



US-China trade war and its impact on the Indian Manufacturing Sector

Vyomesh Pratap Singh, Research Scholar

Department of Business Finance and Economics

Jai Narain Vyas University jodhpur

Email: Vyomeshsingh@gmail.com

Guided by Prof Navneeta Singh

Department of Business Finance and Economics

Jai Narain Vyas University, jodhpur

Abstract:

A trade war occurs when one country retaliates against another country. the China trade war began in 2018. this trade war leads to supply chain disruptions shift in investment patterns and the reallocation of manufacturing hubs. India has a chance to take maximum advantage of this trade war. Government schemes like "Make in India" and PLI can make India an attractive manufacturing destination. However, there are some challenges like Infrastructure, regulatory hurdles, and dependency on Chinese raw materials which continue to hinder India's ability to capitalize trade war fully This research paper examines the USA and China trade war and also examines the impact of this trade war on Indian manufacturing sector assessing both opportunities and challenges.

Keywords- USA-China trade war, Indian manufacturing sector, investment and global supply chain

1.Introduction.

The trade conflict between the two nations began in 2018, initiated by the administration of Donald Trump. As China imposed tariffs on exported goods, American businesses started looking for alternative production bases, which not only reduced risk but also proved to be cost-effective. Bharat is one of the fastest-growing economies globally and an emerging manufacturing hub in the world. India has encountered both advantages and obstacles as a result of the ongoing trade conflict between the United States and China. On the one hand, India has benefited from trade diversion and attracting multinational cooperations, despite some opportunities India's manufacturing faces several problems such as inadequate infrastructure, dependency on Chinese raw materials, and a complex regulatory framework, due to these constraints India is not able to capitalize full advantage of a trade war. The purpose of this research paper is to evaluate the consequences of a trade conflict between the United States and China on the Indian manufacturing industry, by examining the challenges and advantages it presents. This research also offers valuable insights into how India can enhance its manufacturing sector.

2. Research Methodology

A) Topic of the research

The study of the US-China trade war and its impact on Indian manufacturing sector.

B) Objective of the Research

I. To study the reason behind the trade war between the u. S. A and China.

Ii: Timeline of the trade war between the United States and China.

Iii: To determine the influence of the trade war on India's manufacturing industry.

Iv: Key initiatives and policy changes aimed at enhancing the manufacturing sector.

C)Hypothesis of Research

H0: The US-China trade war does not have a significant impact on the Indian manufacturing sector.

H1: the US-China trade war resulted in a massive impact on the Indian manufacturing sector.

D)Scope of Research:

The study of the impact of the USA and China trade war on the Indian manufacturing sector from 2018 to 2024

E) Research Design

I. Types of Data

Secondary data has been used for this research study

ii. Data Collection Methods

Secondary data has been gathered from various sources such as publications, articles, journals, reference books, and online platforms.

iii. Tools for data analysis

Tables, charts, and graphs are used for data analysis and interpretation

3. Detailed study of U.S.A and China trade War

U.S.A and China trade war officially began in 2018 when Donald Trump imposed high tariffs on Chinese goods and China also retaliated with its tariff which escalates tension and affects global trade.

Key reasons behind the USA and China Trade war

1. Trade Deficit – U.S.A. Importing significantly more than its export and in 2018 trade deficit reached \$419 billion.

2. Intellectual property theft – the USA accused China forced technology transfer from American Companies

3. China's industrial policy -USA is also concerned about the "Made in China 2025" policy which threats to the American economic leadership in the world.

4.Traiff and Sanction. -As the USA imposed high tariffs on Chinese goods, China also retaliated with its tariff on American exports

5. Market access issues- USA has long complaint about restrictions on their access to Chinese markets.

6. Geopolitical Tension.

Beyond trade, there a geopolitical issues like disputes over Taiwan, military dominance, and global influence.

Why the USA has a problem with China

Summary of the trade figures between USA AND CHINA from 2017 to 2024

Years	IMPORT (USD Billion)	Export (USD Billion)	Trade deficit (USD Billion)
2017	525.75	129.99	-395.76
2018	462.7	120.28	-442.42
2019	470.95	106.44	-364.51
2020	456.44	124.48	-331.96
2021	540.07	151.44	-388.63
2022	575.51	153.44	-421.88
2023	448.03	147.8	-300.23
2024	438.94	143.54	-295.40

Source- United Census Bureau

Above table highlights the consistent deficit with China its peaked in 2018 at \$-442.42 billion but trade deficit reduced in 2024 to -295.40 billion after imposed tariff which reflect a decrease in both export and imports.

