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USA Tariff Turmoil and Strategic Dilemmas 2025: Reshaping Business Model Innovation in China–Asean Trade – Evidence From Vietnamese Industries

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ABSTRACT: The escalating bilateral tensions between the world`s two largest economies have entered a critical phase, marked by the recent decision of the United States to impose additional tariffs on Chinese imports. In response to these protectionist measures, China subsequently announced retaliatory trade restrictions, resulting in the global economy entering a new phase of uncertainty. This study examines how Vietnamese firms are strategically reshaping their business model innovation within the evolving US-China trade war and seizing the opportunities toward higher firm performance. Our findings indicate that regulation and surveillance, geopolitical issues and warfare, tariff volatility, customer purchase power, and political philosophy orientation have a significant impact on Vietnamese firms' reshaping business model innovation and achieving higher firm performance amid the current international political and economic environment. Addressing the current US tariff turmoil is not the only way to drive business model innovation for Vietnamese companies, but they also need a series of important links in promoting the progress of scientific international management.

KEYWORDS: Regulation and Surveillance, Geopolitical Issues & War, Tariff volatility, Customer Purchase Power, Political philosophy orientation, SEM method

I. INTRODUCTION

1.1 Background of the Study

In the past decade, global trade dynamics have experienced unprecedented shifts largely driven by the intensification of the United States–China trade conflict. The trade war first erupted in 2018, when the U.S. imposed tariffs on over $250 billion worth of Chinese goods. In response, China retaliated, triggering multiple rounds of tariff escalations that disrupted supply chains across Asia and compelled many multinational corporations to diversify their production bases away from China. This phenomenon gave rise to the "China Plus One" strategy and positioned ASEAN, particularly Vietnam, as a key beneficiary in the reconfiguration of global supply chains (Bown & Kolb, 2019; Chen, 2021).

Recent developments in 2025 have further amplified these tensions. On April 9, 2025, the United States implemented a dramatic tariff increase on a wide range of Chinese imports, raising tariffs on some categories to as high as 125% in response to "persistent unfair trade practices and national security concerns" (Reuters, 2025). In contrast, the U.S. introduced a 90-day suspension of retaliatory tariffs for 75 other countries, applying only a 10% duty, signaling a selective decoupling strategy. Concurrently, a newly finalized U.S.–Vietnam bilateral trade agreement on non-tariff barriers is set to reshape supply chain alignments within ASEAN, particularly impacting key Vietnamese industries such as electronics manufacturing, textiles and garments, consumer electronics, renewable energy, and the digital economy (Bloomberg, 2025). Beyond these macroeconomic shifts, the ideological divide between Western and Eastern trade philosophies has emerged as a critical factor influencing corporate strategies. The "America First" doctrine, which underpins aggressive tariff measures and makes the USA back to the centre of world stage, contrasts sharply with China's "China+One" approach that emphasizes regional integration and cooperative growth. This divergence, referred to as Philosophical Thought Orientation (PTO) in this study, significantly affects corporate strategic decisions. Scholars argue that differences in underlying philosophical orientations not only shape policy responses but also drive corporate strategy, including business model innovation (Ghemawat, 2007; Hofstede, 2001; House et al., 2004).

Against this backdrop, ASEAN economies, particularly export-driven nations like Vietnam, faces dual strategic dilemmas: managing high tariff volatility and geopolitical risks, while simultaneously re-configuring their business models and innovation strategies to thrive in the evolving global trade environment. This research seeks to explore how exogenous pressures—including tariff volatility, geopolitical tensions, regulatory surveillance, and divergent philosophical orientations (PTO)—influence firm-level capabilities such as policy adaptability and business model innovation, ultimately impacting overall firm performance.

1.2 Objective of Study

The primary objective of this study is to examine how various external and internal factors influence firm performance in the context of global trade tensions and shifting market dynamics. In particular, this study aims to investigate the following independent variables:

- **Regulation and Surveillance (RS):**
  This variable reflects the impact of regulatory policies and oversight—especially in high-tech sectors—and their role in maintaining market order and influencing corporate decision-making.
- **Geopolitical Issues & War (GIW):**
  This variable encompasses geopolitical risks including intra-regional conflicts, the US–China trade war with reciprocal tariffs, and the Russia–Ukraine conflict, Mainland China- Taiwan conflict. It also incorporates the macroeconomic impact stemming from actions like the sale of US Treasuries, reflecting the sensitivity of capital markets to political tensions.
- **Tariff Volatility (TV):**
  This variable measures the degree of fluctuation in tariff policies and its effect on international trade dynamics.
- **Customer Purchase Power (CPP):**
  This variable represents shifts in consumer purchasing behavior and the overall buying power in response to market conditions (for example, during periods of product scarcity and revenue downgrades).
- **Political Philosophy Orientation (PPO):**
  This variable contrasts divergent strategic philosophies—such as the Western “America First” doctrine versus Eastern initiatives like “One Belt One Road”—and examines how these ideological differences influence corporate strategy and, ultimately, firm performance.

