



# US – China Trade Conflict Survey Report

## Digital Supply Chain Focus

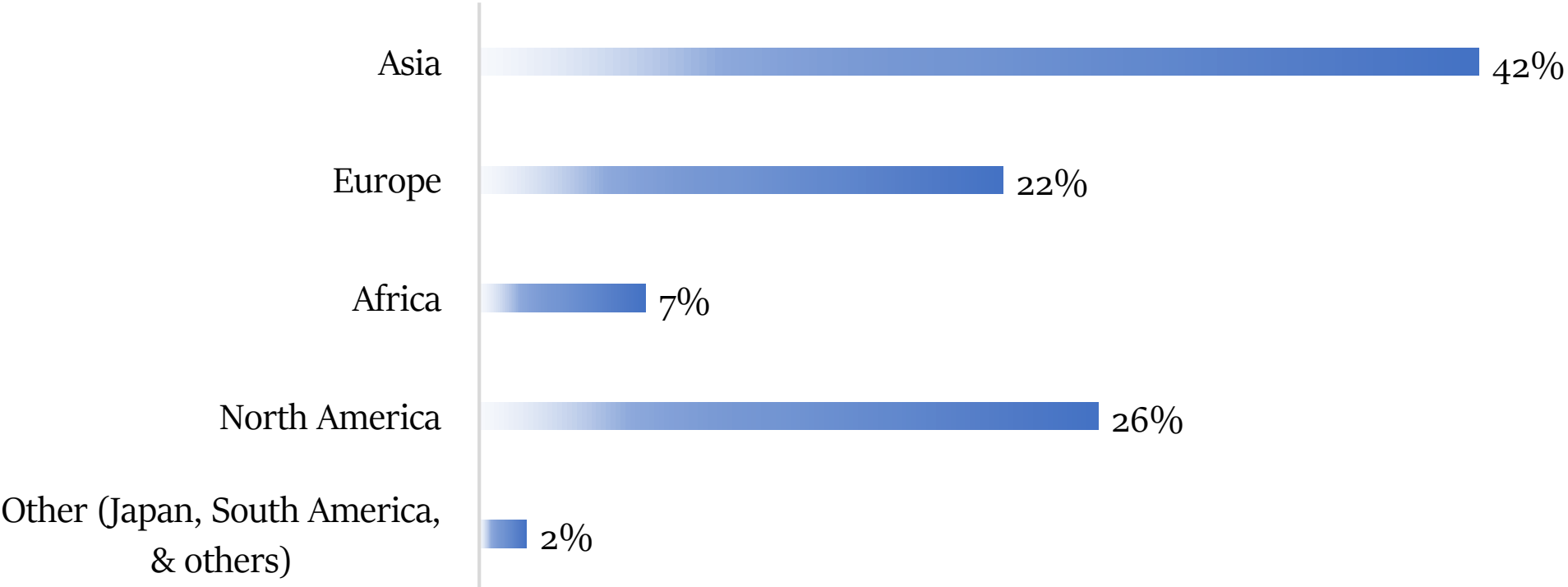
Digital Supply Chain Institute (DSCI)

June 27 2019

# Key Takeaways

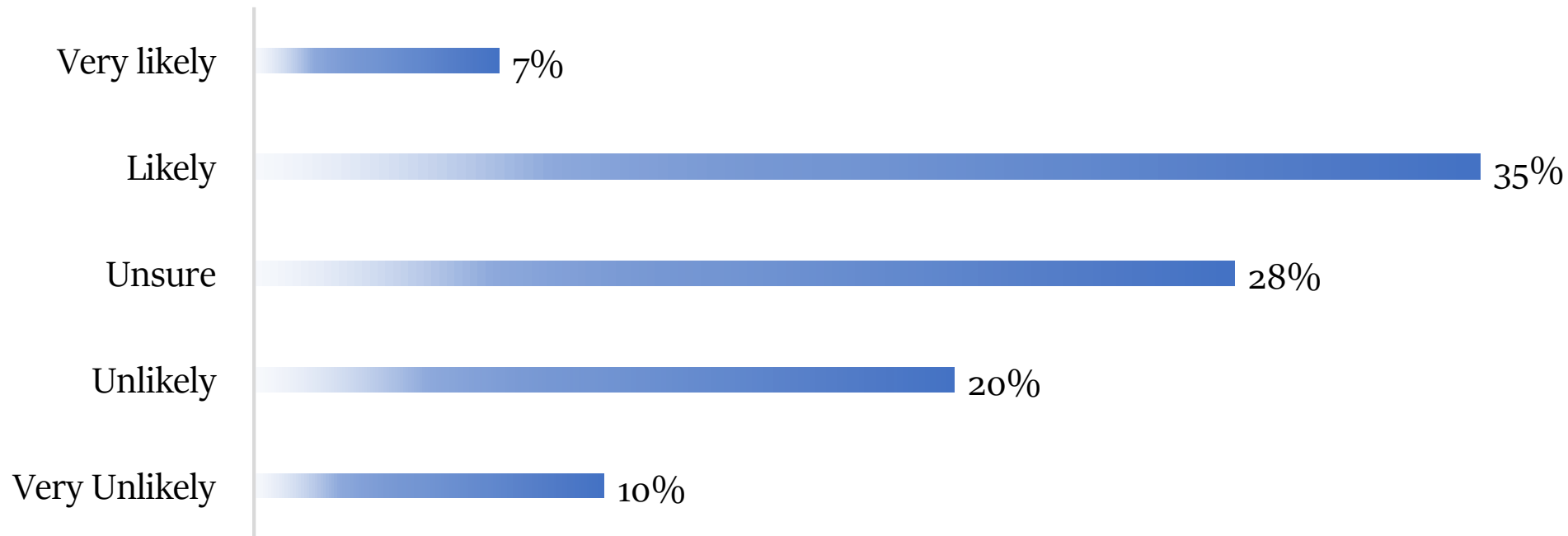
- Companies are off shoring from China or considering to do so as a result of the trade dispute.
- China, and Asia, will remain important sources of supply for the foreseeable future.
- There are multiple factors (other than trade) influencing thinking about China as a supply base.
- The current dispute is also prompting companies to re-assess their ability to sell into China and turn China into a profit center.

