Impact of the US-China Tariff Policy on Multinational Corporations: A Case Study of Apple US-China

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Abstract. This paper examines the impact of U.S. tariffs on Chinese goods on the strategic decisions of multinational corporations, with a focus on Apple Inc.'s responses in manufacturing, pricing, and supply chain management. The complexity of U.S.-China trade relations and the imposition of tariffs have posed significant challenges for Apple's operations. In terms of manufacturing, the company has accelerated its efforts to diversify production, establishing new facilities in India and Brazil to reduce dependence on China and mitigate tariff-related risks. The rising costs due to tariffs have forced Apple to make tough pricing decisions. Increasing retail prices could alienate cost-sensitive customers, while absorbing the additional costs would strain profit margins. To balance these pressures, Apple has adopted a strategic approach, potentially pairing price hikes with product value enhancements to gain consumer acceptance. Additionally, supply chain operations have become more complicated due to tariffs. To minimize disruption, Apple has restructured its supply chain, sourcing more materials from regions less affected by tariffs and strengthening partnerships with suppliers to manage cost pressures together. This paper not only outlines Apple's specific strategies in response to trade tensions but also offers insights for multinational companies navigating the increasingly unpredictable global trade environment.

Keywords: U.S. tariffs, Supply chain resilience, Multinational strategy, Apple Inc.

1. Introduction

The United States has recently implemented substantial changes to its tariff policies, creating reverberations throughout the global economic system. These shifts stem from a confluence of macroeconomic, political, and industrial factors. At the macro level, the U.S. has long struggled with persistent trade deficits, which have raised concerns about the erosion of its manufacturing sector, hindered the expansion of advanced domestic production capabilities, and threatened the integrity of critical supply chains. In response, tariffs have been deployed as a policy instrument to discourage imports and foster domestic manufacturing [1,2]. By raising the cost of foreign goods, policymakers aim to boost the competitiveness of U.S.-made products and reduce the trade deficit. Another driving factor is the shifting global economic power. The rapid rise of emerging economies, particularly China, which became the second-largest economy in 2010 and surpassed the U.S. in goods trade volume in 2013, has led to defensive economic policies, including tariffs targeting countries with large trade surpluses. Tariff policies are also influenced by domestic political considerations. During election years, politicians may back protectionist measures to appeal to voter groups, such as manufacturing workers in key swing states. Industry-specific lobbying groups play a crucial role as well, pushing for tariffs to shield domestic producers from foreign competition. Industries like steel and automobiles, facing intense global competition, have been successful in lobbying for tariffs to gain a competitive edge in the domestic market and stimulate local production. These combined political, economic, and industrial pressures have reshaped U.S. tariff policies, with significant implications for both domestic and global economies.

The aim of this study is to examine how Apple Inc. has adapted its manufacturing, pricing, and supply chain strategies in response to the U.S.-China tariff conflict. By analyzing Apple's actions, the study seeks to highlight the impact of global trade tensions on business operations. This research offers a practical example of the complex decision-making challenges faced by companies in an

increasingly unpredictable trade environment. The findings provide useful insights for business leaders, policymakers, and academics interested in the real-world effects of protectionist trade policies. For businesses, it offers guidance on diversifying production locations, refining pricing strategies, and strengthening supply chain resilience. For policymakers, it emphasizes the potential unintended consequences of tariffs, such as disruptions to global supply chains and increased consumer costs. From an academic perspective, the study contributes to the fields of international trade, global supply chain management, and multinational corporate strategy, particularly in the context of rising trade tensions between major economies.

This study uses a mixed-methods approach, combining the following techniques:

1) Systematic Literature Review: This provides the theoretical framework and situates the analysis within the broader academic discussions on trade policy and corporate strategy.

2) Qualitative Text Analysis: This method is used to interpret and synthesize data from policy documents, media reports, and industry analyses.

3) Embedded Case Study: To conduct an in-depth examination of Apple Inc.'s strategic responses to tariff changes, allowing for nuanced observations and practical insights.

This paper begins by discussing the changes in U.S. tariffs in China. It then examines, through the case study of Apple Inc., how these tariff policies have impacted the company's costs, industrial chain, and pricing strategies. Finally, the study analyzes Apple's strategic responses and potential solutions to these challenges [3].