The study’s dependent variable is **Firm Performance (FP)**, Venkatraman and Ramanujam (1986) classify FP into financial metrics, such as profitability and return on assets, and operational metrics, such as productivity and process efficiency, highlighting the need to assess both dimensions for a complete picture of firm success.

By exploring the direct and indirect effects of these independent variables on firm performance, the research seeks to provide empirical insights into how external pressures (e.g., tariff volatility, geopolitical tensions, regulatory changes, and political philosophy orientation) and internal capabilities (e.g., policy adaptability and innovation orientation) interact in shaping competitive strategies among firms in selected Vietnamese industries amid evolving global trade environments.

2. LITERATURE REVIEW

1) 2.1 Regulation and Surveillance (RS)

Regulatory frameworks are not only essential for protecting consumers and ensuring financial stability but also play a critical role in guiding innovation and competitiveness. For instance, in sectors such as Block-chain, cryptocurrencies, etc, regulators establish legal standards that help prevent fraud, safeguard data privacy, and mitigate cybersecurity risks. At the same time, robust surveillance mechanisms enable authorities to monitor market activities more efficiently, ensuring compliance and reducing systemic risks.

The emergence of “reg-tech”—technologies designed to improve the efficiency of regulatory processes—further underscores the importance of a well-regulated environment. According to Arner, Barberis, and Buckley (2017), integrated regulatory technology solutions can enhance the predictability and efficiency of the oversight process, ultimately fostering a safer space for innovation. Similarly, Böhme, Christin, Edelman, and Moore (2015) argue that appropriate regulatory measures are indispensable for building investor confidence and ensuring the sustainable growth of crypto ecosystems. As digital innovation continues to reshape global commerce, effective regulation and comprehensive surveillance have become key factors in influencing corporate strategies, driving businesses to adapt their operations in response to evolving legal and economic conditions.

While investors and businessmen doubt on such regulation measures may brain development. To mitigated such business`s misgiving, fear and finding a neural mechanism, the author of "The impact of business regulatory reforms on economic growth" has investigated the link between business regulatory reforms and economic growth in 172 countries, and created a 5 year datasets on business regulatory reforms from the World Bank`s Doing Business reports. The results provide a robust support for the claim that business regulatory reforms are good for economic growth, plus, each business regulatory reform is associated with a 0.15% increase in growth rate of GDP (Jaml 2012). In particular, regulating on AI industry, China is applying the dynamic pyramid model of regulation, it scrutinizes the motives and conduct of the key players involved in the regulatory process. The regulatory attention will primarily concentrate on information and content control, aiming to mitigate threats to political stability. Thus, effective regulation and surveillance can be improved better environmental standards or safety standards to further support the sector`s innovation and development. Real estate in Vietnam, the state should strictly implement the housing policy. In some cases, the State should intervene more deeply in regulating the housing market, especially the housing issues for social subjects, ensuring the supply of housing types for people and limit of buying and selling (Lee 2022).

There are not only positive link between regulation and the economy. In contrast, reducing overall spending power, slow economic growth, plus the escalating of tariff tennsion between China and the US are shrinking Chinese real estate, central government strengthen regulation on real estate has sharply reduced housing transaction volumes in major cities, leading to a marked decline in land transfer revenues for local governments and creating substantial financial strain (Li 2024). Moreover, the authors of Real estate market regualtion and local government debt risk" have used an intensity difference-in-differences model with panel data from prefecture-level cities to assess to impact of stricter real estate policies since 2021. The findings shows that these regulations have increased debt risk. The primary mechanism is the real estate market downturn that sharply reduces land-related fiscal revenue (Zeliang 2025).

1 RegTech Mitigation Hypothesis

Do you think adoption of Reg-tech tools by firms will moderate the negative impact of regulatory stringency on innovation outcomes, such that firms leveraging Reg-tech exhibit higher levels of business model innovation under stringent regulatory regimes.

H_{10}: Adoption of Reg-tech tools by firms will moderate the negative impact of regulatory stringency on innovation outcomes, such that firms leveraging Reg-tech exhibit higher levels of business model innovation under stringent regulatory regimes.

H_{11}: Adoption of Reg-tech tools by firms will not moderate the negative impact of regulatory stringency on innovation outcomes, such that firms leveraging Reg-tech could not exhibit higher levels of business model innovation under stringent regulatory regimes.

