

Navigating Choppy Waters: How US Trade Policy Uncertainty Affects Small Businesses

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Abstract

This paper explores the impact of recent changes in the US trade policy environment on small businesses. Drawing on a survey of more than 4,000 small businesses conducted between March 22 and 31, 2025, we examine firms' knowledge, expectations, and decisions during a period of substantial trade policy uncertainty. Our findings reveal widespread knowledge gaps about current tariffs, even among internationally exposed firms. Most businesses expect continued policy uncertainty throughout 2025, anticipate reduced sales and increased costs, face limited options for mitigating tariff-induced cost increases, and do not expect government assistance in facilitating adaptation. These results highlight the vulnerability of small businesses, which represent a significant share of US economic activity, to rapid trade policy changes and suggest the need for clear policy communication and targeted support mechanisms.

1 Introduction

After many years of increasing openness to world trade, the election of Donald Trump in 2016 marked a retreat from the US's pursuit of free trade. Trade-weighted tariffs on US imports rose from around 1.5% to approximately 3% before falling back to 2.4% under the Biden administration. While the imposition of tariffs, primarily on China, and the subsequent retaliation were major geopolitical events, trade policy changes have become dramatically larger as well as more uncertain in the first months of Donald Trump's second term in office.

Following a flurry of executive orders, tariffs on China rose an additional 20% on top of the first-term tariffs that mostly remained in place. Surprising many, 25% tariffs were placed on close allies Canada and Mexico, although these tariffs were first delayed, then temporarily restricted to only a subset of goods not compliant with the United States-Mexico-Canada Agreement (USCMA). Tariffs have not just targeted particular countries. In March, 25% tariffs were put in place on all aluminum and steel imports into the US with a similar tariff on vehicles and auto parts coming into force in early April. Taken together, these announced tariffs would raise the US's trade-weighted tariffs to 8.5%, levels not seen since the 1940's. Further rattling the markets, the administration has announced that April 2, 2025 will be "Liberation Day", with the roll-out of a new reciprocal tariff policy that imposed a minimum of a 10% import tariffs on all countries, with much larger tariffs on countries running substantial trade deficits with the US. However, a large amount of uncertainty remains, both over details of exemptions to the reciprocal tariff plan and over whether the administration will roll back some of the other large increases in the face of strong opposition from US producers.

In this paper, we examine the impact of this unprecedented trade policy environment on small and medium-sized enterprises (SMEs) in the US and Canada. Our analysis focuses on three key dimensions: firms' knowledge, expectations and decisions. First, given the rapid changes to the trade policy environment, what do SMEs know about which tariffs are in place and how exposed they are to these changes? Second, how do they expect the policy environment to change in the near and long term, and how do they expect these changes to affect their businesses? Third, how do these changes and their expectations shape key decisions regarding sourcing, pricing, employment and investment?

To answer these questions, a survey was administered through a partnership with Alignable, a networking platform for small business owners, resulting in responses from 4,400 SMEs in the US and Canada between March 22 and 31, 2025. The survey was fielded at a time when uncertainty about US trade policy was at an all-time high, March 22nd–April 1st. Thus, these responses came before the “Liberation Day” announcements on April 2nd that both resolved some uncertainty but also surprised markets with the magnitude of the tariff hikes. Our sample is representative of the population of US businesses employing fewer than 500 workers, which accounted for 43.5% of GDP, 45.9% of private sector employment, and 36% of exports in 2022.

Results suggest that many firms are imperfectly informed about the current tariffs in place. For example, 45% of survey respondents believed that they would face tariffs below 20% on Chinese imports during the survey period, despite the fact that all goods from China have been subject to additional tariffs of 20% since March 4, 2025.¹ This cannot entirely be explained by limited exposure to international trade; even among firms that reported sourcing Chinese goods, 36% underestimated the size of current US tariffs on China. Many firms also appear to be unaware of the retaliatory tariffs imposed by China and Canada (more than half of respondents did not know these countries had retaliated against the US) while overestimating the extent of retaliation by Mexico.²

These variations in beliefs about current tariffs reflect the complexity and sheer volume of information needed to grapple with the rapidly changing trade policy environment. We find that this heterogeneity in beliefs is correlated with sources of news consumption. For example, CNN viewers have higher expectations of Chinese tariffs than Fox viewers during the early period of high trade war uncertainty.

These knowledge gaps matter because many of these firms are connected to the international economy and will likely be affected by these tariff changes. A substantial portion of our sample has international exposure: 55% of respondents use foreign inputs sourced directly or indirectly, 36% face foreign competition in the domestic US market, and 14% sell

¹With the March 4, 2025 increase, average US tariffs on imports from China are now 42.1%.

²More than 30% of respondents believed that Mexico had retaliated. Mexico’s President Claudia Sheinbaum had initially announced plans to implement retaliatory measures in March 4, 2025 but subsequently delayed any retaliatory measures until April 2, 2025 while negotiations were ongoing.

goods to foreign buyers. Small firms, however, have few options when facing tariff-induced cost increases. More than half of respondents indicated they would be unable to negotiate price reductions with suppliers if tariffs on their imported inputs increased by 25%. Finding domestic alternatives is similarly challenging; most firms reported that comparable domestic inputs would cost at least 25% more and would require six months or longer to source. Nearly 20% stated that they could not find domestic suppliers at all. These constraints are not merely hypothetical: more than a quarter of respondents have already reported experiencing decreased sales or increased costs as a direct result of recent tariff increases.

Firms decisions will be shaped not just by their knowledge about current trade policy but expectations for the future. Despite the anchoring around April 2nd, 68% of a subsample of respondents still expect that come the end of April 2025 there will still be a climate of trade policy uncertainty for US importers and exporters, with 42% expecting this continued uncertainty through the end of 2025.³ Of those who expect some resolution in the coming weeks, 75% expect that US importers and exporters will face on average a high tariff environment of at least 15% tariffs on major trading partners for next few years. Given these expectations, more than half of respondents expect inflation above 4% and 35% expect moderate to extreme depreciation of the US dollar over the next 12 months.

Even for firms that do not face direct exposure through trade or competition, they still expect the tariff changes to affect their businesses through the impacts on the broader business environment. 43% of the respondents expect that US import tariffs and retaliation by trade partners will decrease their sales, while 18% expect an increase in sales.

An overwhelming majority of firms (80%) do not expect assistance from the US government to cushion any potential negative impacts of tariffs. Therefore, their ability to adapt to the changing trade environment will depend on their own actions.

The rest of the paper is organized as follows. In Section 2, we describe the survey design, characteristics of survey respondents and how the sample compares with the population of small businesses in the US. Section 3 presents our results on firms' knowledge about current tariffs and how this relates to their international exposure and media consumption. In

³The question regarding trade uncertainty through the end of 2025 was only posed to respondents who expected trade policy uncertainty in April 2025.

Section 4, we examine heterogeneity in expectations about the magnitude of future tariffs, the resolution of trade policy uncertainty, and the ultimate impacts on their businesses. Section 5, analyzes firms' responses to the current and expected tariffs, and how knowledge gaps may be related to over- or under-responsiveness. Finally, Section 6 concludes with a discussion of the implications of our findings for policymakers and future research.

2 Survey Design and Sample Characteristics

2.1 Survey Design

The survey was administered through a partnership with Alignable, a networking platform for small business owners. Founded in 2013, the platform is designed to enable entrepreneurs to connect with each other for knowledge sharing and support and now has 9 million members across North America. As part of the company's business operations, Alignable sends out short weekly polls to its users. During the survey period, users who responded to the poll received an email invitation to participate in a longer survey about tariffs.⁴

Alignable received 4,441 responses from business owners based in the US and Canada. The majority of respondents (4,018) were from the US. Although the respondents constitute only 0.049% of the total users on the platform, they are a larger share of the subset 50,000 to 70,000 Alignable users who regularly participate in their weekly polls. This suggests that the conversion rate among this subset of active poll respondents was about 6.3 to 8.9%.