2. Changes in U.S. Tariffs on China

Up to 2017 – Normal MFN Treatment
• Policy trigger: only the standard Most-Favoured-Nation (MFN) tariff applied.
• Rate: 0 %.
• Outcome: iPhones, Macs and iPads entered the U.S. duty-free.
24 September 2018 – Section 301 Lists 3A/4A
• Policy trigger: first wave of China-specific punitive tariffs after the Section 301 investigation.
• Rate: 25 % (on top of the 0 % MFN).
• Outcome: a 25 % ad-valorem duty was immediately levied on mobile phones and laptops.
• Note: in September 2019 most covered codes were administratively reduced to 7.5 %.
1 September 2020 – Section 301 Review
• Policy trigger: four-year statutory review by USTR.
• Rate: 7.5 % (301 rate permanently fixed at this level).
• Outcome: the 7.5 % duty stayed in force through January 2025 with no exclusions.
4 February 2025 – Fentanyl Emergency Tariff
• Policy trigger: Executive Order invoking the International Emergency Economic Powers Act.
• Rate: 7.5 % (301) + 10 % (Fentanyl) = 17.5 %.
• Outcome: an overnight 10-point increase; no product exemptions were granted.
3 March 2025 – Fentanyl Tariff Increase
• Policy trigger: second Executive Order raising the Fentanyl surcharge.
• Rate: 7.5 % + 20 % = 27.5 %.
• Outcome: another 10-point hike; the full 27.5 % remained collectible.
5 April 2025 – Global Base Tariff
• Policy trigger: universal 10 % “baseline” duty imposed on all imports.
• Rate: 7.5 % + 20 % + 10 % = 37.5 %.
• Outcome: applied only during the transitional window of 5–8 April.
9 April 2025, 00:01 – 34 % Reciprocal Tariff on China
• Policy trigger: country-specific “reciprocal” levy announced on 2 April.
• Rate: 7.5 % + 20 % + 34 % = 61.5 %.
• Outcome: in force for roughly 48 hours.

9 April 2025, late evening – Extra 125 % Reciprocal
• Policy trigger: presidential escalation clause activated the same day.
• Rate: 7.5 % + 20 % + 125 % = 152.5 %.
• Outcome: highest statutory rate on record; lasted only two days before partial exemption.
11 April 2025 – Smartphone & Computer Exemption
• Policy trigger: CBP exclusion notice covering HTS 8517.12 and 8471.30.
• Rate: 7.5 % + 20 % + 0 % (reciprocal waived) = 27.5 %.
• Outcome: the reciprocal component was eliminated; the 20 % Fentanyl tariff still applies.
12 May 2025 – 90-Day U.S.–China Truce
• Policy trigger: joint statement suspending 24 percentage points of the reciprocal tariff.
• Rate: 7.5 % + 20 % + 34 % = 61.5 %, but collection of the 24 % is deferred.
• Outcome: de-facto duty remains 61.5 %, yet only 34 % is actually collected during the 90-day pause [4,5].

In summary, within roughly seven months the statutory duty on a Chinese-assembled iPhone or Mac rose from 0 % to a spike of 152.5 %, then fell back to 27.5 % after targeted exemptions, and currently sits at 61.5 % with partial deferral under the May 2025 truce [4,5].

3. The Impact of U.S.Tariff Policies and Apple Inc.'s Strategies

3.1. Cost & Supply Chain Management (SCM)

3.1.1 Cost

In terms of cost, take Apple Inc. as an example. Due to the U.S. Tariff Policies, it increased the burden of import tariffs. Now approximately 90% of iPhones are produced in China. After the United States significantly raised tariffs, the cost increase was noticeable. According to media calculations based on the situation of additional tariffs, the hardware cost of the 256GB version of iPhone 16 Pro is approximately $549.73. When the US tariffs on China reached 54% [6]. The tax amount increased by about $296.86 and the cost would rise to around $876.79. Morgan Stanley predicts that the tariffs will cause Apple Inc. to bear an additional $33 billion in costs each year, accounting for approximately 26% of its operating profit in the fiscal year 2025 [7].

3.1.2 Supply Chain Management (SCM)

Also Supply chain adjustment costs have risen [8]: Apple has diversified its supply chain to avoid tariffs, shifting some production capacity to the countries like India and Vietnam. However, the United States also imposes high tariffs of 26% to 46% on Vietnam and India, reducing the cost advantages of these regions. Moreover, the transfer of the supply chain requires a significant investment in coordinating new production processes, logistics and so on, which further increases costs [6].

3.2. Pricing

The price in the US market is likely to increase I Apple Inc. passes on the cost of tariffs, the price in the USA will rise significantly. Apple analyst Mark Gurman said that if the 25% tariffs passed on to consumers, the iPhone 17 Pro could increase from $999 to $1250. If the tariff impact persists, the price of the iPhone 16ProMax (1TB version) may soar to S2300 [7].

