UNA Institute for Innovation and Economic Development Vol. 6, Issue 1

UNIVERSITY OF NORTH ALABAMA REGIONAL ECONOMIC UPDATE

August 2025

Institute for Innovation and Economic Development
Sanders College of Business and Technology
University of North Alabama
One Harrison Plaza
Florence, Alabama 35632

Table of Contents

INSTITUTE *for* INNOVATION *and* ECONOMIC DEVELOPMENT

University *of* NORTH ALABAMA

Introduction

Tariffs have been a major economic activity and cause for debate thus far during 2025. This extended edition of the Regional Economic Update provides an overview of active and proposed tariff activity and examines the potential impacts of these tariffs at the state and local level. Many businesses in the area who are involved in international trade are already beginning to see the impact of these new tariffs. In an interview with one local business, which both imports and exports products, the owner shared shipping invoices from April 2025 and June 2025. The business, importing the same number of units of the same product, experienced a 54.15% increase in shipping costs between April and June. The only difference shown on the shipping invoice was the addition of a 10% reciprocal tariff in June. It is interesting to note that actual transportation cost/fees for this product constitute only 39.4% of the total shipping cost during April, with the remaining 60.6% comprised by existing customs duties/taxes. With the addition of the new 10% tariff in June, transportation cost now only represents 13.1% of the total shipping cost while 86.9% is paid in customs duties/taxes/tariffs. These costs will continue to rise should this product be subject to an enhanced reciprocal tariff. The owner also informed me that some of his export customers are ordering as much as a year and a half worth of inventory ahead of the August 1st deadline for some tariffs to take effect. From these two examples, it is obvious that these tariffs, along with any retaliatory tariffs, may have a significant impact on Alabama and the Florence-Muscle Shoals MSA.

This update begins by examining newly announced tariffs by nation, as well as threats of enhanced tariffs. The fluid nature of trade negotiations and new trade deals may render some of the discussion obsolete by the time this update is published. However, this discussion provides a basis for the potential impact of new tariffs. Next the potential impacts of new tariffs are discussed based on potential changes in consumer activity and an examination of how business in the Richmond Fed district are responding, or plan to respond, to the potential new tariffs. Research suggests that total consumption in the U.S. may increase slightly as the result of new tariffs; however, consumption would be reduced should other nations choose to retaliate. During May and early June, businesses in the Richmond Fed district were already making adjustments in anticipation of the August 1st deadline set by the Trump Administration. More than 60% of the businesses surveyed indicated that they have already increased, or plan to increase, prices in response to the tariffs. Most businesses also responded that they have made two or more changes to their business plans as they anticipate imposition of tariffs on August 1st. The remainder of the report investigates Alabama's import/export position, international employment profile, foreign direct investment – as well as export patterns and foreign direct investment for the local area. The potential impact of these new tariffs on Alabama and the local area is difficult to estimate given uncertainty surrounding retaliation of other countries as well as new trade deals. Given that area exports were less than 3% of gross regional product in 2023, any retaliation is expected on have only a minimal impact. The main impact of tariffs in the local area is then projected to be increased prices.

Keith D. Malone, Ph.D.
Professor of Economics, Sanders College of Business and Technology
University of North Alabama

2025 Active/Proposed Tariff Policy Changes

Tariffs, trade deals, and national security have been major points of emphasis for President Trump's administration since Inauguration Day 2025. Specifically, President Trump has invoked Section 232 of the Trade Expansion Act of 1962 (Section 232) as well as the International Emergency Economic Powers Act of 1977 (IEEPA) to address myriad issues ranging from trade deficits and fairness to concerns related to immigration and the opioid/fentanyl crisis. Since January 20, 2025 the White House has released more than 20 fact sheets (https://www.whitehouse.gov/fact-sheets/) detailing: proposed rates, nations and/or products subject to these new tariffs, as well as any pauses, suspensions, or modifications related to new trade deals. The fact sheets also provide information regarding the reasoning of the administration regarding these tariffs. Table 1 below displays the published proposed tariff rates by nation as of July 16, 2025. At the top of the table all countries are subject to a 10% reciprocal tariff under IEEPA authority, taking effect April 5, 2025, and paused until August 1, 2025. The remainder of the table displays individualized reciprocal tariffs levied on nations with which the U.S. has the largest trade deficits. It should be noted that Table 1 also includes several "threatened" tariff rates which are indicated by an *.

Examination of Table 1 reveals enhanced reciprocal tariffs on 28 nations and threats of additional reciprocal tariffs on at least eight other nations including BRICS[1] members. Official, announced, reciprocal tariffs range from 20% for the Philippines and Vietnam to 40% for Laos and Myanmar. Although the escalating tariff conditions with China are well discussed in the media, current pauses on both sides have the tariff rate for China at 30% (20% fentanyl + 10% reciprocal). The current pause in U.S./China reciprocal tariffs is set to expire mid-August, at which point tariffs may increase by more than 100%. As shown in the table, eight other countries have an enhanced tariff rate of 25%. In addition to these eight countries, any country that imports oil from Venezuela will also be subject to a 25% tariff on all goods. This tariff will be removed one year after oil imports from Venezuela cease. An additional eight countries plus the European Union are subject to a 30% tariff. The administration has also made threats to increase tariffs on Canada to 35%, Brazil to 50% and Russia to 100%. Furthermore, it is possible that BRICS aligned countries may be subject to an additional 10% tariff, increasing their total to 20%, Should these additional, threatened, reciprocal tariffs be enacted, the total tariff in Indonesia would be 42% while total tariffs in Brazil and Russia would be 60% and 110% respectively. See Table 1 for a complete list of impacted nations and reciprocal tariff rates.

