By SUPPLY CHAIN CONNECT STAFF

U.S. Manufacturers Brace for Potential Tariff Hikes

A significant supply chain shuffle could be in order if the new presidential administration fulfills its promise of raising tariffs on imported goods.

There's a lot of buzz around the incoming presidential administration tariff proposals right now, but according to news reports it appears that some U.S. companies are already taking steps to ensure that their supply chains are shielded from some or all of the anticipated impacts. This could mean good news for consumers, whose wallets may be impacted by the proposed tariff hikes on goods being imported from China and other countries.

In an in-depth report on the issue, the *Wall Street Journal* says manufacturing executives expect the promised tariff increases to "trigger shifts in supply chains, but they're divided on the direction of the changes." The WSJ says other company executives feel that raising tariffs on goods from countries like China would likely cause them to shift production to other low-cost countries.

"Our experience has been that, for our products, the ship has literally sailed for U.S. manufacturing," Steve Greenspon, chief executive at Honey-Can-Do International, told WSJ. "I have not heard stories about success moving these products back to the United States."

Some of the other examples of companies that are already taking steps to get ahead of the higher tariff issue include:

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- Recreational vehicle maker Polaris started to buy some components from Mexico to avoid the tariffs.
- Stanley Black & Decker says it will likely "raise prices and shift production out of China" if the additional tariffs are placed on goods imported from the country.
- Electronics manufacturers have already begun "migrating to Southeast Asia from China as a result of tariffs and what they describe as increased risks when doing business in the country."

Absorbing the Impact

Companies that source or make goods in Mexico are also on high alert right now. In October, President-elect Donald Trump suggested "he could impose tariffs higher than 200% on vehicles imported from Mexico, saying his aim would be to prevent the selling of cars from Mexico into the United States," *AP* reported.

Automakers are also taking steps now to address any tariff increases that may be put in effect next year. For example, *FleetOwner* reports that Daimler Truck North America is one manufacturer that's "well positioned to absorb the impact" of possible tariffs targeting Mexico under the incoming administration.

For example, the automaker says it can move production "relatively easily" and that its Freightliner, Western Star and Thomas Built Buses models can be made at either its U.S. or Mexican plants. Shifts could be added where needed. "We have a lot of flexibility when it comes to our production footprint," the company's chairwoman and CEO told analysts at a recent meeting. "There's no single dependency on a particular product in Mexico. We do believe we are well positioned."

Ready, Set, Go

Other industries are making similar moves to shield themselves from the impacts of any higher tariffs that may be imposed. Just days after the presidential election, for example, shoe manufacturer Steve Madden announced that it would "halve its Chinese production" to avoid any potential tariff hikes, *CNN* reports.

"We have been planning for a potential scenario in which we would have to move goods out of China more quickly," the company's CEO said. "And so, as of yesterday morning, we are putting that plan into motion. And you should expect to see the percentage of goods that we sourced from China to begin to come down more rapidly going forward."