



ANALYSIS OF TARIFF POLICY IN THE GLOBAL TRADE WAR: ITS IMPACT ON THE INDUSTRIAL SECTOR AND INTERNATIONAL TRADE

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Abstract

The trade war between major economies, particularly the United States and China, has created new dynamics in the global trade system. Tariff policies imposed by these countries have reshaped global supply chains, altered industrial cost structures, and disrupted export–import flows across multiple sectors. This study has aimed to analyze the effects of tariff policies within the context of the trade war on the industrial sector and international trade, and to examine their implications for economic policy strategies in developing economies. A descriptive–comparative method has been employed, utilizing secondary data from international institutions such as the World Bank, IMF, and WTO covering the period 2015–2024. The analysis has focused on the development of tariff levels, export–import values, and the industrial sector’s contribution to gross domestic product (GDP). The findings have shown that protectionist tariff policies have tended to suppress export performance, increase production costs, and widen trade deficits. However, countries that have strengthened industrial productivity and diversified export markets have proven more resilient. These results highlight the importance of adaptive, competitiveness-oriented trade policies amid global uncertainty.

Keywords: Tariff Policy, Trade War, Industry, International Trade, Protectionism.

INTRODUCTION

International trade was one of the main pillars that supported global economic growth and improved social welfare. Through export and import activities, countries optimized their comparative advantages, expanded markets, and gained access to resources and technologies that were unavailable domestically (Elia et al., 2021). Global economic integration had created interdependence among nations, so that changes in one country’s economic policy had significant effects on others. However, in recent years, the free trade system faced serious challenges due to the rise of protectionist practices, particularly through the imposition of tariff policies or import duties aimed at protecting domestic economic interests.

Tariff policies had two opposing sides. On one hand, tariffs functioned as protectionist instruments to shield domestic industries from the influx of cheaper imported products. On the other hand, such policies created price distortions, reduced production efficiency, and weakened export competitiveness (Khosro et al., 2025). This phenomenon was evident in the trade war between the United States and China that began in 2018, when both countries raised tariffs on various imported products. These policies not only disrupted diplomatic relations but also triggered ripple effects on global supply chains, international trade flows, and world economic stability (Itakura, 2020). The World Trade Organization (Yang et al., 2025) reported that during the trade war period, global trade volume slowed by up to 2.7% compared to previous years, while industrial production costs increased due to higher prices of imported raw materials.

The impact of the trade war was not only felt by the United States and China but also spread to other nations, including developing countries such as Indonesia. As an open economy, Indonesia relied heavily on exports and imports to sustain its economic growth. Rising tariffs in major trading partner countries reduced demand for Indonesian export products, while higher import prices of raw materials potentially squeezed the profitability of manufacturing industries (Purba et al., 2025). Nevertheless, the trade war also created new opportunities. The shift in global supply chains encouraged multinational companies to seek alternative production bases outside China, and Indonesia had the potential to become one of the main destinations due to its resource availability, competitive labor force, and strategic location in Southeast Asia (Ran, 2023). Therefore, the government's ability to formulate adaptive tariff policies and foreign trade strategies became crucial in minimizing negative impacts while maximizing opportunities arising from global dynamics.

Studies on trade wars and tariff policies had been extensively discussed in the international economics literature. Kreuter et al. (2023) emphasized that tariff policies directly affected trade efficiency and consumer welfare. Irwin (2017) found that long-term protectionist policies reduced productivity and triggered retaliatory actions from trading partners. Chang et al. (2020) conducted an in-depth analysis of the U.S.–China trade war and revealed that tariff policies harmed domestic industries in the United States by increasing input prices and weakening export competitiveness. Sharma et al. (2021) also highlighted the impact of the trade war on the relocation of global supply chains from China to developing countries in Southeast Asia. Reports from the World Bank (2022) and the World Trade Organization (WTO) (2023) reinforced these findings, stating that countries with adaptive trade policies managed to withstand the negative effects of the trade war better than those dependent on raw commodity exports.

