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Tariffs create mixed bag for U.S. farmers, builders

Some benefit, but others with no apparent ties are feeling the crunch.

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Scott MacDonald is watching warily as the Trump administration investigates Vietnam's trade practices, something that could lead to tariffs against the Southeast Asian country.

The Minnesota-based manufacturer's representative said tariffs against the Chinese have hurt his business as they pinch his customers.

After President Donald Trump applied the protectionist tariffs on \$360 billion worth of Chinese products in 2018, MacDonald predicted other companies would see similar scrutiny.

Companies that moved supply chains from China to Vietnam to avoid tariffs could once again be slapped with cost increases that could lead to higher consumer prices or reduced profits.

"I said if they can do this in China, what's to keep them from doing it every place else?" said MacDonald, who represents foreign companies selling to U.S. retailers.

The Chinese tariffs have hit several industries from farming to high-tech computer parts.

Higher tariffs against Canada and European countries also have hit Minnesota companies, from builders who pay higher prices for products from lumber to wine sellers.

Supporters of the tariffs said the U.S. needs to push for fairness in trade, against alleged misuse of intellectual property in China, for example, or possible misdeeds by European Union officials in deals with Airbus.

A review by Daniel Ikenson of the Cato Institute, a conservative, free-market think tank, found tariffs paid by U.S. businesses totaled \$33 billion in 2017, before the Trump tariffs. The figure rose to \$71 billion in 2019, the second full year of Trump tariffs.

The long game for tariff proponents such as Peter Navarro, Trump's top trade adviser, is an attack on what he calls "globalist elites."

The White House wants to force companies with international supply chains to turn back to America for purchases of raw materials, parts and finished products.

Navarro described the strategy as "buy American, hire American."

The question for Americans like MacDonald, who see their incomes threatened, is whether this strategy will be successful in an economy that has long relied on international trade or the extent of damage U.S. businesses will face in the short term to reach the goal.

Take farmers.

The Chinese retaliated against U.S. tariffs with a tax on U.S. soybeans that temporarily crushed the U.S. market. This led the Trump administration to hand out more than \$22 billion in direct aid to farmers in 2018 and 2019.

The government checks saved some farms from bankruptcy. Farmers also point to the support they received from the CARES Act, which provided stimulus programs to get businesses through the downturn caused by the coronavirus pandemic.

“We’ve seen unprecedented attention to the American farmer by this president,” said 53-year-old Shayne Isane, who grows soybeans, corn and wheat in northwest Minnesota. “He seems to have a passion for agriculture.”

Richard “Swede” Syverson is happy that the price of soybeans has risen since a new trade deal with China promised increased purchases. And he said direct federal aid saved “a significant number of farms.”

But Syverson said farmers would rather sell their products than get a government check. And the trade policy has been unsettling.

“The way it was done was clumsy,” Syverson said. “The last four years have been turbulent, and it’s been hard to plan.”

Chinese trade negotiations are ongoing, as are talks and trade disputes with other countries. The U.S. in 2017 after claiming Canadians were undercutting U.S. lumber prices, enacted a 20% tariff on Canadian softwood lumber, typically used to build homes. The World Trade Organization in August ruled that the U.S. claim was incorrect; the U.S. criticized the decision.

For Steve Noble, the tariff is yet another blow to his custom homebuilding business in St. Cloud. The pandemic blew up his company’s fortunes in many ways.

As the world economy collapsed under COVID-driven shutdowns, American suppliers of construction materials dumped inventory and did not resupply, Noble said.

So as business picks up for homebuilders like himself, they face shortages of just about every building component, especially lumber. The cost of a 4 x 8-foot piece of wood sheathing has gone from \$8 to more than \$30. Framing materials cost double or triple what they did a few months ago.

One of the reasons: the Canadian lumber tariff, he said.

“Now, because we can’t produce as much as we need, the tariffs are hurting us,” Noble said.

The tariffs did help the U.S. taconite industry, concentrated in Minnesota’s Iron Range. Citing national security, Trump imposed 25% tariffs on most countries exporting steel to the U.S. In a

recent call with reporters, Navarro bragged of job creation in the U.S. steel and solar-power industries.

Six mayors in the region recently wrote a letter praising Trump's trade policies.

The United Steelworkers Union, which represents thousands of miners, shot back with an angry proclamation, saying Trump's handling of the pandemic set back the gains from the trade moves, resulting in almost half of the workers at Iron Range mines being laid off again.

The result of the tariffs on manufacturing are equally complicated.

Some Minnesota companies have said the tariffs, especially against China, have helped them.

However, the National Association of Manufacturers (NAM), which represents 14,000 U.S. companies, including many in Minnesota, said tariffs have curtailed U.S. hiring and slowed America's economic growth.

NAM also said that many U.S. companies forced to pay the tariffs for parts or products needed for their businesses neither caused nor can solve alleged unfair trade practices.

For instance, a fight over the aircraft construction subsidies paid by the European Union to Airbus, a French company, led to tariffs on U.S. businesses that have nothing to do with the aerospace industry. The U.S. businesses affected, though, are companies such as wine or cheese importers.

Target Corp. and 3M, two of Minnesota's biggest multinational corporations, declined to comment on the increased tariffs they have faced in the last three years.