The future of RCEP after "Make America Great Again" (How will the US trade tensions reverberate in the Asia-Pacific region?)

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Abstract: The aim of this study is to examine the economic effects of the trade dispute between the United States (US) and China that began in 2018, as well as its geopolitical impact on the members of the Regional Comprehensive Economic Partnership (RCEP). The study reveals that the US's 104% and China's 84% tariff rates significantly eroded and reduced gross domestic product (GDP) and trade volumes in these two countries. Overall, a large part of the economic cost incurred between the countries in question stems from the misallocation of resources and loss of welfare experienced by domestic consumers, and it has been determined that this is the result of the negative effects of unilateral protectionist measures. While the domestic manufacturing sector in the US faces negative effects on its competitiveness, China's investment in the semiconductor and electronics sectors with the aim of reducing its dependence on foreign trade is expected to provide an advantage in terms of commercial autonomy. Furthermore, the trade flow to RCEP countries is among the noteworthy findings of the study. High tariff rates between the US and China point to an increase in imports from RCEP countries and potential intra-regional economic advantages. Alongside strong growth in the electronics and automotive sectors, exports from China to regional countries increased by 6.8%. These results demonstrate that regional trade integration and flexible trade policies are resilient to tariff wars and reduce economic costs.

Keywords: trade wars, RCEP, general equilibrium analysis

Introduction

Historically, trade and trade policies have functioned not only to carry out economic activities but also to shape the framework of prosperity and power relations. From ancient times to the modern era, trade and trade policies, which have been the main subject of power and authority struggles between countries, have become even more prominent after the Great Depression of 1929. The rise of economic barriers during the interwar period deepened the heavy losses suffered by the countries involved in the war. Meanwhile, countries that suffered fewer losses

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during the war and had completed their industrialization approached new markets in a protectionist manner with high tariffs, highlighting the need to enter a new era. An example of this is the Smoot-Hawley Tariff Act of 1930, in which the United States sharply increased tariffs, increasing global fragility and causing other states to respond similarly, thus deepening the Great Depression (Eichengreen, 2008). Before the end of the Second World War, recovery was evident as a result of Bretton Woods and the financial institutions it brought about while, at the same time, we see the foundations of economic and commercial integration being laid during that period. This situation can be characterized as giving rise to the idea that, by acting together, countries would be able to respond more strongly to potential economic stress or to the possibility of war. However, it appears that the value of economic integration was not fully understood at that time by countries grappling with intense crises. Following the collapse of the Soviet Union, integration, the most widely used economic tool in an era of increasing globalization, continues to be important for countries in the modern age.

Until 2017, the global economic system had undergone many trials. Some of these were the 1953 US Recession, the 1958 global recession, the 1966 credit crisis, the 1969-1970-1971 World Recession and the collapse of Bretton Woods, the 1973 Oil Shock, the 1981-1982 global recession, Black Monday in 1987, the Tequila crisis in 1994, the Asian crisis in 1997, the Dot -Com bubble, 2001 Global crisis, 2008 US financial crisis, 2010-2013 European debt crisis, 2015 Chinese market crisis. We can define almost all of these crises as financial crises that can be characterized as the inability of countries to meet the requirements of their economic conditions.

Since 2017, the world has been undergoing a new economic test in the form of a two-stage 'Preferences Crisis'. The purpose of describing it as a 'Preferences Crisis' is to indicate that while the crises occurred before 2017 were collective crises rather than driven by individual preferences and rhetoric, those after 2017 stemmed from the trade policy preferences of heads of state. The rhetorical tensions between the US and China that began in 2017 with the first Trump term led to a situation where major conflicts could arise. Trump's characterization of his predecessor, Obama, as a complete and utter disaster in foreign policy and his subsequent election led to an aggressive trade policy in line with the 'Great America' doctrine, causing disruptions in supply chains and a decline in confidence in global trade (Bown & Irwin, 2019). With the end of his first term and the possibility of winning a second term, the issue of restructuring global production has begun to be discussed more intensely. It is evident that the idea of collective resistance against the policies that Trump will implement is becoming more popular than individual resistance.