Although various studies had examined the relationship between tariff policies and global trade dynamics, most of the existing literature remained focused on developed countries and failed to provide an in-depth analysis of their effects on industrial structures and foreign trade in developing economies such as Indonesia. Most research had also tended to discuss macroeconomic impacts in aggregate terms without explaining the mechanisms of domestic industrial adaptation to global tariff policies (International Monetary Fund [IMF], 2023). Therefore, a significant research gap remained, namely the need for a more comprehensive analysis of how tariff policies within the context of the global trade war affected the industrial sector, international trade, and the economic resilience of developing countries.

This study was conducted to address this gap by offering novelty in two main aspects. First, conceptually, it developed an analytical framework that integrated the relationship between tariff policies, industrial performance, and international trade dynamics within the context of the global trade war. The model did not only assess the impact of tariff policies at the macro level but also examined their implications for industrial cost structures and the export–import balance in developing countries.

Second, empirically, the study utilized recent secondary data from the World Bank, IMF, and WTO for the period 2015–2024, covering the phases before, during, and after the trade war. Through a descriptive–comparative approach, the research provided a comprehensive overview of how changes in tariff policies influenced industrial performance and the direction of international trade.

Based on this context, the study sought to answer how the characteristics and directions of tariff policies in the global trade war between the United States and China during 2015–2024 affected the industrial sector and international trade, particularly in developing economies. Furthermore, it aimed to examine the implications of the trade war for changes in export–import volumes and trade balance conditions, as well as to formulate potential economic policy strategies that Indonesia could adopt in response to global trade uncertainty.

The main objectives of this research were to analyze the forms and directions of tariff policies emerging during the U.S.–China trade war, to assess their impacts on industrial performance and production costs, and to identify their implications for international trade and the trade balance of developing countries. In addition, the study aimed to formulate adaptive and competitiveness-oriented policy recommendations that strengthened national economic resilience amid global uncertainty. Therefore, the findings of this study were expected to provide not only theoretical contributions to the development of international economics but also practical recommendations for policymakers in designing more responsive, inclusive, and sustainable foreign trade policies.

METHOD

This study employs a descriptive-comparative approach to examine the impact of tariff policies in the context of the trade war on the industrial sector and international trade, particularly in developing countries such as Indonesia. This approach is suitable for capturing complex economic phenomena systematically and for analyzing changes that occur before, during, and after the implementation of tariff measures by the United States and China.

The study focuses on mapping global tariff patterns, tracing export–import dynamics, and assessing industrial performance under global economic pressures. It does not aim to establish direct causal relationships but rather to identify trends, inter-variable linkages, and policy implications arising from the trade war.

Data Sources and Data Types

This study utilizes secondary data obtained from reputable international institutions, including the World Bank, the International Monetary Fund (IMF), and the World Trade Organization (WTO). The data include: (1) import and export tariff rates between the United States and China; (2) the volume and value of international trade from 2015 to 2024; (3) the contribution of the industrial sector to Gross Domestic Product (GDP); and (4) macroeconomic indicators such as inflation, exchange

rates, and trade balances.

In addition, the study draws on trade policy reports, global economic publications, and previous research findings as supplementary sources to enrich the analysis. The use of secondary data enables a comprehensive longitudinal overview and facilitates the identification of trends and changes resulting from tariff policies over an extended period.

Research Variables

The main variables in this study consist of three components: (1) Tariff policy as the independent variable, measured by changes in import and export tariff rates during the trade war period; (2) Industrial sector performance as the first dependent variable, assessed using indicators such as industrial value added, production costs, and manufacturing productivity; and (3) International trade as the second dependent variable, measured by changes in export–import volumes and trade balance conditions.