As is the case with all newly imposed tariffs, there is the opportunity for new trade negotiations/deals and the threat of retaliation from other countries. China fits into both categories as both the U.S. and China have announced retaliatory tariffs above 100% as well as a trade deal that paused these tariffs 90 days. The U.S. and Canada have also gone back and forth with Canada announcing a 25% tariff on $158.7 billion of U.S. exports and the U.S. threatening, as mentioned above, to escalate the tariff on Canadian products to 35%. Canada also has announced a planned tariff on electricity exports from Ontario which is currently suspended. With the U.S. announcing a 30% tariff (reduced from the original 50%), the European Union has

[1] Current BRICS members include Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Indonesia, Iran, and United Arab Emirates. While other nations have been invited to join, have applied to join, and/or BRICS partners, it is unclear at this time if this threat applies to these "other" BRICS groups or just current members.

applied tariffs on $28 billion U.S. exports by lifting the suspension of previous tariffs (some as high as 50%) and imposing some new tariffs. Oppositely, the U.S. has reached new trade deals with Vietnam and an "Economic Prosperity Deal" with the United Kingdom without additional escalation.

Table 1: Current Proposed Tariffs by Location

Rate	Location
10%	All Countries
Additional 10%	BRICS Aligned Countries*
20%	Philippines Vietnam (40% Transshipments)
25%	All Countries Importing Oil from Venezuela Brunei Canada (35% Threat) Japan Kazakhstan Korea Malaysia Moldovia Tunisia
30%	Algeria Bosnia and Herzegovina China European Union Iraq Libya Mexico South Africa Sri Lanka
32%	Indonesia
35%	Bangladesh Serbia
36%	Cambodia Thailand
40%	Laos Myanmar
50%	Brazil*
100%	Russia*

* - Threatened Tariff

Source: White House Fact Sheets, Various, January - July 2025 and Tax Foundation

Trade deals with Indonesia and Japan, announced on July 23, 2025, provide further evidence that the tariff/trade deal land scape is changing rapidly. In Indonesia's case, the reciprocal tariff rate is reduced from 32%, as shown in Table 1 above, to 19%. Indonesia has agreed to eliminate and/or reduce many tariff and non-tariff trade barriers currently applied to U.S. exports. In a separate trade deal, Japan has agreed to invest $550 billion in the U.S. to "rebuild and expand core American industries." This investment is to be directed by the U.S. Japan has also agreed to reduce tariff and non-tariff trade barriers to all the expansion of U.S. exports to Japan. In return the U.S. will reduce the reciprocal tariff to 15%.

In addition to tariffs levied on specific nations, the Trump administration is also levying tariffs on specific products as shown in Table 2 below. During February 2025 the administration announced that Section 232 tariffs were restored on steel and aluminum, restoring a true 25% tariff on steel and elevating the tariff on aluminum to 25%. These tariffs were enhanced to 50% during June 2025. Imported copper is also subject to a 50% tariff. Section 232 tariffs are again invoked during late March, imposing a 25% tariff on automobiles and certain automobile parts. Specifically, this tariff applies to sedans, crossovers, SUV's, minivans, cargo vans, and light trucks. Parts subject to this tariff include engines, transmissions, powertrain parts, and electrical components. This tariff does not apply to U.S. certified content present in automobiles imported under the U.S., Canada, Mexico Agreement (USMCA). Thus, under the USMCA agreement, this Section 232 tariff only applies to the value of foreign content in these imported automobiles. Furthermore, USMCA parts are currently exempt from this tariff until a method for certifying U.S. content in these parts can be determined. Investigations have been initiated to determine an "appropriate" tariff rate for the remaining commodities in Table 2. It appears that semiconductors and pharmaceuticals have a proposed base rate of 25%, which could be higher based on the outcome of the investigation related to these products. Tariff rates for other products included in Table 2 are expected to be announced later in 2025 once each investigation is concluded. It is important to note that an April 29, 2025 Executive Order prevents the "stacking" of tariffs to avoid disproportionate total tariff rates. According to the Executive Order, automobile tariffs are the top priority, while IEEPA fentanyl tariffs on Canada and Mexico are second, followed by steel and aluminum.

Table 2: Current Proposed Tariffs by Commodity

Rate	Commodity
25%	Passenger Vehicles, Light Trucks and Some Automobile Parts[1,2]
25%+	Semiconductors and Pharmaceuticals
50%	Steel, Copper, Aluminum
Unknown	Timber, Lumber, and Derivatives Agricultural Products Critical Minerals and Derivatives Trucks

1 - engines, transmissions, powertrain parts, electronics

2 - Importers under the USMCA given the opportunity to certify U.S. content.

Source: Tax Foundation

Potential Impact of 2025 Tariffs

There has been no shortage of discussion, predictions, and analysis of the potential impact of tariffs since the Administration's initial tariff announcements. Such debate is nothing new as the conflict between free trade and protectionism dates to at least the late 1700's and early 1800's with economists such as Adam Smith, David Ricardo[2], and Fredric Bastiat[3] making significant contributions to theory development. Since this time, the world economy has experienced numerous periods of oscillation between free trade and protectionism. In general, the economic case against tariffs, and protectionism in general, is rooted in the distortion of markets and the reduction of total wealth in society. Protectionism, in any form, alters prices as well as production and consumption decisions. While it may seem like a good idea to protect certain economic sectors, protection allows inefficient producers to continue squandering scarce resources and pricing some consumers out of the market. Domestic exporters may also be harmed via retaliation in some form, or simply the fact that reducing our imports reduces the income our trading partners have available to purchase our products. All things considered, increasing tariffs diminishes economic wealth for both the levying nation and the trading partner subject to the tariff.

