

Making it Through the Tariff War

As we've all heard, President Donald Trump has hit the ground running for his second term in office. He has done more in his first two weeks in office than most presidents do in their first six months. Granted, this was his second go-around, so he knew what to expect and could plan for it better than other presidents could. Even so, the number of initiatives he has started and the number of executive orders he has signed could be called staggering.

One of Trump's initiatives has been to impose increased trade tariffs on Canada, Mexico, and China. To anyone who knows anything about Trump's philosophy of negotiation, this was done to put pressure on those countries, perhaps only temporarily. Within two days, he had talked with the President of Mexico, convincing him to put 10,000 Mexican soldiers on the border to combat the trafficking of drugs and illegal border crossers. For this, the Mexican president has received a 30-day stay on tariffs, while Mexico and the United States negotiate a longer-term solution.

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Going back to the day that the president established those higher tariffs, my intent was to write about how to survive through the tariffs. But things are changing so quickly that

the article I originally intended to write may or may not be applicable. Mexico capitulated, preventing that part from turning into a tariff war, but it doesn't look the same for Canada or especially China.

It's hard to say whether Trump's tough guy negotiating tactics will work with China. Culturally, the Chinese people look at everyone else as barbarians. Their government is even worse, essentially thinking the world should bow down to them. The idea of a master race didn't go away with the killing of Hitler; it's still alive and well in China... at least in the Chinese government.

China has already retaliated against US imports, boosting their own import tariffs on American imported goods. These tariffs have been selective, only covering a few categories of goods. As such, they are going to have little impact on American exports to China. A bigger concern for us is the goods that they export to us.

Canadian Imports

Let's deal with Canadian imports first, as that's the easier one, and it looks like Mexico is going to get worked out. First, I think it's safe to say that at least part of Trump's motivation behind increasing tariffs from Canada is the same as that for Mexico, trying to put pressure on the Canadian government to get them to tighten up border security. While most of the illegal crossing happens at our southern border, terrorists have been known to come into our country from Canada as well.

The biggest concern with Canadian imports is petroleum. Although we are a huge petroleum producer, we import petroleum from both of our neighbors. An increase in Canadian tariffs means an increase in the cost of gasoline, even in parts of the country where Canadian petroleum is not typically refined into gasoline.

Other than petroleum products, the only other major import from Canada is automobiles. US auto manufacturers have assembly plants in Canada, as well as Japanese manufacturers. Unless there is an exception for automobiles, we can expect the cost of these vehicles, or those using components made in Canada, to rise.

Chinese Imports

We import a huge amount of manufactured goods from China. This doesn't just include finished goods, but components for things made here at home. There is little made domestically that doesn't have Chinese-manufactured components in it. Even simple things like Clorox bleach are made with chemicals that come from China.

Remember the shortages during COVID? While we can't say that everything that ran out in the grocery store came from China, a lot did. Fruits and vegetables, spices, and snack foods are common imports from China. This also includes products like apple juice and vitamins, which are made from Chinese produce.

There was a temporary hold placed on all goods entering the United States from China, but that seems to have lasted only two days. Shipments of goods are coming in again, albeit with a 10% tariff attached. This extra cost will ultimately be passed on to American consumers, who bear the brunt of any increase in costs to business. The companies importing those goods can't afford to absorb that cost without passing it on.

The big question is really just how long this is going to last. That, in turn, depends on what Trump's goal is. Just why did he slap those increased tariffs on Chinese goods? What is he hoping to accomplish? That's something that only his closest advisors know if he's even shared it with them.

Trump made it clear in his first term as president that he's big on onshoring business, specifically manufacturing, which

has been offshored to China and other countries. A number of his early victories in office involved convincing American manufacturing businesses to bring manufacturing operations back home, including such major industries as automotive assembly plants.

But that doesn't mean that companies can just pick up their Chinese operations and bring them back home to avoid trade tariffs. Major factories can cost \$500 million to build and become fully operational. Many of these factories are highly specific, with the equipment in them only able to make one type of product. Retooling to make something else can easily run into tens of millions of dollars.

Granted, there are a lot of warehouse and factory buildings here in the US sitting abandoned. However, having worked in manufacturing engineering, I have a healthy respect for the cost of reactivating one of those buildings and setting up operations in it again. While that can be done and done cheaper than building a new building, the company making that investment has to take into consideration that they are investing in a building that is old and has not been properly maintained.

Beyond the challenge of building new factories, there's also the issue of labor. While there are plenty of people out of work, most of those people probably aren't interested in working in a factory. Times have changed and factory work isn't considered to be the "good" job it used to be.

But even changing that perception won't change the reality of wages. The biggest reason why we have so many US manufacturers who are having their products manufactured in the Far East, especially China, is the huge difference in wages. The average hourly rate for auto manufacturers is supposedly \$15.16, considerably lower than the wage of a comparable worker in China. To make up for this, US manufacturing jobs have to be much more automated than they are in other countries.

Getting Back to Chinese Imports

Pretty much everything we use every day of our lives comes from China or contains components that come from China. American manufacturing primarily focuses on large or high-dollar goods, such as cars, robotics, and medical equipment, although some smaller items are still produced domestically. Foodstuffs are largely manufactured here as well, even though we get produce from both Mexico and China, and as I mentioned earlier, some snacks are made in China.

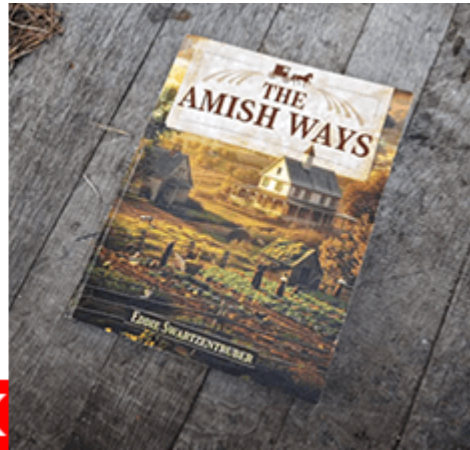
Fortunately, the level of tariffs that Trump has imposed isn't really all that high (10%). By itself, that's not going to cause any shortages. What it is likely to cause is an increase in the price of just about everything. Tariffs tend to be inflationary, which is one of the main talking points against them.

As preppers, we need to be ready to deal with those increased prices. One of the most important ways to do that is to stock up on things that you use regularly. Considering the wide range of products that come from China, a good rule of thumb is to assume a product comes from China and plan your purchases accordingly. If you want to make better decisions about that, Google "What percentage of item X is imported from China"?

Another thing to do is look for domestically produced alternatives. I mentioned earlier that a lot of apple juice and vitamins come from China. If the cost of apple juice rises, switch to orange juice, which is not imported from China. As for vitamins, eat healthier so that you don't need to depend on dietary supplements to get the nutrition your body needs.

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Of course, as always, the more we can do for ourselves the less we are impacted by what happens in the world around us. Nobody who owns an apple orchard is going to be worrying about the price of imported apple juice. They probably make their own apple cider and that is probably much better than any apple juice they can buy in the store.

There are a thousand different ways we can apply this, looking at the wide range of products that we use every day. While some may not be practical to produce ourselves, the more that we can, without it taking up all our time, the better off we'll be.

And finally, remember that this is a temporary situation. Regardless of what Trump's reasons are for imposing these tariffs, they will not last forever. Ultimately, the authority for imposing tariffs rests with Congress, and the China lobby will be working hard to convince members of Congress to pass a law removing the tariffs that President Trump has declared.