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POLITICS

As China Tariffs Loom, Some U.S. Companies Say Buying American Isn't an Option

Business owners struggling to find alternatives to Chinese imports urge Trump administration to drop tariff plans

By *Katy Stech Ferek and Josh Zumbrun*

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Stephen Pelkey said he has scoured the globe to find fireworks that match the quality of what he buys from China, without success.

So Mr. Pelkey has joined hundreds of other business owners and executives in begging officials in the Trump administration to drop plans to slap 25% tariffs on \$300 billion in Chinese imports.

“It would be great if I could just say, ‘I’m going to get my [fireworks] containers from U.S. companies,’ ” said Mr. Pelkey, chief executive of Atlas PyroVision Entertainment in Jaffrey, N.H. “They don’t exist.”

President Trump has said a new round of tariffs are needed to force a recalcitrant China to end unfair trade practices and help U.S. manufacturers compete. But with public hearings on the new tariffs set to begin Monday, the U.S. trade representative’s office has been flooded with letters from companies like Atlas PyroVision saying they have few options besides China.

A Wall Street Journal analysis of federal import data gives weight to the claims. Items to be hit by new tariffs include 273 categories of goods—such as consumer fireworks, fishing reels and electric blankets—for which China accounts for more than 90% of imports. Last year, \$66.3 billion worth of these items were imported from China.

On Sunday, U.S. Commerce Secretary Wilbur Ross tempered expectations of a last-minute trade deal, despite a likely meeting between Mr. Trump and President Xi Jinping of China at the



Fireworks for sale at the Atlas Fireworks retail store in Rindge, N.H. PHOTO: ELIZABETH FRANTZ FOR THE WALL STREET JOURNAL

Group of 20 summit in Japan later this month. Mr. Ross, in an interview, said the most likely outcome from such a meeting would be an agreement to resume negotiations, rather than a cessation of the next round of tariffs.

“Even real shooting wars end with negotiation, and this will ultimately end in negotiations,” Mr. Ross said. “Whether that will be in 10 minutes, 10 weeks, 10 months or longer, it’s not possible to judge.”

But the uncertainty of when—or even if—Beijing and Washington will strike a deal has already taken a toll on businesses.

Window curtain importer S. Lichtenberg & Co., which supplies Walmart Inc., Kohl’s Corp. and Amazon.com Inc., stopped sewing hems and rod pockets at its U.S. facilities in 2007. President Scott Goldstein said restarting that work isn’t on the table.

“I don’t even know if we can get sewers or what we would have to pay them,” said Mr. Goldstein, adding that none of the U.S. textile mills or dye houses that the 300-worker company, founded in 1933 and based in New York, used to buy fabric from are still in business.

Illinois collectibles maker Bradford Exchange began using Chinese workers in 1985 to paint intricate scenery on porcelain figurines and assemble devices that light up and play music. Now, more than half of its products are hand-painted or involve handwork, said Chief Executive Richard Tinberg.

It takes a skilled artisan to paint the figurines that adorn the four tiers of the company’s spinning musical Christmas tree, or to put together the mechanics inside its “Nightmare Before Christmas”-themed wall clock, which dangles characters and a swinging pendulum, Mr. Tinberg said. Both products, made under licensing deals with Walt Disney Co. , sell for about \$200 apiece.

“There are very few people over here who want to do the type of detailed handwork on products that are sold to the middle class,” said Mr. Tinberg, whose company records more than \$400 million in annual revenue.

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Should Chinese products be exempted from tariffs if U.S. importers say they can't find suitable alternative suppliers, in other countries or domestically? Why or why not? Join the discussion below.

Company officials at baby-gate and bedrail maker Regalo International LLC told U.S. trade officials that the threat of tariffs 18 months ago prompted them to look for new manufacturing partners in Mexico and other foreign countries that may have pockets of cheaper labor.

But the search turned up short. Vietnam can handle orders for wood products and textiles but “has very weak infrastructure in metal fabrication,” officials at the Minnesota company said in a letter. In general, factories couldn't match China's prices or keep up with production demands.

“It was NOT even close,” they wrote.

Strikeforce Bowling LLC, which imports hundreds of thousands of bowling shoes and bags from China, began searching for alternate suppliers in the Dominican Republic, Cambodia and Bangladesh soon after Mr. Trump won the election in 2016, said the company's president, Bradley Handelman.

But suppliers in those countries wanted larger orders than he required, he said, so his company continues to source its goods from China.

In New Hampshire, Atlas PyroVision used to make its own fireworks. But rising costs forced it to close its factory in 1995, Mr. Pelkey said, and it now relies almost solely on Chinese imports to stage municipal fireworks shows and to sell sparklers and other pyrotechnics to consumers.

According to trade data from the Census Bureau, the U.S. now imports 86% of display fireworks used in shows from China.

Mr. Pelkey said he has looked for suppliers in countries including Vietnam, Cambodia, India and Mexico, and has yet to find one that can make fireworks of the quality he typically sees in China.



Mr. Pelkey at an Atlas PyroVision warehouse in Jaffrey, N.H., on Friday. PHOTO: ELIZABETH FRANTZ FOR THE WALL STREET JOURNAL

Mr. Pelkey said reviving the dormant U.S. fireworks manufacturing industry is unlikely, given the high costs of insurance and the tight regulation that comes with the manufacture of explosive devices. It would also take years to hire and train a workforce, he said.

Some manufacturers, however, have filed comments either supportive of or neutral on tariffs, including car-seat maker Dorel Juvenile Group Inc. of Columbus, Ind.



Mr. Pelkey and an employee at Atlas PyroVision work together. PHOTO: ELIZABETH FRANTZ FOR THE WALL STREET JOURNAL

The company's 700 workers now produce three million seats a year, and it stands ready to boost production, Timothy Gallogly, the company's director of legal affairs, told U.S. trade officials in a June 6 letter.

“Dorel is confident that its workers can handle additional capacity,” Mr. Gallogly said.

Even so, companies with the ability to increase production in response to Chinese tariffs are minorities in the industry, said Kelly Mariotti, executive director of the Juvenile Products Manufacturers Association. Most baby products sold by U.S. companies, including car seats, cribs, highchairs, play yards and strollers, are made in Asia, she said.

Ms. Mariotti’s organization is pushing trade officials to remove baby products from the next round of tariffs in an effort to keep them affordable.

“Higher costs for these products will place an unfair burden on families that will undoubtedly result in fewer babies and toddlers having access to products critical to their safety,” she said in a statement.

The tariffs have also drawn opposition from broad coalitions of business groups, including the U.S. Chamber of Commerce and the National Retail Federation. In a letter to Mr. Trump on June 13, tariff opponents, including Walmart, Target Corp. and Costco Wholesale Corp. , said current and proposed tariffs would raise costs to a family of four by an average of \$2,000 a year.

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