According to 42% of the respondents, Asia will be the biggest supply base in three years for them.



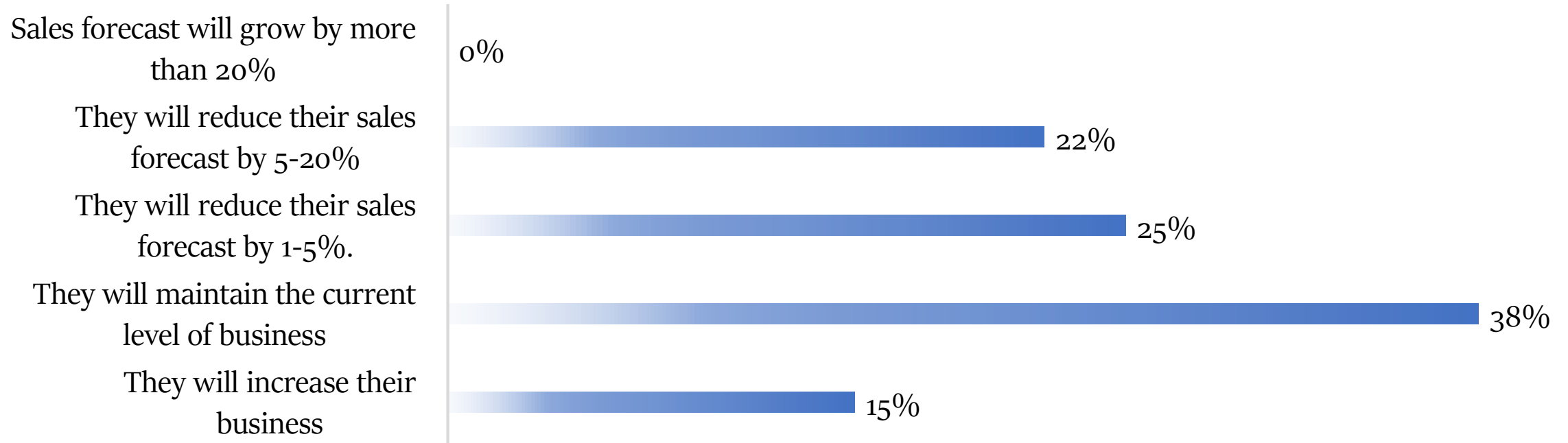
**Q. Please select the region that will constitute the biggest part of your supply base in 3 years:**

42% of the respondents think that they are likely or very likely to reduce their China profit target over the next 3 years.



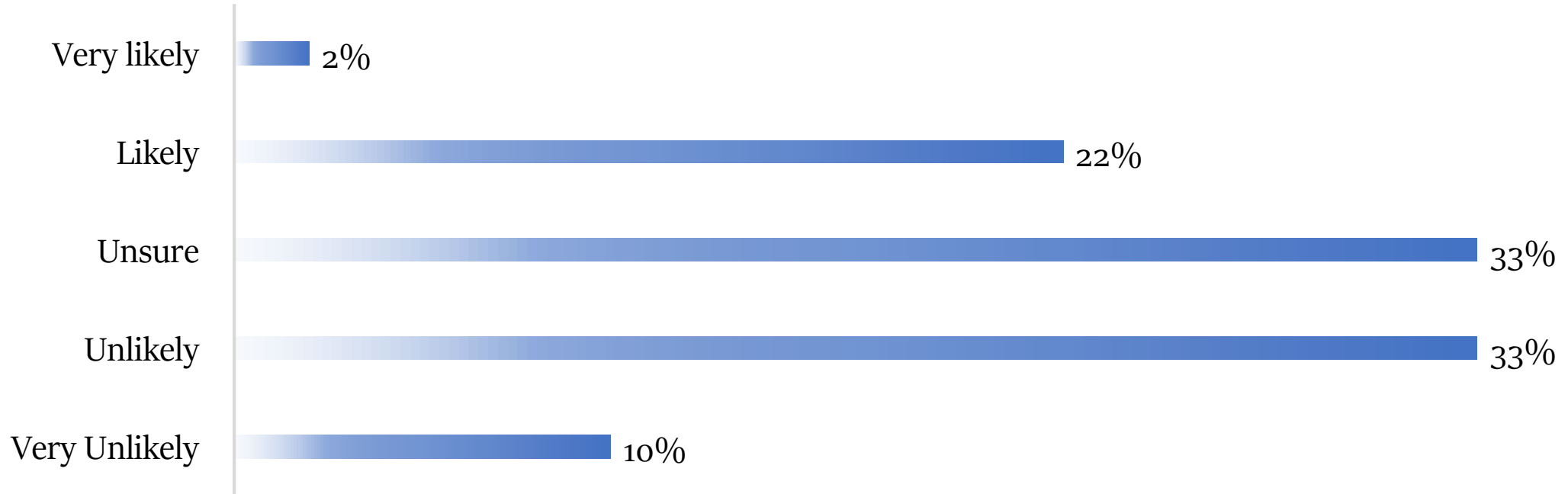
**Q. How likely are you to reduce your profit target for the China market over the next 3 years?**

**53%** of the respondents say that their customers will maintain or increase their sales forecast for China over the next three years.



