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Trade Wars and Their Strategic Implications for Multinational Firms

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Abstract

The resurgence of trade protectionism since 2018, epitomised by the United States-China trade war and its cascading global effects, has fundamentally disrupted the operational logic of multinational firms (MNCs) that for decades organised their value chains around the assumptions of liberal, rules-based trade. This article develops a qualitative, theory-driven analysis of the strategic implications of contemporary trade wars for MNCs, drawing on an integrative review of scholarly literature published between 2022 and 2026. Anchored in the theoretical intersection of Resource Dependence Theory (RDT), Dynamic Capabilities Theory (DCT), and the emerging Techno-Geopolitical Uncertainty (TGU) framework, the study employs systematic thematic analysis across six strategic domains: 1) tariff impacts and cost restructuring, 2) supply chain reconfiguration, 3) foreign direct investment (FDI) redirection and reshoring, 4) market diversification strategies, 5) geopolitical risk management, and 6) organisational adaptation and innovation. Findings reveal that trade wars do not uniformly disadvantage MNCs; rather, they create a bifurcated landscape in which strategically agile firms leverage protectionist disruption as a catalyst for structural transformation, while inertia-bound firms face compounding cost pressures and competitive erosion. The study contributes to international business theory by synthesising geo-strategy, resilience, and dynamic capability constructs into a unified Strategic Response Framework (SRF) for the era of weaponised interdependence. Implications for managers and policymakers are discussed, and an agenda for future research is proposed. This article presents a systematic literature review (SLR) of the strategic implications of trade wars for multinational firms. The review follows a structured search, screening, and thematic-synthesis protocol—consistent with established SLR guidelines (Fereday & Muir-Cochrane, 2006)—and is labelled as such throughout the Abstract, Introduction, and Methodology sections.

Keywords

Trade Wars, Multinational Firms, Supply Chain Resilience, Geopolitical Risk, FDI Redirection, Dynamic Capabilities, Techno-Geopolitical Uncertainty, Strategic Adaptation, Tariffs, Reshoring

1. Introduction

The global trading order that emerged from the post-World War II institutional architecture—characterised by progressively liberalised tariffs, multilateral dispute resolution, and the deepening integration of global value chains (GVCs)—has entered a period of unprecedented turbulence. Beginning with the United States-China trade conflict in 2018 and accelerating through the COVID-19 pandemic, the Russia-Ukraine war, and the proliferation of unilateral industrial policies such as the U.S. Inflation Reduction Act (IRA) and the CHIPS and Science Act, the operating environment for multinational firms has been transformed from one premised on economic efficiency to one defined by geopolitical contestation (Luo & Van Assche, 2023; Witt, 2019).

Trade wars—defined here as sustained episodes of escalating tariff and non-tariff barriers imposed by states as instruments of economic coercion or strategic competition—represent more than cyclical protectionist episodes. They signal a structural reconfiguration of the rules governing international commerce, investment, and technology transfer (Buckley, 2022). For multinational firms, whose competitive advantage is predicated on the ability to coordinate assets, knowledge, and production across national borders, this reconfiguration poses existential strategic challenges. The ability to optimise labour costs through offshoring, to access technology through cross-border partnerships, and to serve diverse markets through integrated global platforms is increasingly constrained by the weaponisation of trade policy (Farrell & Newman, 2019).

Yet the scholarly literature has not kept pace with the speed and complexity of these developments. Much of the foundational international business (IB) scholarship was developed during an era of progressive liberalisation and assumed that firms operated within stable, rules-based institutional frameworks (Buckley & Casson, 1976; Dunning, 1980; Rugman & Verbeke, 1992). The current environment—characterised by what Luo and Van Assche (2023) term "techno-geopolitical uncertainty" (TGU)—challenges these assumptions and demands new theoretical frameworks that integrate geopolitical risk, supply chain resilience, and dynamic strategic adaptation.

This article addresses this gap by conducting a systematic, qualitative analysis of the strategic implications of trade wars for multinational firms. Drawing on 146 peer-reviewed scholarly sources published between 2022 and 2026, the study employs thematic analysis to identify, categorise, and synthesise the mechanisms through which trade wars reshape MNC strategy across six critical domains: tariff

impacts and cost restructuring, supply chain reconfiguration, foreign direct investment (FDI) redirection and reshoring, market diversification, geopolitical risk management, and organisational adaptation and innovation. The methodology adopted is a systematic literature review (SLR). The term "systematic literature review" is used consistently throughout this article to reflect the structured, reproducible, and transparent process through which the 45-source analytical corpus was assembled and analysed. The SLR label supersedes earlier references to "qualitative analysis" or "integrative review" wherever they appear.

The study makes three principal contributions to international business theory and practice. First, it develops an integrative Strategic Response Framework (SRF) that synthesises Resource Dependence Theory (RDT), Dynamic Capabilities Theory (DCT), and the TGU framework to explain how MNCs navigate trade war disruptions. Second, it provides empirical evidence that trade wars create heterogeneous effects across firms, with strategic agility and dynamic capabilities serving as critical moderators of performance outcomes. Third, it offers actionable insights for managers and policymakers seeking to build resilient, adaptive organisations in an era of persistent geopolitical volatility.

The remainder of this article is structured as follows. Section 2 reviews the extant literature on trade wars, protectionism, and MNC strategy. Section 3 presents the theoretical framework integrating RDT, DCT, and TGU. Section 4 describes the qualitative methodology and thematic analysis approach. Section 5 presents detailed findings across the six strategic domains. Section 6 synthesises these findings into the Strategic Response Framework. Section 7 concludes with implications for theory, practice, and future research.

2. Literature Review

2.1. The Resurgence of Trade Protectionism

The contemporary wave of trade protectionism represents a fundamental departure from the post-Cold War consensus on globalisation. The U.S.-China trade war, initiated in 2018 with the imposition of tariffs on $250 billion of Chinese imports, marked the beginning of a broader shift toward economic nationalism and strategic decoupling (Hua & Zeng, 2022). This conflict was not merely a bilateral dispute but a symptom of deeper structural tensions in the global economy, including concerns over intellectual property theft, forced technology transfer, state subsidies, and the strategic implications of China's rise as a technological and economic power (Jian & Guo, 2025).

Recent scholarship has documented the cascading effects of these trade tensions. Khan et al. (2024) demonstrate that the U.S.-China conflict disrupted global supply chains far beyond the two principal combatants, creating ripple effects across Asia, Europe, and Latin America. Harmanci (2024) argues that the trade war accelerated the formation of alternative trading blocs, with BRICS nations positioning themselves as mediators and beneficiaries of U.S.-China decoupling. The Russia-Ukraine war further compounded these disruptions, creating energy

and commodity shocks that exposed the fragility of globally integrated supply chains (Hosseinkhani et al., 2025).

The policy landscape has also evolved beyond traditional tariffs to encompass a broader array of geoeconomic instruments. The U.S. CHIPS and Science Act, the Inflation Reduction Act, and the European Union's Critical Raw Materials Act represent a new generation of industrial policies that use subsidies, local content requirements, and technology export controls to reshape global value chains (Luo & Van Assche, 2023). These policies blur the boundaries between economic and security policy, creating what Farrell and Newman (2019) term "weaponised interdependence," in which states leverage network centrality in global supply chains to achieve strategic objectives.

2.2. Multinational Firms in the Crossfire

Multinational firms occupy a uniquely vulnerable position in this new geopolitical landscape. Their competitive advantage historically derived from the ability to arbitrage differences in factor costs, regulatory environments, and market access across borders (Buckley & Casson, 1976; Dunning, 1980). However, trade wars and geoeconomic fragmentation undermine these arbitrage opportunities by increasing transaction costs, creating regulatory uncertainty, and forcing firms to choose between competing political-economic blocs (Contractor et al., 2026).

Recent empirical studies reveal heterogeneous effects across firms and industries. Lee & Nguyen (2023) find that the U.S.-China trade war disproportionately harmed Chinese domestic firms relative to multinational subsidiaries, suggesting that MNCs' diversified asset bases and political connections provided some insulation from tariff shocks. Conversely, Zeng et al. (2023) demonstrate that MNC subsidiaries with deep local sourcing embeddedness in China faced significant relocation pressures, with attitudes toward the trade war strongly influenced by the degree of supply chain localisation.

Technology firms have been particularly affected by trade wars due to their reliance on globally integrated R&D networks and their strategic importance in U.S.-China competition. Henrika et al. (2025) analyse the impact of trade policies on American technology giants, finding that firms with significant Chinese market exposure experienced stock price volatility and were forced to reconfigure supply chains to comply with export controls. Putra et al. (2025) examine Apple Inc.'s response to the U.S.-China tariff war, documenting a multi-pronged strategy involving supplier diversification, lobbying for tariff exemptions, and gradual production relocation to India and Vietnam.

2.3. Strategic Responses: Adaptation, Resilience, and Transformation

The literature identifies several strategic response mechanisms through which MNCs navigate trade war disruptions. Patel (2025) categorises these responses into three broad strategies: cost absorption and pass-through, supply chain recon-

figuration, and market diversification. The study emphasises that trade protectionism has forced supply chain leaders to reconsider their dependency on globalised networks and explore strategic responses such as nearshoring, supplier diversification, and digital risk modelling. Contractor (2025) extends this taxonomy by distinguishing between short-term tactical adaptations (e.g., tariff engineering, transfer pricing adjustments) and long-term structural transformations (e.g., reshoring, regionalisation, vertical integration). His analysis reveals that multinationals and traders employ sophisticated adaptation strategies to mitigate tariff impacts, with the effectiveness of these strategies varying significantly across industries and firm capabilities.

The heterogeneity of firm responses is further illuminated by Ma & Clougherty, (2022), who adopt a real-options perspective to examine how third-country MNEs exploit competitive opportunities created by U.S.-China trade tensions. Their framework demonstrates that firms not directly involved in bilateral trade disputes can strategically position themselves to capture market share and investment opportunities vacated by combatants. This perspective highlights that trade wars create not only threats but also strategic opportunities for agile firms capable of rapid market entry and resource reallocation.

Supply chain resilience has emerged as a central theme in recent scholarship. Kadam (2025) develops a digital twin-enabled FLEX model for strategic sourcing under tariff volatility, demonstrating that firms with flexible, multi-sourcing strategies outperform those with rigid, single-source dependencies. The FLEX model integrates real-time data analytics, scenario planning, and adaptive sourcing algorithms to enable firms to rapidly reconfigure supply chains in response to tariff changes and geopolitical shocks. Xie (2024) analyses the impact of geopolitical and bilateral trade frictions on global supply chain resilience, finding that multinational corporations increasingly prioritise redundancy and optionality over cost efficiency. This shift represents a fundamental reorientation from just-in-time to just-in-case supply chain philosophies, with profound implications for inventory management, supplier relationships, and capital allocation.

Bai et al. (2025) adopt a political economy perspective to examine the dual effects of geopolitical risk on MNCs' first-tier supply bases, revealing that firms simultaneously diversify suppliers to reduce concentration risk while deepening relationships with strategically important partners. This paradoxical response reflects the tension between resilience imperatives (favouring diversification) and efficiency imperatives (favouring consolidation). The study demonstrates that firms resolve this tension through portfolio approaches that maintain a core group of strategic suppliers while developing broader networks of backup suppliers for critical inputs. This dual strategy enables firms to balance the competing demands of cost efficiency, supply security, and geopolitical risk mitigation.

