

# The Great Trade War of 2025: Rebuilding Supply Chains Overnight

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## Abstract

*The "Great Trade War of 2025" has disrupted global supply chains, compelling Fortune 500 companies to rethink and reconstruct their operations amidst significant tariff adjustments initiated by the U.S. government under President Trump's administration. These changes have introduced a volatile environment where tariffs serve as unpredictable negotiation tools, challenging the stability and predictability essential for efficient supply chain management. In response, companies are adopting both immediate and long-term strategies to enhance resilience and adaptability in the face of ongoing trade uncertainties.*

*Short-term strategies include establishing crisis management teams or "war rooms" to focus on supply chain issues, conducting comprehensive risk assessments, and diversifying supplier bases to mitigate risks associated with specific countries. Companies are also optimizing inventory management, reinforcing contractual agreements with flexible terms, maintaining transparent communication with customers, and forming strategic partnerships to navigate disruptions effectively. Additionally, businesses are closely reviewing financial strategies to assess the impact of tariff fluctuations.*

*For long-term resilience, companies are investing in advanced data analytics tools for real-time operational visibility, adopting technology and automation to streamline supply chain efficiency, and enhancing supply chain agility through flexible manufacturing setups and contingency planning. Workforce training is prioritized to equip employees with the skills needed to navigate a more digital and automated supply chain landscape. Staying informed on evolving trade policies and engaging with trade experts are crucial for adapting strategies to ensure compliance and maintain competitiveness.*

*By implementing these comprehensive strategies, companies aim to effectively manage the challenges posed by the current trade turmoil, positioning themselves for enhanced adaptability and sustainability in the face of future disruptions.*

## Introduction

*"In the midst of chaos, there is also opportunity" – Sun Tzu – The Art of War*

In the midst of chaotic environment created by the tumultuous "Great Trade War of 2025," Fortune 500 companies are facing the daunting task of swiftly reconstructing their supply chains. The upheaval stems from significant tariff adjustments initiated by the U.S. government during President Trump's first 100 days, fundamentally reshaping the international business arena.

## Companies prepare for the Trade War

*"In turbulent times, the first task of management is to make sure of the institution's capacity to survive a blow." – Peter Drucker Managing in Turbulent Times (1980)*

Rising trade war fears in the wake of the election of Donald Trump have sent global companies scrambling to make their supply chains more resilient and transparent.

Eighty-five per cent of the 1,700 large company executives surveyed by The Conference Board late last year said they were planning to make significant changes to their supply chain, up 15 percentage points from the previous year, and significantly higher than right after the Covid pandemic.

Forty-five per cent of global chief executives in The Conference Board's report cited intensified trade wars as the leading geopolitical conflict risk for 2025, double last year's tally of 19 per cent. US executives were particularly worried, with 47 per cent mentioning trade wars as their biggest concern.

"There were a lot of executives, particularly CEOs, focused on changing their supply chains . . . It's returned to the top of the agenda," said Dana Peterson, The Conference Board's chief economist (Financial Times, 2025).

As chaos reigns across international markets to navigate this crisis, organisations have established dedicated "war rooms" where specialised teams vigilantly track unfolding events and provide strategic guidance to top management. Hopefully these firms are embracing the wisdom of Sun Tzu, who reminds us that "In the midst of chaos, there is also opportunity." These war rooms are not only hubs of crisis management, but also centres of innovation, where bold decisions are made to transform disruption into long-term competitive advantage.

## **Tariff Shockwave: Businesses Rethink Supply Chains to cope with Trade War 2025**

*"Supply chains cannot tolerate even 24 hours of disruption. So, if you lose your place in the supply chain because of wild behaviour you could lose a lot. It would be like pouring cement down one of your oil wells."* ~Thomas Friedman.

On April 2, 2025—declared "Liberation Day" by former President Donald Trump—the U.S. launched a sweeping tariff campaign, imposing duties on imports from 57 countries. With rates soaring as high as 145% for Chinese goods, the announcement triggered a widespread reassessment of global supply chain strategies. While some companies are accelerating the relocation of manufacturing operations back to the United States, many others are cautiously evaluating their options without immediate structural changes. The task of supply chain restructuring is particularly complex for industries like automotive, which depend on extensive international supplier networks. Ford, for example, relies on more than 1,400 suppliers across the globe, underscoring the depth of global interdependencies that make rapid shifts both costly and complicated.

In today's evolving landscape, historical shifts like the relocation of the textile industry from China to other Asian countries during President Trump's initial tenure present limited strategic significance. Unlike earlier transitions guided by evident policy shifts, the current tariff surge is characterised by instability, where duties are wielded as negotiation tools prone to abrupt alterations. This dynamic has introduced a heightened sense of uncertainty into worldwide supply networks.

This evolving unstable tariff landscape presents a significant challenge for businesses, particularly in the realm of supply chain management where predictability is paramount. Establishing new manufacturing centres necessitates meticulous planning and significant financial commitments over extended periods. The shifting tariff landscape raises critical concerns about the long-term viability of these investments and whether they will remain economically sound in a rapidly changing policy environment.

