Tariff Shocks, Policy Volatility, and Small Business Resilience

Impacts of the 2025 U.S. Tariff Regime on State-Level Small Business Outcomes

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EXECUTIVE SUMMARY

This report examines the impact of the 2025 U.S. tariff regime on small businesses in California, Georgia, Illinois, and Colorado, with a specific focus on companies with fewer than 500 employees in the agriculture, manufacturing, and retail sectors. While the tariffs were designed to strengthen domestic production and correct trade imbalances, they have significantly strained small businesses, leading to higher input costs, financing difficulties, and employment fluctuations. Although the aim was to boost domestic production and address trade imbalances, evidence shows that the effects of the tariffs varied across states and sectors, leading to inconsistent economic resilience outcomes.

The report employs a descriptive, multi-source comparative design to analyze trade, employment, and SBA 7(a) lending data from 2023 to 2025. Rather than estimating causal effects, the analysis focuses on identifying consistent patterns across datasets to assess the strain caused by tariffs, while acknowledging the limitations of disaggregating firm-level data.

Three key findings emerge from the analysis. First, trade flows did not adjust uniformly across states. After the implementation of the "Liberation Day" tariffs on April 2, 2025, imports remained relatively stable, while export outcomes varied. California and Georgia exhibited comparatively strong performance, while Illinois experienced declines in exports and Colorado saw a slight contraction in imports. Overall, the tariffs did not significantly decrease reliance on imports or consistently enhance export performance.

Secondly, tariff effects extended beyond trade, increasing operating costs and affecting employment and financing conditions. The retail sector remained the most consistently vulnerable across states, while agriculture and manufacturing exhibited mixed outcomes. SBA 7(a) lending increased from 2023 to 2025, indicating a greater demand for financing; however, this cannot be directly attributed to tariffs.

Third, tariff effects were shaped by state economic structure. California's exposure resulted from its position as a significant import gateway and agricultural exporter. In contrast, Georgia's vulnerability stemmed from its logistics and port activities. Illinois experienced pressure due to its reliance on imported manufacturing inputs, while Colorado faced challenges because of its dependence on globally sourced components for advanced industries. Overall, small businesses across all

states were more vulnerable than larger firms, primarily because they had limited pricing power, weaker leverage over suppliers, and fewer financial resources.

The report also finds that legal and policy uncertainty emerged as a significant economic burden. Although the Supreme Court struck down the administration's tariffs under the International Emergency Economic Powers Act (IEEPA) in February 2026, uncertainty remains. Tariffs imposed under other statutory authorities are still in effect, refund issues have not been resolved, and businesses continue to face challenges in planning due to rapidly changing trade regulations. For small businesses, this uncertainty acts as an economic shock, discouraging hiring, expansion, inventory commitments, and long-term investments.

The report recommends a policy approach focused on resilience. States should establish small-business resilience funds to provide working-capital support during disruptions caused by tariffs. Additionally, they should create tariff refund support programs to help businesses manage claims and recovery processes. States should also expand incentives to diversify supply chains and to reshore in sectors affected by tariffs to reduce long-term vulnerability. At the federal level, Congress should pass legislation exempting small businesses from future tariff regimes that exceed their capacity to absorb without operational harm such as the Small Business Liberation Act 2.0 to ensure that future executive trade actions do not fall disproportionately on the firms least equipped to manage them.

The 2025 tariff regime had complex and uneven effects on small businesses, increasing costs, creating uncertainty, and exposing structural vulnerabilities. These findings highlight the need for targeted policies to enhance small business resilience.

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1. INTRODUCTION & POLICY CONTEXT

In 2025, the United States implemented a broad set of open-ended tariffs to address trade imbalances and strengthen domestic production in key industries. The resulting policy environment has been highly volatile, with frequent changes in tariff scope and rates introducing significant uncertainty for U.S. businesses. This uncertainty, combined with retaliatory trade actions and rising input costs, has placed pressure on firms operating within global supply chains. Early evidence suggests that the tariff regime has produced mixed economic effects, including higher prices and operational constraints, with small businesses facing disproportionate exposure due to limited pricing power and financial capacity. The following section outlines the legal authorities governing these tariffs and the evolving policy landscape.

The U.S. Constitution gives Congress the power to impose tariffs. However, this power has been partially delegated to the Executive Branch through various statutes. These laws allow the President to impose tariffs under certain economic and national security conditions, with different thresholds, durations, and policy justifications.

Key statutory authorities include:

- **Section 122 (Trade Act of 1974):** Allows tariffs of up to 15% for up to 150 days to address balance-of-payments deficits (U.S. Congress, House of Representatives, 1973–1974).
- **Section 201 (Trade Act of 1974):** Permits a maximum tariff rate of 50%, lasting between 4 to 8 years, to combat serious threats to domestic industries (U.S. Congress, House of Representatives, 1973–1974).
- **Section 232 (Trade Expansion Act of 1962):** Authorizes tariffs without explicit limits to address national security threats (Kitamura, 2026).
- **Section 301 (Trade Act of 1974):** Enables retaliatory trade actions against unfair foreign practices (U.S. Congress, House of Representatives, 1973–1974).
- **Section 338 (Trade Act of 1930):** Allows tariffs of up to 50% in response to discrimination against U.S. commerce (Hulehan, 2025).

On February 1, 2025, President Donald Trump issued an Executive Order initiating a broad set of tariff measures affecting major trading partners, including China, Mexico, and Canada (Markey, 2025). The administration justified these actions under the International Emergency Economic Powers Act (IEEPA), citing national security concerns. The use of IEEPA to impose tariffs was

widely contested. Small businesses filed multiple legal challenges, arguing that the statute does not authorize the imposition of tariffs (Learning Resources, Inc. v. Trump, 2025). In 2026, the Supreme Court ruled in favor of the plaintiffs, holding that IEEPA does not grant the executive branch unilateral authority to impose tariffs (Learning Resources, Inc. v. Trump, 2025).

After the Supreme Court ruling, President Trump enacted a 15% global tariff under Section 122 (Whitehurst & Wiseman, 2026). Additionally, the administration had to absorb retaliatory tariffs imposed by China, Canada, and the European Union (Sandler, Travis & Rosenberg, P.A., n.d.). Additionally, they were responsible for processing tariff refunds to affected U.S. businesses (Hals, 2026). Table 1 summarizes key tariffs and legal developments that occurred between 2025 and 2026.

Table 1: Timeline of Major Tariff and Legal Developments, 2025–2026

Date	Policy / Event	What Happened
February 1, 2025	Initial tariff executive order	President Trump signed an executive order imposing tariffs on China, Mexico, and Canada, with a 30-day pause for Mexico and Canada on the 25% tariff rate. The administration justified the action under IEEPA.
February 4, 2025	China tariffs take effect	A 10% tariff on Chinese products took effect. On the same day, China announced retaliatory tariffs of 10%–15% on U.S. agricultural products.
February 10, 2025	Steel and aluminum tariffs	The administration announced a 25% import tariff on all steel and aluminum.
April 2, 2025	"Liberation Day" tariffs	President Trump declared April 2, 2025 "Liberation Day" and imposed "reciprocal" tariffs on almost all countries, generally at 10%, again justified under IEEPA.
April 9, 2025	Tariff modification and pause	The administration paused elevated tariff rates on most countries for 90 days while keeping the global 10% tariff in place. China's tariff rate rose to 125% and later 145%; semiconductors were exempted.
April 14, 2025	First small business lawsuit filed	Small businesses including V.O.S. Selections, Inc. et al. file a complaint with the CIT against the administration, arguing that the Liberation Day tariffs harmed their businesses and exceeded presidential authority under IEEPA.

Date	Policy / Event	What Happened
April 22nd, 2025	Second small business lawsuit filed	Small businesses including Learning Resources, Inc. And hand2mind, Inc. File a complaint with the U.S. District Court for the District of Columbia against the administration, arguing that the Liberation Day tariffs harmed their businesses and exceeded presidential authority under IEEPA.
February 20, 2026	Supreme Court ruling	The Supreme Court ruled 6–3 in favor of the plaintiffs, holding that the government exceeded its powers by using IEEPA to impose sweeping tariffs, and struck down the IEEPA-based tariffs. Non-IEEPA tariffs such as Section 232 on steel and aluminum goods, and Section 301 tariffs on Chinese goods remain in effect.

These developments have created a highly uncertain policy and economic environment, particularly for small businesses. Small firms represent 99.9% of all U.S. businesses and play a significant role as both importers and exporters, making them particularly vulnerable to disruptions caused by tariffs (Bradley, 2025). Importantly, it is U.S. businesses, not foreign governments, that pay the tariff when goods enter the U.S. This cost ultimately affects U.S. companies and consumers (Lawrence, 2025).

A study from the New York Federal Reserve found that by the end of November 2025, 90% of the economic burden of the tariffs imposed that year was borne by U.S. firms and consumers, not foreign exporters (Amiti, Flanagan, et al, 2026). Representatives from the restaurant and construction industries in Illinois highlighted that the uncertainty caused by tariffs and the resulting price increases would lead to unaffordable essential goods, project delays, and job risks for workers (U.S. Fed News Service, 2025).

Overall, the rapid changes in tariff policy have increased uncertainty, which significantly affects business planning, pricing, and employment decisions. A 2025 study by the Small Business Majority found that 81% of small businesses in its network consider tariffs a major concern, with 60% reporting that tariffs have already increased their import-related costs. Many small business owners also support a policy that would exempt them from these tariff costs. Against this backdrop, this report examines how the 2025 tariff regime affected small-business outcomes across states and sectors.

2. DATA & METHODOLOGY

Analytical Strategy

This report examines the impact of the 2025 tariff regime and policy volatility on U.S. small businesses in California, Colorado, Georgia, and Illinois. The analysis focuses on tariffs imposed from February 2025 onward and defines small businesses as firms with fewer than 500 employees. The report specifically examines three sectors in each of these four states: agriculture, manufacturing, and consumer goods/retail due to their significant exposure to imports, retaliatory tariffs, and input-cost pressures.

The study employs a comparative and multi-source research design. Instead of estimating a single causal effect through statistical modeling, it evaluates whether states and sectors with significant tariff exposure experienced noteworthy disruptions. Consequently, this report compares conditions before and after the implementation of major tariffs in 2025 and investigates whether changes were evident across various outcome channels, including trade (imports/exports), employment, lending, and prices.

The analytical strategy is divided into three stages. First, the report examines import and export trends across the four case-study states and focal sectors to determine any shifts in trade conditions following the imposition of tariffs. Second, it assesses whether these trade developments were accompanied by changes in employment, lending, prices, and other business indicators. Third, it compares the four states to explore how differences in economic structure, sectoral composition, and supply-chain dependence influenced the effects of tariff volatility. Throughout this analysis, the emphasis is on identifying converging patterns across datasets.

Trade Data Sources & Measurement Approach

To evaluate trade conditions, the report incorporates data from the U.S. Census Bureau's 'USA Trade Online' tool for the period from January 2023 through December 2025. This timeframe was chosen to provide adequate context for assessing conditions before the imposition of major tariffs, facilitating a comparison with post-tariff conditions. The trade data are aggregated at the industry-by-state level, which means they do not provide specific information about small businesses. Therefore, the trade findings should be interpreted as reflecting changes in the broader market environment in which small businesses operate rather than direct responses from individual firms.