Despite the general economic consensus regarding tariffs, tariffs and other trade restrictions are available short-term policy tools which can be used to negotiate reductions in pre-existing trade restrictions, border issues, or international drug trafficking. The question becomes, how will these new tariffs impact the economy and will these policy tools achieve the desired outcome. Over the last several months, various branches of the Fed have published information related to the potential impacts of these new tariffs. One article from the Dallas Fed[4] investigates the history of tariffs in the United States as well as the possible economic impact of 2025 tariffs. Another article from the Richmond Fed[5] provides survey results from regional businesses regarding how they expect to be impacted by the tariffs, as well as how they are responding to the current proposed tariffs. The remainder of this section provides a brief overview of potential outcomes. The full articles can be found using the web address provided in the footnotes.

Researchers at the Dallas Fed provide a historical assessment of U.S. tariffs, goals, and trade deficits before examining the potential impacts of the 2025 tariffs. As part of this discussion, they note three prevailing motives for imposing tariffs – a source of government revenue, protection for domestic industries, and enforcing international trade reciprocity. They also point out that these goals are often at odds with one another and essentially impossible to pursue simultaneously. These facts are important to understand as the narrative surrounding

---

[2] The work of English economists Adam Smith (*The Wealth of Nations*) and David Ricardo (*The Principles of Political Economy and Taxation*) identifying processes and associated benefits of free trade is well known.

[3] The work of French economist Frederick Bastiat regarding free trade is lesser known outside the field of economics; however, his work is very similar to that of Smith and Ricardo. For insight into how Bastiat viewed tariffs, see his 1845 open letter to French Parliament "The Petition of the Candlemakers" available at http://bastiat.org/en/petition.html. This letter was written in response to a French tariff on citrus fruit.

[4] "U.S. Tariff Outcomes Dependent on Trading Partner Responses," Dallas Fed, May 13, 2025, available at https://www.dallasfed.org/research/economics/2025/0513.

[5] The Impact of Tariffs on Our Region's Firms, Richmond Fed, June 3, 2025, available at https://www.richmondfed.org/region_communities/regional_data_analysis/regional_matters/2025/impact_of_tariffs_on_regions_firms.

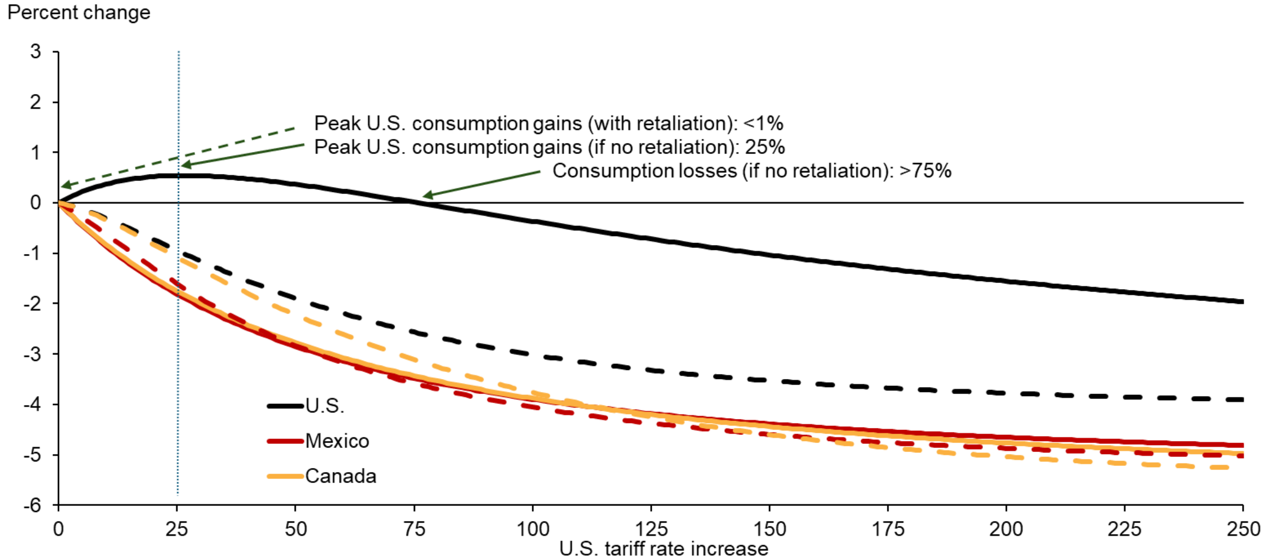
these new tariffs appears to target all three goals. On the other hand, it is possible that the goal of these tariffs has always been to serve as a catalyst for brokering new trade deals. Based on tariff activity during President Trump's first administration and new trade deals announced between February and July 2025, improving the U.S. trade position, through reduced tariffs on U.S. exports and increasing foreign direct investment in the U.S., appears to be the focus. Even if this is the case, any increase of tariff rates or imposition of new tariffs will still have an impact on the economy.