It is worth noting that some caution should be exercised in generalizing from this sample to the full population of US and Canadian small business. The primary dimensions of sample selection are on: selection into membership on the Alignable platform, selection into engagement with the weekly polls, and selection into completing the survey itself. To mitigate some of these concerns, we compare firms in our sample to the universe of US SMEs along several observable characteristics in the next section.

Two versions of the survey were administered; a comprehensive set of questions lasting approximately 30 minutes to complete and a version half the length. Both surveys asked

⁴To incentivize survey completion, respondents were offered the full set of insights from the survey, the opportunity to receive one-on-one business consulting, and a chance to receive a \$100 gift card.

about firm characteristics such as industry, location, and main product or service, exposure to the international economy, knowledge about tariffs, and expectations about trade policy and the economy. We will discuss these questions in great detail in the subsequent sections. Some questions were only displayed to participants where relevant; for instance, questions about import source countries were only asked to respondents who had indicated that they source foreign goods in their operations. Therefore, most respondents only completed a subset of the questions.

2.2 Representativeness of the Sample

To understand how representative our sample is of the universe of SMEs in the US, we use information from two background questions: the primary industry and location of the company's main office. For our comparison, we use publicly available data from the 2021 Census of US Businesses published by the US Census Bureau, which covers all establishments with at least one paid employee including sole proprietors who receive W2 tax forms. We restrict attention to Census data on businesses with less than 500 employees, which is the definition of SMEs used by the US Small Business Administration.

Although we do capture the broad range of industries in which small businesses operate, we do observe some meaningful differences between our sample and census data as shown in table 1. Manufacturing firms, which are more likely to use imported inputs, comprise 5.76% of our survey respondents compared to 3.73% in the population of US SMEs. Agricultural enterprises, which often engage in commodity exports, appear overrepresented in our survey (1.79%) compared to their proportion in the census data (0.36%). This does suggest that trade-exposed manufacturing business owners have slightly higher representation in our survey. However, some trade-exposed sectors such as wholesale trade are underrepresented in our sample (3.12%) relative to their presence in the census (4.40%), as are retail businesses (8.64% versus 10.21%).

The geographic distribution of businesses in our sample is also comparable to the broader population of US SMEs. Figure 1 plots the top 10 states by the number of SMEs in the US and compares that distribution with our sample respondents, conditional on having

Table 1 Industrial Composition between US Census and Survey Respondents

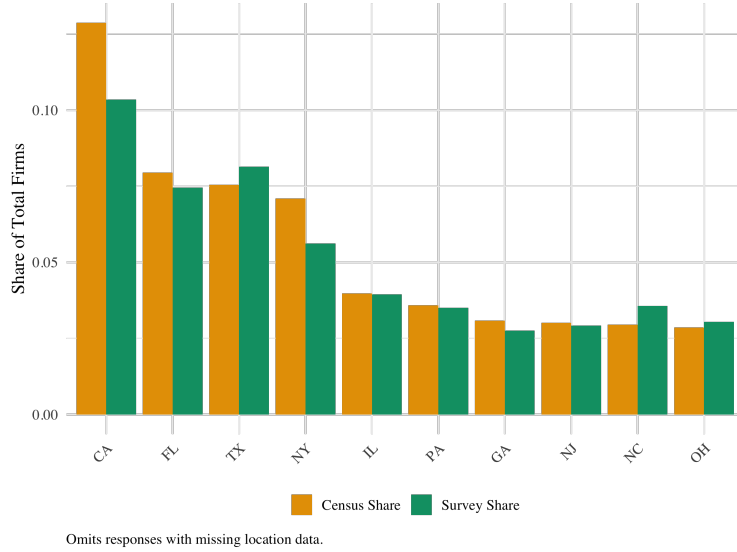
Industry	Census Percentage	Survey Percentage
Agriculture, Forestry, Fishing and Hunting	0.36	1.79
Mining, Quarrying and Oil and Gas Extraction	0.27	0.22
Utilities	0.10	0.27
Construction	12.11	7.89
Manufacturing	3.73	5.76
Wholesale Trade	4.40	3.12
Retail Trade	10.21	8.64
Transportation and Warehousing	3.53	1.86
Information	1.38	1.98
Finance and Insurance	3.86	6.99
Real Estate and Rental and Leasing	5.65	6.75
Professional, Scientific, and Technical Services	13.59	15.73
Management of Companies and Enterprises	0.29	0.85
Administrative and Support and Waste Remediation Services	5.81	0.39
Educational Services	1.57	4.38
Health Care and Social Assistance	10.76	8.25
Arts, Entertainment, and Recreation	2.25	8.35
Accommodation and Food Services	8.81	2.37
Other Services (except Public Administration)	11.35	14.40

Note. Industry categories are defined using the 2017 North American Industry Classification System (NAICS) codes. Location data for each industry was extracted from the 2021 Statistics of U.S. Businesses (SUSB) Annual Data Tables by Establishment Industry.

location data for that respondent. Our sample underrepresents California and New York, and overrepresents Texas, North Carolina and Ohio.

Despite the sample limitations, our data provides a large sample of small businesses across a broad set of industries and States in the US and provides an opportunity to obtain timely information about an important segment of the US economy.

Figure 1 Comparison of firm locations in the Census and our sample.



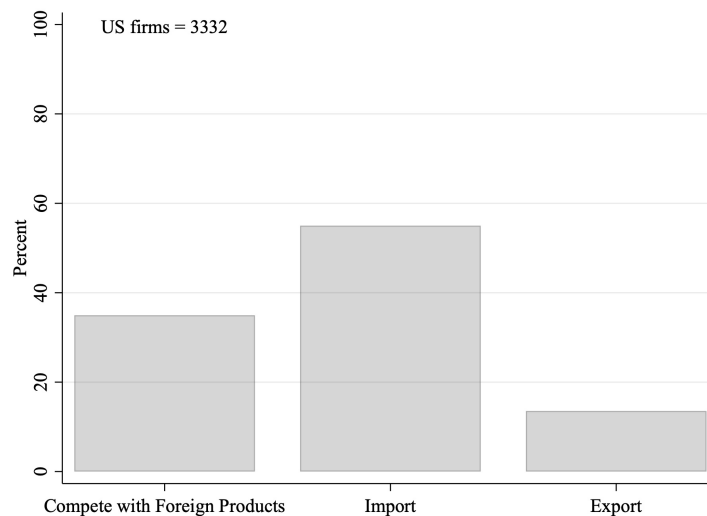
2.3 Exposure to tariffs

We examine the exposure of firms in our sample to the international economy. Although businesses will also be affected through general equilibrium effects of any trade policy changes, firms with direct exposure to the international economy are likely to experience more dramatic impacts and also more likely to make substantial changes to their business. Therefore, we examine the exposure of firms to tariffs through three channels: competition with foreign firms in the domestic market, sourcing foreign inputs, and selling to foreign buyers. For firms competing with foreign products, we further explore which firms are likely to gain the most because their products are highly substitutable with foreign alternatives. For importers, we examine for whom US import tariffs are likely to have more bite because they are importers with limited options for negotiating price reductions with suppliers, for finding domestic alternatives, or for moving stages of production in-house. And for exporters, we ask who is most likely to struggle if retaliatory tariffs are introduced.

