Made in China for the USA Market

Risks & Opportunities

2026 Reality Check

Check

Fabien Gaussorgues, CEO | Agilian Technology

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Agilian Technology

Contract Manufacturing & EMS Excellence
Excellence

South China

350+
Team Size
Size

130,000 ft²
Facility

Dongguan
Location

8+ Years
Experience

ISO 9001/14001
Certifications
s

Electronics
Products

Fabien Gaussorgues

Chief Executive Officer, Agilian (A Sofeast company)

- 16 years on-the-ground China experience
- 30 years in engineering & operations
- Fortune 500 background (Safran, Thales, Airbus)

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Tariffs: The New Norm

Tariffs Are Structural, Not Temporary

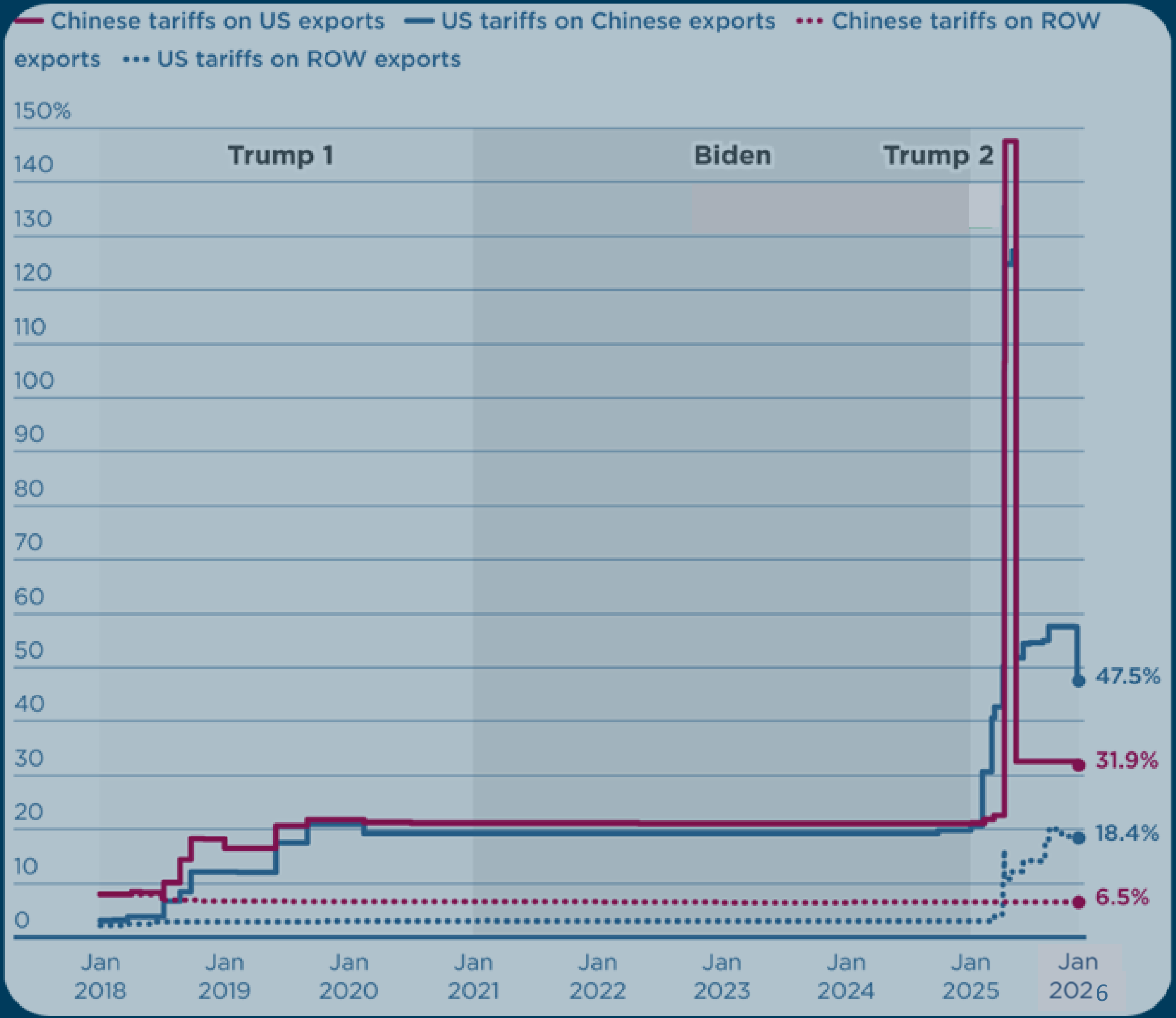
Current Tariff Landscape

Section 301 (Trump) tariffs, tariffs, since 2018, remain in remain in effect

MFN base tariff + 25% Sec 301 tariff on $370B+ of Chinese goods since 2018-2019*.
This is the new baseline, not an exception.

