Unintended Consequences:

How Tariffs Are Squeezing American Small Business

Prepared by:
Brian Thomas
GenTent Safety Canopies, LLC

Executive Summary

While trade tariffs are intended to bolster U.S. manufacturing, current policy, especially the April 2, 2025, reciprocal tariff expansion; is creating an unsustainable environment for small businesses. Our company, which has seen 40% workforce growth and a record year in 2024, is being squeezed from all sides. The burden of compliance, rising material costs, global pricing pressures, and unfair international competition is falling hardest on businesses like ours. Large corporations secure exemptions, while foreign competitors find ways around the rules. The result is a fractured market that disadvantages American small businesses and manufacturers and weakens consumer confidence.

What's at Stake

If the goal of tariffs is to **reshore American manufacturing**, the current approach is missing the target. Instead of promoting domestic production, it:

- Raises costs for businesses and the federal government
- Drives consumers toward the cheapest available products, often of inferior quality
- Undermines honest U.S. companies who cannot cut corners or play games
- Distorts market behavior and shifts taxpayer dollars toward inflated procurement costs

This strategy ultimately rewards the lowest common denominator, where low-quality, often dangerous products thrive. Often these bad actors are more inclined to exploit loopholes, manipulate import procedures, and bypass tariff obligations; are not dissuaded at all, and are left to dominate the market. Meanwhile, businesses that are adhering to the regulations and producing safe, high-quality products are increasingly squeezed out. Sweeping regulations without targeted enforcement are exacerbating the challenges faced by ethical businesses. As a result, this policy shift does not foster sustainability, resilience, or innovation but weakens the market and undermines the goals it sets out to achieve.

Who We Are

We are a New Hampshire-based small business designing and manufacturing advanced protection systems for portable generators. These systems are critical in emergency and disaster response and widely used in military and civilian contexts to ensure safe, secure generator operation in inclement weather. Our main line of product offerings is going through new tooling, patent verifications, and certifications. The updated components include:

Flame-retardant nylon **(159% increase since April 2nd declarations).**

Aluminum tubing **(72.9% increase since April 2nd declarations).**

Steel jaw clamps **(72.9% increase since April 2nd declarations).**

EPDM flame-retardant rubber **(12.7% increase since April 2nd declarations).**

NFPA 701 marine grade vinyl **(157.6% increase since April 2nd declarations).**

We are proud to be Berry Compliant and to supply the Department of Defense. We have developed a fully U.S. made version of our product, but the reality is that compliance comes at a steep cost; and that is increasingly unsustainable outside of federal contracts.

External Pressures Jeopardize U.S. Small Business

Our company is growing, but the road ahead is increasingly uncertain:

- Tariffs on Core Materials: The April 2nd tariff expansion increased costs on Chinese imports by as much as 125%. This impacts on the very materials that make up our products; steel, aluminum, plastic forcing price hikes that hurt both manufacturers and buyers.
- Marketplace and Pricing Pressure: Online platforms continue to increase seller fees, and simultaneously the market is flooded with unsafe, cheap products. These offerings often undercut our pricing by as much as 70%, and we cannot match them without sacrificing quality or compliance.
- No Access to Exemptions: While large corporations, particularly in the tech sector, secure exemptions for high-profile goods like smartphones and chips[1], small manufacturers like ours are left exposed to the full burden of trade policy shifts.
- Berry Amendment Compliance: Being 100% U.S.-sourced is a requirement for many of our government contracts. We meet that standard, but the cost difference compared to imported components is significant. This limits our ability to compete in commercial space.

[1] Reuters. (2025, April 12). U.S. excludes smartphones, computers from reciprocal tariffs. Retrieved from https://www.reuters.com/markets/us-excludes-smartphones-computers-reciprocal-tariffs-2025-04-12/

Unfair Competition from Abroad

Foreign competitors, especially those operating in China's highly integrated supply chain, are not just absorbing tariffs—they are actively working around them. These practices make it nearly impossible for U.S. small businesses to compete fairly:

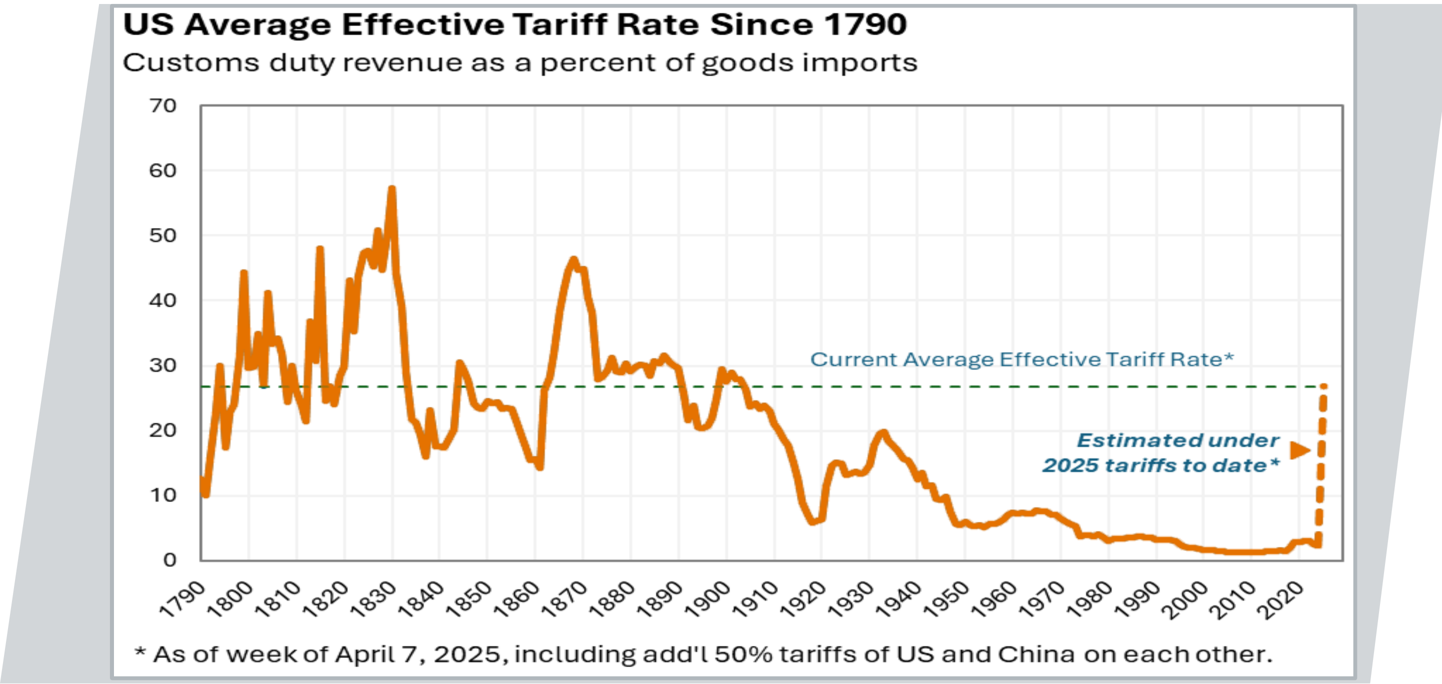
- **Tariff Evasion Tactics:** In our direct experience, multiple foreign companies are openly using freight forwarding tricks, re-invoicing through shell U.S. entities, and underreporting product values. By doing this, they sidestep tariff obligations altogether.
- **De Minimis Abuse:** The $800 de minimis threshold (now closing as of May 2[2]), in effect since 2016, allowed bad actors to flood the market with under-declared, tariff-free shipments. Many have already adapted and will continue to circumvent tariffs through blended shipping containers and strategic misreporting.
- **No Real Risk:** Vendors and freight forwarders openly explain how they blend high-value goods with low-value e-commerce shipments to skirt tariff thresholds without consequence.

Unintended Consequences for the Market

Unlike large corporations that can absorb or offset rising input costs, small businesses typically operate on thinner margins with fewer supply chain alternatives. This structural disadvantage is worsened by the fact that tariff-driven cost increases are passed down the value chain, compounding financial strain on both producers and consumers. Without targeted relief or exemption pathways, these pressures put small business enterprises at risk of reduced competitiveness or exit from the market altogether.

[2] Franck, T. (2025, April 3). *De minimis trade loophole to end May 2, White House says*. CNBC. https://www.cnbc.com/2025/04/03/de-minimis-trade-loophole-to-end-may-2-white-house-says.html

According to a recent analysis by Yale University's Budget Lab, U.S. consumers now face an average effective tariff rate of 28%, the highest level recorded since 1901[3]. While tariffs are often framed as protective measures for domestic industries, they can produce the opposite effect for smaller manufacturers.



