Creative Economy
2025, VOL. 9, NO. 5, 38-44
DOI: 10.47297/wspceWSP2516-251908.20250905

A Brief Analysis of the Impact of Sino-US Trade Frictions on People's Livelihood

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ABSTRACT
The trade frictions between China and the United States have multi-dimensional, complex and far-reaching impacts on people 's lives in both countries and globally. This paper will analyze how the trade frictions are transmitted into people' s daily lives through channels such as consumption, employment, investment and financial markets, and social psychology. These effects have both advantages and disadvantages, but overall they have exacerbated the uncertainty of the global economy.

KEYWORDS
Sino-US trade friction; Consumption; Employment; Investment and financial markets; Social psychology

1 Introduction

As China's comprehensive national strength grew, the United States began to feel its global leadership being challenged. As a result, the US political circle began to adjust its policy towards China, shifting from strategic support to a comprehensive containment of China's development. The United States has successively proposed the "Return to the Asia-Pacific" and "Rebalance the Asia-Pacific" strategies, aiming to limit China's economic influence in the Asia-Pacific region. This marks a new stage of competition between China and the United States, with their relationship shifting from cooperation to competition. Since Trump took office in 2016, relations between China and the United States have become even more tense, with the United States seeing China as a major challenger to its economy and global strategy and taking a series of measures to restrict China's development, including technological blockades, precise sanctions and trade barriers [1]. The trade frictions between China and the United States, which broke out in 2018, escalated again in 2025 and entered a new round of intensification. The root cause lies in the fact that the US wants to curb the development of China's high-tech industry and to address what it considers "unfair trade". On February 1, 2025, Trump signed an executive order to impose a 10% tariff on China. China quickly retaliated by imposing 10%-15% tariffs on US energy, agricultural products, etc. On March 4, the US raised tariffs on some Chinese goods to 20% on the grounds of the fentanyl issue. Then on April 2, the US imposed an additional 34% tariff on Chinese goods on the grounds of "reciprocal tariffs", and the tariffs on both sides soared to historical highs of 125% or even 145%. At the same time, the "equivalent tariffs" on other countries that exceed 10 percent were suspended for 90 days. The U. S. move further showcases its trade bullying practices. May 10-12: China and the United States held trade talks in Geneva and reached a provisional agreement: The United States reduced some additional tariffs on China from 125% to 10%, China adjusted accordingly, and the two sides entered a 90-day "truce" period of negotiations, but core differences were not resolved.

The trade friction between China and the United States not only affects the economies of the two countries, but also has a profound impact on global supply chains and the daily lives of people in both countries. This report aims to provide governments and the public with a comprehensive and objective understanding of the multi-faceted impact of trade frictions on people's livelihoods, including consumption, employment, investment and financial markets, and social psychology.

2 The impact of trade frictions on consumer markets

2.1 Rising commodity prices and consumption costs

The trade frictions between China and the United States have directly led to a structural increase in the prices of imported goods in both countries.

For Chinese consumers, commodities and agricultural products, energy products and high-tech products have been particularly affected. Tariffs imposed on the United States have led to higher prices of imported soybeans, corn, pork and other agricultural products, directly raising feed costs and food prices in the livestock industry and indirectly pushing up catering costs; Some daily consumer goods from the United States have risen in price due to increased tariff costs,

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affecting consumers' purchasing power and choices; The rising import costs of key components such as chips and precision instruments eventually pass on to higher prices of electronic products.

The tariff burden is equally heavy for American consumers. The tariffs would cost American households an average of $4,400, according to a study released by the Yale Budget Lab on April 10, 2025. The overall average effective tariff rate faced by American consumers is 25.3 percent, the highest[1] since 1999. The cost of tariffs imposed by the US on China is largely borne by US importers and retailers, ultimately shifting the blame onto US consumers. The most affected items are daily necessities such as goods, electronics and clothing, which are equivalent to an "invisible tax" on American households. In the case of wedding dresses, up to 90 percent of American wedding dresses are made in China, with an average retail price of about $2,000. If retailers pass on the additional costs from the tariffs to consumers, the final price could more than double.

2.2 Shift in consumer behavior

In the face of rising prices, consumers in both China and the United States have adopted a series of adaptive strategies.

2.2.1 Chinese consumers are mainly reflected in three aspects

Looking for alternatives: Consumers turn to buying domestic alternatives or goods imported from other countries. For example, China has increased its soybean imports from Brazil and Argentina, and the share of South American corn has risen to 82%. At the same time, people's acceptance of domestic products has increased, especially in food, home appliances and wearable devices.