**Q. How likely is it that your customers will lower their sales forecast for China over the next 3 years?**

Only 24% of the respondents said that they are likely or very likely to reduce their China sales forecast over the next 3 years due to US-China trade dispute.



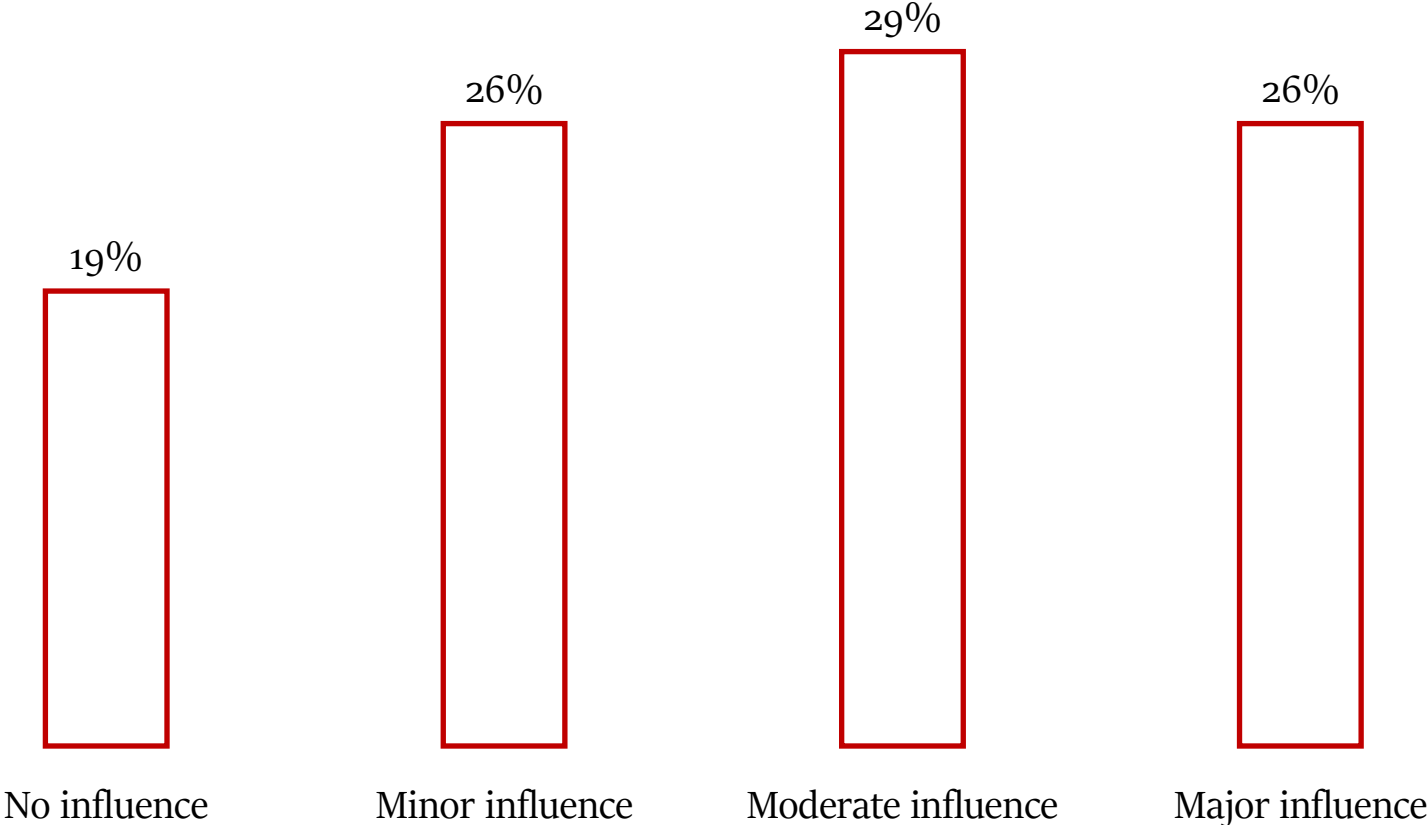
**Q. How likely are you to reduce your sales forecast for the China market over the next 3 years?**





**China will be a global player,  
But companies are actively looking at other  
countries to diversify the production.**

