBP) began detaining DJI drone shipments under the authority of the Uyghur Forced Labor Prevention Act (UFLPA), creating severe and unpredictable supply chain disruptions [12,15]. Third, these actions were compounded by looming bipartisan legislation in the U.S. Congress aiming to ban the sale and operation of all DJI products nationwide by the end of 2025, citing national security concerns [12].

This combination of prohibitive costs, logistical blockades, and the threat of a complete market ban has forced DJI into a strategic retreat from the U.S. consumer market. The company has curtailed its direct-to-consumer sales, marked products as "Not available in your country/region" on its U.S. website, and made the strategic decision to not launch its newest flagship models in the United States; This approach represents a form of managed withdrawal, ceding a market it once dominated to focus on other global regions where the political and regulatory environment is less

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hostile. This has created a significant vacuum in the U.S. drone market, as domestic and European competitors currently lack the scale, manufacturing efficiency, and integrated software ecosystem to match DJI's offerings at a comparable price point [13].

Case Study: China's EV Champions Look Elsewhere

A similar pattern of preemptive market exclusion is evident in the electric vehicle (EV) sector. The Biden administration's decision to raise tariffs on Chinese-made EVs from 25% to a prohibitive 100% was not a response to a current import surge—as Chinese EV sales in the U.S. were negligible—but a preemptive measure designed to protect the nascent American EV industry from a potential future flood of low-cost, highly competitive Chinese vehicles [25,26].

Faced with this insurmountable trade barrier, leading Chinese EV manufacturers such as BYD and Li Auto have pragmatically written off the U.S. market for the foreseeable future. Li Auto's leadership, for example, has publicly described the U.S. market as "very complicated" and confirmed the company has no plans for entry [9]. Instead, these globally ambitious firms have pivoted their international expansion strategies to focus on more accessible markets. Their efforts are concentrated in Europe, Southeast Asia, and Latin America, where they are rapidly gaining market share [26]. BYD's recent launch of a new hybrid-electric pickup truck, the Shark, exclusively in Mexico is a clear manifestation of this strategy [9]. It targets a large and growing regional market while also positioning the company to potentially navigate complex North American rules of origin in the future. For China's EV champions, the U.S. tariffs have not halted their global ambitions but have fundamentally reshaped their world map, forcing them to build an international presence by strategically circumventing, rather than directly confronting, the U.S. market.

4. Discussion: synthesizing shock, resilience, and high-quality development

The quantitative and qualitative evidence presented paints a clear picture of the trade friction as a dual-force phenomenon. The initial shock, characterized by tariff-driven cost increases and market disruptions, forced immediate, often painful, adjustments. However, the sustained pressure also catalyzed a deeper, more strategic evolution within Chinese enterprises, aligning corporate behavior with China's broader national economic ambitions and ultimately forging a more competitive corporate landscape.

4.1. From reactive to proactive resilience

The strategic response of Chinese firms to the trade war evolved over time. At first, most companies focused on reactive damage control. They worked to manage the immediate effects of rising tariffs and disrupted trade flows. However, as the conflict dragged on, it became clear that this was not a short-term disruption. Instead, it signaled a lasting shift in the global political and economic environment. This new reality forced a deeper strategic shift. Firms began to move from short-term fixes to long-term resilience-building. For example, the "China + 1" strategy, used by manufacturers such as Foxconn, was more than a way to cut costs. It represented a broader rethinking of global production networks. The goal was to reduce risk by adding geographic diversity to supply chains. Huawei followed a similar path. Rather than simply coping with the loss of U.S. suppliers, the company invested in developing its own operating system and domestic chip technologies. These efforts aimed to eliminate key vulnerabilities and build greater independence for the future. These cases show how Chinese firms adapted to the new trade environment. They moved from survival mode to long-term strategic transformation. This evolution reflects a broader paradigm shift in corporate thinking, moving away from a singular focus on cost optimization within a stable,

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globalized system toward a more complex calculus of risk management, supply chain security, and geopolitical resilience in a fragmented world [27].

4.2. An external catalyst for internal goals

The corporate transformations observed were not created in a vacuum. They align closely with, and were significantly accelerated by, China's pre-existing national economic strategies, such as "Made in China 2025" and the "dual circulation" model, which emphasizes strengthening the domestic market and achieving technological self-reliance. The trade war did not invent these goals, but it provided a powerful external shock that imbued them with a new urgency and provided the political justification for their aggressive implementation [28,29].

