



RESHAPING SUPPLY CHAINS:

Global Market Reactions to New Tariff Policies

Global trade has undergone a period of heightened uncertainty, driven in large part by new tariff policies enacted by the United States of America in the past months. These measures—purportedly tied to national security, immigration, or perceived unfair trade practices—have reintroduced protectionism to a world that had largely been moving toward liberalization. Although tariffs are not new, the current environment has seen them deployed at an unusual scale and speed, prompting businesses and governments alike to rethink traditional supply chain models. At the same time, organizations such as the International Trade Council (ITC) have been investing in tools to improve transparency in global trade, in hopes of mitigating some of the risks and inefficiencies that arise when tariffs shift quickly.

THE CHANGING LANDSCAPE OF GLOBAL TRADE

Recent tariff actions initially targeted industries like steel, aluminum, and a variety of Chinese imports. Although some duties were adjusted or paused in subsequent years, many have remained in place or been reintroduced, causing persistent trade frictions. By 2025, a renewed focus on national security and border enforcement further escalated tensions, with tariffs on Canada, Mexico, and China affecting billions of dollars in cross-border trade. Retaliatory responses quickly followed, adding layers of complexity to existing commercial relationships.

The broader impact of these policies extends beyond any one region or commodity. When tariffs disrupt previously stable trade flows, they force companies to look for alternative sourcing strategies and reconsider logistics networks. Some nations have also begun seeking new bilateral or multilateral agreements to offset the risks associated with a potentially volatile U.S. trade policy. Taken together, these shifts are creating a more fragmented environment where businesses must navigate multiple overlapping trade regimes.

SUPPLY CHAIN IMPLICATIONS

In this climate, companies face pressure to adapt their supply chains to accommodate higher import costs and the possibility of sudden policy reversals. Many are exploring nearshoring, which brings production closer to key consumer markets to minimize tariff exposure and reduce transit times. Others are diversifying suppliers across different regions so that any one set of tariffs will have a limited impact on overall production.

However, such transitions can be costly and time-consuming. Firms that move production to new facilities may face regulatory hurdles, need to renegotiate supplier contracts, and potentially invest in new technologies to track goods in real time. Delays at the border due to customs backlogs or changing documentation requirements can also disrupt just-in-time manufacturing processes. In an era of evolving trade rules, flexible logistics strategies and robust supply chain monitoring have become essential to staying competitive.

POTENTIAL IMPACT ON FOREIGN DIRECT INVESTMENT

While the immediate effects of tariffs can be seen in rising production costs and shifting supplier relationships, the longer-term consequences for foreign direct investment (FDI) remain less certain. Generally, multinational corporations look for stable, predictable environments when deciding where to build factories, distribution centers, or research facilities. If tariff policies remain subject to sudden changes, companies may delay or downsize their investment plans, particularly in sectors that rely on complex cross-border value chains.

Some businesses might respond by investing in local subsidiaries to avoid import duties altogether, effectively localizing production within key markets. In this sense, higher tariffs can paradoxically stimulate certain types of FDI, as firms acquire local assets to circumvent external trade barriers. Nevertheless, the

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broader trend of unpredictable tariffs could diminish overall investor confidence. If governments offer no clear guidance on how long tariffs will stay in effect or which industries might be targeted next, the perceived risk associated with major capital outlays grows accordingly.

BUSINESS CONFIDENCE AND MARKET SENTIMENT

Beyond the direct impact on supply chains and investment decisions, new tariffs have also created ripple effects in business confidence. Companies dependent on imported raw materials or intermediate goods face fluctuating costs that complicate financial forecasting. Manufacturers whose margins are already thin may find it difficult to absorb these extra costs, and passing them on to consumers can weaken demand.

Market sentiment can further deteriorate if retaliatory measures begin targeting a wider range of goods or if negotiations between countries break down. Even companies not directly affected by tariffs may adopt a more conservative posture, fearing the potential for further escalation. This combination of cautious spending and unpredictable costs can, in turn, dampen economic growth.

THE ROLE OF THE INTERNATIONAL TRADE COUNCIL

Recognizing these challenges, the International Trade Council (ITC) has devoted significant resources to improving transparency in global trade. Through its subsidiary, the International Centre for Trade Transparency, the ITC is developing and deploying advanced tools designed to help businesses map their supply chains, analyze market conditions, and verify the reliability of trading partners. These solutions aim to reduce the uncertainties created by rapid policy shifts and to offer companies a clearer picture of where and how tariffs might affect their operations.

Rather than focusing solely on compliance with existing tariffs, the Centre's approach emphasizes resilience and adaptability. By harnessing real-time trade data, companies can make more informed decisions about where to source materials, which markets to enter, and how best to manage logistics. Although such measures do not eliminate the underlying volatility in trade policy, they do equip businesses with better intelligence and more robust strategies for coping with it.

ADAMftd: Your Gateway to Global Trade Transparency

The International Trade Council firmly believes in the power of transparency to drive global trade growth. Together with its subsidiary, the International Centre for Trade Transparency, the Council is pioneering new ways for businesses to find trustworthy suppliers, enter fresh markets, analyze market conditions, and conduct effective due diligence—safely and efficiently.

How ADAMFtd Helps Your Organization:

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- Gain comprehensive trade data for accurate market analysis
- Perform thorough due diligence on potential partners and competitors
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