The article from the Dallas Fed continues by examining potential economic impacts of new U.S. tariffs with and without retaliation. It is important to understand that the projections discussed are based on the government rebating tariff revenue to consumers. If the tariff revenue is not rebated in some fashion, the positive benefits described here do not exist. The researchers find that the optimal tariff rate to maximize government revenue is 70% without retaliation and 30% if other nations retaliate. Consumer income is reduced in both cases with the retaliation case resulting in a larger reduction in income across the entire range of tariffs. Furthermore, consumer income is expected to decline by slightly less than 2% at the optimal tariff rate under each scenario. Without retaliation, since the government is rebating tariff revenue under these projections, consumption is expected to increase slightly, a maximum of 0.5% at a tariff rate of 25%, while consumption is projected to be unchanged at the optimal rate of 70%. Under the retaliation scenario, consumption begins decreasing immediately and is expected to decrease by approximately 1% at the 30% rate.

I have also included a discussion of Mexico and Canada given that those nations are both top five import and export partners with Alabama. Figure 1 below is taken directly from the Dallas Fed "U.S. Tariff Outcomes" publication and shows aggregate consumption for the United States, Mexico, and Canada at varying U.S. tariff rates. As can be seen in the figure, optimal tariff rates with and without retaliation are slightly different when considering only the United States, Mexico, Canada Agreement (USMCA). Solid lines in the figure represent the impact of U.S. tariffs without retaliation. Again the U.S. is expected to experience a small increase in consumption at tariff rates between 0% and 75% in the absence of retaliation. Mexico and Canada experience a decrease in consumption across the entire range of potential tariffs. Consumption in the U.S. is expected to decrease if the tariff rate exceeds 75%. Figure 1 indicates that the optimal tariff rate without retaliation is 25%, resulting in consumption gains of approximately 0.5%. At the optimal rate, consumption in Mexico and Canada is expected to decrease by approximately 2%. Such a decrease in consumption will likely have a spillover effect of reducing Alabama exports, as Mexico and Canada are the top two export destinations for the state. This will also likely impact the Florence-Muscle Shoals MSA as approximately 82% of area exports flowed to Mexico and Canada during 2023. Should Mexico and Canada decide to retaliate, the optimal tariff rate to maximize U.S. consumption falls to less than 1%, The U.S. also begins to experience consumption losses when the tariff rate is below 1%, compared to 75% in the no retaliation case. From Table 1, we know that Mexico is scheduled for a 30% tariff while Canada is threatened with a 35% tariff. Based on the information provided in Figure 1, tariffs at this level are projected to reduce consumption in the U.S. between 1% and 1.5% should Mexico and Canada decide to retaliate. Without retaliation, U.S. consumptions gains are less than 0.5%. Again, all information contained in Figure 1 is based on the government rebating tariff revenue to consumers. Without this rebate, the modest gains presented in Figure 1 are eliminated.

Figure 1: Chart 6

USMCA Laffer curves show tariff rates that maximize aggregate consumption with and without retaliation



NOTES: Laffer curves for consumption on U.S., Canada and Mexico, percent change relative to status quo, from a universal U.S. tariff. Solid lines describe the Laffer curves for a unilateral U.S. tariff, while dashed lines represent the Laffer curves with tit-for-tat retaliation from all countries (not only Canada and Mexico). USMCA refers to the United States-Mexico-Canada Agreement of 2020.

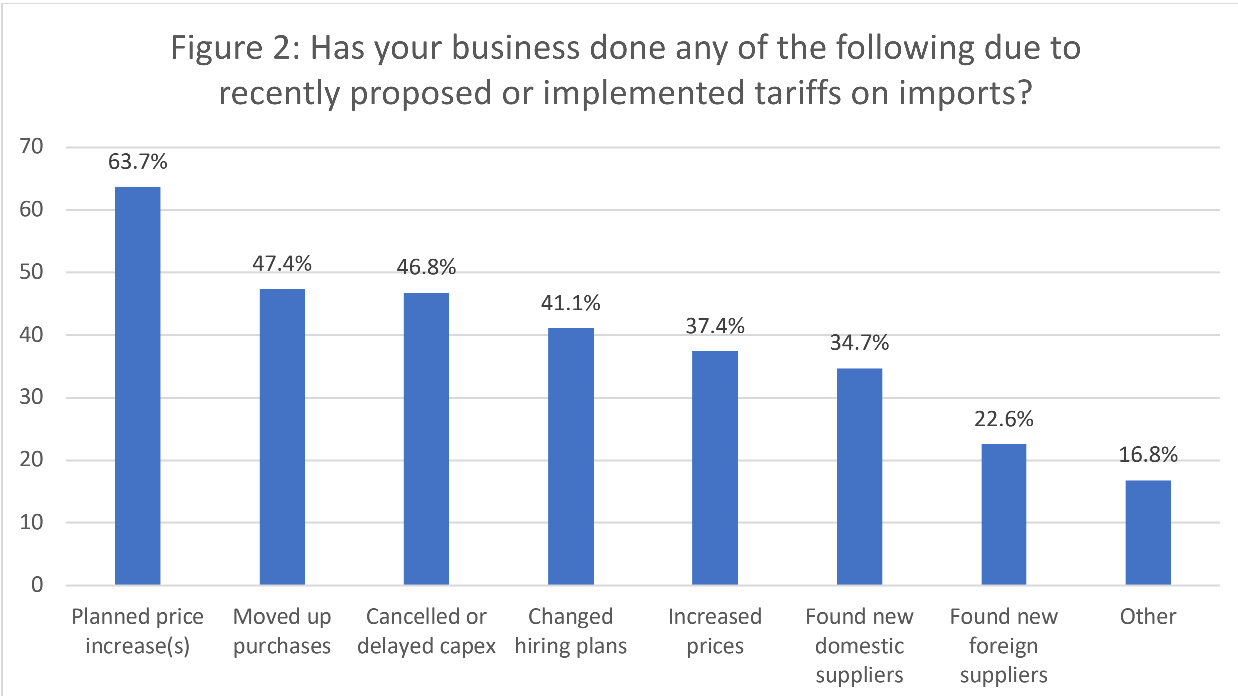
SOURCE: Authors' calculations.

