How Trump’s Tariffs Are Impacting Minnesota Businesses

tcbmag.com/how-trumps-tariffs-are-impacting-minnesota-businesses/

By Liz Fedor June 6, 2025

Doug Chayka

Tariff whiplash impedes reliable business planning and long-term investment. The result is about as complicated as a game of chess.

It took President Trump almost six weeks to reduce the high tariffs on China that he announced with much fanfare April 2 in a Rose Garden ceremony.

By the time Treasury Secretary Scott Bessent revealed May 12 that the U.S. and China had agreed to de-escalate their trade war, the China tariffs—and those imposed on nations around the world—had rocked the global economy.

Suddenly longtime U.S. allies were questioning the reliability of the United States as a trading partner, and they viewed the Trump tariffs as unjustly punitive. Businesses, including those in Minnesota, were caught in a state of suspended animation because there was no clarity about what the final tariff levels would be and when trade deals might be reached.

Twin Cities Business recently interviewed Minnesota business leaders and academic experts to identify how companies have been navigating the ever-changing tariff landscape and to learn why broad-based tariffs are anathema to advocates of free trade.

The Trump administration dropped the tariff rate on Chinese goods from 145% to 30%, but the 30% level is still high for many small businesses and for consumers. In addition, the agreement on the reduced tariff is only good for 90 days while the two sides continue their negotiations.

The Wall Street Journal’s editorial board called the easing of levies on China “The Great Trump Tariff Rollback.” But the board pointed out that the tariff issue remains very much alive, with real consequences for American businesses and consumers. Trump left a base tariff in place on nations around the globe. “A 10% across-the-board tariff is still four times the average U.S. tariff rate before Mr. Trump took office,” the newspaper noted.

The reality that American consumers will pay higher prices was brought into sharp focus May 15 when Walmart announced it was raising prices on products affected by tariffs.

While Trump deployed some tariffs in his first term and talked about tariffs during the 2024 presidential campaign, the magnitude of tariffs he imposed across the world this year caught many U.S. businesses by surprise.

Emily LeVasseur, president of the Association for Supply Chain Management-Twin Cities chapter, says she's been seeing "a paralysis in strategic decision-making" among several Minnesota businesses.

"Everybody is kind of stepping back and saying, 'OK, we need to pause. We need to let this shake out before we make any significant investments in our supply chain, in our cost structures.' It's really hampering decision-making because of that uncertainty," LeVasseur says.

She's the co-founder and managing director of Waypost Advisors LLC, a Twin Cities-based firm that helps companies with supply chain issues. LeVasseur also specialized in supply chain matters at Cargill, where she worked for 14 years.

Many of the U.S. manufacturers she works with have revenue of $100 million to $500 million a year. Several of the businesses operate facilities in China and sell their products in multiple countries. "It's painful right now," she says. "They're trying to figure out every single thing that they can do."

She couldn't think of any clients who exclusively source their materials in the United States. "They may be buying from distributors and suppliers that are in the U.S.," she says. "But the materials they're buying certainly come from out of the U.S. as well. In a lot of cases, it's China. So that doesn't save them from the tariff impacts. Their suppliers are just going to increase the prices to cover the tariffs."

Trump stated repeatedly that he wanted his tariff strategy to force companies to do their manufacturing in the United States. But LeVasseur said that shift is hard to achieve. She cited the case of a manufacturer headquartered in Minnesota, which sells a consumer product. "It's all made in China, and they own that plant," she says. "What are they going to do? Build a new plant in India? That's two or three years probably [to build elsewhere]."

“It’s really hampering decision-making because of that uncertainty.”

—Emily LeVasseur, president, Association for Supply Chain Management–Twin Cities chapter

Read more from this issue

‘Safe places’ to do business

From her vantage point as the Minneapolis-based market manager for JPMorgan private bank, Pilar Oppedisano says she and her team advise clients on managing their personal wealth. Many of those clients own businesses that are being affected by the tariffs.

