



# Tariffs Bulletin March 2019



## Maine Pointe's quick guide on tariffs: Insights to protect your supply chain

March is set to be another interesting month in the geopolitical arena as a number of 'hard deadlines' are reached and passed. This month's bulletin has the latest updates on the tariffs, trade agreements and negotiations that are transforming the political landscape, global economies and supply chains.

### The US and China

President Trump has postponed his plan to increase tariffs on \$200Bn of Chinese goods from 10% to 25%. The March 1 rate hike, described by US Trade Representative, Robert Lighthizer as a "hard deadline," has been delayed (not canceled) following what President Trump has called "significant progress" in ongoing trade negotiations between the two countries. The president has not indicated when the increase will take place, leaving many businesses in limbo when it comes to forecasting future demand.

### The US, Mexico and Canada

The United States, Mexico, Canada Agreement (USMCA), often referred to as 'new NAFTA' still needs to clear a major hurdle before it comes into force. The deal, which was signed in November 2018, must be ratified by lawmakers in all three countries. However, the text of the agreement does not specify that the US will lift its 10% tariffs on steel and aluminum and that's proving to be a major sticking point. As pressure to pass the agreement and avoid what Robert Lighthizer has called "a catastrophe across our country," will President Trump be forced to drop the tariffs?

### The US and the EU

Plans to begin trade negotiations between the US and the 27 countries in the EU Bloc are meeting resistance from France. The European Commission had asked all its members to approve two negotiating mandates which will allow formal talks to begin. Germany, which exports a large number of cars to the US, is keen to get started and avoid the risk of tariffs. However, French President Macron is reluctant to start talks before European Parliament elections take place in May. France exports very few vehicles to the US and Macron firmly believes he could lose votes if he is seen to be making deals with Donald Trump. The European Parliament is due to vote on the issue this month.



## The US and the EU

To say there is a lack of clarity over how, when and even if the UK will leave the European Union, would be a colossal understatement. Following a string of decisive votes in Parliament during the week of March 11, here are three things we know:

- Parliament firmly rejected Theresa May's deal for a second time
- Members of Parliament (MPs) voted against leaving the European Union without a deal in any circumstances, a decision Brussels has described as, "like the Titanic voting for the iceberg to get out of the way"
- The UK will ask the European Union for an extension to Article 50, which sets out the process for leaving the EU, beyond March 29

### What's next for Brexit?

If Parliament agrees to a deal in the next week, Theresa May will attend the EU summit March 21-22, and ask for a 'short technical extension'. If MPs won't back the prime minister's deal, she will request a 'much longer' extension. However, there is no guarantee that all 27 EU countries must agree to any postponement. If the EU says no, the UK will leave without a deal on March 29.

### What does this mean for business?

Whether it's the impact of tariffs, trade agreements or Brexit, there is no doubt businesses around the world are feeling anxious. In the UK, car manufacturers such as Ford, Toyota and BMW have issued warnings of thousands of UK job losses if there is a no deal Brexit. The UK government is urging business to prepare for a no deal. Yet, according to a report issued in February, more than 100,000 VAT-registered businesses that only trade with the EU have yet to register for an Economic Operator and Registration Identification (EORI) number, which will be essential to businesses should the UK leave the EU without a deal. In preparation for this scenario, the Government issued its [temporary tariff guidelines](#). The document sets out provisional rates of customs duty on goods including beef, lamb, pork and vehicles and also confirms that no additional checks will be introduced at the Irish border. With no time to waste, businesses of all sizes and in all sectors need to take note and prepare themselves for the challenges and opportunities Brexit may bring.

### Protect your supply chain

The watchword for the first quarter of 2019 is 'uncertainty'. In this environment, hoping for the best is not a viable strategy, it's time to prepare for the worst. While end-to-end supply chain cooperation is essential, it's difficult to achieve in a tariff environment. Companies will need to work harder than ever to build strong partnerships with supply chain partners.

In a recent article in SupplyChainBrain Maine Pointe's Chairman and CEO, Steven Bowen, said:

"Companies and their supply chains will need to ramp up their cooperation, but the challenge in doing so is establishing a greater level of trust, which is difficult in the midst of a tariff battle."

Start by evaluating your supply chain to:

1. Optimize operational efficiency
2. Improve supply chain "optionality" by exploring new sourcing opportunities in regions not affected by tariff increases
3. Gain market insights on where production facilities might move

## Further Reading

[Trump's push to enact new NAFTA could stall on tariffs](#), Bloomberg

[France holds out over start of EU trade talks with Trump](#), Reuters

[Toyota and BMW warn no deal Brexit could hit UK investment](#), BBC News

[The volatile global economy demands end-to-end cooperation](#), originally published in Supply Chain Brain

[Brexit, what happens now?](#) BBC News

If you would like to talk about any points raised in this bulletin, contact us for a no-obligation discussion at: [info@mainepointe.com](mailto:info@mainepointe.com)

### About Maine Pointe

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