

Please stand by

SCAN Education Series

Episode 19:

From Tariffs to Triumph:
Effective Risk Assessment
and Supplier Management
will start shortly.



Agenda



Understanding Tariffs and Their Consequences

Subject Matter Expert: Stephanie Phillips



Tariff Consequences in China and the Challenges of Relocation

Subject Matter Expert: Heather Mullen



Effective Collaboration with Procurement Teams

Subject Matter Expert: Tony Pelli



Understanding Tariffs and Their Consequences

Stephanie Philips



Overview of proposed and enacted tariffs

Major trade deadlines:

- **April 2, 2025**, is scheduled for the end of the 30-day pause on the 25% tariff
- **July 1, 2026**, is scheduled for the first joint review of the USMCA. If the three countries do not agree to extend it, the agreement will terminate in 2036

Timeline of tariff policies:

- **February 1:** US government announces tariffs on imports from Canada, Mexico, and China that would begin enforcement on February 4
- **February 3:** US government announces a pause on Mexican and Canadian tariffs
- **February 10:** China imposed additional tariffs on select US imports
- **February 10:** US government enacts 25% tariffs on aluminum and steel imports and eliminated exemptions to tariffs
- **February 14:** US government says the enforcement of levies on automotive imports would occur as early as April 2
- **February 18:** US government says it plans to introduce tariffs impacting the automotive, semiconductor, and pharmaceutical industries
- **March 4:** US government begins enforcement of 25% tariffs on goods imported from Canada and Mexico, with an increase to 20% for tariffs on goods imported from China. In response, China imposed tariffs on certain US products, particularly impacting the agricultural and food and beverage industries
- **March 5:** US government announces it is pausing tariffs on automotive imports from Mexico and Canada until April 2
- **March 6:** US government announces a pause on tariffs on imported goods that fall under the USCMA
- **March 12:** US government begins 25% tariffs on steel and aluminum imports, prompting retaliatory tariffs from Canada and the European Union
- **March 13:** Canada begins enforcing 25% tariffs on some US imports, impacting more than 20 billion USD in goods
- **March 24:** US government announces plans for 25% "secondary tariff" on countries importing oil and gas from Venezuela

Potential industry impacts

These tariffs and other economic measures are likely to cause significant impacts on global trade patterns, including:

Potential shifts in operations:

Companies may explore alternative sourcing markets, relocate production facilities, and adjust supply chains to maintain competitive.

Supply chain disruptions:

Product or material shortages/delays may occur as companies monitor the impacts of the tariffs on their operations and increased production costs.

Inflationary pressure:

Increased production costs may lead to higher consumer prices, potentially leading to broader inflationary trends that affect purchasing power and economic stability.

Increased risk of smuggling and counterfeiting:

Criminals may attempt to smuggle or counterfeit high-demand products due to constrained supplies.

Threat of retaliatory economic measures:

Other countries may issue reciprocal tariffs and other economic actions against the United States, increasing the cost of trade.

Disruptions to USMCA review:

Economic pressures may impede the review of the United States-Mexico-Canada Agreement (USMCA) which is set for review on July 1, 2026.

Changing "de minimis" policies

Recent "de minimis" updates:

- **Feb. 1:** The US government announces the suspension of "de minimis" for countries impacted by tariffs
- **Feb. 4:** US parcel carrier announces a pause in acceptance of parcels from China and Hong Kong
- **Feb. 7:** US government temporarily pauses cancellation of "de minimis"

Impacts of "de minimis" policies:

- "De minimis" refers to a policy that allows for **duty-free exemptions and less inspections for shipments valued under 800 USD**
- The suspension of the policy will likely have several impacts on logistics networks
 - Shipping delays: As airport customs increase inspections, delays may occur
 - Company policy changes: Companies made several policy changes amid questions regarding responsibilities
 - The John F. Kennedy International Airport paused processing of all packages from China
 - A shipping company announced it was stopping a money-back guarantee program for some overseas shipments
 - Decreased air freight rates and demand: This policy is especially likely to impact e-commerce, footwear, textile, and apparel industries
 - Shifting operations: We may see an increase in warehouse and ground transportation demand in the United States
 - Diversification of suppliers: Companies may move operations away from China



Tariff Consequences in China and the Challenges of Relocation

Heather Mullen



Domestic risk: blacklisting

Retailers face a heightened risk of being blacklisted by China's Ministry of Commerce since the government views companies' refusing to not source from the Xinjiang region as a "discriminatory measure." This means that **businesses complying with the Uyghur Forced Labor Prevention Act (UFLPA) could be at risk of being added to China's blacklist.**

