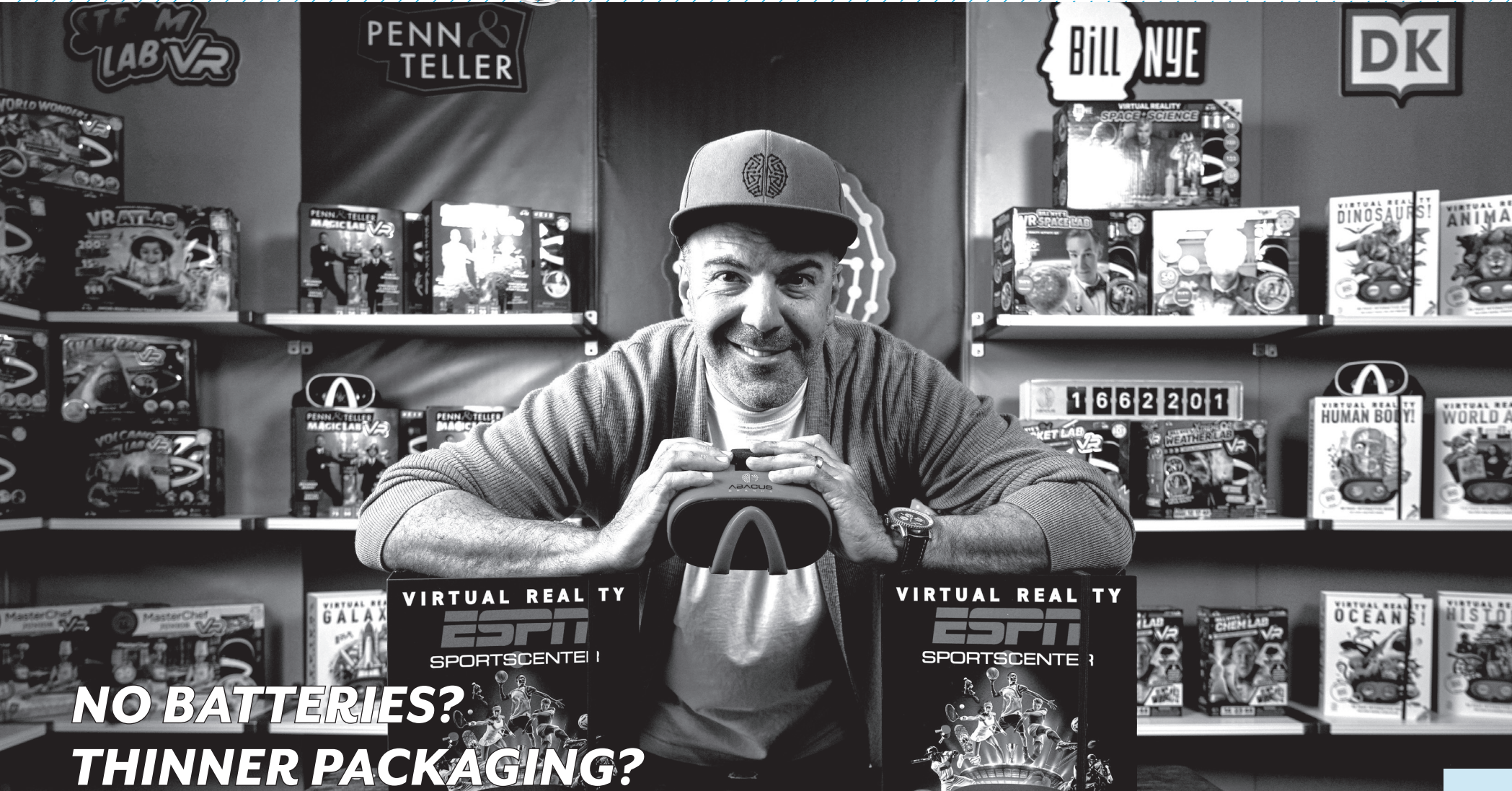


# Talking Points

A weekly section to spur conversation



## NO BATTERIES? THINNER PACKAGING?

### US BUSINESSES LOOK FOR WAYS TO OFFSET TARIFFS

By Anne D'Innocenzio | The Associated Press

Gadgets sold without batteries. Toys sold in slimmed-down boxes or no packaging at all. More household goods that shoppers need to assemble themselves.

These are some of the ways consumer product companies are retooling their wares to reduce costs and avoid raising prices as President Donald Trump levies new import taxes on key trading partners as well as some materials used by American manufacturers.