The survey asked participants three questions to measure their trade exposure: “Does your product or service compete with foreign products in the US market?”; “Do you use imported materials?”; and “Do you sell any of your products, whether directly or indirectly through an intermediary?” On the question about imported materials, respondents were prompted

to respond affirmatively even if they bought imported materials from a domestic company. Figure 2 shows the share of firms who responded affirmatively to these questions. More than half of respondents (55%) reported that they use imported materials, while 36% compete with foreign products in the US market. Only 14% of respondents reported selling to foreign buyers. For respondents who reported affirmatively to any these questions, the survey also asked them to rank the top three countries/regions they competed with, sourced from, or sold to.

Figure 2 Involvements in foreign competition, import, and export: US



To further assess the implications of tariff changes for these firms, a subset of respondents were asked additional questions to elicit a measure of elasticity of substitution between their products and foreign alternatives for the firms that reported competing with foreign products. Importers were asked a question to get a sense of how easy it would be to negotiate discounts from their foreign suppliers if there was a 25% tariff and the feasibility of switching to domestic suppliers or in-house production. Exporters were also asked a question to get a sense of the elasticity of demand they faced in foreign markets.

The responses suggest that tariffs would likely have significant impacts on these trade-exposed firms. As figure 3 shows, most of respondents indicated that they would be unable to get any price reductions from the foreign supplier of their main imported input if there was a 25% tariff on the good. There does seem to be some scope for switching to sourcing

Figure 3 Input Pass-through

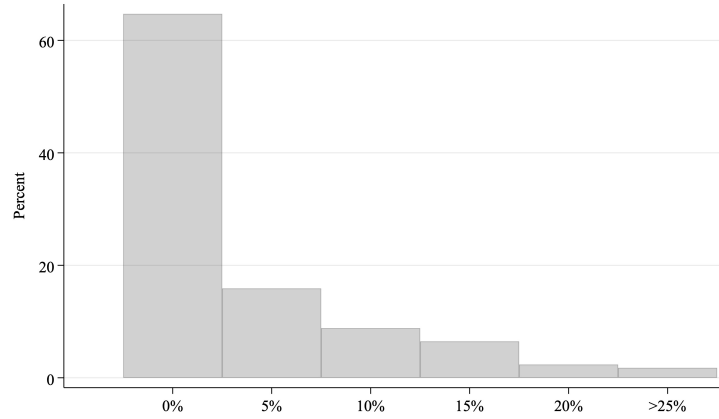
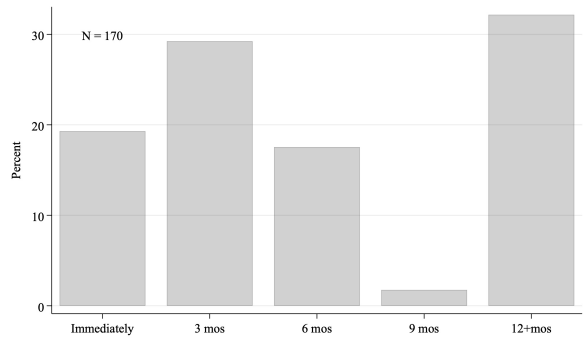
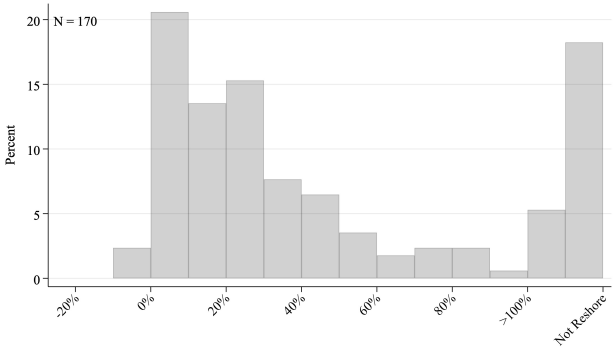


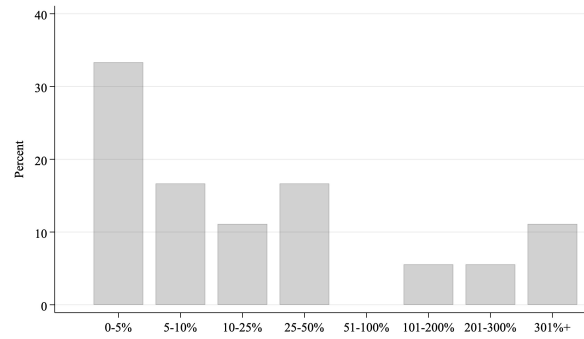
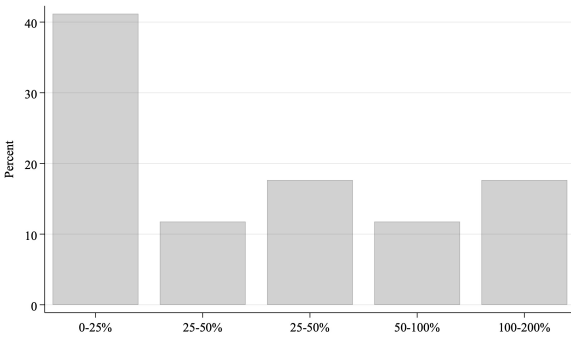
Figure 4 Cost and time to source domestically.



(a) How much more expensive would this particular material be if you sourced it domestically?

(b) How long would it take to find alternative suppliers domestically?

Figure 5 Capital and employment requirements for in-house production.



(a) What would be the required capital investment to make this material in house? (As a share of annual expenditure on the input)

(b) How much would you have to increase your workforce to make this material in house?

domestically, about 35% indicated it would be no more than 20% more expensive to source domestically and, as shown in figure 4b, almost 20% of respondents could immediately switch. However, for more than 20% of respondents, domestic sourcing of these inputs would more than double their costs or be completely impossible to source domestically, and for 30% of respondents, finding alternative domestic suppliers could take at least 12 months. Figure 5 suggests that in-house production is possible for a more than a third of firms with respect to capital and labor requirements but about a fifth of the respondents would need to at least double the workforce or invest in capital equivalent to their annual expenditures on that input in order to switch to in-house production.

Our findings on tariff exposure suggest three takeaways. First, small businesses in the US are not insulated from the international economy. Second, on net small businesses expect significant challenges to adapting to the tariffs, potentially because these firms have limited bargaining power and financial reserves. Third, to the extent that the goal of the the tariffs is to increase domestic production through increased sourcing or reshored production, there does appear to be some scope for this to happen for a subset of firms, but there are also many firms that would be unable to do so.

3 Knowledge & short-run impacts

In this section we present our first set of results regarding how much SMEs know about current tariffs and have already been impacted by the trade war. Given the series of rapid changes, our goal is to establish a baseline understanding of how much information about US trade policy has percolated through the business community.

3.1 Knowledge about tariffs

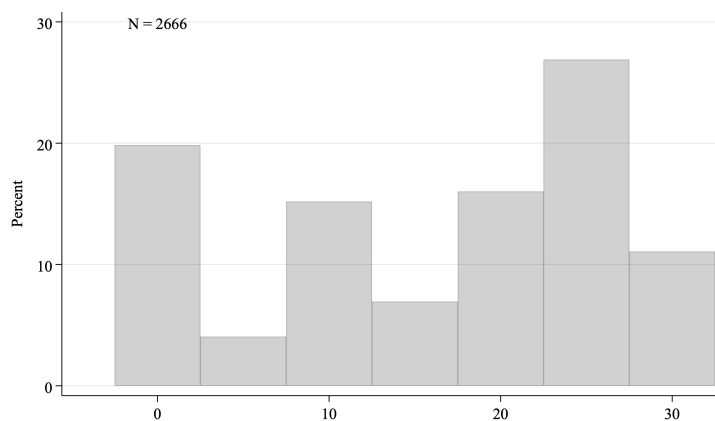
The survey contained a quiz asking respondents to offer their best guesses about a set questions regarding tariffs, independently of whether or not they were exposed to trade. These questions were designed to measure understanding of current levels of US tariffs on imports, the extent of retaliation by US trade partners which would affect tariff levels on US exports, and how volatile US trade policy had been in the weeks since the second Trump

administration began.