Unreliable Entity List (UEL)

A non-tariff retaliatory measure where China can impose broad punitive measures including:

- **Restricting import and export activities**
- Personnel and transportation limitations, revoked work permits or residence status
- Fines and other unspecified punitive measures may be enforced

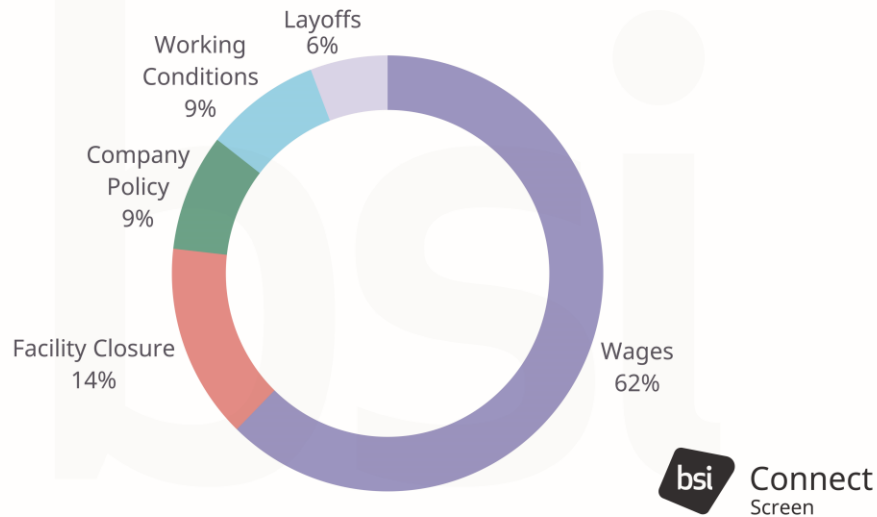
First High-end Apparel Company added

- On February 4, added this entity because they allegedly refused to source cotton from Xinjiang
- This addition marks the first use of the UEL against a foreign company for halting procurement from Xinjiang, evidencing potential increasing scope
- The broad and ambiguous language raises concerns about increased regulatory risks and discretionary enforcement

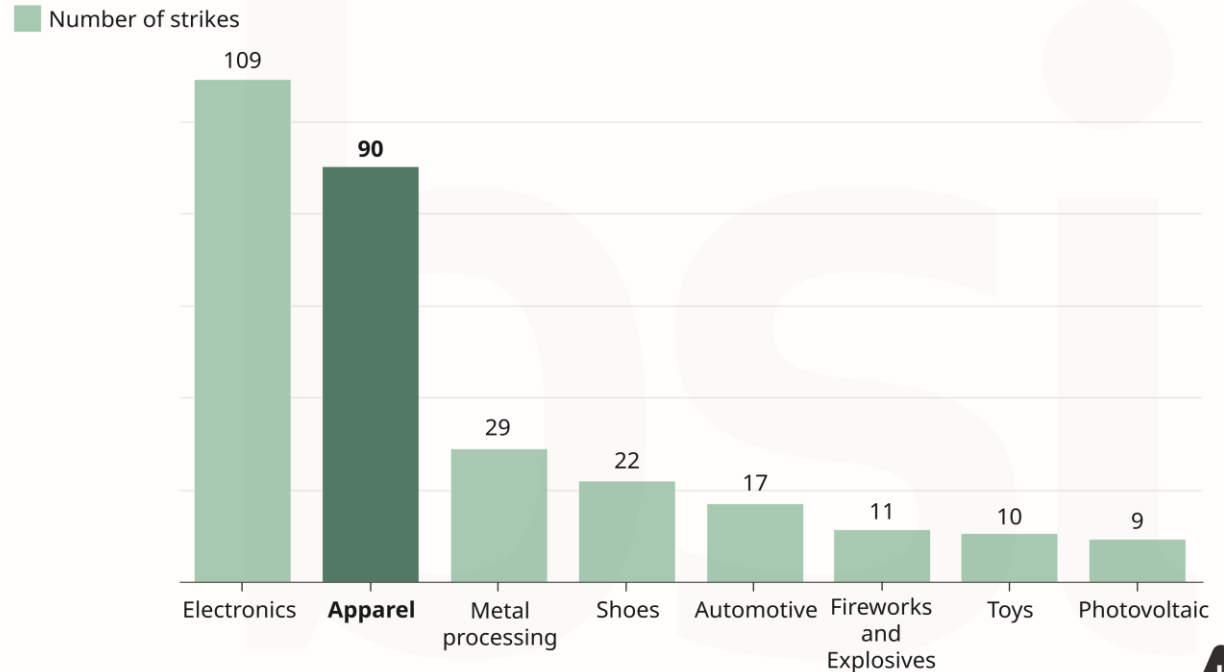
Domestic risk: labor strikes and wage violations

