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Analysis of the Impact of US Tariffs on Chinese Enterprises and Corresponding Paths

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Abstract: The United States' tariff policy implemented under the framework of "reciprocal tariffs" has aroused widespread attention in the international community, and has had complex impacts on global trade. This policy not only has an impact on Chinese enterprises but also brings adjustments to global industrial chains, with varying perspectives from the international community. Based on an analysis of Sino-U.S. economic and trade relations, this paper structures the logic behind it and uses case studies for comparison to analyze the impact of U.S. tariff policies on Chinese companies. It explores how Chinese enterprises can respond to the negative effects of these tariffs. The study finds that in the face of U.S. tariff policies, Chinese enterprises will experience increased direct costs and forced supply chain adjustments. Therefore, the conclusion is drawn that companies need to address the impact of U.S. tariff policies through four aspects: Supply chain restructuring, market diversification, technological innovation, and compliance management.

Keywords: Tariff barriers; China-US trade; Economic development

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1. Introduction

In recent years, economic globalization has faced a backlash, with rising trade protectionism. The Sino-US trade friction is a prominent manifestation of this backlash, which has brought challenges to the multilateral trading system and international economic order, and bringing significant uncertainty to the world economic recovery. Since the establishment of diplomatic relations in 1979, Sino-US economic and trade cooperation has long been the "ballast" and "stabilizer" of bilateral relations. However, with China's rapid economic development and growing comprehensive national strength, the strategic positioning of the United States toward China has changed, shifting from a partner to a strategic competitor, and the economic and trade relationship has moved from complementarity to competition.

2. Evolution of China-US economic and trade relations

Since the establishment of diplomatic relations in 1979, the trade relationship between China and the United States has undergone a complex evolution marked by both deep cooperation and intense friction, reflecting the intricacies of competition and collaboration among major powers. This article, drawing on the narrative approaches of Li and Chen *et al*., uses key events as milestones to trace the evolution of economic and trade relations between China and the United States [1,2].

2.1. Complementary cooperation and rapid growth

After the establishment of diplomatic relations between China and the United States, trade volume showed an expansion trend, with bilateral trade increasing from less than $2.5 billion in 1979 to about $583.7 billion in 2017, growing at an average annual rate of over 15%. The two countries have formed a deeply complementary pattern based on comparative advantages, with the U.S. exporting high-end manufacturing and technology products to China, while China exports consumer goods and intermediate goods to the U.S. In 2001, after China joined the WTO, the U.S. and China signed the "U.S.-China Trade Relations Agreement," laying the institutional foundation for cooperation between the two countries, establishing rules such as market access and intellectual property protection, and promoting growth in bilateral investment.

2.2. The first phase of the trade war broke out and the first phase of the agreement

At the beginning of 2018, Trump took office as the 45th President of the United States. From the moment he assumed power, Trump regarded China as a major competitor, with the view that there were competitive dynamics between the two countries in areas such as trade and technology. He implemented a series of policy adjustments related to economic ties, which brought changes to China's development environment. The Trump administration, adhering to the "America First" principle, adopted tough trade policies toward China with "national security" as one of the considerations. They introduced four rounds of maximum tariff lists for Chinese imports, imposing high tariffs on over $500 billion worth of Chinese goods and restricting technology exports, leading to a temporary decline in Sino-U.S. trade. This reflected the development trend of U.S. actions in trade. To prevent a deterioration in Sino-U.S. trade relations, at the beginning of 2020, both sides reached the Phase One Economic and Trade Agreement through multiple rounds of negotiations. The agreement covered issues such as intellectual property protection, expanding market access, and currency stability. Both sides committed to increasing trade volumes in manufactured goods, agricultural products, energy products, and services. Additionally, they agreed on tariff issues, with the U.S. committing to phased reductions in tariffs on Chinese products, transitioning from increases to decreases in tariffs.

