

# ***Adapting to Turbulence: How Global Retail Giants Navigate Trade Wars and Reshape International Trade Norms***

**Jinming Hu<sup>1,a,\*</sup>**

<sup>1</sup>*University of California Irvine, Irvine, CA 92697, USA*

*a. Jinmingh@uci.edu*

*\*corresponding author*

**Abstract:** More than just a part of the economic landscape, retailing has a profound impact on society, culture, and the market economy. As an integral part of the economic ecosystem, retailing provides goods and services to consumers and is also an enabler of economic growth, closely linked to other industries. Global retail giants play an important role in international trade by increasing supply chain transparency and encouraging suppliers to comply with ethical labor practices and environmental standards. This commitment to sustainability and social responsibility is consistent with the emphasis on fair labor practices and environmental stewardship in international trade norms. However, significant challenges arise when confronted with the trade-off between national interests and the interests of transnational corporations on the global stage. Governments often aim to protect domestic industries and jobs, which may conflict with the interests of global retailers in having smooth access to global markets. Finding the right balance between these interests remains a perennial challenge in international trade discussions. In addition, the burgeoning trade war between the United States and China has had varying degrees of impact on the retail industry. Therefore, this dissertation will delve into the new challenges and changes faced by retail giants in the context of the trade war.

**Keywords:** international trade norms, global retail, trade wars, multinational corporations

## **1. Introduction**

Trade wars, a defining phenomenon in today's interconnected world, have far-reaching effects on the global economy and geopolitics. These conflicts, characterized by reciprocal tariffs and the imposition of trade barriers, extend their influence across industries and continents. In this context, it is crucial to recognize the prominent players in the international retail sector, including giants like Walmart, Amazon, and Costco. These retailers wield immense power and influence in global markets, playing pivotal roles in the complex web of international trade.

Trade wars fundamentally represent economic struggles among nations competing for supremacy. They manifest as protectionist measures to restrict the flow of goods and services between countries, often involving tariffs, import quotas, and trade barriers. Their significance extends beyond economic consequences to encompass shifts in global alliances, the disruption of intricate supply chains, and geopolitical realignments.

While trade wars may not be a new phenomenon, they continually reshape the global economic landscape. Historical examples include the Smoot-Hawley Tariff Act during the Great Depression and the ongoing trade tensions between the United States and China.

Trade wars typically stem from a complex interplay of factors, combining rational economic concerns with political maneuvering. Catalysts often include currency manipulation, disputes over intellectual property rights, allegations of unfair trade practices, and the desire to shield domestic industries from foreign competition. National interests and the protection of domestic industries can further exacerbate these disputes.

The repercussions of trade wars are multifaceted and extend far beyond immediate consequences like rising consumer prices and disruptions in supply chains. Trade wars erode trust among trading partners, undermine the rules-based international trading system, and impede global economic growth. For example, the ongoing trade tensions between the United States and China have sent shockwaves through financial markets, raising concerns about a potential global economic downturn.

Within the international retail sector, Walmart plays a crucial role. Its sheer size and global presence allow it to purchase goods from suppliers at lower prices due to economies of scale. This enables Walmart to offer more competitive prices to consumers. Especially in China in the early part of the 20th century, Wal-Mart was far ahead in retailing. Wal-Mart's ability to offer consumers more competitive prices was made possible by the fact that more than 95% of the goods in its stores in China were made in China and by the fact that Wal-Mart was able to make high profits by establishing global sourcing centers in China where it purchased Chinese goods in large quantities at low prices and sold them globally at high prices [1]. The company is also known for its efficient supply chain management, investing in technology to optimize inventory, reduce costs, and streamline distribution. Walmart operates various retail formats, including supercenters, discount stores, community markets, and Sam's Clubs, catering to a wide range of customer needs and demographics.

Costco, based in Issaquah, Washington, is synonymous with value shopping. Its membership model allows customers to purchase a wide array of products, from groceries to electronics, at wholesale prices. As of 2021, Costco operates over 800 stores worldwide.

The global reach of retail giants like Walmart and Costco should not be underestimated. With their extensive supply chains, efficient distribution networks, and strong purchasing power, they significantly influence the dynamics of international trade. These companies source products globally, impacting the economies of many countries, and their direct negotiations with suppliers affect global pricing and product availability.

