UAR Journal of Multidisciplinary Studies (UARJMS)
ISSN: 3049-4346 (Online)
Journal Home Page
Volume- I Issue- 5 (July) 2025
Frequency: Monthly

Research Article Received: 10.07.2025 | Accepted: 14.07.2025 | Published: 16.07.2025

Breaking the Shackles: Reshaping Global Manufacturing Through US-China Trade Policies

[1]CHAYA KUMAR and [2]ARSHAD BHAT
1,2 Amity Institute of Liberal Arts, Amity University Mumbai, Maharashtra, India-410206

***Corresponding author:** CHAYA KUMAR

Abstract

Global trade and economic growth are witnessing number of ill-effects and have been severely hampered by the trade disputes between US and China. These conflicts have far-reaching effects that go beyond the parties involved and affect the global economy. This conflict is hampering the production process and availability around many countries. Capital flow from these two main countries is playing a crucial role throughout the globe. This paper will use qualitative analysis to bring the positive and negatives effects of this trade war on the global economy. The paper looks at how multinational investment trends in China and Southeast Asia are affected by the trade tensions between the United States and China. The paper examines data on firm-level greenfield foreign direct investment using a dynamic compositional method. The paper highlights American companies pulling out, shifting their attention to Southeast-Asia to lessen reliance on the Chinese market, while European companies are expanding their investments in China to increase market penetration. The paper comes up with the fact that this transformation reflects broader developments in global business strategy in the face of economic and geopolitical upheavals.

Keywords: Trade-war, economic development, trade-block, opportunities, challenges.

Introduction

The deepening of US-China trade policies in 2018 has triggered a reshaping of global manufacturing and supply chain networks, it is a turning point for international economic relations. Founded on structural rivalry over tech primacy, financial autonomy, and geopolitical sway, the trade war has exceeded tariff imposition to spur large-scale decoupling endeavors and industrial reconfiguration. To shed some light on the trajectory of US-China trade tensions, their multi-faceted economic implications, especially on manufacturing segments of both US and China's economy, and how global supply chain networks bear the brunt and reshuffle? It also discusses the strategic reactions of third-party economies and investigates the new determining factors and prospects of global manufacturing. It is a reminder that our relationship with China has also changed and will change even once a deal is signed, given the trade war has acted as a catalyst for reshoring and diversification and the decoupling of global industrial systems, with far-reaching effects on growth, competitiveness, and geopolitical stability.

Historical Background-Rise of Trade Tensions: 2018 and Beyond

The trade war between the US and China formally began in 2018 when the US, based on its time-held reservations about the trade deficit with the country and its disregard for IP rights, levied tariffs on Chinese imports (totaling $34 billion). China hit back with tariffs that, in turn, helped fuel a tit-for-tat cycle of ever-expanding tariffs. The US administration hiked up a $200 billion worth of Chinese goods by 25% as early as 2019 and made the struggle escalated (Entactic, 2024). Most of these tariffs have been retained by the Biden administration through 2025 and increased export controls especially on high tech

Trade Patterns Over the past 20 years, the U.S.-China economic relationship has been closely tied to global manufacturing. China is now the world's largest manufacturing hub and accounts for about 35% of the global supply chain as of 2025, with forecasts reaching 45% by 2030. This rapid expansion in manufacturing production was sparked by China's 2001 WTO entry (Gering, 2025). Through reduced costs and increased product availability, this integration helped customers everywhere while allowing American businesses to take advantage of China's comparative advantages. However, there have been conflicts because of this interdependence. Job losses brought on by automation, manufacturing outsourcing, and import competition have put pressure on the US domestically. As a result of these tensions, the Trump administration imposed because of these pressures, the Trump administration started imposing tariffs in 2018 and by early 2025, they had reached an unprecedented 145% duty on Chinese imports (Council on Foreign Relations [CFR], 2025; TechTarget, 2025). The trade stalemate has been made worse by China's retaliatory tariffs, which have reached 125%. The strategic objective to "break the shackles" of reliance on China, revive American industry, and establish technological and economic dominance is reflected in the political calculations that underpin these initiatives. The ensuing economic separation, however, portends a complicated future for global manufacturing, with ramifications that go beyond bilateral ties to include geopolitical realignments and the durability of global supply chains.