Compounding the issue is the lack of transparency surrounding the U.S. administration's long-term trade goals. President Trump's strategic embrace of unpredictability has left business leaders in a state of uncertainty, struggling to formulate coherent responses to an ever-shifting landscape. The result is a deeply challenging environment, where supply chain decisions are fraught with risk, and the usual playbook offers few reliable answers.

Navigating the current trade landscape poses challenges for businesses, particularly in supply chain management. The uncertainty surrounding tariff policies — often used as negotiation tools— adds a level of unpredictability that hampers the consistency and predictability essential for supply chains to function optimally. This unpredictability, exacerbated by the potential for sudden changes, complicates long-term planning and investment decisions, especially in the context of establishing new manufacturing facilities. The lack of clarity on the US administration's enduring objectives further compounds the frustration felt by business leaders, who find themselves grappling with the implications of this ever-changing environment. Adapting to such volatility requires companies to carefully assess risks and uncertainties, highlighting the complexities inherent in making strategic supply chain decisions under these conditions.

## **Key Steps in Rebuilding Supply Chains Overnight**

“The best supply chains don't just withstand disruptions – they use the crises as a catalyst for improvement.” — Steve Banker (2025)

Rebuilding supply chains amidst tariff uncertainty poses complexities and challenges. Companies can strategically manoeuvre through this evolving scenario to ensure successful adaptation.

### **Key steps to consider include:**

#### ***Immediate Strategies***

##### **Build Your Crisis Management Team for Rapid Response:**

During a crisis, companies impacted should swiftly establish a specialised team, commonly known as a “war room,” dedicated to enhancing supply chain management. This team ought to comprise skilled professionals from various departments such as procurement, logistics, finance, and legal. In cases where internal expertise is lacking, the recruitment of experienced consultants is advisable. The core responsibility of this team is to stay abreast of developments, evaluate potential risks, and furnish regular updates to company leadership.

##### **Unlock Resilience with a Full Risk Assessment Audit:**

The evaluation of the current supply chain is crucial to pinpoint vulnerabilities linked to tariff adjustments. It is essential to prioritise critical components and suppliers that could be significantly impacted by these new tariffs, especially those sourced from China. Management accountants can employ scenario planning to forecast different scenarios, including the extent of potential tariff implementations and how they might affect the company's supply chain. Anticipating these changes is key to proactively managing any potential impacts.

##### **Strengthen Supply Chain by Diversifying Your Supplier Base:**

To mitigate risks associated with specific countries, it's crucial to identify alternative suppliers in different geographic regions. Developing relationships with local suppliers reduces dependency on international sources. Consider nearshoring or reshoring options to bring manufacturing closer to the end market.

However, having alternative suppliers may not attract bulk discounts like those from a single supplier, particularly if that supplier is from China. This risk is amplified if alternative suppliers necessitate significant investments in time and money to boost factory capacity.

**Maximise Efficiency with Optimised Inventory Management:**

Companies facing supply chain disruptions are advised to boost inventory levels of essential components as a buffer. Implementing 'just-in-case' inventory strategies can enhance flexibility during these challenging times. The traditional 'just-in-time' approach may need to be paused until supply chains stabilise. To address concerns about inventory expenses, businesses can leverage inventory optimisation tools to strike a balance between costs and the necessity for increased stock levels.

**Fortify Your Business with Stronger Contractual Agreements:**

Establishing clear communication channels with suppliers is crucial for facilitating quick decision-making. This enables both parties to review and renegotiate contracts with flexible terms that consider tariff fluctuations. Incorporating clauses allowing for pricing or sourcing adjustments in response to tariff changes is advisable. Seeking a win-win solution is key in any negotiation.

**Focus on Customer Communication:**

In times of uncertainty, transparent communication with customers is crucial. It's essential to keep them informed about any potential delays or changes in product availability. This includes providing flexible customer service policies to address disruptions, like extended return periods or alternative product options. Utilise customer feedback to make informed supply chain adjustments and prioritise customer satisfaction.

**Engage in Strategic Partnerships:**

Collaboration is key for companies to thrive. By partnering with industry peers, trade associations, and government bodies, organisations can share insights and best practices. This involves engaging in joint ventures or consortia to pool resources and reduce costs. Additionally, participating in advocacy efforts allows companies to influence policymaking and negotiate collectively for better terms. Working together paves the way for success in today's competitive business landscape.

**Continually Review Financial Strategies:**

Management accountants play a crucial role in evaluating the financial implications of tariff adjustments on businesses. Adapting budgets in response to these changes is essential. Additionally, they delve into financial hedging strategies to manage risks linked to currency variations and raw material expenses. A robust cost allocation system is indispensable for redistributing resources effectively, focusing on key supply chain initiatives and investments.