As exploring the complex realm of trade wars and delve into the business models, market shares, and customer bases of global retail giants such as Costco and Walmart, we reveal the critical role these companies play in shaping the landscape of international commerce.

## **2. Trade War's Toll on Retail**

Trade wars have a multifaceted impact on the retail sector, affecting it in several ways.

### **2.1. Cost Escalation and Consumer Impact**

Trade wars increase the cost of importing goods due to tariffs and trade barriers. Retailers are then faced with a difficult choice: either absorb the additional expenses or pass them on to consumers. As Sarah F. Thorn, a senior director for global government affairs at Walmart, pointed out in a letter to the U.S. Trade Representative, "This round of tariffs could impact a significant number of common consumer items that are not easily replaceable." Thorn emphasized that "Walmart and our suppliers will pay the cost of increased duties, which are simply taxes levied on products at the border... As a result, either consumers will pay more, suppliers will receive less, retail margins will be lower, or

consumers will buy fewer products or forego purchases altogether." It is important to note that these tariffs do not necessarily address complex trade challenges like intellectual property or trade secrets. Thus, such tariffs on consumer goods may lead to higher prices, affecting consumers' purchasing power and potentially reducing their willingness to spend [2].

## **2.2. Supply Chain Disruptions and Uncertainty**

The uncertainty surrounding trade policies disrupts retailers' supply chain management. This uncertainty makes it challenging for retailers to plan and invest in their supply chains efficiently. As a result, supply chains become less predictable and more costly. As pointed out by a report from Carnegie Endowment for International Peace, "Regardless, a drop in imports from China only actually reduces U.S. reliance on China if companies manage to find viable substitutes. But last year, the United States was not able to fully meet the need for alternatives to Chinese merchandise. Strong overall GDP growth in 2019 suggests that total imports would likely have increased without tariffs." This illustrates the disruptive nature of the trade war's uncertainty on retail supply chains, where finding reliable alternatives to Chinese goods has proven to be a challenge [3].

## **2.3. Economic Consequences: According to the National Bureau of Economic Research (NBER)**

The current trade war has had significant economic consequences, particularly concerning its toll on the retail sector. NBER's research highlights that tariffs imposed during trade conflicts result in higher prices for consumers and reduced income for retailers, ultimately leading to job losses in the industry. This aligns with the observation that trade wars increase the cost of importing goods due to tariffs and trade barriers, a challenge that retailers often confront. Therefore, the economic repercussions of trade wars on the retail sector are evident, as supported by the NBER's findings [4].

In conclusion, trade wars undeniably disrupt the retail industry, presenting significant challenges such as cost escalation, supply chain disruptions, and heightened uncertainty. These challenges are vividly illustrated by real-world instances like the U.S.-China trade tensions, which underscore the hurdles confronting global retailers. Furthermore, the adverse effects extend beyond the retail sector to encompass the broader global economy.

In light of these consequences, it is imperative for governments and businesses to proactively seek solutions to mitigate these negative impacts. Striving for equilibrium in the global trade landscape becomes paramount, as trade wars disrupt not only retail but also the broader economic fabric, necessitating a comprehensive examination of their implications on global commerce.

## **3. Navigating Turbulence: Engaging in Trade Policy Advocacy**

Some global retailers are actively engaged in trade policy advocacy, working with governments and international trade organizations with the aim of shaping the direction of trade policy while mitigating the adverse impacts of trade wars. Examples of this active engagement are described in Sourcing Journal and BBC are glimpsed in reports, particularly in the United States, where retail giants have actively called on the administration to revisit its tariff policies against Chinese goods [5,6].

The retail industry has been focusing on the challenges associated with the trade war and communicating their concerns and recommendations to policymakers through retail trade associations and major retailers. These retailers have emphasized the importance of finding a diplomatic solution, continuing to preserve the openness of the marketplace, and ensuring that trade actions do not unduly harm U.S. businesses and consumers. At the same time, in an effort to mitigate the burdens imposed by the tariffs, these industry groups have been working to expand their sourcing strategies and actively explore alternative suppliers and regions.