2.2 Geopolitical Issues & War (GIW)

a) *Geopolitical issues & wars have always influenced companies`s growth trends,*

b) *regional conflicts and international trade shocks have intensified in recent years,*

c) *business leaders today must quickly adapt to geopolitical disruption often have*

d) *dedicated teams focused on monitoring global changes, and mitigating risks.*

We have summarized the important geopolitical issues and wars in nowadays below,

e) ● Intra-Regional Conflicts and Cross-Strait Disputes

Intra-regional disputes, such as the ongoing tension between Mainland China and Taiwan, have long been recognized as major sources of uncertainty in Asian trade (Liu, 2023). These disputes tend to exacerbate market uncertainties, disrupt supply chains, and force firms to reassess their risk exposures in regional operations. Liu (2023) argues that cross-strait tensions not only heighten political risks in the region but also lead to more cautious strategic behavior among multinational corporations operating in Asia.

f) ● The US–China Trade War and Reciprocal Tariffs

The US–China trade war, which began in 2018, serves as a canonical example of how geopolitical rivalry directly influences trade policy and market performance. Bown and Kolb (2022) provide a detailed chronology of tariff escalations, showing that reciprocal tariff measures have significantly disrupted global supply chains. This trade conflict has generated substantial economic policy uncertainty, forcing firms to diversify production (e.g., through the "China Plus One" strategy) and influencing investment decisions (Aslam, 2019). The imposition of high tariffs, as seen in recent policy announcements, illustrates how sharply geopolitical tensions can translate into immediate fiscal and monetary effects.

g) ● The Russia–Ukraine Conflict

Similarly, the Russia–Ukraine conflict has introduced additional layers of global geopolitical risk. Several studies have documented the significant impact of this conflict on international commodity prices, energy markets, and overall supply chain stability (Toygar & Yildirim, 2023; Hoque, Sahabuddin & Bilgili, 2022). These disruptions have not only affected regional economies in Europe and Asia but have also led to broader volatility in global capital markets. Such volatility, in turn, can indirectly affect trade and corporate strategies in far-reaching markets.

h) ● Macroeconomic Impact: US Treasury Sales

Further illustrating the multidimensional nature of geopolitical risk is the phenomenon of large-scale US Treasury sales. These actions can represent an unconventional signal of shifting investor sentiment and government policy. For instance, when major holders of US Treasuries decide to liquidate their holdings, the resulting capital market turbulence reflects the broader sensitivity of financial markets to geopolitical events (Schinasi & Smith, 2001). Such macroeconomic reactions can exacerbate uncertainties, influencing both the cost of capital and risk assessments among global investors.

i) ● Relevance to Corporate Strategy and Market Stability

Collectively, these geopolitical factors create an environment of heightened uncertainty. Firms must navigate a landscape where regulatory shocks, policy shifts, and international conflicts interplay to affect both market conditions and strategic decision-making. The literature suggests that higher geopolitical risk is associated with increased economic policy uncertainty, which, in turn, pressures firms to adopt more flexible and innovative corporate strategies (Tran, 2019). In this context, Geopolitical Issues & War (GIW) serve as critical exogenous drivers that influence firm-level capabilities—such as policy adaptability and innovation orientation—and ultimately shape overall firm performance in an increasingly volatile global market.

2 Warfare Risk Mediation Hypothesis

Do you think the negative impact of geopolitical conflicts and war-related risks on firm performance is partially mediated by firms' proactive business model innovation (e.g., market substitution and supply chain reconfiguration)?

H_{20}: The negative impact of geopolitical conflicts and war-related risks on firm performance is partially mediated by firms' proactive business model innovation (e.g., market substitution and supply chain reconfiguration)

H_{21}: The negative impact of geopolitical conflicts and war-related risks on firm performance can`t partially mediated by firms' proactive business model innovation (e.g., market substitution and supply chain reconfiguration)

2.3 Tariff Volatility (TV)

In today's highly interconnected global economy, volatile tariff regimes are not merely policy adjustments, but critical shocks that can disrupt supply chains, alter competitive landscapes, and induce macroeconomic instability. Such fluctuations frequently arise from political disagreements, trade disputes, or sudden policy shifts. For instance, during the US–China trade war, tariff rates were raised and adjusted multiple times over a short span, creating considerable uncertainty for exporters and importers alike (Benguria, Choi, Swenson, & Xu, 2022).

