



PERSPECTIVES

Tariffs and Trade Series: The Potential Impacts of Tariffs and Global Trade Shifts

Our perspectives feature the viewpoints of our subject matter experts on current topics and emerging trends.

This paper is the first installment in a series examining the multifaceted impacts of tariff and trade policies. By delving into the nuances of these policies, we aim to provide valuable insights and perspectives that will inform strategic business decision-making and foster resilience in an increasingly volatile global market. Future papers in this series will explore the specific implications for key sectors such as agriculture, energy, and construction, offering targeted analysis and recommendations to help businesses navigate and thrive amidst evolving trade landscapes.

INTRODUCTION

The global trade landscape is experiencing rapid shifts driven by escalating tariffs, geopolitical realignments, and supply chain disruptions. In North America, businesses must navigate changing US trade policies, evolving trade agreements such as the United States-Mexico-Canada Agreement (USMCA), and the broader implications of international trade tensions. These developments have significant economic implications which impact supply chains, regulatory compliance, financial strategies, and heighten geopolitical risk.

Trade policies across the world are being redefined, with tariffs increasingly used as economic and political tools. The US, China, and the European Union are at the center of these shifts, reshaping global supply chains and trade routes. Businesses must reassess their sourcing strategies, financial models, and regulatory compliance efforts in response to these evolving dynamics.

In North America, the US has intensified its use of tariffs, impacting trade with Canada, Mexico, and numerous global partners. While these policies aim to boost domestic industries, they have introduced supply chain challenges and regulatory complexities. As a result, companies must proactively adapt to maintain operational efficiency and financial stability.

This article examines the challenges and opportunities arising from these trade shifts and provides insights for businesses to mitigate risks and maintain competitiveness.

At J.S. Held, we help businesses navigate these challenges by providing insights into regulatory

changes, trade risks, and strategic adaptations to ensure long-term resilience.

STATE OF TARIFFS AND TRADE SHIFTS

1. United States Trade Policies and Tariff Measures

On April 2, 2025, President Trump declared a national emergency due to trade deficits caused by trade practices and imbalances in the global trading system. The order imposes a minimum tariff on all imports from US trading partners effective April 5, 2025, and higher duties for 57 trading partners including: the European Union (20%), India (27%), China (34%), and Taiwan (32%).

The order provides for specific exclusions, currently, a list of 1,039 and the ability to add further exclusions, including specified semiconductors, LEDs, electronic integrated circuits, transistors, minerals and ores, materials including tin and stainless steel waste and scrap, books, oil, petroleum, and gas products.

- The order provides that the Secretary of Commerce and the US Trade Representative may recommend additional actions if the current measures are ineffective and provide for increased duties if trading partners retaliate or fail to address non-reciprocal trade arrangements.
- The 10% rate of duty goes into effect April 5, 2025. The country-specific ad valorem rates of duty goes into effect on April 9, 2025.

The US has embraced trade policies which impose additional tariffs to encourage domestic manufacturing and limit reliance on foreign goods. Other recent developments include:

- **Higher Tariffs on Chinese Imports:** Increased duties on semiconductors, electric vehicles, and renewable energy components.
- **Steel and Aluminum Tariffs:** Ongoing Section 232 tariffs affecting Canadian and Mexican exports, among others.

- **Automotive Sector Regulations:** New trade rules requiring higher North American content in vehicle production under USMCA.
- **Stricter Trade Enforcement:** Enhanced customs investigations targeting Asian imports to the US.

2. Canada's Trade Strategy Amid US Tariffs

Canada, with its heavy reliance on US trade, has faced challenges stemming from American tariffs and regulatory shifts. Key issues include:

- **Retaliatory Tariffs:** Imposed in response to US steel and aluminum tariffs.
- **Diversification Efforts:** Strengthened trade ties with the European Union and Indo-Pacific economies to reduce dependence on the US.
- **Inflation Reduction Act Concerns:** US subsidies for domestic manufacturing pose competitive challenges for Canadian industries.

3. Mexico's Role in Global Trade Shifts

Mexico has become an attractive alternative to China for manufacturing due to its strategic location and USMCA advantages. Key trends include:

- **Nearshoring Growth:** Companies relocating production to Mexico to bypass US-China tariffs.
- **USMCA Compliance Challenges:** Stricter automotive content rules affecting supply chains.
- **Customs Delays:** Increased trade volume leading to border congestion and enforcement issues.