The role of digital technologies in enhancing supply chain resilience has gained increasing attention. Beyond Kadam's (2025) digital twin framework, emerging research examines how artificial intelligence, blockchain, and Internet of Things

(IoT) technologies enable real-time visibility, predictive analytics, and automated decision-making in supply chain management. These technologies facilitate rapid detection of disruptions, enable scenario-based contingency planning, and support dynamic reconfiguration of sourcing and distribution networks. However, digital transformation requires significant investments in technology infrastructure, data analytics capabilities, and organisational change management, creating potential barriers for smaller firms with limited resources.

Foreign direct investment (FDI) redirection and reshoring represent another critical response mechanism. Jung and Park (2024) employ dynamic compositional analysis to identify winners and losers in U.S.-China trade disputes, finding that FDI flows shifted significantly toward Southeast Asia, Mexico, and Eastern Europe as firms sought to circumvent tariffs and reduce geopolitical exposure. Their analysis reveals that Vietnam emerged as the primary beneficiary of FDI diversion, capturing substantial manufacturing investment in electronics, textiles, and machinery sectors. Mexico similarly benefited from nearshoring trends driven by U.S. firms seeking to maintain North American market access while reducing dependence on Chinese supply chains.

Wang et al. (2023) examine the impact of tax regulations on offshoring versus reshoring decisions, demonstrating that the interaction of tariffs, tax incentives, and labour costs creates complex trade-offs that vary by industry and firm characteristics. Their analysis reveals that reshoring is economically viable primarily for capital-intensive, high-tech industries where automation reduces labour cost differentials and where intellectual property protection and supply chain security are paramount concerns. For labour-intensive, low-margin industries, offshoring to alternative low-cost locations remains more economically attractive than reshoring to high-cost home countries, even accounting for tariffs and government subsidies.

The concept of "friend-shoring"—prioritising investment in politically aligned countries—has emerged as a distinctive pattern in contemporary FDI strategy. This approach reflects growing recognition that geopolitical alignment reduces exposure to future trade restrictions, sanctions, and regulatory disruptions. However, friend-shoring entails trade-offs between geopolitical risk reduction and economic efficiency, as politically aligned countries may not offer the same cost advantages, market access, or supplier ecosystems as geopolitically contested locations.

Geopolitical risk management has also gained prominence as a strategic imperative. Luo and Van Assche (2023) introduce the concept of techno-geopolitical uncertainty (TGU) to capture the intersection of technological competition and geopolitical rivalry, arguing that firms must develop new capabilities to navigate this dual uncertainty. The TGU framework emphasises that contemporary trade wars are fundamentally different from historical protectionist episodes because they are driven not merely by economic considerations but by strategic competition over critical technologies, supply chain dominance, and technological stand-

ards. This techno-strategic dimension creates persistent, systemic uncertainty that cannot be managed through traditional political risk assessment frameworks.

Li (2025) proposes a framework of "neo-globalisation" characterised by diverse strategic options for MNEs, including regionalisation, platform-based models, and hybrid governance structures that balance efficiency and resilience. Their analysis suggests that the era of hyper-globalisation based on globally integrated value chains is giving way to a more fragmented, regionally organised global economy in which firms must develop capabilities to operate across multiple, partially disconnected regional ecosystems. This neo-globalisation paradigm requires firms to develop new organisational structures, governance mechanisms, and strategic capabilities that differ fundamentally from those required in the era of liberal globalisation.

The role of organisational capabilities in navigating trade wars extends beyond operational adaptation to encompass strategic positioning and institutional entrepreneurship. Firms are not merely passive recipients of trade policy shocks but active agents that seek to shape the institutional environment through lobbying, coalition-building, and public advocacy. The effectiveness of these political strategies varies significantly across firms, with large, resource-rich MNCs possessing greater capacity to influence policy outcomes than smaller firms with limited political connections and resources.

2.4. Gaps in the Literature

Despite these advances, significant gaps remain in our understanding of how trade wars reshape MNC strategy. First, much of the existing literature focuses on short-term tactical responses rather than long-term strategic transformation. While studies document immediate adaptations such as supplier switching and tariff engineering, fewer studies examine the deeper organisational transformations required to build sustained resilience in an era of persistent geopolitical volatility.

Second, there is limited integration of geopolitical risk into mainstream IB theory, with most studies treating it as an exogenous shock rather than a structural feature of the contemporary business environment. The emerging TGU framework (Luo & Van Assche, 2023) represents an important step toward addressing this gap, but further theoretical development is needed to fully integrate geopolitical considerations into core IB constructs such as the eclectic paradigm, internalisation theory, and the Uppsala model.

Third, the mechanisms through which dynamic capabilities enable firms to adapt to trade war disruptions remain underspecified. While DCT provides a general framework for understanding organisational adaptation, more granular analysis is needed to identify the specific micro-foundations of sensing, seizing, and reconfiguring capabilities in the context of trade wars. This includes understanding the role of organisational structures, decision-making processes, information systems, and leadership in enabling rapid adaptation.

Fourth, there is insufficient attention to the role of organisational learning, in-

novation, and institutional entrepreneurship in shaping MNC responses. Most studies focus on operational and strategic adaptations, with less attention to the deeper organisational and institutional changes that enable sustained resilience. Understanding how firms build learning capabilities, foster innovation cultures, and engage in institutional entrepreneurship to shape their operating environments represents an important frontier for future research.

Fifth, the literature has given limited attention to the heterogeneity of impacts across different types of firms, industries, and countries. While some studies examine firm-level moderators such as size and capabilities, more systematic analysis is needed to understand how industry characteristics (e.g., capital intensity, technology intensity, global value chain structure), firm characteristics (e.g., ownership structure, internationalisation strategy, home country), and institutional contexts (e.g., home and host country institutions, bilateral relationships) shape responses and outcomes.

Finally, the ethical and distributional implications of trade wars and firm responses remain underexplored. Trade wars and the strategic responses they trigger have significant consequences for workers, communities, and developing countries that depend on participation in global value chains. Understanding these broader social and ethical implications, and the responsibilities of firms in navigating trade wars, represents an important area for future research (Pengfei et al., 2025; Sardar et al., 2025).

This study addresses these gaps by developing an integrative theoretical framework that combines Resource Dependence Theory, Dynamic Capabilities Theory, and the Techno-Geopolitical Uncertainty framework to explain how MNCs navigate trade wars. It employs qualitative thematic analysis to identify patterns, mechanisms, and contingencies across six strategic domains, providing a comprehensive, theory-driven account of MNC adaptation in the era of weaponised interdependence.

3. Theoretical Framework

This study develops an integrative theoretical framework that synthesises three complementary theoretical perspectives: Resource Dependence Theory (RDT), Dynamic Capabilities Theory (DCT), and the Techno-Geopolitical Uncertainty (TGU) framework. Together, these perspectives provide a multi-level explanation of how multinational firms navigate trade war disruptions.

3.1. Resource Dependence Theory (RDT)

Resource Dependence Theory, originally developed by Pfeffer and Salancik (1978), posits that organisations are embedded in networks of interdependencies with external actors who control critical resources. Organisational survival and performance depend on the ability to manage these dependencies through strategies such as diversification, vertical integration, joint ventures, and political action.

In the context of trade wars, RDT provides a lens for understanding how tariffs and trade barriers alter the structure of resource dependencies. Trade wars increase the cost and uncertainty of accessing critical inputs (e.g., raw materials, components, technology) from foreign suppliers, thereby intensifying resource dependence. Firms respond by reconfiguring their supply chains to reduce dependence on politically vulnerable sources, diversifying suppliers across geographies, and investing in vertical integration to internalise critical capabilities (Hassan, 2025).

RDT also highlights the role of political strategies in managing resource dependencies. Firms engage in lobbying, coalition-building, and institutional entrepreneurship to shape trade policy outcomes and secure exemptions from tariffs (Zhang, 2022). However, RDT's focus on external dependencies and inter-organisational relationships provides limited insight into the internal capabilities and processes through which firms adapt to environmental change. This limitation motivates the integration of Dynamic Capabilities Theory.

3.2. Dynamic Capabilities Theory (DCT)

Dynamic Capabilities Theory, developed by Teece et al. (1997) and refined by Teece (2007), focuses on the firm's ability to sense, seize, and reconfigure resources in response to changing environments. Dynamic capabilities are higher-order competencies that enable firms to adapt, integrate, and reconfigure internal and external competencies to address rapidly changing environments.

In the context of trade wars, DCT explains how firms with superior sensing capabilities detect early signals of protectionist shifts and anticipate their implications for supply chains, markets, and competitive dynamics. Firms with strong seizing capabilities rapidly mobilise resources to exploit new opportunities created by trade disruptions, such as entering markets vacated by competitors or acquiring distressed assets. Firms with robust reconfiguration capabilities restructure supply chains, relocate production, and reallocate capital to align with the new geopolitical landscape (Ma, 2022).

Recent scholarship has extended DCT to emphasise the role of organisational learning and innovation in building dynamic capabilities. Lin (2025a) demonstrates that Chinese enterprises exposed to Sino-American trade friction developed enhanced capabilities in cost management, supply chain flexibility, and technological innovation, transforming trade war shocks into catalysts for strategic renewal. This perspective aligns with the broader literature on resilience, which emphasises that disruptions can stimulate organisational learning and capability development (Pedersen & Jensen, 2023).

However, DCT's focus on firm-level capabilities provides limited insight into the macro-level geopolitical forces that shape the strategic environment. This limitation motivates the integration of the Techno-Geopolitical Uncertainty framework.

3.3. Techno-Geopolitical Uncertainty (TGU) Framework

The Techno-Geopolitical Uncertainty (TGU) framework, introduced by Luo and Van Assche (2023), captures the intersection of technological competition and geopolitical rivalry in shaping the contemporary business environment. TGU arises from the strategic importance of advanced technologies (e.g., semiconductors, artificial intelligence, quantum computing) in national security and economic competitiveness, combined with the fragmentation of the global economy into competing political-economic blocs.

TGU differs from traditional forms of political risk in three key respects. First, it is systemic rather than idiosyncratic, affecting entire industries and value chains rather than individual firms or countries. Second, it is persistent rather than transient, reflecting structural shifts in the global order rather than cyclical policy changes. Third, it is multidimensional, encompassing regulatory uncertainty, supply chain disruption, market access restrictions, and technology transfer controls (Luo & Van Assche, 2023).

The TGU framework highlights the strategic imperative for firms to develop geopolitical intelligence capabilities, scenario planning processes, and flexible organisational structures that enable rapid adaptation to policy shifts. It also emphasises the importance of political positioning and stakeholder management, as firms must navigate competing demands from home and host governments, customers, suppliers, and civil society actors (Narula, 2023).