The goal of these actions is to ensure supply chain flexibility and sustainability to better respond to an increasingly volatile trade environment. Retailers generally believe that high tariffs will lead to higher commodity prices and undermine consumers' purchasing power. As a result, they have focused on calling on the government to take measures to reduce the burden of tariffs.

All in all, the retail industry has demonstrated a proactive stance in addressing the challenges posed by trade wars. Through interaction with the government and international trade organizations, they have attempted to influence trade policies to safeguard the interests of the industry as well as to protect consumer rights. This action also fully demonstrates the retail industry's strong commitment to maintaining open markets and resolving trade issues. While these efforts may take time to have a noticeable impact, they have a positive effect on policymaking. The voice of the retail industry is increasingly valued in trade policymaking, and governments and international trade organizations are increasingly willing to listen to the advice of retailers. These efforts are expected to mitigate the adverse impacts faced by the retail sector in the future and contribute to a fairer and more profitable trading environment.

## **4. Implications for International Trade Norms**

### **4.1. Shaping International Trade Norms Through Sustainability Initiatives**

Global retailers are key players in international trade, and their business practices set important precedents. By examining their strategies, approaches, and engagement in international trade, we can gain insights into the evolving norms and rules governing global commerce. Their influence extends to areas such as supply chain sustainability, labor practices, and ethical sourcing, all of which contribute to shaping international trade norms.

A compelling example of global retailers influencing international trade norms is Walmart's leadership in sustainability. As one of the world's largest retailers, Walmart introduced an ambitious sustainability program, committing to making its supply chain more sustainable by setting targets to reduce greenhouse gas emissions and improve energy efficiency. This program has had a cascading effect on the entire retail industry, pushing suppliers to adopt more sustainable practices. Walmart's efforts have been instrumental in reshaping the norms of sustainable supply chain management, influencing global trade practices [7].

### **4.2. Broader Implications for Global Trade Governance**

The influence of global retailers goes well beyond shaping specific trade norms. It extends to the broader landscape of global trade governance. These retailers have become powerful stakeholders in international trade discussions. They often engage with governments and international organizations, advocating for policies that align with their interests and the principles they uphold, such as sustainability and fair labor practices. By doing so, they contribute to a more profound transformation in the global governance of trade. Their active participation in international trade discussions helps guide the formulation of trade agreements, sustainability standards, and labor rights enforcement, thus fostering a more balanced and ethically conscious global trade governance framework.

### **4.3. Balancing Corporate Interests and Societal Values Within Trade Norms**

One of the central challenges in the modern trade landscape is balancing corporate interests with broader societal values. Global retailers navigate this complex terrain, often facing choices that have implications beyond their balance sheets. These choices encompass a variety of issues, including ethical sourcing, labor conditions, and environmental sustainability. The decisions made by retailers in this regard have significant ripple effects on international trade norms. When retailers prioritize

societal values and integrate them into their supply chain strategies, they push for a recalibration of trade norms to be more aligned with ethical and sustainable practices. This ongoing rebalancing reflects the growing importance of ethical consumerism and corporate social responsibility in shaping international trade norms.

#### **4.4. Global Retailers As Norm Entrepreneurs**

Global retailers can be considered as "norm entrepreneurs" in the field of international trade. Their innovative approaches to conducting business and their dedication to upholding high ethical and sustainability standards often drive the development of new international trade norms. By setting an example and demonstrating that successful business practices can coexist with ethical principles, they encourage other businesses and industries to follow suit. In essence, global retailers serve as pioneers in developing trade norms that are more in line with contemporary global challenges, such as climate change, labor rights, and responsible sourcing. They contribute to a positive shift in trade norms, thereby making the global trade landscape more equitable and sustainable.

In conclusion, the influence of global retailers in shaping international trade norms is multifaceted. Through their actions, advocacy, and engagement, they directly impact the norms and rules governing global commerce. Their influence extends to broad discussions of global trade governance, balancing corporate interests with societal values, and acting as catalysts for innovative and ethical trade norms. As we consider the changing dynamics of international trade, understanding the role of global retailers becomes increasingly essential, as they play a pivotal part in shaping a more ethical, sustainable, and balanced global trade landscape.