Feb. 26 ruling from US Supreme Court: most of the tariffs introduced in 2025 are removed, and Trump replaced them by 15% tariffs for all countries for at most 150 days

** With many exemptions*



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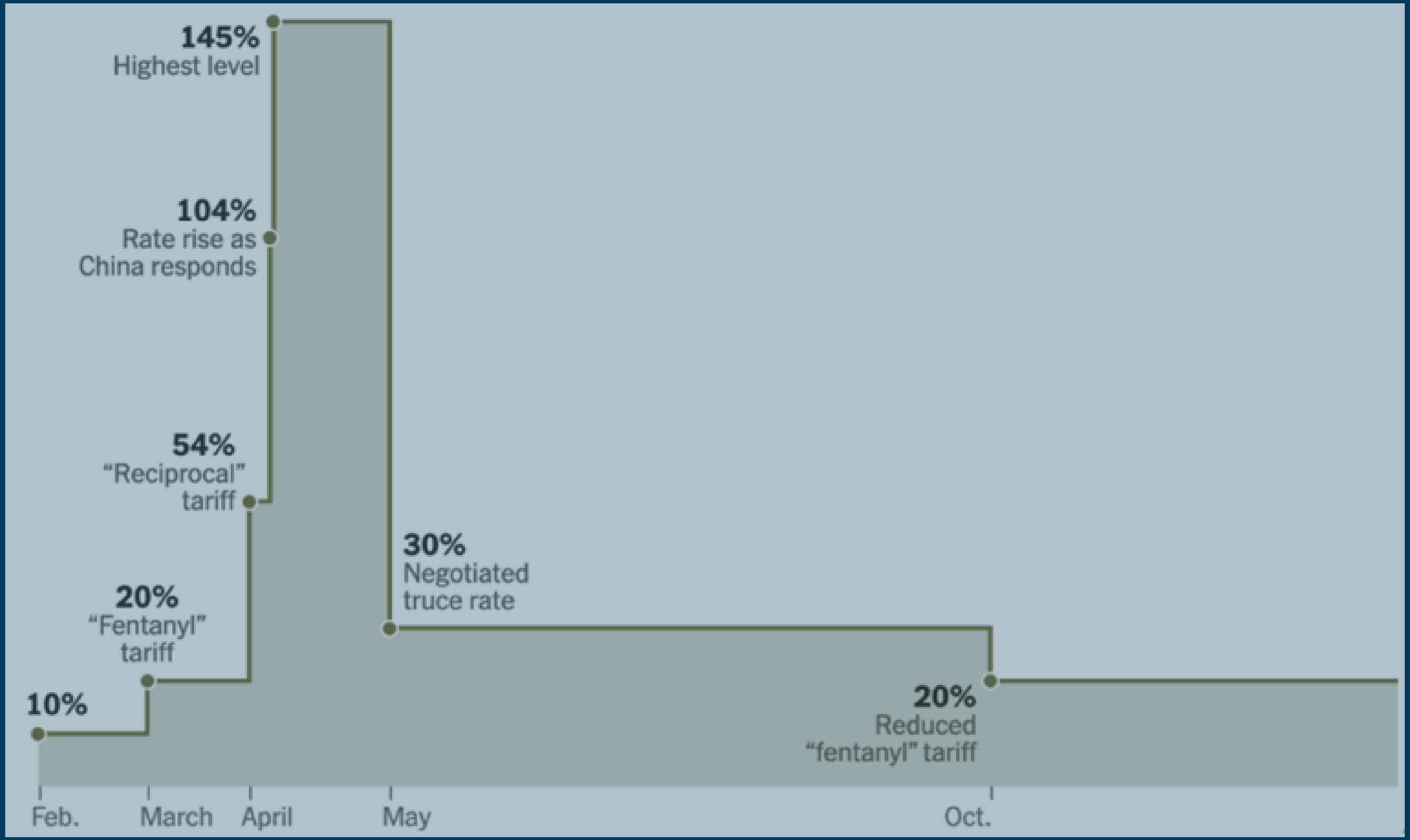
Zoom on 2025 new tariff China history