Federal Reserve Bank of Dallas

Source: Federal Reserve Bank of Dallas, "U.S. Tariff Outcomes Dependent on Trading Partner Responses"

From my discussion with the local business owner, as discussed previously, we know that local firms are already experiencing some impacts related to the new tariffs and are adjusting their business strategy. Seeking a better understanding of businesses response to tariffs, the Richmond Fed surveyed businesses in the Fifth District between April 24th and May 21st 2025. A total of 264 firms responded to the survey with 72% that they either planned to make changes or have already made at least one change to their business activity based on new and/or proposed tariffs. Possible changes included: planned/implemented price increases, found new domestic or international suppliers, cancelled or delayed capital expenditures, changed hiring plans or moved up purchases. The survey also included an "other" option for changes in activity not already listed. Of the 75 manufacturing firms who responded to the survey, 88% indicated making some type of change in response to the tariff while only 66% of the 189 "services" firms indicated a response.

Figure 2 below details the types of changes businesses have made in response to the tariffs. It comes as no surprise that 100% of respondents who have or plan to make changes (190 firms) indicate that they have already raised prices (37.4%) or plan to raise prices (63.7%) with manufacturers more likely to have already implemented an increase in prices. Furthermore, more than 40% of firms who have made changes have moved up purchases, delayed or cancelled capital expenditures (capex), and/or changed hiring plans. Almost 35% of these firms have found new domestic suppliers while 22.6% have found new foreign suppliers. It is also interesting that the vast majority of these firms (84%) indicated making at least two changes to their business activity. Additionally, more than one-third of these firms (35%) indicate four or more changes in response to new and proposed tariffs. Respondents also indicated that the uncertainty surrounding tariffs increased the difficulty of business planning. Survey results from the Fed Fifth District, and conversations with local businesses, make it clear that businesses are altering their behavior as a result of the new tariffs. Impacts related to Alabama and the Florence-Muscle Shoals MSA are discussed in more detail in the following sections.



Source: Richmond Fed, The Impact of Tariffs on Our Region's Firms

Alabama Import/Export Data

As discussed above, tariffs are projected to impact producers and consumers in the United States. This section of the update discusses Alabama's international trade position as well as the potential impact on Alabama's economy. Table 3 provides Alabama's import, export, and net export position between 2014 and 2024. During 2024 Alabama imported more than $7 billion more than it imported during 2014, an increase of more than 31%. As shown in Table 3, imports to Alabama increased during 6 years and decreased during 4 years. On average, Alabama imports are growing at 3.06% annually. As expected, 2020 experienced the largest decrease in imports with imports decreasing by more than 10% during the year. As the world economy began to recover from the COVID crisis during 2021, imports rebounded quickly and increased by more than 18%. Imports during 2021 surpassed pre-COVID (2019) imports by more than $1 billion. Exports, on the other hand, have experienced less growth overall and, during 2024, exports were only $830 million larger than 2014. Exports experienced 5 years of growth and 5 years of decline between 2015 and 2024. This yields an average annual growth of only 0.82% COVID is again the source of the largest decrease as exports declined by more than 17% during 2020. Exports trended downward from 2018 – 2020, declining by a total of 24.4%. Export growth began to return during 2021 with 15% growth; however, exports did not exceed the 2017 level until 2023. Exports decreased again during 2024 and are again below 2017 levels.

The final column of Table 3 provides the net international trade position for Alabama. As shown in the table, Alabama has experienced a trade deficit during each year included in the table. Given that imports are growing faster than exports in Alabama, during 2024, the trade deficit was more than 3 times larger than it was during 2014. The topic of trade surpluses and deficits is certainly popular in the media and the current administration; however, the economic importance of a surplus or deficit is the subject of much debate and disagreement. It appears that the current administration has fallen into the 'zero sum game' trap believing that a trade surplus means you win, and a trade deficit means you lose. Such an approach predates the work of Smith, Ricardo, and Bastiat, as discussed earlier, and has relentlessly persisted throughout history. The problem with this perspective is that it ignores the reality that trade, or any transaction for that matter, only occurs when both parties are better off than they are without the transaction.[6] If we look at the issue from an individual perspective, we all have a trade deficit with a barber, grocer, department store, etc., unless we provide goods or services in exchange for goods or services received from these businesses. I am not aware of anyone who believes that they lose and the barber wins when they pay cash (or use a credit card) for a haircut. No one bats an eye when they have a trade deficit with another household or if Alabama has a trade deficit with Florida or Michigan, but somehow it becomes a problem when another country is involved.