Because Trump’s tariff strategy has included some pauses and carveout exceptions, Oppedisano says one of her business clients was looking at buying a lot of goods when he could still get them at reasonable prices. However, consumer confidence fell in April and the tariff strategy is still unpredictable.

“He’s worried about the longer-term recessionary impact and waning consumer demand,” she says. “Ultimately, those business owners don’t want to be caught with high inventory levels. Does he buy early? Or does he wait?”

In Depth with C.H. Robinson CEO Dave Bozeman

Senior editor Liz Fedor interviews the leader of the logistics giant about tariff volatility and helping customers cope with the trade war. **Read More**

In recent years, Oppedisano says some companies moved all or part of their supply sources from China to Vietnam. “But now Vietnam has tariffs on its goods,” she says. “A lot of business owners are trying to figure out who are we [the United States] going to be friendly with?”

Globally, it’s unclear, she says, where the “safe places” are for American companies to do business. It’s unknown when the Trump administration will finish negotiations on trade deals in countries around the world, and whether some of them will be free from U.S. tariffs on their products.

“That is creating a lot of turmoil,” she says. “I had a client who currently is making a lot of things in Asia, both China and Vietnam. They got back [in April] from a trip to South America. They’re trying to figure out whether they could move some of their manufacturing to South America.”

On April 9, a week after Trump announced his tariffs, his administration decided to institute a 90-day pause on some tariffs. Stock markets had an extremely negative reaction to the original tariffs and various experts were talking about increased chances of a recession.

At the end of the 90 days, Oppedisano says, businesses would like to see “a very clear road map” on U.S. trade policy, including tariffs. “From what I understand, they don’t have a ton of hope that they’re going to get the amount of clarity that they need to be able to make some of these big decisions,” she says.

For Pete Wolf, owner and president of Robinson Rubber Products Co. in New Hope, the introduction of tariffs created both problems and potential opportunities for the company.

His business, which employs about 100 people, makes customized rubber parts for a variety of businesses.

“We buy [some] rubber parts that are manufactured in China and then we resell them,” Wolf says. Because of new U.S. tariffs, he says, “I stand to be tested on 20% [of my business] in some way, shape, or form.” But he also has been asked to place bids for new work from companies who had been buying parts overseas. “They want to onshore those,” he says.

The 145% tariff on goods coming out of China was a problem for Wolf on a particular project that his company planned to work on. Wolf wanted to purchase a specialized tool that was made in China. However, in April, it became clear that he'd have to pay one-and-a-half times the normal price because of the new tariff level. "We actually stopped the shipment of that tool and delayed a project in hopes that some sort of resolution comes between China and the U.S.," he says.

If he could speak directly to the Trump administration, Wolf says he would tell them: "Let's make up our minds [on tariffs] and get to a point of stability, so that we can make decisions as business owners."

Beyond the importance of operating a profitable business for his family, Wolf says it's not lost on him that the economic livelihoods of his employees and their family members are tied to him.

If the United States could "finish the negotiations with all these countries, then at least we can start executing on our road maps," he says. "That's been the challenge. You have a plan. You start marching, and then you find out that there's a huge canyon from where you are standing to where you need to get."

"Tariffs are extremely hard to unwind."

—C. Ford Runge, professor of applied economics and law, University of Minnesota

Opposing 'broad-based tariffs'

At the Minnesota Chamber of Commerce, president and CEO Doug Loon says that "targeted tariffs" can be an effective tool in addressing unfair trade practices in a specific country. But he sees economic harm when "broad-based tariffs" are implemented world-wide.

"We want to expand, strengthen, and pursue additional comprehensive trade agreements that eliminate the need for tariffs and reciprocal tariffs," Loon says. "That's the world I think we should be driving toward."

In Minnesota, almost $27 billion of agricultural, mining, and manufactured goods were exported in 2024, according to a March report from the state of Minnesota. Exports were up 7% last year, with $11.7 billion of the products Minnesota exported going to Canada and Mexico.

