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Whitepaper

From Tariffs to Talent:

How 2025 Economic Policies Could Impact Supply Chains

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Introduction

The recent U.S. election may become a turning point for the supply chain industry. With proposed shifts in tariffs, tax structures, and immigration policies, the economic landscape could see fundamental changes in the coming years. This is more than just another round of policy changes for supply chain professionals—it should be a call to action. Now, more than ever, supply chain leaders must build adaptability into their supply networks. In times of transition, regardless of the cause, Geo-political conflict, economic policy changes, or natural disasters, supply chain professionals occupy a uniquely critical position at the intersection of market trends, workforce shifts, and operational demands. With key policies on the horizon, likely to affect global trade, staying aware is essential.

Here's what supply chain leaders should know and how to prepare for the months and years ahead.

Tariffs and Trade Policies:

Tariffs are one of the most immediate and far-reaching policy areas likely to see change. These tariffs aim to drive US-based production and reduce dependence on foreign sources, but they also come with significant costs. Tariffs are short-term taxes imposed on imported goods and services, paid primarily by retailers and manufacturers, with the goal of making domestically produced products more appealing. While intended to boost domestic production, tariffs come with a range of trade-offs; experience shows that, historically, tariffs lead to persistently higher prices for end customers.

After the 2018 Tariffs, the resulting losses to U.S. consumers and firms that purchase imports was $51 billion, or 0.27% of GDP, and according to S&P's current fiscal projections, **a proposed universal tariff of 10% -20% on all goods entering the U.S., with a 60% tariff specifically on imports from China could add as much as 1.8 percentage points to U.S. inflation.**

In the article "Protect Me Not: The Effects of Tariffs on U.S. Supply Networks," assistant professor of supply chain and operations management at Georgia State University, **Sina Golara,** urges politicians to exercise caution. Golara asserts that the long-term impact on the global flow of products is often overlooked and misunderstood. "While tariffs can provide some protection to certain industries, they can also create inefficiencies for the industries they were designed to protect, as well as for their supply chain partners."

What to expect

Rising Operational Costs:

A 20% tariff alone could lead to higher cross-sector costs on imported raw materials or finished goods for manufacturing, retail, and others. Companies may need to offset the increased price of imported goods through alternative sourcing, domestic production, or passing the cost onto consumers. Supply chain professionals need to rethink sourcing strategies, adjust budgets, and communicate potential cost impacts to their supply network.

Shifting Supplier/Sourcing Complexity:

High tariffs on specific countries, particularly China, could push businesses to pivot away from traditional sources and seek new alternatives. Vetting new suppliers, reestablishing production standards, and adjusting logistics takes time and effort and generates incidental costs. It may also open organizations to increased risk and uncertainty from reliance on a new, untested supply network, leading to possible delays, quality concerns, and increased logistics costs.

Trade Retaliation:

Countries subject to tariffs will likely respond to the U.S. in kind by imposing their own tariffs, complicating matters further. Retaliation and the additional strain on geopolitical relations would directly affect exports, add additional volatility to the market, and impact inventory, especially for industries heavily reliant on global demand.

How Supply Chain Professionals Can Respond:

Where feasible, supply chain leaders should explore options like nearshoring, diversifying suppliers, or increasing local sourcing. Using a digital twin and running simulations against digital models on cost implications and potential tariffs provides a proactive rather than reactive approach to managing inventory and production.

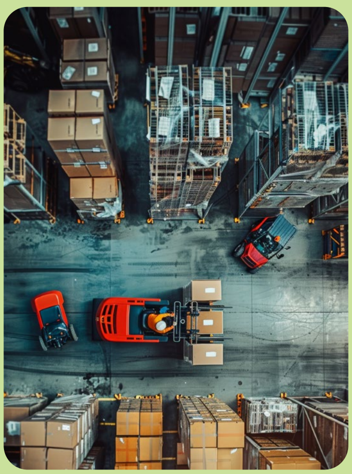
Immigration Policies: Workforce Challenges and Labor Shortages

Proposed immigration policies, stand to create immediate and substantial disruptions in both the supply chain and logistics sectors. These sectors have long relied on a diverse workforce, with a significant portion composed of immigrant labor. "This is more than low-skilled labor; this ripples into tech workers and engineers," said **Jason Leverant, president and COO of the national staffing agency AtWork.** "We don't have enough skilled talent there either to fill the jobs," he added that **restrictions on H-1B visas and a generally more unwelcoming atmosphere could deter talent from coming to the US.** Any sudden reduction in this workforce could result in labor shortages that ripple across essential areas, including warehousing, transportation, and manufacturing—key pillars of supply chain operations. "The pain will be felt, and we will see shortages, slow-downs, and delays on every front."

What to expect

Labor Shortages and Wage Inflation:

With demand for labor already high and shortages impacting mass deportations, it could further limit available workers for critical roles in warehouses, agricultural supply chains, and trucking. ***Industries like manufacturing and construction would also face steep competition for remaining workers, leading to increased costs and potential delays*** as companies compete for available talent. Supply chain professionals may need to explore solutions for workforce shortages, like automation and outsourcing. Supply chain leaders should be prepared for potential wage inflation to stay competitive in the hiring market.