We can say that two concepts played a key role in the formation of this idea. Decoupling, which encourages the separation of the supply chains of artificial intelligence and semiconductors, which are strategic sectors for countries, and friend-shoring, which envisages shifting investments to friendly countries (SBB). In

fact, this idea is not new; we can see it as a new paradigm of security-risk management based on the cost minimization idea implemented in the 1990s.

Trade and trade policies are inseparable parts of the same body. The complexity of trade policy is always a self-perpetuating phenomenon. While trade occurs around certain rules and objectives through policies, the sustainability of policies also stems from trade. Trump's second term began aggressively with the revival of this strategy. Not only commercially, but also geopolitically, his rhetorical insistence on seeking dominance over critical routes such as the Panama Canal has found resonance in the global economy and among his counterparts. As a result of Trump's statements, which show a new global opening, the Regional Comprehensive Economic Partnership (RCEP) has gained strategic importance. Three years after the US announced its withdrawal from the Trans-Pacific Partnership in 2017, the RCEP agreement, representing 30% of global GDP, was signed in Vietnam on 15 November 2020 with the participation of regional countries.

The diversification of production from China as the central country to member countries has led to the implementation of low intra-regional tariffs and harmonised rules of origin, thereby strengthening the economic integration of the RCEP. The deepening of the role of the Association of Southeast Asian Nations (ASEAN) and RCEP economies, formed by some member countries, as engines of global growth is gaining momentum for the 'Asian Century' discourse and indicates that the centre of gravity of the global economy is shifting to the Pacific, serving as an argument against the 'America First' discourse. Due to his dissatisfaction with the results of both his own policy and economic moves during his first term and the policies of his successor Biden, whom he heavily criticised, Trump opened the door to global tariff wars, primarily with China, during his second term.

Therefore, this study examines the effects of US and Chinese tariffs on production structures, trade balances, and overall economic costs as a result of the US's changing policy towards RCEP economic integration. Another objective of the study is to determine which RCEP member countries could gain economic and strategic advantages in an increasingly protectionist global environment using the GTAP Dynamic CGE model. This study is expected to contribute to the literature by identifying the direction of regional trade diversion under tariff wars within the RCEP, assessing the Asia-Pacific region's long-term structural compatibility and geopolitical integration, and determining its capacity to mitigate global risks through collective action by regional integrations. From this perspective, it is evident that existing empirical studies have not sufficiently addressed this issue.

The remainder of the article is structured as follows. Section 1 examines the state of the US economy in the tariff war, Section 2 examines the state of the Chinese economy in the tariff war, Section 3 focuses on RCEP member countries, Section 4 discusses the data set, Section 5 explains the methodology, Section 6 presents the findings and discussion, and the final section addresses policy recommendations.

1. Trade wars from the US perspective

With President Trump's second term in office, the aggressive trade protectionism he has demonstrated, particularly through the tariffs he has decided to impose on imported goods from China, represents a sharp departure from the US's multilateral trade liberalization approach from Bretton Woods to the pre-Trump era. Between 1944 and 2008, the US shifted from a multilateral, liberal, GATT/WTO-focused, low-tariff approach aimed at global economic stability and growth to a unilateral, protectionist, 'America first' approach with high tariffs, aimed solely at protecting domestic production and employment through bilateral policies.

The announcement in October 2025 that an additional 100% tariff would be applied to products imported from China as of the 1st of November formalized this break in trade policy. The increasing uncertainty in trade policies is expected to lead to a weakening of confidence in global trade and prompt multinational companies to seek alternative supply chains. Douglas (2025), Mitchener et al. (2021), Bordo and Levy (2025) have stated that the imbalances that will occur in tariffs could be even more effective than the Smoot-Hawley tariffs applied in 1930. Empirical studies have revealed that Trump's trade policies, aimed at bringing production back to the country and reducing the trade deficit, have not yielded the desired results. Fajgelbaum et al. (2020) calculated that Chinese exporters did not bear the cost of the tariffs, with the bulk of the burden being passed on to US consumers and importers. Itakura (2020) found that the trade war caused a negative deviation of - 1.78% in US GDP. The Kiel Institute (2025) estimated that prices could increase by 5.5% due to the tariff tension between the US and China, while exports could fall by 17% for products dependent on imports.