The economic environment in which the president has imposed, threatened and occasionally postponed repeated rounds of tariffs is more precarious than during his first term. U.S. consumers are feeling tapped out after several years of inflation. Businesses say tariffs add to their expenses and eat into their profits, but they are wary of losing sales if they try to pass all of the increase on to customers.

Instead, some companies are exploring cost-cutting options, both ones that consumers likely would notice in time — remember “shrinkflation?” — and ones that exist too far down the supply chain for them to see. The changes may help minimize price increases yet won't be enough in every case to offset them completely.

These are some of the strategies retailers and brands have in mind:

**A kink in the supply chain:**

After putting an extra 20% tariff on all goods from China, as well as a 25% tariff on imported steel, aluminum and automobiles, Trump said he would announce on Wednesday the targets of “reciprocal tariffs” that mirror the taxes all other nations apply to certain U.S. exports.

He argues the tariffs will spur domestic manufacturing, among other goals.

Also on the horizon: twice-delayed tariffs on most goods from Canada and Mexico, and duties on copper, lumber and pharmaceutical drugs.

Kimberly Kirkendall, president of supply-chain consulting firm International Resource Development, has told clients — U.S. makers of shelving, home goods and food products — that given all the uncertainty, this is not the time for long-term moves like seeking factories outside of China.

She encouraged them to focus on the short term, particularly the need to scrutinize product lines from every angle for possible savings.

“You've got to collaborate and work together with your suppliers in this situation to be able to bring costs down,” Kirkendall said.

Sourcing concerns are not only a worry for big companies that rely on Chinese manufacturers. Sasha Iglehart, founder of a small online clothing company called Shirt Story, has a

collection of upcycled men's shirts that sell for around \$235. She said she typically gets her vintage buttons from an Austrian supplier and knows Trump has talked about taxing goods from the European Union.

“I will continue to look for local vendors and collectors here in the States as back up,” said Iglehart, whose company is based in Connecticut.

**Reworking a product**

For many companies, evaluating which components or details they can remove from their products or replace with less expensive ones is the go-to move for absorbing the potential financial hit from tariffs.

Los Angeles-based toy company Abacus Brands Inc., which designs science kits and other educational toys, has most of its products made in China. By using slightly thinner paper in an 80-page project book that comes with two of its kits, the company expects to avert a \$10 retail price increase, President Steve Rad said.

“Three or 4 cents here,” Rad said. “Seven or 6 cents there. Two more pennies over there. All of a sudden, you've made up the difference.”

Aurora World Inc., known for its plush pets and toy vehicles, is looking at using fewer paint colors as a way to counteract tariff costs, according to Gabe Higa, managing director of the California company's toy division. All of Aurora World's toys come from factories in China.

“This is something that makes it a little bit simpler so that there's less manual labor involved or less material cost,” Higa said. “(It) doesn't have a lot of incremental value so it's easy to take away.”

The company still may have to raise prices as long as the new tariffs are in effect, he said.

**Economy packaging:**

Tweaking or reducing product packaging is another area where importers may cut back and carries the advantage of possibly appealing to eco-conscious customers.

Basic Fun CEO Jay Foreman, whose company markets classic toys like Tonka trucks, Lincoln Logs and Care Bears, said he is presenting retailers with three different packaging options and asking them to decide which ones they prefer for the trucks and some other products that will be in stores next spring.

The first is the current packaging, which consists of a box with a big open window that lets customers see what's inside. The second option: no box, just a tray attached to the bottom of toys to hold them in place on shelves. The third: unwrapped but affixed with a simple paper price tag that features brand information.

The second-tier packaging would reduce the toy

company's cost per item by \$1.25, and the package-free version would yield savings of \$1.75, Foreman said. Both would diminish the appeal of the products and would not come close to canceling out the tariff on goods made in China, Foreman said.

He said he would make pricing decisions later this week after Trump provides details about his planned reciprocal tariffs.

To further reduce its production costs, Abacus Brands is thinking of switching from plastic to cardboard for the package inserts that keep toy parts in place. Cardboard trays cost 7 cents per unit compared to 30 cents for the plastic version, according to Rad.

The change requires finding a new factory to make the inserts, a move that did not make financial sense before now, he said. The various tariff-related modifications should be effective for fall and holiday deliveries to stores, Rad said.

“The compromises we're making are things that do not matter to the consumer,” he said.

**Forget the extras**

Shoppers will likely have to assemble more of their products at home as companies look to reduce shipping costs, according to Kirkendall of International Resource Development.

One of her clients manufactures self-watering planters that are made in China. The product is undergoing a redesign so it can be shipped as separate nesting components instead of fully assembled.

Companies also are reevaluating the pieces of their products that are essential or extra. Chris Bajda, managing partner at online wedding gift retailer Groomsday, said accessories like batteries and decorative gift boxes may end up in the latter category.