As factories close and relocate, workers are increasingly striking in response

Top Strike Grievances in China 2023 to Mar-2025



Top Manufacturing Industries for Labor Strikes in China 2024



Data from the China Labour Bulletin



Alternative markets: south and southeast Asia

- Dependent on Chinese imports for raw materials
- Poor labor rights and working conditions
- Frequent labor strikes—often nationwide in India, Bangladesh, and Indonesia
- Political instability, especially in Bangladesh and Indonesia
- Vulnerable to climate change
 - More prone to natural disasters like flooding and typhoons

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Alternative markets: Central America

- Political instability, civil unrest, and corruption
- Significant crime rates
 - Organized crime influence
 - Violet cargo theft, particularly impacting trucks
 - Illegal drug and stowaway introduction
- Poor supply chain infrastructure exacerbated by natural disasters



Alternative markets: East Africa

- Internal and regional political instability and conflict
 - Internal ethnic conflict and terrorism
 - Bordering conflict-prone Somalia and South Sudan
- Infrastructure challenges
 - Reliant on few ports – Port of Djibouti and Mombasa
 - Logistics infrastructure still developing





Effective Collaboration with Procurement Teams

Tony Pelli



Where are your supply chain gaps? Do you know what you don't know?

PROGRAM STRATEGY DESIGN AND DEVELOPMENT

Tailoring supply chain risk management strategies to unique organizational needs and objectives.

- How are you managing supply chain risks?
- What are your company's objectives for supply chain risk management, resiliency, and regulatory compliance?
- How has your organization reacted to recent disruptions in their supply chains?

SUPPLY CHAIN MAPPING / VISIBILITY

Creating a complete view of supply chains, their interdependencies and their risks.

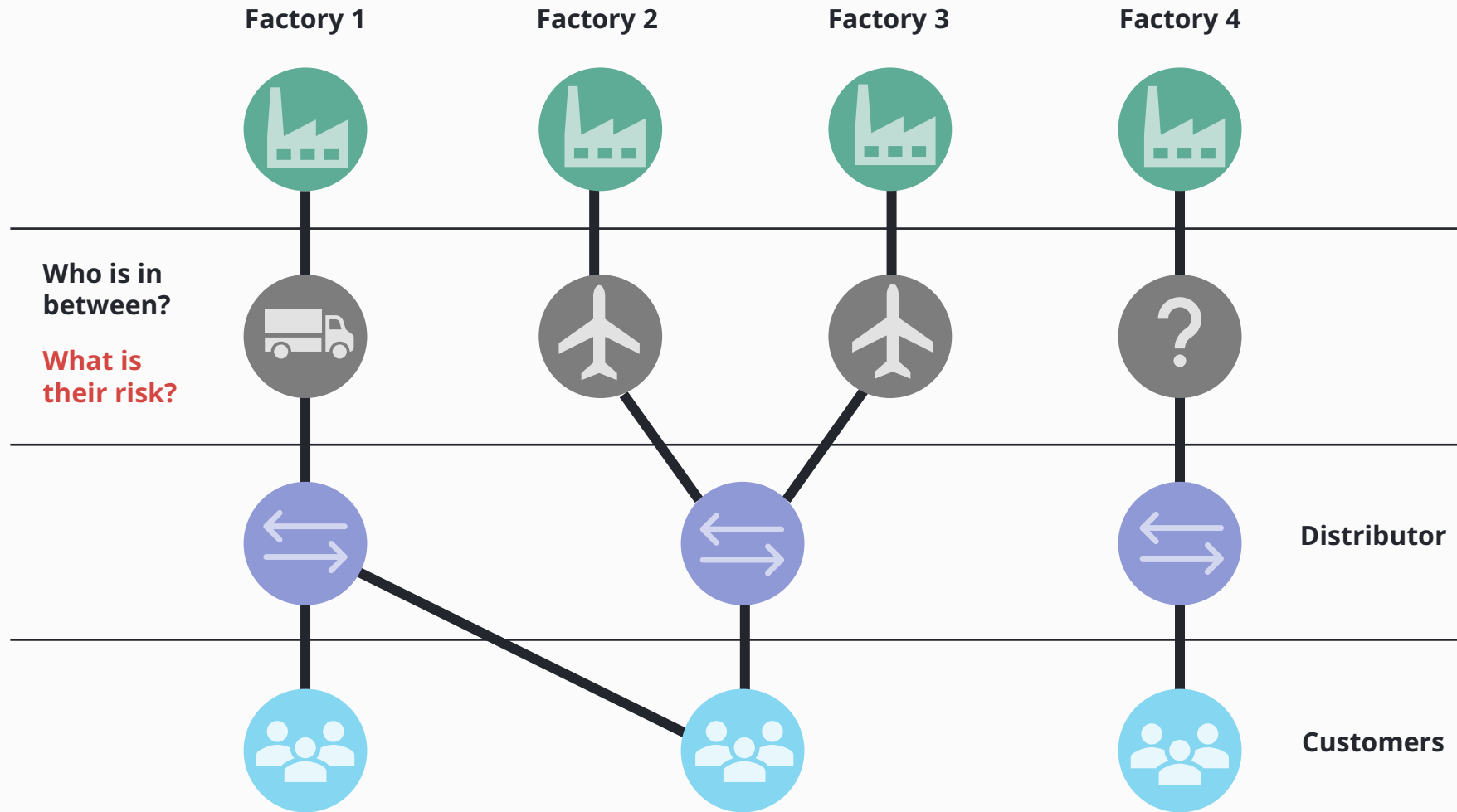
- Do you have good visibility of your supply chains now? If not, what's preventing this?
- How are you assessing risk in supply chains?
- How do you identify your most critical suppliers?