These studies have found that:
- Tariffs increase the costs of both final goods and intermediate inputs (Bangert-Drowns, 2025) and cause an increase in consumer prices. In this respect, tariffs act as a tax, reducing real incomes and increasing inflationary pressures in terms of consumer price increases.
- Increases in inputs for strategic industrial products raise costs, weaken the competitiveness of the manufacturing sector and, combined with uncertainty in trade policies, lead to increased cautious behavior in the market, causing firms to postpone their investment plans (Amiti et al., 2020; Flaen & Pierce, 2019; Hass & Demark, 2020), resulting in a decline in competitiveness and investment.

Price distortions caused by tariff fluctuations have led to the reallocation of labor and capital from high-efficiency export sectors to lower-efficiency sectors, resulting in welfare losses (Amiti et al., 2021; Boer & Rieth, 2024) and misallocation of resources. China, on the other hand, appears to be more proactive. It seems that China aims to apply political pressure by targeting sectors important to the US economy in response to the trade war initiated by the US through tariffs. Agriculture and agricultural products are at the forefront of these. Historically, China has been

the largest importer of certain US agricultural products such as soybeans, pork, beef, and corn. China appears to have targeted these products with heavy tariffs in the trade war (Economic times). As a result, US exports of these agricultural products to China have fallen sharply. This has affected producers' sales, causing them to experience liquidity problems, increased costs and economic difficulties. The resulting agricultural layoffs have caused instability in a significant portion of the US agricultural sector. The pressure on the budget from federal subsidies to offset agricultural instability resulting from China's high tariffs on agricultural products can be cited as another significant impact. The US administration has provided billions of dollars in subsidies to support producers and maintain economic stability. These interventions have placed significant pressure on the federal budget (Yang, 2025). This situation is important in that it shows the US has shifted from a free market model to an interventionist structure.

2. Trade wars from China's perspective

China appears to be pursuing a more planned and level-headed policy in response to the tariff measures implemented by the US. Adopting both short- and long-term approaches, China retaliated in the short term by imposing equivalent tariffs on selected products while in the long term, it developed policies for technological and economic autonomy (DiPippo et al., 2025; Jie, 2025; Pei, 2025). In the short term, China has also targeted the agriculture and automotive sectors, using not only tariff rates but also non-tariff methods such as strict customs controls. The retaliation, which also indicated that control over precious metals and critical raw materials would be used as a geopolitical tool to guide trade policies, can also be seen as China's strategy to consolidate its position as an alternative power centre.

It appears that China conceived a strategy similar to Trump's 2017 "America First" strategy in 2015, called "Made in China 2025". For this reason, China, which has been implementing its national industry and technology strategy for a long time, has aimed to shift from low-cost production to high value-added and technology-centred production, with the goal of gaining a competitive advantage in the global market. The trade wars initiated through tariffs during the Trump era have highlighted the importance of this programme. With the onset of the tariff wars, the implementation of these initiatives has been urgently encouraged (Feng & Douglas, 2025).

At the same time, it has ensured the continuation of R&D activities by intensively encouraging investment in artificial intelligence, semiconductors, and robotics. By doing so, it aims to limit the export of high-tech equipment and leapfrog the West's progress in semiconductor technologies (Allen, 2024; Bock, 2025; Shivakumar et al., 2025).

It has been observed that China has responded to each aggressive move by the US in subsequent periods. By restricting the export of rare earth elements and other

critical raw materials such as gallium and germanium, China has developed not only economic responses but also political strategies against the US (TRT Africa, 2025). The US defence systems, electronics, and high-performance engines require these rare elements, and the US's efforts to source them through Russia, even during the war in Ukraine, demonstrate the seriousness of China's policies (Ellyatt, 2025).