While tariffs were introduced to protect U.S. industry, the result in practice is eroded consumer confidence and distorted market dynamics:

- **Consumer Uncertainty and Behavior**: Economic volatility and rising inflation are making consumers hesitant to spend. Seeing their retirement portfolios, people become risk-averse and price-sensitive, leading them to seek cheaper, sometimes unsafe, alternatives.
- **We Cannot Lower Prices**: As a company that manufactures responsibly, sources ethically, and complies with all U.S. laws and procurement requirements, we do not have the margin flexibility to cut prices and "match" imported goods. The tariffs leave us boxed in.
- **Bad Actors Gain Market Share**: With increased tariffs and no enforcement parity, international suppliers using illegal or unethical practices are now capturing more of the market. They offer lower prices not through innovation or efficiency, but by exploiting trade policy weaknesses or offering unsafe products.

---

[3] The Budget Lab at Yale. (2025, April 15). *State of U.S. Tariffs: April 15, 2025*. Retrieved from https://budgetlab.yale.edu/research/state-us-tariffs-april-15-2025

Market Distortions: Tariffs Penalizing Innovation

As a U.S. manufacturer with redundant overseas capacity, all our finished products are either assembled in or fully produced domestically. This blended model has historically supported scalable growth, competitive pricing, and omnichannel distribution while maintaining quality and compliance. However, shifting trade dynamics have made it increasingly difficult to navigate while foreign competitors exploit deceptive practices. The table below illustrates our current production costs under this strained system.

Source	Pre-Channel COGS	Notes
Import (Pre April 2)	21%	Viable pricing enabling growth opportunity, competitive pricing, and omnichannel distribution.
USA Made (Berry Compliant)	44%	Fully compliant, difficult to pass costs forward to the average consumer.

While our business has historically relied on cost-effective injection-molded components, the introduction of upgraded, flame-retardant, and high-strength materials required to meet evolving safety and performance standards face increased costs. Combined with tariffs on key inputs, the financial model that once enabled growth is now in jeopardy.

Perhaps the most concerning however, is that U.S. based production reveals a deeper challenge. Despite the intended goal of tariffs being to encourage reshoring and strengthen U.S. manufacturing, the reality is quite different. Fully compliant small businesses like ours are being priced out of the market. Rather than fostering U.S. industry, current trade policies are making it harder for manufacturers to compete and grow.

Source	New COGS	% Increase	Notes
Import (Pre April 2)	22%	4.1%	Viable pricing for both consumer and institutional buyers
Import (Post April 2)	36%	68.8%	Margins squeezed to untenable levels; pricing cannot be passed to consumer due to cheap and unsafe China alternatives
USA Made (Berry Compliant)	122%	177.3%	Fully compliant, but cost-prohibitive outside federal contracts

While our Department of Defense partners continue to support U.S.-made products at a premium, this highlights a systemic flaw. If the only viable outlet for American-made goods is inflated federal procurement, it not only drives up taxpayer costs but fails to build a sustainable domestic manufacturing ecosystem.

In its 2025 global trade outlook, J.P. Morgan notes that small businesses are absorbing a disproportionate share of trade-related costs, lacking the scale to shift production or navigate exemption processes as efficiently as multinational firms[4]. This imbalance distorts the market, favoring scale over compliance or quality. Larger firms can use their resources to navigate legal and trade complexities, or even relocate manufacturing abroad, while smaller companies are stuck between escalating input costs and eroding price ceilings. As tariffs rise, many small manufacturers are being priced out of the market altogether. Not due to inferior products, but due to policies that ignore the real-world operating limitations of small-scale production.

Policy to Target

We ask our elected officials to consider policies that support small businesses:

1. **Tariff Equity Across Company Sizes**: Apply tariff policies consistently across businesses of all sizes. It is critical that small businesses are not unfairly burdened while large corporations can avoid the full impact of these tariffs.
2. **Clear, Accessible Exemption Pathways**: Offer a transparent and fair process for small businesses to request tariff relief without specialized legal teams or lobbyists.
3. **Stronger Customs Enforcement**: Create transparent and accessible avenues for small businesses to apply for tariff relief, without requiring expensive legal representation or lobbying efforts.

Final Thoughts

We are not seeking special treatment; our request is for a level playing field. Our business has shown that with the right support, small companies can grow, create jobs, and produce essential products for consumers and government alike. However, unless trade policies are updated to account for the challenges faced by small manufacturers, businesses like ours will continue to bear a disproportionate burden for America's trade goals.

[4] J.P. Morgan. (2025, April 11). *US Tariffs: What's the Impact?* Retrieved from https://www.jpmorgan.com/insights/global-research/current-events/us-tariffs

Prepared by:
Brian Thomas

For further information or questions please contact:
brian.thomas@gentent.com | 781-334-8368 x1001

GenTent Safety Canopies, LLC 99 Pine Road | Brentwood NH, 03833