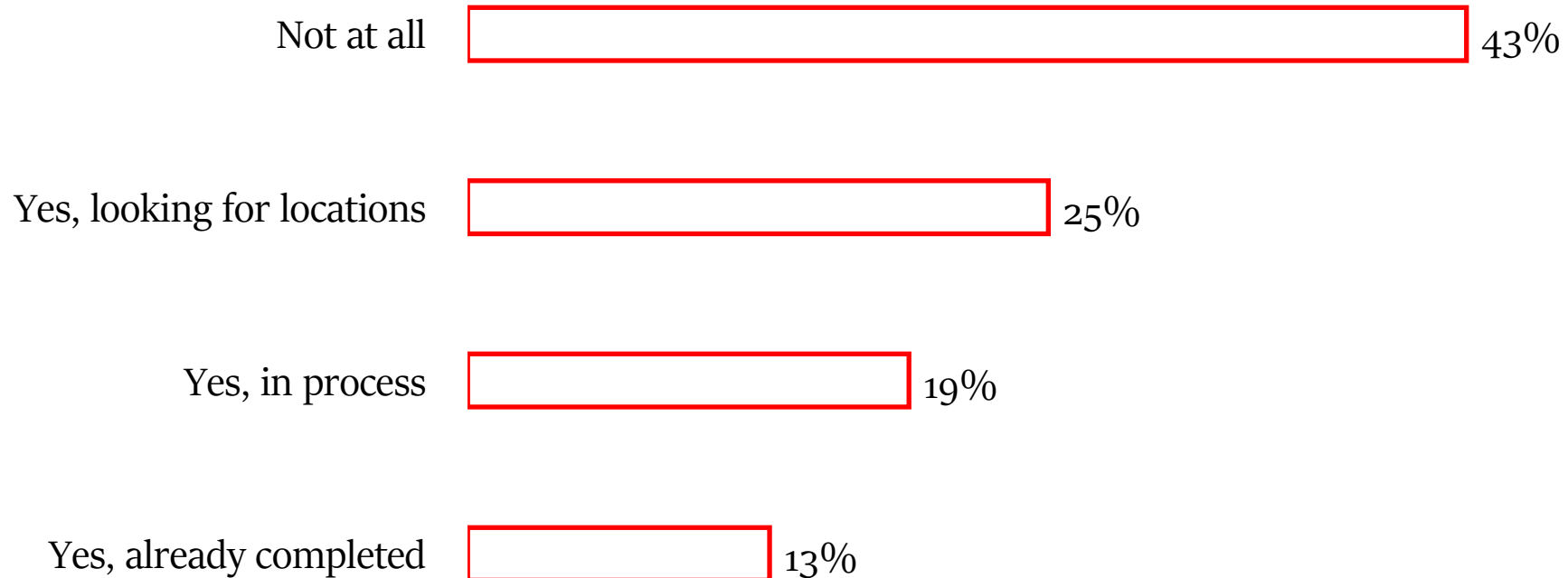
More than 50% of the respondents remarked that recent China-USA trade conflicts have a moderate/major influence on their thinking.



**Q. How much has the recent China-USA trade disagreements influenced your thinking on your supply chain/procurement/production?**

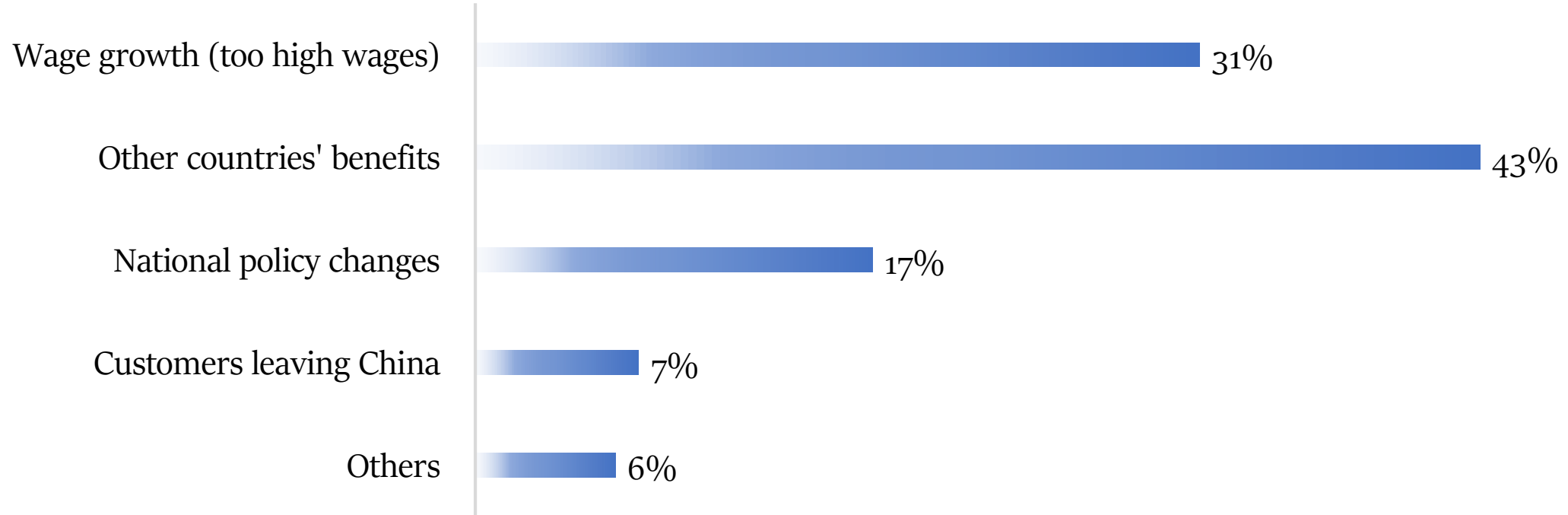


**More than 50%** of the respondents are planning or already planned to diversify production out of China.



**Q. Prior to the trade dispute were you planning or already completed to diversify production out of China?**

74% of the respondents say that China's wage growth and benefits offered by other countries are causing a shift out of China.



**Q. What other factors are causing you to shift production away from China and towards other countries?**

There are many complex issues, in addition to possible tariffs, that drive the shift to non-China based suppliers.

