



Trump Tariffs Killing Wisconsin

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Two years ago, I wrote a column documenting that Wisconsin had long been a global trade winner, exporting as much to foreign countries as it imported. Wisconsin, in fact, was the only Midwestern state without a sizable trade deficit: while states like Michigan, Illinois and Pennsylvania had huge trade deficits of \$70 billion, \$58 billion and \$40 billion respectively in 2015, Wisconsin tended to break even each year, varying between a \$900 million surplus in 2013 and a deficit of about \$600 million in 2015.

What made Wisconsin an island of trade success amid a Midwest awash in deficits? Perhaps because Wisconsin combines a still strong manufacturing economy that tends to specialize in higher-end products — rather than basic goods like steel — that aren't easily duplicated, plus a robust agriculture sector that is a huge exporter of cheese.

Whatever the reasons for Wisconsin's unique standing in global trade, it has now become "stone cold loser" as Donald Trump might put it, thanks to the president's policies. U.S. Census statistics on exports and imports show the state's trade deficit has grown from \$1.4 billion in 2016 to \$5.5 billion in 2017 and \$8.2 billion in 2018. That's a stunning transformation in just two years.

Trump has imposed tariffs of 25 percent on steel and 10 percent on aluminum imports and as a result, China, the EU, Canada, Mexico and Turkey have retaliated with tariffs on more than \$24 billion worth of U.S. exports. He's also imposed 25 percent tariffs on \$34 billion in Chinese imports and China then retaliated with tariffs on \$34 billion in U.S. products. This has put a long list of Wisconsin's products, like boats, motorcycles, cheese, yogurt, pork, cranberries and sweetcorn at risk of tariffs.

The steel and aluminum tariffs have no benefit for Wisconsin because it manufactures little steel and no aluminum, but needs both for many products it manufactures. A case in point is Regal Ware, a company in West Bend that makes cookware and small kitchen appliances. As its owner Doug Reigle complained in a story by the Milwaukee Journal Sentinel, "Our competitors, which come from all over the world, aren't subject to these tariffs. ... So I'm now at a 25 percent disadvantage immediately on all those products."

Harley-Davidson moved some of its motorcycle production and jobs overseas to avoid the tariffs. Other Wisconsin companies like Mercury Marine, JAQ Matic Valve & Controls and Lakeside Manufacturing, have faced higher costs due to the tariffs, as a Cato Institute analysis found.

Rob Parmentier, president and CEO of Marquis-Larson Boat Group, which builds yachts in Pulaski, Wisconsin, told USA Today the tariffs have been killing U.S. boat manufacturers.

“We’ve had a lot of order cancellations. Canada and Europe have essentially stopped buying boats,” he lamented.

A report by the Trade Partnership, an international trade and economic consulting firm, estimated that tariffs cost Wisconsin businesses almost \$95 million in just one month, August 2018, which was 47 percent more than in August 2017, as The Observatory reported.

Wisconsin’s farmers have been particularly hard hit. “Most painful for Wisconsin’s dairy farmers has been a 25 percent tariff that Mexico placed on American cheese,” as the New York Times reported. About 90 percent of Wisconsin’s milk is turned into cheese, with much of it purchased by Mexico.

Then there’s the state’s soybean crop. “Soybeans were about \$10.50 per bushel before Trump’s trade wars started,” Forbes reported. “They fell substantially over the next two plus months to as low as \$8.25 per bushel since China was a huge customer and decreased its purchases substantially.

Farmers already faced huge challenges, but the tariffs helped pushed more of them out of business. From 2013 to 2017, “U.S. net farm income fell 39 percent, from \$123.8 billion to \$75.4 billion,” The Observatory reported. “The number of dairy farms in Wisconsin sharply decreased in 2018... Wisconsin had 8,801 licensed dairy producers at the beginning of the year and had lost 638 farms as of December.”

Trump’s \$12 billion bailout to American farmers has helped but has fallen far short of the money lost due to tariffs, experts say. And there has been no bailout for the many small manufacturers in the state who have lost business due to tariffs.

A report last year by the U.S. Dairy Export Council estimated that over the next several years, retaliatory tariffs by China and Mexico could cut American dairy exports by \$2.7 billion and lower dairy farmers’ revenues by \$16.6 billion if they were not rolled back, the Times story reported. Kara O’Connor, government relations director at the Wisconsin Farmers Union, told The Observatory the loss of farms in the past three years has been “astounding.”

The issue has actually come close to uniting Wisconsin’s two U.S. Senators, Democratic Sen. Tammy Baldwin and Republican Sen. Ron Johnson. Baldwin has supported tariffs against China as necessary “when they cheat.” But “why the president deemed it necessary to impose tariffs against Canada, against Mexico, against the European Union, defies all imagination,” she declared.

Sen. Johnson took a similar stand, condemning “widespread tariffs and really being at war with virtually all of our trading partners as opposed to uniting with the rest of the trading world against the primary problem child, which is China.” But more recently Johnson announced he would support Trump’s 5-percent tariff on all goods imported from Mexico if the president uses this as a negotiating tool to reduce the flow of immigrants across the border.

Until Trump was elected, Wisconsin had been a big winner from international trade. One report found Wisconsin ranked second among the states in export of dairy products (\$597 million), in HVAC & refrigeration equipment (\$531 million), and miscellaneous animal products (\$235 million), and third in miscellaneous transportation equipment (\$413 million). “It is the top

exporter of furskins and ranks among the top 10 exporters of berries, potatoes, vegetables and melons, and corn,” the analysis noted.

The same report found Wisconsin’s trade-related employment grew 13.6 times faster than total employment from 2004 to 2013, these jobs paid 18 percent more than similar jobs in non-exporting plants and those businesses that export grew two-and-a-half times faster than state GDP since 2003.

All of which is threatened by the Trump tariffs. A recent study estimated that the continued trade war could cost America 2.2 million jobs, with Wisconsin losing 37,000 jobs. Johnson called the numbers “quite shocking,” as the Biz Times reported.

“The longer this trade war goes on,” he warned, “the greater and more permanent the damage done.”