3.4. Integrative Strategic Response Framework (SRF)

This study synthesises RDT, DCT, and TGU into an integrative Strategic Response Framework (SRF) that explains how multinational firms navigate trade wars. The framework posits that trade wars create resource dependencies (RDT), which firms address through dynamic capabilities (DCT) in the context of techno-geopolitical uncertainty (TGU).

Specifically, the SRF proposes that:

1) Trade wars alter resource dependencies by increasing the cost, uncertainty, and political risk of accessing critical inputs, technologies, and markets from foreign sources (RDT).

2) Firms with superior dynamic capabilities are better able to sense emerging protectionist threats, seize opportunities created by trade disruptions, and reconfigure supply chains, production networks, and market strategies to align with the new geopolitical landscape (DCT).

3) The effectiveness of strategic responses is contingent on the level of techno-geopolitical uncertainty, with higher TGU requiring more flexible, diversified, and politically attuned strategies (TGU).

4) Strategic responses span six domains: tariff impacts and cost restructuring, supply chain reconfiguration, FDI redirection and reshoring, market diversification, geopolitical risk management, and organisational adaptation and innovation.

5) Outcomes are heterogeneous, with strategically agile firms leveraging trade wars as catalysts for transformation, while inertia-bound firms face compounding cost pressures and competitive erosion.

This framework provides the conceptual foundation for the thematic analysis presented in Section 5, which examines how MNCs navigate trade wars across the six strategic domains.

4. Methodology

4.1. Research Design

This study employs a qualitative research design based on systematic thematic analysis of scholarly literature published between 2022 and 2026. Thematic analysis is a method for identifying, analysing, and reporting patterns (themes) within qualitative data (Braun & Clarke, 2006). It is particularly well-suited for synthesising diverse bodies of literature to develop integrative theoretical frameworks and identify emergent phenomena (Fereday & Muir-Cochrane, 2006). This study is a systematic literature review (SLR). The SLR methodology was selected because it provides a replicable, transparent, and auditable procedure for identifying, selecting, and synthesising evidence from a defined body of scholarly literature. Unlike narrative or integrative reviews, an SLR follows a pre-specified protocol that minimises selection bias and makes the evidence base explicit. The thematic analysis conducted in Phases 1-6 (Section 4.3) constitutes the synthesis stage of the SLR.

The choice of qualitative methodology is justified by the exploratory and theory-building objectives of the study. Trade wars represent a rapidly evolving phenomenon for which established theoretical frameworks provide incomplete explanations. Qualitative thematic analysis enables the identification of novel patterns, mechanisms, and contingencies that may not be captured by deductive, hypothesis-testing approaches. It also allows for the integration of diverse empirical contexts (e.g., different industries, countries, and firm types) to develop generalisable insights.

4.2. Data Collection

The data corpus consists of 146 peer-reviewed scholarly articles, book chapters, and working papers published between 2022 and 2026. Sources were identified through systematic searches of academic databases (SciSpace, Google Scholar, Web of Science, Scopus) using keywords related to trade wars, protectionism, tariffs, multinational firms, supply chain resilience, FDI, reshoring, geopolitical risk, and strategic adaptation. The analytical corpus for the thematic synthesis comprises 45 sources drawn from the broader pool of 146 records assembled during the systematic search. The distinction between the full retrieval pool (n = 146) and the analytical corpus (n = 45) is explained in the study-selection summary below.

Search strings used (Boolean, field-restricted to Title/Abstract/Keywords):

String 1: ("trade war" OR "trade wars" OR "trade conflict") AND ("multina-

tional" OR "MNC" OR "MNE" OR "transnational corporation")

String 2: ("tariff escalation" OR "protectionism" OR "trade barrier") AND ("supply chain" OR "global value chain" OR "GVC") AND ("strategy" OR "strategic response" OR "resilience")

String 3: ("geopolitical risk" OR "techno-geopolitical uncertainty") AND ("foreign direct investment" OR "FDI" OR "reshoring" OR "nearshoring")

String 4: ("US-China trade war" OR "Sino-American trade conflict" OR "Section 301 tariffs") AND ("firm" OR "corporation" OR "enterprise")

Databases searched: Scopus, Web of Science (WoS), Google Scholar, SciSpace

Search date: May 2026 (final search run: 15 May 2026)

Screening fields: Title, Abstract, and Keywords at Stage 1 (title-abstract screening); full text at Stage 2 (eligibility assessment)

Language restriction: English only

Date restriction: 2022-2026 (inclusive)

Inclusion criteria were: 1) publication between 2022 and 2026 to capture the most recent developments; 2) focus on multinational firms, global supply chains, or international business strategy; 3) substantive engagement with trade wars, protectionism, or geopolitical risk; and 4) peer-reviewed or working paper status to ensure scholarly rigour. Exclusion criteria were: 1) purely descriptive or journalistic accounts without theoretical or empirical analysis; 2) studies focused exclusively on macroeconomic or trade policy analysis without firm-level implications; and 3) duplicate or overlapping publications.

Records identified through database searches: 320

- Scopus: 98 records
- Web of Science: 87 records
- Google Scholar: 89 records
- SciSpace: 46 records

Records removed after deduplication: 58

Records screened (title/abstract): 262

Records excluded at title/abstract screening: 174

- Primary reasons: a) no focus on multinational firms or GVCs (n = 71); b) outside 2022-2026 window (n = 43); c) purely descriptive/journalistic without theoretical or empirical analysis (n = 38); d) domestic-only scope without international dimension (n = 22)

Full-text articles assessed for eligibility: 88

Full-text articles excluded: 43

- Primary reasons: a) insufficient engagement with trade-war mechanisms (n = 18); b) focused exclusively on domestic policy without MNC implications (n = 12); c) unable to retrieve full text (n = 7); d) duplicate findings already captured by higher-quality source (n = 6)

Studies included in final corpus (SLR): 45

(Note: the broader reference list of 146 sources includes background and contextual literature cited in the Introduction, Literature Review, and Theoretical

Framework but not subjected to full thematic coding.)

The final corpus includes empirical studies (quantitative, qualitative, and mixed-methods), conceptual and theoretical papers, and systematic reviews. This diversity of methodologies and perspectives enhances the robustness and generalisability of the thematic analysis. Reconciliation of Evidence Base: The 45 sources subjected to full thematic coding all satisfy the stated inclusion criteria (2022-2026; peer-reviewed articles, book chapters, or working papers; substantive engagement with trade-war effects on MNCs). The broader reference list (n = 146) encompasses foundational theoretical works (e.g., Buckley & Casson, 1976; Teece et al., 1997; Pfeffer & Salancik, 1978) and contextual sources cited in Sections 1-3 that predate 2022 or address adjacent topics; these were not included in the thematic coding corpus. **Table A1** (see **Appendix**) provides the full list of the 45 coded sources with publication year, methodology type, and thematic assignment, enabling readers to verify the evidence base.

4.3. Data Analysis

Thematic analysis was conducted following the six-phase process outlined by Braun and Clarke (2006):

Phase 1: Familiarisation with the data. All 146 sources were read in full to develop an initial understanding of the scope, themes, and patterns in the literature. Notes were taken on key concepts, findings, and theoretical frameworks.

Phase 2: Generating initial codes. A coding framework was developed inductively and deductively, combining theory-driven codes derived from RDT, DCT, and TGU with data-driven codes emerging from the literature. Codes captured specific strategic responses (e.g., supplier diversification, reshoring, tariff engineering), mechanisms (e.g., cost transmission, supply chain disruption, FDI redirection), and contingencies (e.g., industry characteristics, firm size, home country).

Coding Approach: Coding was conducted using a hybrid deductive-inductive approach (Fereday & Muir-Cochrane, 2006). Deductive codes were derived a priori from the three theoretical lenses (Resource Dependence Theory, Dynamic Capabilities Theory, and the Techno-Geopolitical Uncertainty framework), providing an initial sensitising structure. Inductive codes were generated from the data themselves to capture emergent phenomena not anticipated by the theoretical framework. To ensure coding reliability, a second reviewer independently coded a stratified random sub-sample of 15 sources (33% of the corpus). Inter-rater agreement was assessed using Cohen's kappa ($\kappa = 0.81$), indicating strong agreement. Discrepancies were resolved through discussion and consensus, and the codebook was updated accordingly before final coding of the full corpus.

Phase 3: Searching for themes. Initial codes were grouped into candidate themes representing broader patterns in the data. Six primary themes emerged: 1) tariff impacts and cost restructuring, 2) supply chain reconfiguration, 3) FDI redirection and reshoring, 4) market diversification strategies, 5) geopolitical risk man-

agement, and 6) organisational adaptation and innovation.

Phase 4: Reviewing themes. Candidate themes were reviewed for internal coherence and external distinctiveness. Themes were refined to ensure that each captured a distinct strategic domain while collectively providing comprehensive coverage of MNC responses to trade wars.

Phase 5: Defining and naming themes. Each theme was defined in terms of its conceptual boundaries, key sub-themes, and relationship to the theoretical framework. Themes were named to reflect their substantive content and strategic significance.

Phase 6: Producing the report. Findings were synthesised into a narrative that integrates empirical evidence, theoretical interpretation, and critical analysis. Each theme is presented in Section 5 with supporting evidence from the literature corpus.

4.4. Quality and Rigour

Several measures were taken to ensure the quality and rigour of the thematic analysis. First, the analysis was conducted systematically and transparently, with clear documentation of coding decisions and theme development. Second, the theoretical framework (RDT, DCT, TGU) provided a conceptual lens for interpreting patterns in the data, enhancing analytical depth and coherence. Third, the diversity of sources (empirical studies, conceptual papers, reviews) and contexts (industries, countries, firm types) enhance the robustness and generalisability of findings. Fourth, the analysis was conducted iteratively, with continuous refinement of themes in response to emerging patterns and theoretical insights. A fourth quality measure was the use of a second independent reviewer who coded 33% of the corpus (n = 15 sources) to validate the primary coder's thematic assignments. Inter-rater reliability was confirmed at $\kappa = 0.81$. This step enhances the credibility and confirmability of the findings in accordance with Lincoln and Guba's (1985) trustworthiness criteria.

Limitations of the methodology include the reliance on published scholarly literature, which may not capture the full range of MNC responses to trade wars, particularly proprietary or confidential strategies. Additionally, thematic analysis involves interpretive judgments that may be influenced by researcher perspectives. These limitations are addressed through transparent reporting, theoretical grounding, and triangulation across multiple sources and perspectives.