Downgrading: Some consumers are turning to cheaper products or cutting back on non-essential items. The data shows that under inflationary pressure on essential goods, consumers' willingness to spend non-essential items such as high-end products and luxury goods has declined.

Hoarding increases: Some consumers are starting to hoard imported goods in the face of future price uncertainties.

2.2.2 There are also significant changes in consumer behavior in the United States

"Stockpiling" : American consumers are buying Chinese goods in advance out of fear of future price increases, hoping to lock in current prices before they rise.

Cross-border purchases increase: American consumers buy Chinese goods from overseas through various channels to avoid high tariffs. Alipay data shows that in the first half of April 2025, US users' Alipay spending tripled compared to the same period last year.

Shift to better value for money: American consumers start looking for alternatives from non-Chinese sources or increasing their purchases of second-hand goods to lower living costs.

2.3 Impact on different income groups

There are significant differences in the impact of trade frictions on different income groups, with low-income earners often feeling more stressed.

2.3.1 For China's low-income group, it is mainly reflected in

The increase in the cost of daily living: The rising prices of necessities such as food and daily necessities directly affect the quality of life of low-income families. The data shows that the increase in the prices of agricultural products imported from the US by China in 2025 has led to a rise in the prices of some goods, with a particularly significant impact on low-income families.

Less choice in consumption: Low-income consumers themselves have difficulty buying luxury goods and high-end products, and the simultaneous increase in prices of all kinds of goods has led to a decline in quality of life.

Rising medical costs: The prices of some imported medicines and medical equipment have increased the medical burden on low-income groups. China's imports of chemicals from the United States, among others, have a direct impact on their accessibility due to additional tariffs.

2.3.2 The impact on low-income groups in the United States is more severe, mainly manifested in

The cost of living has risen in multiple dimensions. Tariffs have driven up prices of all kinds of consumer goods in the United States and increased budget pressure on low-income families. According to statistics, the average American household will spend about $4,400 in 2025 due to additional tariffs, which is undoubtedly adding insult to insult for low-income families.

Employment instability intensifies: The majority of low-income jobs are concentrated in manufacturing and agriculture, which are particularly affected by trade and face a greater risk of unemployment, with the possibility of being laid off at any time. The U.S. agricultural sector has already suffered huge losses, according to Friedman, executive director of the Agricultural Products Transportation Alliance, the U.S. agricultural industry is no longer "close to crisis" but is facing a "full-blown crisis".

Increased consumer credit: To maintain a stable standard of living, both low-income families have to increase consumer credit, further adding to the debt burden.

2.4 The development of cross-border e-commerce and alternative channels

Trade frictions have spurred the rapid development of cross-border e-commerce and alternative sourcing channels, providing consumers with new options.

2.4.1 Counter-trend growth of China's cross-border e-commerce

In the face of US tariff barriers, Chinese cross-border e-commerce platforms such as SHEIN and TEMU are actively adjusting their strategies to avoid the impact of tariffs through overseas warehouses and localized operations. On April 21, 2025, these platforms announced that they would make price adjustments starting April 25 due to changes in global trade rules and tariffs. However, this did not stop the demand for Chinese goods from American consumers. Instead, small and medium-sized businesses and individual consumers in the US, fearing future price surges, are flocking to Chinese e-commerce platforms at an accelerated pace.

2.4.2 The "reverse purchasing" phenomenon of American consumers

"Reverse purchasing" has become a new phenomenon as the United States imposes tariffs on Chinese goods. Alipay data shows that in the first half of April 2025, the amount spent by US users through Alipay tripled compared with the same period last year. The phenomenon is driven by a combination of factors: the "stockpiling spree" forced by excessive tariffs in the US, the precise diversion of "source goods" through social media, and the clustering effect of China's industrial belts.

2.4.3 Import substitution channels for Chinese consumers

Chinese consumers are also looking for alternative channels to obtain imported goods, especially in regions such as the Hainan Free Trade Port. Buying imported goods through duty-free shops can save an average of 23% in costs. At the same time, cross-border e-commerce platforms offer Chinese consumers a wider range of choices, with some goods shipped from overseas warehouses to avoid high tariffs.

3 The impact of trade frictions on the job market

3.1 Employment pressure in traditional export sectors

Trade frictions have exerted significant pressure on employment in traditional export sectors, particularly in manufacturing and agriculture in both China and the United States. In China, for instance, the labor market faces greater challenges in regions with a high degree of foreign trade dependence, insufficient marketization development and a high degree of domestic market segmentation, and this impact is particularly pronounced in labor-intensive industries.