Data Analysis Techniques

The study employs trend analysis to identify patterns of change in tariff rates, trade volumes, and industrial contributions over the study period. Quantitative descriptive analysis interprets statistical data from international institutions to provide an empirical overview of the impact of tariff policies on relevant economic indicators.

Comparative analysis is used to examine differences before and after the implementation of tariff policies during the trade war, both between developed countries (the United States and China) and developing countries (including Indonesia). This comparison aims to assess the extent to which tariff policies affect industrial performance and international trade, as well as to evaluate the effectiveness of economic adaptation strategies implemented by each country.

To support the analysis, the study also conducts documentary research on global economic reports, trade policy documents, and recent academic publications. A source triangulation approach ensures the validity and reliability of the data, providing a robust empirical foundation for the findings.

Theoretical Framework

This study is grounded in both classical and modern theories of international trade, particularly the theories of comparative advantage and competitive advantage. Within the context of the trade war, these theories serve as the foundation for assessing how tariff policies alter a country's structural advantages in global trade. In addition, the study adopts the perspective of international political economy to interpret tariff policies not only as economic instruments but also as tools of geopolitical negotiation among major powers (Bown, 2021; Irwin, 2017).

By combining empirical and conceptual approaches, this study aims to provide a comprehensive

understanding of the implications of tariff policies for the industrial sector and international trade. By integrating global data analysis with reflections on the national context, the findings are expected to strengthen the scientific basis for formulating Indonesia's foreign economic policy to be more adaptive, responsive, and sustainable amid global economic uncertainty.

RESULTS AND DISCUSSION

Overview of Tariff Policies in the Context of the Trade War

The trade war between the United States and China, which began in 2018, was one of the most significant global economic events of the past decade. The increase in U.S. import tariffs on Chinese products from the initial range of 3–10% to as high as 25% on several strategic commodities such as steel, aluminum, and electronic goods had drastically reshaped the global trade landscape (Bown, 2022). In response, China imposed retaliatory tariffs on agricultural, automotive, and energy products imported from the United States. This reciprocal tariff escalation not only created bilateral economic tension but also generated widespread ripple effects across global supply chains, production costs, and the stability of international trade.

According to data from the World Trade Organization (2023), global export values declined by approximately 2.7% during the 2018–2019 period compared with previous trends. The most significant impacts occurred in countries that were highly integrated into global supply chains, particularly those in East and Southeast Asia. Indonesia, as a developing country whose industrial structure remained dependent on imported raw materials, also experienced pressure due to rising input prices and export market uncertainty. This situation illustrated that tariff policies functioned not only as instruments of economic protection but also as tools of political economy capable of reshaping the configuration of international trade.

Impact of Tariff Policies on Industrial Sector Performance

The imposition of high tariffs within the context of the trade war had generated various implications for the industrial sector, particularly in developing countries. According to World Bank (2022) data, the global increase in tariffs led to an average rise of 6–10% in industrial production costs, especially in manufacturing sectors that heavily depended on imported raw materials and intermediate components. In the case of Indonesia, the manufacturing sector experienced a slowdown in growth—from 4.27% in 2017 to 3.52% in 2019. This decline was largely attributed to the rising costs of imported inputs and the uncertainty in export demand caused by the trade war.

Furthermore, data from the International Monetary Fund (2023) indicated that tariff fluctuations also affected investment patterns. Many multinational corporations postponed expansion plans due to policy uncertainty. On the other hand, some firms relocated their production bases from China to ASEAN countries—including Indonesia, Vietnam, and Malaysia—to avoid high U.S. tariffs. This

phenomenon, known as trade diversion, referred to the redirection of trade and investment flows toward countries with lower tariff barriers.

For Indonesia, this situation created new opportunities for domestic industrial development, particularly in the electronics and textile sectors, which began to attract foreign investment. However, these opportunities remained constrained by structural challenges such as logistical inefficiency, high energy costs, and bureaucratic complexity. Thus, although the trade war opened possibilities for industrial diversification, its effectiveness largely depended on the readiness of national policies to facilitate investment and enhance the competitiveness of the manufacturing sector.