Supply Chain Disruption and Realignment

Global supply networks have been significantly disrupted by the application of high tariffs. By rerouting goods through third nations with cheaper tariffs, businesses are actively seeking "tariff-evading" routes. This tactic has increased exports from alternative industrial hubs like Vietnam, Malaysia, and Mexico (Grey Swan Guild, 2025; American Economic Review Insights, 2024). Due to this substitution impact, the United States' imports of tariffed goods from China have decreased measurably, while imports from major developing nations have increased in tandem (World Bank, 2024). The overall efficiency loss is substantial in spite of these changes. An increased tariff regime is expected to cost the U.S. economy approximately $910 billion, with an estimated $360 billion in lost worldwide efficiency (worldwide Training Center, 2025). Supply chain fragmentation impairs industrial agility, lowers economies of scale, and drives up costs.

Sectoral Effects: Green and High-Tech Sectors

A disproportionate number of sectors are impacted. Because it depends on complex, international supply chains and steady demand patterns, high-tech manufacturing-such as semiconductors, electric vehicles (EVs), batteries, and solar energy technologies is particularly vulnerable (BloombergNEF, 2025; The Conversation, 2025). Demand has decreased as a result of tariffs on Chinese EVs in the US, Canada, and Europe, and the competitiveness of domestic manufacturers is now at risk due to rising battery component costs (CSIS, 2025; Economic Times, 2025). Despite these trade challenges, China continues to dominate the manufacturing of clean technology, accounting for 76% of worldwide investments in clean-tech factories in 2024 (BloombergNEF, 2025).

Strategic Industrial Policy: The CHIPS and Science Act

The CHIPS and Science Act, passed by the U.S. government in 2022, allocated $52.7 billion to increase domestic semiconductor manufacturing in response to supply chain vulnerabilities and competitiveness with China (Semiconductor Industry Association, 2025). This is the largest public investment intended to revive a major industrial sector base to leadership in technology.

The Trump administration has challenged the Act for favoring big businesses and has attempted to rebalance its execution, despite the Act's bipartisan support (Reuters, 2025). To promote manufacturing investment, the U.S. Investment Accelerator was established in early 2025 with the goals of managing and accelerating CHIPS Act programs, negotiating better investment agreements, and lowering regulatory constraints (TechTarget, 2025; The Guardian, 2025).

Role of Technology and Regulation

Innovation is prioritized under the CHIPS Act and related policies through improved supply chain security, domestic production capability, and research and development. The United States aims to lessen its reliance on China and boost its ability to withstand geopolitical threats by providing incentives for onshoring and friendshoring (partnering with allies) (Deloitte, 2020; USTR, 2025).

Nonetheless, there are still issues to be resolved, such as managing the intricate regulatory framework that may impede agile investment, addressing workforce development, and making sure that subsidies result in sustainable industrial ecosystems (CFR, 2025).

Trade deficits and economic costs

Both nations' economic expenses have increased because of the tariff dispute. Even before the 2025 tariff hikes, U.S. exports to China shrank by 2.8% in 2024, endangering hundreds of thousands of jobs and billions of dollars in exports (US-China Business Council, 2025; China Daily, 2025). As of April 2025, the Purchasing Managers' Index showed a drop to a level that was almost two years lower, signaling a downturn in Chinese industrial activity (CNBC, 2025; New York Times, 2025). The yuan has stabilized, indicating Beijing's strategic currency control to lessen trade effects, although the U.S. trade imbalance with China has grown as Chinese exports are being diverted to other markets (AInvest, 2025; Reuters, 2024). Due to its substantial holdings of U.S. Treasury bonds ($772.5 billion in 2024), China complicates economic leverage and fosters financial market interdependencies (Le Monde, 2025).

The Multilateral Trade Order and Geopolitical Realignments

The World Trade Organization has been marginalized, and unilateralism has been encouraged by the tariff war, which has put strain on the global trade architecture (The Conversation, 2025). As a result of the breakdown of multilateral rules, regional alliances and trade blocs have grown in popularity. For example, China is strengthening its ties with emerging countries, and the EU is looking for new markets in Southeast Asia and the Indo-Pacific (CSS Platform, 2025; CFR, 2025).

Concerns over a divided global economy with the U.S. and Chinese domains of influence becoming separated are raised by the possibility of a "trade siege" or "fortress America" (Global Training Center, 2025). Allegations of currency manipulation and economic monitoring, in which both powers accuse one another of threatening global economic stability, further complicate the political arithmetic (Guardian, 2019; American Action Forum, 2019).

Case Studies

I. Manufacturing Semiconductors: The Struggle for Technological Domination

The strategic competition influenced by U.S.-China trade policy is best shown by the semiconductor industry. The United States' efforts to restore domestic capacity and lessen dependency on China's manufacturing ecosystem are reflected in the CHIPS Act and the establishment of the U.S. Investment Accelerator (Semiconductor Industry Association, 2025; Reuters, 2025). The wider geoeconomics competition, in which supply chain control is equivalent to technological and financial strength, is highlighted by this arms race in semiconductor manufacture.

