

business strategy, particularly in navigating economic challenges, while acknowledging the complexities of implementation.

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U.S. TRADE WARS 2025: PROJECTED IMPACT ON VIRTUAL ASSET REGULATION

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In 2025, the administration of President Donald Trump initiated a new phase of trade wars, specifically targeting China, Mexico, and Canada [4]. These economic measures involved increases in tariffs, intensification of sanctions, and restrictions on access to American technologies and financial markets. As a result, global economic tensions escalated, thereby amplifying the risks associated with the use of cryptocurrencies to circumvent sanctions. Consequently, the U.S. government strengthened its financial monitoring mechanisms, expanding its control over digital transactions and introducing stricter requirements for cryptocurrency platforms.

Given the trade restrictions and sanctions imposed in 2025 against China, Mexico, and Canada, it is highly probable that cryptocurrencies will be utilized to bypass these sanctions. Historical instances of sanctions implementation, including the integration of cryptocurrency platforms into sanction control mechanisms, illustrate the role of digital assets in facilitating financial transactions that bypass traditional banking systems. A significant example is the case of Tornado Cash, a decentralized cryptocurrency mixing service sanctioned by the U.S. government in August 2022 for its use in obscuring transactions to evade financial restrictions [2]. This case highlights the potential risks posed by privacy-enhancing technologies in

the context of sanction circumvention. In response, the Trump administration has already initiated a series of legislative measures to strengthen oversight of the cryptocurrency sector.

Of particular importance is the anticipated expansion of the powers of the Office of Foreign Assets Control (OFAC) to monitor cryptocurrency transactions. This expansion is expected to include mandatory sanction monitoring for cryptocurrency exchanges, stricter Know Your Customer (KYC) requirements, and enhanced enforcement of the Bank Secrecy Act (BSA) concerning Virtual Asset Service Providers (VASPs).

Decentralized Finance (DeFi) platforms, which operate without centralized control, have come under increasing scrutiny from regulators in 2025 due to their potential for facilitating the circumvention of sanction regimes. Consequently, regulatory bodies such as the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) are expected to intensify efforts to regulate these platforms, particularly by integrating financial monitoring and reporting mechanisms.

Amidst the intensification of U.S. trade policies in 2025, the European Union continues to implement the *Markets in Crypto-Assets (MiCA) regulation*, which seeks to enhance control over cryptocurrency transactions, establish uniform standards for cryptocurrency exchanges, and limit the use of anonymous cryptocurrency transactions. In cooperation with U.S. regulators, the EU may adopt additional measures to strengthen the financial monitoring of virtual assets, particularly concerning cross-border exchanges of financial information.

The 2025 U.S. trade policies are likely to act as a catalyst for the reinforcement of regulatory oversight in the financial monitoring of cryptocurrencies. The expansion of sanction lists, stricter KYC/AML requirements, and the integration of cryptocurrency platforms into the financial control system are expected to significantly reshape the virtual asset market. This may place additional pressure on companies operating in the digital finance sector and stimulate the development of new technologies designed to maintain financial privacy. In the long term, the financial sector must prepare for the intensification of global monitoring of digital transactions, which will have profound effects on both the legal environment and the dynamics of the cryptocurrency market.

Further analysis, supported by historical context, suggests that, similar to the regulatory responses following the 2008 financial crisis — when measures such as the *Dodd-Frank Act* modernized financial oversight — advanced technological solutions, including AI-driven blockchain analytics and real-time digital transaction monitoring systems, will be deployed to improve the detection of anomalous activities [1].

Moreover, economic uncertainty frequently leads to the reallocation of assets. For instance, following the 2008 crisis, significant capital flowed into jurisdictions with less stringent regulatory controls. In 2025, a notable shift of cryptocurrency operations to offshore or less-regulated jurisdictions may occur, creating additional challenges for traditional financial monitoring structures.

Additionally, historical precedents, such as the U.S.-Japan trade tensions in the 1980s, promoted international regulatory cooperation and standardization [3]. Similarly, the current trade disputes are likely to expedite global efforts to harmonize cryptocurrency regulation and KYC/AML practices, with organizations like the Financial Action Task Force (FATF) playing a crucial role in establishing unified monitoring standards.

Finally, although tightening regulatory measures are designed to curb illicit financial activities, they may simultaneously stimulate innovation in technologies aimed at preserving anonymity. This dynamic could lead to the emergence of new tools designed to safeguard financial privacy, thereby perpetuating a regulatory and technological arms race.

The 2025 U.S. trade wars are poised to represent a significant turning point in the regulation and financial monitoring of virtual assets. Historical precedents suggest that external economic shocks drive both technological advancements in supervision systems and international regulatory harmonization. The combined effects of enhanced technological monitoring, the potential relocation of cryptocurrency operations to more favourable jurisdictions, the establishment of unified global regulatory standards, and innovations in privacy-preserving technologies are likely to redefine the digital finance landscape at both national and global levels.

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