### **5. Balancing National and Corporate Interests**

The intricate interplay between national interests and corporate interests in the realm of international trade policy is a topic of immense significance and complexity. It delves into the dynamic equilibrium that governments must strike to safeguard domestic industries and employment while simultaneously facilitating the prosperity of global businesses and ensuring the seamless flow of international trade. This multifaceted issue necessitates a comprehensive analysis that explores various dimensions.

#### **5.1. Intersection of National and Corporate Interests**

The intricate interplay between national interests and corporate interests in international trade policy is a topic of immense significance and complexity. As exemplified in a comprehensive study by Evren Köksal, titled "The Impact of Multinational Corporations on International Relations", multinational corporations (MNCs) have become integral actors in the international political scene, and their influence on nation-states cannot be ignored. The study emphasizes that MNCs have gained considerable political and economic power, evident in their substantial turnovers, production capabilities, and even their presence within governmental institutions. In this context, it is evident that nation-states are no longer acting alone, and they are compelled to share their "structural power" with non-governmental actors, primarily MNCs. This underscores the necessity of achieving a delicate equilibrium between safeguarding national interests and promoting global economic growth [8].

#### **5.2. Challenges and Conflicts: The Complexities of Trade Sanctions**

In 2022, the world trading system faced considerable uncertainty, particularly in the context of global trade sanctions. Serious institutional questions revolving around the proper functioning of the World Trade Organization (WTO) remained unresolved, possibly intensified by geopolitical pressures. The

WTO, which was once viewed as a model for international trade agreements, faced significant challenges. Notably, the organization's Appellate Body, a critical component for dispute resolution, remained without any members and inoperable. Throughout the year, individual WTO Members encountered a multitude of challenges. These included grappling with issues like inflation, unequal income distribution, poverty, and the global health crisis. In response to these challenges, countries worldwide adopted national programs that seemed to be at odds with their commitments to the multilateral trading system. Concepts like "near shoring," "national industrial policy," and "national content requirements" posed significant challenges to the fundamental principles of the multilateral trading system. These principles encompass non-discrimination, national treatment, and negotiated tariff bindings. Historically, these principles had significantly contributed to the globalization of supply chains. However, the emergence of these new concepts threatened to disrupt established norms [9].

As governments strive to reconcile these competing interests, they may explore various policy frameworks. These frameworks encompass a spectrum of approaches, from protectionism to liberalization. Policymakers must carefully consider the potential impacts on national industries, employment, and global economic stability. Striking the right balance may involve measures like opening markets to foreign competition, adjusting tariffs, and reforming global trade regulations. These policy choices are fundamental in navigating the fine line between safeguarding national interests and promoting global economic growth.

### **5.3. International Cooperation and Multilateralism**

In the intricate realm of international trade, the imperative of international cooperation and multilateralism stands as a cornerstone for addressing the multifaceted challenges arising from the interplay of national and corporate interests. It underscores the necessity for nations to engage in collaborative diplomacy, forging alliances and consensus to navigate the complexities of international trade effectively.

The intersection of national and corporate interests gives rise to an intricate web of trade policies, tariffs, and regulations that necessitate international collaboration. In a world increasingly characterized by global supply chains and interconnected economies, the actions of one nation can have far-reaching consequences. Multinational corporations, integral to global trade, further underscore the need for coordinated efforts.

International cooperation and multilateralism serve as mechanisms for resolving disputes, facilitating trade negotiations, and promoting global stability. Collaborative endeavors empower nations to mitigate the adverse impacts of protectionist measures and trade conflicts, fostering an environment conducive to economic growth. Institutions like the World Trade Organization (WTO) play pivotal roles in setting the rules for global trade and providing platforms for dispute resolution.

By coming together, countries can develop effective solutions that strike a balance between safeguarding national interests and advancing global economic stability. Recognizing that the challenge of balancing national and corporate interests is not a zero-sum game, but rather an opportunity for nations to embrace a more interconnected and interdependent global economy, is central to the principles of international cooperation and multilateralism.

In summary, international cooperation and multilateralism are indispensable elements for harmonizing national and corporate interests in international trade. They provide a framework for navigating the complexities of the global trade landscape while fostering mutual benefits and global prosperity. As nations grapple with the intricacies of international trade, collaborative diplomacy and shared objectives offer a pathway to address challenges and seize opportunities in the evolving global economy. International trade in today's interconnected world is not merely a matter of individual

interests but a symphony of cooperative diplomacy essential for sustaining the intricate global trade order.