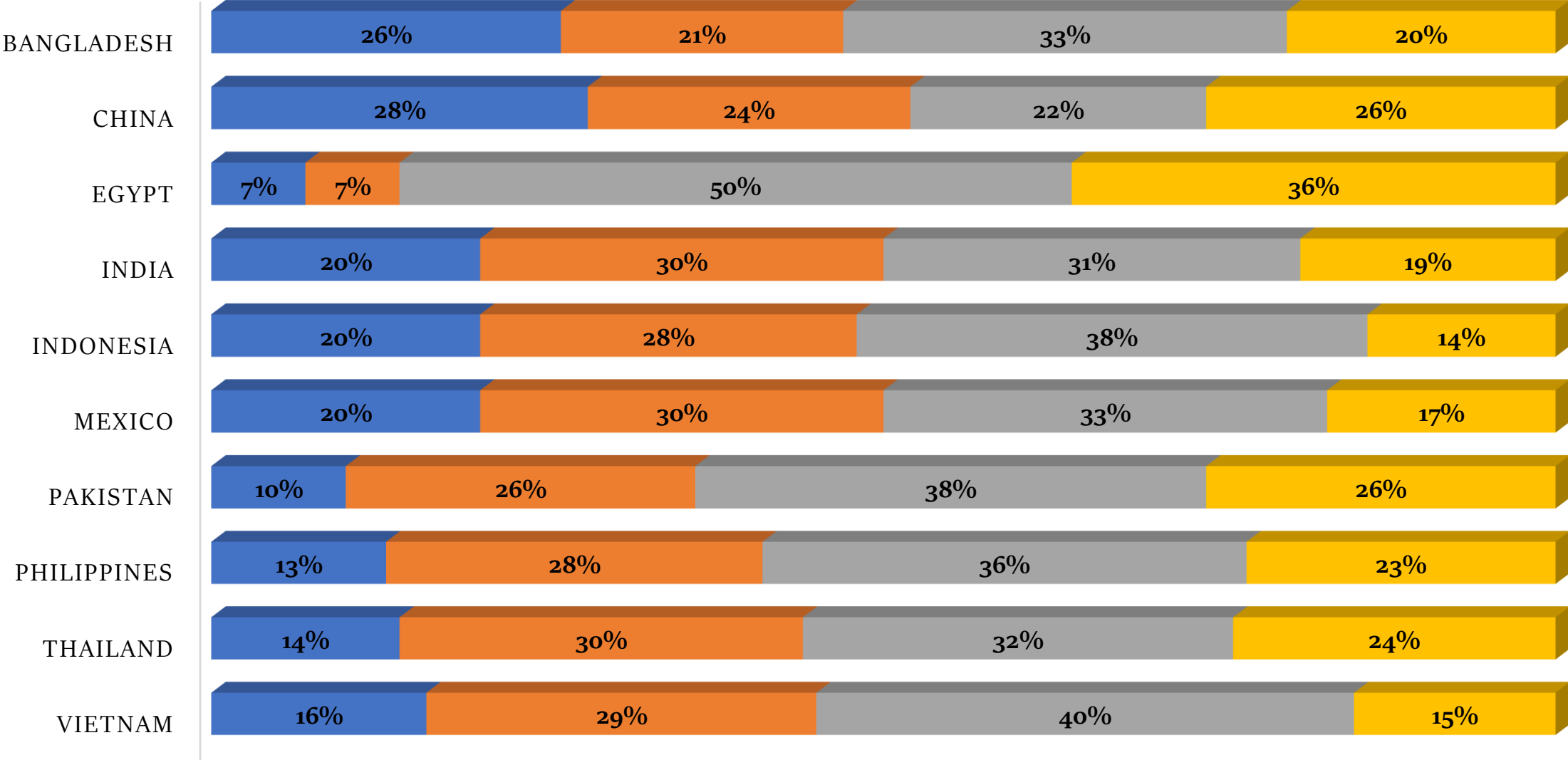
- Continuity of supply
- Cost of moving production lines out of China
- Impact on price and product availability due to the trade dispute
- Increase the cost of products due to tariffs
- IP control issues

**Q. What are the main concerns to your suppliers and customers when it comes to the US-China trade dispute?**



**China will continue to be a supply chain player**

# China continues, but other countries gain over the next three years.



■ Increase up to 10%
 ■ Increase more than 10%
 ■ No change
 ■ Decrease more than 10%



## Survey details

- Combination of “SurveyMonkey” of up to 50 companies, Twitter polling of as many as 200 individuals, and in-person polling of up to 100 executives
- Data collected between March 13 and June 12
- Included replies from throughout the UK, USA, Mexico, Europe, Hong Kong, Japan and others
- Survey reached across industries but heaviest response rate came from “Manufacturers”



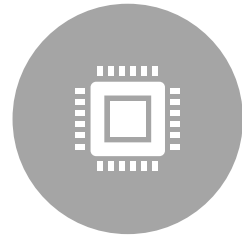


# Demographics

# Top 5 principal industries of the respondents



MANUFACTURING  
(40%)



TELECOMMUNICA  
TIONS,  
TECHNOLOGY,  
INTERNET &  
ELECTRONICS  
(12%)



RETAIL &  
CONSUMER  
DURABLES (9%)