3.1.1 Challenges faced by China's traditional export sector

Textile and garment industry: As trade frictions between China and the United States continue to escalate, the original industrial cooperation structure between the two countries has been severely disrupted, and China's textile industry is facing a series of challenges [2] such as order loss, rising export pressure, and shrinking profit margins. As a traditional major export industry of China, according to the latest data released by the General Administration of Customs on March 7, 2025, the cumulative exports of textile and apparel in January-February were 42.88 billion U.S. dollars, down 4.5 percent year-on-year. Among them, textile exports were 21.22 billion U.S. dollars, down 2 percent, and apparel exports were 21.66 billion U.S. dollars, down 6.9 percent. This reflects the complex environment the industry is facing.

In the electronics manufacturing industry, the impact of the new round of trade frictions between China and the United States in 2025 has evolved from tariff suppression in the first round of the trade war to a superimposed challenge

[3] of technological blockades and supply chain restructuring. The trade friction between China and the US has a significant trade diversion effect on China's exports of electronic information products that have been hit by the friction, directly suppressing exports to the US by blocking product upgrading, and indirectly causing enterprises to mitigate the impact through supply chain restructuring and marketing channel adjustment. Further research shows that the computer, electronic products and optical products industry has suffered the most due to high technical barriers and reliance on US technology [4]; U.S. tariffs on Chinese electronics led to reduced exports and jobs in related manufacturing industries. The rate of layoffs in electrical and mechanical export companies has risen, and the proportion of people relocating to logistics and cross-border e-commerce has declined.

Home appliance manufacturing: Since 2025, China's home appliance exports have come under pressure in April-May, affected by multiple factors such as the escalation of Sino-US tariff frictions and the marginal pullback of the inventory replenishment cycle. Short-term prosperity has weakened in terms of export volume, volume, and factory production scheduling. Exports to the United States have been particularly affected by the high tariff policy of 145% for a period of time. Despite the easing of tariffs in mid-May, they still face the pressure of a 30% tariff plus a 50% increase on some steel and aluminum components.

High-end manufacturing: The trade friction between China and the US negatively moderated the relationship between OFDI and innovation performance of Chinese high-end manufacturing enterprises, and the moderating effect was significantly heterogeneous. In developed countries, due to the rising market barriers caused by trade frictions, Chinese enterprises face higher operating costs, which weaken their technological cooperation and innovation capabilities and thereby significantly reduce innovation performance. In developing countries, although the innovation environment in these countries is relatively weak, OFDI still has a certain promoting effect on the innovation performance of enterprises due to the relatively small impact of Sino-US trade frictions on OFDI. The reason may be that enterprises affected by Sino-US trade frictions are more actively seeking technological and market opportunities in developing countries to promote innovation activities [5].

3.1.2 The employment dilemma in traditional U.S. industries

In the agricultural sector: American farmers face the predicament of losing export markets for major crops, with prices of agricultural products such as soybeans and corn falling sharply. In September, Caleb Lageland, president of the American Soybean Association, warned that the U.S. soybean harvest season was coming, but China, traditionally the biggest buyer, had not placed any orders and soybean farmers' livelihoods were at risk. Tariffs have significantly reduced the volume of Chinese agricultural imports from the US and lowered the price of US agricultural imports, causing great [6] harm to US agriculture.

Manufacturing: U.S. manufacturing jobs have also been hit by trade frictions. In particular, small and medium-sized manufacturing companies that rely on the Chinese market are facing double pressures of reduced orders and rising costs.

Transportation: The head of the American Agricultural Products Transportation Alliance said a full-blown crisis has arrived in the U.S. agricultural products industry, with member companies suffering "huge" financial losses.

3.2 Job opportunities in emerging industries

Despite the pressure on traditional export sectors, trade frictions have also created jobs in emerging industries, particularly in the high-tech and green economy sectors of both countries.

3.2.1 Employment growth in China's emerging industries

New energy industry: China accelerates supply chain transfer and global capacity layout adjustment. In response to tariffs, Chinese companies speed up factory establishment or joint venture construction in Southeast Asia, North America, Europe, etc. For example, CATL builds a factory in the United States in partnership with Ford, Ewatt Lithium Energy starts an overseas battery base in Malaysia, and the leading photovoltaic company builds an integrated production base in Southeast Asia.

