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Even as it pushes deeper into advanced manufacturing, including in the auto sector, China also remains the global hub for producing lower-value goods. QILAI SHEN/ BLOOMBERG NEWS

Despite U.S. Tariffs, China Enjoys Manufacturing Boom

Chinese companies adapt to Trump's levies and expand sales around globe

By Jason Douglas in Tokyo and Jon Emont in Singapore

President Trump retook the White House almost a year ago promising a manufacturing boom.

He got one—in China.

Chinese industrial production broke records this year as its factories churned out more cars, machinery and chemicals than ever before. Despite the disruptions of tariffs, the country's trade surplus in goods has set a record, as growing shipments to Asia, Europe, Latin America and Africa offset the hit from Trump's levies on direct sales to the U.S.

Chinese companies that built their business around low trade barriers to sell into the U.S. have adapted and in some cases are bouncing back. In May, Chinese-owned e-commerce giant Temu's business model of serving up affordable household goods, beauty products and clothes to American consumers looked all but finished. In addition to the tariffs, new regulations ended a loophole that allowed the company to send small packages to the U.S. tariff-free, punishing sales.

Today, Temu is once again among the most downloaded apps in the U.S., and business is booming.

The Chinese manufacturing juggernaut shows little sign of slowing. China reported a goods trade surplus of more than $1 trillion for the year through November, while manufacturing output in the first 10 months of the year was up 7% compared with the same period in 2024.

Strip out imports of energy, food and raw materials and China is on track this year to post a surplus in manufactured goods of about $2 trillion, a huge sum that is on a par with the annual national income of Russia or Italy. That is twice the surplus in manufactured goods that China reported at the end of Trump's first term in early 2020.

Note

China's surprisingly strong export performance hasn't been without costs. The economy is battling an insidious phenomenon dubbed "involution," in which cutthroat competition and ballooning industrial capacity are pushing down prices, profits and incomes.

Nevertheless, such a strong year for manufacturing and exports suggests U.S. efforts to contain China's economic and strategic ambitions and weaken its grip on essential global supply chains are falling flat. They might even be counterproductive, analysts and economists say, as Chinese policymakers conclude they need to dominate more industries to shield their economy from U.S. pressure and give them more chokepoints they can exploit to further their own political and economic aims.

China's exports in the year through November were up 5.4% year over year, according to Chinese customs data, defying expectations of a slowdown when Trump returned to the White House and signaled his intention to raise tariffs not just on China but all other U.S. trading partners, too.

The data show direct exports to the U.S. did take a hit from tariffs, falling around 19% over the same period. But the decline was more than made up for by sales to other regions, with exports to Southeast Asia up 14%, exports to the European Union up 8%, exports to Latin America up 7% and exports to Africa jumping by more than a quarter.

Some of those exports probably found their way to the U.S., either as parts and components in another country's exports or simply by being rebadged as non-Chinese to avoid tariffs, analysts say.

China's surprise export strength has been aided by factories cutting prices and a weak currency, especially in real terms, which adjusts for China's lack of inflation.

Trump's shifting tariff policy has also helped.

His decision to target all trading partners with tariffs has, for some manufacturers, reduced the incentive to shift production out of China, especially now that tariffs on Chinese imports have fallen back from earlier highs of 145% on some products. Average tariffs on Chinese imports are currently around 37%, according to the Tax Policy Center, compared with a rate of about 20% on Vietnamese imports, another popular country for manufacturing.

When tariffs spiked in May, William Su, CEO of Teamson, which sells dolls and other goods to the U.S., tried to shift his company's doll manufacturing from China to Vietnam.

As tariffs on China came down over the year, Su made the call to stop moving new doll production to Vietnam, and stay in China as his main production base. Su's buyers, who include many of America's biggest retailers, have largely stopped hassling him to shift more production from China, in part because they recognize the efficiency of Chinese manufacturing.

"I'm not investing in Vietnam any more until there is more clarity," he said.

The broad hope of successive U.S. administrations was that squeezing Chinese exports would persuade top Communist Party officials to uncork consumer spending at home and cut their reliance on foreign demand to meet lofty growth targets.

But Chinese leader Xi Jinping is instead doubling down on a factory-powered future. A new five-year plan's biggest priorities are supporting cutting- edge manufacturing and ensuring Chinese technological dominance and self-reliance in key industries such as semiconductors and artificial intelligence.

Even as it pushes deeper into advanced manufacturing, China also remains the global hub for producing lower-value goods such as toys, clothes and furniture.

That dominance is fueling trade tensions with developing economies as well as the U.S.-led West.

This fall, Trump and Xi reached a truce on trade at a meeting in South Korea. The U.S. lowered tariffs, while China promised to buy more American soybeans and agreed to suspend a plan to tighten the export of rare earths—which Western manufacturers need to make everything from cars to jet engines— even more. Further talks between the two leaders are slated for next year.

Temu, the Chinese-owned e-commerce site, has benefited from the truce. The company's huge base of efficient Chinese factory suppliers allowed it to continue to offer cut-rate shoes, bags and makeup at cheaper prices than many competitors.

"They're definitely not as cheap as they were 12 months ago," said Juozas Kaziukenas, an e-commerce analyst, but "they're still cheap enough for Temu to be a good-enough deal."

By November, helped by an advertising blitz, Temu had become one of the top 10 apps in the U.S. Apple app store, according to Sensor Tower, a market intelligence firm.

Temu declined to comment.