Trade, Tariffs, and The Minnesota Economy

The Trump Administration has announced a wide range of new tariffs in March and April which stand to impact Minnesota's economy. Tariffs are a tax which a country imposes on goods imported from another country. Below is an example of how this works in practice:

Minnesota Exports to Canada

Minnesota produces $10 billion dollars of medical devices

Minnesota *exports* those devices to Canada

Canada *imports* those devices from Minnesota. Canadian residents/businesses pay a 25% tax (tariff) on these goods, which totals $2.5 billion. This tax is collected by the Canadian

Canada Exports to Minnesota

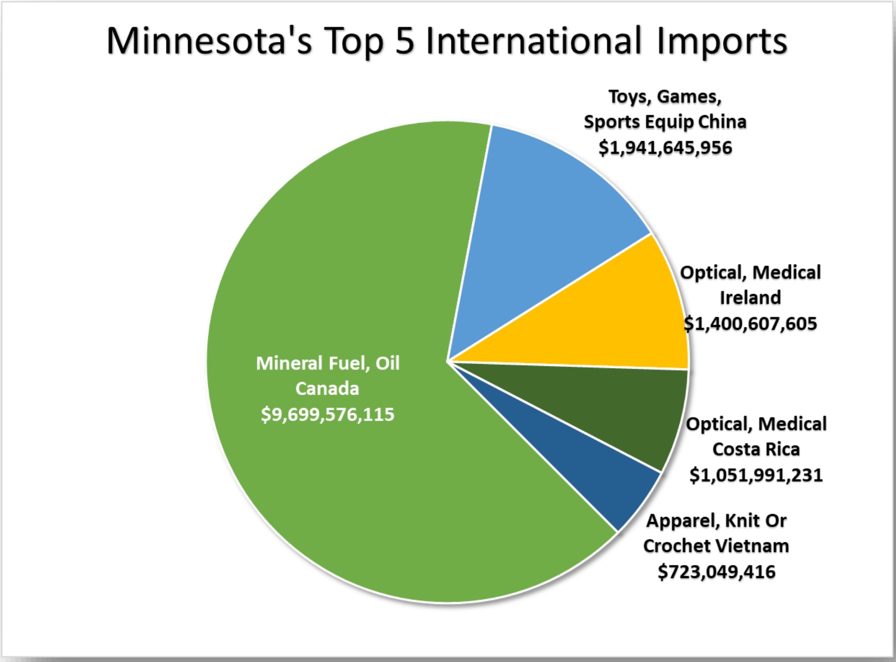
Canada produces $10 billion dollars of oil.

Canada *exports* that oil to Minnesota

MN *imports* the oil from Canada. MN residents/businesses pay a 10% tax (tariff) on these goods, which totals $1 billion. This tax is collected by the U.S. government.

In 2024, Minnesota did about $67 billion in trade internationally among 43 countries[1]. We imported $40.6 billion in goods and exported $26.5 billion from other countries. The good that Minnesota imports the most of internationally is fuel and oil, about $9.7 billion in 2024. Canada, Minnesota's largest trading partner, supplies 2/3 of all oil imports in the state. Now that there is a 10% tariff on Canadian energy imports, Minnesota businesses which rely on Canada's oil for manufacturing, production, or retail sales, will pay an additional 10% over what they did the month prior. The pie chart below shows the top 5 good which Minnesota imported from other countries in 2024. Beginning this month, Minnesotan businesses and consumers will pay between 10-25% for importing certain goods from these countries.

[1] MN DEED Minnesota Trade Snapshot, 2024



Some countries, like China, have applied tariffs of their own in response to U.S. tariffs; these are called *retaliatory tariffs*. Recently, the U.S. increased the total amount of tariffs on imported Chinese goods to 104%[2], meaning that it will cost over twice the amount for Americans to purchase Chinese goods. In response, China raised their tariffs on American goods to 84%. The chart below shows the top 5 goods which Minnesota exports to other countries.

[2] *Trump tariffs live updates: China hits back by raising tariff on US goods to 84% after Trump's 'reciprocal' duties take effect*, Yahoo Finance, April 9, 2025.