2.3. US "decoupling" and strategic confrontation

At the beginning of 2021, Biden took office as the 46th President of the United States. The Biden administration maintained a tough stance on trade with China, further strengthening technology-related export controls through policy tools such as the CHIPS and Science Act and the Inflation Reduction Act. Through the CHIPS and Science Act and the Inflation Reduction Act, they adjusted relevant export control policies, imposing restrictions on exports and investments in semiconductors, artificial intelligence, and other fields. The U.S. Department of Commerce also added hundreds of Chinese companies to the Entity List, which has had an impact on their operations within global value chains and introduced certain uncertainties to the stability of global supply chains. Additionally, the

U.S. imposed tariffs on Chinese goods with considerations such as "equivalent tariffs" and "port fees," leading to a loss of orders for labor-intensive industries such as machinery and textiles.

This put pressure on profits for some companies, forcing them to reduce production or relocate capacity, directly impacting China's export trade. In early 2025, Trump was set to become the 47th President of the United States, with reports indicating that he would nominate officials with distinct views on China to his cabinet and maintain a tough stance on tariff policies toward China.

3. Logical deconstruction of US policy towards China

The recent U.S. policy orientation toward China reflects a complex strategic consideration in the context of international system changes, involving multiple dimensions such as economic and strategic interests. Contemporary academic analyses predominantly deconstruct the logic underpinning American protectionist measures through tripartite analytical dimensions: Economic, political-strategic, and technological-institutional. Wang and Yang posit a four-dimensional framework to interpret U.S. trade protectionism, identifying its operative logic as rooted in: (1) strategic considerations for safeguarding national interests through trade policy adjustments; (2) institutional path dependencies inherent in domestic political architectures; (3) structural imperatives derived from cyclical economic patterns; and (4) systemic maintenance of trade regime dominance [3]. Concurrently, Xu et al. supplement this analysis by introducing a perspective on technological competition, contending that U.S. tariff implementation is a response to the competitive dynamics in global technological development [4].

This study adopts a multidimensional analytical framework to examine U.S. tariff policy formulation and implementation. From an economic perspective, these protectionist measures, through trade barriers and technological control strategies, have had an impact on China's industrial upgrading process. The political factors involve the interaction between electoral cycles and the demands of domestic interest groups, which has led to the formation of relatively tough China policy stances. Strategically, these measures have played a role in the adjustment of global supply chains and the evolution of international governance regimes, and have had certain impacts on China's participation in global rule-making.

3.1. Economic level

The Biden administration adjusted technology-related policies through the CHIPS and Science Act and the Inflation Reduction Act, adding hundreds of Chinese companies to the Entity List, which has affected technological cooperation in key areas. After Biden's term, the Trump administration maintained and adjusted its tariff policies toward China, with a focus on high-end manufacturing sectors such as semiconductors and new energy vehicles in tariff application, and sought to influence the adjustment of global supply chains through trade measures. Additionally, the U.S. actively promoted the repatriation of manufacturing and adjustments to supply chains to reduce reliance on specific regions, guiding companies to shift production capacity to Mexico, Southeast Asia, and other regions through subsidy policies.

3.2. Political level

The U.S. two-party system centers around the Democratic and Republican parties, which take turns governing and dominate the American political landscape. Although there are differences in their core ideologies, both parties compete for voter support by adopting tough stances toward China. The Democratic Party, represented by Biden, strengthens its competitive narrative with a "middle-class diplomacy" approach, while The Republican Party, led by Trump, advocates for trade policy adjustments under slogans like "bringing manufacturing back home" and "making America great again." These policy choices are influenced by domestic political and economic factors, including considerations related to electoral cycles and responses to domestic economic issues. After Trump took office, he faced issues such as the expansion of domestic debt, the hollowing out of manufacturing leading to rising unemployment rates in the "Rust Belt" regions of the Midwest, which fueled growing public discontent with globalization. Therefore, Trump's strategy involved the use of tariff policies, with the aim of addressing domestic public opinion concerns through discussions on trade issues.

