



# Tariffs Bulletin December 2018



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

### **As we look ahead to the new year, here is our update on the latest tariffs, trade war and Brexit news**

December has been a very active month in global politics with some significant developments: The US, Canada and Mexico signed the USMCA; there was a temporary truce between the US and China; and Brexit has continued to cause chaos in the UK Parliament and anxiety in the business world. At a time when forward planning is essential to survival, many supply chain leaders find themselves facing an anxious and uncertain 2019.

#### **Key Events in December**

##### **G-20 summit resulted in a temporary truce between US and China**

On December 1, President Trump and Chinese President Xi Jinping met at the G-20 summit in Argentina. As a result of their discussions, Washington agreed to postpone the increase in tariffs from 10% to 25% on \$200Bn of Chinese goods, which was planned for January 1, by 90 days. In return China pledged to import more US products and roll back tariffs on cars.

While the temporary reprieve saw the world's markets rally, some analysts say the deal only kicks the can down the road and tensions will resurface in three months.

##### **USMCA signed but not yet sealed and delivered**

After 15 months of negotiations, the new United States-Mexico-Canada agreement was finally signed at the end of November. The deal, often referred to as 'NAFTA 2.0', is essentially a reworking of the old trade treaty with significant changes on the car industry and new environmental and labor standards. Canada and Mexico signed the treaty despite the US's refusal to lift steel and aluminum tariffs. However, the deal will still need to overcome some significant domestic hurdles before it can be implemented as it now has to be ratified by all three countries. For President Trump, this will mean getting it past a Democrat House of Representatives.

##### **The European Union – Ill-tempered discussions continue amid threat of 25% tariffs**

Discussions between the US and the European Union are grinding on. The US Ambassador to the EU, Gordon Sondland, has described the EU as "obstructionist", while EU negotiators accuse the US of trying to rewrite the July agreement. Barclays estimates that, if President Trump loses patience and carries through his threat to impose 25% tariffs on autos and auto parts, it could knock as much as \$75 billion from growth in the Eurozone next year.



## Brexit – Parliament in chaos as the Government plans for ‘no deal’

With less than 100 days until the UK leaves the EU, Prime Minister May seems to be a very long way from securing Parliamentary support for her controversial Brexit deal. Having survived a vote of no confidence demanded by rebels within her own party, Mrs May now has until January 14 to persuade MPs to accept the deal that’s on the table. In the meantime, she has indicated that the cabinet will implement its ‘no deal’ plan in full. Officials will now reach out to six million British businesses, calling on them to enact their own contingency plans; a move leaders of the UK’s five leading employers’ groups say the country is nowhere near ready for.

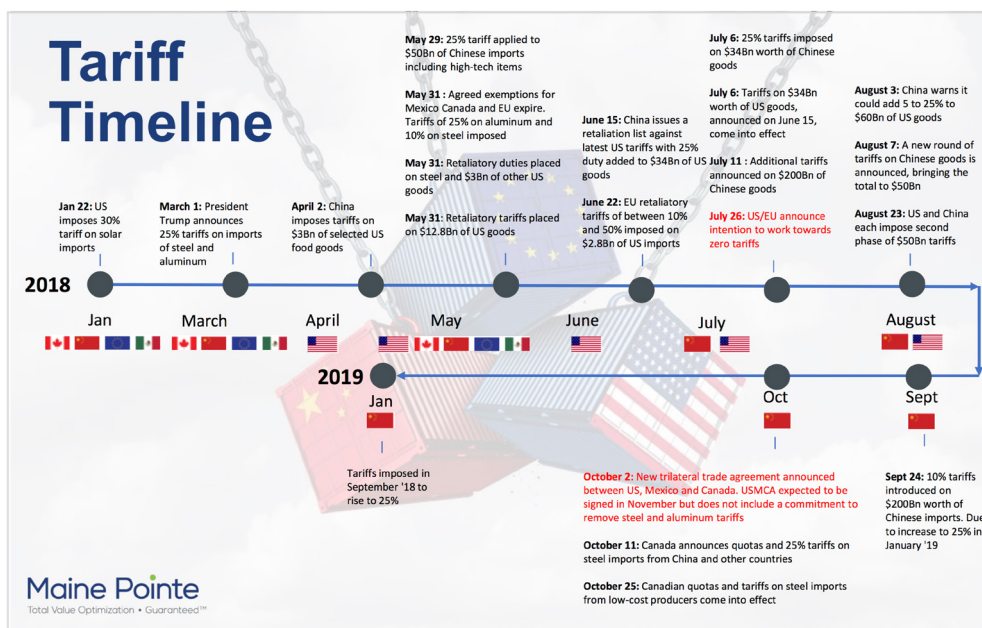
## Impact on supply chains

The 90-day tariff “cease-fire” between the US and China will only serve to create short-term uncertainty through March of next year, adding a new layer of complexity to the supply chain. In addition in the year ahead, the prospect of new tariffs, trade deals and uncertainties over Brexit will require leadership to take a more proactive approach so that the supply chain will be ready for both new challenges and new opportunities. This approach will require a much more data-driven approach and a strategy of “stress-testing” the supply chain to find the weak links, be prepared for the unexpected, and drive out costs and achieve sustainable growth regardless of the tariff situation.

In addition, preparation will require a deeper understanding of the entire end-to-end supply chain, and businesses will need to understand who their supplier’s suppliers are, and who their customer’s customers are. This deeper level of end-to-end supply chain visibility will allow companies to better predict potential disruptions in the supply chain, take advantage of previously unknown opportunities, and prepare alternative strategies to respond to each uncertainty.

Forward-looking CEOs are already looking to build new relationships with their supply chain to prepare to respond quickly to whatever comes their way.

**Being proactive is imperative to corporate survival and profitability** as markets, technology and supply chains shift. If you haven’t already done so, we recommend you start the new year with a thorough assessment of your end-to-end supply chain.



## Further Reading

[How to navigate the 90-day tariffs ‘cease fire’](#), Supply Chain Dive, December 2018

[Trump’s man in Brussels slams ‘out of touch’](#) EU, Politico, December 2018

[How Businesses are Preparing for Brexit](#), CBI Survey, November 2018

## 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)™.

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