The empirical literature indicates that heightened tariff volatility is closely associated with declines in trade volume and increases in market uncertainty. Fan, Zhou, Yeung, Lo, and Tang (2022) illustrate that rapid changes in tariff levels tend to dampen firm investments and reduce bilateral trade flows, as businesses delay strategic decisions until policy environments stabilize. Moreover, Li, Balistreri and Zhang (2020) shows that when tariffs fluctuate unpredictably, firms are forced to reconfigure supply chains at higher operational costs, undermining the efficiency benefits of globalization. However, the United States imposes tariffs on China may creates a series of new business opportunities for ASEAN nations and may push China`s economic mode from export-orientation to innovation-orientation. The authors of "Trade Policy and Jobs in Vietnam: The Unintended Consequences of US-China Trade Tensions" also applied a difference-in-differences framework and have used the US-China tariffs of 2018-19 as an exogenous shock to export opportunities in Vietnam to identify how trade policy affects job creation (Lorenzo 2024). The results of this articles indicated that around 5% extra jobs were created in firms hit with average tariffs above 15%. In trades, Vietnam may becoming a transit point for Chinese commodities before entering the US market amid the US-China tariff volatility, the findings of "The impact of the US-China trade war on Vietnamese exports to the US: a quantitative study using DiD approach" revealed a 14% increase in total Vietnamese exports to the United States due to the trade war. Examining heterogeneous effects, certain industries, such as plastic, iron or steel articles, textiles and garments, and machinery and mechanical appliances, experience significant benefits (Binh 2024).

Tariff volatility also exerts a broader macroeconomic influences. Sudden tariff hikes can lead to inflationary pressures as domestic prices adjust to new import costs, which in turn may prompt central banks to re-calibrate interest rates. Since the United States has risen call for protectionism and Trump administration embraced an "America First" approach to economic policy, those measures have significantly impact on international network and global economy, the authors of "The impact of import tariffs on GDP and consumer welfare: A production network approach" have develop a production network model international trade to assess the repercussions of sector-specific import tariffs on the policy-imposing country, they comment the resulting decline in GDP and consumer welfare depends on the affected industries: their network centrality, the elasticity of substitution between foreign and domestic varieties, and the ratio of net-of-tax prices of domestic and foreign varieties (Helena 2023). Furthermore, the uncertainty generated by volatile tariffs can affect capital markets; for example, actions such as large-scale sales of US Treasuries have been linked to heightened sensitivity in financial markets during periods of trade tension (Boer & Rieth, 2021). In recent years, ASEAN`s increased participation in global and regional value chains, with the People`s Republic of China (PRC) as regional hub, laid the solid foundation of regional production network (Cyn-Young 2024), as "How ASEAN Nations Responded to The Economic Shocks through Monetary Policy" revealed that from 1995 to 2019, most ASEAN nations were able to control economic shocks through money supply expansion, exchange rate, interest rate, and inflation (Maulidar 2021).

In the context of this study, understanding tariff volatility is essential. It acts as a key exogenous driver that, in combination with other variables such as geopolitical risks and regulatory changes, shapes the strategic responses of firms. By quantifying the fluctuations in tariff policies, we can assess how businesses develop adaptive capabilities—such as policy adaptability and innovation orientation—to mitigate the adverse impacts of sudden trade policy shifts and maintain firm performance.

3 Tariff-driven Localization Hypothesis

Do you think Vietnamese firms experiencing frequent tariff volatility, will increasingly adopt localization strategies in production, thus significantly mitigating the negative impacts of tariff fluctuations on performance?

H_{30}: Vietnamese firms experiencing frequent tariff volatility, will increasingly adopt localization strategies in production, thus significantly mitigating the negative impacts of tariff fluctuations on performance.

H_{31}: Vietnamese firms experiencing frequent tariff volatility, will not increasingly adopt localization strategies in production, thus has no significantly mitigating the negative impacts of tariff fluctuations on performance.

2.4 Political philosophy orientation (PPO)

Firms operating under different philosophical regimes face distinct incentives and constraints in engaging with policymakers and regulators (Hillman & Hitt, 1999). The “America First” orientation emphasizes national self-interest and protectionism, prompting U.S. firms to lobby for higher tariffs, domestic content requirements, and strengthened border controls, often leveraging financial contributions and information campaigns to influence politicians (Hillman, Keim, & Schuler, 2004). In contrast, China’s “One Belt One Road” (OBOR) philosophy frames infrastructure investment and regional connectivity as instruments of soft power, encouraging Chinese firms to align with state-led projects abroad and to pursue relational political strategies that build long-term partnerships with host-country governments (Marquis & Raynard, 2015). A comparative studies find that firms from countries with collectivist philosophical orientations (e.g., China’s emphasis on harmony and long-term planning) invest more in socio-cultural bridging and infrastructure partnerships, whereas firms from individualist societies (e.g., U.S.) allocate more resources to informational campaigns and financial incentives, underscoring how PPO moderates the relationship between geopolitical tensions and corporate strategy (Peng & Luo, 2000).