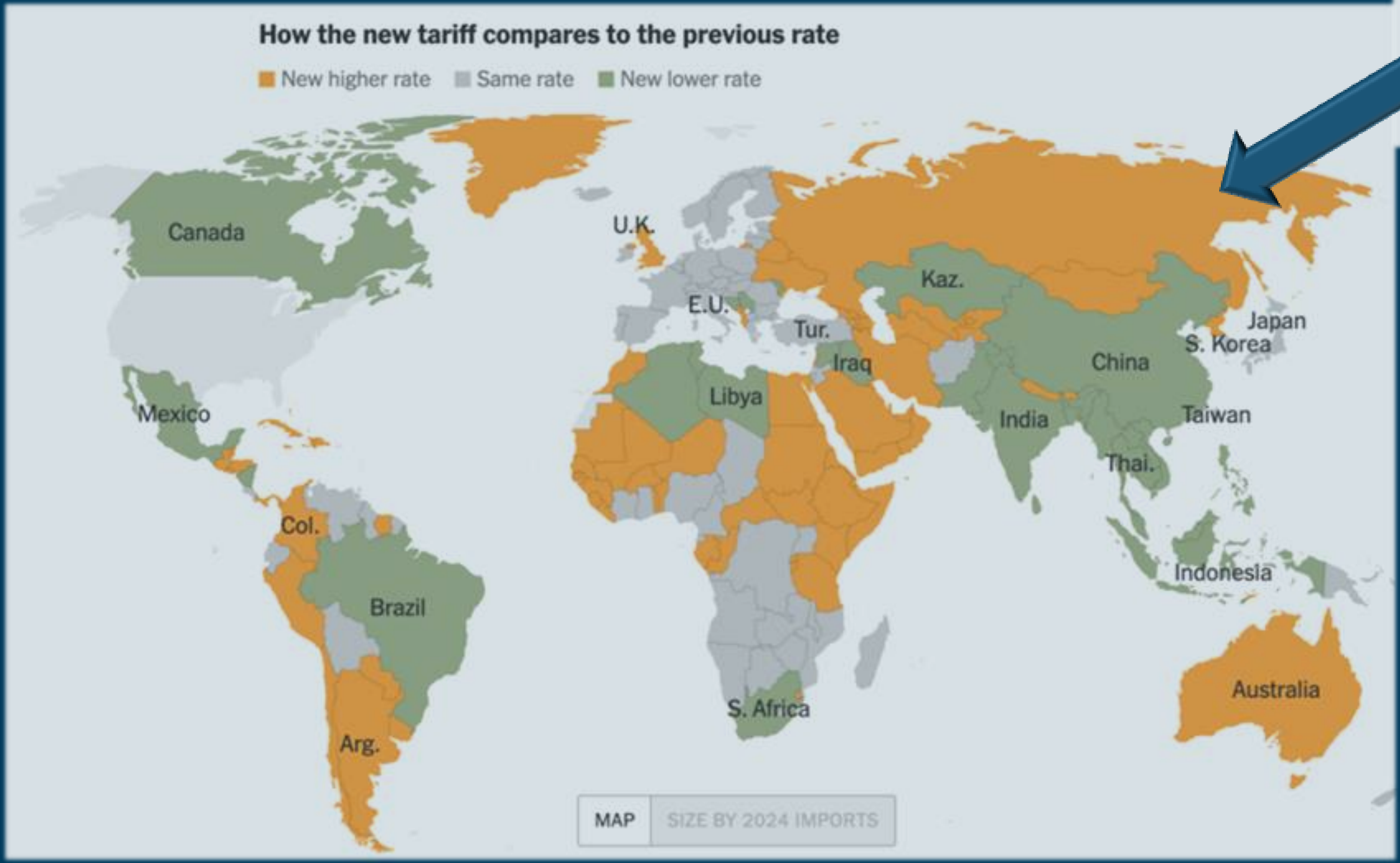
Current effective tariff rates for consumer electronics imports to USA



Should move to 15%
Effective immediately.