## **6. Setting Precedents and Inspiring Innovation**

Global retailers, often at the forefront of international trade, possess the unique capacity to set precedents for trade resilience and inspire innovation across various industries. Their experiences and strategies in navigating the complex landscape of global commerce can serve as valuable lessons for businesses worldwide. This section delves into the profound influence these retailers have on trade practices, their role as pioneers, and the long-term impact of the precedents they establish.

### **6.1. Pioneering Trade Resilience**

Global retailers frequently find themselves on the frontline of trade disruptions, be it in the form of trade wars, supply chain vulnerabilities, or unforeseen crises such as pandemics. Their ability to adapt and navigate these challenges positions them as pioneers of trade resilience. These companies have a history of implementing innovative solutions to address supply chain disruptions, demonstrating the adaptability necessary to withstand economic turbulence and uncertainty.

### **6.2. Lessons from the Frontlines**

The strategies employed by global retailers to mitigate trade risks offer invaluable lessons for businesses across diverse industries. As trailblazers in trade resilience, they serve as catalysts for innovation by demonstrating the effectiveness of diversifying sourcing strategies, identifying alternative suppliers, and embracing digital technologies. These insights extend beyond the realm of retail and are applicable to sectors with complex global supply chains, actively promoting agility, risk mitigation, and innovation as integral components of a robust trade strategy.

As articulated by Yao, Suman, and Kohli (n.d.) in their study, it is imperative for enterprises to gain an in-depth understanding of global manufacturing trends and emerging regions, facilitating a more comprehensive comprehension of potential risks and opportunities. The authors also underscore the significance of analyzing how competitors are addressing trade-related issues, a critical element in enabling companies to formulate flexible supply chain strategies. Moreover, the establishment of supply chain agility stands as a pivotal means of proactively addressing future trade risks [10].

### **6.3. Long-Term Impact**

The precedents set by global retailers have a profound and lasting impact on international trade practices. Their innovative approaches to supply chain management, risk mitigation, and global expansion continue to shape the landscape of global commerce. As businesses observe and learn from these trailblazers, the adoption of resilient trade strategies becomes increasingly widespread. Consequently, this results in a long-term transformation of trade practices, emphasizing the importance of resilience and adaptability in the face of global challenges.

### **6.4. Cross-Industry Inspiration**

Beyond the retail sector, the influence of global retailers extends to other industries. Their ability to drive innovation by addressing trade-related challenges inspires various sectors to implement resilient and agile strategies. This cross-industry inspiration fuels the development of advanced technologies, supply chain solutions, and risk mitigation practices, impacting sectors as diverse as manufacturing, technology, and healthcare.

In conclusion, global retailers serve as pioneers in the field of trade resilience, setting precedents and inspiring innovation that reverberates across industries. Their ability to adapt to disruptions and navigate complex trade environments offers valuable insights for businesses aiming to enhance their own trade resilience. The long-term impact of their precedents is a testament to the transformative power of adaptability and innovation in the realm of international trade. As businesses worldwide draw inspiration from these trailblazers, a more resilient and agile global trade ecosystem emerges, fostering growth and stability in the face of adversity.

## 7. Conclusion

The role of global retailers in international trade is continuously evolving, and this essay has shed light on several critical dimensions of this transformation. The key takeaways from our exploration of this subject reflect the intricate interplay between trade wars, retail resilience, global supply chains, trade policies, and the broader economic landscape.

First and foremost, it is clear that trade wars disrupt the retail sector on multiple fronts. Increased tariffs raise the cost of importing goods, forcing retailers to make difficult choices regarding cost absorption or passing expenses on to consumers. The result is an environment where prices on various products may increase, and consumers and businesses alike must adjust to new economic realities.

Furthermore, the disruption of supply chains poses another significant challenge for the retail industry. These chains, often intricately woven across borders, face disruptions, delays, and uncertainties due to trade disputes. Global retailers are compelled to diversify sourcing strategies, mitigate risks, and find alternatives, all of which come at a price, both in terms of costs and logistical complexity.