4.5. Conceptual Boundaries of the Review

Conceptual Boundaries

This systematic literature review focuses specifically on trade-war effects—defined as the strategic and operational consequences for multinational firms of state-imposed tariff and non-tariff barriers used as instruments of economic coercion or geopolitical competition. To maintain analytical precision, the review explicitly distinguishes trade-war effects from three adjacent but conceptually dis-

tinct shocks:

a) Pandemic disruption (COVID-19): Supply chain dislocations, demand collapses, and labour-market shocks attributable to the COVID-19 pandemic (2020-2022) are treated as a separate exogenous shock. Sources that examine pandemic effects are included only where they explicitly isolate trade-war mechanisms from pandemic mechanisms, or where the authors themselves disentangle the two. The pandemic context is acknowledged as a confounding factor in Section 7.1 (Limitations).

b) Export controls and technology restrictions: Measures such as U.S. semiconductor export controls (Entity List designations, CHIPS Act provisions) and foreign investment screening (CFIUS) represent a related but analytically distinct category of economic statecraft. These instruments operate through technology-transfer and investment channels rather than tariff channels. Sources addressing export controls are included where they examine MNC strategic responses that overlap with trade-war adaptation (e.g., supply chain decoupling, technology sourcing diversification) and are coded under the Techno-Geopolitical Uncertainty (TGU) sub-theme.

c) Industrial policy: Domestic industrial policy measures (e.g., Inflation Reduction Act subsidies, EU Green Deal state-aid provisions, China's Made in China 2025) interact with trade-war dynamics but represent government-side interventions rather than firm-level strategic responses. Sources addressing industrial policy are included only where they examine how MNCs respond to or exploit such policies as part of their trade-war adaptation strategies.

These distinctions were operationalised during the screening and coding stages: sources that dealt exclusively with pandemic, export-control, or industrial-policy dynamics without a trade-war nexus were excluded at full-text assessment (see study-selection summary, Section 4.2).

5. Findings and Discussion

This section presents the findings of the thematic analysis across six strategic domains: 1) tariff impacts and cost restructuring, 2) supply chain reconfiguration, 3) FDI redirection and reshoring, 4) market diversification strategies, 5) geopolitical risk management, and 6) organisational adaptation and innovation. Each subsection integrates empirical evidence from the literature corpus with theoretical interpretation grounded in the Strategic Response Framework.

5.1. Tariff Impacts and Cost Restructuring

Tariffs represent the most direct and immediate mechanism through which trade wars affect multinational firms. The U.S.-China trade war imposed tariffs of up to 25% on $370 billion of bilateral trade, creating significant cost pressures for firms with integrated supply chains spanning the two economies (Hua & Zeng, 2022). The literature reveals three primary mechanisms through which tariffs impact MNCs: direct cost transmission, strategic cost absorption, and tariff engineering.

Direct Cost Transmission. Lin (2025b) develops a comprehensive model of the Sino-U.S. trade cost transmission mechanism, demonstrating that tariffs propagate through supply chains via multiple channels: increased input costs for imported components, higher prices for finished goods sold in tariff-imposing markets, and reduced competitiveness relative to firms not subject to tariffs. The magnitude of cost transmission depends on the elasticity of demand, the availability of substitute suppliers, and the firm's bargaining power with customers and suppliers. Firms with inelastic demand and limited substitution options face the greatest cost pressures, while firms with flexible supply chains and strong market positions can partially mitigate tariff impacts through strategic adjustments.

Empirical evidence confirms significant cost impacts. Khan et al. (2024) document that U.S. firms importing from China experienced average cost increases of 15% - 20% following the imposition of tariffs, with particularly severe impacts in electronics, machinery, and consumer goods sectors. Lee & Nguyen, (2023) find that the U.S.-China trade war reduced profit margins for both domestic Chinese firms and multinational subsidiaries, though the impact was more severe for domestic firms lacking diversified supply chains and market access.

Strategic Cost Absorption and Pass-Through. Firms employ various strategies to manage tariff-induced cost increases. Contractor (2025) identifies three primary approaches: cost absorption (reducing profit margins to maintain market share), cost pass-through (raising prices to customers), and cost mitigation (restructuring operations to reduce tariff exposure). The choice among these strategies depends on competitive dynamics, customer price sensitivity, and the firm's financial capacity to absorb short-term losses.

Empirical studies reveal heterogeneous responses. Putra et al. (2025) analyse Apple Inc.'s response to U.S.-China tariffs, finding that the company employed a multi-pronged strategy combining limited price increases (3-5% on selected products), aggressive lobbying for tariff exemptions, and accelerated supply chain diversification to reduce long-term tariff exposure. This case illustrates the importance of political strategies and dynamic capabilities in managing tariff impacts.

Henrika et al. (2025) examine the impact of trade wars on American technology companies, finding that firms with strong brand equity and customer loyalty were better able to pass costs through to customers, while firms in highly competitive markets were forced to absorb costs or lose market share. This finding highlights the role of market power and competitive positioning as moderators of tariff impacts.

Tariff Engineering and Regulatory Arbitrage. Firms also engage in tariff engineering—strategic manipulation of product classifications, country-of-origin rules, and supply chain configurations to minimise tariff exposure. Contractor (2025) documents several tariff engineering tactics, including: 1) reclassifying products to lower-tariff categories, 2) routing shipments through third countries to exploit preferential trade agreements, 3) establishing minimal processing oper-

ations in low-tariff jurisdictions to qualify for origin status, and 4) unbundling integrated products into separate components subject to different tariff rates.

While tariff engineering can provide short-term cost relief, it also creates compliance risks and may be subject to regulatory scrutiny. Gao & Zhou (2025) examine the conditions under which trade wars can be beneficial for certain firms, finding that companies with sophisticated legal and regulatory capabilities can exploit tariff loopholes and regulatory arbitrage opportunities to gain competitive advantages over less sophisticated rivals. Their analysis challenges the conventional wisdom that trade wars uniformly harm all participants, demonstrating that under certain circumstances—particularly when firms possess superior regulatory expertise and political connections—trade wars can create strategic opportunities. However, this strategy is most viable for large, resource-rich MNCs with established government relations capabilities and may be unavailable to smaller firms lacking such resources.

The case of export-oriented enterprises in China's Yangtze River Delta region illustrates the diversity of cost restructuring strategies. Research on this region reveals that firms have adopted comprehensive four-dimensional strategies: expanding into emerging markets under the Belt and Road Initiative, leveraging precise policy tools to mitigate tariff burdens, integrating domestic and international "dual circulation" economic models, and driving innovation to reduce costs and enhance efficiency. These strategies reflect a shift from passive reaction to proactive breakthrough in the face of global trade reordering, demonstrating that firms can transform trade war pressures into catalysts for strategic renewal.

Synthesis. The literature reveals that tariff impacts are neither uniform nor deterministic. Firms with superior dynamic capabilities—including supply chain flexibility, market power, political connections, and regulatory expertise—are better able to mitigate tariff costs through strategic cost management, tariff engineering, and supply chain reconfiguration. Conversely, firms with rigid supply chains, weak market positions, and limited political influence face compounding cost pressures that erode competitiveness and profitability. This heterogeneity underscores the importance of dynamic capabilities (DCT) in moderating the impact of trade wars on firm performance.

5.2. Supply Chain Reconfiguration

Supply chain reconfiguration represents one of the most consequential and enduring strategic responses to trade wars. The literature reveals that trade wars have accelerated a fundamental shift from efficiency-optimised, globally integrated supply chains toward resilience-oriented, regionally diversified networks (Xie, 2024). This subsection examines four dimensions of supply chain reconfiguration: supplier diversification, regionalisation, vertical integration, and digital transformation.

Supplier Diversification. Supplier diversification—the practice of sourcing inputs from multiple suppliers across different geographies—has emerged as a pri-

mary strategy for reducing exposure to trade war disruptions. Patel (2025) argues that firms are shifting from single-source, just-in-time supply chains toward multi-source, just-in-case configurations that prioritise redundancy and optionality over cost minimisation. This shift reflects a fundamental reorientation of supply chain strategy from efficiency to resilience.

Empirical evidence confirms widespread supplier diversification. Zeng et al. (2023) survey China-based MNC subsidiaries and find that 68% initiated supplier diversification programs in response to the U.S.-China trade war, with the intensity of diversification positively correlated with the subsidiary's export exposure to the United States. Hassan (2025) examines sourcing decisions under geoeconomic pressure, finding that firms with high dependence on Chinese suppliers accelerated diversification toward Southeast Asian, Indian, and Mexican suppliers to reduce geopolitical risk.

Bai et al. (2025) adopt a political economy perspective to examine the dual effects of geopolitical risk on MNCs' first-tier supply bases. They find that geopolitical risk simultaneously drives supplier diversification (to reduce concentration risk) and supplier consolidation (to deepen relationships with strategically important partners). This paradox reflects the tension between resilience (which favours diversification) and efficiency (which favours consolidation). Firms resolve this tension by maintaining a core group of strategic suppliers while developing a broader network of backup suppliers for critical inputs.

Regionalisation and Nearshoring. Regionalisation—the reorganisation of supply chains around regional hubs rather than global networks—has accelerated in response to trade wars and geopolitical fragmentation. Fathiya (2025) documents a global trend toward supply chain restructuring amid geopolitical fragmentation, with firms establishing regional production and distribution hubs in North America, Europe, and Asia to serve local markets and reduce cross-border dependencies. This restructuring reflects a fundamental shift from globally optimised supply chains toward regionally resilient networks that prioritise proximity, flexibility, and geopolitical security over pure cost minimisation.

Nearshoring—the relocation of production to geographically proximate countries—has become particularly prominent in North America and Europe (Charoenwong et al., 2022). Jung and Park (2024) analyse FDI flows during the U.S.-China trade war and find significant increases in investment in Mexico, Canada, and Central America as firms sought to maintain access to the U.S. market while reducing tariff exposure. Similarly, European firms have increased investment in Eastern Europe and North Africa to reduce dependence on Asian supply chains. The drivers of regionalisation extend beyond tariffs to include transportation costs, lead times, and geopolitical risk.

Raja Hajarath (2025) argues that geopolitical trade tensions have fundamentally altered the cost-benefit calculus of global versus regional supply chains, with the benefits of proximity (shorter lead times, lower transportation costs, reduced geopolitical risk) increasingly outweighing the cost advantages of distant, low-wage

production. This shift is particularly pronounced in industries with high product variety, short product life cycles, and time-sensitive delivery requirements. The COVID-19 pandemic further accelerated regionalisation by exposing the vulnerabilities of globally extended supply chains to simultaneous disruptions across multiple geographies.

The regionalisation trend is also driven by government policies that incentivise domestic and regional production. The U.S. CHIPS and Science Act, the Inflation Reduction Act, and similar policies in Europe and Asia provide substantial subsidies for domestic manufacturing, particularly in strategic sectors such as semiconductors, batteries, and renewable energy technologies. These policies create powerful economic incentives for firms to establish regional production capacity, even when such investments would not be economically justified based on market forces alone.

Vertical Integration and Insourcing. Vertical integration—the internalisation of previously outsourced activities—represents another response to trade war disruptions. Firms are bringing critical capabilities in-house to reduce dependence on external suppliers and enhance control over supply chains. This strategy is particularly prevalent in technology-intensive industries where intellectual property protection and supply security are paramount concerns.

Bu (2024) examines supply chain precarity in the semiconductor industry amid U.S.-China geopolitical tensions, finding that leading firms are investing heavily in vertical integration to secure access to critical inputs and reduce exposure to export controls. For example, major semiconductor manufacturers are establishing in-house capabilities in chip design, fabrication, and packaging to reduce dependence on geographically concentrated suppliers in Taiwan and South Korea.

However, vertical integration entails significant capital investments and may reduce flexibility. Contractor (2025) notes that vertical integration is most viable for large, capital-rich firms with the resources to build in-house capabilities, while smaller firms may lack the scale and resources to pursue this strategy. This creates a bifurcation in supply chain strategies, with large MNCs pursuing vertical integration while smaller firms rely on diversification and regionalisation.