China's strategic resilience is supported by structural measures such as diversifying trade routes (Chen et al., 2025) and focusing on the domestic market (Yao, 2020; Zhang, 2020). In addition, the devaluation of the yuan (Wright, 2025) and subsidies for affected companies (Feng & Douglas, 2025) are also prominent countermeasures aimed at providing exporters with a competitive advantage.

Despite all these measures, the start of the tariff war led to sharp declines in exports, job losses and market uncertainty. However, strategic measures gradually restored control. Increased resilience in the domestic market, a technology-focused growth plan and reduced dependence on the US have strengthened China's strategic position.

3. Trade wars from the perspective of RCEP countries

The loosening of global supply chains, disruptions in some areas, and unpredictability in trade policies have caused difficulties for other countries, as well as similar challenges for RCEP member countries. China's involvement in this dispute as a manufacturing hub has highlighted the risks of a globalized system, while also underscoring the importance of economic integration for coordinated economic action. In response to the US withdrawal from the Trans-Pacific Partnership in 2017 and the resulting shift in Asia-Pacific policies, regional countries swiftly responded in 2020 by signing the Regional Comprehensive Economic Partnership (RCEP) agreement (Pambagyo & Gultom, 2024; Petri & Plummer, 2020). The tension created by the trade war, which began with tariffs, enabled RCEP member countries to quickly ratify the agreement and respond collectively to shocks.

Following this integration, global instability has led to advantageous trade diversion for RCEP members. As China's exports became less competitive due to US tariffs, multinational companies shifted their supply chains to Asian countries that were more attractive in terms of cost and tariffs; this situation is also consistent with the principle of 'friend-shoring'. Thanks to the advantages provided by trade agreements and competitive operating costs, Vietnam has become a major exporter to the US market among member countries (Choi & Nguyen, 2023).

Increases in foreign capital have been observed thanks to the favorable economic environment (ASEAN, 2024). Multinational companies engaged in global production have shifted their production locations in the electronics, textile and furniture sectors to Southeast Asian countries and RCEP member countries amid the ongoing trade tensions. Effective artificial intelligence and data management have facilitated cross-border trade and enhanced the technological competitiveness of the

RCEP economic bloc (Wang et al., 2024). The RCEP bloc demonstrated itself a stabilizing force in an uncertain environment, in addition to gaining advantageous trade diversions, technological advancement, and an increased share in supply and production chains. While developing its external trade capacity with the US, Thailand, Indonesia, and Malaysia have strengthened their roles in value chains by supplying intermediate goods to China. China's need for intermediate goods in its production for markets outside the US has stimulated regional demand, creating a multiplier effect. Petri and Plummer (2020) note that this situation has led to the formation of a consistent, Asia-centric supply chain, thanks to low tariffs and standardization of rules of origin within the region.

Alongside the advantages brought by the tariff war, challenges are also apparent. The difficulty of low-tech sectors competing with China is paving the way for fragility in the markets. Geopolitically, proximity to China increases economic dependence, which may cause structural disruptions in the long term. China's active role in international economic and political moves, sometimes behind the scenes, is among the reasons deepening these concerns. The US retaliation against Chinese agricultural products has led RCEP countries to shift their supply sources to Brazil and Australia, negatively affecting producers in some ASEAN countries because of rising local commodity prices (Carvalho et al., 2019).

4. Data set

This study examines the macroeconomic effects of the tariff-based trade conflict between the US and China on both countries and the cooperation between the US and RCEP member countries using a simulation covering the period 2015-2024. The 2023 version of the Global Trade Analysis Project (GTAP) 11 database, which provides multi-sector and multi-regional economic activity data serving as the main reference for the Computable General Equilibrium (CGE) model of the global economy was used in the analysis. Within the CGE model, the global economy was considered as three regions: the US, China, and RCEP. The RCEP member countries included Singapore, Thailand, Indonesia, Japan, Cambodia, Australia, the Philippines, Malaysia, Myanmar, Laos, South Korea, Vietnam, Brunei, and New Zealand. The division into three regions enables more detailed results in identifying trade flows, the effects of policy shocks, and production structures. To test the accuracy of the data used in the analysis, multiple reliable sources were examined, including the World Integrated Trade Solution (WITS) database, the International Trade Centre (ITC), and the World Trade Organization (WTO). Sectoral tariff rates, known as ad valorem rates, were added to the model as US-China rates to simulate policy shocks.