SUPPLIER IMPROVEMENT / ASSESSMENT

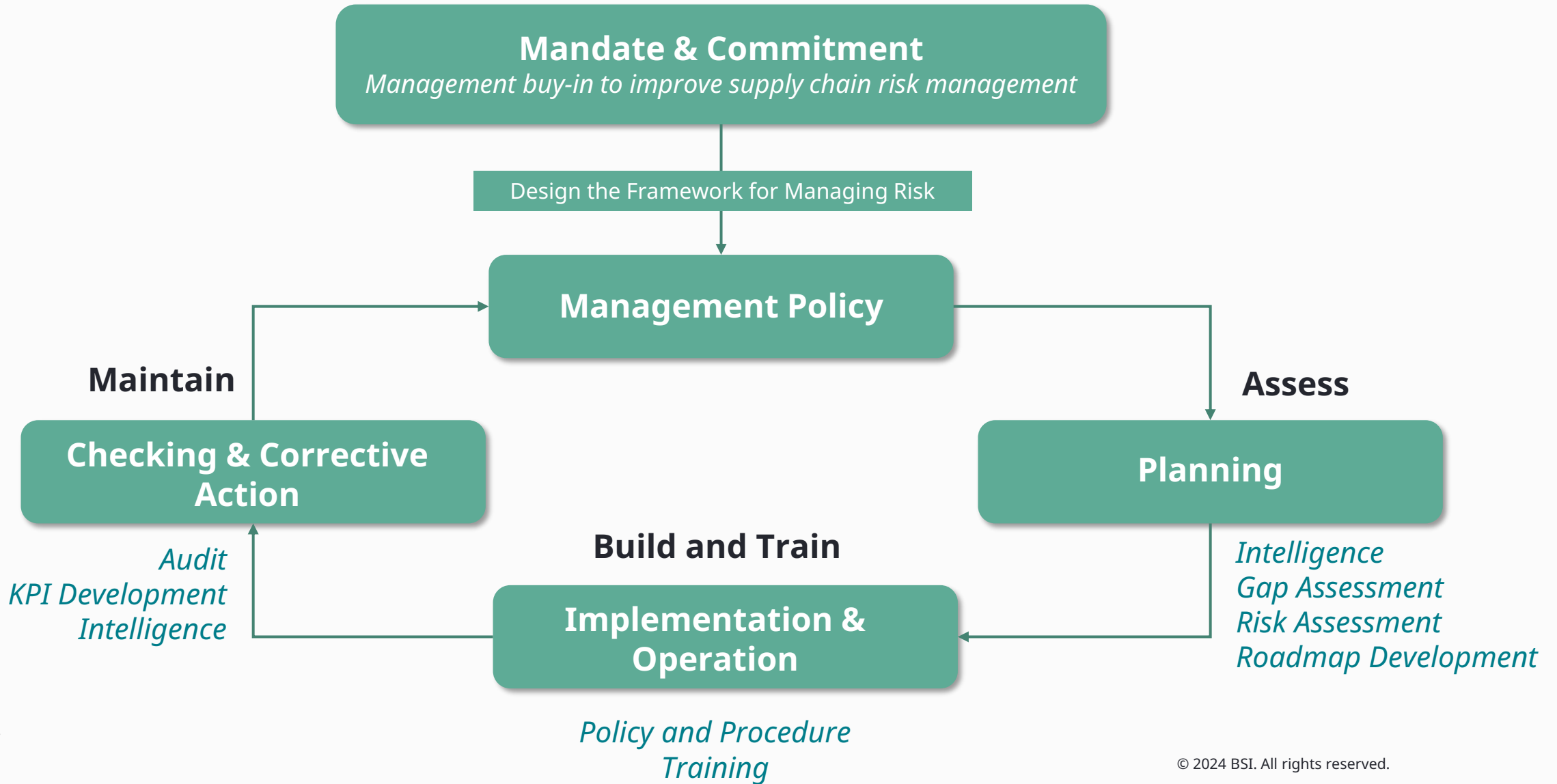
Managing supplier relationships, risks and performance.