Table 3: Alabama Net Exports 2014 - 2024[1]

Year	Imports (Billions)	Exports (Billions)	Net Exports (Billions)
2014	$23.03	$20.14	-$2.89
2015	$22.65	$19.98	-$2.67
2016	$22.59	$20.91	-$1.68
2017	$23.59	$21.80	-$1.80
2018	$25.59	$20.91	-$4.68
2019	$27.17	$19.94	-$7.23
2020	$24.13	$16.47	-$7.66
2021	$28.52	$18.93	-$9.59
2022	$31.02	$21.55	-$9.47
2023	$29.91	$22.07	-$7.84
2024	$30.28	$20.97	-$9.31

1 - All values are adjusted for inflation to 2017 dollars.
Source: Alabama Department of Commerce

From a free-market economics perspective, economists generally believe that trade is a dynamic game where both sides benefit from the transaction. As such, calculation of imports and exports simply provides an adjustment for location of production. Free market economists largely do not care where an item is produced so long as the goods which society wants are produced in the most efficient (lowest cost) manner possible. However, these economists do typically have an issue when countries use trade restrictions and/or currency manipulation to maintain cost advantages. As discussed earlier, trade restrictions in any form reduce the total

[6] Of course, this statement is predicated on the absence of coercion, so each party is free to engage in any beneficial transaction they see fit.

benefit of trade. While new "reciprocal" trade restrictions from the U.S. will further reduce the total benefits of trade, threats of new restrictions are sometimes the only avenue available to facilitate a trade deal with reduced total restrictions. This process appears to be working itself out given the number of new trade deals announced during 2025. How the reciprocal tariffs may impact Alabama's international trade deficit remains uncertain. As import prices increase as a result of a tariff, consumers will reduce their consumption of imports. On the other hand, Alabama exports may also decrease as foreign residents/businesses no longer have as much income available to purchase products produced in Alabama. Furthermore, export volume will certainly decline if other nations choose to retaliate.

To further examine the potential impact of new tariffs on the Alabama economy, we will next evaluate Alabama's top trade partners against the reciprocal tariffs found in Table 1. It is interesting that four countries – Canada, Mexico, China, and Germany – are four of the top five importers and exporters during 2024. As shown in Table 4, the top 5 export destinations received just over $14 billion of exports from Alabama during 2024. This accounts for 66.85% of Alabama's total exports for the year. Canada, Mexico, China and Germany each received more than $3 billion worth of exports during the year. Japan is the 5th largest export destination although exports to Japan of $0.67 billion is more than 4 times smaller than the $3.2 billion of exports shipped to Germany in 4th place. On the import side, Alabama's top 5 import partners supply 66.84% ($20.24 billion) of imports to Alabama. While Canada is Alabama's top export partner, it ranks 5th on the import side. As a side note, Alabama has a trade surplus with both Canada and China. While Korea is not one of the top 5 export destinations, it is the second largest import partner supplying $5 billion worth of goods and services to Alabama during 2024. See Table 4 for export/import values for each of the top 5 trading partners. It should be noted that values expressed in Table 4 are 2017 dollars for ease of comparison.

Table 4: Alabama Top Trade Partners 2024

Rank	Export Partners	Exports (Billions)[1]	Import Partners	Imports (Billions)[1]
1	Canada	$3.59	Mexico	$5.39
2	Mexico	$3.28	Korea	$5.00
3	China	$3.28	Germany	$3.75
4	Germany	$3.20	China	$3.13
5	Japan	$0.67	Canada	$2.97

1- 2017 Dollars
Source: International Trade Administration, Alabama Trade and Economy Fact Sheet

New trade deals with Japan and the EU minimize the potential impact of tariffs on more than $7 billion of trade between Alabama and these countries. There is also a potential deal in place with Korea, reducing potential tariffs from 25%, as shown in Table 1, to 15%. However, current reports suggest that more negotiations are required to finalize this deal. Although the 30% (and potentially higher tariffs) on China have been paused to allow negotiations, China's initial retaliation suggests that the tariffs can have a large impact on Alabama's $6.41 billion trade with China. Similar to the USMCA case shown in Figure 1, Alabama can expect a reduction in total consumption with Chinese retaliation, especially if both sides impose tariffs in excess of 100% as announced prior to the pause. Tariffs on Canada at 35% are likely as Canada has yet to engage in negotiations as of early August 2025. The pause on Mexico tariffs has been extended to allow for further negotiations. Figure 1 can be utilized to estimate the consumption impact of USMCA tariffs once the tariff rates are finalized. Obviously, a decrease in consumption will also impact export-related employment as well as employment in other economic sectors. The next section continues the investigation into employment.

Alabama International Employment Profile and Foreign Direct Investment

Export activity and Foreign Direct Investment create jobs in Alabama, Table 5 provides employment estimates related to these activities between 2014 and 2022. Unfortunately, employment data for 2023 and 2024 is not currently available. According to the International Trade Association (ITA) Alabama's $21.55 billion worth of exports during 2022 were produced by 2,950 companies, 79% of which are classified as Small and Medium Enterprises.[7] As shown in Table 5, exports during 2022 supported 89,647 direct and indirect jobs in the state, accounting for 4.25% of total employment. With little variation in exports and total state employment during this time period, with the exception of COVID, we see that the total number of jobs supported by exports also experiencing little change between 2014 and 2024. On average 4.39% of total state employment is supported by exports. Foreign Direct Investment (FDI) is another aspect of international trade that is not mentioned as often as import and export levels. Alabama has numerous international partners who have operations within the state and employ Alabama residents. Table 5 also shows the total number of jobs in foreign-owned firms in Alabama ranging from 93,000 during 2014 to 132,400 during 2022. As a percentage of total employment, jobs in foreign-owned firms range from 4.78% during 2014 to 6.27% during 2014. It should be noted that these two categories of employment should not be added together to avoid double counting as some jobs in foreign-owned firms also produce exports. Since the extent of export production in foreign owned firms is unavailable, it is not possible to determine total international employment in Alabama.