Timeline of tariff war between USA and China

A) USA tariff on Chinese goods.

Years	Tariff Details
2018	Initiate tariff over \$300 billion worth of Chinese imported goods
2024	Increase tariff to 1.100% on electric vehicles, 2.50% on solar cells, 3.25%on Electric Vehicles batteries, Minerals, Steel, and Aluminum.
2025	Further 10% Tariffs were raised on Chinese goods.

Year	Tariffs Details
2018	Imposed tariffs on \$34 billion worth of USA goods.
2025	1.implemented a 15%tariff on Coal and 10% crude oil. 2.further imposed a 15% tariff on Chicken, Wheat and Cotton 3.10%tariff on Sorghum, Soyabean, fruits, Vegetables & dairy Products.

B) Chinese Retaliatory Tariffs on U.S Goods

4.How the USA-China Trade war benefited India's Manufacturing sector

i. Increase in Foreign Direct Investment

Fiscal Year	Total FDI Inflow (USD Billion)
2018-2019	62.0
2019-2020	74.4
2020-2021	81.9
2021-2022	84.8
2022-2023	70.9
2023-2024	71.9

Source- Department of Promotion of Industry and Internal trade(DPIIT)&PIB

The FDI in India has shown some fluctuations. steady growth until 2021-2022 due to “Make in India” campaign. Ease of doing business and liberalization on FDI Policies but a declining trend also started from 2022-2023 onwards due to global economic slowdown, geopolitical tension and competition from emerging markets.

FDI In manufacturing sector

Fiscal Year	FDI Inflows in the manufacturing sector (USD Billion)
2018-2019	7.0
2019-2020	8.5
2020-2021	16.3
2021-2022	16.3
2022-2023	11.3
2023-2024	9.3

FDI inflows into the manufacturing sector experienced significant growth from 2018 to 2022 because of government initiatives like Product Link Incentive (PLI) schemes. There was a decline in FDI from 2022 to 2024. Despite the decline, FDI equity inflows into the manufacturing sector have grown by 69% to reach 165.1 billion, as per the government.

Notable U.S Companies Investment in India (2020-2024)

- APPLE Inc.
- Micron technology.
- Tesla Inc.
- Nvidia Corporation.
- Corning Inc.

The period from 2020 to 2024 witnessed a significant decrease in FDI inflow into India with US Companies playing an important role. Indian government takes the initiative to improve the business environment so that more foreign companies invest in India.

Apple has cross the Rs 1 trillion mark for iPhone exports from India in 2024. other companies like Foxconn and Pegatron expanded their smart phone production in India.

ii. Growth in India's export market.

As the US Imposed the tariff on Chinese goods, US Companies started importing from India.

Major sector that Gained:

a) Electronics Sector- India's share in the U.S. electronics imports has risen tenfold from 2018. between April and December 2023 India's mobile phone exports reached 10.5 billion notably iPhone become a important export driver, representing 35% of all electronics exports.

Summary of notable investment from 2018 to 2024

Company	Country	Year	Investment Detail	Source
Samsung	South Korea	2020	Approx \$650 million to shift its mobile and IT from China to India	IBEF
Apple (Via Foxcon)	USA	2019	Foxconn began manufacturing the iPhone in India	Financial Times
Nokia	Finland	2020	Began manufacturing 5G equipment near Chennai	IBEF
Micro technology	USA	2023	Plan to invest \$2.7billion for setting up the	Times of India

b) pharmaceutical sector- India supplies more Active Pharmaceutical Ingredients (API) to the Global market. The USA remains an important market for Indian Pharmaceutical's exports, 31% of India's Total pharmaceutical's exports.

c) Automobile sector- India's automobile exports grew as manufacturers looked for Non-Chinese suppliers.

iii. Boost to Auto&EV manufacturing

Companies like **Tesla and ViniFast** setting up EV Factories in India and to attracting investment, India also offering subsidies for lithium battery production.

iv. Textile&Apparel Industry Growth

Indian textile exporters benefiting due to the US reduced textiles imports from China and Cotton garment exports have increased due to the trade war between US and China

v. supply chain Diversification& China+1 Strategy

Global Companies adopting the China+1 approach making India a Preferred alternative. Companies like Dell, HP, and Samsung increased local manufacturing capacity India.