Tariffs: What changed last week?

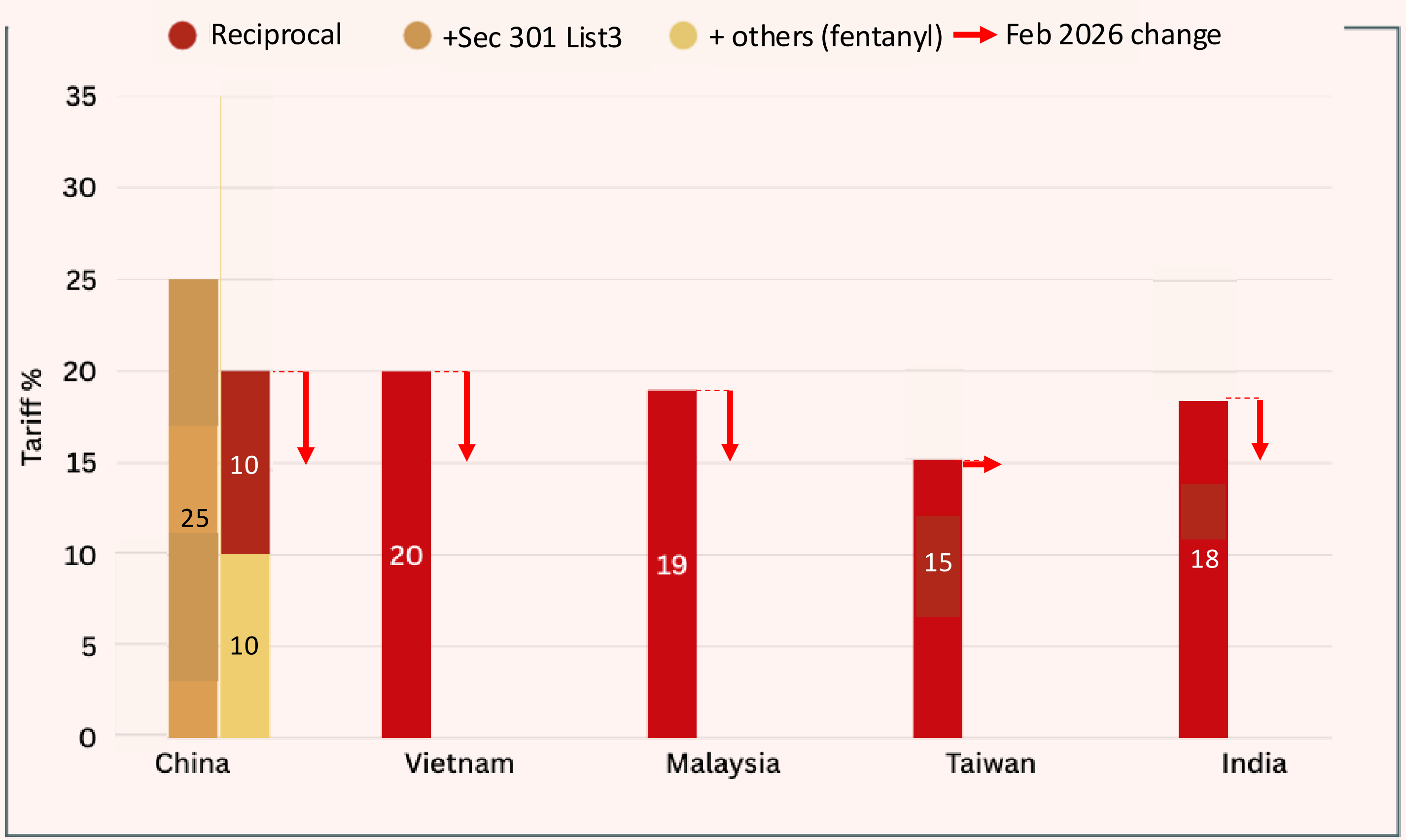
It changes almost everything (Sources: NY Times)



