



## Trump's tough trade stance gets mixed reviews among business leaders in Minnesota

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The new era of trade restrictions signaled by President Donald Trump's withdrawal from the Trans-Pacific Partnership (TPP) and the renegotiation of the North American Free Trade Agreement (NAFTA) will not be good news for some of Minnesota's major corporate players and industries, but comes as relief to others.

The pivot away from current international free trade deals blew up arrangements with three of Minnesota's four top foreign trading partners — Canada, Mexico and Japan. TPP included a dozen Pacific Rim countries and was expected to help some of the state's major corporate residents and sectors, including agriculture, medical technology and retail.

Cargill, the Wayzata-based agribusiness giant, worked hard to bring about TPP. Some other Minnesota-based businesses, including Target Corp., import from foreign production plants. Others planned to increase revenue by selling more in foreign markets.

"We supported TPP strongly and wish [the president] would have embraced it," said Charlie Weaver, who heads the Minnesota Business Partnership, a group that includes dozens of CEOs of the state's biggest companies. "Protectionism isn't good for U.S. workers, consumers or the economy. That's the fear of changing NAFTA and walking away from TPP."

Republican Rep. Erik Paulsen, who voted for trade promotion authority, the pre-cursor to a vote on TPP, offered a warning after Trump dumped the deal. "The bottom line is for the economy to continue to grow, we can't simply just buy American — we have to sell American goods and services in growing markets to new customers," Paulsen said.

However, some Minnesota industries, notably its mining sector, as well as some members of the state's congressional delegation, welcomed Trump's moves, which kept promises made during his campaign. TPP was a campaign issue in Minnesota's Eighth Congressional District, which includes the state's Iron Range. Incumbent Rep. Rick Nolan, a Democrat, and Republican challenger Stewart Mills both reviled the trade agreement.

"I'm glad President Trump has officially joined us in our effort to block the job-killing Trans-Pacific Partnership by signing an executive order to withdraw from the negotiating process," Nolan said Monday.

U.S. Sens. Al Franken and Amy Klobuchar, both Democrats, voted against trade promotion authority for TPP.

“You only need to look at the Iron Range to see what unfair trade policies have done to working families, and I believe this country needs a trade policy that is fairer for Minnesota,” Franken said in a statement.

Klobuchar said that “moving forward, the president should fulfill his commitment to negotiating agreements that are good for workers in Minnesota and across the country. He should also open up new markets, like Cuba, to help farmers and businesses boost exports and strengthen local economies.”

Opponents wanted TPP stopped and NAFTA undone because critics believed the trade agreements took away too many American jobs without replacing them.

But economists say that overall, trade helps Minnesota.

“Unambiguously, this is pretty bad news for Minnesota businesses and very bad news for the American economy,” Robert Kudrle, a professor of international trade at the University of Minnesota, explained. TPP “would have basically increased markets for agricultural commodities and processed foods. It would have increased the markets for our high-tech firms and financial firms and the demand for specialty vehicles manufactured in the state.”

Kudrle said the trade vacuum in Asia is now likely to be filled by China, which will set terms not nearly as favorable to the United States as TPP.

Kevin Paap, a Blue Earth County corn and soybean farmer and president of the Minnesota Farm Bureau, said TPP was projected to boost agricultural income by billions. “What is the administration going to do to replace that lost revenue immediately?” Paap asked, noting that it took seven years to negotiate TPP. “If it takes seven years to do individual deals, that doesn’t help me with low prices right now.”

Former Minnesota Gov. Tim Pawlenty, who now heads the Financial Services Roundtable, a national trade group, was more conciliatory. “President Trump promised he would negotiate better trade deals and we look forward to those better deals getting done and benefiting America’s security and economic interests,” Pawlenty said.

### **Cautious response**

With Trump threatening financial penalties to businesses that move any operations abroad and with a Republican tax plan that offers a 10 percent “border adjustment” on imports, Minnesota businesses that supported TPP offered cautious, measured reactions Monday.

“Cargill advocated for TPP and NAFTA and we are committed to working with the Trump administration on inclusive trade policies that allow our economy to grow, our citizens to prosper and America to remain competitive,” Devry Boughner Vorwerk, Cargill’s vice president of corporate affairs, said in a statement.

Target said it “is monitoring and evaluating the latest developments with regard to trade policy,” but had “nothing specific to share at this time.”

Medtronic declined to comment and deferred to its trade association, the Advanced Medical Technology Association, which has a membership that includes most of Minnesota's medical technology companies and which had been vocally in favor of TPP.

"The medical technology industry has consistently supported trade agreements that open markets and improve patient access to needed medical advancements," the trade group said.

Trump has said he will strike agreements with individual countries as an alternative to TPP and also was setting up meetings with Canada and Mexico to discuss NAFTA.

"President Trump could cancel NAFTA this afternoon, but that would be really bad for American manufacturing," said Tim Kehoe, a University of Minnesota trade economist who worked on NAFTA for the Mexican government. "Getting the factories back in the Midwest the way we had 25 years ago is not going to happen. That's technology, not trade."

More than anything, trade specialists question how Trump's economic protectionism, embodied in his America First plan, can improve the lot of American workers if it starts a trade war.

"Outsourcing [from free trade agreements] is responsible for maybe 15 to 20 percent of job losses," said Dan Ikenson, director of the trade center at the CATO Institute, a free-market think tank. The rest are attributable to mechanization.

"I don't know how you bring back jobs that were replaced by machines," he said.