5. Key Initiative and Policy reforms to strengthen manufacturing sector

India has strategically positioned itself to strengthen its manufacturing sector due to US-China trade tension through several key initiatives and policy reforms:

- 1. Product-Linked Incentive (PLI) Schemes :** India introduces this scheme across 14 key sectors. This program offers financial incentives to companies to encourage domestic as well as foreign manufacturers to expand production in India
- 2. Diversification of supply chain:** As MNC takes over its China+1 strategy, India has become an attractive alternative **production target**. The Indian government focuses on improving investment **policy** and reducing **regulatory** barriers
- 3. Self-Reliant India (Atmanirbhar Bharat) :** this initiative emphasizes domestic manufacturing capabilities while encouraging export competitiveness
- 4. Special Economic Zones and Manufacturing Clusters:** India has established manufacturing zones and infrastructure to attract investment, particularly in sectors where China previously dominated
- 5. Foreign Direct Investment reforms:** the government has liberalized FDI policies in several manufacturing sectors, allowing greater foreign ownership and simplifying approval process

6. Digital and Physical Infrastructure: significant investment in transportation networks, Industrial corridors, and digital infrastructure have improved logistic efficiency for manufacturers

7. Free Trade Agreements: India has been negotiating trade agreements to secure preferential access to key global markets for its manufactured goods.

8. Focus Sector Development- India has particularly targeted electronics, Pharmaceuticals, renewable energy, equipment, textiles, and defense manufacturing- sectors affected by US-China tension and where India has a competitive advantage

These initiatives yield some positive results but India still faces challenges in skill development, land acquisition, regulatory complexity, and infrastructure gaps

6.Challenges for India's Manufacturing sector

- India imports a large quantity of raw materials from China
- India lags behind China in Ports, Infrastructure, power supply etc.
- A complex bureaucratic system takes a longer time to set up large-scale manufacturing units.
- Lack of skilled labor force which limits the growth of this sector
- India still has complex regulations and high import duties, which makes it less attractive for foreign investor
- Poor supply chain
- Indian manufacturing companies face intense competition from Vietnam, Thailand and Mexico which have faster approval and better infrastructure
- Lack of tech-based infrastructure for enhancing manufacturing competitiveness.
- Low female worker participation
- High input cost

If India successfully overcomes these challenges, it can become a key player in global manufacturing, benefiting from the trade dynamics between the USA and China.

7.Resrach Findings

1. The USA-China trade war resulted in a positive impact on the Indian manufacturing sector
2. Rising FDI equity inflows in the manufacturing sector
3. India has an opportunity to reduce its trade deficit with China
4. Reducing FDI Inflows in the manufacturing sector
5. India may able to get benefits in textiles, Gems, and garments if China's exports to the USA slowed down

8.Conclusion

The US-China trade war creates significant opportunities for Indian manufacturing sector. The USA-China trade war resulted in a positive impact on the Indian manufacturing sector. Government initiatives like the **Production-Linked Incentive (PLI) scheme** and infrastructure improvements have further strengthened India's position as a global manufacturing hub. However, challenges such as regulatory complexities, supply chain inefficiencies, and competition from other nations must be addressed to maximize long-term gains. Going forward, India must focus on policy stability, skill development, and innovation to sustain its growth and establish itself as a global manufacturing powerhouse.to take advantage of the trade war, India should make a deal with the US governments so that Companies invest more and more. Along with this, the Indian government should also work on tariffs being imposed by the US Government on India

9.References

1. <https://www.census.gov/foreign-trade/data/index.html>
2. Data from Trade and Commerce ministries
3. StudyIQ
4. Research papers, economic reports and industry analysis
5. <https://www.ibef.org>
6. <https://dpiit.gov.in/>
7. <https://economictimes.indiatimes.com/>
8. <https://ustr.gov/>
9. <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1882145>
10. <https://www.statista.com>