II. Manufacturing of Clean Technology: The Dominance of China Despite Tariffs

Despite disruptions brought on by tariffs, China's clean technology manufacturing industry-which includes solar panels, batteries, and electric vehicles-remains a worldwide powerhouse (BloombergNEF, 2025). The nation's resilience and strategic positioning are demonstrated by its ability to retain 76% of worldwide investments in clean-tech factories in 2024 and increase exports to emerging markets (BloombergNEF, 2025). The demand for Chinese EVs and associated parts has, however, significantly

decreased because of tariff measures in the US, EU, and Canada. This has disrupted supply chains and prompted requests for diversified manufacturing bases (CSIS, 2025; Motor1, 2025).

Global Business, Technology, and Political Economy-Interdisciplinary Perspectives

The trade policies between the United States and China shed light on important nexus points between technology, economics, and politics. Protectionist policies that alter global supply chains and business models are motivated by the political need to assert economic sovereignty. Innovation in technology, particularly in the fields of semiconductors and clean technology, can be both a source of conflict and a driving force behind changes in industrial policy. To deal with growing uncertainty, businesses have adjusted their business strategies and are now investing in digital security, regional diversity, and supply chain resilience (Discourse Power, 2025). Currency fluctuations and changes in capital flow brought on by trade disputes and geopolitical risk are problems facing the financial industry (Le Monde, 2025). Furthermore, trade disruptions impact the deployment of clean technologies and global climate targets, which indirectly impacts the environmental factor (CSIS, 2025).

New Developments and Prospects

i. ***Security and Resilience of the Supply Chain***

With governments and businesses emphasizing resilience through reshoring, friendshoring, and diversity, supply chain security is becoming a top priority (Deloitte, 2020; USTR, 2025). Blockchain and artificial intelligence are two examples of digital technologies that are being used more and more to improve agility and transparency.

ii. ***Possibility of De-escalation and Negotiation***

China has warily assessed recent U.S. efforts to start trade talks despite rising tariffs, suggesting a possible, if precarious, road to negotiation (Reuters, 2025; CNN, 2025). Partial or short-term agreements may arise because of the realization that a "hard break" in the G2 relationship is unsustainable (Discourse Power, 2025).

iii. ***Industrial Policy and Technological Sovereignty***

With both countries making significant investments in vital industries and innovation ecosystems, the trend toward technical sovereignty will pick up speed. Competitive dynamics will be shaped for decades by policies such as China's domestic subsidies and the CHIPS Act (Semiconductor Industry Association, 2025).

Conclusion and implications for future strategy

Global manufacturing has been permanently altered by U.S.-China trade policies, which have broken long-standing ties and sparked a restructuring of economic ties. Trading restrictions and tariffs have serious negative economic effects, disrupt supply networks, and put the multilateral trading regime in jeopardy, even when their goals are to defend homegrown industries and demonstrate geopolitical superiority. Maintaining competitiveness will depend on manufacturing innovation, which is fueled by legislative tools like the CHIPS Act and calculated investments in clean technologies. Success in this new period will be determined by how well a company adapts through supply chain diversity, technology development, and geopolitical risk management. Global manufacturing's future ultimately rests on the ability of countries and businesses to handle complexity with flexibility and foresight, the ability to interact diplomatically, and the changing political landscape.

References

1. American Economic Review Insights. (2024). Impact of US-China tariffs on global exports.
2. BloombergNEF. (2025). Energy Transition Supply Chains 2025.
3. China Daily. (2025). US business community alarmed by tariff impacts.
4. Council on Foreign Relations (CFR). (2025). The Contentious U.S.-China Trade Relationship. https://www.cfr.org/backgrounder/contentious-us-china-trade-relationship
5. CSIS. (2025). China and the Impact of “Liberation Day” Tariffs.
6. Deloitte. (2020). Supply chain resilience in the face of geopolitical risks.
7. Discourse Power. (2025). We want the world. https://discoursepower.substack.com/p/we-want-the-world
8. Global Training Center. (2025). Reshaping Global Trade: The Evolving US-China Trade Dispute.
9. Grey Swan Guild. (2025). Trump's “Liberation Day” Tariffs: A Costly Signal in a Geoeconomic Showdown.
10. Le Monde. (2025). Five charts to understand how China can retort to Trump's trade war.
11. New York Times. (2025). Chinese factories slow in early sign of trade war's toll.
12. Reuters. (2025). Trump signs order to set up new entity to take over Biden's Chips Act program.
13. Semiconductor Industry Association. (2025). CHIPS R&D Programs.
14. TechTarget. (2025). How U.S. tariffs are reshaping the tech landscape.