In analyzing trade data, this analysis uses the three-digit NAICS super-sector codes employed by the Census Bureau, e.g., 111 for Agricultural Products, 331 for Primary Metal Manufacturing, etc. Import trade values are measured using Customs Value (Gen) in U.S. dollars. This metric does not include U.S. import duties, freight, insurance, or other charges incurred in bringing the merchandize into the U.S. We chose to evaluate imports and exports in dollar terms rather than standardized quantities, which is crucial because changes in trade values may reflect price shifts, timing effects, or alterations in composition rather than purely changes in physical volume. Visualizations of this trade data are available in Appendix A.

Employment Data Sources & Measurement Approach

To evaluate employment conditions, the report incorporates data sourced from the U.S. Census Bureau and the Bureau of Labor Statistics (BLS). Census data available for 2023 and 2024 allows for an analysis of employment among small businesses specifically. Conversely, 2025 Census data are only available through Q2 and are not disaggregated by firm size. BLS data provide full-year 2025 coverage, but do not distinguish firm size. As a result, employment analysis for 2025 reflects all firms. These limitations impact the direct comparability of data across different periods, so caution is necessary when interpreting employment changes in 2025.

Financial + Price Data Sources & Measurement Approach

To evaluate financial conditions, the report incorporates SBA 7(a) lending data, which includes approved loan counts, average approved dollar amounts, average SBA guaranty amounts, and guaranty amounts as a share of overall loan amounts. This data helps identify whether financing activity increased during the period of tariff volatility. However, it does not indicate why each firm sought financing, thus failing to establish a direct connection between tariff exposure and changes in loan demand. Additionally, the analysis includes price-based indicators such as import price indexes, export price indexes, the Consumer Price Index (CPI), and the Producer Price Index (PPI) to assess whether the tariff period coincided with a more expensive operating environment for firms and consumers.

Limitations

This analysis has several limitations. First, the trade data used are not specific to small businesses, which prevents us from isolating the firm-level impact. Additionally, since we evaluate imports

and exports in dollar amounts, the analysis cannot accurately determine whether tariffs have affected the actual physical volume of trade. The physical metrics provided by the U.S. Census Bureau are based on weight (in kilograms) rather than the count of items and are classified by mode of transport.

Third, the 2025 employment data are also not broken down by firm size, which weakens their comparability with earlier years. Fourth, while the SBA lending data indicate shifts in financing activity, they do not clarify whether borrowing was directly influenced by tariff-related pressures. Lastly, because the study relies on descriptive comparisons rather than formal causal identification, the findings should be interpreted with caution.

Despite these limitations, this methodology is appropriate for the report's purpose. The goal is not to estimate a single national treatment effect but to illustrate how tariff shocks and volatility interact with state economies, sector exposure, and the vulnerability of small businesses. By integrating data on trade, employment, lending, and prices, the report provides a more comprehensive view of business conditions than any individual dataset could offer on its own.

3. IMPACT PATHWAYS

Basic microeconomic theory suggests that tariffs are intended to protect domestic producers by raising the cost of imported goods and reducing the price advantage of foreign products. However, the effects of the 2025 tariff regime were neither uniform across states nor limited to trade flows. Instead, tariffs generated broader economic pressures, including rising input costs, operational uncertainty, and financial adjustments, particularly for small businesses.

Tariff impacts occur through several interconnected pathways. First, tariffs increase the cost of imported materials, which raises production costs for companies dependent on global supply chains (Durante, 2026). Second, retaliatory tariffs diminish export demand, negatively impacting the revenue of export-oriented sectors (Morgan et al., 2022). Third, policy volatility creates uncertainty, which can delay investment, hiring, and inventory decisions (Schrader, 2025). These pathways interact to influence broader business outcomes, particularly for small firms with limited capacity to absorb economic shocks.

Imports

Import price patterns in 2025 did not show a clear or uniform change following 'Liberation Day'. At the national level, year-over-year changes in import values across the relevant industries were generally modest compared to 2024 levels. Most sectors experienced increases, except for one manufacturing category (NAICS 32). The tariff regime was not correlated with a consistent change in the monthly import price index. Visualizations for import data are found in *Appendix A: Imports Trade Data Visuals.*

Table 2: National Import Price Index (2023 to 2025)

	Monthly Averages by Year		
Detail	2023	2024	2025
Agriculture (NAICS 11)	220.17	244.65 (+11.11%)	260.91 (+6.64%)
Manufacturing (NAICS 31)	138.55	140.45 (+1.37%)	141.68 (+0.87%)
Manufacturing (NAICS 32)	143.30	142.35 (-0.65%)	138.71 (-2.56%)
Manufacturing (NAICS 33)	112.62	113.35 (+0.65%)	114.48 (+0.99%)
Retail (NAICS 42)	N/A	N/A	N/A

Source: Bureau of Labor Statistics. Note that retail data was not found in the BLS tool for this index.

In California, imports remained strong throughout the post-Liberation Day period. Before the tariffs, total monthly imports peaked at $45.7 billion. Afterward, they consistently stayed above the state's three-year average of $39.7 billion, even reaching a new high of $47.1 billion in December 2025. Annually, California's imports in 2025 were only 0.66% lower than in 2024, indicating minimal evidence of significant import compression in dollar terms.

Georgia exhibited a degree of stability. Although monthly imports fluctuated after April 2025, they remained generally in line with pre-2025 levels. Annual imports increased from 2023 to 2024 and again from 2024 to 2025. In contrast, Colorado demonstrated somewhat more contraction. After the tariffs were imposed, monthly imports generally stayed below the state's three-year average of $14.1 billion, and annual imports in 2025 were 2.04% lower than in 2024. However, this decline was still relatively modest, suggesting only limited contraction in import activity when measured in dollar values.

Overall, these findings suggest that the tariff regime established in 2025 did not lead to a widespread decline in imports across the states analyzed. Instead, the responses varied: California and Georgia maintained their import levels, while Colorado experienced only a modest decline – as did Illinois. This is significant for small businesses operating in these states because their exposure to tariffs may not have resulted in their immediate reduction in import activity, possibly suggesting an ongoing reliance on imported goods amid rising costs during this period. Again, see Appendix A for state-level visuals.

Exports

Export price trends following the Liberation Day Tariffs varied but appeared more favorable than import trends. At the national level, export price data indicate an improvement in 2025 compared to 2024, particularly in the manufacturing sector, where most subsectors noted year-over-year increases. The results below suggest a general modest improvement in U.S. export conditions in 2025; however, this improvement was not evenly distributed across sectors or states. Visualizations for import data are found in *Appendix B: Exports Trade Data Visuals.*

Table 3: Export Price Index (2023 to 2025)

	Monthly Averages by Year		
Detail	2023	2024	2025
Agriculture (NAICS 11)	204.7	180.29 (-11.92%)	182.21 (+1.06%)
Manufacturing (NAICS 31)	173.94	170.99 (-1.69%)	173.49 (+1.46%)
Manufacturing (NAICS 32)	137.5	133.61 (-2.83%)	134.91 (+0.96%)
Manufacturing (NAICS 33)	128.66	131.81 (+2.44%)	137.09 (+4.00%)
Retail (NAICS 42)	N/A	N/A	N/A

Source: Bureau of Labor Statistics. Note that retail data was not found in the BLS tool for this index.

At the state level, California's exports remained relatively stable after the implementation of the Liberation Day Tariffs and generally stayed slightly above the state's three-year average. In October 2025, total monthly exports reached approximately $16.8 billion, marking the highest level observed during the three-year period. Annual exports in 2025 were about 2.4% higher than those in 2024.

Colorado exhibited less stable export figures compared to other states. There, exports spiked sharply in May 2025, reaching a new three-year high; however, this increase was short-lived. By June, exports had returned close to the state's three-year average and remained near that level for the rest of the year. Despite this fluctuation, annual exports still increased by 4.27% in 2025, following a 1.75% rise in 2024.

Georgia demonstrated an even stronger export performance. After the introduction of the Liberation Day Tariffs, the state's total monthly exports consistently remained above their three-year average and began to grow by mid-2025, maintaining that higher level for the remainder of the year. Annually, Georgia's exports increased by 7.12% in 2024 and a significantly larger 12.79% in 2025, making it the most notable example of post-Liberation Day export expansion among the four states.

Illinois showed the weakest export performance. After reaching a new three-year high in March 2025, exports declined for several months, eventually hitting a new three-year low in July 2025. Consequently, Illinois was the only of the four states to record an annual decline in exports in 2025, with a 2.3% decrease after a 3.9% increase in 2024.

Overall, these findings indicate that export responses to the 2025 tariff regime fluctuated significantly by state rather than following a standout trend. California and Georgia either maintained or expanded their export performance, Colorado experienced only a temporary surge, while Illinois experienced a contraction. Export opportunities and vulnerabilities were heavily influenced by each state's economic structure, sector mix, and the degree to which firms were exposed to changing trade conditions. Again, see Appendix A for state-level visuals.

Employment Data

During 2023-2024, small businesses in California experienced relatively stable employment in the manufacturing and retail trade sectors. In contrast, agricultural employment rose sharply from Q2 to Q3 of 2023 and remained elevated for the remainder of this period. Looking ahead through 2025 (across all firm sizes), agricultural employment saw a very modest increase of about 2,000 jobs in the first two quarters, while the manufacturing sector ended the year with 6.4 thousand fewer jobs. After a mid-year decline of about 20 thousand jobs, California’s retail sector ended the year well

above its monthly average employment for 2025. This is likely attributable to seasonal fluctuations in this sector.

In Colorado, the period from 2023 to 2024 for small businesses was marked by a slight increase in employment in the agricultural sector, while the manufacturing and retail sectors saw declines of a couple of thousand jobs each. Looking ahead through 2025 (across all firm sizes), employment remained stable in the agriculture sector in the first two quarters. Employment in the manufacturing sector also remained stable throughout the year, as did employment in the retail sector.

For small businesses in Georgia, the 2023 to 2024 period showed stability in employment in the agricultural and manufacturing sectors. However, the retail trade sector experienced fluctuating employment levels, which culminated in an overall loss of approximately 3,000 jobs by Q4 of 2024. Looking ahead through 2025 (across all firm sizes), agricultural employment increased by about 700 jobs in the first two quarters. Employment in the manufacturing sector ended the year with approximately 2,000 more jobs, whereas the retail sector was stable throughout the year but closed 2025 with a large increase in the final quarter. This could be attributable to expected seasonal fluctuations.

For small businesses in Illinois, the 2023 to 2024 period showed a significant increase in agricultural employment of about 40%. Meanwhile, the manufacturing and retail trade sectors remained stable, with predictable quarter-to-quarter fluctuations. Looking ahead through 2025 (across all firm sizes), variations in agricultural employment were minimal. Looking at the year, however, the manufacturing sector lost ~4,300 jobs by December. The retail sector contracted at the beginning of the year, but ended the year with several thousand more jobs. This could be attributable to expected seasonal fluctuations.