The impact of market pricing in China is limited: Apple phones produced in China do not need to pay import duties when sold in China and thus are less affected by direct US tariffs. However, some components of the iPhone imported from the US may experience cost fluctuations due to counter-tariffs imposed by China or other factors, potentially leading to a possible increase in their pricing in China. But as of April 2025, a survey shows that Apple's direct stores have not received any notice of price adjustments due to tariffs

3.3. Strategies and Solutions

In order to address the issues about cost and Supply Chain Management, Apple Inc. has adopted a series of measures. First is capacity diversification Apple Inc. accelerated the transfer of production capacity from China to India and Vietnam to avoid high tariffs. It is reported that “Foxconn” plans will produce 30 million iPhones in India in 2025, a significant increase from 12 million in 2024. Moreover, Apple Inc. also carried out automation upgrades. It is required that the supply chain increases its automation rate, otherwise, "no orders" will occur and the initial costs will be borne by the suppliers. This measure aims to enhance production efficiency and reduce labor costs. Besides, localization of components has also been implemented: Efforts are being made to increase the local component rate in emerging production bases such as India, but the progress has been slow. The local component rate of iPhone components in India is only 35%, far below the target of 60% by 2027 [8,9].

Regarding the issues of pricing, compared with the US market, Apple has adopted a more cautious pricing strategy in the Chinese market. Firstly, the prices remain stable, the standard edition of iPhone 17 starts at 5,999 yuan, the same as iPhone 16, continuing to serve as the "price anchor". Secondly, Apple Inc. used the strategy of differentiated pricing. The starting price of the iPhone 17 Pro series is 8,999 yuan, an increase of 1,000 yuan compared to the 7,999 yuan of the iPhone 16 Pro. However, the initial storage capacity has been raised to 256GB, and it is labeled as a "capacity increase" rather than a "base model price hike” [10]. Thirdly, utilizing government subsidies, actively participate in China's "government subsidy" policy, offering up to 500 yuan in subsidies through third-party retailers to stimulate sales. Furthermore, Apple Inc. has implemented a series of promotional measures such as Increasing the trade-in discount (The trade-in value for the iPhone 15 Pro Max has been raised from 4,725 yuan to 4,750 yuan, aiming to encourage consumers to upgrade their devices), E-commerce platform promotions (On major Chinese E-commerce platforms (such as JD.com and Tmall), there are significant discounts available. For some models, the discount can be as high as 2,530 yuan (approximately 351 US dollars) [11,12].

4. Conclusion

In conclusion, our comprehensive analysis demonstrates that the U.S.-China tariff dispute has profoundly reshaped Apple Inc.'s strategic landscape, primarily by imposing substantial cost pressures, disrupting its supply chain operations, and necessitating market-specific pricing adjustments. The data shows that since about 90% of iPhones are manufactured in China, Apple faced significant cost increases due to fluctuating tariffs. The potential rise in cost per unit could reach several hundred dollars, with annual burdens estimated in the billions, taking up a large portion of the company’s operating profits. Because of this, Apple pursued a strategy focused on diversifying its supply chain, actively expanding production in India and Vietnam while also pushing for automation upgrades to boost efficiency and lower labor costs in the long term. However, this transition has been challenging due to high tariffs on these alternative manufacturing locations, significant logistical expenses, and slow progress in localizing components, particularly in India where local sourcing rates are still far below target.

Pricing strategies have varied across markets: in the U.S., full tariff cost pass-through could lead to considerable price hikes; in China, however, Apple has maintained stable base prices for standard models, positioning Pro model price increases as value upgrades through storage enhancements, while using subsidies, trade-in promotions, and e-commerce discounts to keep demand steady.

This study is limited by its reliance on external data sources such as media reports and analyst projections, which may not fully capture Apple's internal cost structures or strategic decision-making processes, and by its primary focus on tariffs as the central variable without fully quantifying interactions with other macroeconomic factors. Looking ahead, future research should incorporate internal firm data when available, develop comprehensive frameworks for evaluating supply chain resilience that account for geopolitical risks, cost structures, and operational efficiency, and establish

methodologies to assess the long-term effectiveness of corporate adaptation strategies such as near-shoring and automation.

Additionally, there is a need for further analysis on how evolving trade policies might influence global innovation ecosystems, multinational R&D collaborations, and the competitive dynamics of technology markets, as well as for the development of robust decision-support tools that enable firms to model various trade scenarios and optimize strategic responses in an increasingly uncertain global trade environment.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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