During the first Trump administration, the North American Free Trade Agreement was updated and is now referred to as the United States-Mexico-Canada Agreement (USMCA). It took effect on July 1, 2020.

“We would like to see more manufacturing and the growing of high-paying jobs right here in the United States, particularly here in Minnesota,” Loon says.

But he notes that American consumers and businesses are reliant on a global marketplace. “Supply chains are very integrated,” he says. “They should be integrated through fair trade agreements.”

For example, he notes, the U.S. cannot produce every raw material, agricultural commodity, and finished product that Americans want to use. “We largely don’t produce oats in the United States,” Loon says, pointing out that U.S. cereal and food manufacturers get oat supplies from Canada.

“No matter what, we’re going to be relying on trade at some scale,” Loon says. “We need good trade agreements to accommodate those realities.”

Trump repeatedly has said that tariffs will make the United States very rich, and he also argued that it would force companies to shift overseas manufacturing jobs to the U.S.

Many business leaders, economists and academics differ with that interpretation.

“All these interventions from the current administration are not going to get the outcome that they want,” says Stefanie Lenway, former dean of the Opus College of Business at the University of St. Thomas. During her career, she’s focused her research on international trade and multinational competition.

She notes that countries vary greatly in their supplies of land and labor and access to capital. “The U.S. has a lot of land, and the U.S. has a lot of capital,” Lenway says. “We don’t have that much labor. We need to put that labor to work on high value-added activities.” Minnesota and other parts of the country have been struggling with labor shortages.

She says it’s improbable to conclude that the administration could use tariffs to suddenly prompt the relocation of many jobs and factories to the United States.

Risking a recession

Lenway's worried that new tariffs could crush many small businesses, which lack the financial reserves and financing access that many big companies possess.

She cited Maplewood-based 3M as a "multi-domestic company" that has some ability to insulate itself from the full brunt of the tariffs. "It has production facilities in countries [that serve] those countries," she says. For example, goods made in 3M factories in the European Union are sold to EU consumers. She says the same is true in China.

Lenway says that "tariffs are fundamentally a tax" and she'd like to see Congress act on the tariff issue and serve as a "countervailing force" to the Trump administration.

At the University of Minnesota, C. Ford Runge, a professor of applied economics and law, characterizes Trump's tariff approach as "incoherent" and one that's created damage across the economy.

"Everything is uncertain," Runge says. "In the face of uncertainty, investors and consumers both tend to pull back. It's the principal reason that the Fed and other observers are feeling that they can't discount a recession because they simply don't know how great the retraction or pullback is likely to be."

In Trump's first term, Runge says that Minnesota farmers were stung by tariffs. For the past 30 years, he says that Minnesota farmers had made export gains, especially in selling corn and soybeans. But he says tariffs have wreaked havoc with that pattern.

"Soybean exports to China deteriorated enormously and are likely to deteriorate further," he says. "The winners have been the Brazilians. We've handed the soybean market to Brazil."

CEOs of big-box retailers warned Trump that his tariff strategy could lead to empty shelves in U.S. stores. People in financial services and other sectors decried a chaotic environment, which could cause a weakening of the financial system and economy. In response, Trump instituted tariff pauses, carve-outs, and reductions.

But Runge warns these policies can't simply be turned off and on. "Tariffs are extremely hard to unwind," Runge says. "Trump is, at the moment, attempting desperately to do so. He's negotiated himself into a complete corner on this situation. The British have thrown him a bone by agreeing to be the party that says, in principle, that they've agreed on something."

Runge says that China is prone to play a long game. "The Chinese are sitting there like the Cheshire Cat, watching him twist," he says. On Trump's tariff negotiating posture, Runge says: "Guy digs a big, deep hole. Jumps into hole over his head. Has his aides dig part way out. Still in hole. Declares victory. This is the work of a master negotiator?"