- How are you managing supplier performance and driving continuous improvement?
- How are you currently screening or vetting suppliers for disruption-related (i.e., non-financial) risks?
- How do you interact with your suppliers?

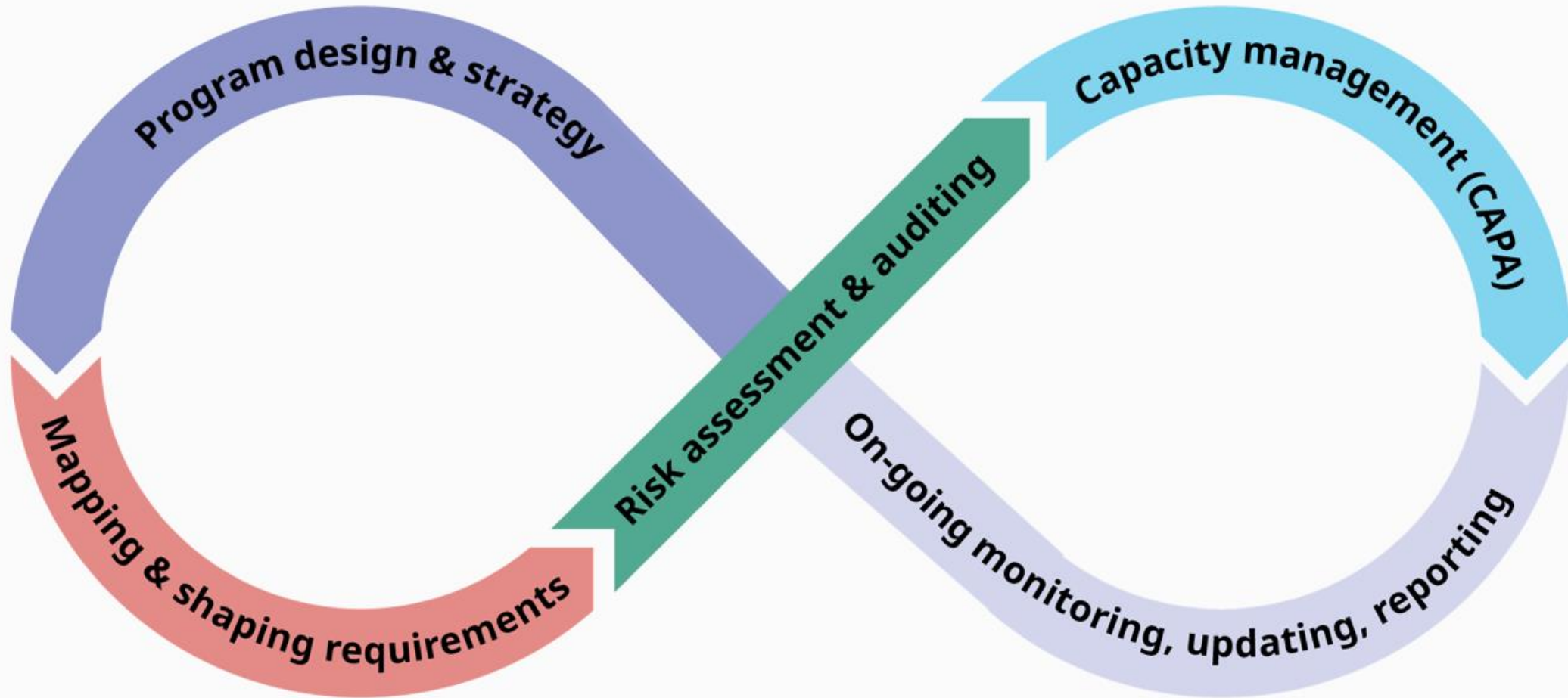
Map existing supply chains



Developing a Risk Management Framework



Keep it going!





Submit
your
questions!