Table 5: 2014 - 2022 International Employment Profile - Alabama

Year	Jobs Supported by Exports	% Total Employment	Jobs in Foreign Owned Firms	% Total Employment
2014	93,157	4.79	93,000	4.78
2015	90,488	4.59	104,600	5.31
2016	95,131	4.76	111,100	5.56
2017	98,079	4.86	119,800	5.93
2018	92,749	4.53	122,000	5.96
2019	88,706	4.27	121,200	5.83
2020	72,349	3.63	115,100	5.77
2021	78,655	3.84	121,100	5.91
2022	89,647	4.25	132,400	6.27

Source: International Trade Administration

[7] The Bureau of Labor Statistics defines Small and Medium Enterprises as any enterprise with less than 500 employees.

Exactly how the new tariffs will impact employment in Alabama depends on how our trading partners retaliate. In the absence of retaliation, we can expect international employment to experience some reductions as export volume may decrease as our trading partners reduce their overall consumption. No change would be expected in the jobs in foreign-owned firms totals. On the other hand, larger changes are expected if other countries retaliate with new and/or additional tariffs. These changes would be present in both jobs supported by exports and jobs in foreign-owned firms, especially if new trade restrictions discourage FDI in the United States. To examine how retaliation might impact Alabama, Table 6 provides FDI and employment estimates for Alabama from 2014 to 2024. Over the last 11 years foreign corporations have invested more than $30 billion into the Alabama economy, engaging in 729 projects supporting 42,341 jobs. On average, this equates to $2.75 billion in FDI with 66 projects supporting 3,849 jobs. In an extreme retaliation case, new FDI could be completely stopped and existing facilities scaled back or moved out of the U.S. Closing a facility and moving out of the U.S. would indeed be an extreme response given the potential level of time and financial investment necessary to transfer production to other facilities or build a new facility in another location. Fortunately, rather than retaliation, trade negotiations seem to be working on many fronts and FDI is expected to increase rather than decrease. Announced trade deals with Japan, Korea, and the European Union alone indicate more than $1.3 trillion in new FDI flowing into the U.S. Specifics of this new FDI remain to be determined and it is currently unknown how much, if any, will flow into Alabama. Given that Japan, Korea, and Germany (EU) have existing facilities in Alabama, it is possible that some of these funds will flow into Alabama's economy.

Table 6: Alabama Foreign Direct Investment
2014 - 2024

Year	Projects	Investment (Billions)[1]	Jobs
2014	56	$1.02	2,570
2015	95	$3.40	4,489
2016	79	$1.57	3,254
2017	66	$1.24	3,391
2018	78	$4.18	7,565
2019	90	$3.15	4,938
2020	52	$2.66	2,699
2021	44	$1.10	1,721
2022	64	$5.55	4,591
2023	55	$2.93	3,364
2024	50	$3.46	3,759
Total	**729**	**$30.26**	**42,341**

1 - 2017 Dollars

Source: Alabama Department of Commerce, New and Expanding Industry Announcements 2014 - 2024

Florence-Muscle Shoals MSA Export Data

The remainder of this update focuses on the international economic position of the Florence-Muscle Shoals MSA. Unfortunately, MSA data is much more limited than state level data, especially for smaller MSAs. Specifically, according to the ITA, import data is not available at the MSA level. Some data is available for local area FDI, exports, and export locations. Out of the 13 MSAs in Alabama, Florence-Muscle Shoals ($157.67 million) ranked 12th in terms of exports during 2023, only ahead of Gadsden ($32.98 million). During the same year, the Decatur MSA exported $291.21 million, over $133 million more than Florence-Muscle Shoals. Given that the F-MS MSA has one of the smaller export footprints in the state, it stands to reason that the major impact of the new tariffs will be in the form of increased import prices. However, other impacts may also be felt should primary trading partners engage in retaliation.

The Florence-Muscle Shoals MSA has a long history of FDI with companies from Canada, Japan, France, and others investing in the area across time. While many international firms have existed in the area for many years, they continue to invest in the area and hire additional workers. Since 2014, international companies have invested more than $176 million in 15 expansion projects supporting 767 direct jobs. Compared to state level FDI figures presented in Table 6, only approximately 2% of total state projects have taken place in the local area. Furthermore, these projects represent just 1.8% of state FDI and 0.05% of FDI related employment. Table 7 details the local area projects, FDI and related direct employment between 2014 and 2024. There were no projects undertaken during 2014, 2020, or 2023. More than 70% ($124.26 million) of the total FDI shown in Table 7 financed six projects, four during 2015 ($60.34 million) and two during 2024 ($63.92 million), employing 187. How FDI may be impacted in the future is dependent upon retaliation and new trade deals.

Table 7: Florence-Muscle Shoals MSA Foreign Direct Investment 2014 - 2024

Year	Projects	Investment (Millions)[1]	Jobs
2014	0	$0.00	0
2015	4	$60.34	89
2016	1	$0.19	150
2017	2	$0.09	150
2018	2	$10.44	10
2019	2	$15.53	70
2020	0	$0.00	0
2021	1	$13.57	100
2022	1	$12.56	100
2023	0	$0.00	0
2024	2	$63.92	98
Total	**15**	**$176.64**	**767**

1- 2017 Dollars

Source: Alabama Department of Commerce, New and Expanding Industry Announcements 2014 - 2024

Table 8 shifts the focus from FDI to Florence-Muscle Shoals MSA export activity between 2014 and 2023. The local area generates an average of $6.62 billion in economic activity annually during this period, only $0.28 billion of which is exports. As shown in the GRP (Gross Regional Product) column, economic activity in the area has been somewhat flat since 2014. The area economy was in a recessionary phase between 2015 and 2017 as economic activity declined from $6.74 billion during 2014 to $6.35 billion during 2017. This represents an economic contraction of 5.79%. The economy grew slightly during 2018 and remained flat during 2019 before a slight dip in 2020. Returning to a growth phase in 2021, the economy finally exceeded the 2014 GRP level during 2022. Continued growth during 2023 brings total GRP for the area to $7.12 billion, an increase of $0.38 billion (5.6%) since 2014. For comparison purposes, Alabama's GRP has grown by more than 22% since 2014.