Survey participants based in the US were asked “what tariff would you face if you wanted to import materials from China this week” and were told to choose the closest option among 0, 5, 10, 15, 20, 25, 30, and greater than 30%. Given that the survey was administered after a 20% additional tariff on Chinese goods went into effect on March 4, 2025, any respondents who selected an option below 20% would underestimate the tariffs.

The survey results suggest that firms are imperfectly informed about the current tariffs in place. In the distribution of responses shown in figure 6, 45% of respondents selected a tariff below 20%, with 20% selecting a tariff of 0% which is substantially below the average tariff of 42.1% on imports from China and the minimum tariff of 20% on all Chinese goods following the March 4, 2025 increase.

Figure 6 Average tariff on goods from China? (Best Guess)

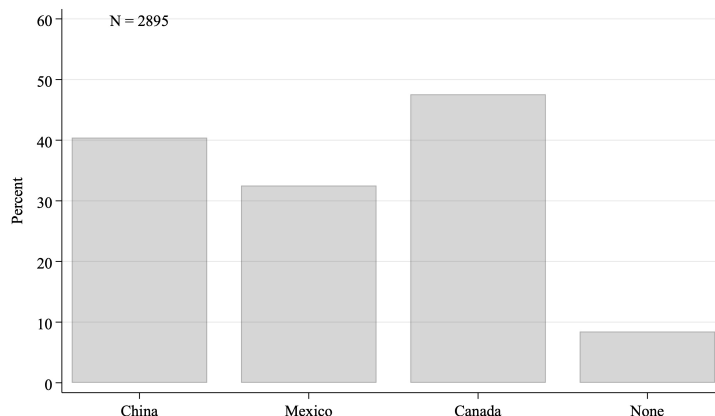


To measure knowledge about tariff retaliation, the survey asked “have any of these countries/regions retaliated by putting tariffs on US goods in recent weeks?” and respondents were asked to select all options that applied among China, Mexico, Canada, and were also offered the option to select none. Since this was after China and Canada had announced and implemented retaliatory tariffs on their imports from the US, and Mexico had announced that it would not be retaliating pending further negotiations with the US, this question could capture but under- and over-estimation of the extent of retaliation, and potentially impacts of the trade war on US exporters.

There was a similar extent of underestimation about the extent of tariff retaliation by

US trade partners. As shown in figure 7, more than half of respondents do not select China or Canada as having retaliated. In contrast, 30% of respondents believed that Mexico had retaliated against the US, despite the fact that Mexico’s President Claudia Sheinbaum had announced plans to implement retaliatory measures in March 4, 2025 but subsequently delayed any retaliatory measures while negotiations were ongoing.

Figure 7 Which countries have retaliated? (Best Guess)

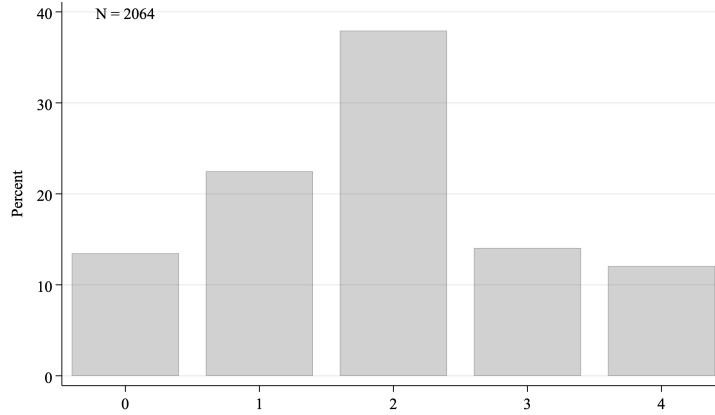


Finally, to capture knowledge about the level of uncertainty over US trade policy in the current administration, participants were asked whether the current US administration had rolled back or postponed any of its announced tariff policies, and could choose to say no, once, twice, three times, or four or more times. Given that there had been at least four postponements and reversals of announced tariffs in the weeks leading up to the survey, all but the last response would underestimate the extent of trade policy volatility.

As in the previous questions, we find that many respondents are unaware of the extent of trade policy volatility. The vast majority of respondents (87%) guessed there had been between zero and three rollbacks of announced tariffs, with two being the most commonly selected number (38%). This suggests that many firms are unaware of the high frequency with which the US trade policy environment was changed in the weeks leading up to the survey.

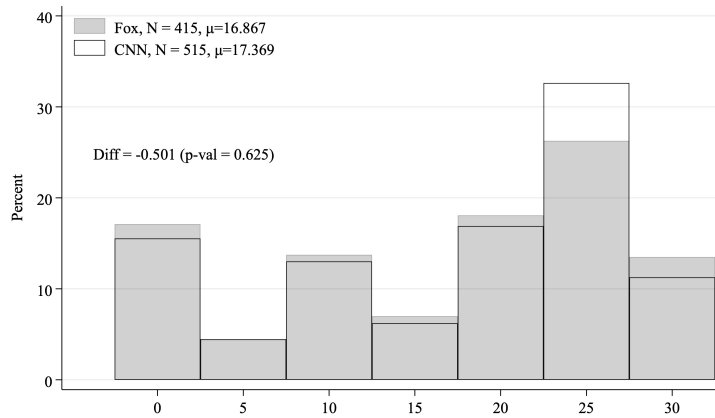
What explains the knowledge gap? A possible explanation for this is that many of the respondents are not directly importing goods from China, and therefore may not be aware of the tariffs in place. When we restrict our analysis to respondents who reported sourcing

Figure 8 How many rollbacks have their been? (Best Guess)



goods from China for their business, lends some credence to this explanation, because these respondents are more likely to guess tariffs 20% or greater. Even among these firms, 36% selected a tariff below 20%.

Figure 9 Average tariff on goods from China? (Best Guess) by Media Consumption



Another possible explanation is that information about tariffs may differ by media consumption. To test this, we asked respondents to select their primary source of news from a list of options including CNN, Fox News, and other sources. We then compared the average guesses about the tariff on Chinese goods by media consumption. As shown in figure 9, we do observe some differences in media consumption and knowledge about tariffs. Respondents who primarily consume Fox News guessed an average tariff of 16.9%, while those who primarily consume CNN guessed an average tariff of 17.4%. This suggests that

media consumption may play a role in shaping firms' beliefs about the current tariffs in place.

Taken together, these results suggest that information about tariffs imperfectly disseminates to small businesses, even when that information is directly relevant to their operations. Therefore, even for tariff changes that are already in effect, there may be a lag in firm responses due to the time it takes for owners to learn about the changes.

3.2 Short-run impacts of the trade war

Next, we examine how firms have already been affected by the trade war. The survey asked respondents how the recent US tariff changes and foreign retaliations have affected their sales and unit costs. As shown in figure 10a The majority of respondents (70%) reported no change, but for those who have experienced effects, the impact has been negative. Likewise, unit costs have mostly been reported as staying the same, and any changes have largely been increases, indicating a reduction in profitability for many firms.

