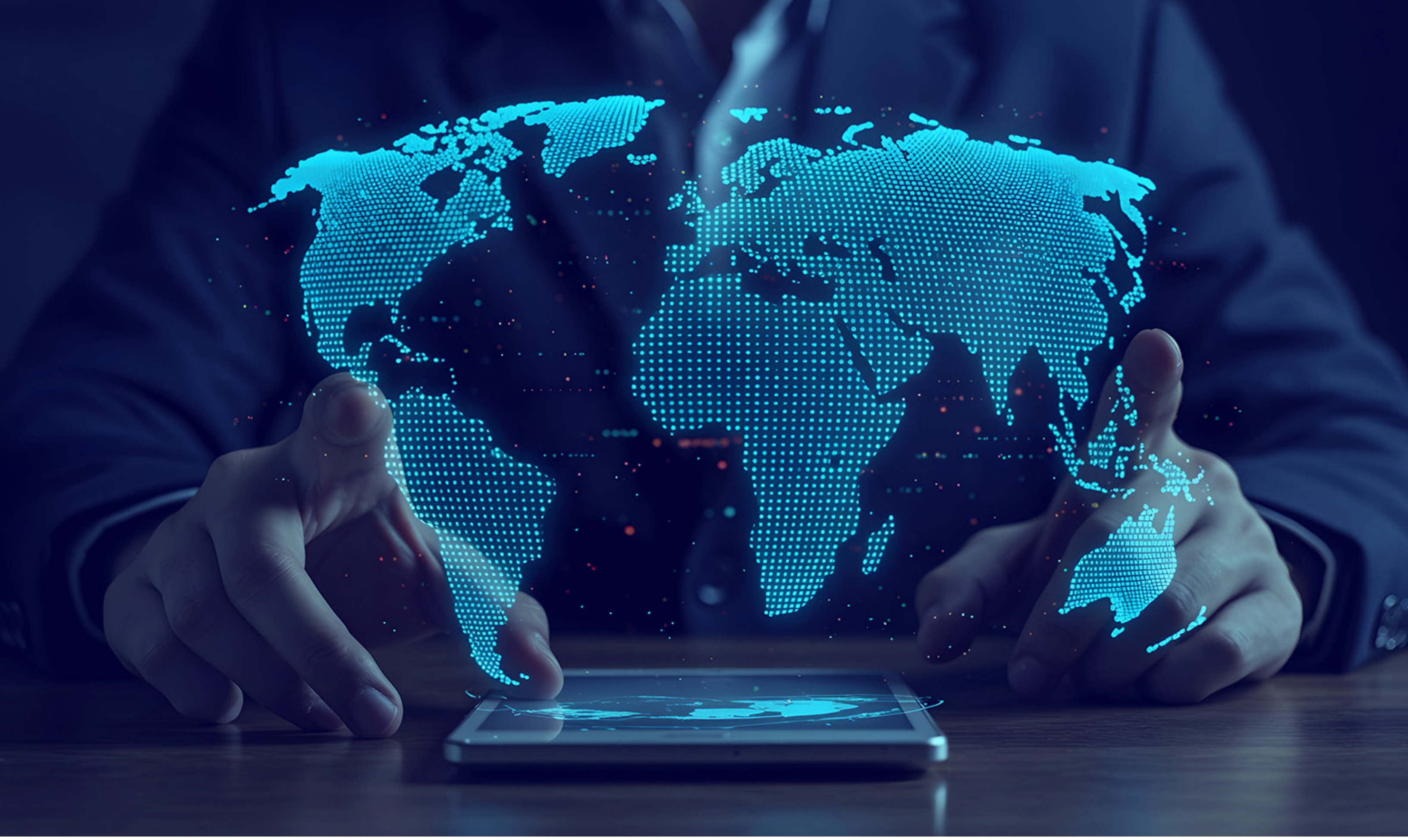
Tariff Volatility Survival Guide

Strategies for Navigating the New Normal



Executive Summary

The global trade environment in 2025 is characterized by rising tariff unpredictability, driven by retaliatory trade actions, shifting geopolitical alliances, and recessionary fears. This white paper provides actionable strategies for business leaders engaged in international trade to navigate this "new normal" by embracing agile planning, leveraging trade intelligence technologies, and strengthening compliance infrastructures to help keep their organizations on a growth path.