Across all four states, employment patterns indicate that the effects of tariffs were inconsistent and often hard to differentiate from broader economic trends and seasonal changes. However, the retail sector stands out as the most consistently vulnerable, evidencing its sensitivity to consumer demand and input cost pressures. The lack of firm-level data for 2025 restricts our ability to establish clear causal relationships, but the observed trends align with heightened cost pressures and operational uncertainty for small businesses.

SBA Lending Data

It appears that SBA lending in our four target states increased from 2023 to 2024 and again from 2024 to 2025, suggesting a possible correlation with tariffs. Over this period, more loans were being taken out for smaller amounts (on average). One theory is that small businesses sought additional financing to mitigate the impacts of tariffs. However, this theory cannot be definitively proven with the available data, as the specific purposes for each individual application for financing under the 7(a) program are not known. Future research should also investigate the number of new versus repeat 7(a) applicants, as well as the default rates for existing recipients who were approved under the 7(a) program going into 2025.

Table 4: SBA 7a Loan distribution across target states for the period 2023–2025

Indicator	2023	2024	2025	% Change, 2023–2025
Count of Approved Loans	11,190	14,580	17,116	+52.96%
Avg. Approved Dollar Amount ($)	593,847.35	509,969.64	516,436.41	-13.04%
Avg. SBA Guaranty Dollars ($)	437,251.35	376,309.85	383,029.47	+12.40%
Guaranty as % of Avg. Loan	73.63%	73.79%	74.17%	+0.54 pts

Note: Data reflects approved loans across four states. (Source: Small Business Administration)

Other Price Indices (National)

Table 5: Producer Price Index (2023 to 2025)

Average Monthly PPI	Series ID	2023	2024	2025	% Change, 2023–2025
Total Agriculture	N/A	N/A	N/A	N/A	N/A
Total Manufacturing (Non-S.A.)	PCUOMFG--OMFG--	247.98	247.92	252.01	+1.63%
Total Retail (Non-S.A.)	PCUARETTRARETTR	160.32	157.58	162.77	+1.53%

Source: Bureau of Labor Statistics. Note that total agriculture data was not found in the BLS tool for this index.

Table 6: Consumer Price Index

Measure	Series ID	2023	2024	2025	% Change, 2023–2025
Average Monthly CPI (All Urban Consumers, All Items, Non-S.A.)	CUUR0000SA0	247.98	247.92	252.01	+1.63%

Source: Bureau of Labor Statistics

4. STATE-LEVEL ANALYSIS

Due to the diverse industry concentrations across the United States, different states are affected differently by their industrial sectors. In this section, we will examine how California, Georgia, Illinois, and Colorado have been affected by the retaliatory tariffs.

California serves as an example of states with major import gateways, significant agricultural sectors, and extensive port facilities. Similarly, Georgia is characterized by its strong logistics cluster and port-driven economy. In contrast, Illinois represents a state with a robust industrial base that functions as a freight hub. Lastly, Colorado exemplifies states with a smaller exporter base that face exposure to increases in input costs.

While tariffs can generate revenue for the U.S. government, they also present important trade-offs that need to be evaluated. Understanding how trade policy affects not only the broader economy but also local economies is crucial, particularly in terms of how small businesses are more susceptible to negative impacts compared to larger enterprises.

4.1 Case Study One: California

State and Economic Snapshot

California, known for its fifth-largest economy, is one of the nation's largest import gateways and a major exporter of both agricultural and high-technology goods, making it particularly sensitive to input-cost shocks and retaliatory trade measures. Its largest trading partners include Mexico, China, and Canada, which together account for approximately 40% the state's total imports and exports and make California highly exposed to changes in federal trade policy (California Chamber

of Commerce, 2025). According to the California Governor's Office of Business and Economic Development (GO-Biz, 2025), California recorded $674.8 billion in total bilateral trade in 2024.

California's leading export category is manufactured goods, which account for approximately 87% of the state's total exports and include a wide range of technology products, electronic equipment, and aerospace components. In addition to manufacturing, the state also plays a dominant role in agricultural exports, exporting roughly $15 billion in goods annually, including nuts, fresh fruits, vegetables, and other specialty crops. Small- and medium-sized firms play an important role in this export activity, accounting for approximately 95% of exporters in the state (USTR, 2024).

California imports roughly 2.7 times as many goods as it exports, with manufactured products accounting for approximately 89% of imports, or roughly $436 billion annually. These imports include computer equipment, vehicles, electronic components, and communications equipment. Because many of these imported goods are used as intermediate inputs for manufacturing and retail distribution, increases in import prices can create cost-push pressures throughout the state's supply chains, particularly affecting small producers and retailers that rely on globally sourced components.

California is also a national logistics anchor, not just a regional gateway. The Port of Los Angeles has ranked as the busiest container port in the United States for more than two decades and handled approximately $333 billion in cargo value in 2024 alone (Port of Los Angeles, 2024). In addition, the Port of Long Beach processed more than 10.3 million twenty-foot equivalent units (TEUs) in 2024 (Transport Topics, 2025). As trade volumes fluctuate in response to federal trade policies and tariff changes, disruptions in port activity can cascade through transportation networks, affecting small importers, distributors, and logistics-dependent firms. These structural characteristics also suggest that small businesses operating within California's supply chains may experience disproportionate pressures as tariffs alter both input costs and export market conditions.

Imported Input Dependence: Costs of Transferring to Small Businesses

Manufacturers Reliance on Imported Goods

Manufacturing industries in the U.S. are closely linked to both exports and imports. This connection exists because many manufacturers rely on imported goods as inputs for their finished products, ultimately increasing costs (Bohn & Schiff, 2025). While tariffs can boost competition, the

U.S. relies heavily on imports of intermediate goods, such as materials, parts, and components used in manufacturing. This dependence can have the opposite effect on competition.

For instance, pharmaceutical manufacturers import 33% of their input and equipment, while transportation manufacturers import 27% (USTR, 2024). Additionally, industries using fabricated metals face the highest average tariffs, reaching 50%, due to policies related to steel and aluminum (The White House, 2025). According to the Budget Lab at Yale, as of June 2025, prices for core goods are estimated to be 1.5% higher and for durable goods 2.2% higher due to these tariffs. This implies a pass-through rate of approximately 72–80%, indicating that most of the tariff costs are passed through to U.S. consumers rather than absorbed by foreign exporters or domestic importers.

Ultimately, certain sectors in the U.S. experience greater tariff-related cost impacts than others, largely due to the interrelationships between intermediate goods and finished products.

Small Manufacturers and Retailers Cost Absorption

According to the Federal Reserve's 2025 Small Business Credit Survey, the most common challenge these firms faced in 2025 was rising costs for goods, services, and wages. The survey also found that more than 40% of firms reported that increased costs due to tariffs created a financial burden, particularly impacting the manufacturing and retail sectors.

To manage these costs, 76% of firms indicated that they passed some of these expenses onto customers by raising prices, while 60% reported absorbing a portion of the cost increases themselves. This highlights a common issue where manufacturing and retail firms are experiencing heightened tariff-related cost pressures. Unlike larger firms that have the capital and liquidity to absorb increased production costs, small firms must carefully balance price increases with cost absorption.

According to the Bank of America Institute's Small Business Checkpoint (2025), small businesses are more vulnerable to tariff pressures than larger businesses due to their limited access to capital and thinner profit margins. The wholesale and retail trade sectors experienced significant fluctuations in profitability during the first half of 2025, directly due to tariff-related cost pressures. While small firms are vital to our trade ecosystem, they are also among the most vulnerable to changes in federal trade policy.

California Tariff Exposure in Agriculture (2024-2025)

California is home to over 4 million small businesses, with approximately 60,000 of them being exporters (Office of Governor Gavin Newsom, 2025). In addition to its robust supply chain that includes exporters, manufacturers, and logistics hubs, California also boasts some of the nation's most productive small farms. Both small businesses and farmers have been feeling the cost pressures from retaliatory tariffs. As of 2024, agricultural exports from California exceed $23 billion, making the sector increasingly reliant on foreign markets.

A recent study by economists at the University of California and North Dakota State University found that California's agricultural sector suffered significant losses in 2025 due to the trade conflict between the U.S. and China (Carter, Steinbach & Yildirim, 2026). The study noted that the total value of exports to China plummeted from an average of $1.55 billion between 2020 and 2024 to just $554 million in 2025, representing a 64% decrease. In California, where almonds are among the state's top export commodities, the study showed that almond exports alone fell by $228 million, underscoring the state's vulnerability and dependence on export markets.

State-level Tariff Impact Summary

In 2025, California's nominal GDP exceeded $4 trillion, but the state remains vulnerable to changes in federal trade policy. Given its significant role in manufacturing and agriculture, trade policy is crucial for sustaining and expanding its export and import activities. In 2024, California's exports totaled over $183 billion and increased slightly to $188 billion in 2025 (International Trade Administration, 2025). Despite this modest growth, California's share of the national export market fell from 9% to 8.7% compared to the previous year (Beacon Economics, 2025). This decline suggests that trade disruptions and shifting global demand have affected the state's competitive position. Additionally, imports fell by approximately 0.6% in 2025. While California's overall economy remained resilient, evidence indicates that many small firms in the manufacturing, retail, and agricultural supply chains faced tariff-related cost pressures. These firms either absorbed the costs or passed them on to consumers, demonstrating how federal trade policy can disproportionately impact smaller businesses, even when the broader economic performance is strong.

Sector-Level Impact Summary

Since the implementation of the April 2025 Liberation Day Tariffs, California's agricultural imports declined during the summer but steadily recovered toward the end of the year, approaching

pre-tariff levels. Other agriculture-related NAICS categories showed minimal variation during this period. In the manufacturing sector, import trends across key input sectors including oil and gas, minerals, and chemicals varied with only modest overall declines observed.

On the export side, agricultural exports rose significantly in the latter half of 2025, nearly doubling between August and November. Manufacturing exports remained concentrated in machinery, chemicals, and miscellaneous manufactured goods. Among these, machinery exports decreased most notably following the tariffs, while exports of chemicals and miscellaneous goods remained relatively stable through the end of the year.

4.2 Case Study Two: Georgia

State and Economic Snapshot

Georgia is home to Hartsfield-Jackson International Airport, the world's busiest airport, and boasts more rail lines than any other state in the Southeast. As of 2024, Georgia has the eighth-largest economy in the United States, with a nominal GDP of $881 billion (FRED, 2024). The state maintains trade relationships with over 200 countries, with key partners including Canada, Mexico, and China (Georgia Department of Economic Development, 2025), emphasizing its vulnerability to changes in federal trade policy. Notably, Canada is Georgia's largest export partner, with exports nearing $7.8 billion (USTR, 2024). Consequently, trade tensions with Canada pose a significant risk to the state's export activities. This extensive international engagement heightens the risk of disruptions in both import and export flows.

As of 2025, Georgia is a strong export state, ranking seventh nationally with over $60.2 billion in exports (GDEcD, 2025 International Trade Report). However, imports account for approximately three-fourths of the state's total trade, totaling around $150 billion. This heavy reliance on imports creates supply chain vulnerabilities, particularly because 87% of Georgia's exporters are small businesses (SBA Office of Advocacy, 2025), which are the least equipped to absorb cost shocks from tariff disruptions. The state's largest export categories include civilian aircraft and related parts, computers, motor vehicles, and network communications equipment. These categories closely mirror its top import products, which also include computers, motor vehicles, and communications equipment (GDEcD, 2025 International Trade Report), revealing a strong dependence on imported intermediate goods to support export activities.