The semiconductor industry: As the competition between China and the United States escalates, trade frictions in high-tech industries, mainly semiconductors, have become an important policy tool for the United States to suppress China and maintain its global technological hegemony. The means and technologies of the United States' trade sanctions against China in the semiconductor sector have been continuously upgraded, showing signs of legalization and multilateralization. The Sino-US semiconductor trade friction, while curbing the scale of Sino-US semiconductor trade and investment in the short term, seriously hindering the high-end chip design and manufacturing of Chinese semiconductor enterprises and disrupting the global semiconductor industry chain, will accelerate China's technological innovation and drive the upgrading [7] of the entire semiconductor industry chain in the long term. 2025-2027 is the critical period for the mass production of domestic 28nm chips. It is expected to create a large number of high-skilled jobs. Smic's first-quarter 2025 financial report shows that its monthly production capacity of mature 28nm and below processes reached 350,000 wafers, and its global market share exceeded 25 percent, surpassing TSMC (22%-28 percent) for the first time.

Cross-border e-commerce and digital trade: Traditional exporters' transition to cross-border e-commerce creates a large number of new jobs.

3.2.2 Job opportunities in emerging industries in the US

Clean energy: Increased investment in clean energy in the United States creates new job opportunities. Jobs have grown significantly, especially in solar and wind energy.

Advanced manufacturing: The U. S. has driven manufacturing back, with increased investment in areas such as semiconductors and electric vehicles, creating some high-skilled jobs.

Digital Economy: U. S. tech companies are accelerating their digital transformation against the backdrop of trade frictions, creating a large number of tech jobs. Job growth has been strong, especially in areas such as cloud computing and artificial intelligence.

4 The impact of trade frictions on investment and financial markets

Trade frictions have triggered significant fluctuations in global financial markets, affecting investor behavior and asset allocation strategies.

4.1 Sharp fluctuations in the stock market

U.S. stock market plummets: The escalation of trade frictions causes the U.S. stock market to fluctuate violently. The S&P 500 index fell 9.08% in a single week after the announcement of the April 2, 2025 tariff policy, the Nasdaq entered a technical bear market, and the Dow recorded its biggest decline since 2020. Inflationary pressures rose, tariffs pushed up US PCE inflation by 1.9 percentage points, and low - and middle-income households' annual spending increased by $3, 800 to $5,000, intensifying weak consumption.

Chinese stock market prices fall: The Sino-US trade friction mainly affects the share performance of commodity trading companies, while the impact on service trading companies is not significant. Secondly, when companies are divided into coastal groups and non-coastal groups, the 301 tariff list mainly has a negative impact on the share prices of China's coastal companies. Again, in the dimension of financing constraints, the SA index was constructed to measure corporate financing constraints, and it was found that the higher the financing constraints, the stronger [8] the negative impact of the 301 tariff list on stock price performance.

4.2 Safe-haven demand in the bond market

Rising demand for safe assets: As volatility in the stock market intensifies, funds seek safer asset allocation channels. Bonds, as traditional safe-haven assets, are favored, driving interest rate bonds (especially government bonds and policy financial bonds) to become the core allocation direction for safe-haven funds. Investor demand for bonds has driven up bond prices and down yields.

Credit spreads widen: Yields on corporate bonds that are more affected by trade frictions have risen and credit spreads have widened, reflecting investors' concerns about credit risk.

4.3 Foreign exchange market volatility

Fluctuations in the RMB exchange rate: In the first half of 2025, affected by trade frictions, the RMB exchange rate against a basket of currencies continued to be under pressure. As of April 30 this year, the CFETS RMB exchange rate index fell 5.2% (from 101.47 to 96.20) compared with December 31, 2024, the BIS currency basket fell 4.8% (from 107.22 to 102.09), and the SDR currency basket fell 4.3% (from 94.54 to 90.44). At the same time, the dollar rose slightly from 7.2992 to 7.2632 against the yuan, and the yuan appreciated 0.49% against the dollar. This divergence indicates that the yuan has depreciated significantly against a basket of trade currencies, while its financial exchange rate has remained largely stable against the US dollar, forming an ideal combination of "stabilizing the financial exchange rate to stabilize capital flows and depreciating the trade exchange rate to stimulate exports", effectively responding to the challenges brought by tariff shocks. Despite the fact that China's economy has reached a critical turning point at the end of 2024 driven by comprehensive policy stimulus after several years of growth rate adjustment, trade frictions remain a significant factor in RMB exchange rate fluctuations.

The dollar fell slightly: The dollar was under pressure to depreciate due to weak U. S. manufacturing data and expectations of a slowdown in inflation, driven by expectations of interest rate cuts. The dollar index fell slightly but was under pressure overall. U.S. economic data weakened expectations of a rate hike, and the probability of the Fed cutting rates rose.