Before ruling

Tariff Comparison Snapshot

Current effective tariff rates for consumer electronics imports to USA

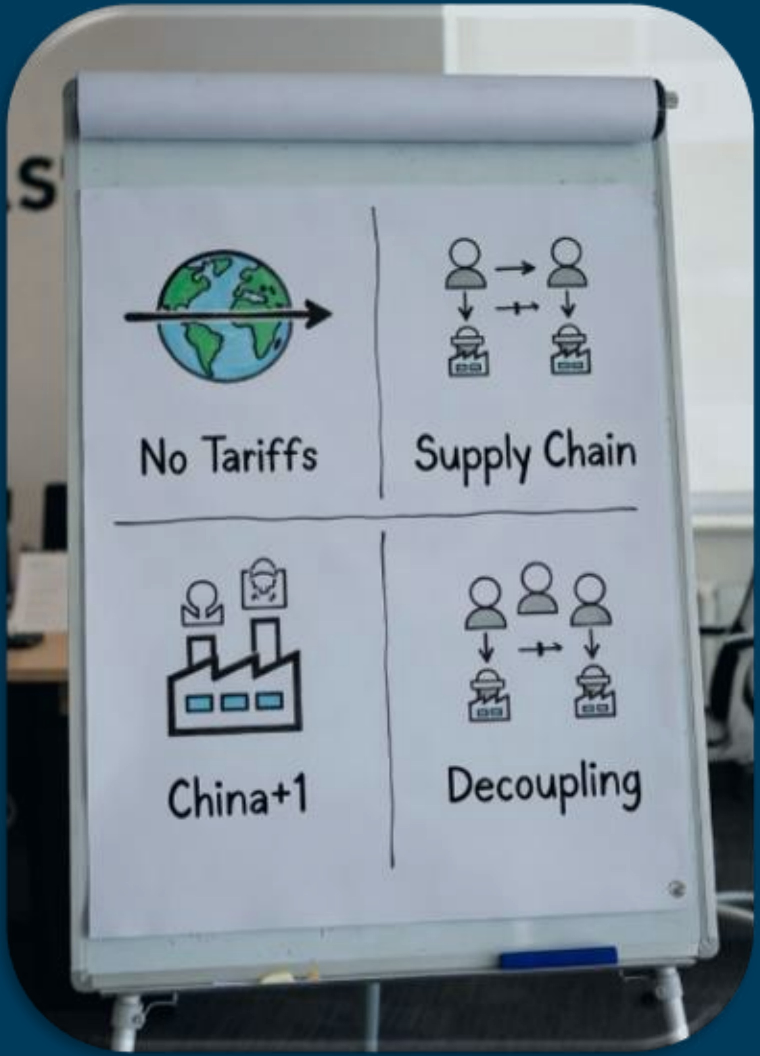


China faces ~20% tariff disadvantage vs. Asia

Tariffs Mitigation Options

Common mitigations for new and existing products

- Tariffs Avoidance
- Supply Chain Diversification
- China+1 Concept
- Full Decoupling: Mexico, Colombia, Vietnam, Malaysia, India,…



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Unofficial solutions for Tariffs (risky)

Used by many small importers

- Ship to Vietnam and add made in Vietnam label
- Under value the goods
- Change the classification arbitrary
- Use special Chinese DDP mode

Consequences can be disastrous for individuals and companies.
USA customs (CBP) are familiar with those practices
=> Consult expert for advices

China+1: Assembly in another country for USA market

Common mitigation for new products

In China

- Component sourcing
- NPI
- Early mass production runs
- Sub-assemblies
- Testing and certifications

Out of China

- Once production mature, components sent from China to other countries (lower tariffs)
- Source easy parts locally
- Do substantial transformation
- Ship finished products to USA

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“Made in”: Substantial Transformation rule

When assembly location determines country of origin for tariffs.

If a product's processing in a country resulting in a fundamental change of form or use, that country becomes the new origin.

Example Flow & Economics

China
Components
(60% COG)

→

Vietnam
Malaysia
India
Assembly
(+40% COG)

→

USA
Import

A: Import direct from China
$100 × 45% tariff = **$45** duty

B: Transform in Vietnam, then import
$100 × 20% tariff = **$20** duty

Savings: $25 per unit
Cost-effective if SE Asia assembly is under $25/unit.