As shown in Table 8, exports make up only a small percentage of the local area GRP. Exports were the largest during 2015, totaling $510 million and comprising 7.63% to total GRP. Since 2015, exports declined annually through 2022 when exports were only $160 million. Exports increased slightly during 2023 but were still $90 million below 2014 exports. With the combination of increasing exports and decreasing GRP during 2015, export share as a percentage of GRP increased from 4.30% to 7.63%. Since 2015, export share decreased for 7 consecutive years, before a small increase during 2023. Any retaliatory tariffs will obviously have an impact on export producers and related employees in the region; however, given the small percentage of the local economy devoted to exports the total economic impact – within the MSA – of any such tariffs is projected to me minimal.

Table 8: Florence-Muscle Shoals GRP and Exports

Year	GRP (Billions)[1]	Exports (Billions)[1]	Export Share (%)
2014	$6.74	$0.29	4.30
2015	$6.63	$0.51	7.63
2016	$6.44	$0.36	5.57
2017	$6.35	$0.34	5.31
2018	$6.49	$0.34	5.16
2019	$6.49	$0.25	3.88
2020	$6.43	$0.18	2.81
2021	$6.65	$0.17	2.48
2022	$6.90	$0.16	2.25
2023	$7.12	$0.20	2.74

1 – 2017 Dollars
Source: Bureau of Economic Analysis and International Trade Administration, TradeStats Express, Metropolitan Areas

To examine the potential impact of retaliatory tariffs further, we also investigate the top destinations for Florence-Muscle Shoals MSA exports. As shown in Table 9, the Florence-Muscle Shoals MSA consistently sends more than 50% of its exports to Mexico and Canada. During 2014, exports were split more evenly between USMCA and Asia accounting for 44.88% and 48.10% respectively. Since 2014, USMCA has been the primary destination with export volume exceeding 70% during 2017 and 80% during 2023. It is not known how much USMCA export volume flows into Canada or Mexico, as the ITA does not report country specific trade flows. Asia is the second most prominent destination for area exports; however, since 2021 Asia export share has been below 20%. In fact, during 2023, the Florence-Muscle Shoals MSA only exported 6.18% to Asia. Similar to USMCA, the ITA does not report MSA exports by country, so it is unknown how much of exports to Asia flow to Japan, China, Korea, or other destinations in Asia. Given the new and potential trade deals with Japan and Korea and the low export percentage to Asia, any retaliation from China or other Asian nation is projected to have minimal to no impact in the local area. On the other hand, retaliation from Canada can have a larger impact based on Canadian operations in the area and the large percentage of exports flowing to the USMCA. Obviously, the exact impact of any Canadian retaliation is dependent on the exact value of exports flowing to Canada. Although it has not been discussed as much as Canada, Mexico has also announced potential new tariffs on U.S. products as a response to U.S. tariffs. As of August 1, 2025, most new tariffs proposed by both the U.S. and Mexico continue to be on pause while negotiations continue. Details of the new trade deal will determine the impact on the MSA. Table 9 also shows area exports to the EU, which are generally less than 3% of total area exports. Again, any retaliation is expected to have a limited impact.

Table 9: Florence-Muscle Shoals MSA Export Destinations (%)

Year	USMCA	EU	Asia
2014	44.88	2.53	48.10
2015	68.24	1.28	28.43
2016	67.27	1.60	X
2017	72.73	2.53	16.99
2018	67.98	1.88	21.50
2019	51.39	2.16	35.99
2020	57.86	2.89	26.98
2021	66.80	3.89	14.84
2022	66.06	3.98	15.46
2023	81.99	2.95	6.18

X - 2016 Exports to Asia not reported
Source: Calculated by UNA using data from International Trade Administration

Author Information

Dr. Keith D. Malone, Professor of Economics, Editor, Contributor
University of North Alabama
Email: kdmalone@una.edu

Dr. Mark D. Foster, Professor of Finance, Assistant Editor
University of North Alabama
Email: mdfoster@una.edu

IIED Contact Information

Institute for Innovation and Economic Development
345 Keller Hall, UNA Box 5055,
Florence, AL 35632
P: 256.765.4270
Website: https://una.edu/institute/index.html

Director
Dr. J. Douglas Barrett

Specialty Areas and Contacts

Innovation and Entrepreneurship	Mitch Hamm	jhamm1@una.edu
Economic and Community Development	Steven Puckett	spuckett1@una.edu
Corporate Consulting	Dr. Doug Barrett	jdbarrett@una.edu
Collaborative Agile Strategy Consulting	Mary Marshall VanSant	mvansant@una.edu

Leading Experts Available

Dr. J. Douglas Barrett	Director, IIED
Mitch Hamm	Director, Innovation and Entrepreneurship
Dr. Keith D. Malone	Professor of Economics
Steven Puckett	Assistant Professor of Computer Science
Mary Marshall VanSant	Director, Center for Learning and Professional Development

INSTITUTE *for* INNOVATION *and* ECONOMIC DEVELOPMENT

University *of* NORTH ALABAMA

Thank you to Bank Independent for funding the printing and distribution of this publication.

BANK INDEPENDENT®