The New York Times

Trump’s Colombia Tariff Threat Targeted a Vibrant Alternative to China

By declaring he’d put tariffs on goods from the South American country, the president imperiled a growing influx of foreign investment there.

Seamstresses at a medical equipment plant MedSource Labs runs with a partner, Ronex, in Cartagena, Colombia. MedSource Labs has been “nearshoring,” or bringing its manufacturing closer to the United States.Credit...Alejandro Cegarra for The New York Times

By Peter S. Goodman
Reporting from Bogotá and Cartagena, Colombia

Jan. 27, 2025, 12:46 p.m. ET

Before Sunday, Colombia was quietly emerging as a refuge for multinational brands seeking a stable place to make their products in a time of geopolitical and environmental upheaval.

President Trump’s threats to increase tariffs on imports from China was forcing companies to diminish their dependence on factories in that country.

Businesses were setting up plants closer to the United States — a trend known as nearshoring. Mexico had become a popular destination, but Mr. Trump’s vow to impose tariffs on Mexican imports was adding risk to that strategy, too.

Colombia, by contrast, appeared safely removed from Mr. Trump’s focus. Since 2018, some $7.6 billion in foreign investment has been committed to more than 300 projects in Colombia connected to nearshoring, according to ProColombia, a government trade bureau. American companies make up more than 40 percent of all foreign investment — the largest single source.

“Nearshoring is not just a passing fad,” said Todd Fagley, chief executive of MedSource Labs, a medical equipment company based in Chanhassen, Minn., that set up a factory in Colombia three years ago. “The world is only going to get more difficult to maneuver,” he added.

But Mr. Fagley was not anticipating the events of Sunday afternoon.

President Trump, enraged by the refusal of his Colombian counterpart to accept incoming American military flights loaded with deported immigrants, declared that he was slapping 25 percent tariffs on all imports from Colombia. Hours later, the White House declared victory, announcing in a statement that the Colombian government had agreed to "the unrestricted acceptance of all illegal aliens from Colombia." The tariffs would be "held in reserve," the statement added.

For the moment, commerce would presumably carry on unhindered. But the episode underscored the growing complexities of international trade as Mr. Trump wields the threat of tariffs as a primary instrument of policy.

Mr. Fagley, 54, the MedSource co-founder, had already become accustomed to the volatile refashioning of the global supply chain. A competitive triathlete with an Iron Man under his belt, he is not one for sitting around waiting to see what happens next. Since founding his company in 2002 using a $75,000 second mortgage on his wife's home, he has frequently pivoted to points around the globe in response to changing circumstances.

Initially, MedSource relied almost exclusively on factories in China. On his first trip there in the early 2000s, Mr. Fagley learned that he could procure emergency medical kits used by paramedics for roughly one-tenth the price in the United States. As MedSource expanded into other products, it came to depend on two dozen factories in China for roughly 95 percent of its production.

In 2014, MedSource developed a new type of intravenous tube, entrusting a partner factory in the Chinese province of Jiangsu to manufacture it. A few months later, while at a trade fair, Mr. Fagley was horrified to spot prototypes for his new product displayed by another Chinese company.

Shaken by what seemed a brazen theft of intellectual property, Mr. Fagley moved production of the new device to India.

Two years later, he purchased a factory near Bloomington, Ind., to expand his array of intravenous products. He savored the marketing possibilities of making his goods in the United States, but the financial results were another matter.

"We lost money every year," he said, blaming higher American wages and the costs of complying with domestic regulations. He eventually shut the plant and moved its production to India.

All the while, events conspired to increase his desire to become less reliant on China. Mr. Trump's first term brought tariffs on hundreds of billions of dollars' worth of Chinese imports. President Joseph R. Biden Jr. advanced that policy.

Then, the pandemic emerged in China, halting production of key MedSource products. When Chinese factories resumed production in late 2020, a surge of factory orders overwhelmed the shipping industry, sending prices soaring.

Todd Fagley, chief executive of MedSource Labs, at a meeting in Bogota in mid-January. "Nearshoring is not just a passing fad," he said.Credit...Alejandro Cegarra for The New York Times

MedSource frequently transported parts from Chinese factories to a plant in Minnesota where it assembled them into finished products. Before the pandemic, shipping a container from Shanghai to Minneapolis cost an average $4,000. By early 2021, that same journey was running up to 10 times as much.

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Cartagena has one of the largest container ports in South America, including connections to Jacksonville, Fla.Credit...Alejandro Cegarra for The New York Times

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As he and his team figured out how to react, they settled on the need to move some factory orders closer to the United States. Mr. Fagley assumed Mexico would be a good option. His team visited Costa Rica, but the labor force was too small. They considered the Dominican Republic.

Then, a Lebanese partner of MedSource introduced the company to Elias Daffach Saker, an aspiring entrepreneur born and raised in Cartagena.

Elias Daffach Saker became partners with MedSource to bring production to his city.Credit...Alejandro Cegarra for The New York Times

Mr. Daffach’s grandfather had arrived in the city, a place of glittering skyscrapers towering over Spanish colonial-era forts on a peninsula jutting into the Caribbean, from his native Syria in the 1930s to try farming.

Mr. Daffach, 55, had worked in the family restaurant business and then in sales for a company that was making syringes. He spoke English fluently, having studied at a community college in Ohio. In May 2021, he flew to Minneapolis to meet Mr. Fagley.

Colombia did not immediately appear to be the solution to the problem of leaning too heavily on China. In the American popular imagination, the country conjured associations with coffee and armed conflict more than industry. But Mr. Daffach pitched MedSource on an updated iteration: Colombia was a country of 52 million people where, despite continued outbreaks of armed hostilities in some areas, development has been advancing.