5. Methodology

This study is based on the Computable General Equilibrium (CGE) model, a mathematical tool developed to analyse equilibrium simultaneously across all markets in a country's economy. The CGE model is valuable in empirical simulation analyses because it defines complex dependencies at the sectoral and regional levels. Based on the approach of Shoven and Whalley (1992), the model simultaneously determines the prices and quantities formed in the market, considering the behaviors of economic agents, including consumption decisions, firms' production preferences, and government intervention policies.

General equilibrium and optimality conditions: The model assumes that all markets are in general equilibrium. This makes it possible to identify the sectoral and regional effects of external shocks and economic policies. The model thus provides an analytical framework for assessing the effects of trade disputes and strategic economic policy decisions.

$$\text{Supply}_j = \text{Demand}_j$$

The CGE model assumes that income savings or welfare gains experienced by consumers maximise their utility functions.

$$\text{Max}\pi = \Sigma_{Pjf}(x) - \Sigma_{wx} \tag{1}$$

Here, Pj denotes the prices of goods and services, Cj denotes the consumption quantities, I denote the income level, $f(x)$ denotes the production function, and w denotes the input prices (Dixon et al., 1982, pp. 45–60). According to the partial equilibrium approach, an important advantage of the CGE model is that it quantitatively measures the level of welfare and resource allocation in the economy due to trade shocks.

Policy Integration and Dynamic Calibration: In line with the objective of the study, the model was developed to integrate tariffs and non-tariff barriers. This enables trade flows, prices, and production levels to respond to the situation encountered.

Application of tariff shocks: The tariffs of 104% and 84% applied by the US and China, respectively, are modelled as the difference between the international price (Pw) and the domestic import price (Pm).

$$P_m = P_w (1 + i_{\text{US} \to \text{China}}) \tag{2}$$

Similarly, the tariff reductions granted by the US to RCEP countries (as a retaliatory policy against China and to make imports more competitive) have been included in the model as negative tariffs or trade facilitation measures.

$$P_{\{m,\,RCEP\}} = P_{\{w,\,RCEP\}}\,(1 + t_{\{US \to RCEP\}}) \qquad (3)$$

With this formula, t_'US-RCEP' has been included in the model as negative or close to zero, in line with the model's objective, thereby reducing trade costs.

To examine sector-specific effects in tariff-focused trade wars, sector-specific tariffs have been included in the model. In the model below, production is determined independently for sectors such as automotive and electronics, allowing for the simulation of the heterogeneous, i.e., sector-specific, effects of tariff-induced trade wars on the economy.

$$P_{m,s} = P_{w,s}(1 + t_{i,j,s}) \qquad (4)$$

Model Application: The formulas described in the Methodology section have been framed in a multi-region and multi-sector manner to analyse the dynamic effects on trade volumes, economic growth, and welfare for the US, China, and RCEP member countries. The GTAP 11 dataset used in the study provided key inputs such as technology coefficients, demand elasticities, and trade structure.

Targeted Simulation Scenarios: Simulation scenarios were applied in two ways for model suitability.

Tariff Increases: Tariffs for relevant sectors in the CGE model were raised based on empirical data.

RCEP Tariff Reductions: Tariff reductions were applied to RCEP members. A competitive environment was simulated by reducing costs between countries engaged in trade relations.

The CGE model was implemented in the General Algebraic Modelling System (GAMS) software, taking into account capital accumulation and investment behavior over time. Simulation results were examined for years 1, 5, and 10 and reported to capture short-term shocks and medium-to-long-term structural adjustments.

6. Results and discussion

Simulation results generated using data obtained from the GTAP database and created using the CGE model reveal outcomes under three different scenarios demonstrating the macroeconomic impact of a tariff-induced trade war between the US and China and the direction of trade relations between the US and RCEP countries.