Over the past decades, the Chinese economy has created a series of miracle story of rapid economic growth, with numerous bridges, roads and large reservoirs, China has the largest number of MPIs all over the world. The Statistical Bulletin shows that, in 2020 the investment in China`s infrastructure exceeded 18.5 trillion yuan, with 139,000 km of railroads operating nationwide up 6.1% from previous year, and total road mileage 5.0125 million kilometers, an increase of 166,000km over the previous year (Dan 2022), in construction of mega-projects such as the Hong Kong-Zhuhai-Macao Bridge, Qinghai-Tibet railway, West-to-East Gas pipeline, South-to-North Water Diversion not only contributes of the promotion of economic level, but also helps to regulate the national macro policy (Dan 2022). Since the founding of the People`s Republic of China, state leaders including Mao Zedong, Zhou Enlai, Deng Xiaoping and Xi Jingping have all made important statements on the fundamental economic system of socialism (Hailiang 2021). Socialism with Chinese characteristics, under which these achievements have been registered, is unquestionably a socialist system, and has entered a new era of national prosperity and greatness. We should attach particular importance to the socialist factors involved here, since the superiority of the socialist system has lent a unique support to the economic miracle and to the development achievements (Yongxin 2020). In contrast, in recent years, many argued that President Trump’s economic and military policies caused a worldwide reaction to the United States, including globally higher taxes on American goods. It also had a negative effect on American allies because the United States continued to face heightened tensions with former alliances and trade partners; the Trump administration faced damaged foreign relations and retaliation from the European Union and other traditionally supportive countries (“Trump Administration Continues Push,” 2018), as “America First”, “try to re-shore American manufacturing” and its current trade policy have broader economic consequences of tariffs and trade barriers. By raising the cost of imported goods, these measures can lead to price volatility and inflation, affecting consumer purchasing power and overall economic stability (Sampangi 2018).

Firm able to understand government`s political philosophy, not only help it quickly recognize its place in a country`s market, but also improve the firm`s decision-making , develop contingency plans, and mitigating financial or operational losses arising from political instability and regulatory changes in a particular country.

4 Philosophical Alignment and Performance Hypothesis

Do You think Vietnamese firms whose business model innovations align closely with the dominant political philosophy of their target markets (e.g., "One Belt One Road") exhibit superior performance in these markets?

H_{40}: Vietnamese firms whose business model innovations align closely with the dominant political philosophy of their target markets (e.g., "One Belt One Road") exhibit superior performance in these markets.

H_{41}: Vietnamese firms whose business model innovations align closely with the dominant political philosophy of their target markets (e.g., "One Belt One Road") has no exhibit superior performance in these markets.

2.5 Consumer purchase power (CPP)

When inflation outpaces wage growth, consumers’ real income falls, forcing a strategic shift toward lower-priced alternatives—a phenomenon known as “consumption downgrading” (Halim, Astuty, & Hubeis, 2022). Empirical studies demonstrate that diminished CPP leads to a higher propensity to substitute premium products with value offerings, which in turn pressures firms to adjust their product lines and pricing strategies (Kaytaz & Gul, 2014). This substitution effect is particularly pronounced for “inferior goods,” whose demand increases as real incomes fall (Investopedia, 2024).

In emerging markets, CPP fluctuations have outsize effects: surveys in Vietnam show that over 60% of households report planning to increase spending only on essential goods when CPP contracts, while discretionary spending is curtailed (PwC, 2024). Such behavior compels firms to innovate their value propositions—bundling, smaller package sizes, and tiered pricing—to retain volumes under tighter budgets (Bienstock, LaPerla, & Seaman, 2020). Consumer confidence further interacts with CPP; high uncertainty about future CPP reduces overall expenditure and increases savings rates, even when current real income remains stable (Audty & Meye, 2024). In the U.S., rising tariff-driven price increases have been estimated to cut average household CPP by over $3,000 annually, triggering a measurable down-shift in consumer spending patterns （Big News Network, 2025）. Beyond inflation and tariffs, credit availability moderates CPP: easier access to low-interest consumer credit can temporarily bolster CPP, but may also sow longer-term financial fragility as debt service burdens rise (Halim, Astuty, & Hubeis, 2022). Firms that track CPP indicators—such as real wage indices and consumer credit growth—can anticipate consumption shifts and deploy targeted promotional strategies to sustain sales (Bienstock et al., 2020).