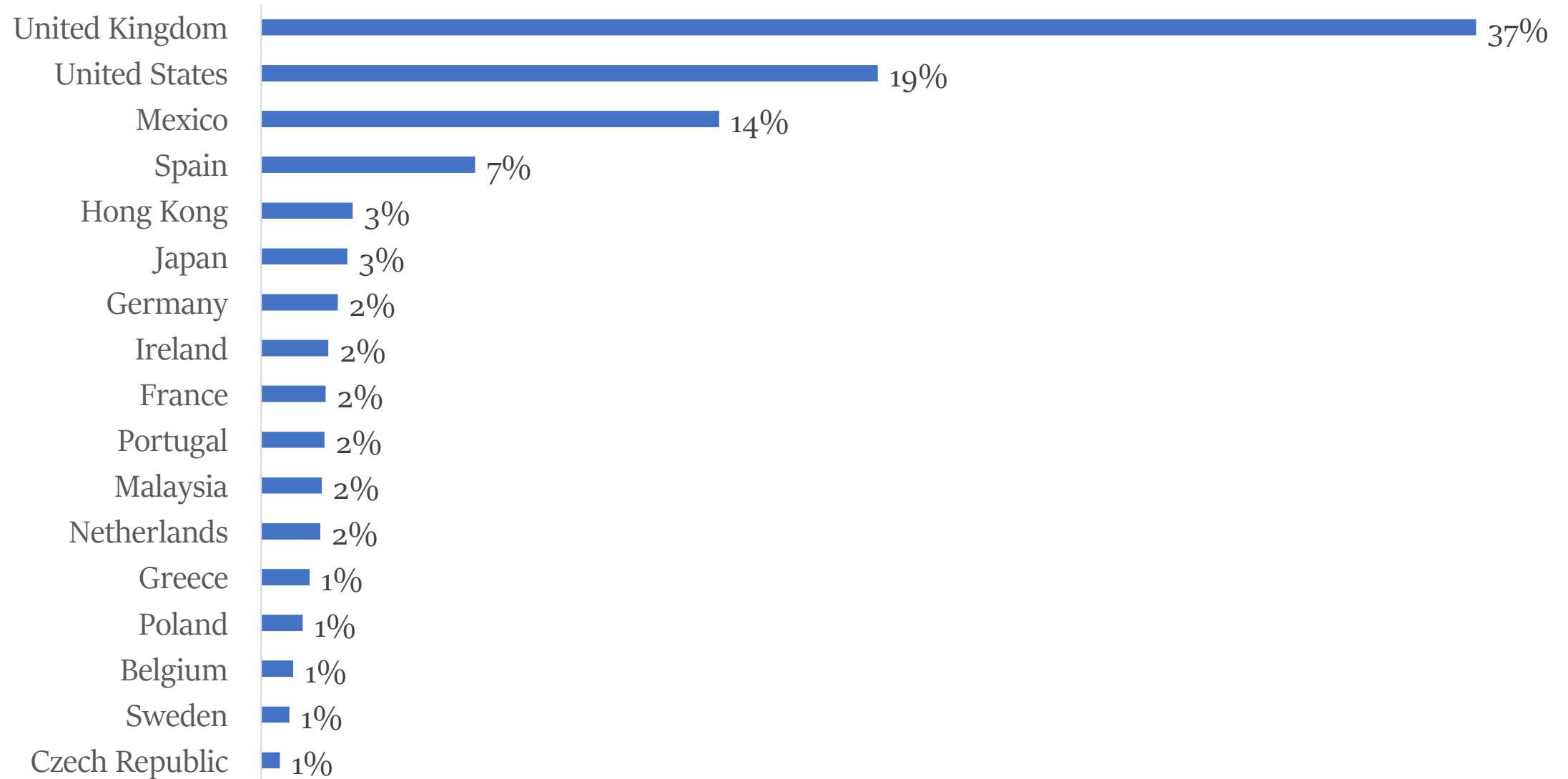


CONSTRUCTION,  
MACHINERY, AND  
HOMES (6%)