The tariff-induced trade conflict between the US and China has negative consequences for both countries. It has been determined that this conflict, which will continue in the long term, will cause a 26.8 per cent decrease in bilateral trade volume, leading to significant macroeconomic consequences. Furthermore, the costs arising from these protective barriers are not only due to the decline in trade volume but also trigger structural inefficiencies embedded in the global trading system.

Table 1. Macroeconomic Impacts of US-China Tariff Increases (% Change, 1st, 5th, 10th Year)

Indicator	Year 1	Year 5	Year 10
US GDP	-0.85	-1.10	-1.35
China GDP	-1.20	-1.50	-1.75
US Exports to China	-15.4	-22.3	-28.7
Chinese Exports to the USA	-13.2	-19.6	-25.4
US-China Trade Volume	-14.3	-20.7	-26.8

Source: authors' representation

The simulation predicts a decline in GDP of -1.35 per cent for the US and - 1.75 per cent for China at the end of the 10th year. This decline can be attributed to 'deadweight losses' resulting from the distortion in resource allocation. The increase in tariffs has caused labor and capital to shift away from high-efficiency sectors to lower-efficiency sectors. Furthermore, the tariff burden has been passed on to importing firms and consumers. By fulfilling its tax function, it will cause a decline in real income and downward pressure on investment. When assessed from China's perspective, the situation appears to be more serious. The reason for this is China's high dependence on the US, which makes it difficult for China to offset trade shocks in the short and medium term through domestic demand. The projected decline of 30% in US exports to China and 25% in Chinese exports to the US indicates a disruptive decline in trade relations between the two major economies. This situation can also be seen as the beginning of a redesign of global trade flows.

Table 2. Macroeconomic response of RCEP countries (% Change, 1st, 5th, 10th Year)

Indicator	Year 1	Year 5	Year 10
RCEP GDP	+0.40	+0.85	+1.20
RCEP Exports to the USA	+4.3	+9.8	+15.2
RCEP Imports	+0.7	+1.2	+1.6

Source: authors' representation

As seen in Table 2, the simulation for RCEP countries highlights that trade diversion gains emerged during the trade war between the US and China over tariffs. Alongside the US imposing an additional 104 per cent tariff on China, the introduction of a 5 per cent tariff reduction for RCEP countries shows a rapid and sustainable shift in trade flows towards RCEP countries. The strong increase in exports from RCEP countries is noteworthy. The expected 15.2% increase in volume in the 10th year of the simulation is positive for RCEP countries but also supports the worrying situation for China. At the same time, this rate confirms the importance of the 'friend-shoring' strategy when applied in the right place and at the right time. This is because buyers in the US will prefer to source raw materials and final products from RCEP countries such as Vietnam, South Korea and Malaysia, rather than high-tariff Chinese goods.

The positive growth trend in GDP across the RCEP region stands out as the most fundamental factor in the 1.20% increase in GDP in the long term. Furthermore, the increase in imports of 1.6 per cent and above is seen to be attributable not only to the impact of the growing trade volume on income but also to the increase in the regional welfare level. Despite the emergence of the global supply chain and economic instability, sustainable expansion in RCEP countries also highlights the importance of regional economic integration. It is anticipated that regional integration, coupled with reduced intra-regional trade costs, will enable RCEP to respond dynamically and be prepared for global uncertainties, thereby facilitating the establishment of an efficient and reliable alternative supply chain. Consequently, based on simulations and models, RCEP is expected to assume a pivotal position as the economic hub of the Asia-Pacific region and to strengthen its position.

Table 3. The Impact of the U.S. orientation towards RCEP countries on the U.S. Macroeconomy (% Change, 1st, 5th, 10th Year)

Indicator	Year 1	Year 5	Year 10
US GDP	+0.15	+0.35	+0.55
US Imports from RCEP	+3.0	+6.5	+10.8
US Tariff Revenues	-2.4	-4.8	-7.1

Source: authors' representation

Table 3 shows the macroeconomic effects on the US economy if US trade flows are directed towards RCEP countries. The results show that the trade shock would be partially mitigated and that diversification would help stabilize the US economy. As a result of tariff reductions applied to the RCEP region, imports from the region are projected to increase by 10.8 per cent by the end of the 10th year.