In terms of consumer purchase power is changing under China-US trade war and how pushing Chinese consumers closer to the "Made in China" products in recent years, changing attitude and behaviors on US products amid US-China trade war, the authors of "Cultural dynamics and consumer behavior: An-indepth analysis of Chinese preferences for western imported products" have researched the trend of Chinese consumer behavior and provide insights into the evolving dynamics of consumer nationalism and brand loyalty (Sazib 2024), they commented the impact of "GuoChao" trend, where Chinese consumers increasingly favor domestic brands that incorporate traditional Chinese elements with modern design came after utilizing both quantitative and qualitative methods to explore the key factors influencing purchase intentions. Furthermore, the authors of "Individal Cultural Values and Consumer Animosity: Chinese Consumer`s Attitude Towards American Products" suggested that a positive and significant relationship between collectivism, masculinity, uncertainty avoidance, and consumer animosity and a negative relationship between power distance and consumer animosity (Kashmala 2019).

In buyer`s market, firm have to align their strategy and products with customer needs, need to quickly recognize market preferences, adapt customer behaviors, then achieve financial objectives. For instance, under current market environment, cost-centered adaptations yield expected positive financial returns, interestingly, market-centred adaptations negatively impact on the seller`s financial returns (Gary 2014).

5 Purchase Power and Consumption Downgrade Hypothesis

Do you think declines in customer purchasing power prompt Vietnamese firms to actively innovate their business models (e.g., introducing economical products and smaller packa**ging)* **to address consumption downgrade pressures and sustain sales levels?

H_{50}: Purchase power and consumption downgrade have no impact Vietnamese firms to actively innovation their business models (e.g., introducing economical products and smaller packaging) to address consumption downgrade pressures and sustain sales levels

H_{51}: Purchase power and consumption downgrade have impact Vietnamese firms to actively innovation their business models (e.g., introducing economical products and smaller packaging) to address consumption downgrade pressures and sustain sales levels

2.6 Firms Performance (FP)

The global business environment has undergone rapid changes in the last decade, making the overall economy more and more complexity and uncertainty. So, how to comment a firm capabilities and firm growth amid this fasting changing environment? Richard, Devinney, Yip, and Johnson (2009) recommend using multiple performance indicators—including sales growth, total shareholder return, and Tobin's Q—to ensure construct validity and mitigate common-method bias . The Balanced Scorecard framework further integrates financial and nonfinancial measures by linking metrics across four perspectives (financial, customer, internal process, learning and growth), thereby aligning performance measures with strategic objectives (Kaplan & Norton, 1996).The resource-based view (RBV) posits that heterogeneity in firm resources underpins performance differences. Barney (1991) argues that firms possessing valuable, rare, inimitable, and organizationally embedded resources achieve sustained competitive advantage, which translates into superior FP . Extending RBV, Zahra and George (2002) conceptualize absorptive capacity—the firm's routines to acquire, assimilate, transform, and exploit external knowledge—as a dynamic capability that enhances innovation and financial outcomes. Likewise, effective knowledge transfer among organizational units has improved firm-level productivity and performance by diffusing best practices and reducing learning curves (Argote & Ingram, 2000) . Thoroughly, there are several examples of how tariff shock influence the domestic performance of Chinese firms got mentioned in "How U.S. tariffs impact China`s domestic sourcing: Evidence from firm-to-firm transactions", the authors have used quarterly data on both international and domestic transactions from 2017 to 2018, the outcomes show one percent increase in export tariffs leads to a 0.235 percent increase in sales to domestic buyers, suggesting that higher export costs drive suppliers to prioritize domestic markets, primarily affecting the extensive margin; a similar increase in countervailing import tariffs results in a 0.995 percent decrease in domestic purchases, underscoring a complementary relationship between China's imported intermediates and domestic products; larger firms exhibit smaller magnitudes of domestic sales and are more likely to reduce their domestic intermediate inputs in response to a negative external risk. Another authors have use difference-in-differences estimation and confirmed the results by robustness checks, then indicates that the financial performance of firms directly affected by the trade war is slightly better in the short-term compared to unaffected firms in "The impact of the China-US trade war on firms`financial performance-Evidence from China", they suggested that this unintended consequence can be explained by the strategic allocation of resources to the domestic market, additional subsidies from the government, and a reduction in operating expenses (Feiyun 2023).

As current business environment are reshaping by economic and societal forces, businesses face the ever-evolving challenge of adapting to change, Eisenhardt and Martin (2000) define dynamic capabilities as identifiable processes (e.g., strategic decision making, product development) that enable firms to reconfigure resources under shifting market conditions, thereby boosting FP. Earlier, Teece, Pisano, and Shuen (1997) argued that dynamic capabilities—sensing opportunities, seizing them via resource reconfiguration, and transforming organizational processes—are micro foundations of sustainable enterprise performance. Empirical research confirms that firms with robust dynamic capabilities outperform peers in volatile environments, evidencing higher revenue growth and profitability (Ambrosini, Bowman, & Collier, 2009). In contrast, poor firm performance not only declining sales and revenue, but also negatively impact on their`s ESG. For instance, Semiconductor firms have brought negative environment performance amid U.S.-China geopolitical risks, the authors of "Examining the impact of trade tariffs on semiconductor firms` environmental performance" have found that heightened bilateral tensions significantly impair firms` environmental performance through increased operational uncertainty and global supply chain disruptions by analyzing a comprehensive dateset of semiconductor firms from 2015 to 2020 (Minhao 2025), their analysis uncover that firms with greater exposure to these tensions demonstrate reduced investment in environmental initiatives, decreased energy efficiency, and diminished commitment to emissions reduction targets (Minhao 2025).