Cartagena had one of the largest container ports in South America, including connections to Jacksonville, Fla., where MedSource had a distribution center. The journey could be completed in only a week, compared to four weeks from China to the East Coast.

MedSource tried manufacturing in Indiana, but lost money.Credit...Alejandro Cegarra for The New York Times

The city was also a petroleum industry hub centered on a large refinery. That meant it held stocks of a key material derived from petroleum — plastics.

MedSource soon forged a joint venture company, with Mr. Daffach in charge. Production started at a leased factory in 2022, beginning with disposable sheets for gurneys used in ambulances. The following year, the company moved into its own space in a free-trade zone.

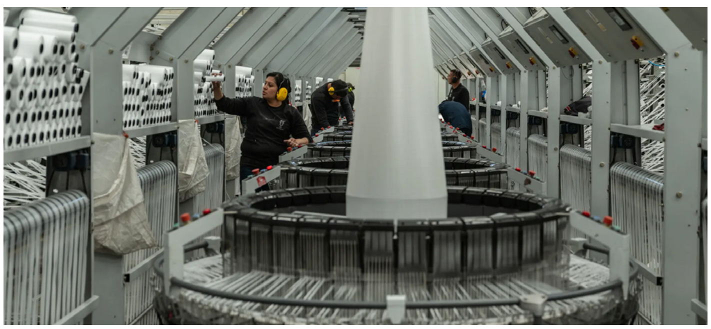
The costs of making goods at the Colombia plant were generally within 10 percent of those in China, Mr. Fagley said. Previously, that gap was untenable. But the world’s experience in running out of key items during the pandemic — medical masks, medicines, ventilators — has changed the calculus.

The same year, a drought in Central America dropped water levels in the Panama Canal, forcing its overseers to restrict ships that could pass through.

As Mr. Fagley stood inside the factory one morning this month, surveying the floor from a mezzanine, three dozen women hovered over whirring sewing machines, stitching ribbons of synthetic fabric into medical gear that had previously been made in China.

Some affixed handles to the sides of stretchers that would be purchased by the U.S. military. Others sewed disposable sheets. Mariselis Pajaro, 41, was part of a team making cuffs to prevent contamination during blood pressure exams.

Before she joined the factory three years ago, Ms. Pajaro sustained her family on part-time sewing jobs, earning perhaps $100 a month. She lived on a dirt lane in the town of Turbana. Rats, snakes and mosquitoes bearing dengue fever frequently penetrated the rotting boards of her wooden house. Rain seeped through the rusting metal sheets of her roof. Every storm left her anxious that her home would collapse.



An industrial loom at Ambitex in Bogotá, a fabric provider for MedSource. Credit...Alejandro Cegarra for The New York Times

At the factory, she was earning three times as much. Her daughter, 21, and son, 20, both worked at the plant, too. Their collective wages had allowed them to build a brick house a block away. They bought a motorbike, turning the commute to work — a predawn trudge to a town plaza, then a 40-minute bus ride — into a 20-minute straight shot on their own wheels.

"I never had the experience of a stable income before," Ms. Pajaro said. "I feel so much more secure."

As Mr. Fagley and Mr. Daffach mulled how quickly to expand, they were taking heed of the local availability of needed supplies. Their largest supplier of fabric, a factory in Bogotá, was drawing nearly all of its raw materials from within Colombia, limiting the potential for delays.

Before she started working at the MedSource factory three years ago, Mariselis Pajaro earned about $100 a month. Now she makes three times that. Credit... Alejandro Cegarra for The New York Times

Mr. Daffach was planning to begin making medical gowns later this year. An American customer wanted four million per year. Mr. Daffach preferred to start with one million to ensure that he could satisfy quality standards.

The company was planning to add a second story to its factory, but first wanted clarity about available tax incentives.

On a recent afternoon, Mr. Fagley and Mr. Daffach visited Cartagena's mayor, Dumek Turbay, in the colonial customs house that serves as city hall, seeking his help in navigating the bureaucracy.

Mr. Turbay noted that Cartagena's port had begun as an entry point for the Spanish, who arrived seeking to extract valuable commodities. It grew as an entry point for enslaved people brought from Africa. Today, he added, the same port was a central piece of plans to develop wealth for local people.

"It's an opportunity," Mr. Turbay said.

Later, Mr. Fagley and Mr. Daffach toured the largest container terminal at the port. They were briefed on the port's intentions to expand. They took reassurance from a map put before them: dotted lines linking Cartagena to ports along the East Coast of the United States. Here was a corridor that avoided both the Panama and the Suez canals, one free and clear from whatever came next in the American relationship with China.

"I never had the experience of a stable income before," said Ms. Pajaro, left, in Turbana, Colombia. Credit...Alejandro Cegarra for The New York Times

"It's as secure as you can get in an insecure world," Mr. Fagley said.

Yet less than two weeks later, Mr. Trump complicated that assertion, offering a reminder that — under his tenure — anything related to trade comes accompanied by uncertainty.

By then, Mr. Fagley was at a trade show in Dubai, meeting with potential partners from the United States and around the world.

"What matters most to us are the patients we serve and the security of the U.S. supply chain for critical medical devices," Mr. Fagley said by text late Sunday, adding that the company "remains flexible in its strategy."

Peter S. Goodman is a reporter who covers the global economy. He writes about the intersection of economics and geopolitics, with particular emphasis on the consequences for people and their lives and livelihoods. More about Peter S. Goodman