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BUSINESS

Trump's erratic trade policies are baffling businesses, threatening investment and economic growth



1 of 10 | Workers sort avocados at a packing plant in Uruapan, Mexico, Nov. 27, 2024. (AP Photo/Armando Solis, File)

BY PAUL WISEMAN, ANNE D'INNOCENZIO AND MAE ANDERSON

WASHINGTON (AP) — Marc Rosenberg, founder and CEO of The Edge Desk in Deerfield, Illinois is getting ready to introduce a fancy ergonomic chair designed to reduce customers' back pain and boost their productivity. He figures the most expensive one will sell for more than \$1,000.

But he can't settle on a price, and he is reluctantly reducing the shipment he's bringing to the United States from China.

There's a reason for his caution: President Donald Trump's ever-changing, on-again, off-again tariff war with America's three biggest trading partners – Mexico, Canada and China.



Workers harvest cabbage Wednesday, March 5, 2025, on a field less than ten miles from the border with Mexico, in Holtville, Calif. (AP Photo/Gregory Bull)

The latest reversal came Thursday. Two days after imposing 25% taxes — tariffs — on all imports from Canada and Mexico and threatening to detonate more than \$1.3 billion in annual U.S. trade in North America, Trump announced that he was [suspending many of the levies on Mexico and some of them on Canada](#) for a month. This was an expansion of his Wednesday announcement when he [exempted auto imports](#) from both countries for 30 days, and it also comes after a [previous monthlong tariff reprieve for Canada and Mexico](#) right before they were to take effect Feb. 4.

“Trump is jerking around the entire continent of North America right now, it’s stupid and it has to stop,” Democratic Rep. Don Beyer of Virginia said. “Today there are businesses that don’t

even know if the goods they trade in are subject to Trump's tariffs. Everything Trump does on trade seems designed to maximize chaos and uncertainty.

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Avocados imported from Mexico sit at a grocery store in San Francisco, Tuesday, March 4, 2025. (AP Photo/Godofredo A. Vásquez)

Rosenberg and his ergonomic furniture, meanwhile, are contending with a 20% tariff on imports from China – which Trump on Tuesday raised from 10% -- but he's not sure where the tariff will actually land.

"The misdirection is making it very tough to plan for the year," he said.

Tariffs cause economic pain in part because they're [a tax paid by importers](#) that often gets passed along to consumers, adding to inflationary pressure. They also draw retaliation from trading partners, which can hurt all economies involved.



Canada's Prime Minister Justin Trudeau holds a news conference on imposed U.S. tariffs in Ottawa, Ontario, on Tuesday, March 4, 2025. (Adrian Wyld /The Canadian Press via AP)

But import taxes can cause economic damage in another way: by complicating the decisions businesses have to make, including which suppliers to use, where to locate factories, what prices to charge. And that uncertainty can cause them to delay or cancel investments that help drive economic growth.

"It creates an enormous amount of uncertainty for multinational companies that sell products worldwide, that import from the rest of the world, that run these complex supply chains through multiple countries," said Eswar Prasad, an economist at Cornell University. "The uncertainty is going to be very unsettling for businesses and ... it will hurt business investment."



Canadian Bourbon sits on a shelf at a store in Pittsburgh, Tuesday, March 4, 2025. (AP Photo/Gene J. Puskar)



An employee removes American-made wine from their shelves at Bishop's Cellar in Halifax on Wednesday, March 5, 2025. (Darren Calabrese /The Canadian Press via AP)

During Trump's first-term trade battles, U.S. business investment weakened late in 2019, convincing the Federal Reserve to cut its benchmark interest rate three times in second half of the year to provide some offsetting economic stimulus.

Trump 2.0 is even more unnerving to business. The first Trump administration imposed tariffs on specific targets — steel and aluminum and most goods from China — after lengthy investigations.

This time, Trump has invoked his power to declare a national emergency — ostensibly over the [flow of illegal drugs and immigrants](#) across U.S. borders — to impose tariffs on Canada, Mexico and China with the stroke of a pen. And he's expanded his targets. Next month, for example, he intends to impose [“reciprocal tariffs”](#) on countries that charge higher import taxes than America does.



