

## TRIANGLE BUSINESS JOURNAL

### Trade war: Following Trump tweet on China, execs talk tariffs, impact on NC



*President Donald Trump this week tweeted about expanding tariffs on Chinese imports.*

By Lauren Ohnesorge – Senior Staff Writer, Triangle Business Journal  
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As President Donald Trump tweeted about new tariffs Thursday, businesses in North Carolina and beyond were bracing for an expansion of the trade war with China.

The latest threat includes tariffs on consumer products, “so we could directly see the impact on items like electronics, clothing and toys,” says North Carolina State University professor and economist Mike Walden in an email.

“The big question is whether China will absorb the tariffs by selling to importers at lower prices (the importers technically pay the tariff), or if the importer will pay, or if most of the tariff is passed on to consumers,” he writes. “My guess is some of each, so U.S. buyers will see some effect in terms of higher prices.”

**...during the talks the U.S. will start, on September 1st, putting a small additional Tariff of 10% on the remaining 300 Billion Dollars of goods and products coming from China into our Country. This does not include the 250 Billion Dollars already Tariffed at 25%...**

**— Donald J. Trump (@realDonaldTrump) August 1, 2019**

But businesses, too, could feel the tariffs.

For many, China tariffs have already impacted operations and increased expenses – particularly manufacturers.

Raleigh-based CaptiveAire Systems, for example, manufactures commercial kitchen ventilation systems and uses parts – including steel materials – imported from China.

Durham-based Cree, which manufactures next-generation semiconductors is feeling the pinch, its executives constantly factoring tariffs into guidance projections on earnings calls.

And Eco-Site, a Durham company building wireless towers to prepare the nation for 5G, imports China steel (though it accounts for just 20 percent of the cost of a tower, CEO Dale Carey says).

And those are just three employers. As of last year, the North Carolina Department of Commerce said the manufacturing sector in the state supported nearly 465,000 North Carolina jobs, representing 22 percent of the state’s total private-sector economic output.

If the tariffs suggested by Trump Thursday go into effect in September, it will effectively tax all goods coming out of China and entering the U.S.

And the impact of the expanded tariff portfolio could be widespread – from manufacturers relying on Chinese materials to build their products to retailers importing made-in-China goods.

“I have heard from some smaller retailers about increased shipping cost on products from China, that they will have to probably look at increasing cost or passing shipping fees to customers,” says Chris Johnson, economic development director for Johnston County.



*Robert L. Luddy, founder and CEO of CaptiveAire of Raleigh and founder of Thales Academy*

Bob Luddy, CEO of CaptiveAire Systems, says the threat of more tariffs “undermines the confidence in the stability of markets, as noted from the immediate stock market correction.”

“We may be inflicting pain on China, but we are also inflicting the same pain on American citizens, with no potential benefits,” he says.

Luddy, whose company employs nearly 1,400 people, says trade wars are “impossible to win and when they end, every country will lose.”

“Trade wars restrict new investment, undermine long-term relationships and reduce our standard of living,” he adds.

John Boyd, a site selection consultant from New Jersey, says tariffs are never good for economic development, either.

“North Carolina economic development officials don’t want a trade war – that benefits no one,” he

says.

But several executives at impacted companies he’s talked to are optimistic that Trump’s tactics might work.

“There’s still this lingering thought that this is a president who fashions himself a deal-maker,” he says.

Boyd points out one particular company with a presence in North Carolina that’s expected to be impacted in a big way by the newest tariffs: Apple.

While Apple publicly appeared to reject North Carolina for a major expansion earlier this year, the firm did buy and hold onto a large swath of Research Triangle Park land, perhaps leaving the door open to deal.

North Carolina’s exports to China supported 24,700 American jobs alone, according to a report out of the U.S.-China Business Council. From 2008 to 2017, growth in goods exports out of the state to China grew by 25 percent. China was the third biggest goods export market for North Carolina.