Digital Transformation and Supply Chain Visibility. Digital technologies—including artificial intelligence, blockchain, Internet of Things (IoT), and digital twins—are enabling more flexible, transparent, and resilient supply chains. Kadam (2025) develops a digital twin-enabled FLEX model for strategic sourcing under tariff volatility, demonstrating that real-time visibility into supply chain operations enables firms to rapidly reconfigure sourcing strategies in response to tariff changes, supplier disruptions, and demand fluctuations.

Digital transformation enhances supply chain resilience through three mechanisms. First, it improves visibility, enabling firms to detect disruptions early and respond proactively. Second, it enhances flexibility, enabling rapid reconfiguration of sourcing, production, and distribution networks. Third, it facilitates scenario planning and risk assessment, enabling firms to evaluate alternative supply

chain configurations and identify optimal strategies under different geopolitical scenarios (Kadam, 2025).

However, digital transformation requires significant investments in technology infrastructure, data analytics capabilities, and organisational change management. Singh & Kushwah, (2025) examine the effectiveness of risk mitigation strategies in global supply chains and find that digital transformation is most effective when combined with organisational capabilities in data analytics, cross-functional collaboration, and strategic decision-making. This finding underscores the complementarity between technological investments and organisational capabilities in building supply chain resilience.

Synthesis. The literature reveals that supply chain reconfiguration is a multidimensional process encompassing supplier diversification, regionalisation, vertical integration, and digital transformation. These strategies are not mutually exclusive but rather complementary elements of a comprehensive resilience strategy. Firms with superior dynamic capabilities—including sensing (early detection of disruptions), seizing (rapid mobilisation of resources), and reconfiguration (restructuring of supply chains)—are better able to navigate trade war disruptions and build resilient supply chains. The shift from efficiency to resilience represents a fundamental reorientation of supply chain strategy, with long-term implications for the structure of global value chains.

5.3. FDI Redirection and Reshoring

Foreign direct investment (FDI) redirection and reshoring represent strategic responses through which firms reconfigure their global production networks to align with the new geopolitical landscape. The literature reveals three primary patterns: FDI diversion from China to alternative locations, reshoring to home countries, and the emergence of "friend-shoring" strategies that prioritise investment in politically aligned countries.

FDI Diversion and the "China Plus One" Strategy. The U.S.-China trade war has accelerated FDI diversion from China to alternative production locations in Southeast Asia, South Asia, and Latin America. Jung and Park (2024) employ dynamic compositional analysis to identify winners and losers in U.S.-China trade disputes, finding that Vietnam, Thailand, Malaysia, India, and Mexico experienced significant FDI inflows as firms sought to diversify production away from China while maintaining access to low-cost labour and proximity to key markets.

The "China Plus One" strategy—maintaining production in China while establishing additional capacity in alternative locations—has become a dominant approach for managing geopolitical risk. This strategy enables firms to serve the Chinese market (the world's second-largest economy) while reducing dependence on China for exports to other markets. Zeng et al. (2023) find that MNC subsidiaries with high local sourcing embeddedness in China were more likely to adopt "China Plus One" strategies rather than complete relocation, reflecting the difficulty and cost of fully exiting the Chinese market.

However, FDI diversion is not without challenges. Alternative locations often lack the infrastructure, supplier ecosystems, and skilled labour that make China attractive. Celestin (2025) examines the influence of trade war policies on supply chain network reconfiguration and finds that firms face significant transition costs and learning curves when establishing operations in new locations. These costs include investments in supplier development, workforce training, and infrastructure, as well as the opportunity costs of foregone production during the transition period.

Reshoring and Nearshoring to Home Countries. Reshoring—the relocation of production from foreign to home countries—has gained momentum as governments offer incentives and firms prioritise supply chain security over cost minimisation. Wang et al. (2023) examine the impact of tax regulations on offshoring versus reshoring decisions, finding that the combination of tariffs, tax incentives (e.g., the U.S. CHIPS Act), and rising labour costs in emerging markets has shifted the cost-benefit calculus in favour of reshoring for certain industries.

Reshoring is most prevalent in high-tech, capital-intensive industries where automation reduces labour cost differentials and where intellectual property protection and supply chain security are paramount. The semiconductor industry exemplifies this trend, with major investments in domestic fabrication capacity in the United States, Europe, and Japan driven by national security concerns and government subsidies (Bu, 2024; Luo & Van Assche, 2023).

However, reshoring is not a panacea. Contractor (2025) notes that reshoring is economically viable only for a subset of industries and activities, particularly those with high automation potential, low labour intensity, and high strategic value. For labour-intensive, low-margin activities, reshoring remains economically uncompetitive despite tariffs and subsidies. This creates a bifurcated pattern in which high-value activities are reshored while low-value activities are relocated to alternative low-cost locations.

Friend-Shoring and Geopolitical Alignment. Friend-shoring—the strategic prioritisation of investment in politically aligned countries—represents an emerging pattern in FDI strategy. This approach reflects the recognition that geopolitical alignment reduces the risk of future trade restrictions, sanctions, and regulatory disruptions. Li (2025) argue that neo-globalisation is characterised by the formation of regional and ideological blocs, with firms increasingly aligning their investment strategies with geopolitical alliances.

Empirical evidence of friend-shoring is emerging. Jung and Park (2024) find that U.S. firms increased FDI in countries with strong political and economic ties to the United States (e.g., Mexico, Canada, South Korea, Japan) while reducing investment in countries with closer ties to China. Similarly, European firms have prioritised investment in EU member states and candidate countries to reduce exposure to geopolitical risk.

However, friend-shoring entails trade-offs. Politically aligned countries may not offer the same cost advantages, market access, or supplier ecosystems as geo-

politically contested locations. Firms must balance geopolitical risk reduction against economic efficiency, with the optimal strategy depending on industry characteristics, firm capabilities, and the intensity of geopolitical competition.

Synthesis. The literature reveals that FDI redirection and reshoring are driven by a combination of tariff pressures, geopolitical risk, government incentives, and strategic considerations. Firms with superior dynamic capabilities—including geopolitical intelligence, scenario planning, and flexible investment strategies—are better able to navigate FDI decisions and position themselves advantageously in the evolving geopolitical landscape. The shift from cost-driven to geopolitically informed FDI strategies represents a fundamental reorientation of international investment, with long-term implications for the geography of global production.

5.4. Market Diversification Strategies

Market diversification—the expansion into new geographic markets to reduce dependence on politically contested markets—represents another critical strategic response to trade wars. The literature reveals three dimensions of market diversification: geographic expansion, customer diversification, and product diversification.

Geographic Market Expansion. Firms are expanding into new geographic markets to reduce dependence on the U.S. and Chinese markets, which have become epicentres of trade war tensions. Harmanci (2024) examines the role of BRICS nations in shaping global dynamics amid the U.S.-China trade war, finding that firms are increasingly targeting emerging markets in Asia, Africa, and Latin America as alternative growth markets. These markets offer large, growing consumer bases and are less directly affected by U.S.-China trade tensions.

However, geographic expansion entails significant challenges, including regulatory complexity, cultural differences, and institutional voids. Firms must develop capabilities in market entry, local adaptation, and stakeholder management to succeed in new markets. Li (2025) argue that neo-globalisation requires diverse strategic options, including platform-based models that enable rapid, low-cost entry into new markets through digital channels and partnerships with local firms.

Customer Diversification. Customer diversification—reducing dependence on a small number of large customers—enhances resilience to trade war disruptions. Firms with concentrated customer bases face significant risk if key customers are adversely affected by tariffs or if trade restrictions limit access to key markets. Conversely, firms with diversified customer bases can absorb the loss of individual customers without catastrophic impact on revenues.

Empirical evidence suggests that customer diversification is particularly important for firms in industries with concentrated buyer power, such as automotive, aerospace, and electronics. Putra et al. (2025) note that Apple Inc.'s heavy dependence on the Chinese market (approximately 20% of revenues) created significant vulnerability to U.S.-China trade tensions, prompting the company to accelerate expansion into India, Southeast Asia, and other emerging markets.

Product Diversification. Product diversification—expanding product portfolios to reduce dependence on tariff-affected products—represents another dimension of market diversification. Firms are developing new products and services that are less exposed to trade restrictions or that serve markets less affected by trade wars. This strategy is particularly relevant for firms in industries subject to high tariffs or export controls, such as technology, machinery, and chemicals.

However, product diversification requires significant investments in R&D, marketing, and distribution. Firms must balance the benefits of diversification (reduced risk) against the costs (dilution of focus, resource constraints). Lin (2025a) finds that Chinese enterprises exposed to trade friction invested heavily in innovation and product development to reduce dependence on tariff-affected products and enter new market segments.

Synthesis. The literature reveals that market diversification is a multi-dimensional strategy encompassing geographic expansion, customer diversification, and product diversification. Firms with superior dynamic capabilities—including market sensing, rapid market entry, and product innovation—are better able to diversify markets and reduce exposure to trade war disruptions. Market diversification represents a long-term strategic response that reduces dependence on politically contested markets and enhances resilience to future geopolitical shocks.

5.5. Geopolitical Risk Management

Geopolitical risk management has emerged as a critical strategic capability for multinational firms navigating trade wars. The literature reveals four dimensions of geopolitical risk management: risk assessment and scenario planning, political strategies and stakeholder engagement, organisational structures for geopolitical intelligence, and strategic positioning and hedging.

Risk Assessment and Scenario Planning. Firms are developing sophisticated capabilities in geopolitical risk assessment and scenario planning to anticipate and prepare for future trade policy shifts. Luo and Van Assche (2023) argue that techno-geopolitical uncertainty (TGU) requires firms to develop new capabilities in sensing, interpreting, and responding to geopolitical signals. This includes monitoring policy debates, tracking legislative developments, analysing geopolitical trends, and developing scenarios for alternative policy outcomes.

Scenario planning enables firms to evaluate the implications of different geopolitical scenarios for supply chains, markets, and competitive dynamics, and to develop contingency plans for each scenario. Smyrnov (2025) examines the impact of geopolitical risks on global supply chains and finds that firms with robust scenario planning capabilities were better able to anticipate and respond to trade war disruptions, including the U.S.-China trade war, Brexit, and the Russia-Ukraine conflict.

However, geopolitical risk assessment is inherently uncertain and subject to cognitive biases. Firms must balance the need for preparedness against the risk of over-reaction and premature strategic commitments. Bai et al. (2025) note that

geopolitical risk can create both threats and opportunities, and that firms must develop capabilities to distinguish between transient policy shifts and structural geopolitical realignments.

Political Strategies and Stakeholder Engagement. Firms are engaging in political strategies to shape trade policy outcomes and secure favourable treatment. Zhang (2022) examines American multinational corporations' responses to the U.S.-China trade war, finding that firms engaged in extensive lobbying, coalition-building, and public advocacy to influence tariff decisions and secure exemptions. These political strategies were most effective for firms with established government relations capabilities, industry associations, and political connections.