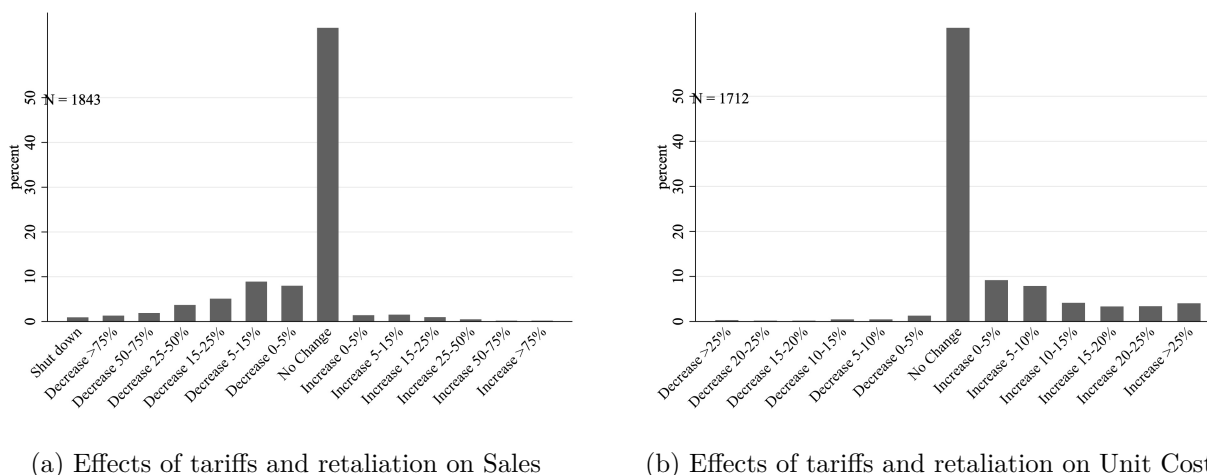


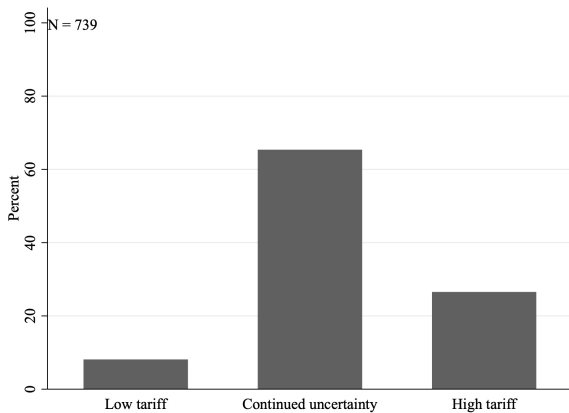
Figure 10 Effects of tariffs and retaliation on Sales and Unit Costs.

4 Expectations

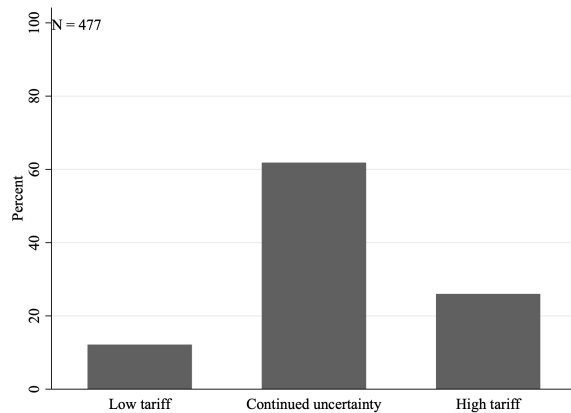
We now turn to the expectations of firms about the resolution of trade policy, the future business environment, and the impacts of tariffs on their businesses.

To elicit expectations about both the future levels of tariffs, as well as how long it will take for the trade policy environment to stabilize, the survey asked: “By the end of next month (April 2025), what business environment do you think US firms will face?” Respondents were asked to choose between a high tariff environment with at least 15% tariffs for US importers and exporters over the next few years, a low tariff environment over the next few years or continued uncertainty. Respondents who selected continued uncertainty, were asked the same question but for the end of 2025. This would at least partially capture how long they expect the policy uncertainty to last.

The results in figure 11 show that 68% of respondents expect continued uncertainty in the trade policy environment by the end of April, with 42% expecting this uncertainty to last until the end of 2025. Of those who expect some resolution in the coming weeks, 75% expect that US importers and exporters will face on average a high tariff environment of at least 15% tariffs on major trading partners for next few years.



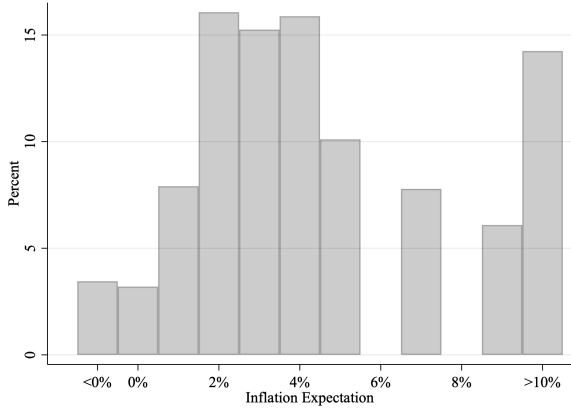
(a) Outlook of US Business Environment by End of April (Prior)



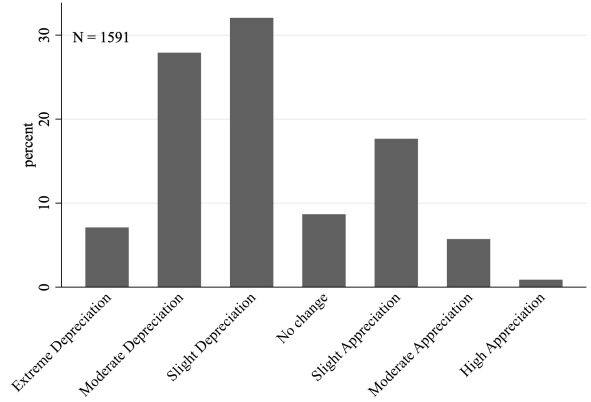
(b) Outlook of US Business Environment by End of Year (Prior)

Figure 11 Outlook of US Business Environment (Prior).

The survey also elicited respondents’ expectations about inflation and exchange rates over the next 12 months, without specifically eliciting any attribution to the tariffs. While these factors may be influenced by trade policy, they may also independently affect firms’ decisions. The results, shown in figure 12, indicate that more than half of respondents expect inflation to be above 4% over the next 12 months, with 35% expecting moderate to extreme depreciation of the US dollar.



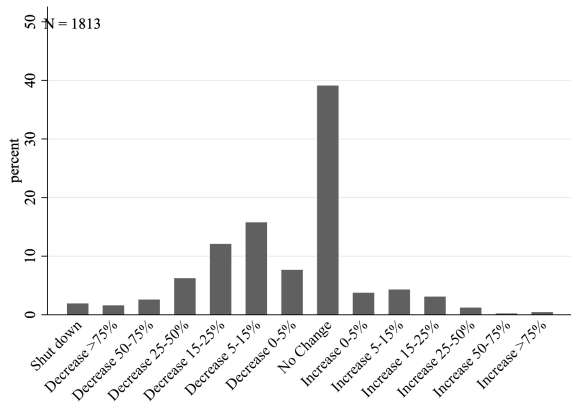
(a) Expectations on Inflation



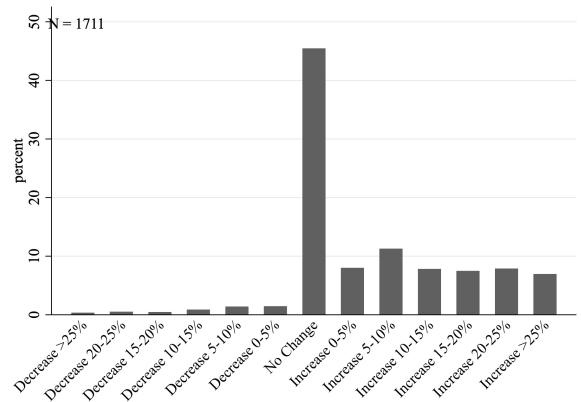
(b) Expectations on Exchange Rate

Figure 12 Inflation and Exchange Rate Expectations.