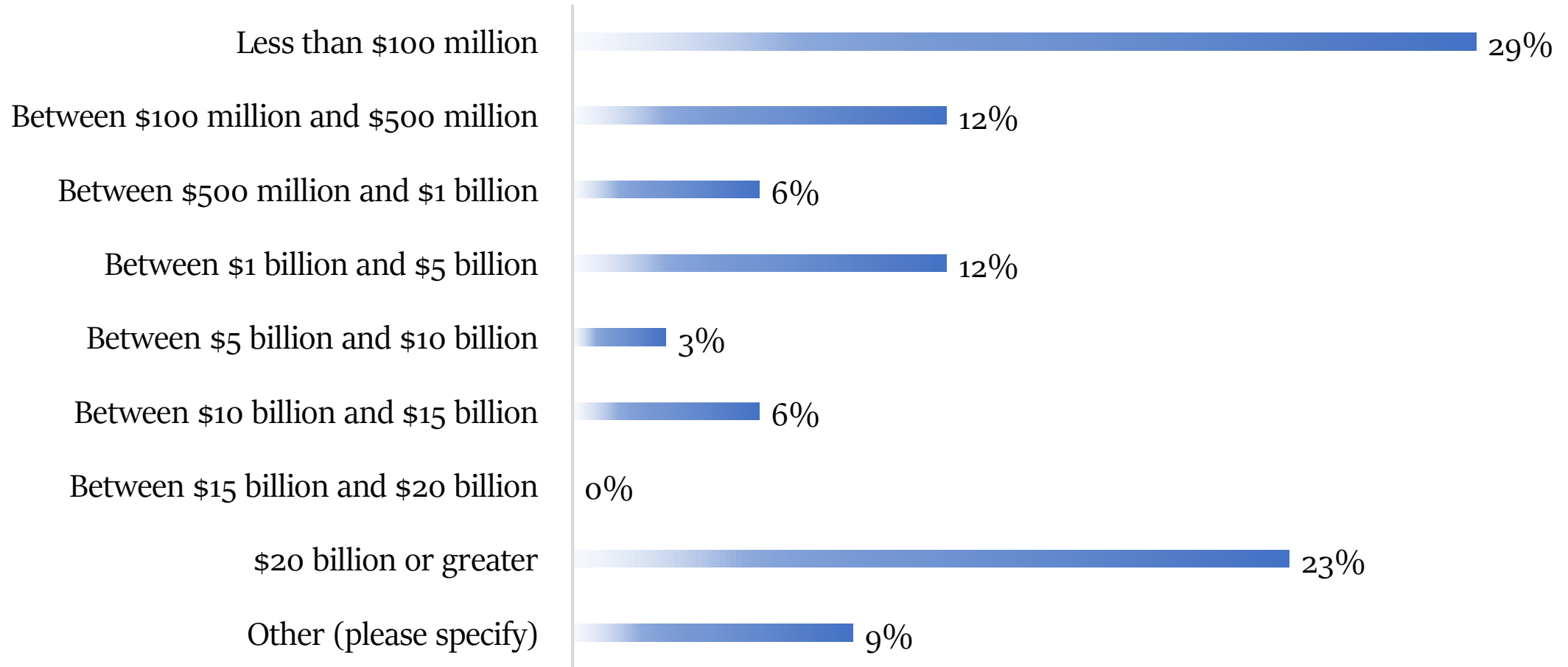


TRANSPORTATION  
& DELIVERY (6%)