Changes in International Trade Patterns

The analysis of data from the World Bank (2022) and the World Trade Organization (2023) revealed that the trade war between the United States and China not only reduced bilateral trade volumes but also redirected global trade flows. Developing countries in Southeast Asia experienced an increase in exports to the United States, partially replacing China's position as a major supplier of consumer goods and industrial components. For instance, Vietnam's exports to the United States rose by nearly 30% during the 2018–2020 period, while Indonesia's exports increased by approximately 12% over the same period.

However, dependence on raw materials from China remained high, so the positive effects of export growth did not fully offset the pressure from rising import costs. Indonesia's trade balance recorded a deficit of USD 3.2 billion in 2019 before recovering in 2021 as global supply chains adjusted. This condition demonstrated that the effects of tariff policies were twofold: they constrained export markets on one hand but simultaneously created opportunities for export diversification on the other.

This phenomenon aligned with the theory of comparative advantage (Krugman et al., 2018), which explained that changes in tariff policies could compel countries to adjust their production structures to remain competitive in the global market. In the context of Indonesia, strengthening upstream industries and increasing the value-added content of export products became essential strategies to reduce dependence on imported raw materials and maintain external trade stability..

Comparative Analysis: Before, During, and After the Trade War

A comparative analysis of the periods before (2015–2017), during (2018–2020), and after the peak of the trade war (2021–2024) showed significant changes in global economic dynamics. In the pre-trade war period, the average growth rate of global trade reached 4.1% per year, with the manufacturing sector contributing 16.2% to global GDP. However, during the trade war, global trade growth declined to 2.5%, while the contribution of the manufacturing sector fell to 14.7% (WTO, 2023).

For Indonesia, the most noticeable impact was the increased reliance on the domestic market as the main driver of industrial growth. Meanwhile, during the 2021–2024 period, as tariff tensions between the United States and China gradually eased, global trade began to recover, recording an average growth of 3.6% per year. Nevertheless, the structure of world trade did not completely return to its previous state. The reconfiguration of global supply chains created a new landscape in which developing countries played an increasingly significant role in supplying raw materials and intermediate goods to industries in developed economies.

This analysis indicated that tariff policies implemented during the trade war had long-term effects on the restructuring of the global industrial landscape. Countries with strong adaptive capacity and proactive industrial policies tended to capitalize on this momentum to strengthen their position in global value chains. In contrast, those that were slow to adapt risked losing competitiveness and experiencing industrial stagnation.

Implications for Economic Policy in Developing Countries

The findings of this study showed that the impact of the trade war on developing countries largely depended on their domestic policy responses. Countries such as Vietnam and Malaysia demonstrated success in attracting industrial relocation through fiscal incentives and the simplification of investment licensing. Indonesia, although also gaining certain opportunities, still needed to strengthen its structural reforms in order to optimize the potential benefits of the trade war.

An adaptive foreign trade policy was required to maintain economic stability amid global uncertainty. The government needed to enhance coordination among the industrial, trade, and investment sectors so that the implemented tariff policies were not merely reactive but also strategic in nature. In addition, it was necessary to develop industrial protection mechanisms that did not create price distortions, such as improving logistics efficiency, strengthening industrial research and innovation, and expanding market access through regional trade agreements.

The analysis also emphasized the importance of economic diplomacy in responding to changes in the international trade system. As a developing country, Indonesia needed to broaden its cooperation with non-traditional partners such as the Middle East, Africa, and Latin America to reduce dependence on specific markets. This approach was consistent with efforts to diversify export destinations and to enhance the resilience of the national economy against external shocks.