Finally, we asked respondents how they expect the US tariffs and foreign retaliations to affect their sales and unit costs when the current trade uncertainty has stabilized. As shown in figure 13, 43% of respondents expect that US import tariffs and retaliation by trade partners will decrease their sales, while 18% expect an increase in sales. Most respondents expect that US import tariffs will leave their unit costs unchanged, while about 30% expect a rise in unit costs. Furthermore, 80% of firms do not expect assistance from the US government to cushion any potential negative impacts of tariffs. This suggests that most respondents expect that their outcomes will be determined by their own actions, rather than government support.



(a) Expected Change in Sales



(b) Expected Change in Unit Costs

Figure 13 Expected Changes in Sales and Unit Costs.

5 Adaptation to the trade war

In this section, we examine how firms are adapting to the trade war. We focus on four key areas: employment, pricing, investment, and sourcing. The survey asked respondents about changes they had already made in response to the February and March 2025 tariffs, changes they planned to make in the next 12 months, and changes they would make under a hypothetical scenario of a permanent 25% tariff on all US imports and exports.

The results suggest that a substantial share of firms are already making changes to their business operations in response to the tariffs. Pricing and sourcing adjustments appear to be made more quickly than employment and investment changes.

Many respondents do appear to be trying to increase their sourcing of domestic inputs, and reduce reliance on China and Mexico.

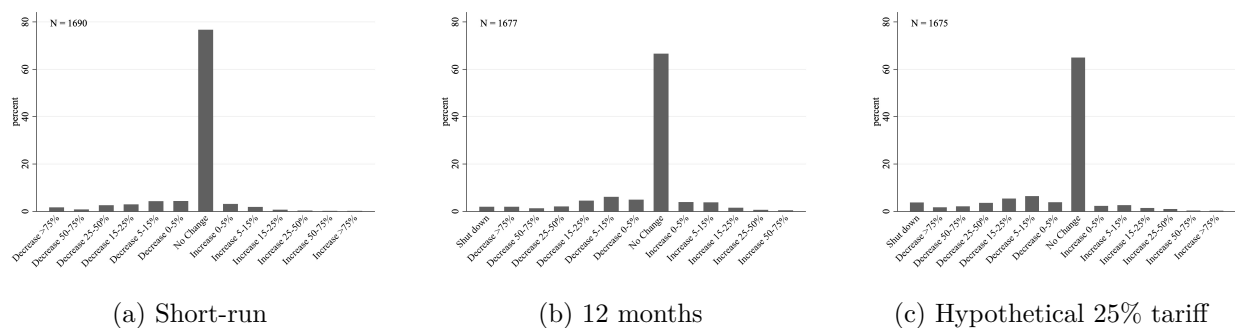


Figure 14 Hiring/Firing

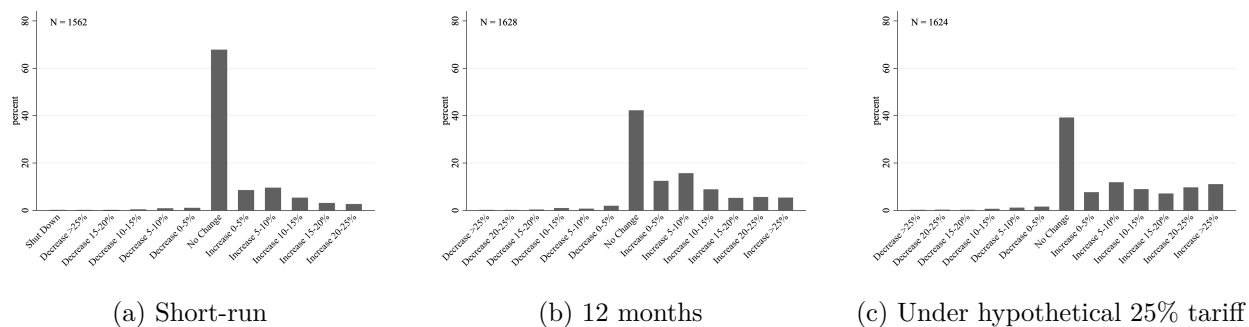
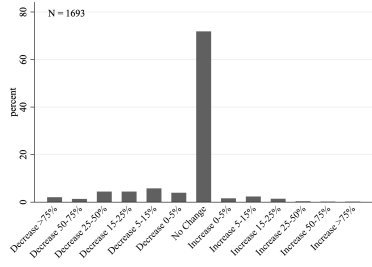
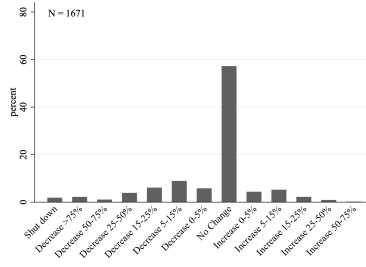