3.3. Strategic level

The U.S. tariff policy toward China is influenced by multiple factors, including differences in social systems and values. Strategically, the United States has explicitly defined China as a primary "competitor" and even an "adversary" in authoritative documents such as the National Security Strategy Report and the Defense Strategy Report. The U.S. promotes its values, such as human rights and engages in institutional competition, which has led to differences in international influence between the two countries. The U.S. tariff policy toward China reflects the strategic competition between the two countries in multiple fields. Differences in some issues have also attracted attention in the international community.

4. The impact of US tariff policy on Chinese companies

Since the outbreak of the first phase of the Sino-US trade war, research on the impact of tariff shocks has significantly increased among scholars both domestically and internationally. At the micro level, previous studies have mainly focused on the effects of tariff policies on industry prices and trade volumes. Sun *et al*. found that mutual tariffs imposed by China and the US would reduce China's imports of US agricultural products by more than 50% [5], while shifting these imports to countries like Brazil, Canada, and New Zealand. Zhou *et al*., on the other hand, focused on the automotive parts industry, finding that the trade losses for the US automotive parts industry would be greater than those for China [6]. At the macro level, previous studies have primarily concentrated on the impacts of tariffs on welfare levels and overall price levels, but there is still debate over who suffers more from these negative effects. Ni *et al*. found that after the imposition of tariffs [7], the welfare loss for US residents was greater than that for China. Lu *et al.* argued that although China's tax increase list had a greater impact on target industries in the US [8], China suffered a larger overall welfare loss. This paper will focus mainly on the micro level, analyzing the shocks and impacts faced by enterprises when confronted with tariff policies.

4.1. Direct costs increase, and corporate profits are compressed

The most direct impact of U.S. tariff policies on Chinese companies is the increase in export costs. As these costs rise, more American buyers turn to cheaper alternatives like Vietnam and Mexico. To prevent their market share from being entirely eroded by tariff barriers, many Chinese companies are forced to adopt price-cutting strategies to offset the tariff costs and secure orders. This leaves them in a dilemma: "Order or profit?" With profits squeezed, they can only cut prices upstream or reduce internal expenses, which may trigger a chain reaction leading to higher costs across the entire supply chain. Smaller firms, lacking bargaining power with both upstream and downstream suppliers, may face survival challenges due to rising costs. Compared to large multinational corporations, small and medium-sized enterprises, lacking international legal and tax teams, are more vulnerable to becoming victims of the "tax burden trap."

4.2. The supply chain is forced to adjust, and companies face a dilemma

In response to the U.S. imposing tariffs on Chinese goods, companies face two primary strategies. First, they can choose to relocate their factories overseas, which, despite the high costs, helps maintain existing market share. Second, companies may consider redirecting products originally destined for the U.S. market to domestic sales or the Southeast Asian market. However, this strategy is also challenging. On one hand, intense competition in the domestic market may require increased advertising and other sales expenses, potentially leading to reduced profits instead of growth. On the other hand, when exporting products to Southeast Asia, companies might encounter mismatches between user profiles and local consumers, as well as logistical and transportation issues, such as inadequate communication network coverage affecting information transmission. Additionally, political systems and stability fluctuations in some Southeast Asian countries could impose restrictions on tax policies and capital outflows, further complicating the export process.

4.3. Compliance risks and policy uncertainties increase, and the operating costs of enterprises reach a new peak

The United States continuously updates its tariff list, forcing companies to deal with more complex customs compliance, intellectual property reviews, and rules of origin. These changes may lead to higher prices for exported goods, affect the timeliness of contract fulfillment and the volume of cross-border logistics, thereby significantly increasing operational risks for businesses. First, U.S. Customs has become increasingly stringent in its declaration requirements for imported goods, including compliance reviews on product classification and proof of origin. Additionally, due to the recurring "pause-restart" policies, such as multiple adjustments to the duty-free policy for packages under $800, companies are forced to frequently adjust their logistics strategies. Any discrepancy in information could result in cargo being detained or facing hefty fines. Second, the U.S. Customs and Border Protection has intensified its patent infringement reviews for Chinese goods, requiring companies lacking technical standard certifications to resubmit compliance proofs. This leads to extended delivery times and additional costs and expenses for these companies.