Finally, firm performance is sensitive to external pressures and internal strategic choices. Studies demonstrate that firms integrating advanced technologies (e.g., Block-chain, AI), enhancing policy adaptability, and innovating their business models can maintain or even improve FP despite tariff shocks and geopolitical risks (Zott & Amit, 2010). Thus, FP serves not only as an outcome variable but also as a barometer of how effectively firms leverage their resources and capabilities in rapidly changing global markets.

3. METHODOLOGY AND CONCEPTUAL FRAMEWORK

In this article, we conducted Structural Equation Modeling (SEM) to analyze the structural relationship of five proposed influential variables (RS, GIW, TV, PPO, CPP, BMI) variables on firm performance, and developed the conceptual framework of firms performance affected by factors amid the US-China trade war and to address the research questions in the study context.

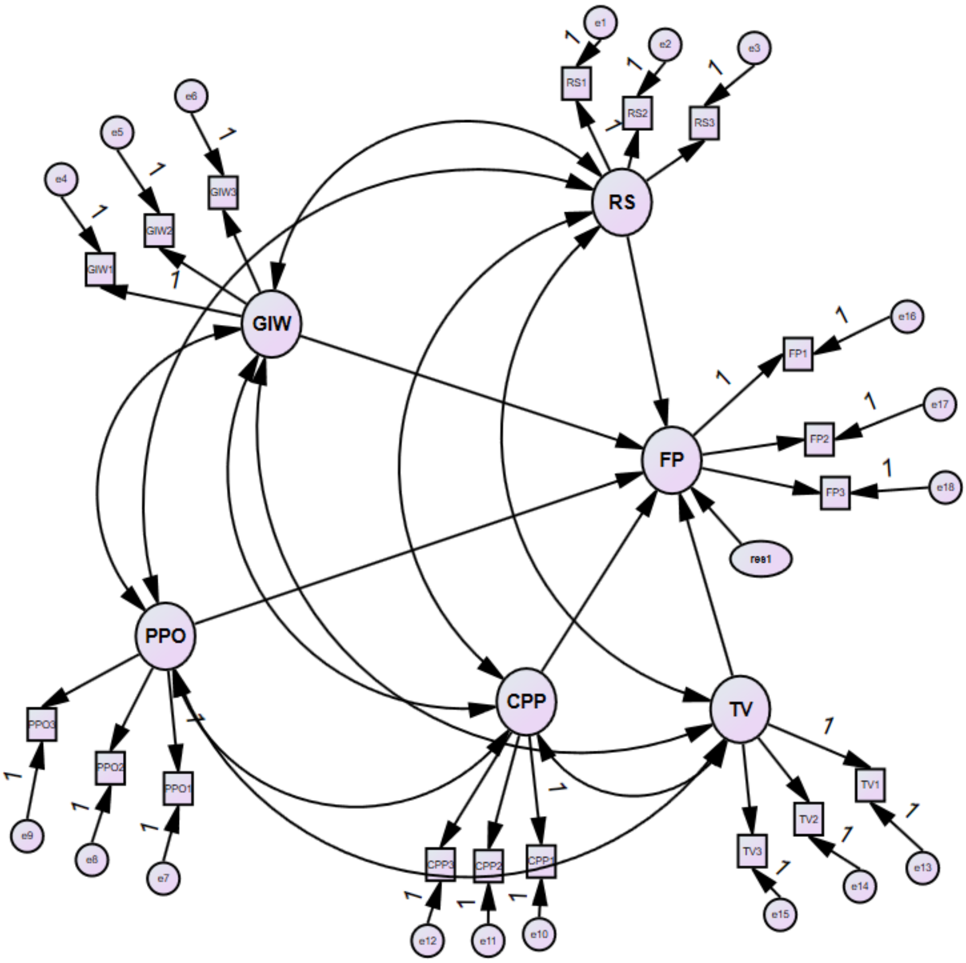

Figure 1. Conceptual Framework

4. SAMPLE AND DATA COLLECTION

To empirically analyze how the impact of the US-China tariffs turmoil triggers Vietnamese firms introduce novel business models and create competitive advantages, we have collected research data from a target group of 400 individuals (Business managers, policymakers and industry experts) interesting in studying how global trade tensions and related factors influence firm performance in Vietnam through questionnaires. The final data was collected, analyzed, and tested for the hypothesis over one month, spanning between the begin of April 2025 to begin of May 2025.