Before 2018, the push for indigenous innovation was a matter of long-term industrial policy. After the sanctions on firms like ZTE and Huawei, it became a matter of national economic security and survival. The actions taken by Washington allowed Beijing to frame its massive state support for strategic industries not as aggressive, market-distorting policy, but as a necessary and defensive response to foreign hostility. This external pressure helped overcome internal resistance and inertia, concentrating national resources and aligning corporate incentives with state objectives to an unprecedented degree. In this context, the U.S. tariffs and sanctions acted as an unwitting catalyst, dramatically speeding up the timeline for China's pursuit of its core industrial and technological ambitions.

4.3. The emergence of a more competitive corporate landscape

One of the most important outcomes of the trade war is the emergence of stronger and more competitive Chinese companies. The intense pressure acted as a tough selection process. Weaker firms were pushed out. Those that survived had to adapt quickly and build new capabilities to stay afloat. Research shows that firms with a strong corporate culture—especially those focused on innovation and teamwork—were better equipped to handle the crisis. These firms showed more resilience and were less affected by the negative stock market reactions linked to trade war exposure [30].

The companies featured in the case studies illustrate this transformation. They have expanded into new markets, lowering their dependence on any one country. This shift also gave them more experience working in diverse regulatory environments. They have restructured their supply chains to reduce risk and improve stability. Firms in the technology sector, in particular, were pushed to invest heavily in core research and development. This investment helped them move beyond basic assembly work toward more advanced innovation. They began to climb higher in the value chain. Although the trade war delivered real economic pain, it also reshaped China’s corporate landscape. It helped create a group of firms that are more global in perspective, more resilient in structure, and more competitive in key technologies.

5. Conclusion

The Sino-American trade friction that began in 2018 has been more than just a disruptive episode in global trade. It has become a transformative event with lasting consequences. For Chinese enterprises, the trade war has acted as a double-edged sword. On one side, it brought real economic pain. On the other, it accelerated strategic adaptation and pushed firms to build long-term capabilities. The findings of this paper highlight the complexity of these outcomes. They show that

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using trade policy as a tool of geopolitical competition can produce effects that are both damaging and unexpectedly constructive. In the case of China, the pressure of external conflict has driven internal growth and transformation.

5.1. Recapitulation of the double-edged sword

This analysis has shown the dual nature of the trade war through both quantitative and qualitative perspectives. The quantitative data highlights the scale of the shock. China's share of U.S. imports fell sharply, especially in product categories hit by tariffs. At the same time, global trade patterns began to shift, with Chinese exports increasingly redirected to other regions. These changes came at a cost. Chinese firms saw reduced export volumes to a critical market. They also faced a high level of uncertainty, which disrupted planning and investment. The data makes clear that the trade war delivered a significant economic blow in its initial stages. Yet, the qualitative case studies reveal the other edge of the sword. The pressure of tariffs catalyzed a strategic exodus of final assembly in some sectors, as seen with Foxconn's pivot to India. The more acute pressure of technological sanctions forced an all-out drive for self-sufficiency, leading to breakthroughs like SMIC's 7nm chip and the establishment of Huawei's HarmonyOS as a viable mobile ecosystem. For firms facing market exclusion, like DJI and EV makers, the friction compelled a pragmatic redrawing of their global expansion maps. In each case, a severe challenge prompted a strategic response that, over the long term, may enhance corporate resilience.

5.2. The future of global value chains

The trade war has permanently reshaped the logic of global production. The earlier model, which focused on hyper-efficiency and cost optimization, is being replaced by a new approach. Firms now prioritize redundancy, regionalization, and resilience. The "China + 1" strategy has become a basic requirement for global manufacturers. At the same time, supply chains are becoming more fragmented and more influenced by political factors. Chinese firms, as the first to experience this disruption, are not simply passive victims. They are now actively helping to build the next generation of supply networks. Their role in global production is evolving. While final assembly is shifting to countries in Southeast Asia or Mexico, Chinese companies remain essential. Research on trade diversion shows that they continue to supply the components, equipment, and capital needed by these new manufacturing hubs. In this changing environment, Chinese firms are adapting quickly. They are positioning themselves as critical players in a global supply system that is more complex, less centralized, and more sensitive to geopolitical pressures.

5.3. A more resilient, but more contested, relationship

In the end, the U.S.-China trade friction has not resulted in a full decoupling. Economic interdependence remains, but it has been fundamentally restructured. The relationship is no longer defined by the simple trade complementarity of the early 2000s. It is now shaped by direct competition in technology, standards, and strategic industries. The Chinese firms that have emerged from this period are no longer just low-cost participants in a system led by the United States. They are increasingly the architects of a parallel economic and technological ecosystem. This new system was forged during the trade war and built to endure a more contested and uncertain global environment. The trade war has left deep scars. At the same time, it has strengthened the capabilities of the firms that endured it. These companies are now entering a new stage of global economic

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competition. This stage is more complex, more fragmented, and less dominated by any single economic model.

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