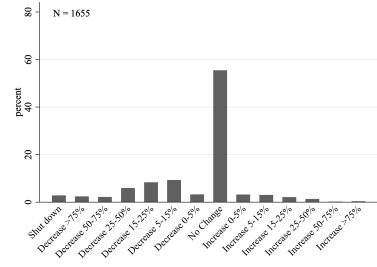
Figure 15 Pricing



(a) Short-run

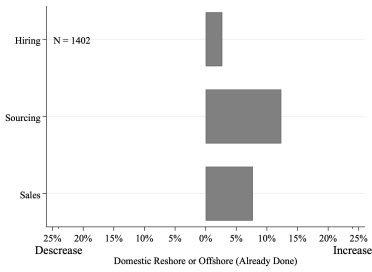


(b) 12 months

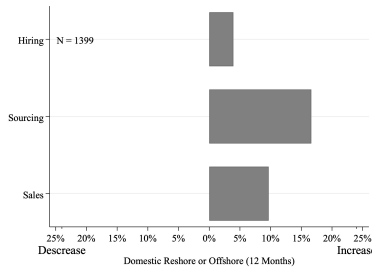


(c) Hypothetical 25% tariff

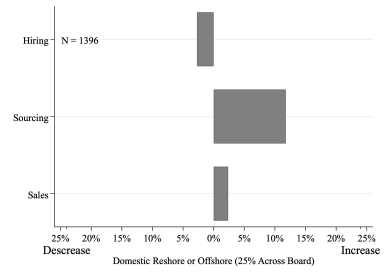
Figure 16 Investment



(a) Short-run

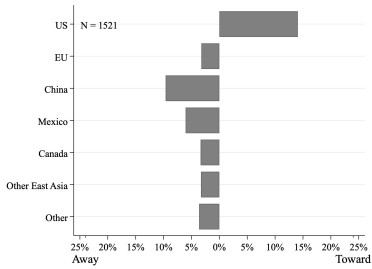


(b) 12 months

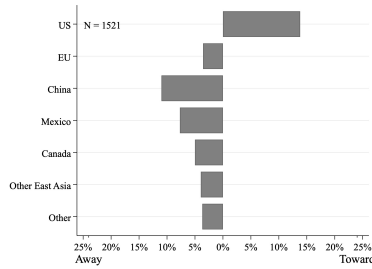


(c) Hypothetical 25% tariff

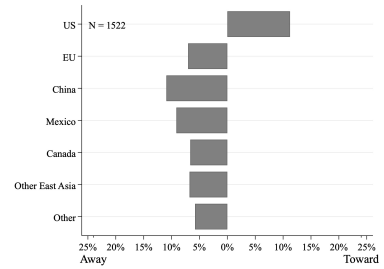
Figure 17 Reshoring



(a) Already Done

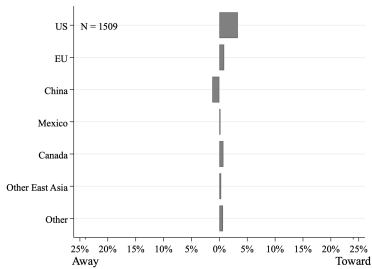


(b) Planned in 12 months

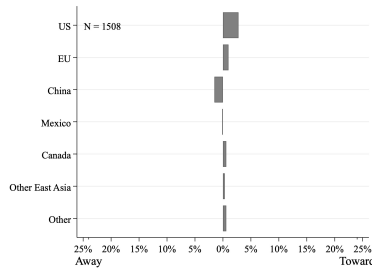


(c) Hypothetical 25% tariffs

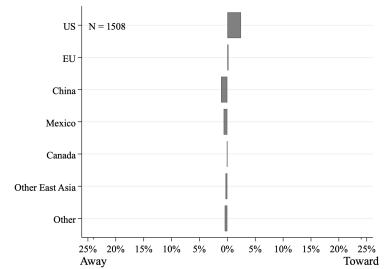
Figure 18 Sourcing locations



(a) Short-run



(b) 12 months



(c) Across-board

Figure 19 Sales destinations

6 Opinions about the trade war

To elicit additional perspectives on the trade war not measured in the other survey questions, respondents were asked “Are there any other thoughts you would like to share about your needs and the state of trade more generally?” We used a large language model to categorize these open-ended survey responses to into five main topics. The first, economic impacts, addresses how tariffs influence business operations and the broader economy. Within this category, ripple effects refer to indirect consequences that spread across various sectors; trade patterns cover changes in import and export behaviors, including shifts toward or away from domestic sourcing; and government revenue captures opinions on tariffs as either an effective fiscal instrument or an inadequate revenue source.

The second topic, time horizon, distinguishes between immediate, short-term impacts, such as immediate cost increases or short-lived benefits, and enduring, long-term effects, such as sustained damage to trade relationships or increased employment due to restructuring of domestic industries.

The third category, distributional concerns, examines how tariff impacts differ across groups, such as raising inequality or hurting the middle class, and business size impact, which explores whether tariffs are perceived as disproportionately favoring larger or smaller businesses. Fourth, international relations captures how tariffs shape global interactions, such as correcting unfair international trade practices through reciprocity, strains on diplomatic relationships and international cooperation, and boosts to national security and self-sufficiency. The latter emphasizes the role of tariffs in protecting critical industries and maintaining economic independence.

Finally, the planning and uncertainty category reflects business perspectives on policy stability, with inconsistent and uncertain tariff policies generating challenges particularly to planning and making strategic decisions. The responses were also coded according to their overall sentiment: pro-tariff, anti-tariff, or mixed, meaning that they support tariffs in certain circumstances but not in others.

Figure 20 depicts the overall sentiment distribution, with anti-tariff views (54%) substantially outweighing pro-tariff positions (20%). Figure 21 shows that negative ripple effects

across the economy were the most frequently mentioned concern with 57% of responses, followed by short-term costs with 46%. Long-term benefits (16%), trade fairness (20%), and national security/self-sufficiency (20%) were the most common positive views.

Figure 22 highlights the five most common topics by the respondent's overall stance. Pro-tariff firms consistently mentioned positive ripple effects, beneficial trade patterns, long-term benefits, and national security with between 42 and 55% of respondents mentioning these ideas. Anti-tariff firms overwhelmingly cited negative ripple effects (79%) and short-term costs (65%). Firms with mixed views showed more balanced perspectives but still emphasized negative ripple effects (48%) while acknowledging potential trade fairness benefits (36%).

These findings suggest business perspectives on tariffs are shaped primarily by time horizons and assessments of whether economic disruption will ultimately strengthen domestic production or simply impose lasting costs.

