



# TARIFF WAR HITS HOME

▶ THE INTERNATIONAL trade war that President Donald Trump’s administration began last January rages on, despite months of discussions with various economic partners. As he seeks to renegotiate trade deals and other policies such as immigration, American businesses large and small—including many in Berkshire County—are caught in the crossfire.

For three months, Unistress, a prestress concrete company headquartered in Pittsfield, avoided paying tariffs on steel. Its suppliers are based in countries that were not targeted. Although the company’s focus is on cast concrete, steel comprises roughly 20 percent of its raw material needs. Rebar, top surface wire mesh, and high-strand steel—which is imported from Canada—are critical in their manufacturing process.

By June 2018, Canada and Mexico, long-

## LOCAL COMPANIES FEEL THE IMPACT AND MAKE ADJUSTMENTS

—By—

**GEOFFREY MORRIS**

■ *“Canada and Mexico aren’t seen as unstable, so we weren’t prepared for it at all,” says Unistress CEO Perri Petricca of the 25 percent tariff on all imported steel. “The tariffs disrupted our supply and increased our price.”*

time trade partners with the United States, were no longer exempt, and all imported steel was tarified at 25 percent.

“Canada and Mexico aren’t seen as unstable, so we weren’t prepared for it at all,” says Unistress president and CEO Perri Petricca. “The first three to six months were the most difficult. The tariffs caused a disruption to our supply and an increase in price.”

Unable to shift to domestic steel producers who could not meet demand, Unistress accessed its steel reserve to reduce purchases. That wasn’t enough to compensate for the blow to production costs, so it also had to pass along some increase to customers. “We were committed to project completion deadlines, often with liquidated damages if we were late,” Petricca says. “We had no choice.”

Material costs weren’t the only factor.

Unistress relies on American-made heavy equipment which has shot up in price as well. The company has 300 specialty trailers as well as cranes, loaders, and forklifts that are all made of steel. Although they have a fleet of these machines, they wear out and must be replaced.

“We might buy 50 at a time and a crane costs what it costs,” says Petricca. “There’s nothing we can do to manage that part of the process.”

Steel and aluminum tariffs imposed by the United States on North American partners were lifted this May, but economic tensions between China and the United States continue to escalate. By the end of last summer, the U.S. had imposed tariffs on \$250 billion worth of Chinese products. For Pittsfield-based manufacturer Blue Q, that includes their line of bags, which require specialty post-consumer material that is readily accessible in China.

“We’ve always paid duty on anything made overseas which, for bags, is roughly 17 percent,” says Seth Nash, partner at Blue Q. “We can’t absorb the additional 25 percent the government has tacked on.”

Unlike Unistress, Blue Q has only recently felt the impacts of last year’s tariffs. “The product sitting in our warehouses last year was ordered pre-tariff,” he says. “But most of our new summer releases are more expensive.”

Nash doesn’t expect the tariffs will cost the company employees. It’s difficult to tell how much domestic sales will suffer, but Canada’s retaliatory tariffs against U.S. imports greatly impacted Blue Q’s sales there.

“Five percent of our business is done in Canada,” he says. “That’s a really good market for us. We couldn’t afford to raise the prices on bags there due to competition, and the retaliatory tariffs on our American-made products like lavatory mist and hand sanitizer meant we were hit from both sides.” >



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# Broad Strokes Timeline

## JANUARY 2018

U.S. imposed a 30% tariff on solar energy cells and panels (exemption for Canada) and 50% tariff on washing machines.

## MARCH 23, 2018

U.S. imposed a 25% tariff on all steel imports and 10% tariff on all aluminum imports (some exemptions including European Union, Canada, and Mexico).

## APRIL 2018

China imposed retaliatory tariffs (15-25%) on \$3 billion worth of U.S. fruits, nuts, pork and wine to protest new U.S. steel and aluminum tariffs.

## JUNE 2018

U.S. lifted steel and aluminum exemptions for the European Union, Canada and Mexico, which supplied almost half of U.S. steel and aluminum imports in 2017.

## JUNE-JULY 2018

Canada and Mexico imposed retaliatory tariffs (ranging 10-25%) on a variety of U.S. goods, including beer kegs, whiskey, orange juice, and assorted U.S. metals products.

## JULY 2018

U.S. imposed a 25% tariff on Chinese goods, affecting more than 800 products worth \$34 billion in annual trade (round 1 with China).