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SEA Final Assembly: Leadtime Hidden Cost

Time is money & risks

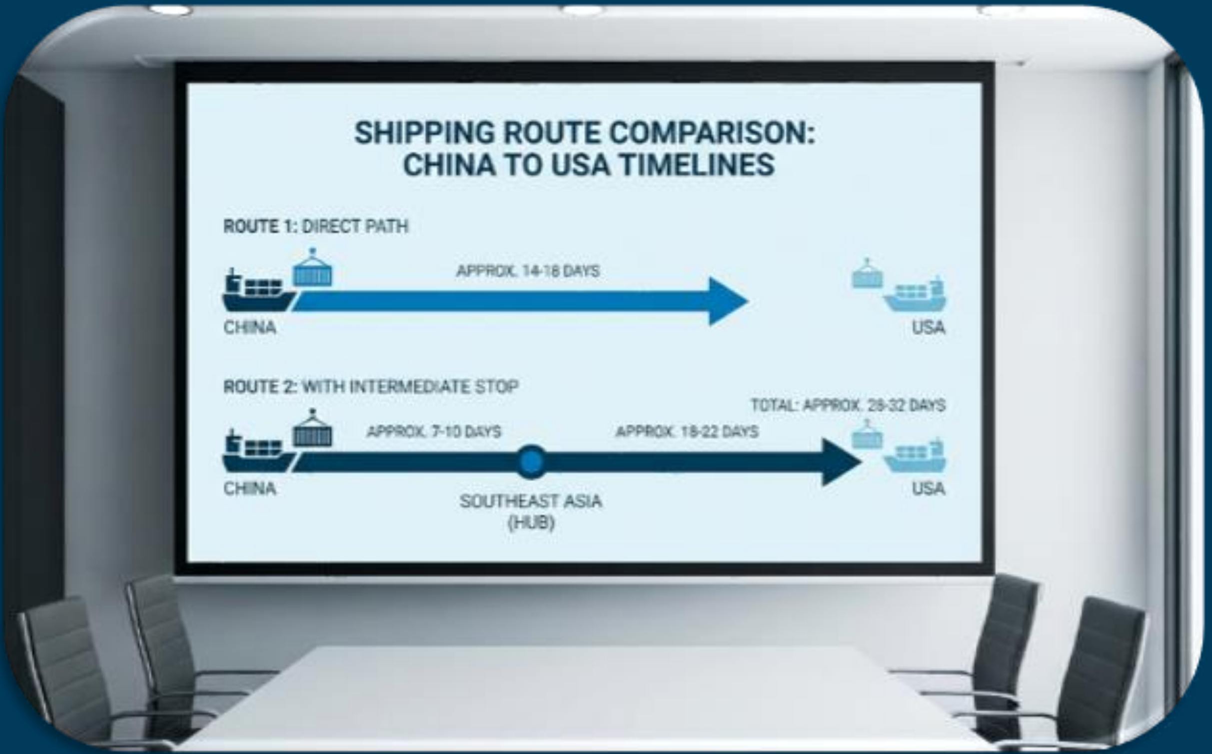
Shipping Routes Compared

Direct: China → USA

30-35 days

Rerouted: China → SEA → USA

65-75 days



+35-40 days (+115% longer)

Should be optimized => increase supply chain complexity

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Real Case: Shenzhen vs. Penang for Wireless keyboard

Same product, same specs, vastly different timelines

Shenzhen Production
`4-6 weeks`

Penang Production
`12-14 weeks`

Reasons:

- Component consolidation in China
- Sub assemblies in CHina
- Local shipments + Customs
- Final assembly + Quality control
- Shipment to USA

Locked Inventory

`(Monthly Units × COGS) × (Lead Time)`

Ex: 10,000 units/mo × $60 COGS × 2.5 mo => $1.5M
$1.5M

Key Insight: Each week of delay locks locks an additional ~$150K of capital. capital.

+8 weeks (+133% longer pipeline) & $1.5M hold in cash hold in cash

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Manufacturing Close to USA

US or Mexico production vs. Asian manufacturing : Pros & Cons

Advantages

Short lead times (assembly only)
2-4 weeks vs. 8-14 weeks from Asia
Impact: High

Lower MOQs
Flexible for testing, iteration & custom orders
Impact: Medium
Medium

Easier communication
Same time zone, language (USA), and feasible visits
Impact: Medium

No tariff risk
USMCA benefits (Mexico), no tariffs (US)
Impact: High

Disadvantages

Higher labor costs & Low flexibility
US: 5-10x China. Mexico: 2-3x China
Impact: High

