



## South Carolina's Manufacturing Sector at Risk Amid New Tariffs

**William R. Hauk**, University of South Carolina-Columbia

South Carolina's manufacturing sector is a cornerstone of the state's economy. Residents benefit from the jobs and technology brought by our state's manufacturing firms. However, this economic powerhouse is facing significant challenges due to the recently announced "Liberation Day" tariffs by the Trump Administration. These tariffs, aimed at reshaping international trade dynamics, threaten to disrupt the state's robust manufacturing industries, particularly automotive and aerospace, which are heavily integrated into global supply chains. These tariffs are harmful to the South Carolina economy, are unlikely to accomplish many of the goals that the Trump Administration identifies as justifying the tariffs, and will undermine a liberal, rules-based order that the U.S. and allies painstakingly constructed in the years after World War II. While the overall effect will be harmful both domestically and internationally, South Carolina policy leaders must advocate for certain policies to mitigate the worst effects of the tariffs.

### Market Volatility

Since April 2, 2025, President Trump introduced sweeping tariffs, including a universal 10% levy on all imported goods and a 25% tariff on all imported cars and auto parts. As well as higher rates—up to 34% on Chinese imports and 20% on European Union goods, as well as other "reciprocal" tariffs based on the U.S.'s bilateral trade balance with other countries, which has since been paused for 90 days.

The implementation of these tariffs has been erratic, leading to significant market volatility. For instance, shortly after the tariffs were announced, [the stock market experienced sharp declines](#) and a sell-off in U.S. bonds, sparking fears of a potential recession. The erratic nature of these policies has also led to significant fluctuations in consumer sentiment and stock market performance.

### Impact on South Carolina's Manufacturing Sector

South Carolina's manufacturing industry is particularly vulnerable to these tariffs due to its reliance on both imported components and export-driven sales:

- **Automotive Industry:** Manufacturers like BMW, operating in Spartanburg, South Carolina depend heavily on imported parts. The new tariffs will raise the cost of these components, squeezing profit margins and potentially leading to higher vehicle prices. [BMW has thus far said that they will not raise prices](#) before the tariff on auto parts go into effect on May 3rd but will have to evaluate its pricing policies after that point. Conversely, [Volvo has announced that it may increase production](#) at its South Carolina plant in response to the tariffs.
- **Aerospace Industry:** Boeing's facility in North Charleston, responsible for assembling the 787 Dreamliner, relies on a complex global supply chain. Increased tariffs on imported aerospace

components could disrupt production schedules and increase costs, affecting competitiveness. Tariffs on aluminum and steel are particularly troublesome for aircraft manufacturers, and [the announced 25% tariffs could affect Boeing considerably](#).

- **Export Challenges:** A significant portion of vehicles and aerospace products manufactured in South Carolina are destined for international markets. Retaliatory tariffs from affected countries could make these exports less competitive, leading to decreased demand and potential job losses.

Therefore, the Trump Administration's tariffs will squeeze two of South Carolina's largest industries, both by increasing the costs of their imported inputs, and by exposing them to foreign retaliation on their exports.

## Impact on the Broader South Carolina Economy

**On top of the hits to the manufacturing sector, tariffs are likely to have ripple effects across the broader South Carolina economy, affecting employment, consumer spending, and state finances.**

- **Employment Effects:** When faced with tariffs on intermediate goods, firms can either pass the increased costs along to consumers, or they can cut back on manufacturing lines that are no longer productive. If they choose the latter, then there will potentially be job losses in the affected sectors.
- **Decreased Consumer Spending:** If prices on imported goods increase, then consumers will have less money to spend on local services. Consequently, there could be indirect effects in local economies due to reduced consumer spending.
- **Fiscal Effects:** While the federal government may raise revenues from tariffs, the state government will not. Furthermore, if the economy slows from the effects of tariffs, state and local government revenues could fall.

## Protecting South Carolina's Economy

To mitigate the adverse effects of the "Liberation Day" tariffs on South Carolina's economy, the following actions are recommended:

1. **Seek Exemptions for Critical Industries:** Advocate for exemptions or reductions in tariffs for industries heavily reliant on global supply chains, such as automotive and aerospace manufacturing, to preserve jobs and economic stability. This strategy may benefit certain large employers in South Carolina, but it will not have a large benefit for consumers.
2. **Diversify Supply Chains:** Encourage manufacturers to explore alternative sourcing options, including domestic suppliers, to reduce dependency on imported components subject to tariffs. This strategy will enable manufacturers to avoid tariffs on their inputs. However, it is a strategy that takes time to implement and may cost a considerable amount of money for those firms to do so.
3. **Strengthen Trade Partnerships:** Engage in diplomatic efforts to negotiate reciprocal trade agreements that promote and expand access to international markets. While this strategy is difficult at the state level, South Carolina's federal representatives and state officials with their ear should be lobbying for a decrease in trade tensions.
4. **Support Workforce Transition:** Implement programs to assist workers affected by industry disruptions, including retraining initiatives and unemployment support, to cushion the economic impact on communities. In a vibrant and dynamic economy, new jobs will be created and become obsolete on a constant basis. International trade can be one of the causes of this phenomenon, but technological

change, public policy, and shifting consumer tastes can all lead to the same result. Labor market policies that support training and moving workers to where jobs are in high demand are essential to the long-term health of the economy.

While the intention behind the "Liberation Day" tariffs is to protect and revitalize American industries, the unintended consequences could be detrimental to states like South Carolina, where the economy is deeply intertwined with global trade. Proactive measures and strategic policy adjustments are essential to safeguard the state's economic interests and ensure the resilience of its key industries.