## AUGUST 2018

U.S. imposed a 25% tariff on \$16 billion worth of Chinese goods (round 2 with China). China imposed 25% retaliatory tariffs on \$16 billion worth of U.S. goods.

Hopefully, shoppers may not recognize or be deterred by a slight increase in Blue Q's inexpensive items such as coin purses, whose retail price rose from \$4 to \$5.

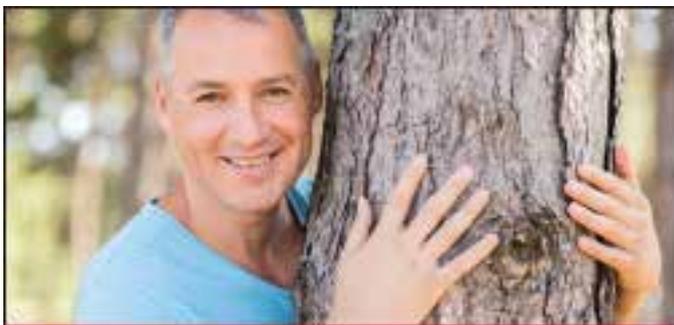
Bicycles, on the other hand, more noticeably reflect tariff increases, and a change in the price of a high-quality road bike is more likely to affect customer behavior. "Bigger items have the smallest margin," says Chris

Calvert, manager of the Arcadian Shop in Lenox. "The Cannondale Synapse retailed for \$4,000. Today, it retails for \$4,800. A customer might not want to buy it right now."

For an outdoor specialty store like Arcadian, the trade war is impacting almost every type of product it carries, from bikes and apparel to life jackets and kayaks. "We placed an order for Stellar Kayaks last August and the price

increased five percent," Calvert says. "When we order them now, the price has gone up another ten percent and we have to pass that on. At this point, it's just customers who are taking the hit."

According to Trade Partnership Worldwide, LLC, the 25 percent tariffs levied against China will cost a U.S. family of four \$767 annually. If the Trump administration imposes a fourth round of tariffs on Chinese goods not



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**SEPTEMBER 2018**

U.S. imposed tariffs on \$200 billion worth of Chinese goods (round 3 with China), which began at 10% and increased to 25% in May 2019, raising the total to \$250 billion.

**SEPTEMBER 2018**

China imposed retaliatory tariffs (ranging 5-10%) on \$60 billion worth of U.S. goods., raising the total to \$110 billion.

**MAY 5, 2019**

U.S. threatened to impose a 25% tariff on \$325 billion worth of Chinese goods, which would cover all remaining Chinese products (round 4 with China).

**MAY 20, 2019**

U.S. lifted tariffs on Canadian and Mexican steel and aluminum, removing one key obstacle to passing updates to the North American Free Trade Agreement.

**MAY 30, 2019**

U.S. threatened to impose a 5% tariff on all imports from Mexico beginning on June 10, with tariffs increasing to 10% on July 1, and by another 5% each month for three months.

**JUNE 7, 2019**

Mexican tariffs are averted. The president's threat to impose crippling tariffs was yanked, but not before rattling companies that included automakers and agricultural firms.

**JUNE 29, 2019**

4th round of Chinese tariffs are averted. Existing U.S. tariffs remain in place while negotiations continue, but added tariffs Trump threatened would not go forward for the "time being."

already affected, American consumers will pay more for essential goods like clothing, appliances, and electronics.

Storey Publishing in North Adams—which has 701 books in print, 63 of them for children—is already preparing for this scenario. The company manufactures many of its children’s books in China, which has mastered four-color printing technology as well as specialty paper and binding. The

embossed cover of *Mason Jar Science* by Jonathan Adolph (with 63,000 copies in print, retailing for \$14.95) and the perforated recipe cards in *Cooking Class* by Deanna F. Cook (248,000 copies in print and retails for \$18.95) are most economically produced in China.

The company has always reviewed bids from a range of printers in various countries, but the threat of new tariffs

has increased its urgency to find printing alternatives, says Deborah Balmuth, Storey’s publisher. As a result, she recently placed a book order in Malaysia.

Although Storey can evaluate the specialty features in the children’s books to accommodate the potential increase cost in producing them, “physical books are irresistible for kids,” says Balmuth. “Increasing our prices is definitely something we’re looking at.”

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