5. DATA ANALYSIS AND RESEARCH FINDINGS

In this research, we used Statistical Package for the Social Sciences (SPPS) to explore further and analyze the data about RMR (Root Mean Square Residual), GFI (Goodness of Fit Index), RMSEA (Root Mean Square Error of Approximation), and p-value to get the outcomes of this study. The result is present below.

Table 1: Overall Model Fit Indices Comparison

Fit Index	Default Model	Saturated Model	Independent Model
RMR	0.045	0.000	0.125
GFI	0.967	1.000	0.450
AGFI	0.954	1.000	0.350
PGFI	0.715	1.000	0.450

Summary (Table 1): This table compares the overall fit indices of three models: the Default (theoretical) model, the Saturated model, and the Independent (null) model.

- The **Default Model** represents our hypothesized model using the variables RS, GIW, TV, CPP, and PPO to predict FP. Its fit indices (e.g., RMR ≈ 0.045, GFI ≈ 0.967, AGFI ≈ 0.954) indicate a good fit with the data.
- The **Saturated Model** (which estimates all possible parameters) displays perfect fit (RMR = 0, GFI = AGFI = PGFI = 1) because it exactly reproduces the observed covariance matrix.
- The **Independent Model** assumes no relationships among variables, resulting in relatively poor fit (notably, lower GFI and AGFI and a higher RMR). These comparisons demonstrate that our Default Model fits substantially better than the Independent Model and approaches the ideal fit benchmark set by the Saturated Model.

Table 2: RMSEA and Its 90% Confidence Intervals Comparison

Model Type	RMSEA	90% CI Lower	90% CI Upper	pclose
Default Model	0.046	0.034	0.058	0.315
Saturated Model	0.000	0.000	0.000	1.000
Independent Model	0.150	0.140	0.160	0.000

Summary (Table 2): This table presents the RMSEA values along with their 90% confidence intervals and the pclose value for the three models.

- For the **Default Model**, an RMSEA of 0.046 with a 90% CI of [0.034, 0.058] suggests that the model's approximation error is low and falls within commonly accepted thresholds (usually below 0.05–0.06). A pclose of 0.315 (above 0.05) indicates that the RMSEA is not significantly greater than the ideal threshold.
- The **Saturated Model** shows an RMSEA of 0, confirming its perfect fit to the data.
- The **Independent Model** has a substantially higher RMSEA of 0.150, with a narrow confidence interval and a pclose of 0.000, underscoring its poor fit. This comparison confirms that our Default Model fits the data well relative to the benchmark of the Saturated Model and far better than the Independent Model.

Summary (Table 3): More importantly, regulation and surveillance (R.S.), geopolitical issues&warfare (G.I.W), tariff volatility (T.V.), customer purchase power (C.P.P), and political philosophy orientation (P.P.O) seem to have significant effects on corporate sustainability due to their p-values are all less than .05.

Table 3. p-value

Variable	Regression Coefficient	p-value
R.S.	0.10486	0.01772
G.I.W.	0.12744	0.01282
T.V.	0.06269	0.22474
C.P.P.	0.28126	0.000000011
P.P.O.	0.15211	0.01156

6. LIMITATION AND CONCLUSION

The ongoing trade conflict between the United States and China significantly influence beyond the bilateral economic systems of these two nations. This study selected Vietnam as a representative case to investigate broader implications. Independent variables were identified through a synthesis of prior academic literature and media analysis, offering potential frameworks for future researches about the US-China trade war, manufacturing shift and emerging economic growth points. However, the world changing faster than ever, with heightened uncertainty and unpredictable shifts in political orientations, future researchers should continuously explore contextual factors affect firm reshaping business model towards higher performance during periods of systemic turbulence. Methodologically, this study acknowledges a potential sampling bias: while focused on US-China trade tensions, the majority of survey respondents originated from China and ASEAN member states. Consequently, the findings may reflect regional perspectives that could diverge from interpretations prevalent in Western academic or policy circles.

The findings of this study indicated that regulation and surveillance, geopolitical issues&warfare, tariff volatility, customer purchase power, and political philosophy orientation had a significantly impact on firm reshaping business model towards higher performance amid the US-China trade war. This study further summarized and explored the Customer purchase power is the priority factor influence Vietnamese firms reshaping their business model, as its p-value (0.000000011) was the lowest among five independent variables. Finally, we hope this article that analyzes the factors that affect firm reshaping business model towards higher performance can contribute to future researchers.

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