**Long-Term Strategies**

*"Long-term planning is often undervalued in a world that favours short-term results."- — Harvey Mackay*

As businesses continue to face ongoing challenges, preparing for future supply chain disruptions has become essential. While many foresaw risks such as climate change, global conflicts, or pandemics like Covid-19, few predicted that the world's largest trading partner would unravel trade agreements and impose tariffs, severely straining global supply chains.

In today's dynamic business landscape, the need to anticipate and mitigate potential disruptions in the global supply chain is more critical than ever. Unexpected shifts in trade agreements and the introduction of tariffs by key trading partners can have a profound impact on supply chains. To navigate these turbulent times, it is crucial for companies to adopt a proactive, forward-thinking

approach—anticipating not just immediate risks, but also preparing for unforeseen disruptions that may emerge from unexpected sources.

Companies must proactively embrace a forward-thinking mindset, not only focusing on known risks but also preparing for unexpected shocks from various sources.

By staying ahead of potential disruptions and being prepared for the unexpected, businesses can safeguard their operations and maintain resilience in the face of evolving global dynamics. Staying vigilant and adaptable is key to thriving in an uncertain landscape.

***Here are several strategies for effective long-term supply chain management:***

**Using Data Analytics to Strengthen Supply Chain Resilience:**

Companies facing significant supply chain disruptions should prioritise investing in advanced data analytics tools to gain real-time visibility into their operations. Implementing dashboards that offer up-to-date insights on tariff changes and key supply chain metrics is essential. By leveraging predictive analytics, companies can anticipate potential disruptions and swiftly adjust their strategies accordingly.

**Boost supply Chain efficiency with Technology and Automation:**

Companies must prioritise investing in automation and digital solutions to streamline supply chain efficiency. This includes the fast-tracking of using blockchain for better traceability and transparency in supply chain operations; and adopting Internet of Things (IoT) devices and Artificial Intelligence (AI) for real-time tracking of goods and inventory levels.

**Enhance Supply Chain Agility – Adapting Quickly to Change**

Build flexibility into the supply chain to adapt to rapid changes. This can include modular manufacturing setups that allow for quick shifts in production lines. The implementation of agile project management methodologies to respond swiftly to new developments. It is important to develop contingency plans for various scenarios to ensure quick execution when needed.

**Empowering Teams: Training for a Future-Ready Supply Chain:**

A crucial long-term strategy is to invest in employee training on new processes and technologies introduced in response to the crisis. This involves cultivating a culture of innovation and adaptability, empowering staff to proactively solve problems. Additionally, teams must be equipped with the necessary skills to navigate a more digital and automated supply chain landscape.

**Staying Ahead of the Curve: Navigating Trade Policy Changes for Supply Chain Resilience:**

In today's dynamic global trade environment, companies must stay well-informed about trade policies and potential changes in government regulations. To navigate these shifts effectively, it is crucial for businesses to engage with trade experts or consultants who can provide insights into the implications of policy changes. By staying ahead of these developments, companies can proactively adjust their strategies to ensure compliance and maintain a competitive edge. Regular consultations with industry specialists will help businesses better understand evolving regulations, giving them the knowledge needed to make informed decisions and avoid disruptions in their operations.

By following this proactive approach, companies will be better equipped to handle the uncertainties brought about by tariff changes and other global trade challenges. This not only enables businesses to rebuild their supply chains more efficiently but also ensures they remain adaptable and resilient in the face of future disruptions. In the long term, staying informed and adjusting strategies in real-time will allow companies to enhance their supply chain operations, maintain market competitiveness, and strengthen their overall business sustainability.

## Summary

*“In the business world, the rearview mirror is always clearer than the windshield.”— Warren Buffett*

Amid the ‘Great Trade War of 2025,’ companies are grappling with a turbulent landscape as they work to rebuild their disrupted supply chains. Forced to reassess their strategies, businesses are facing increasing challenges due to the unpredictability of tariffs, which are often used as negotiation tools and can change abruptly. This volatility undermines the consistency and predictability that are crucial for maintaining efficient and reliable supply chains.

To tackle the challenges presented by the current trade turmoil, companies are implementing both short-term and long-term strategies to rebuild their supply chains effectively. In the immediate term, businesses are setting up crisis management teams or ‘war rooms’ focused on supply chain issues, conducting thorough risk assessments, and diversifying their supplier base to reduce dependency on specific countries.

Additional strategies include optimising inventory management to buffer against disruptions, reinforcing contractual agreements with flexible terms, maintaining open communication with customers, and forming strategic partnerships. Companies are also closely reviewing their financial strategies to gauge the impact of tariff fluctuations. Looking ahead, long-term strategies will focus on enhancing data and analytics capabilities, adopting technology and automation, boosting supply chain agility, investing in workforce training, and staying informed on evolving regulatory changes.

*Through the implementation of these strategies, companies aim to navigate tariff uncertainties more effectively, while positioning themselves for greater resilience and adaptability in the future.*

*“Success is the ability to adapt and adjust to change.”— Jim Rohn*

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