# Geography



# Revenue of the organizations

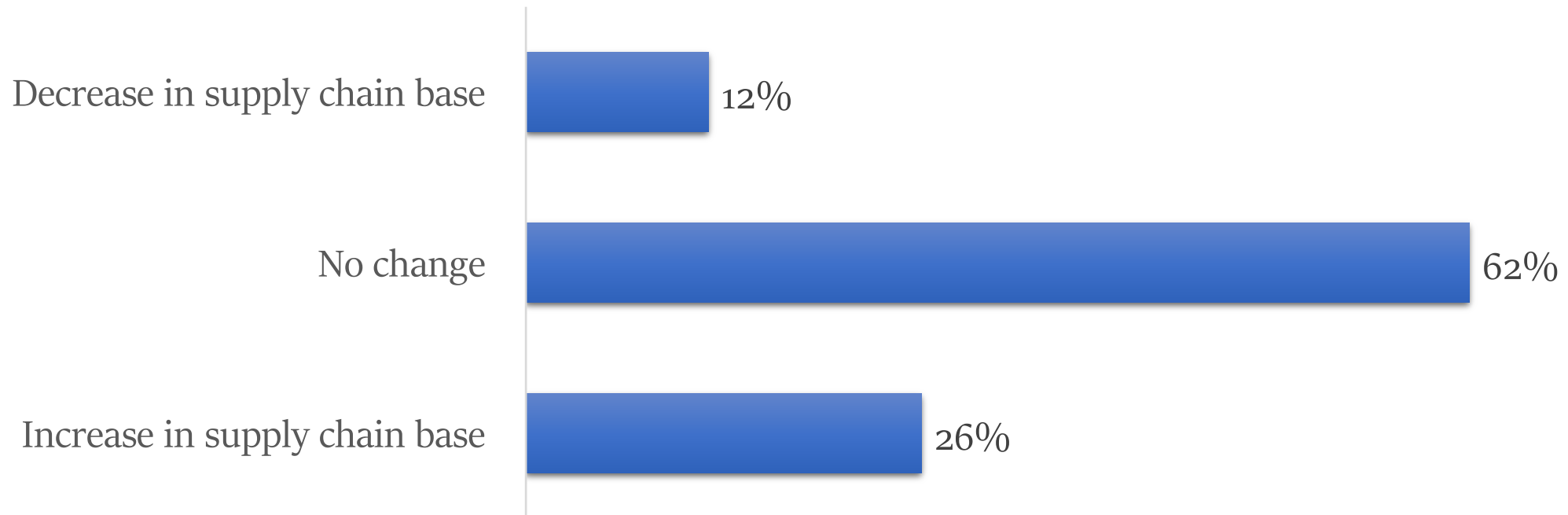






## Other Survey Results

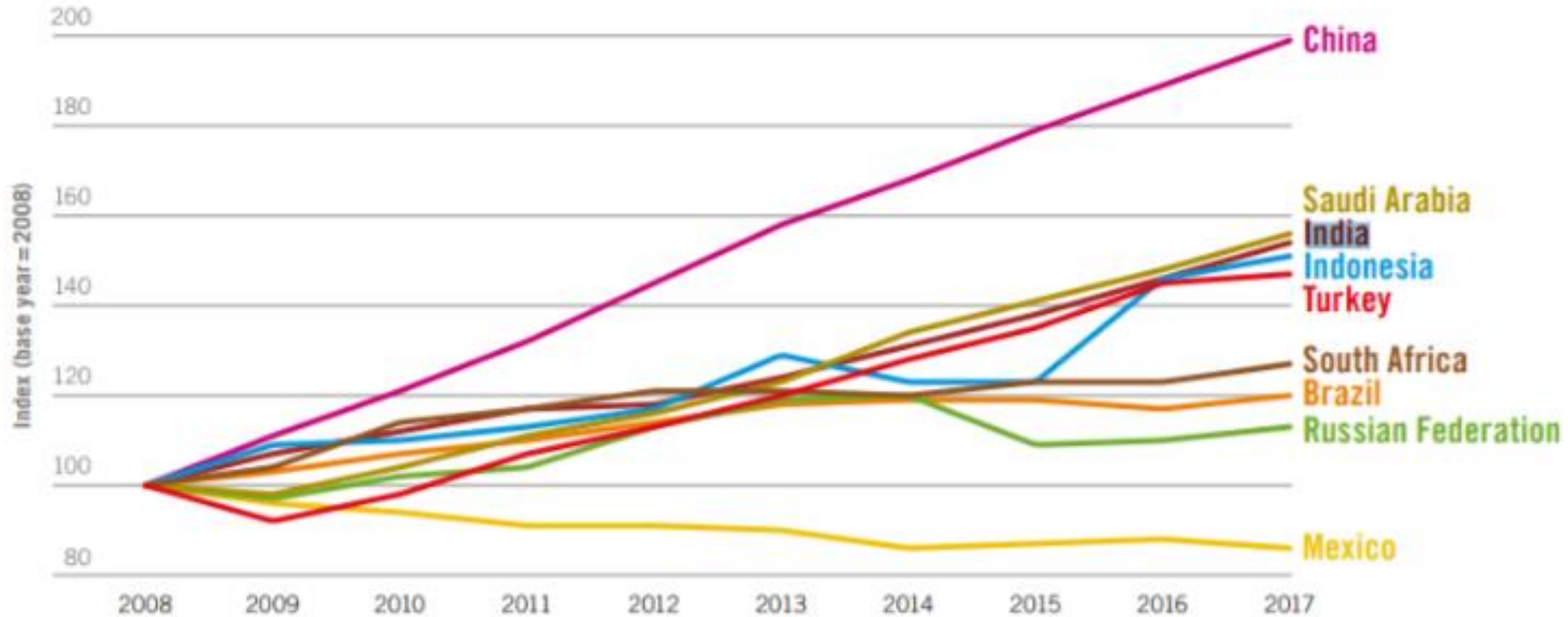
Only **12%** of the respondents told us that the percentage of their supply chain in China will decrease in next 3 years.



**Q. What percentage of your supply chain is in China now and 3 years?**

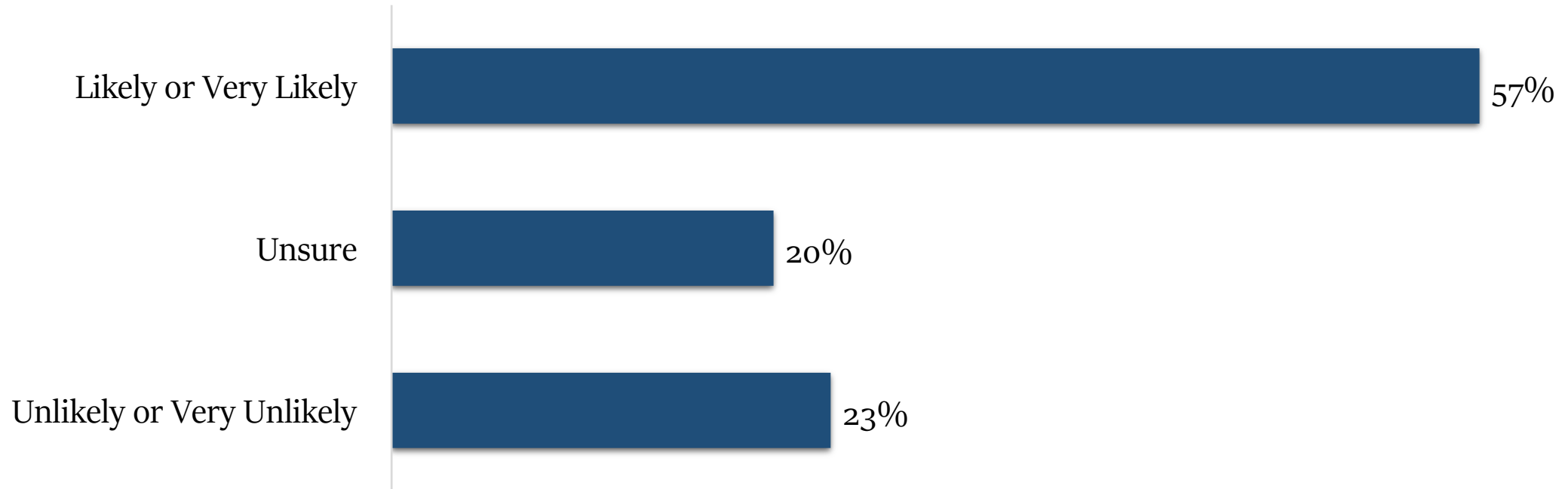


Minimum Wages in China increased to 2480 CNY/Month in 2019 from 960 CNY/Month in 2009 (158% increase over ten years).



Source: ILO estimates.

**57%** of the respondents think that the US-China trade dispute will cause higher prices for their customers.



**Q. Will the current China-USA trade dispute result in higher prices for your customers?**



**Trade conflict result in higher prices for consumer.  
Tariffs could cost American consumers an additional \$7 billion  
a year.**





**END**