Georgia's port infrastructure is vital for national and international trade. The state is home to the largest single-terminal container port in the Western Hemisphere and has a robust logistics cluster. In 2024, the Port of Savannah handled more than 5.5 million TEUs (Twenty-foot Equivalent Units), accounting for over 22% of East Coast container trade. The Port of Brunswick's Colonel's Island Terminal is also significant, particularly for the automotive and heavy equipment sectors. In 2025 alone, Brunswick handled more than 871,000 units of automobiles and heavy equipment (Georgia Ports Authority), highlighting its importance to vehicle-related trade and its vulnerability to retaliatory tariffs on auto parts.

Georgia's port infrastructure is not immune to the economic and supply chain impacts of tariffs. Trade policy changes can lead to shipping delays, cargo surges, and volatility in port traffic, all of which disrupt logistics operations. These fluctuations directly affect small businesses in transportation, warehousing, and distribution networks, many of which rely on stable trade flows.

Overall, Georgia's position as a top-seven export state, combined with its heavy reliance on imports, concentration of trade through major ports, and the prevalence of small businesses among its exporters, makes it particularly susceptible to shifts in federal trade policy. This vulnerability is heightened by the state's strong trade ties with Canada and Mexico, which together account for a significant portion of exports, as well as its dependence on automotive trade through the Port of Brunswick. These structural features can quickly translate into volatility in trade activity and supply chains, disproportionately affecting small businesses that rely on Georgia's logistics and export systems.

Logistics and Export Exposure: Tariff Transmission

How Tariffs Move through Georgia's Logistics Economy

Ports across the country play a significant role in the import and export of goods into and out of the United States. They serve as key gateways, where tariffs can greatly impact trade flows, shipping volumes, and supply chain activities. In early 2025, retailers began rapidly stockpiling inventory in anticipation of new tariffs, which artificially drove import volumes to near-historic levels (Lawder, 2025). The Port of Savannah, a major player in U.S. trade, experienced remarkable growth of 22% in March 2025, translating to an additional 98,000 Twenty-foot Equivalent Units (TEUs) compared to the same month the previous year (Georgia Ports Authority, 2024).

This spike in inventory demand affects not only ports but also other parts of the supply chain, leading to increased needs for warehousing, personnel, and operating capital. Such short-term surges in activity can disrupt long-term planning, as businesses must adjust their resources to meet immediate shipping demands. For example, the warehousing and trucking sectors often feel the ripple effects of heightened demand, prompting small logistics firms to quickly expand their capital and operational capacity. However, these temporary increases in demand can create economic uncertainty for many small firms, as the surge in activity may only be short-lived.

Georgia's extensive trade infrastructure amplifies these dynamics, with the state's economy closely integrated into global shipping networks primarily through the Ports of Savannah and Brunswick. Collectively, these ports contribute approximately 9% of the state's GDP, amounting to $77 billion (Georgia Ports Authority, 2024). Additionally, the Port of Brunswick is vital to the automobile and heavy equipment sectors but remains particularly vulnerable due to retaliatory tariffs that significantly impact the automobile and parts industries. Cargo volumes at the Port of Brunswick declined in April 2025 as global trade adjusted to U.S. tariffs, including a 25% duty on imported automobiles announced in March (Lawder, 2025).

The trade industry operates as a highly interconnected supply chain, making many small firms in Georgia's export ecosystem vulnerable, especially if they lack the capital, capacity, and coordination needed to adapt to sudden shifts in trade activity.

Small Business Impacts (The 87%)

Small businesses play a significant role in the country's trade ecosystem. In Georgia, for instance, small firms account for approximately 87% of exporting businesses. This statistic underscores how changes in federal trade policy can disproportionately impact smaller firms that engage in international markets. Historically, modifications in federal trade policy often result in shifts in supply and demand, leaving small businesses to manage supply chain disruptions without the leverage that larger firms can use during uncertain times.

In the first half of 2025, many large companies, including Walmart and Target, utilized their lobbying power to negotiate better pricing with suppliers—an advantage that most small businesses do not enjoy (Lawder & Manthey, 2025). Since many small exporters depend on imported intermediate goods to create finished products, they are particularly susceptible to cost increases driven

by tariffs. Lacking strong supplier relationships or the lobbying capacity to request tariff exemptions, many small firms find themselves forced to absorb these additional costs directly.

Georgia Tariff Exposure (2024-2025)

As one of the country's largest import and export hubs, Georgia experienced noticeable shifts in trade activity during the implementation of new tariffs. According to the International Trade Administration, Georgia's exports increased from $53.4 billion in 2024 to $60.2 billion in 2025. Manufacturing exports alone increased by 13% between February and March 2025 (FRED, 2025), suggesting that firms accelerated shipments in anticipation of tariff implementation. Imports followed a similar pattern. Georgia's imports increased from approximately $145 billion in 2024 to nearly $150 billion in 2025, with a 23 % spike between February and March 2025 (FRED, 2025). This pattern indicates that many firms rushed to move goods through Georgia's trade infrastructure before tariffs took effect.

While this surge in trade activity temporarily increased export and import volumes, it also introduced new cost pressures throughout Georgia's supply chains. Despite the increase in exports, the state continues to operate with a trade deficit, meaning that many firms remain heavily dependent on imported intermediate goods and materials. For sectors such as the automotive industry, which relies on globally sourced parts and components, rising import costs can significantly affect production costs. These pressures are particularly difficult for smaller firms to absorb, as many lack the financial flexibility and supplier leverage needed to manage sudden increases in input costs.

State-Level Impact Summary

Georgia's role as a major logistics and export hub makes it particularly sensitive to changes in federal trade policy. As one of the nation's top exporting states, with over $60 billion in exports and significant integration into global supply chains through the Ports of Savannah and Brunswick, shifts in tariff policy can rapidly affect trade flows across the state's economy. While short-term increases in trade activity might temporarily boost port volumes and shipping demand, they can also introduce volatility throughout the supply chain. This is especially true for smaller firms that depend on predictable trade flows and imported intermediate goods. Georgia's experience illustrates how states functioning as major logistics and export hubs can see short-term spikes in trade

activity during periods of tariff uncertainty, while also exposing small businesses within these supply chains to increased cost volatility and market risk.

4.3 Case Study Three: Illinois

State and Economic Snapshot

The state of Illinois has one of the most economically diverse economies in the United States. In 2024, Illinois' nominal GDP exceeded $1.14 trillion, making it the fifth-largest economy in the nation (FRED, 2024). The unique industry mix in Illinois is notable, as no single industry contributes more than 13% to its GDP (Illinois Department of Commerce and Economic Opportunity, 2024). This diversity can serve as a safeguard against federal trade policies that impact any single sector that represents a significant portion of the state's economy. However, Illinois maintains strong international trade relationships, particularly with Canada and Mexico, supported by its robust manufacturing sector. The state exports between $70 billion and $80 billion annually, with Canada alone accounting for over $58.4 billion in imports to Illinois in 2024 (International Trade Administration, 2024). Illinois is heavily involved in North American trade networks, meaning changes in federal trade policy can affect both its export activity and the costs of imported inputs used throughout the state's manufacturing economy.

Illinois' economy is bolstered by its strong manufacturing base. The state's major export industries include pharmaceuticals and medicine, agricultural and construction machinery, motor vehicle parts, communications equipment, and navigational and control instruments. Together, these sectors generate over $130 billion in economic output and comprise approximately 6% of total jobs in the state (Illinois Economic Development Council, 2024). To support domestic production, Illinois relies heavily on imported goods, with China among its primary import partners. The top import sectors for the state include computers and electronics, oil and gas, chemicals, machinery, and electrical equipment, all of which directly support its industrial and manufacturing base (International Trade Administration, 2024). Due to the state's reliance on imported intermediate goods, federal trade policies can impact Illinois' production costs, not just its trade flows.

In addition to its strong economy, Illinois is home to the country's premier freight hub in Chicago. Unlike California, which depends heavily on large port systems, Illinois benefits from a vast freight

and transportation infrastructure. According to the Chicago Metropolitan Agency for Planning, about 25% of all freight trains and nearly 50% of intermodal trains in the United States pass through Chicago, emphasizing its role as the country's primary trade interchange (Chicago Metropolitan Agency for Planning, 2024). Besides its extensive rail network, Illinois is also the location of O'Hare International Airport, one of the fastest-growing air cargo hubs in the country, handling over 2 million metric tons of freight annually. Additionally, the state has access to the Mississippi River system through the Illinois Waterway, enabling goods to move through multiple modes of transportation toward the Gulf of Mexico. Together, these transportation networks facilitate the movement of an estimated $3 trillion worth of goods into and through the region each year (REJournals, 2025), establishing Illinois as a key player in both national and international trade. This extensive infrastructure means that tariff-driven changes in trade can simultaneously impact domestic freight movement and manufacturing supply chains throughout the state.

Manufacturing Input Dependence

Illinois' Heavy Reliance on Imported Goods

States with a strong manufacturing base often rely on imported goods to meet domestic demand. In Illinois, imported goods represent approximately 19.2% of the state's GDP, making it one of the most tariff-exposed states in the country (The Pew Charitable Trusts, 2025). The top imports from China include communications equipment, electrical equipment, and manufacturing machinery, all of which support the state's industrial production base. Additionally, many manufacturing sectors heavily depend on steel and aluminum inputs. Across the United States, around 78% of steel used is imported, while just over half of aluminum consumption relies on imports (York, 2024). As tariffs increase the cost of these materials, manufacturers' production costs rise, potentially reducing their ability to meet both domestic and international demand.

Some subsectors are particularly vulnerable to these cost pressures. In Illinois, electronic product manufacturing is one of the most exposed subsectors in the U.S. economy, importing more than 20% of its production inputs and facing an estimated 3.5% increase in total output costs due to retaliatory tariffs (Bivens, 2024). Illinois' dependence on imported intermediate goods makes its manufacturing sector especially sensitive to changes in federal trade policy.

Tariffs on intermediate goods increase production costs for manufacturers, forcing companies to adjust their pricing, production, or sourcing decisions. As input costs rise, Illinois manufacturers

face significant challenges; they must decide whether to absorb higher costs or pass them on to customers (WSIU Public Radio, 2025), putting pressure not only on manufacturers but also on consumers. For instance, U.S. steel prices are now approximately twice the world prices, with U.S. hot-rolled coil prices around $900 per ton since tariffs were imposed in March. Aluminum prices have also risen, as more than half of U.S. demand is met by imports, most of which come from Canada (U.S. Chamber of Commerce, 2025).

These cost increases do not remain isolated at the production stage; they propagate throughout the entire supply chain, affecting suppliers, distributors, and end buyers. Illinois importers paid an estimated $11 billion in tariffs between March and December of 2025. Small business owners reported that higher costs were absorbed as they traveled through the supply chain, with no guarantee that these burdens would ultimately be passed down to the consumers paying the final price (Chicago Sun-Times, 2026).