“We now carefully assess what's truly necessary and avoid including items that don't serve a functional purpose for the customer,” Bajda said.

**The return of shrinkflation?**

Reducing the size or weight of products without lowering prices proliferated as a business practice from 2021 through 2024 as companies grappled with rising costs for ingredients, packaging, labor and transportation.

Edgar Dworsky, a consumer advocate and former assistant attorney general in Massachusetts, suspects the makers of consumer goods will embrace shrinkflation again to hide costs given the blast of new tariffs. The additional import tax on Canadian soft lumber, for example, might show up in smaller toilet paper rolls, he said.

“Shrinkflation has been a little quiet” in the last few months, Dworsky said. “But I would expect to see both price increases and product shrinkage.”

The U.K.'s response to Russia's gambit was

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### FISHING FEUD AT BOTTOM OF THE WORLD: JUDGE BLOCKS IMPORTS OF SOME CHILEAN SEA BASS FROM ANTARCTICA

By Joshua Goodman | The Associated Press

A federal judge in Florida has blocked the imports of a high-priced fish from protected waters near Antarctica, siding with U.S. regulators who argued they were required to block imports amid a diplomatic feud triggered by Russia's obstruction of longstanding conservation efforts at the bottom of the world.

Judge David Leibowitz, in a ruling Monday, dismissed a lawsuit filed in 2022 by Texas-based Southern Cross Seafoods that alleged it had suffered undue economic harm by what it argued was the U.S. government's arbitrary decision to bar imports of Chilean sea bass.

The case, closely watched by conservation groups and the fishing industry, stems from Russia's rejection of catch limits for marine life near the South Pole.

Every year for four decades, 26 governments banded together in the Commission on the Conservation of Antarctic Marine Living Resources, or CCAMLR, to set catch limits for Patagonia toothfish, as Chilean sea bass is also known, based on the recommendations of a committee of international scientists.

But in 2021, and ever since, Russian representatives to the treaty organization have refused to sign off on the catch limits in what many see as a part of a broader push by President Vladimir Putin's government to stymie international cooperation on a range of issues. Russia's refusal was an effective veto because the commission works by consensus, meaning any single government can hold up action.

The U.K.'s response to Russia's gambit was

to unilaterally set its own catch limit for Chilean sea bass — lower than the never-adopted recommendation of the scientific commission — and issue its own licenses to fish off the coast of South Georgia, an uninhabited island it controls in the South Atlantic. That drew fire from environmentalists as well as U.S. officials, who fear it could encourage even worse abuse, undermining international fisheries management.

Leibowitz in his ruling sided with the U.S. government's interpretation of its treaty obligations, warning that the U.K.'s eschewing of the procedures established by CCAMLR risked overfishing in a sensitive part of the South Atlantic and undermining the very essence of the treaty.

“Unlimited fishing would by no means further the goals of CCAMLR to protect the Antarctic ecosystem,” he wrote. “Allowing one nation to refuse to agree on a catch limit for a particular fish only to then be able to harvest that fish in unlimited quantities would contravene the expressed purposes of CCAMLR.”

The ruling effectively extends an existing ban on imports from all U.K.-licensed fishing vessels operating near South Georgia, which is also claimed by Argentina. However, the fish is still available in the U.S. from suppliers authorized by Australia, France and other countries in areas where Russia did not object to the proposed catch limits.

Chilean sea bass from South Georgia was for years some of the highest-priced seafood

at U.S. supermarkets and for decades the fishery was a poster child for international cooperation, bringing together global powers like Russia, China and the U.S. to protect the chilly, crystal blue southern ocean from the sort of fishing free-for-all seen elsewhere on the high seas.

Southern Cross originally filed its lawsuit in the U.S. Court of International Trade but it was moved last year to federal court in Ft. Lauderdale, where the company received two shipments of seabass from a British-Norwegian fishing company in 2022.

An attorney for Southern Cross, which doesn't have a website and lists as its address a waterfront home in a Houston suburb, declined to comment.

Environmental groups praised the ruling. “Allowing any country to sidestep agreed limits and fish freely undermines decades of hard-won international cooperation and threatens one of the last intact marine ecosystems on the planet,” said Andrea Kavanagh, who directs Antarctic and Southern Ocean work for Pew Bertarelli Ocean Legacy.

But some fishing industry executives said caving to Russia's geopolitical posturing unnecessarily hurts American consumers and businesses.

“Blocking access to the resource will not improve the fishery's sustainability but could very well cost U.S. jobs and exacerbate food inflation,” said Gavin Gibbons, the chief strategy officer for The National Fisheries Institute,

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