However, political strategies entail risks. Firms that are perceived as too closely aligned with particular governments or political factions may face backlash from other stakeholders, including host governments, customers, and civil society actors. Hua & Zeng (2022) examine public opinion toward the U.S.-China trade war and find that multinational corporations faced conflicting pressures from U.S. and Chinese stakeholders, requiring careful navigation of political sensitivities and stakeholder expectations.

Organisational Structures for Geopolitical Intelligence. Firms are establishing dedicated organisational units and processes for geopolitical intelligence and risk management. These units monitor geopolitical developments, assess their implications for business operations, and coordinate strategic responses across functions and geographies. Narula (2023) argues that the new geopolitics of international business requires firms to integrate geopolitical analysis into strategic planning, investment decisions, and risk management processes.

However, geopolitical intelligence capabilities are unevenly distributed across firms. Large, resource-rich MNCs are better able to invest in dedicated geopolitical intelligence units, while smaller firms may lack the resources and expertise to develop these capabilities. This creates a competitive advantage for large MNCs with superior geopolitical intelligence, reinforcing the heterogeneity of firm responses to trade wars.

Strategic Positioning and Hedging. Firms are adopting strategic positioning and hedging strategies to reduce exposure to geopolitical risk. These strategies include maintaining operational flexibility (e.g., multi-sourcing, modular production), diversifying assets across geographies, and developing capabilities to rapidly reconfigure operations in response to policy shifts. Ma (2022) examines real options and MNE flexibility in response to the U.S.-China trade war, finding that firms with flexible, option-rich strategies outperformed firms with rigid, committed strategies.

Hedging strategies also include financial instruments (e.g., currency hedging, political risk insurance) and contractual mechanisms (e.g., force majeure clauses, tariff adjustment clauses). Lin (2025b) examines exchange risk management of multinational enterprises under the China-U.S. trade war, finding that firms employed a combination of financial hedging and operational hedging (e.g., natural

hedges through matching revenues and costs in the same currency) to manage currency risk associated with trade war volatility.

Synthesis. The literature reveals that geopolitical risk management is a multi-dimensional capability encompassing risk assessment, political strategies, organisational structures, and strategic positioning. Firms with superior geopolitical risk management capabilities—grounded in dynamic capabilities (sensing, seizing, reconfiguring) and resource dependence management (political strategies, stakeholder engagement)—are better able to navigate trade wars and position themselves advantageously in the evolving geopolitical landscape. Geopolitical risk management represents a critical strategic capability for the era of weaponised interdependence.

5.6. Organisational Adaptation and Innovation

Organisational adaptation and innovation represent the deepest and most transformative responses to trade wars. The literature reveals that trade wars can serve as catalysts for organisational learning, capability development, and strategic renewal. This subsection examines four dimensions of organisational adaptation: innovation and R&D investment, organisational learning and capability development, business model innovation, and institutional entrepreneurship.

Innovation and R&D Investment. Trade wars create incentives for firms to invest in innovation and R&D to reduce dependence on tariff-affected inputs, develop new products for alternative markets, and enhance competitiveness. Lin (2025a) documents that Chinese enterprises exposed to Sino-American trade friction significantly increased R&D investment, with a focus on developing indigenous technologies, reducing dependence on imported components, and enhancing product quality and differentiation. Zhang (2025) further demonstrates that trade friction served as a "double-edged sword" for Chinese enterprises, simultaneously creating shocks and opportunities for resilience and strategic transformation. Firms that successfully navigated these pressures developed enhanced capabilities in technological innovation, cost management, and supply chain flexibility, transforming trade war disruptions into catalysts for organisational renewal.

Innovation serves multiple strategic purposes in the context of trade wars. First, it enables firms to develop substitute inputs and technologies that reduce dependence on tariff-affected suppliers. Second, it enables firms to develop new products and services that serve alternative markets less affected by trade restrictions. Third, it enhances competitiveness and differentiation, enabling firms to command premium prices and reduce price sensitivity to tariff-induced cost increases. Fourth, it can create new sources of competitive advantage that are difficult for rivals to imitate, particularly when innovation is embedded in organisational routines and tacit knowledge.

However, innovation is costly, risky, and time-consuming. Firms must balance short-term cost pressures against long-term investments in innovation. Con-

tractor (2025) notes that innovation is most viable for firms with strong financial positions, established R&D capabilities, and access to skilled talent. Smaller firms and firms in mature, low-margin industries may lack the resources to pursue innovation-intensive strategies.

Organisational Learning and Capability Development. Trade wars create opportunities for organisational learning and capability development. Firms that successfully navigate trade war disruptions develop enhanced capabilities in supply chain management, geopolitical risk assessment, political strategy, and strategic flexibility. These capabilities represent valuable, rare, and difficult-to-imitate resources that can provide sustained competitive advantage (Teece, 2007).

Lin (2025a) provides evidence of organisational learning among Chinese enterprises exposed to trade friction, finding that firms developed enhanced capabilities in cost management, supply chain flexibility, and technological innovation. Zhang (2025) extends this analysis by demonstrating that the shock-resilience-transformation cycle enabled firms to build dynamic capabilities that positioned them more competitively in the post-trade war environment. These capabilities were developed through experiential learning (trial and error), vicarious learning (observing and imitating successful peers), and deliberate capability-building programs (training, process improvement, technology adoption).

Pedersen & Jensen, (2023) argue that resilience is "easier said than done" but can be achieved through deliberate capability development. They identify three critical capabilities for resilience: anticipation (sensing emerging threats), adaptation (rapid response to disruptions), and transformation (fundamental restructuring of business models and strategies). Firms that develop these capabilities are better able to navigate trade wars and emerge stronger from disruptions. The development of these capabilities requires sustained investment in organisational learning, experimentation, and knowledge management, as well as leadership commitment to building a culture of resilience and adaptability.

Business Model Innovation. Trade wars create pressures and opportunities for business model innovation—fundamental changes in how firms create, deliver, and capture value. Firms are experimenting with new business models that reduce exposure to trade restrictions, enhance resilience, and create new sources of competitive advantage.

Li (2025) identify several emerging business models in the era of neo-globalisation, including: (1) platform-based models that enable rapid, low-cost market entry through digital channels; (2) hybrid models that combine global scale with local responsiveness; (3) circular economy models that reduce dependence on imported raw materials through recycling and remanufacturing; and (4) service-based models that shift from product sales to service provision, reducing exposure to tariffs on physical goods.

Business model innovation requires significant organisational change, including changes in strategy, structure, processes, and culture. Firms must overcome organisational inertia, vested interests, and cognitive biases to successfully imple-

ment new business models. Buckley (2022) examines corporate reactions to the fracturing of the global economy and finds that business model innovation is most successful when led by top management, supported by organisational capabilities in experimentation and learning, and aligned with external stakeholder expectations.

Institutional Entrepreneurship. Institutional entrepreneurship—the strategic efforts of firms to shape the institutional environment in which they operate—represents another dimension of organisational adaptation. Firms are engaging in institutional entrepreneurship to influence trade policy, shape industry standards, and create new institutional arrangements that support their strategic objectives.

Zhang (2022) documents extensive institutional entrepreneurship by American multinational corporations in response to the U.S.-China trade war, including lobbying for tariff exemptions, advocating for alternative trade policies, and participating in industry coalitions to shape policy debates. These efforts were most successful when firms could mobilise broad coalitions of stakeholders (e.g., industry associations, labour unions, consumer groups) and frame their interests in terms of broader public benefits (e.g., job creation, national security, consumer welfare).

However, institutional entrepreneurship is subject to political constraints and may face resistance from governments, civil society actors, and competing firms. Firms must carefully navigate political sensitivities and balance their private interests against broader public interests to successfully engage in institutional entrepreneurship.

Synthesis. The literature reveals that organisational adaptation and innovation represent the deepest and most transformative responses to trade wars. Firms with superior dynamic capabilities—including innovation, organisational learning, business model innovation, and institutional entrepreneurship—are better able to transform trade war disruptions into opportunities for strategic renewal and competitive advantage. These capabilities are developed through experiential learning, deliberate capability-building programs, and strategic investments in R&D, talent, and organisational change. Organisational adaptation and innovation represent the highest level of strategic response, enabling firms to not only survive trade wars but to emerge stronger and more competitive.

6. Synthesis: Toward a Strategic Response Framework

The findings presented in Section 5 reveal a complex, multi-dimensional landscape of strategic responses through which multinational firms navigate trade wars. This section synthesises these findings into an integrative Strategic Response Framework (SRF) that explains how firms navigate trade wars across six strategic domains, moderated by dynamic capabilities and contingent on techno-geopolitical uncertainty.

6.1. The Strategic Response Framework (SRF)

The Strategic Response Framework (SRF) integrates Resource Dependence Theory (RDT), Dynamic Capabilities Theory (DCT), and the Techno-Geopolitical

Uncertainty (TGU) framework to explain how multinational firms navigate trade wars. The framework posits that trade wars create resource dependencies and strategic challenges (RDT), which firms address through dynamic capabilities (DCT) in the context of techno-geopolitical uncertainty (TGU).

Level 1: Trade War Disruptions (RDT). Trade wars create multiple forms of disruption that alter resource dependencies and strategic constraints:

- **Tariff shocks** increase the cost of imported inputs and exported products, creating cost pressures and competitive disadvantages.
- **Supply chain disruptions** increase the risk and uncertainty of accessing critical inputs from politically contested sources.
- **Market access restrictions** limit firms' ability to serve key markets and access critical technologies.
- **Regulatory uncertainty** creates unpredictability in trade policy, investment rules, and technology transfer regulations.
- **Geopolitical risk** increases the probability of future trade restrictions, sanctions, and political interference.

These disruptions create resource dependencies that firms must manage through strategic responses.

Level 2: Dynamic Capabilities (DCT). Firms with superior dynamic capabilities are better able to navigate trade war disruptions through three core processes:

- **Sensing:** Detecting early signals of protectionist shifts, anticipating their implications, and identifying opportunities created by trade disruptions. Sensing capabilities include geopolitical intelligence, scenario planning, market research, and competitive analysis.
- **Seizing:** Rapidly mobilising resources to exploit opportunities created by trade disruptions, including entering markets vacated by competitors, acquiring distressed assets, and forming strategic partnerships. Seizing capabilities include strategic decision-making, resource mobilisation, and organisational agility.
- **Reconfiguring:** Restructuring supply chains, relocating production, reallocating capital, and transforming business models to align with the new geopolitical landscape. Reconfiguring capabilities include supply chain management, organisational change management, and strategic flexibility.

Firms with superior dynamic capabilities are better able to transform trade war disruptions into opportunities for strategic renewal and competitive advantage.

Level 3: Strategic Responses across Six Domains. Firms employ strategic responses across six domains, each addressing different dimensions of trade war disruptions:

1) Tariff impacts and cost restructuring: Cost absorption, pass-through, tariff engineering, and regulatory arbitrage.

2) Supply chain reconfiguration: Supplier diversification, regionalisation, vertical integration, and digital transformation.

3) FDI redirection and reshoring: FDI diversion, reshoring, nearshoring, and friend-shoring.

4) Market diversification: Geographic expansion, customer diversification, and product diversification.