When manufacturers in the state pay more for imported steel, aluminum, machinery components, and electronics, those increased costs create a domino effect, disrupting the broader network of supply chains that Illinois' manufacturing sector relies on.

Small Manufacturing Exposure

Small manufacturers play a critical role in Illinois' industrial supply chains, serving as component suppliers and specialized producers within larger production networks. According to the SBA Office of Advocacy, more than 20,000 manufacturers in Illinois qualify as small businesses, defined as firms with fewer than 500 employees (2024). Many of these firms serve as suppliers in larger networks and often rely on imported goods due to the limited domestic supply of certain manufacturing inputs in the state.

A survey conducted by the Association for Manufacturing Technology in 2025 revealed that 86% of manufacturing firms reported increased costs related to tariffs, while 83% said that their profit margins on imported goods were negatively affected (AMT, 2025). Additionally, research from the Richmond Federal Reserve found that Midwestern industrial centers, including Illinois, have heightened exposure to tariffs because their supply chains heavily depend on imported inputs used in industries like automobiles, machinery, chemicals, and fabricated metals (Richmond Federal Reserve, 2025).

When tariffs raise the cost of these inputs, smaller manufacturers struggle to adapt. Small- and medium-sized businesses affected by tariffs saw their average tariff rate nearly double, increasing from 6.5% in January 2025 to 11.4% by July 2025. In contrast, businesses not affected by tariffs experienced little to no change in their rates (Federal Reserve Bank of Boston, 2025). In Illinois, small manufacturers reported rising input costs, supply chain uncertainty, and pressure to absorb increased production costs (WSIU Public Radio, 2025). These tariff-driven cost increases disproportionately affect the small businesses that are essential to Illinois's broader manufacturing ecosystem.

Illinois' Tariff Exposure (2024-2025)

As a major manufacturing and freight hub, Illinois experienced notable shifts in export and import activity following the implementation of tariffs in 2025. According to the International Trade Administration, Illinois exports declined from $81.8 billion in 2024 to $79.9 billion in 2025, representing a decrease of approximately 2.3% (International Trade Administration, 2025). Further, World Business Chicago found that, through July 2025, Illinois' export value had already fallen 1.2% compared to the same period in 2024, in contrast to a 4.6% national export increase over the same period (World Business Chicago, 2025). Trade with Illinois' largest partner, Canada, also declined, with exports falling from $20.9 billion to $17.5 billion, highlighting the effects of heightened trade tensions between the United States and Canada. Imports were also affected. As the third-largest importing state in the nation, Illinois saw import volumes fall from $218 billion to $211 billion, representing a decline of more than 3% (International Trade Administration, 2025). Together, these shifts illustrate Illinois' vulnerability to changes in federal trade policy and reflect the state's deep reliance on international trade and imported manufacturing inputs.

State-level Impact Summary

Illinois is one of the nation's leading manufacturing and freight hubs, making it particularly sensitive to changes in federal trade policy. The state's supply chains rely heavily on imported manufacturing inputs, and tariffs on these intermediate goods increase production costs and affect the entire state's industrial network. This cost pressure is especially challenging for small and mid-sized manufacturers that serve as suppliers within larger production ecosystems, as they often lack the capital flexibility to absorb sudden increases in input prices. Moreover, Illinois is particularly vulnerable to trade disruptions because Canada is its largest trading partner. This concentration

means a significant portion of the state's export activity depends on a single trade relationship rather than being spread across a more diverse set of markets. When export values decline and import costs rise, the combined effects of tariffs create broader economic pressures that extend beyond individual firms, impacting the interconnected supply chains that support Illinois' manufacturing economy.

4.4 Case Study Four: Colorado

State and Economic Snapshot

Colorado is home to one of the nation's fastest-growing advanced manufacturing and aerospace clusters. With the expansion of its advanced technology sectors, Colorado's nominal GDP reached $557 billion in 2024, making it one of the fastest-growing economies in the Mountain West (Federal Reserve Bank of St. Louis, 2024). Colorado exported an average of $10.6 billion in goods annually between 2023 and 2025, reflecting the state's integration into global manufacturing and technology supply chains (International Trade Administration, 2025). Colorado's largest trading partners include Canada and Mexico, with a combined import and export activity exceeding $8.6 billion (International Trade Administration, 2025). As Colorado continues to expand its international trade activity, the state economy remains increasingly exposed to federal trade policy changes that could materially affect its economic position, given its reliance on North American trade partners.

The state is also home to the second-largest aerospace cluster in the United States and ranks first in the nation in aerospace employment concentration per capita, with over 55,000 workers employed directly and an additional 184,000 employed indirectly across the aerospace and defense ecosystem (Colorado Office of Economic Development and International Trade, 2024). The industry contributes billions annually to the state's economy, including $22.8 billion in federal aerospace contracts in 2024 alone, and supports a robust ecosystem of over 2,000 suppliers and technology companies that drive innovation in aviation, satellite systems, and national defense (OEDIT, 2024). Given Colorado's deep reliance on advanced manufacturing and aerospace production, several of the state's key industries are particularly exposed to tariff-related disruptions in global supply chains.

Industry Exposure to Tariffs

Colorado's exposure to tariff-driven disruptions is concentrated in its advanced manufacturing, aerospace, electronics, and energy equipment sectors, industries that together make up nearly half of the state's economy and jobs (Colorado Office of State Planning and Budgeting, 2025). These sectors rely heavily on globally sourced inputs such as specialized metals, semiconductors, and industrial machinery, making them particularly sensitive to shifts in federal trade policy. In 2025, Colorado's effective tariff rate rose from 3% to 21%, the highest level in more than a century, which materially increased cost pressures across industries that depend on imported inputs (OSPB, 2025). As tariffs raise the cost of these intermediate goods, manufacturers face higher production costs that tighten margins, constrain hiring decisions, and disrupt long-term investment and product development planning. Following the 2025 tariffs, Colorado's computer and electronics sector lost 476 jobs and $201 million in GDP, illustrating the scale to which trade policy can quickly translate into measurable economic harm (OSPB, 2025). Collectively, these impacts highlight how Colorado's vulnerability to federal trade policy extends across its advanced manufacturing and technology sectors.

Small Business Impacts (The 99%)

Small businesses operating as aerospace subcontractors, advanced manufacturing suppliers, and specialized technology firms represent some of Colorado's most tariff-vulnerable enterprises. According to the SBA Office of Advocacy, over 99.5% of all businesses in Colorado classify as small businesses, making the overwhelming majority of the state's business community directly exposed to shifts in federal trade policy (SBA, 2024). An analysis conducted by OEDIT found that small businesses report experiencing disproportionately greater tariff impacts than larger firms, as they operate with thinner margins and fewer financial resources to absorb sudden increases in costs (OEDIT, 2025). This vulnerability is compounded by firms operating as aerospace and manufacturing subcontractors, which face fixed-price contract obligations and compressed delivery timelines that make cost pass-through structurally difficult. Colorado businesses paid an estimated $767 million in tariffs between February and December 2025, a 67% increase from the $459 million paid in 2024 (Schmelzer, 2026; Colorado Office of State Planning and Budgeting, 2025).

An employer survey conducted by the Colorado Office of Economic Development and International Trade found that 86% of businesses reported negative impacts from tariffs, while only 14%

reported any benefit, highlighting the disproportionate trade policy burden placed on smaller firms with limited capacity to adapt (OEDIT, 2025). For Colorado's small aerospace contractors, advanced manufacturers, and specialized technology suppliers, these compounding pressures underscore the need for targeted policy interventions that account for the structural disadvantages small firms face relative to their larger-industry counterparts.

Colorado's Tariff Exposure (2024-2025)

Since 2015, Colorado has significantly expanded its international trade activity, with both imports and exports increasing as the state became more integrated into global supply chains. Despite this growth, Colorado continues to operate at a persistent trade deficit. In 2024, the state imported approximately $16.7 billion in goods while exporting $10.5 billion, resulting in a trade deficit of roughly $6.2 billion, concentrated in electronic products, oil and gas, and machinery (International Trade Administration, 2025). Following the tariffs imposed in early 2025, Colorado's exports increased modestly from $10.5 billion to approximately $11 billion, a gain partly attributed to continued strength in the aerospace sector (OEC, 2025). However, this increase fell short of prior export growth trends, suggesting that tariff-related uncertainty may have begun slowing export expansion. Imports also declined slightly, falling from $16.7 billion in 2024 to $16.4 billion in 2025 (International Trade Administration, 2025). This reduction is consistent with reduced purchasing activity as Colorado businesses faced higher input costs, suggesting that firms either absorbed tariff-driven cost increases or passed them on to consumers rather than sustaining prior import volumes.

State-Level Impact Summary

Colorado's position as a growing hub for advanced manufacturing, aerospace, and technology places the state within supply chains that rely heavily on globally sourced inputs. As tariffs increase the cost of intermediate goods such as semiconductors, specialized metals, and industrial components, these price increases move through the state's production networks (as in many states with heavy manufacturing and industrial networks) and place pressure on firms that depend on stable input costs. These pressures are particularly challenging for small and mid-sized businesses that operate as suppliers within larger manufacturing and technological ecosystems and often lack the capital flexibility to absorb sudden increased production costs.

At the same time, Colorado's persistent trade deficit and reliance on imported goods expose the state to shifts in federal trade policy that can quickly affect both business investment and consumer spending. As a result, while Colorado experienced measurable impacts from 2025 tariffs, the state's continued economic growth will depend on strengthening the resilience of the advanced manufacturing and technology supply chains that support its emerging industries.

4.5 Comparative Analysis

While tariffs are applied uniformly at the federal level, their economic impacts vary significantly across states depending on industry composition, trade infrastructure, and resilience to imported intermediate goods. The four case studies illustrate that states with strong trade infrastructure or manufacturing bases experience tariff impacts through different economic channels. In Georgia, tariffs primarily affected logistics and port-driven supply chains, where shifts in global trade flows altered shipping volumes and created short-term volatility across transportation and warehousing networks. Illinois experienced cost pressures concentrated within its manufacturing sector, where reliance on imported industrial inputs such as steel, aluminum, and machinery increased production costs and placed strain on small manufacturers operating within complex supply chains.

California and Colorado exhibit distinct exposure patterns tied to advanced industries and technology-driven sectors. In these states, tariffs affected industries that rely heavily on globally sourced precision components (i.e., highly engineered parts), electronics, and specialized manufacturing inputs. Although these sectors generate high economic output, their dependence on international supply chains increases vulnerability to trade policy shifts. Across all four states, small businesses consistently faced disproportionate pressure due to limited pricing power, weaker supplier leverage, and fewer financial resources to absorb sudden cost increases. Collectively, these case studies demonstrate that tariff impacts are not distributed evenly across the national economy; instead, they vary by underlying industrial structure, trade relationships, and supply chain dependencies.