It can be said that the diversification of trade within the RCEP region contributes 0.55 per cent to the US economy for three main reasons. Firstly, the decline in input costs. US producers are reducing their production costs by sourcing lower-cost intermediate goods from RCEP countries with lower tariffs instead of high-tariff Chinese products, thereby making the domestic manufacturing sector more competitive and reducing inflationary pressures on consumers. This positive trade diversion results in an output shock effect. Secondly, an increase in market efficiency can be observed. The implemented policy enables lower trade flow costs, allowing access to more efficient suppliers and partially correcting the distortion in resource allocation caused by Chinese tariffs, which in turn leads to an increase in overall productivity. Thirdly, long-term stability can be demonstrated. Diversification of supply sources reduces the risk of dependence on a single partner and contributes to the creation of a more resilient economic structure against shocks in supply chains.

In addition, the decline in US customs revenues (-7.1% in the 10th year) can be considered a manageable element in the applied tariff policy. The results of the CGE model show that the macroeconomic gains from trade diversification and increased efficiency outweigh the short-term decline in customs revenues. If the positive balance is maintained, the policy will remain viable. However, it is also anticipated that US policymakers will make the necessary adjustments, considering changes in threshold values.

Conclusions and policy recommendations

This study analyses the economic and geopolitical consequences of the US-China trade war over tariffs resulting from changing trade policies after the 2017 US presidential elections and determines the impact on RCEP member countries through simulations. The analysis, conducted using the CGE model, reveals that the tariff rates applied by both countries based on reciprocity (US 104%, China 84%) have led to significant losses in both GDP and trade volume. The main reasons for these losses include misallocation of resources, the reflection of welfare losses on importers and consumers, and other handicaps resulting from a unilateral protectionist approach. From the US perspective, high tariffs have led to a loss of competitiveness in manufacturing. China, on the other hand, has been more proactive, increasing state support in strategic sectors such as semiconductors, electronics and robotics to accelerate its policy of achieving technological autonomy. Although this project began in 2015, an increase in the pace of implementation has been observed since 2017. Furthermore, this situation has enabled China to reduce its dependence on imports and increase its long-term economic resilience. While the US's aggressive policies are fundamentally driven by economic and geopolitical motivations, China's responses have been found to remain strictly within economic boundaries.

As a result of these findings, there are two paths available for the US and China to compensate for their mutual losses. One is to find common ground through mutual negotiations in trade relations, and the other is the more difficult and arduous path of renewing supply chains and diversifying the trade portfolio, which means redistributing economic cards globally, the outcome of which is very difficult to predict. The benefit-cost analysis shows that it is crucial for the US and China to build a new economic structure, incorporating other actors in the global economy into the equation.

Another important result of the modelling is the shift in trade flows towards RCEP countries because of tariffs. Imports from China, which the US has imposed high tariffs on, have shifted from China to RCEP countries, enabling the countries in the region to achieve significant economic gains, as evidenced by a 1.2% increase in regional GDP. With production shifting from China to RCEP countries, electronics exports increased by 6.8%, resulting in strong momentum in the electronics and automotive sectors. All these positive results are important in that

they show that regional economic integration and flexibly applied trade policies can yield gains from international trade even in times of major crisis.

Modelling suggests that, looking ahead, countries and regional integrations need to diversify to avoid strategic dependencies and risks. This requires restructuring production lines, standardizing supply chains, optimizing transport activities, ensuring the necessary importance and investment in the logistics sector, remaining committed to multilateral trade agreements, ensuring flexibility in tariff policies while considering regional integration, updating and continuing the necessary models for artificial intelligence, semiconductor technologies and sustainable development, and becoming more resilient to risks are foreseen as critical responsibilities of RCEP member countries. While it remains uncertain when the tariff-induced trade war will fully end and how prosperity will be reshaped regionally, supporting financial markets and technological infrastructure is of paramount importance. Even if full political integration, seen as the highest level of integration, does not occur, institutional structures that will enable rapid and coordinated decision-making among member countries are emerging as essential requirements for the region.

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