



# Tariffs Bulletin May 2019



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

May has seen an escalation in the US-China trade war, increasingly complex negotiations between the US and EU and the continuing Brexit stalemate. With global supply chains at risk, this month's tariff bulletin lists ten actions company leaders cannot afford to delay.

### US imposes 25% tariffs

Last Friday (May 10), hopes that the trade war between the US and China was about to be resolved were dashed when the US announced an increase in tariffs on \$200Bn of Chinese goods to 25% from the previous rate of 10%. The move comes after US officials claimed China had backtracked on commitments made in previous rounds of negotiations. As well as ordering a tariff increase on \$200Bn worth of Chinese imports, the United States Trade Representative (USTR) has begun the process of raising tariffs on essentially all remaining imports from China.

- [Click here](#) to see the list of Chinese products subject to a 25% tariff
- [Click here](#) for USTR list of proposed tariffs

### China retaliates

China promised to retaliate with the "necessary countermeasures" and on May 13, Beijing made good on that promise by announcing new tariffs of between 5% and 25% on \$60Bn of US imports. The tariffs will kick in on June 1 and will hit around 5000 products including food products, building materials, consumer goods, transport, electronics, natural resources and chemicals.

- [Click here](#) for a list of some of the US products subject to 25% tariff from June 1

### The US and EU

Tensions between the US and the EU increased in April with both sides threatening tariffs as the long-running dispute over subsidies to aircraft manufacturers continues. These threats will add to the complexities of on-going negotiations which are already at risk of derailment over agriculture.

### Brexit

As the UK prepares to take part in European Parliament elections on May 23, there is little sign of a break in the Brexit impasse. Politicians now have just over five months to reach an agreement on what Britain's relationship with the EU bloc will look like after October 31.



## Ten ways business leaders can prepare for a hike in tariffs on their supply chain

This volatile environment is putting global supply chains under extreme stress. To minimize the risk, it's imperative to act now:

1. Balance risk by exploring sourcing opportunities in countries not affected by the tariffs. Negotiate the best possible deals on any raw materials, intermediate or finished goods not impacted by tariffs
2. Reconsider relationships with Chinese companies even where they are long-standing and productive relationships. In some cases, depending on the industry, it may be more logical to stay in China, even with a 25% tariff
3. Closely monitor your domestic suppliers and be aware that some may exploit the situation to increase prices just because they can
4. Mitigate some of the added tariff costs by placing greater emphasis on supply chain optimization to drive more value and free up cash
5. You need to know everything about your customers' customers and suppliers' suppliers to identify any potential threats
6. Rigorous due diligence is more important than ever to ensure your new suppliers or customers are not on any "blocked" lists
7. New tariffs, trade deals and uncertainties over Brexit will require leadership to take a more proactive approach to prepare the supply chain for new challenges and new opportunities
8. Being proactive is imperative to corporate survival and profitability as markets, technology and supply chains shift
9. Assess the potential risks 'vs' benefits of expanding production outside the US. Minimize risk by building a balanced mix of onshore, nearshore and offshore suppliers
10. Implement a synchronized buy-make-move-fulfill supply chain optimized to deliver the greatest value to customers and investors at the lowest cost to business

## Unsure whether your supply chain and operations are ready to respond?

If you would like to discuss any points raised in this bulletin, contact us for a no-obligation discussion and find out how you could unlock the untapped potential in your end-to-end supply chain and weather the uncertainties of a global trade war.

## Get the latest tariffs insights from Maine Pointe

You can find previous issues of this bulletin as well as updates on the latest tariffs news, views and insights in the [tariffs quick guide](#) on our website.

## Useful Links

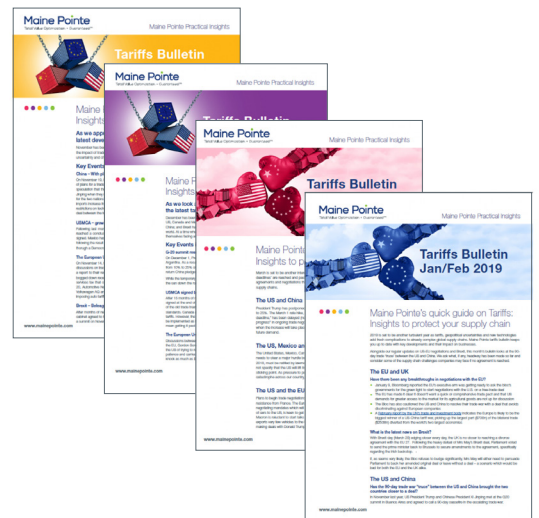
China trade war: We are in uncharted waters, Forbes

<https://www.forbes.com/sites/kenrapoza/2019/05/10/china-trade-war-we-are-in-uncharted-waters/#3229852f69e7>

Here's how hard the escalating tariffs fight will hit the global economy,

Marketwatch <https://www.marketwatch.com/story/heres-the-hit-us-chinese-and-global-economies-could-face-as-trade-battle-heats-up-2019-05-09>

Tracking tariffs and trade, Prime Policy Group <http://prime-policy.com/tracking-tariffs-and-trade/>



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### About Maine Pointe

Maine Pointe is a global supply chain and operations consulting firm trusted by many chief executives and private equity firms to drive compelling economic returns for their companies. We achieve this by delivering accelerated, sustainable improvements in EBITDA, cash and growth across their procurement, logistics and operations. Our hands-on implementation experts work with executives and their teams to rapidly break through functional silos and transform the buy-make-move-fulfill supply chain to deliver the greatest value to customers and investors at the lowest cost to business. We call this Total Value Optimization (TVO)<sup>TM</sup>.

Maine Pointe's engagements are results-driven and deliver between 4:1-8:1 ROI. We are so confident in our work and our processes that we provide a unique 100% guarantee of engagement fees based on annualized savings. [www.maineprime.com](http://www.maineprime.com)