Table 6: Comparative Analysis Table

State	Key Economic Structure	Primary Tariff Exposure	Mechanism of Impact	Small Business Vulnerability
CA	Technology, electronics, agriculture, global trade hub	Electronics, semiconductors, agriculture exports	Tariffs raise costs of imported components and disrupt export markets	Small exporters face increase input costs and limited availability to renegotiate supplier pricing
GA	Major logistics and port economy	Port activity, auto imports/exports, logistics networks	Trade policy alters shipping volumes and create volatility for demand	Small logistics firms struggle to adjust capacity and capital during rapid trade fluctuations
IL	Manufacturing and freight transportation hub	Steel, aluminum, machinery, electronic inputs	Tariffs increase production costs for manufacturers relying on imported intermediate goods	Small manufacturers face margin compression and limited availability to absorb cost increases
CO	Advanced manufacturing, aerospace, and technology sectors	Precision components, electronics, specialized metals	Tariffs raise costs on globally sourced inputs critical to advance industries	Small technology and manufacturers face supply chain instability and rising input costs

Note: A comparison of the four case studies illustrates how tariff impacts differ across states depending on their industrial composition, trade infrastructure, and reliance on globally sourced manufacturing inputs and intermediate goods.

5. LEGAL UNCERTAINTY & POLICY VOLATILITY

On February 20, 2026, the Supreme Court ruled that the U.S. government exceeded its powers by using the IEEPA to justify imposing sweeping, open-ended tariffs. The Court determined that only Congress has the authority to impose these tariff regimes, meaning the President must obtain Congress's approval to utilize this fiscal policy tool (Learning Resources, Inc. et al. v. Trump, 2026). Accordingly, the Court invalidated the IEEPA-based tariffs (Learning Resources, Inc. et al. v. Trump, 2026). While the Court's ruling was a positive development for U.S. business interests, it left significant uncertainty for the future (Anderson et al., 2026). This uncertainty constitutes a considerable economic shock for U.S. small businesses.

The Court's decision canceled all trafficking tariffs on China, Canada, and Mexico, as well as Global Reciprocal tariffs and additional tariff orders (Cornejo et al., 2026). Tariffs not based on IEEPA remain unaffected; therefore, the steel and aluminum tariffs imposed under Section 232, along with tariffs on goods originating from China under Section 301, remain in effect. The ruling did not limit the President's ability to impose tariffs under other legal provisions; thus, the administration moved to implement 15% sweeping tariffs under Section 122 (Anderson et al., 2026). This provision is not open-ended and is set to expire after 150 days (Anderson et al., 2026). Although the Court's decision removed a significant tool from the administration's arsenal, the issue of tariffs and their effects remains unresolved.

A key outstanding issue is the administration's responsibility to reimburse U.S. enterprises that had paid these fees to the government. The Court's decision did not address this issue. However, the U.S. Court of International Trade has started processing refunds after the government's attempt to delay refunds was rejected by the U.S. Court of Appeals (Cerullo, 2026). Despite what appears to be positive movement, refunds remain uncertain, particularly regarding eligibility and responsibility for accrued interest payments. Questions remain about whether tariff refunds will be available to businesses that passed the costs on to customers and whether the American taxpayer will have to cover an estimated $700 million in monthly interest owed to all importers of record (Buchwald, 2026).

These combined issues heighten the uncertainty and volatility that U.S. small businesses must navigate to ensure their ongoing viability. Even with the "win" from the Supreme Court's ruling, the U.S. economy remains subject to significant volatility. Small businesses are unsure whether all tariffs will be lifted, as the government continues to rely on other legislation to maintain its tariff regime. This situation could be aggravated by the passage of the Sanctioning Russia Act, which would empower the U.S. government to impose tariffs on any country trading with Russia (Anderson et al., 2026). This legislation is currently awaiting a vote in the Senate and could lead to the imposition of sweeping and open-ended tariffs.

While the U.S. government has sought interventions to support affected industries, these efforts have not proven successful. In 2025, agricultural producers faced significant risks due to market volatility and high uncertainty in farm profitability (Mercier, 2025). Although the USDA has provided one-time "bridge" assistance to agricultural producers affected by market disruptions

(USDA, 2026), there is no known support for other sectors impacted by market volatility. Overall, these shifts in policy tools and tariff rates have created market uncertainty that has adversely affected small businesses' ability to plan the next phase of their business's growth.

In today's environment, U.S. small businesses are facing significant challenges in their operational planning. The ongoing uncertainty surrounding tariffs and the possibility of tariff refunds poses an economic risk. During periods of high uncertainty, small businesses are more likely to limit their expansion activities (Schweitzer & Shane, 2011). Consequently, they tend to be less willing to take on additional credit or hire new staff (Schweitzer & Shane, 2011). As a result, U.S. small businesses, which make up 99.9% of the U.S. economy, are more likely to adopt contractionary practices to protect their operations rather than pursue expansionary policies that could foster economic growth.

State-level small-business resilience policies should address not only direct tariff costs but also the uncertainty caused by rapid changes in trade policy, unsettled refund obligations, and firms' inability to reliably predict operational rules.

6. CONCLUSION

Small businesses represent the overwhelming majority of U.S. firms, importers, and exporters, making them the primary lens through which the economic consequences of the 2025 tariff regime must be understood. This report examined the impact of that regime across four states, which include California, Colorado, Georgia, and Illinois, with particular attention to the agriculture, manufacturing, and retail sectors. Across all four, the evidence consistently points to a trade policy environment that imposed disproportionate burdens on small firms while generating neither uniform import reduction nor sustained export growth.

The first and most consistent finding is that small businesses bore a disproportionate share of tariff costs relative to larger firms. Limited negotiating power, thinner capital reserves, and the absence of lobbying leverage to seek exemptions left small firms with few tools to manage sudden cost increases. More than 40% reported that tariffs created a significant financial burden, particularly in manufacturing and retail, while 76% raised prices and 60% absorbed a portion of costs directly, compressing margins while simultaneously passing pressure on to consumers (Federal Reserve

Banks, 2026). Retail emerged as the most consistently vulnerable sector across all four states, with significant job losses recorded in each: approximately 11,500 jobs in Georgia, 7,500 in Colorado, and 6,500 in Illinois in Q2 2025 alone. At the national level, effective tariff rates on affected industries rose from approximately 6.5% in January 2025 to 11.4% by July 2025 (Federal Reserve Bank of Boston, 2025), coinciding with the imposition of Section 232 and Liberation Day tariffs. The concurrent increase in SBA 7(a) lending approvals between 2023 and 2025 suggests that more firms turned to debt to manage liquidity pressure, though the available data cannot establish a direct causal link to tariff exposure.

The second finding is that each state's vulnerability and response reflected its underlying economic structure. California's exposure was concentrated in agriculture and technology-oriented manufacturing, where 95% of exporters are small businesses and import reliance runs deep. Georgia's exposure was anchored in port activity, logistics networks, and automotive trade flows, with small businesses accounting for 87% of the state's exporters. Illinois was the only state to record an annual export decline, falling 2.3% in 2025, driven by its heavy reliance on imported manufacturing inputs including steel, aluminum, machinery, and electronics, across more than 20,000 small manufacturers, 86% of which reported tariff-related cost increases. Colorado's exposure was concentrated in advanced manufacturing and aerospace, where the effective tariff rate rose from 3% to 21%, and businesses paid an estimated $767 million in tariffs over eleven months.

The third finding concerns the agricultural sector, which faced particularly severe consequences from retaliatory tariffs. As the nation's largest agricultural exporter, California experienced a 64% decline in agricultural exports to China in a single year, with losses cascading through processors, truckers, warehouses, and port facilities (Carter, Steinbach, & Yildirim, 2026). The federal Farmer Bridge Assistance Program, which largely prioritized Midwestern row crops, provided limited relief for California's specialty crop producers, highlighting a gap in the federal response to geographically concentrated agricultural exposure.

The fourth finding is that policy uncertainty itself constitutes an economic harm. Rapid and unpredictable changes to the tariff regime disrupted hiring, inventory, and investment decisions well beyond what direct cost increases alone would explain. Even following the Supreme Court's February 2026 ruling striking down the IEEPA-based tariffs, uncertainty persisted: tariffs under other statutory authorities remained in place, refund eligibility remained contested, and the

administrative process for recovering invalidated tariff payments remained unresolved. For small businesses operating with limited planning horizons and few financial buffers, this environment discouraged the expansionary activity that supports broader economic growth.

These findings point to the need for policy responses that address not only the direct costs of tariff exposure but also the structural disadvantages that leave small businesses less able to absorb, negotiate around, or recover from trade policy shocks.

7. POLICY RECOMMENDATIONS

Given that 97% of small businesses are importers facing ongoing uncertainty, sustaining a market-driven economy requires targeted policy responses that address both direct tariff costs and the structural disadvantages small firms face relative to larger competitors. The recommendations below emphasize resilience, supply chain reorientation, tariff recovery, and trade negotiation capacity.

Establish State Small Business Resilience Funds

States should create Small Business Resilience Funds to provide temporary working capital support to firms facing tariff-related cost pressures and policy uncertainty. The report's findings, including rising SBA 7(a) lending activity, persistent price pressures, and disproportionate vulnerability in the retail sector, indicate that many small businesses have been absorbing shocks without an adequate financial cushion. By offering bridge financing, low-interest loans, or emergency grants, states can help viable firms stabilize operations and reduce the risk of closures or layoffs during periods of trade volatility.

While the federal government's development of the Consolidated Administration and Processing of Entries (CAPE) portal represents a positive step toward refund recovery, its spring 2026 launch timeline, administrative requirements, and unresolved eligibility questions mean that relief will not reach small businesses immediately. Many firms will need to ensure active Automated Commercial Environment (ACE) accounts and ACH enrollment before any funds can be disbursed, steps that present meaningful barriers for businesses without dedicated compliance staff. State resilience funds are therefore not contingent on federal refund timelines and should be structured to provide relief independent of CAPE's rollout.

Create State-Level Tariff Refund Support Programs

States should establish Tariff Refund Support Programs to assist small businesses in navigating the process of recovering tariff payments invalidated by the Supreme Court's February 2026 ruling. As the report documents, legal uncertainty persisted well after the Court's decision: refund administration remained unresolved, eligibility criteria were contested, and the question of accrued interest obligations remained open. Because small businesses typically lack dedicated legal or compliance staff, state-level outreach, claims preparation assistance, and targeted legal support would reduce these barriers and help small firms access working capital relief to which they may be entitled.

Expand Long-Term Reshoring and Supply Chain Resilience Incentives

States should strengthen incentives for reshoring and supply chain diversification, targeted at small businesses in tariff-exposed industries of strategic importance. The case studies illustrate that import reliance remained largely intact even after tariff imposition, confirming that the structural dependencies driving small business vulnerability cannot be resolved through trade policy alone. States should begin with supply chain gap analyses to identify sectors with the greatest domestic sourcing risk, then develop targeted responses, including tax incentives, industrial zone development, workforce investment, and capital support, to help small firms reduce exposure to foreign supply disruptions over time.

Strengthen Federal Negotiation Support for Small Businesses

At the federal level, the report identifies a persistent asymmetry: large firms leveraged supplier relationships and lobbying capacity to negotiate pricing adjustments during the tariff period, while small businesses absorbed cost increases with few comparable tools. The Small Business Administration and the U.S. Department of Commerce's International Trade Administration should develop a coordinated program to assist small businesses in negotiating with international suppliers, including access to trade advisors and collective purchasing frameworks. Formalizing this as a standard function of both agencies would help ensure small businesses are not systematically disadvantaged in future trade disruptions.

