Democracy Dies in Darkness

Companies ready price hikes to offset Trump's global tariff plans

Executives say Americans, not foreign countries, will pay the tariffs.

By David J. Lynch

October 30, 2024 at 7:05 a.m. EDT

Across the United States, companies that rely on foreign suppliers are preparing to raise prices in response to the massive import tariffs that former president Donald Trump promises if he wins the election Tuesday.

Producers of a range of items, including clothing, footwear, baby products, auto parts and hardware, say they will pass along the cost of the tariffs to their American customers.

The planned price increases next year would come as consumers are beginning to enjoy relief from the highest inflation in four decades and directly contradict Trump's repeated assurances that foreigners will pay the tariff tab.

"We're set to raise prices," Timothy Boyle, chief executive of Columbia Sportswear, said in an interview. "We're buying stuff today for delivery next fall. So we're just going to deal with it and we'll just raise the prices. ... It's going to be very, very difficult to keep products affordable for Americans."

Trump vows to impose the heaviest tariffs since the 1930s, including a 60 percent tax on products from China and a 10 to 20 percent fee on all other foreign goods. Doing so will encourage companies to produce inside the United States using American workers rather than buy from foreign suppliers, he has said.

Trump also has repeatedly claimed that foreign companies — not Americans — pay such import taxes. "The countries will pay," he insisted this month during an interview with Bloomberg's John Micklethwait at the Economic Club of Chicago.

In fact, American importers pay all tariffs to the U.S. Customs and Border Protection agency at the time their products enter the country.

Depending upon demand for individual products and the availability of alternatives, the tariff burden may be shared among the foreign producer, the U.S. importer and the final customer.

The foreign company that makes the product, for example, might redesign its assembly line to reduce its costs or might agree to trim its profit margin to retain U.S. sales.

But the main costs fall on American buyers.

"A consistent theoretical and empirical finding in economics is that domestic consumers and domestic firms bear the burden of a tariff, not the foreign country," according to an analysis by the nonpartisan Budget Lab at Yale University.

Executives at AutoZone, an auto parts retailer, told investors this month they were prepared for products they import to become more expensive. The company's top suppliers include companies in India, China and Germany, according to a June press release.

"If we get tariffs, we will pass those tariff costs back to the consumer," Philip Daniele, CEO of AutoZone, said on a recent earnings call. "We'll generally raise prices ahead of — we know what the tariffs will be — we generally raise prices ahead of that."

Likewise, Stanley Black & Decker CEO Donald Allan earlier this year told investors his company would probably "have to do some surgical price actions" to offset any new tariffs.

During his presidency, Trump imposed tariffs of up to 25 percent on $360 billion in Chinese imports. The Biden administration has retained most of those taxes and added others on Chinese electric vehicles, computer chips and solar cells.

Vice President Kamala Harris has assailed Trump's proposed tariffs as a "national sales tax" that would hammer consumers. Trump's tariff plans would cost a typical U.S. household between $1,700 and $2,600 per year, depending upon whether his universal import fee was set at 10 percent or 20 percent, according to an August study by economists Kimberly Clausing and Mary Lovely.

Harris campaign officials say their approach is more targeted than Trump's plan to tariff all of the $3 trillion in foreign products that the United States imports each year.

"Just like 2016, Wall Street and so-called expert forecasts said that Trump policies would result in lower growth and higher inflation, the media took these forecasts at face value, and the record was never corrected when actual growth and job gains widely outperformed these opinions. In fact, then — as now — Trump policies will fuel growth, drive down inflation, inspire American manufacturing, all while protecting the working men and women of our nation from lopsided policies tilted in favor of other countries. These Wall Street elites would be wise to review the record," said Brian Hughes, a senior adviser to the Trump campaign.

Manufacturers that have been hurt by China's trade practices, including its heavy use of government subsidies, say tariffs are justified as a defensive measure.

Over the past two decades, Orrco, a maker of precision machined products such as brass hose nozzles, lost sales to Chinese competitors that produced the same products for less than its material costs.

