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Counties 'Riding Out' Bump in Tariffs.

Counties with steel production see boost from tariffs, but won't depend on them to save local economies

County officials in regions supporting steel production are encouraged by recent tariffs on steel and aluminum imports, but others are concerned about the consequences of upsetting the international trade balance, both globally and at home.

President Trump declared that the 25 percent tax on imported steel and 10 percent tax on aluminum would put the industries on an even playing field with international competition, which has prompted talk of a trade war with China. But in northern Minnesota's Iron Range, where most domestic ore is mined, St. Louis County Commissioner Tom Rukavina was pleased with the tariffs.

"For years, I've said that we have to ensure we have a viable steel industry in the United States, whether it's for bridges and buildings or for machinery or ships and tanks," he said. "In that regard, what President Trump has done is something that should have been looked at a long time ago."

Rukavina said protectionism has already paid off for St. Louis County, crediting the Obama administration's 2016 duty on steel imports, aimed at punishing foreign producers from selling steel below cost, with bringing a lot of St. Louis County's workforce back to the mines.

"That's actually what put people back to work around here," he said.

Lake County, Ind., with two U.S. Steel mills in its borders, should benefit, too as well as the five operating integrated steel mills in northwest Indiana. But the tariffs are only a leg up for the county.

"We are aware of the challenges that the steel industry faces due to the onslaught of these steel imports, more importantly, these things are going to provide an even playing field for the steel industry," said Karen Lauerman, president and CEO of the Lake County Economic Alliance.

While the tariffs could provide some temporary support for the steel industry, Lauerman says that's more of a reason than ever to move beyond just steel.

"Even without international trade cutting in, the steel industry is modernizing and becoming more advanced, it's always evolving and changing," she said. "What we can do as a county is build on the foundation of the steel industry and attract new technology and manufacturing jobs and opportunities."

In Madison County, Ill., U.S. Steel had announced plans to bring its Granite City mill online after idling it two years prior. County Board Chairman Kurt Prentzler said the tariff bolstered the move and gave residents a sense of security, even though the news about the mill predated the tariff.

"After all of our history of steelmaking in the United States, I think it's fair to have an American steel industry," he said, acknowledging the tariff was a signal from the federal government that domestic steel production was important. He stressed that production of materials necessary for domestic

energy production, particularly oil and gas drilling, were matters of national security and central to American self-reliance.

While steel producing counties are riding high, that sentiment is not universal, particularly for industries that use the steel, or regions that manufacture products or grow crops that could be targeted in a trade war.

Spartanburg County, S.C. Councilman David Britt worries that protectionism will upset the international market that has integrated itself into counties around the country. Britt chairs the county's Economic Development Committee and is a member of the Economic Futures Group.

He points to 125 international companies that have taken root in Spartanburg County over the last 30 years, including BMW's first production facility outside of Germany, which has fueled a lot of the county's economic growth.

"This is going to put a foot on the throat of economic development, which impacts the citizens of Spartanburg County, the state and this country," he said.

"My biggest concern is that somebody is not telling the president what he needs to hear: This steel industry that he is concerned about, you're talking 100,000 employees," he said. "In upstate (South Carolina) alone, you're talking that many employees in different industries. It goes up to the millions, when you look at the southeast. that will be affected by this."

The BMW plant, which opened in 1994, now produces the most BMW car engines in the world. The company contracts out the work on all the other auto parts and the tariffs increase costs for every manufacturer that uses foreign steel and aluminum.

And it might not stop there. The price increases for foreign steel can give domestic producers license to raise prices.

"American steel prices are jacking their prices up to meet almost what is happening with foreign tariffs," Britt said.

Britt works for a national corporation that produces prefabricated concrete for construction, and he's seeing the consequences of the tariffs manifested there.

"It's having a tremendous effect on our customers and our projects," he said. "Costs are going up at every stage of the game."

In short, he is worried that the benefits of taking action to protect one industry will have a net loss for U.S. producers and their county economies, particularly if they participate in international trade.

"I am greatly concerned about the jobs and opportunities," he said. "You got to look at the reciprocal effect on the industries that are here."

Reciprocal effects could be felt in commodities markets if other counties impose their own tariffs on U.S. exports.

In Cherokee County, Iowa, the productivity of agricultural land directly affects its valuation, but Supervisor Dennis Bush said the county board is not panicking about drops in demand for corn or soybeans resulting from a retaliatory tariff.

"It's something we keep on the backburner, it's pretty early in the game," he said. "They threatened

tariffs but there's nothing set in stone yet.

"But any drop in the price of either corn or soybeans affects the valuations of the land in subsequent years, so it would directly affect county government in that we wouldn't have the same tax base.

"We're just riding this out and watching it unfold."

NATIONAL ASSOCIATION OF COUNTIES

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