Exempt Small Businesses from Future Tariff Regimes Through Federal Legislation

To prevent future administrations from imposing comparable harm on Main Street businesses, Congress should pass legislation exempting small businesses from tariff obligations that exceed their capacity to absorb without operational harm. Legislation such as the Small Business Liberation Act 2.0 would establish a statutory floor of protection for small importers, ensuring that executive trade actions which history suggests will recur regardless of administration, do not disproportionately burden the firms least equipped to manage them. Such legislation would not constrain the federal government's ability to pursue legitimate trade policy objectives; rather, it would ensure that the costs of those objectives are not borne primarily by small businesses and the consumers they serve.

Given the volatility documented in this report and the likelihood of continued executive action on trade, a legislative exemption represents the most durable long-term protection available to the small business community, one that operates independently of any single administration's policy priorities.

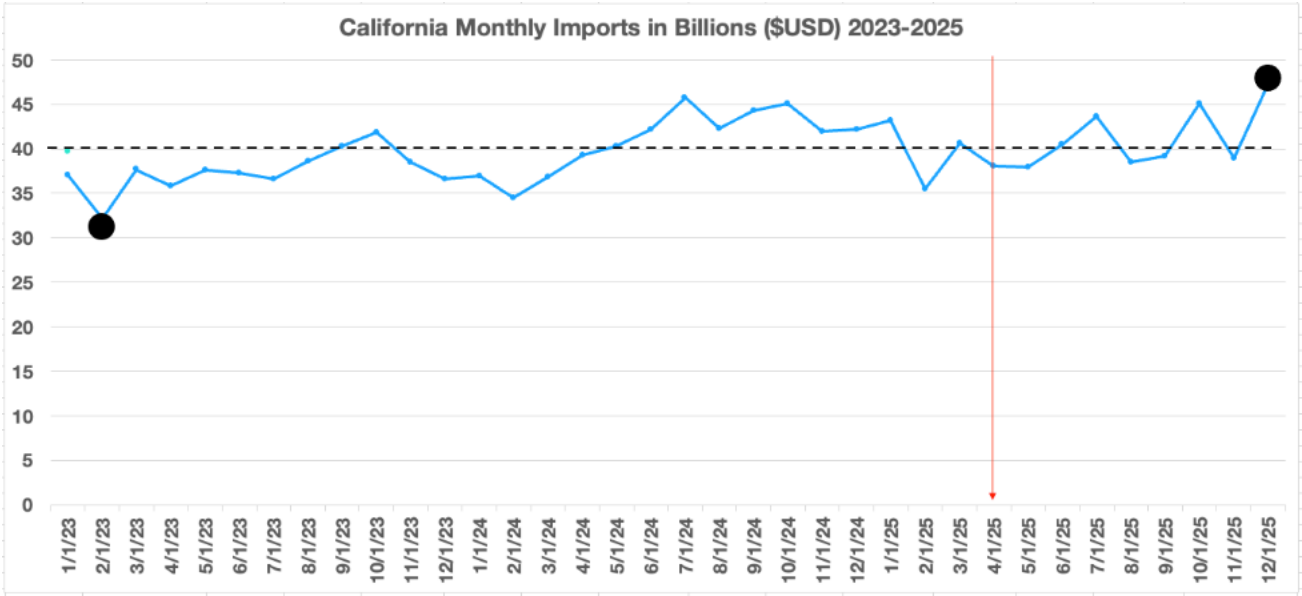
LIST OF ABBREVIATIONS

AMT	Association for Manufacturing Technology
BDS	Business Dynamics Statistics
BLS	Bureau of Labor Statistics
CA	California
CBP	Customs and Border Protection
CO	Colorado
CPI	Consumer Price Index
CY	Calendar Year
EU	European Union
Fed SBCS	Federal Reserve Small Business Credit Survey
FRED	Federal Reserve Economic Data
GA	Georgia
GDP	Gross Domestic Product
GO-Biz	Governor's Office of Business and Economic Development
HTS	Harmonized Tariff Schedule
IEEPA	International Emergency Economic Powers Act
IL	Illinois
ITA	International Trade Administration
NAICS	North American Industry Classification System
OEC	Observatory of Economic Complexity
OEDIT	Colorado Office of Economic Development and International Trade
OSPB	Colorado Office of State Planning and Budgeting
PPI	Producer Price Index
QWI	Quarterly Workforce Indicators
Q1	1st Quarter
Q2	2nd Quarter
Q3	3rd Quarter
Q4	4th Quarter
SBA	Small Business Administration
SBCS	Small Business Credit Survey
TEUs	Twenty-foot Equivalent Units
U.S.	United States
USDA	United States Department of Agriculture
USITC	United States International Trade Commission
USTR	United States Trade Representative

Appendix A: Imports Trade Data Visuals (Census Bureau)

California

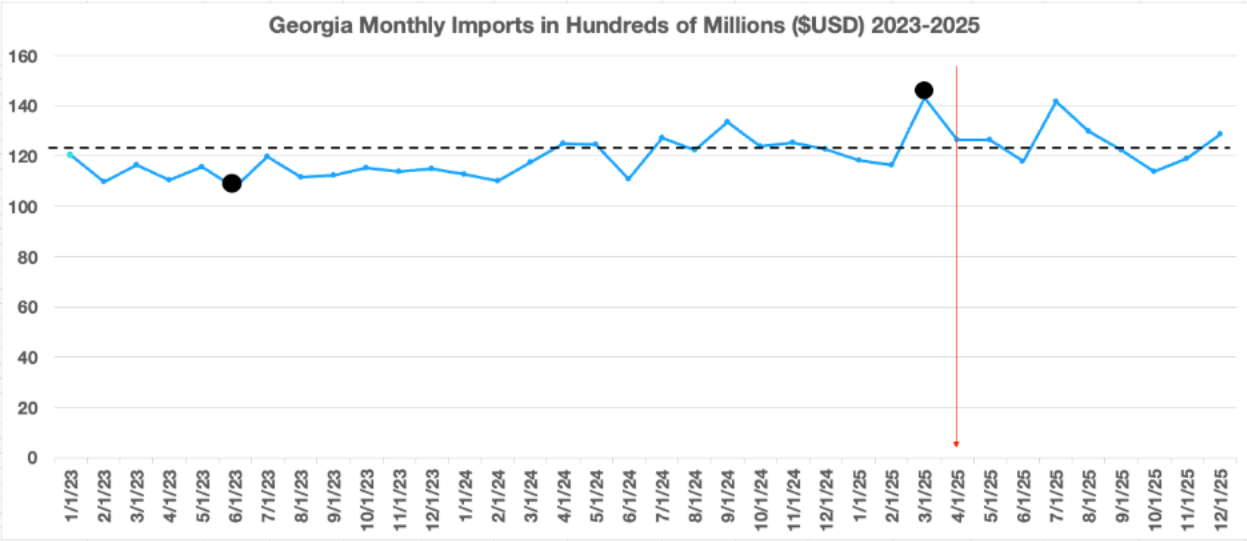
Note: Values in billions ($USD). The dashed line represents the three-year average. The black dots represent the three-year low and high, respectively.



Jan 2023 vs. Dec 2025 % Change	Jan 2025 vs. Dec 2025 % Change	Annual Imports CY23 ($USD Bn)	Annual Imports CY24 ($USD Bn)		Annual Imports CY25 ($USD Bn)	
27.26%	9.29%	450.157	491.467	Annual % Change 9.18%	488.219	Annual &%Change -0.66%

Georgia

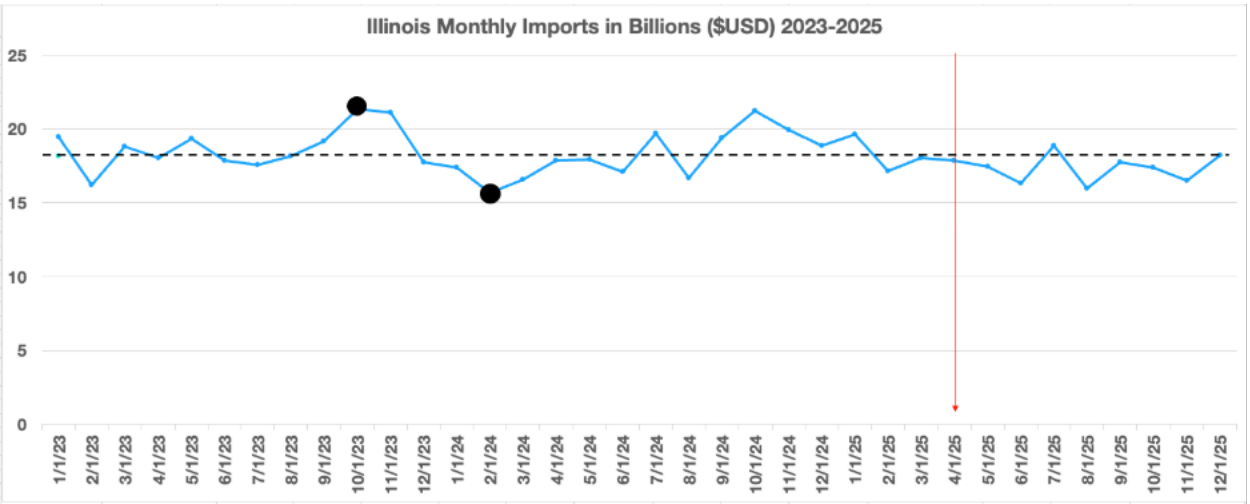
Note: Values in hundreds of millions ($USD) — scale differs from CA and IL. The dashed line represents the three-year average. The black dots represent the three-year low and high, respectively.



January 2023 vs. December 2025 % Change	Jan 2025 vs. Dec 2025 % Change	Annual Imports CY23 ($USD Bn)	Annual Imports CY24 ($USD Bn)		Annual Imports CY25 ($USD Bn)	
6.75%	8.97%	136.8892	145.614	Annual % Change 6.37%	150.5022	Annual % Change 3.36%

Illinois

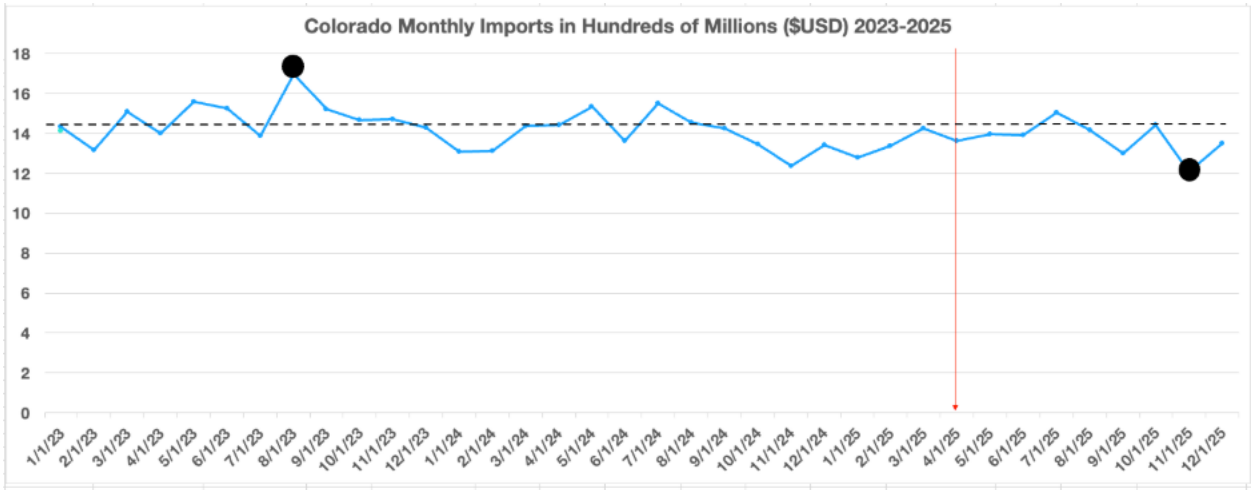
Note: Values in billions ($USD). The dashed line represents the three-year average. The black dots represent the three-year low and high, respectively.