Orrco employs about 25 workers in Greensburg, Pennsylvania, just half of its workforce 20 years ago.

"I'm a believer in free trade. But what we have with China is not free trade. It's just hollowing out our manufacturing sector," said Keith Orr, Orrco's vice president.

As the presidential campaign enters its final days, businesses are bracing for potential trade policy upheaval.

Some companies are placing unusually large import orders, aiming to stock up before new tariffs take effect. The United States imported 11 percent more Chinese goods in July and August this year than during the same two months in 2023, according to the Census Bureau.

Other companies hope to avoid the heaviest levies by shifting to suppliers outside of China, Trump's main target. By December, some of Acme United's Westcott brand products, such as rulers and paper trimmers, will be made in Thailand and the Philippines, allowing them to escape tariffs aimed at China, CEO Walter Johnsen said on a recent earnings call.

The Shelton, Connecticut-based company, which operates under multiple brands, also has shifted production of some first aid and medical products to India, Egypt and its U.S. factories in Florida, North Carolina and Washington state.

Johnsen said he was skeptical that Trump would actually follow through with his announced plans to increase tariffs on all U.S. imports. Taxing imported medical products, including medicines, for example, would be too disruptive for the U.S. health-care system, he said.

"The hospitals would come to a halt. So it's highly unlikely, in my view, that 60 percent tariffs are even remotely going to be real, but it's a negotiating point," he told investors.

Likewise, on a recent trip to China, Sebastien Breteau, CEO of QIMA, which conducts worldwide factory inspections and audits for major retailers, found few Chinese suppliers who believed Trump would implement what he has promised.

"He's a man who can change [his] opinion 10 times in a day. So people don't believe him. People don't believe Trump is going to raise tariffs by 60 percent," said Breteau, whose clients include Costco and Walmart.

Still, Trump's first trade war, starting in 2018, rattled U.S. companies that had become overly dependent upon Chinese suppliers. Subsequent trade disruptions during the pandemic, aggravated by Russia's invasion of Ukraine, caused many companies to investigate other options.

Columbia Sportswear in recent years has moved some of its production for the U.S. market from China to Central America, Boyle said.

Newell Brands, owner of Rubbermaid, once relied on Chinese suppliers for about 30 percent of the goods it sold in the United States. But it has trimmed that dependence to less than 15 percent and expects to be below 10 percent by the end of next year, CEO Chris Peterson told investors this month.

By making foreign goods more expensive, tariffs should make items produced in Rubbermaid plants in Ohio and

Virginia more competitive, he said. "We've been preparing for the potential for tariffs and I think we are as well-positioned as we can be to benefit in some categories," he said.

Computer peripherals maker Logitech for several years has been trying to spread its supply chain across additional Asian nations. About 40 percent of its global shipments come from outside China and the company aims to boost that figure to 50 percent in "the near future," executives told investors this month.

"We're on a multiyear journey to make our supply chain more resilient, more diversified," said CEO Hanneke Faber. "We'll continue to do that, and we think we'll be prepared for whatever happens after the U.S. election."

Trump's repeated insistence that other nations will pay his tariffs frustrates the U.S. importers who actually get the bills. Lalo, a baby and toddler products retailer, was just opening its doors as the first trade war got underway. The company imports an array of premium items such as play tables, high chairs and bibs.

Some of its products were exempt from the trade levies. But many of the made-in-China goods faced tariffs, forcing the company to raise prices, according to Michael Wieder, the company's co-founder.

Lalo is growing fast, but not yet profitable, Wieder said. The last thing the 30-employee company needs is higher costs. Along with China, it imports products or materials from countries such as India and Turkey, all of which would face Trump's universal tariff.

Though reluctant to raise prices, Lalo needs to become profitable so that it can invest in new products and continue growing, Wieder said. Fresh tariffs will get in the way.

"It just hurts the consumer. Straight up. Ten times out of 10," he said. "Exporting countries do not pay the tariffs. It's just that simple."