

Tariffs Bulletin September 2019



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

As new tariffs and continuing geopolitical uncertainties unsettle global markets and fuel concerns over global economic growth, Maine Pointe's tariffs bulletin provides a regular update on the latest developments. We consider how, in an uncertain business environment, organizations can transform their global supply chain to protect against the growing threat posed by price increases and protectionism.

The US and China

Last month, we saw an escalation in the trade dispute between the US and China when President Trump announced the US would impose tariffs on an additional \$300Bn worth of Chinese imports. The president later delayed some of these tariffs until December 15 but, as of September 1, the US is charging a 15% tariff on \$125Bn of Chinese imports including many items of clothing and household staples. The president has also announced that existing 25% tariffs on a separate group of \$250Bn of Chinese imports will increase to 30% on October 15.

China retaliated with tariffs on thousands of American products including cars and announced its intention to impose additional tariffs from December. The two countries are due to hold further trade talks in Washington next month, but many observers are pessimistic about the possibility of an agreement being reached before next year's US presidential elections.

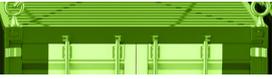
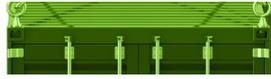
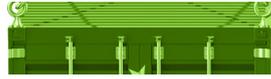
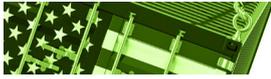
The ongoing trade dispute and widespread predictions of economic slowdown are taking their toll on CEO confidence. [A poll by Chief Executive magazine](#) reported that confidence in August 2019 was at its lowest since October 2016.

The US and the EU

The threat of US auto tariffs has been on ice for over a year since President Trump and European Commission President Jean-Claude Juncker agreed to refrain from "unilateral actions" while the EU and the US try to negotiate a trade pact. Agriculture continues to be a significant obstacle in the ongoing talks, with EU Commissioner, Cecilia Mastroianni reaffirming the bloc's position, stating that, "there is no support for agriculture to be included" in any prospective US-EU trade agreement.

Brexit

Three years after the UK decided to leave the European Union, Brexit continues to dominate the political agenda with Parliament doing its utmost to frustrate Prime Minister Boris Johnson's



determination to leave the EU on October 31, “do or die”. During the first week of September, the prime minister was defeated in a series of votes held to prevent a no deal Brexit. With a general election now seeming to be the only way to break the impasse, and Parliament now suspended until October 14, business leaders across the UK are no nearer to knowing what the future trading relationship with the Union will look like.

The US, Mexico and Canada

There have been no new updates on the progress of the United States-Mexico-Canada Agreement (USMCA). The agreement was signed in November 2018 and ratified by Mexico in June 2019. The ratification process is underway in both the US and Canada and is expected to be hotly debated in Congress this month.

How can supply chains respond?

Tariffs, Brexit uncertainty and the yet-to-be ratified USMCA all contribute to a deeply uncertain trade environment. Companies need to be proactive, dedicate skilled resources to researching the market, understand the current and future impact on their end-to-end supply chain and formulate a clear strategy to ensure continuity, come what may. Strategies include taking a ‘nomadic’ approach to sourcing to find the lowest cost/highest value geographic locations and developing a digital supply chain that can continue to deliver the very best to customers. With the right approach, there are still opportunities for companies that prove themselves to be both agile and resilient.

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.



Further reading

Maine Pointe's [Tariff Timeline](#) has a visual recap of all the key moves since the beginning of the trade war

[US-China Trade Talks to Resume but New Tariffs Could Complicate Them](#), New York Times

[Brexit: What Happens Now?](#) BBC News

[5 Growth Strategies During Tariff and Trade Uncertainty](#), Industry Week

If you would like to talk about any points raised in this bulletin, contact us for a no-obligation discussion email: info@maineprime.com

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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