5. Conclusion and countermeasures

This study conducts a comprehensive and systematic analysis of the impact and pathways of U.S. tariffs on Chinese enterprises through in-depth exploration and analysis. Theoretically, it verifies the applicability of cost transmission, market substitution, and supply chain restructuring in asymmetric great power competition, contributing to relevant international trade theories. Practically, empirical research is conducted using literature review, comparative analysis, and case studies, concluding that companies need to address U.S. tariff policies by restructuring their supply chains, diversifying markets, innovating technologically, and managing compliance.

5.1. Supply chain restructuring and regional layout

In response to the challenges posed by U.S. tariff policies, companies should first leverage government support to participate in the national strategy of "focusing on domestic circulation while promoting dual circulation at home and abroad." Secondly, China is actively advancing the construction of free trade zones and signing various free trade agreements to expand its opening up. Companies should actively engage in the development of these zones to achieve resource sharing and complementary advantages, jointly creating a forefront for opening up and promoting coordinated development among neighboring enterprises. Finally, companies should rely on multilateral cooperation frameworks such as RCEP and BRICS, designing distributed supply chains and setting up distribution centers in multiple countries to flexibly manage cargo flows and reduce dependence on a single country. At the same time, they should shift production capacity for high-tariff products to regions like ASEAN and Central and Eastern Europe, forming deep cooperation through technology transfer and capacity sharing, and utilizing local free trade agreements to circumvent tariff barriers.

5.2. Market diversification and brand upgrading

Companies adopt market diversification strategies or brand upgrade strategies, ultimately to reduce their reliance on the U.S. market. On one hand, in line with the requirements of optimizing international market layout and promoting integration of domestic and foreign trade outlined in the “14th Five-Year Plan for High-Quality Development of Foreign Trade,” companies can diversify risks by exploring emerging markets. On the other hand, excessive dependence on the U.S. market can place companies at the lower end of the industrial chain, leading to low profits and weak risk resistance. According to the guidance on strengthening quality and brand building in “Made in China 2025,” companies can enhance value-added and expand customer bases through brand upgrades, thereby reducing their dependence on specific markets.

5.3. Innovation-driven and technology independence

Continuously escalating tariffs and trade restrictions may prompt Chinese companies to more firmly pursue independent innovation, enhancing the core competitiveness of their products, increasing product value-added, and boosting the irreplaceability of their offerings. In addition to innovating in key core technologies, companies can also innovate in production management. For example, they can introduce blockchain technology to achieve supply chain transparency, use IoT devices to monitor cargo status, and improve compliance. Furthermore, companies can establish dynamic monitoring models to assess in real-time the impact of tariffs and other trade restrictions on gross margins, laying the groundwork for future strategic planning.

5.4. Cost optimization and risk management

In the face of escalating tariff policies, companies should increase investment in automation and intelligence to reduce labor costs and enhance global competitiveness. Additionally, risk management must be prioritized. On one hand, companies can establish dynamic compliance mechanisms to track real-time changes in HTS codes and rules of origin from the U.S. Customs and Border Protection. On the other hand, they can hire lawyers to conduct “compliance stress tests,” simulating reviews for high-risk areas such as intellectual property and anti-exploitation laws to preemptively avoid unnecessary legal disputes. Finally, companies can use financial instruments to hedge against the compounded effects of exchange rate fluctuations and tariff costs.

Disclosure statement

The author declares no conflict of interest.

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