Theoretical and Empirical Discussion

Theoretically, the results of this study reinforced the view that tariff policy was an economic instrument with a strong political dimension. In line with international political economy theory, tariff measures were not solely intended to protect domestic industries but were also employed as tools of power negotiation within the global economic system (Grübler & Reiter, 2021). The trade war

between the United States and China illustrated how tariffs could be used as a means to maintain economic dominance while exerting pressure on competing nations through trade instruments.

From an empirical perspective, the findings of this study showed that the imposition of high tariffs tended to reduce the efficiency of export-oriented industries and worsen the trade balance in the short term, as also reported by Bown (2022) and Sharma & Sheth (2021). However, in the medium term, countries with flexible industrial structures and adaptive trade policies were able to benefit from the shifting of global supply chains. Indonesia belonged to the group of countries that had the potential to take advantage of this phenomenon, provided that it strengthened its industrial base, improved labor productivity, and expanded access to export markets.

These findings were also consistent with the theory of competitive advantage, which emphasized that a nation's competitiveness was not determined solely by its natural resources but also by its institutional capacity and government policies in creating an efficient business environment (Jazuli et al., 2022). In the context of the trade war, developing countries such as Indonesia needed to orient their industrial policies not only toward withstanding external pressures but also toward enhancing production capacity for high-value-added export goods.

Synthesis and Policy Implications

Overall, the results of this study confirmed that tariff policies in trade wars had complex, multidimensional effects. These policies did not only affect the trade balance but also influenced industrial structures, investment patterns, and the direction of global economic policies. For developing countries, trade wars could have posed both threats and opportunities, depending on the government's ability to adjust fiscal, monetary, and industrial policies in an integrated manner.

In the context of Indonesia, the recommended policy strategy included three main directions. First, strengthening the basic industrial sector through increased production capacity and logistics efficiency. Second, expanding export market diversification through mutually beneficial bilateral and multilateral trade cooperation. Third, enhancing innovation and technology adoption so that domestic industries could compete in the global market. With this approach, Indonesia could have strengthened its economic resilience against global shocks while reinforcing its position in the international value chain.

Academically, the results of this study contributed to the development of international economic studies by emphasizing the importance of the interaction between tariff policies, industrial dynamics, and trade adaptation strategies. The study also expanded empirical understanding of how developing countries could manage economic policies amid geopolitical tensions that directly impacted the global trading system.

CONCLUSION

This study demonstrated that tariff policies within the context of the trade war between the United States and China had caused fundamental changes in the international trading system. The reciprocal increase in tariffs not only affected the bilateral relations between the two countries but also generated a chain reaction across global supply networks, industrial stability, and the overall balance of world trade. The impact was particularly significant for developing countries such as Indonesia, mainly through the rising cost of imported raw materials, declining export competitiveness, and the slowdown of manufacturing sector growth. Nevertheless, the trade war also created new opportunities for Indonesia to attract industrial relocation and strengthen its position within the global value chain, provided that it was supported by responsive and adaptive economic policies aligned with global dynamics.

The analysis indicated that the effects of tariff policy were dual in nature: protective for the implementing countries yet detrimental to global industrial efficiency and productivity. In the long term, the trade war encouraged economic restructuring and a reorientation of global trade flows, where countries with flexible industrial policies and proactive trade strategies tended to transform external pressures into growth momentum. In Indonesia's context, the trade war underscored the importance of synergy between fiscal, industrial, and foreign trade policies to maintain national economic stability amid global uncertainty.

As a recommendation, the government needed to strengthen the national industrial structure through the development of upstream sectors, enhancement of product value added, and improvements in logistics and energy efficiency. Export market diversification also represented a strategic measure to reduce dependence on major partners such as the United States and China. Furthermore, economic diplomacy needed to be intensified so that Indonesia could play a more active role in international trade forums and advocate for the interests of developing nations. Through innovation-driven industrial policies, research-based development, and balanced global cooperation, Indonesia was expected to reinforce its economic resilience, enhance competitiveness, and contribute to the establishment of a more stable, inclusive, and sustainable international trading system.

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