Increased Strain on Existing Workforce and Productivity:

Quickly replacing a skilled workforce would be challenging at the best of times, but is especially difficult as the U.S. labor market remains tight. In the short term, existing employees may face increased pressure to meet demand, leading to burnout, reduced productivity, and increased turnover rates.

Training and Retention Costs:

As the availability of skilled labor shrinks, companies will need to invest more in education, retention, and cross-training to maintain productivity. Higher base pay may be needed to attract skilled workers, as well as bonuses for new hires or referrals and retention incentives for existing employees to reduce turnover in high-demand logistics, manufacturing, and warehousing roles. A well-trained, adaptable workforce can help offset labor challenges and create a more stable environment; however, it will require performance-based incentives such as bonuses tied to key metrics to reward high-performing employees.

How Supply Chain Professionals Can Respond:

Leaders can prepare for potential labor shortages by building resilience into their workforce strategy. **This could include investing in automation where feasible to reduce reliance on labor for repetitive or time-intensive tasks.** Additionally, using supply chain optimization and forecasting tools can help mitigate potential disruption through proactive planning thereby making more efficient use of working capital.

Proposed Tax Reforms and Domestic Production Incentives

In efforts to offset the added expense of tariffs, encourage U.S.-based manufacturing, and boost domestic output, the incoming administration has proposed reducing the corporate tax rate for domestic production to 15%. **While lower corporate taxes may incentivize some companies to localize production, even a short-term shift would cause substantial operational disruption as companies reevaluate and adjust their supply networks to adapt.**

Funding Gaps

While tariffs are intended to offset tax cuts, studies suggest that these tariffs may only partially cover the costs, with the rest potentially adding to the national deficit. If foreign nations introduce retaliatory tariffs, U.S. exporters may lose global market share, forcing companies to absorb costs or pass them to consumers. This, in turn, may reduce the competitiveness of U.S.-based companies, especially those with global customer bases, impacting overall revenue and operational stability.

Debt and Deficit Concerns

The proposed tax reforms and tariffs are estimated to add trillions to the national debt over the next decade. Higher debt levels will likely place upward pressure on interest rates, increasing borrowing costs, limit available capital, increase operational costs and potentially reduce consumer demand due to higher financing costs.

What to expect

Changes in tax cuts, tariffs, and spending could contribute to an increased deficit, which could in turn, drive up inflation and interest rates. For supply chain operations, this has immediate and long-term consequences:

Higher Financing Costs:

As the deficit grows, interest rates are likely to rise, which could increase borrowing costs for supply chain initiatives, like infrastructure projects or technology investment. This is especially relevant for capital-intensive industries like manufacturing.

Pressure on Consumer Demand:

Those in consumer goods sectors will need to adapt to shifts in demand, which could impact inventory planning, production schedules, and revenue forecasting. If inflation rises and consumer prices again increase, there will be a direct impact on demand.

How Supply Chain Professionals Can Respond:

Supply chain professionals must focus on areas like supplier diversification, automation, and renegotiation of existing contracts to adapt to economic shifts. Professionals should **leverage advanced forecasting tools and run scenario-based models for consumer demand, enabling professionals to make data-driven adjustments in response to rapid demand shifts.** Re-evaluating financial strategies, including optimizing cash flow and exploring leasing vs purchase options, may be prudent.

Preparing for Change in an Uncertain Environment: 4 Key Takeaways

In an environment defined by volatility, uncertainty, and constant change, supply chain professionals must shift away from traditional reactive processes to address proactive Decision Engineering & Orchestration (DEO). By composing resilient, modular networks and leveraging AI-driven analytics, organizations can prioritize and optimize every decision to navigate disruptions confidently.

Prioritize Data-Driven Decisions:

Real-time visibility and predictive analytics are foundational to DEO, providing clarity on the cause-and-effect relationships of decisions across your supply chain. Leverage advanced analytics and AI to forecast demand accurately, manage risks proactively, and adjust quickly, ensuring better, faster, and smarter decisions.

Embrace Composable Solutions:

In this rapidly evolving landscape, supply chains must be adaptable rather than rigid. Developing composable sourcing and solution strategies allows companies to dynamically adjust suppliers and production locations, optimizing for cost, risk, and service based on real-time company priorities.

Build a Resilient Workforce:

Labor challenges demand proactive solutions. Prioritize workforce flexibility through targeted training, retention initiatives, and selective automation, aligning tactical labor decisions with long-term strategic goals to optimize efficiency and resilience.

Drive Unified Collaboration:

Eliminate functional silos by fostering unified decision-making across finance, operations, procurement, and external partners. Coordinated strategies and shared insights ensure every decision supports overarching business objectives, enhancing adaptability and agility.

Take the next step towards a decision-first supply chain strategy. **Connect with GAINS** today to transform uncertainty into a strategic opportunity.

In today's unpredictable economic climate, a successful supply chain operation hinges on foresight and adaptability. Tariffs, regulatory changes, and labor pressures require supply chains to be modular, resilient, and decision-oriented rather than process-driven. GAINS Decision Engineering and Orchestration empowers organizations to move beyond chasing certainty, instead making informed, prioritized choices based on real-world trade-offs.

GAINS delivers rapid time-to-value solutions, providing the tools and composability required to optimize inventory, orchestrate demand planning, and implement adaptive sourcing strategies. Enhance your decision-making capabilities and proactively manage uncertainty, turning volatility into a competitive advantage.