Limited supplier ecosystem
Components often sourced from Asia
Impact: High

Lower manufacturing density
Fewer specialized vendors, longer distances
Impact: Medium

Higher tooling & NRE costs
Molds and prototyping are 1.5-3x more expensive
Impact: Medium-High

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When Planning for US Manufacturing Makes Sense

Three scenarios where economics and strategy align

1. Low-Volume, High-Mix

Characteristics

- Production runs <5,000 units
- Frequent design changes
- High product complexity

2. Speed & Iteration

Characteristics

- Rapid, iterative development
- Trend-dependent products
- Co-located engineering/production

3. IP Protection

Characteristics

- Proprietary tech/trade secrets
- Heavy engineering support
- Integrated R&D and manufacturing

Volume Tipping Point: ~2K to 5K units/month

Above this, Asian manufacturing economics typically win, unless one of these strategic scenarios applies.
scenarios applies.

Moving Production out of China: Reality Checks

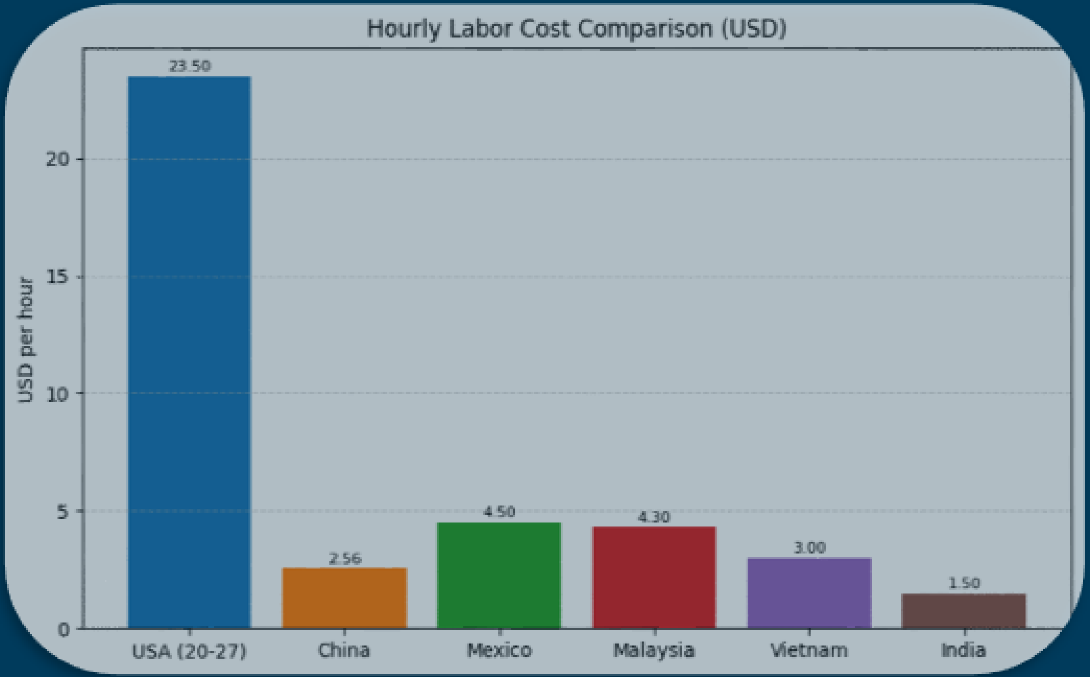
1 Production Lead Times:
2.5-3x vs. China

2 Productivity Gaps:
First 12mo = -30% productivity

3 Quality Takes 3-6mo to stabilize

4 Labor cost data ignores productivity

5 New cultural gap: Learning curve



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China-USA Worst-Case Scenario: Full Decoupling

Low probability, high impact

Trigger: Taiwan conflict, cyberattack, or full trade embargo
All China-US trade halted for an extended period (3-12+ months)

Supply Shock	Component Crisis	Semiconductor Loss

Estimated probability: **5-15%** over next 5 years

Contingency planning is essential for an established company. It is a low-probability, high-impact event.
impact event.

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China-USA, a More Realistic Scenario for 2026

Selective decoupling

US-China trade continues for most commercial goods, but with increasing restrictions on specific specific sectors tied to national security.