4. Broader Global Trade Realignments

- **China's Response:** Retaliatory tariffs and policies to reduce dependency on US technology.
- **Europe's Position:** Balancing US-China trade tensions while implementing carbon tariffs and digital taxes.
- **Emerging Markets:** India, Vietnam, and Mexico attracting investments as companies diversify supply chains.

POTENTIAL BUSINESS IMPACTS

1. Supply Chain Disruptions and Cost Increases

Tariffs may directly raise production costs and disrupt global supply chains. Key impacts include:

- Higher raw material costs.
- Longer lead times due to customs delays.
- Increased compliance costs under trade agreements.

Strategic Mitigation Measures:

- **Diversified Sourcing:** Expanding supplier networks to mitigate tariff risks.
- **Nearshoring and Reshoring:** Relocating production closer to key markets to reduce reliance on volatile global trade routes.
- **Tariff Engineering:** Adjusting product classifications to qualify for lower tariffs.

2. Regulatory and Compliance Challenges

Evolving trade policies may require companies to adapt compliance frameworks to avoid penalties and disruptions.

Strategic Mitigation Measures:

- **Trade Compliance Programs:** Strengthening internal controls for tariff classifications and country-of-origin rules.
- **Digital Trade Solutions:** Leveraging AI and blockchain for customs compliance and documentation.
- **Engagement with Trade Experts:** Partnering with legal and regulatory advisors to navigate trade complexities.

3. Financial and Taxation Implications

Trade shifts may have significant financial impacts, including:

- Increased operational costs from tariffs.
- Currency volatility affecting cross-border transactions.
- Changing taxation structures under trade agreements.

Strategic Mitigation Measures:

- **Financial Hedging:** Using currency and commodity hedging to mitigate fluctuations.
- **Cost-Pass-Through Strategies:** Adjusting pricing models to absorb tariff costs while remaining competitive.
- **Government Incentives:** Leveraging trade incentives and tax credits to offset tariff impacts.

4. Geopolitical Risks and Business Continuity

Trade policies are increasingly influenced by geopolitical tensions, creating uncertainty in long-term business planning.

Strategic Mitigation Measures:

- **Scenario Planning:** Preparing for potential policy shifts and trade agreement renegotiations.
- **Political Risk Insurance:** Protecting investments in volatile regions.
- **Stakeholder Engagement:** Engaging with policymakers and industry groups to stay ahead of regulatory developments.

OPPORTUNITIES AMID TRADE SHIFTS

1. Strengthened Regional Supply Chains

Companies investing in North American production may benefit from:

- Stability under the USMCA framework.
- Lower transportation costs compared to offshore manufacturing.
- Reduced exposure to Asian supply chain risks.

2. Growth in Digital Trade and E-Commerce

The rise of digital trade reduces dependency on physical supply chains, allowing businesses to:

- Expand into new markets with minimal logistics constraints.
- Benefit from reduced barriers in digital goods and services.
- Utilize fintech solutions to optimize cross-border transactions.

ADAPTING TO A NEW ERA

The evolving global and North American trade landscape presents both risks and opportunities for businesses. Companies must adopt strategies to navigate tariffs, supply chain disruptions, and regulatory complexities. Addressing these existing risks and developing management strategies to overcome the challenges, if properly executed, can provide an opportunity for firms to become more resilient over the long term, preserving longer term capital growth.

At J.S. Held, we provide expert guidance to help businesses adapt to these challenges, ensuring compliance, financial stability, and long-term success.

For further insights and strategic consultation, contact J.S. Held's trade and risk advisory team at riskadvisory@jsheld.com.

ABOUT THE AUTHOR

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Andrea has extensive experience in carbon reduction strategies, responsible sourcing, and sustainable finance, working across industries such as energy, mining, and manufacturing. She also provides expert witness testimony on environmental and sustainability matters, offering authoritative insights in legal and regulatory contexts. In addition to her advisory work, Andrea actively contributes to shaping sustainability policies and initiatives through her participation on several boards. She has served as an Ambassador to the U.S. Department of Energy, where she supported strategic discussions on clean energy transition and climate resilience. Her expertise in climate risk assessment, ESG reporting frameworks (CSRD, TCFD, SBTi), and

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