In this image made from video, Canadian flag pins are on display at the Whiskeyjack Boutique gift shop Tuesday, March 4, 2025, in Windsor, Ontario. (AP Photo/Mike Householder)

“Just the threat of those tariff increases and potential retaliations are putting a brake on — on investment, on consumption decisions, on employment, hiring, all the rest of it,” European Central Bank chief Christine Lagarde said after the ECB cut interest rates Thursday to support Europe's struggling economy.

His tariffs on Canada and Mexico effectively blow up a 2020 North American trade deal he negotiated himself five years ago. “Past trade agreements simply don’t mean much if the president can unilaterally violate them and impose tariffs with no checks at all,” said Douglas Irwin, an economist at Dartmouth College.

Adding to the uncertainty: It’s unclear what Trump is trying to achieve by plastering tariffs on American trading partners. Sometimes he cites border security. Sometimes he emphasizes the revenue that tariffs can generate for the Treasury — money that can help finance his proposed tax cuts. Sometimes he points to America’s big trade deficits with most other countries.



Trucks loaded with avocados are seen reflected on a rear view mirror as they are escorted by the police on their way to the city of Uruapan, in Santa Ana Zirosto, Michoacan state, Mexico, Jan. 26, 2023. (AP Photo/Armando Solis, File)

Since the goals are cloudy, it's hard to see what it will take to make Trump's tariffs go away.

Not only that, but he's imposed the tariffs erratically, creating even more confusion. For instance, his administration had to reverse itself last month after ending a customs loophole – the [“de minimis” exemption](#) -- allowing duty-free entry into the United States of packages from China and Hong Kong worth less than \$800. Turned out, the U.S. postal service needed more time to figure out how to collect the duties.

Businesses are baffled. “I’ve talked to multiple companies that are saying, ‘We’re not moving forward with any investment. We need this to be settled,’” said trade lawyer Gregory Husisian at the law firm Foley & Lardner. At least in Trump’s first term “they knew what the ground rules were. Now they don’t know if we’re playing Monopoly or tic-tac-toe.”

Respondents to the Institute for Supply Management’s manufacturing survey, out Monday, voiced complaints about the tariff uncertainty. “There is no clear direction from the administration on how they will be implemented, so it’s harder to project how they will affect

business,” a transportation equipment company said. A chemicals firm griped: “The tariff environment regarding products from Mexico and Canada has created uncertainty and volatility among our customers.”



A truck loaded with produce from Mexico and Canada passes through Pharr, Texas, Tuesday, March 4, 2025. (AP Photo/Eric Gay)

“Right now, the tariffs are putting everybody off balance because of their unpredictability and uncertainty,” said John Gulliver, president of the New England-Canada Business Council.

Taylor Samuels, the owner of Las Almas Rotas, a bar and restaurant in Dallas, depends on Mexico for much of the alcohol he offers.

The uncertainty surrounding the tariffs, including the potential impact on the price of raw materials like steel and lumber, are forcing him to review his plans to build a new restaurant.

“That construction budget is now under review and may likely be delayed ... as I recalculate costs that have already been budgeted,” he said.

Similarly, Sandya Dandamudi of GI Stone, a stone supplier in Chicago, said builders are having to rethink their plans.

“Developers of commercial projects like high-rises and hotels budget two years in advance, so they don’t account for new tariffs,” she said. “Those budgets will be blown.”

Dandamudi said that companies will either succeed in passing the tariffs along to their customers or they will be forced to cancel projects.

“The tariffs will be devastating for small businesses like ours,” she said. “Going forward, we won’t be able to sign any new contracts unless clients address the tariffs.”

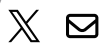
Holly Seidewand, owner of First Fill Spirits, a shop in Saratoga Springs, New York, that sells Canadian whisky and other specialty spirits, said her plans for the future have been put on hold due to the tariffs. Her original plan for 2025 was to almost double her inventory and the selection she offered.

“For now, we have no plans of adding more shelving or space for new items, we will stick to the footprint we have,” she said. “This will delay the growth of our business, making us a bit stagnant.”

D’Innocenzio and Anderson reported from New York. Associated Press Staff Writers Rodrique Ngowi in Billerica, Massachusetts and Christopher Rugaber in Washington contributed to this report.

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