Jan 2023 vs. Dec 2025 % Change	Jan 2025 vs. Dec 2025 % Change	Annual Imports CY23 ($USD Bn)	Annual Imports CY24 ($USD Bn)		Annual Imports CY25 ($USD Bn)	
-6.50%	-7.33%	224.619	218.081	Annual % Change -2.91%	211.032	Annual % Change -3.23%

Colorado

Note: Values in hundreds of millions ($USD) — scale differs from CA and IL. The dashed line represents the three-year average. The black dots represent the three-year low and high, respectively.

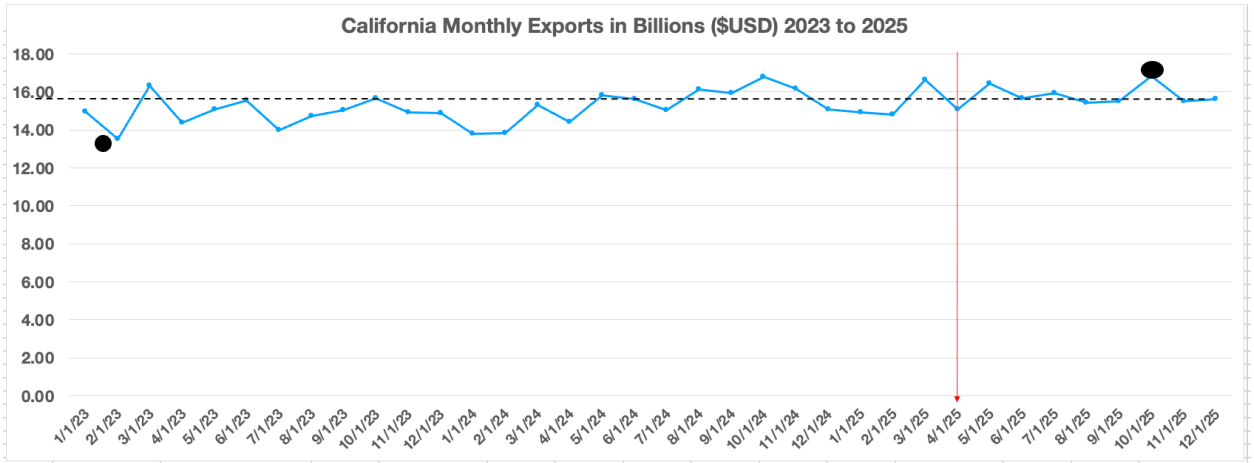


Jan 2023 vs. Dec 2025 % Change	Jan 2025 vs. Dec 2025 % Change	Annual Imports CY23 ($USD Bn)	Annual Imports CY24 ($USD Bn)		Annual Imports CY25 ($USD Bn)	
-5.84%	5.61%	177.246	167.528	Annual % Change -5.48%	164.112	Annual % Change -2.04%

Appendix B: Exports Trade Data Visuals (Census Bureau)

California

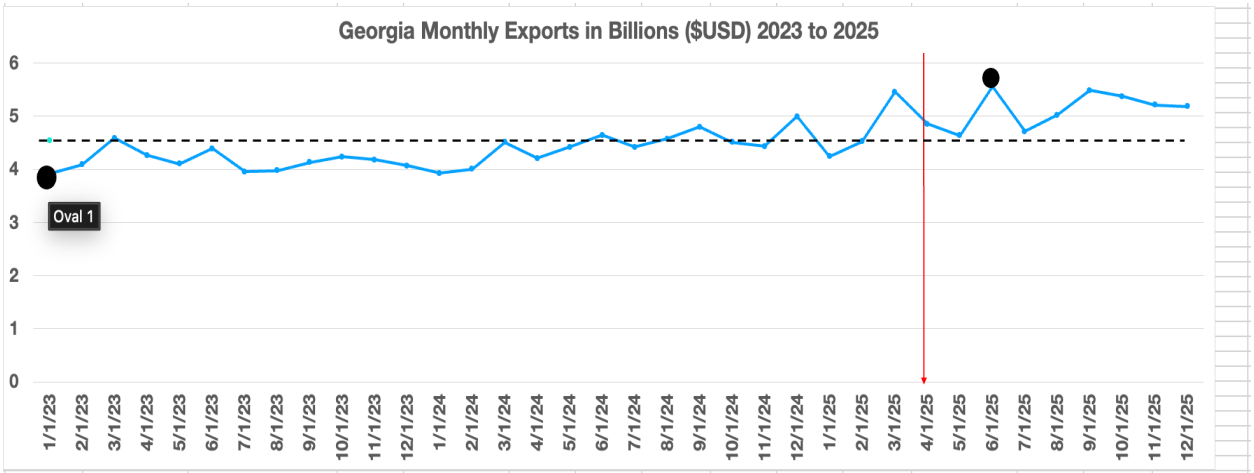
Note: Values in billions ($USD). The dashed line represents the three-year average. The black dots represent the three-year low and high, respectively.



Jan 2023 vs. Dec 2025 % Change	Jan 2025 vs. Dec 2025 % Change	Annual Exports CY23 ($USD Bn)	Annual Exports CY24 ($USD Bn)		Annual Exports CY25 ($USD Bn)	
4.40%	4.53%	179.03	183.93	Annual % Change 2.74%	188.40	Annual % Change 2.43%

Georgia

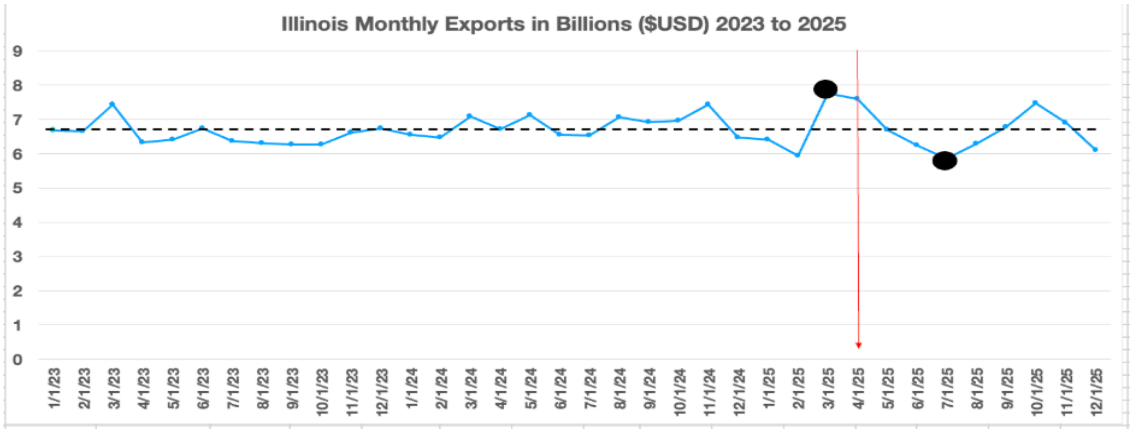
Note: Values in billions ($USD). The dashed line represents the three-year average. The black dots represent the three-year low and high, respectively.



Jan 2023 vs. Dec 2025 % Change	Jan 2025 vs. Dec 2025 % Change	Annual Exports CY23 ($USD Bn)	Annual Exports CY24 ($USD Bn)		Annual Exports CY25 ($USD Bn)	
32.64%	22.18%	49.8903	53.4429	Annual % Change 7.12%	60.2771	Annual % Change 12.79%

Illinois

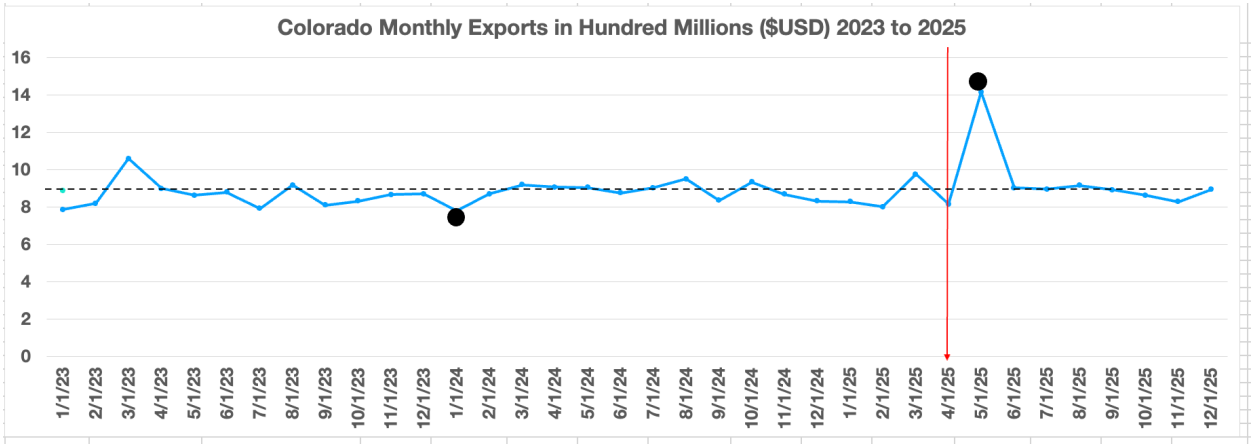
Note: Values in billions ($USD). The dashed line represents the three-year average. The black dots represent the three-year low and high, respectively.



Jan 2023 vs. Dec 2025 % Change	Jan 2025 vs. Dec 2025 % Change	Annual Exports CY23 ($USD Bn)	Annual Exports CY24 ($USD Bn)		Annual Exports CY25 ($USD Bn)	
-8.47%	-4.68%	78.76	81.83	Annual % Change 3.90%	79.96	Annual % Change -2.30%

Colorado

Note: Values in hundred millions ($USD) — scale differs from other export charts. The dashed line represents the three-year average. The black dots represent the three-year low and high, respectively.



Jan 2023 vs. Dec 2025 % Change	Jan 2025 vs. Dec 2025 % Change	Annual Exports CY23 ($USD Bn)	Annual Exports CY24 ($USD Hundred Millions)		Annual Exports CY25 ($USD Hundred Millions)	
13.61%	7.79%	103.9589	105.7739	Annual % Change 1.75%	110.29	Annual % Change 4.27%

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