This disruption's economic consequences are significant, with research and reports underscoring the adverse effects on retail businesses, consumers, and employment within the industry. Trade wars not only affect the retail sector but also have a broader impact on the economy, leading to job losses, impacting consumer purchasing power, and affecting economic growth.

However, amidst the turmoil, global retailers have not remained passive. They have actively engaged in advocating for trade policies that address the challenges posed by trade wars. Retail trade associations and major companies have voiced concerns and recommendations to policymakers. They emphasize the importance of finding diplomatic solutions, maintaining open markets, and ensuring that trade actions do not disproportionately harm American businesses and consumers. This advocacy is driven by the understanding that high tariffs harm consumers' purchasing power and has motivated retailers to engage in dialogue with governments to influence policy directions.

The ability of global retailers to set precedents in trade resilience and inspire innovation has also been showcased. As pioneers in trade resilience, their strategies for mitigating trade risks offer valuable lessons for businesses across industries. The long-term impact of their precedents reverberates across global commerce, emphasizing the significance of adaptability and innovation in the face of challenges.

In conclusion, the retail sector's evolution within the realm of international trade remains a dynamic and multifaceted process. As the global landscape continues to shift, the role of retailers becomes increasingly pivotal, not only in navigating disruption but also in influencing trade policies and fostering resilience and innovation. This essay highlights the importance of ongoing examination and dialogue in understanding these dynamics. As the retail industry continues to adapt to the ever-changing trade environment, it is imperative for governments and businesses to seek a harmonious equilibrium in the global trade landscape--one that balances national interests with corporate interests, fosters trade resilience, and sets precedents for a more resilient and agile global trade ecosystem.

The dynamics explored here represent an ongoing narrative, and the discussion should persist, informing policy decisions and business strategies. The evolution of the retail sector in international



trade is a story still in the making, with each chapter offering valuable insights and lessons for an increasingly interconnected and interdependent global economy.

## References

- [1] Chuang MingLing, Donegan, James J., Ganon, Michele W. (2011) *Walmart and Carrefour Experiences in China: Resolving the Structural Paradox*. *Cross Cultural Management An International Journal*, 18(4), 443-463.
- [2] CBS News. (2018) *Walmart warning it'll raise prices as Trump's China tariffs kick in*. Retrieved from <https://www.cbsnews.com/news/walmart-warning-it-will-raise-prices-as-new-trump-china-tariffs-kick-in/>.
- [3] Carnegie Endowment for International Peace. (2020) *In U.S.-China Trade War, New Supply Chains Rattle Markets*. Retrieved from <https://carnegieendowment.org/2020/06/24/in-u.s.-china-trade-war-new-supply-chains-rattle-markets-pub-82145>.
- [4] National Bureau of Economic Research. (2019) *US Consumers Have Borne the Brunt of the Current Trade War*. Retrieved from <https://www.nber.org/digest/may19/us-consumers-have-borne-brunt-current-trade-war>.
- [5] Sourcing Journal. (2018) *US Retailers Call on Trump to Reconsider Trade Moves As More Tariffs Loom*. Retrieved from <https://sourcingjournal.com/topics/trade/us-retailers-call-on-trump-to-reconsider-china-tariffs-80838/>.
- [6] BBC News. (2018) *US retail giants ask Trump to reconsider China tariffs*. Retrieved from <https://www.bbc.com/news/business-43466746>.
- [7] Walmart. Sustainability. Corporate.Walmart.com. Retrieved from <https://corporate.walmart.com/purpose/sustainability>.
- [8] Köksal, E. (2006) *The Impact of Multinational Corporations on International Relations: A Study of American Multinationals (Unpublished master's thesis)*. Middle East Technical University, Graduate School of Social Sciences.
- [9] White & Case. (2023) *Global trade faces ongoing challenges*. Retrieved from <https://www.whitecase.com/insight-our-thinking/2022ar-globalization-balancing>
- [10] Yao, K., Suman, S., & Kohli, A. (n.d.). *Decision-Making Strategies in the Face of Trade War Tariff Challenges*. Retrieved from <https://www.alixpartners.com/insights-impact/insights/cn-decision-making-ideas-for-facing-tariff-challenge-trade-war/>.