Continues

- Consumer electronics (phones, tablets, IoT) IoT)
- Home appliances and furniture furniture
- Textiles and apparel
- Most industrial components components
- Non-sensitive B2B products

Restricted

- Advanced semiconductors & mfg. equipment
- Military/dual-use electronics
- Critical infrastructure (5G, power grid)
- AI hardware & surveillance tech tech
- Products from PLA-linked companies

Probability: 70-80% likelihood

Actionable Takeaways

What you should do Next Morning

1 Audit Your Supply Chain Exposure

✓ Map China-sourced components, and potential backups

Timeline: Complete within 30 days

2 Diversify Intelligently, Not Reactively

✓ Add alternatives, don't abandon good suppliers

Timeline: Ongoing, start with highest-risk items

items

3 Design Supply Chains, Not Slogans

✓ Base decisions on Total Cost of Ownership

Timeline: Embed in all sourcing decisions

4 Partner with Experts Who Know the Ground

✓ Work with partners in multiple countries or with global expertise

Timeline: Before making major supply chain shifts

shifts

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Thank you

Q&A

How will you set up your supply chain in 2026 and beyond?

Let's Connect

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AI in production, what is happening

Slow but coming

- Agentic AI and Autonomous Systems: AI agents autonomously optimize workflows, predict maintenance, and handle shift handovers, with adoption expected to quadruple by 2027.
- Physical AI (e.g., robots) will reach 80% adoption in factories for tasks like assembly and quality control
- AI simulates processes for defect reduction and energy optimization

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AI through supply chain

Slow but coming

- By 2026, 25% of KPI reporting uses AI
- AI optimizes demand, inventory, and disruptions, with 95% of decisions partially automated.
- Procurement and Supplier Intelligence: AI analyzes suppliers for cost, reliability, and ESG compliance, automating sourcing and reducing risks; market projected to grow 42.7% CAGR to $63.8B by 2030.
- AI enables route planning, real-time visibility, cutting fuel use by 10-20% and enhancing sustainability.

Appendix 1: Exceptions & HS Code Reality

Narrow exemptions, broad compliance risks

Section 301 includes 549 product exclusions—but most are temporary, narrowly defined, and require precise HS code classification code classification

Common Electronics Exemptions

Certain USB cables

`8544.42.90 (specific configurations only)`

Excludes USB-C cables over certain power ratings

Some PCB components

`8534.00.00 (printed circuits)`

Assembled boards may fall under different classification

Medical device components

`Various under 9018.xx`

Requires FDA registration and documentation

Classification Risks

- Misclassification can result in retroactive tariffs + penalties
- Customs requires detailed technical documentation
- Anti-circumvention rules target 'substantial transformation' claims
- Regular audits of Chinese-origin goods, even when transshipped

Default assumption: Your product IS subject to Section 301 tariffs unless proven otherwise

What Gets Targeted

High-risk categories and suppliers to monitor

Electric Vehicles & Components

Risk Level: High

Drones & Aerial Systems

Risk Level: High

PLA-Linked Suppliers

Risk Level: Critical

Advanced Tech Components

Risk Level: Medium-High

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Appendix 2: The TSMC Reality Check

Advanced semiconductors: the unavoidable chokepoint

Why TSMC Is Irreplaceable (For Now)

Market Share
90%
Of advanced chips (5nm and below) globally

Technology Lead
2-3 years
Ahead of Samsung & Intel

Key Customers
Apple, AMD, NVIDIA
All dependent on TSMC for flagship products

US Fab Construction

- TSMC Arizona: $40B fab, full capacity by 2028
- Intel's Pivot: Years behind TSMC's process tech
- US by 2030: Still <20% of global advanced chip supply

For the next 5+ years, there is no replacement for Taiwan in advanced semiconductors.

Advanced Chip Production

90%

TSMC

8% Samsung

2% Others

5nm and below nodes
Source: TrendForce, Q4 2025

Startups Sometimes Manufacture in USA and *then* China

Low volume manufacturing: USA

- Validate product design & market
- Low volume production: 3D print, or other methods
- Keep all in-house or final assembly
- Great quality control and fast iterations

Industrialize in China

- Decide once product is mature & frozen (Sometimes a jump in features is done, or miniaturization, at the same time)
- Tooling made in China, & everything in place for larger orders
- Push landed unit cost down, can be by more than 50%

Volume Tipping Point: about 2K to 5K units/month

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