5) Geopolitical risk management: Risk assessment, political strategies, organisational structures for geopolitical intelligence, and strategic positioning.

6) Organisational adaptation and innovation: Innovation and R&D, organisational learning, business model innovation, and institutional entrepreneurship.

These responses are not mutually exclusive but rather complementary elements of a comprehensive strategic response. Firms typically employ multiple responses simultaneously, with the specific combination depending on industry characteristics, firm capabilities, and the intensity of trade war pressures.

Level 4: Contingencies (TGU). The effectiveness of strategic responses is contingent on the level of techno-geopolitical uncertainty (TGU). Higher TGU requires more flexible, diversified, and politically attuned strategies. Three dimensions of TGU shape strategic responses:

- **Intensity:** The magnitude of tariff increases, the scope of trade restrictions, and the severity of geopolitical tensions.
- **Persistence:** The duration of trade wars and the likelihood of future escalation versus de-escalation.
- **Scope:** The geographic and sectoral breadth of trade restrictions, including whether they are bilateral (e.g., U.S.-China) or multilateral (e.g., global fragmentation).

Firms operating in high-TGU environments must prioritise flexibility, diversification, and geopolitical risk management over cost efficiency and scale economies.

Level 5: Outcomes. The SRF predicts heterogeneous outcomes across firms:

- **Strategic agility:** Firms with superior dynamic capabilities leverage trade wars as catalysts for transformation, developing enhanced capabilities in supply chain management, geopolitical risk management, and innovation. These firms emerge stronger and more competitive. Ma & Clougherty, (2022) demonstrate that third-country MNEs with real-options thinking can exploit competitive opportunities created by trade wars, capturing market share and investment opportunities vacated by firms directly involved in trade disputes.
- **Strategic inertia:** Firms with weak dynamic capabilities face compounding cost pressures, supply chain disruptions, and competitive erosion. These firms experience declining profitability, market share losses, and potential exit from contested markets.
- **Contingent performance:** The relationship between strategic responses and performance outcomes is contingent on industry characteristics (e.g., capital intensity, technology intensity, labour intensity), firm characteristics (e.g., size, resources, capabilities), and environmental characteristics (e.g., TGU intensity, persistence, scope).

6.2. Theoretical Contributions

The Strategic Response Framework makes three principal contributions to inter-

national business theory.

First, it integrates three complementary theoretical perspectives—RDT, DCT, and TGU—into a unified framework that explains how firms navigate trade wars. This integration addresses a critical gap in the literature, which has largely treated geopolitical risk as an exogenous shock rather than a structural feature of the contemporary business environment. By integrating RDT (external dependencies), DCT (internal capabilities), and TGU (environmental uncertainty), the SRF provides a multi-level explanation of firm responses to trade wars.

Second, it extends Dynamic Capabilities Theory by specifying the mechanisms through which dynamic capabilities enable firms to navigate trade wars. The framework identifies six strategic domains (tariff impacts, supply chain reconfiguration, FDI redirection, market diversification, geopolitical risk management, organisational adaptation) and demonstrates how sensing, seizing, and reconfiguring capabilities enable firms to respond effectively in each domain. This extension enhances the empirical applicability of DCT and provides actionable guidance for managers.

Third, it explains the heterogeneity of firm responses and outcomes in trade wars. The framework predicts that firms with superior dynamic capabilities will outperform firms with weak capabilities, and that this performance differential will be amplified in high-TGU environments. This prediction is consistent with empirical evidence showing that trade wars create winners and losers, with strategic agility serving as a critical moderator of performance outcomes (Jung & Park, 2024; Lee & Nguyen, 2023).

6.3. Practical Implications

The Strategic Response Framework offers several practical implications for managers and policymakers.

For managers, the framework highlights the importance of developing dynamic capabilities in sensing, seizing, and reconfiguring. Specifically, managers should:

1) Invest in geopolitical intelligence capabilities to detect early signals of protectionist shifts and anticipate their implications for supply chains, markets, and competitive dynamics. This requires establishing dedicated organisational units for geopolitical analysis, developing scenario planning processes, and integrating geopolitical considerations into strategic planning and risk management frameworks.

2) Build supply chain flexibility through supplier diversification, regionalisation, vertical integration, and digital transformation to enhance resilience to trade war disruptions. Flexibility should be built at multiple levels: supplier flexibility (multiple sourcing options), production flexibility (multiple production locations), and distribution flexibility (multiple market access routes). Digital technologies such as digital twins, AI-powered analytics, and blockchain can enhance visibility and enable rapid reconfiguration.

3) Develop strategic agility through scenario planning, contingency planning, and organisational structures that enable rapid decision-making and resource mobilisation. This includes establishing cross-functional teams with authority to make rapid decisions, developing pre-approved contingency plans for different geopolitical scenarios, and building organisational cultures that value adaptability and experimentation over rigid adherence to plans.

4) Engage in political strategies to shape trade policy outcomes, secure tariff exemptions, and influence regulatory developments. This requires building government relations capabilities, participating in industry associations and coalitions, and engaging in public advocacy to frame firm interests in terms of broader public benefits. However, political strategies must be pursued carefully to avoid backlash from stakeholders who may perceive firms as prioritising private interests over public welfare.

5) Invest in innovation and organisational learning to develop new capabilities, products, and business models that reduce dependence on tariff-affected inputs and markets. Innovation should be pursued not merely as a technical activity but as a strategic capability that enables firms to transform trade war pressures into opportunities for competitive repositioning. This requires sustained investment in R&D, talent development, and organisational structures that foster creativity and experimentation.

6) Adopt a portfolio approach to risk management that balances efficiency and resilience across different parts of the organisation. Not all activities require the same level of resilience; firms should prioritise resilience investments in critical activities (e.g., strategic inputs, core technologies) while maintaining efficiency in less critical activities. This portfolio approach enables firms to balance the competing demands of cost competitiveness and supply chain security.

For policymakers, the framework highlights the importance of creating an enabling environment for firm adaptation and resilience. Specifically, policymakers should:

1) Provide policy stability and predictability to reduce uncertainty and enable firms to make long-term strategic investments. Trade policy should be pursued through transparent, rules-based processes that provide firms with adequate notice and opportunity to adapt. Sudden, unpredictable policy shifts create unnecessary disruption and undermine firms' ability to plan and invest for the long term.

2) Offer targeted support for supply chain resilience through subsidies, tax incentives, and infrastructure investments that facilitate reshoring, nearshoring, and supplier diversification. However, such support should be carefully designed to avoid creating inefficient, subsidy-dependent industries. Support should be time-limited, performance-based, and focused on building capabilities that enable firms to compete without ongoing subsidies.

3) Facilitate international cooperation to reduce trade tensions, resolve disputes through multilateral mechanisms, and prevent escalation of trade wars.

While trade wars may serve short-term political objectives, they impose significant economic costs on all participants and undermine the rules-based international order that has supported global prosperity. Policymakers should prioritise diplomatic engagement, multilateral cooperation, and institutional reform over unilateral trade restrictions.

4) Support innovation and capability development through R&D subsidies, education and training programs, and technology transfer initiatives. Building domestic innovation capabilities reduces dependence on foreign technologies and enhances national competitiveness. However, innovation policy should be pursued through market-based mechanisms that encourage competition and efficiency rather than through protectionist measures that shield domestic firms from international competition.

5) Balance economic efficiency and national security by carefully calibrating trade restrictions to achieve security objectives while minimising economic costs and disruptions. Not all trade restrictions are justified on security grounds; policymakers should distinguish between genuine security threats and protectionist measures disguised as security policy. Trade restrictions should be narrowly tailored to address specific security concerns and should be subject to regular review to ensure they remain necessary and proportionate.

6) Consider distributional impacts of trade policies and firm responses, particularly on workers, communities, and developing countries that depend on participation in global value chains. Trade wars and supply chain reconfigurations can have severe consequences for vulnerable populations; policymakers should implement adjustment assistance programs, retraining initiatives, and social safety nets to support those adversely affected by trade disruptions (Sardar et al., 2025; Wu, 2025).

7. Conclusions

This article has developed a comprehensive, theory-driven analysis of the strategic implications of trade wars for multinational firms. Drawing on 146 scholarly sources published between 2022 and 2026, the study employed qualitative thematic analysis to identify, categorise, and synthesise the mechanisms through which trade wars reshape MNC strategy across six critical domains: tariff impacts and cost restructuring, supply chain reconfiguration, FDI redirection and reshoring, market diversification, geopolitical risk management, and organisational adaptation and innovation.

The study's central finding is that trade wars do not uniformly disadvantage multinational firms. Rather, they create a bifurcated landscape in which strategically agile firms leverage protectionist disruption as a catalyst for structural transformation, while inertia-bound firms face compounding cost pressures and competitive erosion. This heterogeneity is explained by differences in dynamic capabilities—specifically, the ability to sense emerging threats and opportunities, seize resources to exploit opportunities, and reconfigure operations to align with the

new geopolitical landscape.

The Strategic Response Framework (SRF) developed in this study integrates Resource Dependence Theory, Dynamic Capabilities Theory, and the Techno-Geopolitical Uncertainty framework to provide a multi-level explanation of how firms navigate trade wars. The framework makes three principal contributions to international business theory: 1) it integrates geopolitical risk into mainstream IB theory, 2) it extends Dynamic Capabilities Theory by specifying the mechanisms through which dynamic capabilities enable firms to navigate trade wars, and 3) it explains the heterogeneity of firm responses and outcomes.

The study also offers practical implications for managers and policymakers. For managers, the framework highlights the importance of developing dynamic capabilities in geopolitical intelligence, supply chain flexibility, strategic agility, political strategy, and innovation. For policymakers, the framework highlights the importance of providing policy stability, supporting supply chain resilience, facilitating international cooperation, supporting innovation, and balancing economic efficiency and national security.

7.1. Limitations and Future Research

This study has several limitations that suggest directions for future research. First, the study relies on published scholarly literature, which may not capture the full range of MNC responses to trade wars, particularly proprietary or confidential strategies. Future research could employ primary data collection methods (e.g., interviews, surveys, case studies) to develop richer, more nuanced insights into firm strategies.

Second, the study employs qualitative thematic analysis, which involves interpretive judgments that may be influenced by researcher perspectives. Future research could employ quantitative methods (e.g., econometric analysis, structural equation modelling) to test the relationships proposed in the Strategic Response Framework and to estimate the magnitude of effects.

Third, the study focuses on the 2022-2026 period, which captures the U.S.-China trade war and its immediate aftermath but may not fully capture longer-term dynamics and outcomes. Future research could employ longitudinal designs to track the evolution of firm strategies and performance over extended periods.

Fourth, the study does not fully address the role of institutional context (e.g., home country institutions, host country institutions, international institutions) in shaping firm responses to trade wars. Future research could examine how institutional differences across countries and regions moderate the effectiveness of different strategic responses.

Fifth, the study does not fully address the role of firm-level heterogeneity (e.g., size, age, ownership structure, industry) in shaping responses to trade wars. Future research could examine how these firm characteristics moderate the relationship between dynamic capabilities and performance outcomes.

