Saturday, May 10, 2025

tomorrowsaffairs.com

Tomorrow's Affairs

Analysis of today
Assessment of tomorrow

By: Emre Alkin

Is Trump's Transformation Great? Or His Mistake?

While debates continue about the advantages and disadvantages of the tariffs Trump imposed on the U.S. economy, information from The Wall Street Journal and The Washington Post indicates that these measures have been "life-savers", especially for small and medium-sized American businesses.

However, to make an accurate analysis, we need to first look at the revenue figures and employee counts of the firms benefiting from the tariffs.

Before delving into this, let's share the latest data on the first quarter performance, when tariffs were discussed: the recently announced US GDP estimate shows a 0.3% contraction in Q1 2025, raising concerns of a recession.

However, this decline was not directly caused by consumer spending or investment drops; rather, it stemmed from an increase in imports prior to the new tariffs.

Therefore, although experience suggests that Trump's tariffs might not be highly effective, we should approach the issue with a detailed analysis, considering both pros and cons.

Firstly, let's identify which sectors are most affected by the tariffs:

Steel and Aluminium Producers: Since tariffs increased imports of steel and Aluminum from China and other countries, many American firms in this sector faced adverse effects due to rising costs.

Machine and Industrial Product Manufacturers: Firms producing high-tech machinery, automotive equipment, and other industrial goods were negatively impacted by increased costs and supply chain disruptions.

Agricultural Product Producers: U.S. farmers and agricultural companies exporting to major markets like China suffered significant losses due to tariffs and trade wars, especially corn, soybean, wheat, and fruit-vegetable producers.

Electronics and Technology Companies: Some electronics and component manufacturers faced higher costs due to increased prices of imported products from countries like China.

Furniture and Textile Manufacturers: As the costs of low-priced products from China rose, companies in these sectors were affected.

Automotive Industry: Car manufacturers and spare parts suppliers experienced losses due to higher costs and supply chain issues.

On the other hand, there are notable American firms that were affected by tariffs initially but managed to turn this situation to their advantage over time:

I think it's useful to mention the scale of these companies as well:

Jergens Inc.: President Jack Schron stated their facilities in Chicago and Cleveland operate 24/7. Customers started ordering from the U.S. to avoid import tariffs, straining the company's production capacity. This 75-year-old company's annual revenue is about $32 million.

Grand River Rubber & Plastics: They are regaining former clients lost to China. The potential value of new orders is around $5 million annually, which accounts for about 10% of the company's total revenue — a small-to-medium enterprise.

PPE Manufacturers: Those established during the pandemic initially couldn't compete with low-cost Chinese products. But new tariffs have reversed the price advantage, redirecting demand back to American firms. Their total revenue is approximately $7 billion.

AccuRounds: These firms are reclaiming customers they previously lost abroad. Their annual sales increased by around 20%, with revenue around $21 million.

Whirlpool: They pointed out that their Asian competitors gained an unfair advantage with low-cost products. New tariffs reduce this price gap, providing relief to U.S. producers. As the largest revenue-generating firm among these, last year they had $20 billion in revenue and a $300 million loss.

Excel Dryer and supplier Double A Molding: They note that tariffs increase domestic competition and also facilitate entry into foreign markets like Brazil and Australia. Excel Dryer's revenue is about $20 million, while Double A Molding reaches $500 million.

These developments indicate that reshoring — bringing manufacturing back to the U.S. — is working in some sectors, especially by benefitting small-scale American producers through tariffs.

However, the long-term sustainability of such protectionist policies and their impact on consumer prices remain subjects of ongoing debate.

Negatively affected companies

Let's take a look at the negatively affected companies and their revenues:

Ford — Rising costs of imported cars and parts from China have squeezed profit margins, making some models difficult to price. Their 2024 revenue is approximately $190 billion.

GE (General Electric) — Increased costs of products from China and other countries, along with disruptions in the supply chain, have hampered production. They aim for a revenue of around $40 billion this year.

Caterpillar — The construction and mining machinery producer was adversely affected by rising costs of imported components. Last year, their revenue was about $65 billion.

Boeing — Additional tariffs on some parts and materials from China increased costs. Their annual revenue is around $67 billion.

Monsanto (Bayer) — As a producer of agricultural chemicals and seeds, costs of imported raw materials from China and Asia have increased. Their revenue is close to $50 billion.

Wayfair — Higher costs of products from China, along with logistical and supply chain issues, led to declines in sales and profit margins. Their revenue is $12 billion.

Mattel — In the toy industry, the high costs of imported products from China impacted profitability. As the manufacturer of Barbie dolls, Mattel's revenue exceeds $5 billion.

ViacomCBS and other media and entertainment companies — Issues with collaborations and content access in China affected them. The company’s revenue approaches $30 billion.

Looking at the table, many firms and sectors heavily dependent on imports—especially those in the giant league of revenue—have been seriously affected by cost increases.

Additionally, it’s important to note that these tariffs have caused disruptions in supply chains within the U.S., leading to higher export and production costs.

Achieving true technological and manufacturing dominance over China in the U.S. is not feasible with these measures - Emre Alkin

From this simple table, the main takeaway is:

Even if Trump's desired transformation is well-intentioned, it doesn’t seem likely to be purely politically driven or easily swayed by votes.

Achieving true technological and manufacturing dominance over China in the U.S. is not feasible with these measures.

Moreover, Trump is playing a game with significant side effects. It's unlikely he'll accomplish this within a presidential term; he won't have much time to abandon or correct these policies.

If he is aware of this, he probably won't give up on the current approach. I'm not entirely convinced he fully understands what he's doing. Therefore, we should be prepared for major fluctuations.