5 The impact of trade frictions on social psychology

Trade frictions have led to a significant rise in nationalism in both countries, having a profound impact on social psychology.

5.1 Changes in Chinese nationalist sentiment

Stronger identification with domestic products: In the context of trade frictions, Chinese consumers' identification with domestic products has significantly increased. According to iiMedia Research, a third-party data mining and analysis agency for the global new economy industry, 85.79% of consumers are more inclined to choose domestic trendy brands, among which 48.69% form consumption preferences due to "Chinese style design elements". This indicates that consumers have a higher sense of identification with brands that have Chinese characteristics and cultural elements.

Rising anti-American sentiment: Trade frictions have intensified anti-American sentiment among some Chinese people. Especially after the escalation of trade frictions between China and the United States, negative views of the United States among Chinese people have increased. It is notable, however, that sentiment is gradually rationalizing as China's international influence grows and its people broaden their horizons.

Consumer behavior in support of domestic products: Nationalist sentiment has driven Chinese consumers to take practical actions in support of domestic products. Chinese consumers' acceptance of domestic brands rose in Q1 2025, especially in the categories of food, home appliances and wearable devices.

5.2 Changes in American nationalist sentiment

Negative perception of China has declined: Despite escalating trade frictions, negative perception of China among the American public has dropped for the first time in five years. The proportion of Americans who view China as an "enemy" has dropped to 41 percent, down 12 percentage points from the peak of the trade war in 2020, according to a latest poll released by the Pew Research Center in April 2025.

Growing economic nationalism: Amid trade frictions, the sentiment of economic nationalism in the United States has intensified. The Trump administration's "America First" policy has gained some support from the public, particularly in manufacturing and agricultural hubs.

Disagreements on tariff policy: There is a clear divergence of views among the American public on tariff policy. According to an NBC poll, currently only 43 percent of Americans approve of Trump's governance, while 57 percent are against it. Trump is particularly poorly rated in the economic field, especially in dealing with inflation. Voters' emotional responses to the Trump administration are increasingly polarized. Forty-nine percent of Democrats are "angry" about it, while twenty-seven percent of Republicans are "very satisfied".

6 Conclusions and Prospects

The impact of Sino-US trade frictions on people's livelihoods is all-round and multi-level, involving consumption, employment, investment and financial markets, social psychology and many other areas. The comprehensive assessment of this study indicates that:

In the consumption sector: Trade frictions have led to an increase in consumer goods prices in both countries, with a particularly significant impact on low-income groups. Chinese consumers' acceptance of domestic brands has significantly increased, with acceptance of domestic brands rising by 12 percentage points in Q1 2025; American consumers, facing an average of an extra $4, 400 in household spending, tend to be more conservative in their consumption behavior.

Job market: Trade frictions have put significant pressure on jobs in traditional export sectors, but they have also created jobs in emerging industries. China's textile industry orders dropped by 20 percent, workers' hourly wages declined, while demand for battery engineers increased; Jobs in agriculture and manufacturing in the United States were hit, but jobs in the digital economy grew strongly.

Investment and financial markets: Trade frictions have triggered fluctuations in financial markets, affecting household asset allocation and business investment decisions. The savings rate of Chinese residents rose by 5.2 percentage points, and the market value of the US stock market evaporated by 4 trillion US dollars in half a month. At the same time, trade frictions have also accelerated the reconfiguration of global supply chains and technological decoupling. The risk spillover effects of various sectors of China's stock market have changed significantly during different periods of the Sino-US trade friction, and there are obvious cyclical rotation effects among the sectors. When some heavyweight stocks in the stock market fluctuate abnormally or suffer targeted shocks, the stability of the Chinese stock market is weak. The Sino-US trade friction will reduce the stability of the Chinese stock market. The higher the intensity of the trade friction event, the more obvious [9] the impact of the event.

Social psychology: Trade frictions have strengthened nationalism in both countries and affected consumer confidence and social trust. Chinese consumers' trust in domestic brands has risen, with 85.79% of consumers preferring domestic brands; While negative views of China have declined in the United States, 57 percent of respondents still hold a negative attitude.

Overall, the impact of trade frictions on people's livelihoods shows obvious asymmetry and differentiation. On the one hand, trade frictions have brought real economic pressure and rising living costs to ordinary people in both countries; On the other hand, it has prompted both countries to accelerate economic restructuring and industrial upgrading, creating new opportunities for development.

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