Sixth, the study focuses primarily on large, established multinational firms and may not fully capture the experiences of small and medium-sized enterprises (SMEs), which face different constraints and opportunities. Future research could examine how SMEs navigate trade wars and whether the Strategic Response Framework applies equally to firms of different sizes.

Finally, the study does not fully address the ethical and social implications of trade wars and firm responses. Future research could examine the distributional consequences of trade wars (e.g., impacts on workers, communities, developing countries) and the ethical responsibilities of firms in navigating trade wars.

7.2. Concluding Remarks

The resurgence of trade protectionism represents a fundamental challenge to the post-World War II global trading order and to the multinational firms that have thrived within it. Yet this challenge also creates opportunities for strategic renewal, capability development, and competitive repositioning. Firms that develop superior dynamic capabilities—in geopolitical intelligence, supply chain flexibility, strategic agility, political strategy, and innovation—will be better positioned to navigate the era of weaponised interdependence and to emerge stronger from trade war disruptions.

The Strategic Response Framework developed in this study provides a roadmap for understanding and navigating this new landscape. By integrating Resource Dependence Theory, Dynamic Capabilities Theory, and the Techno-Geopolitical Uncertainty framework, the SRF offers a comprehensive, multi-level explanation of how firms navigate trade wars. It also provides actionable guidance for managers seeking to build resilient, adaptive organisations and for policymakers seeking to create an enabling environment for firm adaptation and resilience.

As the global economy continues to fragment along geopolitical lines, the ability to navigate trade wars and geopolitical risk will become an increasingly critical source of competitive advantage. This study contributes to our understanding of this critical challenge and provides a foundation for future research and practice in the era of neo-globalisation.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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Appendix

Thematic Domain Key:

- **T1**—Tariff Impacts & Cost Restructuring
- **T2**—Supply Chain Reconfiguration
- **T3**—FDI Redirection & Reshoring
- **T4**—Market Diversification Strategies
- **T5**—Geopolitical Risk Management
- **T6**—Organisational Adaptation & Innovation

Table A1. Full list of the 45 coded sources used in the systematic thematic analysis, with publication year, methodology type, and thematic domain assignment.

No.	Author(s) & Year	Title	Year	Methodology Type	Thematic Domain
1	Bai, X., Zhou, K. Z., Zhang, B., & Xie, E. (2025)	The Dual Effects of Geopolitical Risk on MNCs' First-Tier Supply Base: A Political Economy Perspective	2025	Empirical—Quantitative	T2; T5
2	Baldwin, R., & Freeman, R. (2022)	Risks and Global Supply Chains: What We Know and What We Need to Know	2022	Conceptual/Review	T2
3	Bu, Q. (2024)	Can De-Risking Avert Supply Chain Precarity in the Face of China-U.S. Geopolitical Tensions?	2024	Conceptual/Legal Analysis	T2; T3
4	Buckley, P. J. (2022)	Corporate Reactions to the Fracturing of the Global Economy	2022	Conceptual/Theoretical	T6
5	Celestin, A. (2025)	The Influence of Trade War Policies on Supply Chain Network Reconfiguration and Supplier Sourcing	2025	Empirical—Qualitative	T2; T3
6	Charoenwong, B., Han, M., & Wu, J. (2022)	Trade and Foreign Economic Policy Uncertainty in Supply Chain Networks: Who Comes Home?	2022	Empirical—Quantitative	T2; T3
7	Contractor, F. J. (2025)	Assessing the Economic Impact of Tariffs: Adaptations by Multinationals and Traders to Mitigate Tariffs	2025	Conceptual/Mixed Methods	T1; T3
8	Contractor, F. J., Cantwell, J., Gereffi, G., & Sauvant, K. P. (2026)	The Shift to a More Turbulent IB Environment, and How MNEs Respond to This Shift	2026	Conceptual/Theoretical	T5; T6
9	Fathiya, D. N. (2025)	Global Supply Chain Restructuring: Business Strategy Amid Geopolitical Fragmentation	2025	Empirical—Qualitative	T2
10	Gao, H., & Zhou, W. (2025)	(When) Can Trade Wars Be Good?	2025	Empirical—Quantitative	T1
11	Harmanci, H. (2024)	Navigating Turbulent Waters in the US-China Trade War and the Role of BRICS in Shaping Global Dynamics	2024	Conceptual/Case Study	T4; T5
12	Hassan, T. A. (2025)	Sourcing under Pressure: Geoeconomic Risk, Firm Dependence, and the US-China Trade Conflict	2025	Empirical—Qualitative (PhD Thesis)	T2

Continued

13	Henrika, M., Ariswati, L. D., Kesuma, M. R., Widaryo, C. M., Irianto, E. D. O., & Aini, R. N. (2025)	Trade Wars and Tech Giants: The U.S.-China Policy Effect on American Technology Companies	2025	Empirical—Qualitative/ Case Study	T1; T4
14	Hosseinkhani, Z., Divino, J. A., & McAleer, M. (2025)	Geopolitical Turmoil, Supply-Chain Realignment, and Inflation: Commodity Shocks, Trade Fragmentation, and Policy Responses	2025	Empirical—Quantitative	T1; T2
15	Hua, S., & Zeng, K. (2022)	The US-China Trade War: Economic Statecraft, Multinational Corporations, and Public Opinion	2022	Mixed Methods	T5
16	Jian, D., & Guo, Z. (2025)	Geoeconomic Coercion in the Digital Age: Tariffs, Trade Wars, and the TikTok Ecosystem	2025	Conceptual/ Case Study	T5
17	Jung, Y. S., & Park, Y. (2024)	Winners and Losers in U.S.-China Trade Disputes: A Dynamic Compositional Analysis of Foreign Direct Investment	2024	Empirical—Quantitative	T3
18	Kadam, A. A. (2025)	Resilient Supply Chains under Tariff Volatility: A Digital Twin-Enabled FLEX Model for Strategic Sourcing and Risk Mitigation	2025	Mixed Methods/ Modelling	T2; T6
19	Khan, H., Hayat, K., Adnan, M., & Hussain, M. (2024)	The Impact of Trade Wars on Global Supply Chains: A Case Study of the US-China Conflict	2024	Empirical—Qualitative/ Case Study	T1; T2
20	Lee, J., & Nguyen, D. V. (2023)	The Impact of the US-China Trade War on Domestic and Multinational Companies in China	2023	Empirical—Quantitative	T1
21	Li, P. P. (2025)	Neo-Globalization with Diverse Strategic Options for Multinational Enterprises	2025	Conceptual/ Theoretical	T4; T6
22	Lin, X. (2025a)	The Sino-US Trade Cost Transmission Mechanism and Corporate Response Strategies under the Background of Escalating Trade Protectionism	2025	Empirical—Quantitative	T1; T4
23	Lin, Y. (2025b)	Exchange Risk Management of Multinational Enterprises under the China-US Trade War: Case of Yutong Packaging	2025	Empirical—Qualitative/ Case Study	T5
24	Luo, Y., & Van Assche, A. (2023)	The Rise of Techno-Geopolitical Uncertainty: Implications of the United States CHIPS and Science Act	2023	Conceptual/ Theoretical	T5
25	Ma, H. (2022)	Real Options and MNE Flexibility: The Strategic Response of US and EU MNEs to the US-China Trade War	2022	Empirical—Quantitative/ Real Options	T5; T6
26	Ma, H., & Clougherty, J. A. (2022)	Third-Country MNEs, Trade Wars, and Competitive Opportunities: A Real-Options Perspective	2022	Empirical—Quantitative/ Real Options	T3; T4
27	Narula, R. (2023)	Multinational Enterprises and the New Geopolitics of International Business	2023	Conceptual/ Theoretical	T5

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28	Patel, J. (2025)	Navigating Trade Tariffs and Protectionism: Strategic Supply Chain Responses in an Era of Geopolitical Uncertainty	2025	Conceptual/ Review	T1; T2
29	Pedersen, T., & Jensen, P. D. Ø. (2023)	Resilience: Easier Said than Done—But It Can Be Done!	2023	Conceptual/ Theoretical	T6
30	Pengfei, L., Agustina Purba, C., Rama Putra Barusman, A., Ee, M., & Fadhl Al-Hosaini, F. (2025)	The Impact of International Trade Laws on Multinational Corporations Strategic Management	2025	Empirical— Qualitative/Review	T1; T5
31	Putra, A. D., Ardanesworo, M. F. K. P., & Rukmana, O. (2025)	Apple Inc. and the U.S.-China Tariff War: Identifying, Assessing, and Mitigating Risks	2025	Empirical— Qualitative/Case Study	T1; T4
32	Raja Hajarath, K. C. (2025)	Geopolitical Trade Tensions and Their Strategic Impact on Global Supply Chains	2025	Conceptual/Review	T2; T5
33	Sardar, N., Talha, A., & Ahmed, M. (2025)	The Consequence of the US-China Trade War on the Global Economy and Multilateral Trade Strategy	2025	Empirical— Qualitative/Review	T1; T5
34	Singh, P., & Kushwah, R. (2025)	Effectiveness of Risk Mitigation Strategies in Global Supply Chains	2025	Empirical— Quantitative	T2; T6
35	Smyrnov, I. (2025)	The Impact of Geopolitical Risks on Global Supply Chains	2025	Empirical— Quantitative	T5
36	Wang, Z., Cheng, F., Chen, J., & Yao, D. (2023)	Offshoring or Reshoring: The Impact of Tax Regulations on Operations Strategies	2023	Empirical— Quantitative/ Modelling	T3
37	Wu, J. (2025)	Disruption Risks in Global Supply Chains: Natural Disasters and Geopolitical Events	2025	Conceptual/Review	T2; T5
38	Xie, R. (2024)	Impact of Geopolitical and Bilateral Trade Frictions on Global Supply Chain Resilience: Strategies for Multinational Corporations	2024	Empirical— Quantitative	T2; T5
39	Zeng, K., Xu, Y., & Xie, Z. (2023)	Local Sourcing Embeddedness, Manufacturing Relocation, and Firm Attitudes toward the US-China Trade War	2023	Empirical— Quantitative/Survey	T2; T3
40	Zhang, J. J. (2022)	American Multinational Corporations and the U.S.-China Trade War	2022	Empirical— Qualitative/ Case Study	T5; T6
41	Zhang, Z. (2025)	The Double-Edged Sword: Shock, Resilience, and Strategic Transformation of Chinese Enterprises Amid Sino-American Trade Friction	2025	Empirical— Quantitative	T6
42	Farrell, H., & Newman, A. L. (2019)	Weaponized Interdependence: How Global Economic Networks Shape State Coercion	2019	Conceptual/ Theoretical	T5
43	Witt, M. A. (2019)	De-Globalization: Theories, Predictions, and Opportunities for International Business Research	2019	Conceptual/ Theoretical	T5

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44	Buckley, P. J., & Casson, M. (1976)	The Future of the Multinational Enterprise	1976	Conceptual/ Theoretical	T6
45	Fereday, J., & Muir-Cochrane, E. (2006)	Demonstrating Rigor Using Thematic Analysis: A Hybrid Approach of Inductive and Deductive Coding and Theme Development	2006	Methodological	Methodology /Coding Framework