Figure 20 US Firms, Overall Sentiment

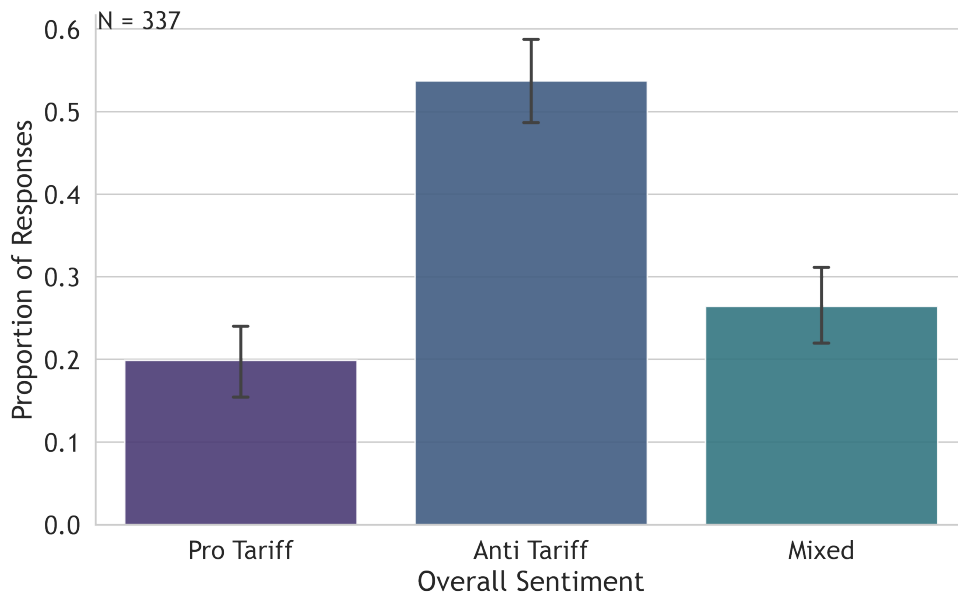


Figure 21 US Firms, Coded Responses by Topic

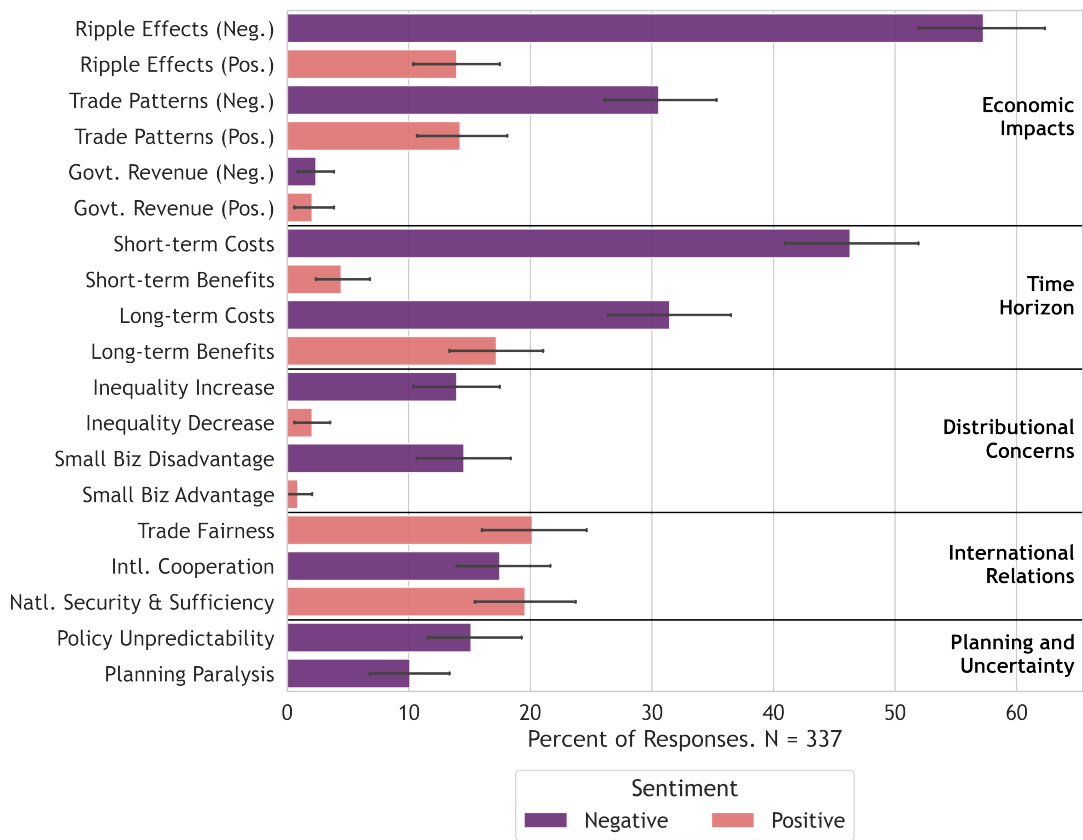
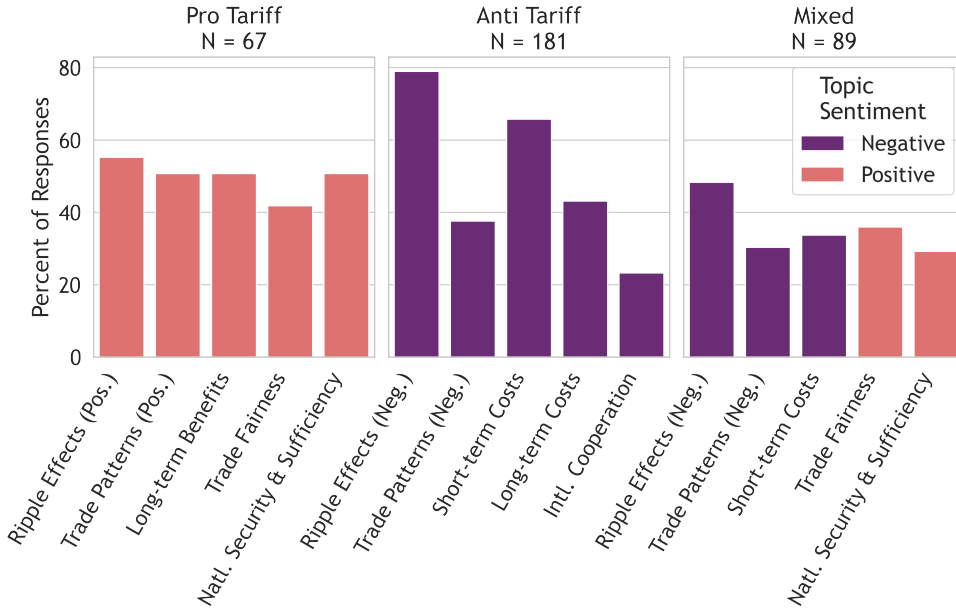


Figure 22 US Firms, Top Topics by Overall Sentiment



7 Conclusion

We present early evidence that small and medium-sized enterprises in the US face significant challenges navigating the current trade policy environment. The findings reveal imperfect knowledge of trade policies and high uncertainty even among business owners whose operations are directly linked to global markets. Small business owners systematically underestimate US tariff levels and retaliatory measures. Despite underestimation, those affected on net expect substantial negative impacts on sales and costs, in both the short-run and the long-run.

Some firms expect to benefit from increased domestic sourcing opportunities, but the majority expect negative impacts on sales and profitability, with limited options to mitigate tariff-induced cost increases. Most firms do not anticipate government assistance and so will need to adapt through their own actions. This adaptation process is complicated by uncertainty about the future direction of trade policy, with a majority of respondents expecting continued uncertainty through 2025. These findings highlight the importance of clear communication about trade policy, the benefits of policy certainty for investment and

adaptation, and the consideration of targeted support mechanisms for SMEs, which represent a substantial portion of the US economy but often lack the resources and flexibility of larger corporations to absorb or respond to rapid policy changes.

A Appendix

A.1 Selected Open-ended Responses

“20-25% of my income is generated by medical tourists from Canada, Europe and Mexico. Tourism will be continuing a downward trend in the foreseeable future.”
(Health Care and Social Assistance, US)

“Tariffs will NOT bring manufacturing jobs back to America. Conservatively, it would take a company 5-10 years to identify a location, build plants, hire and train employees, and begin production.” (Management of Companies and Enterprises, US)

“Tariffs will create hardship in the interim as Americans rebuild the industry internally that we have been outsourcing. Costs will go up and products may become scarce, however in the long term bringing American industry back will create jobs, build communities, and allow for more domestic purchasing power.”
(Construction, US)

“I represent manufacturers of American equipment to customers here in Canada. Tariffs are very bad for my American manufacturers who are already high priced in comparison to manufacturers from other areas of the world, due to our significant currency exchange difference between Canada and the USA. Tariffs will only drive us to have to look elsewhere for equipment manufacturers, here in Canada or abroad, in order to survive.” (Manufacturing, Canada)

“My business is too small and low-margin to weather significant increases in my COGS at the same time that many of my customers are losing their jobs.” (Retail Trade, US)

“I see patients and prescribe Chinese herbal formulas. If the costs become too great, my patients will not be able to receive these formulas.” (Health Care and Social Assistance, US)

“Domestic manufacturing will rebound from some historic lows, as manufacturers anticipate an increase in domestic purchasing. The net cost of goods, even accounting for increased domestic spending, will increase. The cost to produce goods domestically will greatly outpace any savings from tariffs for buying domestically.” (Management of Companies and Enterprises, US)

“It would be nice if folks would recognize that the state of trade and tariffs affects more than just people who manufacture and sell goods. Because it affects people who purchase goods, it affects their disposable income, and thus affects people who provide services that are generally paid for out of pocket.” (Health Care and Social Assistance, US)

“As an M&A Advisor, I do not purchase raw materials or produce goods. However, my clients across a host of industries are suffering from both the actual tariffs, the threatened tariffs, and the uncertainty.” (Finance and Insurance, US)

“While I don’t have ‘direct’ effects by the tariffs to my business, there are so many secondary effects. My smaller clients aren’t creating as much marketing content.” (Marketing and Communications, US)

“I feel that our tariffs should generally match the tariffs other countries charge us. We also need to weigh in the cost of countries, like China, that do not follow the principle of honoring Intellectual Property rights.” (Professional, Scientific, and Technical Services, US)

“Tariffs when used broadly are a way to tax the U.S. while claiming to punish other countries. It is ultimately harmful and destabilizing to trade agreements made among businesses and governments.” (Wholesale Trade, US)

“...if the extreme tariffs on EU imports (specifically wine) are put in place, we will go out of business. As a new, small, boutique wine shop that primarily sources international wine, we will not be able to sustain our business. And, our suppliers (importers, distributors) will also likely go out of business.” (Retail Trade, US)

“Tariffs are very disruptive, but also an opportunity to (1) even out USA trade imbalances to eventually benefit the economy and (2) for our company to benefit by being more intellectually responsive than our competitors.” (Transportation and Warehousing, US)

“I’m in software so my actual product isn’t affected but I service small businesses that are massively impacted by tariffs in a positive way. We’ve already seen an uptick of new businesses being started in the auto repair industry. At a much higher rate than previous years.” (Information, US)

“The instability is forcing companies to change operations so they only produce exactly what is likely to sell in the immediate future. Companies will not invest in new capital assets, the types of purchases Trump is allegedly trying to encourage, because they have no idea whether tariffs may destroy the market before the new equipment is installed.” (Professional, Scientific, and Technical Services, US)

“Intuitively I’ve been getting that while things will be chaotic through the year, that they will get rough towards the end of October.” (Arts, Entertainment, and Recreation, US)

“Tariffs are painful but necessary to balance what others have long been charging Americans. I expect things to become worse before they improve significantly. I’m prepared to take the pain for 18-24 months before it would be business ending. I anticipate a marked improvement at about the 18 month mark.” (Retail Trade, US)