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DONALD TRUMP MONEY POLITICS

# Trump's impending tariffs on Chinese goods create uncertainty, higher costs for Chicago businesses

The 10% tax on Chinese imports has Chicago businesses bracing for higher costs and other rippling effects on their operations, including getting caught in an escalating trade war.

By Mitchell Armentrout, Abby Miller and Rafaela Jinich | Feb 3, 2025, 8:07pm EST



Selene Luna stands inside of her store, Guzman Grocery, at 1900 S. Leavitt St. Monday. Though President Donald Trump gave Mexico a one-month reprieve from steep tariffs Monday, Luna worries about the impact on her business once Trump's pause on tariffs ends. | Zubaer Khan/Sun-Times



President Donald Trump's looming tariff threats are creating risk and uncertainty for businesses across Chicago as the president's additional 10% import tax on Chinese goods goes into effect Tuesday.

Trump's proposed 25% tariff on goods imported from both **Canada and Mexico were paused** Monday after promises from leaders for more cooperation on border issues. But the remaining Chinese import tax has some businesses bracing for increased costs and wider rippling effects on their operations.

"Any tariffs are not going to be good for business," said Tom Cuculich, executive director of Chicagoland Associated General Contractors. "It's just a lot of uncertainty at this point, and uncertainty means risk."

Cuculich said the trade association's national headquarters is already receiving reports from members about tariff-induced price hikes. Members have received notification letters about price increases on materials ranging from drywall to ceiling tiles.

Contractors were concerned about higher costs for Mexican steel and aluminum in addition to Canadian lumber, Cuculich said — though those concerns are now temporarily subdued. But China remains a major source for HVAC equipment and other electronics containing microchips, in addition to materials like stone and steel.

Electronics and HVAC systems were pressure points during Trump's first term in 2018, Cuculich said, when tariffs were also introduced.



President Donald Trump. | Manuel Balce Ceneta/AP

"Any equipment or construction components that are sourced from Asia definitely will be affected — and we saw it back then," Cuculich said. "There was a pandemic on top of it, but we did see supply chain headaches." ✕

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Everyone in the **construction industry is focused on tariffs**, he said. The trade association members on Tuesday. Registration doubled Monday morning.

"Our hope is that these tariffs are short-lived," Cuculich said. "The impacts will be felt in — and by the average consumer, whether you're buying a house or avocados."

### **As broader strategy, tariffs don't work**

Mark Denzler, president of the Illinois Manufacturers' Association, said company leaders he's spoken with agree that tariffs can be an effective tool against "bad actors that are dumping products in our country, stealing intellectual property and illegally subsidizing industries" — but it shouldn't be a widespread strategy.

"It's a matter of using the scalpel instead of the sledgehammer," Denzler said. "Trade is critically important to Illinois' manufacturing sector, particularly with Canada and Mexico, so everyone's trying to figure out what the impact could be."

Five oil refineries in Illinois use crude oil from Canada. Slapping a 25% tariff on those barrels "could certainly hit consumers at the gas pump," Denzler said.

Worse for manufacturers is the possibility — and uncertainty — of an escalating trade war.

"Companies like certainty and predictability. For now, it's wait-and-see," Denzler said.

Rob Karr, president of the Illinois Retail Merchants Association, said a member of his trade group had just signed a partnership with a Canadian firm that's now up in the air.

"That deal could fall apart because neither party knows what the situation is going to be. It impacts people on both sides of the border," Karr said. "It creates a great deal of uncertainty."

And a month-long delay in imposing a potential tariff doesn't clear things up for business owners who have to think months ahead.

"You're ordering months in advance. You don't just say, 'I want a shipment of bananas next week,'" Karr said. "It's stressful to add any uncertainty to that."

### **Tariff impact sure to hit consumers**

While Karr agreed targeted tariffs can weed out bad actors, "we're looking at well-crafted, longstanding deals" with Canada and Mexico. "Fruits, vegetables, meats, furniture, cars, wood, motor oil — it will affect all kinds of prices for consumers."

Selene Luna, owner of Guzman Grocery, said about half of the store's products come from Mexico.

Tariffs on imports from Mexico and Canada have been delayed for 30 days. Once that time is up, Luna predicts sales could drop more than they already have in the past three weeks.

"It will have an impact, though not a huge one. But in some ways, it's already affecting us — especially with fruit and vegetables, like avocados," Luna said. "Customers sometimes hesitate to buy because they notice the price increase. They'll ask how much something costs, and when I tell them, they'll say, 'Never mind, I won't take it.'"

Democratic Gov. JB Pritzker, an ardent critic of the president, has branded the tariffs "Trump's taxes on working families."



Gov. JB Pritzker. | Jerry Nowicki/Capitol News Illinois

"If these tariffs remain in place, it will jack up the price of groceries and goods, make gas more expensive, and raise utility bills," Pritzker said in a statement provided by his office.

Illinois is the largest exporting state in the Midwest, the fourth largest nationwide and a top-five exporter to both Canada and Mexico, according to the governor's office, which estimates that exports support 800,000 jobs statewide.

In 2023, Illinois exports to Canada and Mexico were valued at nearly \$20.6 billion and \$13 billion, respectively. Illinois' top exports to its North American neighbors include machinery, chemicals, transportation equipment and agricultural products.

Imports from Canada to Illinois — led by oil, metal and food products — totaled about \$65.6 billion that year, while Mexican imports — including beverages, tobacco and electrical appliances — were valued at \$18.3 billion, according to state figures.

Illinois imported nearly \$44 billion in Chinese products in 2023, exporting only about \$4.4 billion in return.

"Trade is an anchor of the Illinois economy," said Pritzker, who led a state trade mission to Canada last spring. "Our jobs and economic success are linked to our top two trading partners, Canada and Mexico, and also China. ... If prices go up and jobs are killed, we must all give credit where credit is due: Donald Trump."

There are some lower-cost products — like tires, furniture and clothing — that companies and retailers might look to import from countries outside of Trump's tariffs. But high-demand electronics don't have as many alternative markets, said Nick Klein, the local vice president of sales and marketing for OEC Group, a logistics company. China is a main producer of those products and also has the raw materials to make essential components, like ion batteries.

Klein said a 10% tariff on Chinese imports likely isn't enough to "move the needle." The supply chain likely won't face major delays or headwinds because of new tariffs.

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"Ten percent, I don't think, is much for us to worry about," Klein said. "It's not enough to moving all their vendors somewhere else."

### Political reaction to Trump's tariffs

While Trump has faced some opposition from within his party, Illinois Republican Party Chair Kathy Salvi called the tariffs “a strong negotiating tool to enhance security and prosperity for Illinois and the United States.”

“President Trump was elected with a mandate to secure our borders, combat the flow of fentanyl and other illegal drugs, and protect American workers from getting ripped off by unfair foreign trade practices,” Salvi said in a statement. “Under Democrat leadership, Mexico and Canada have gained economic advantage at America’s expense and President Trump is committed to stopping this.”