This document also draws insights from the 2024 Descartes Global Trade Intelligence Benchmark Survey* to provide broader context, as well as to highlight industry sentiment and best practices from almost **1,000** business leaders from around the world.

** Descartes worked with SAPIO Research to survey 978 supply chain intelligence leaders in Europe, North and South America, and Asia-Pacific to better understand the challenges they faced in internation trade and the strategies they deployed to address the issues. All respondents are members of their companies' leadership teams, holding positions from the level of senior management to Chief Executive Officer or owner. The research spawned two white papers:*

1) ***Escalating Challenges for Global Supply Chains***

2) ***What Companies are Doing to Tackle Escalating Global Supply Chain Challenges***

Understanding Tariff Volatility

2025 ushered in a period of heightened uncertainty in global trade. With continued supply chain fragmentation, climate-linked regulation, and growing reliance on bilateral and multilateral trade agreements, tariffs have become both a cost burden and a strategic lever.

For global businesses, managing this volatility is now a core competency, because the pace of trade disruptions, in general, has accelerated in recent years (see Figure 1). Organizations that thrive will treat tariffs as a variable – not a fixed constraint.

Figure 1 | Trade disruptions have been increasing since 2018

2018
Start of US-China Trade Tensions
First Section 301 tariffs imposed by the US on $50B worth of Chinese goods.

2019
Expansion of Tariffs
Multiple-rounds tariffs extended to $300B in Chinese imports. China retaliates.

2020
Phase One Deal
Partial tariff relief, but many tariffs remain in place. COVID-19 begins reshaping trade flows.

2022
Global Supply Chain Crunch
Backlogs exacerbate impact of tariffs. EU and UK review trade policies.

2024
New Section 301 Reviews Begin
Rising political rhetoric around reshoring. Potential new tariffs threatened.

2025
Global Tariff Surge
U.S. hikes tariffs on over 80 countries. Major trading partners retaliate.

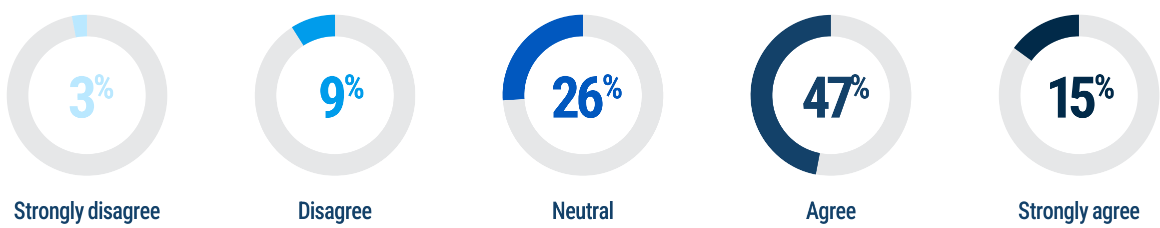
These points are underlined by the Descartes / SAPIO benchmark survey, which found that almost half of companies polled identified tariffs and trade barriers as their top international trade challenge (see Figure 2). At the same time, **62%** believe large-scale disruptions will be a regular part of the international supply chain (see Figure 3).

Figure 2 | Survey respondents' top challenges in international trade operations

Source: Descartes / SAPIO Research

Figure 3 | Outlook that mass disruptions will continue to affect supply chains

62% Say "Yes"



Source: Descartes / SAPIO Research

Organizations that thrive will treat tariffs as a variable – not a fixed constraint.

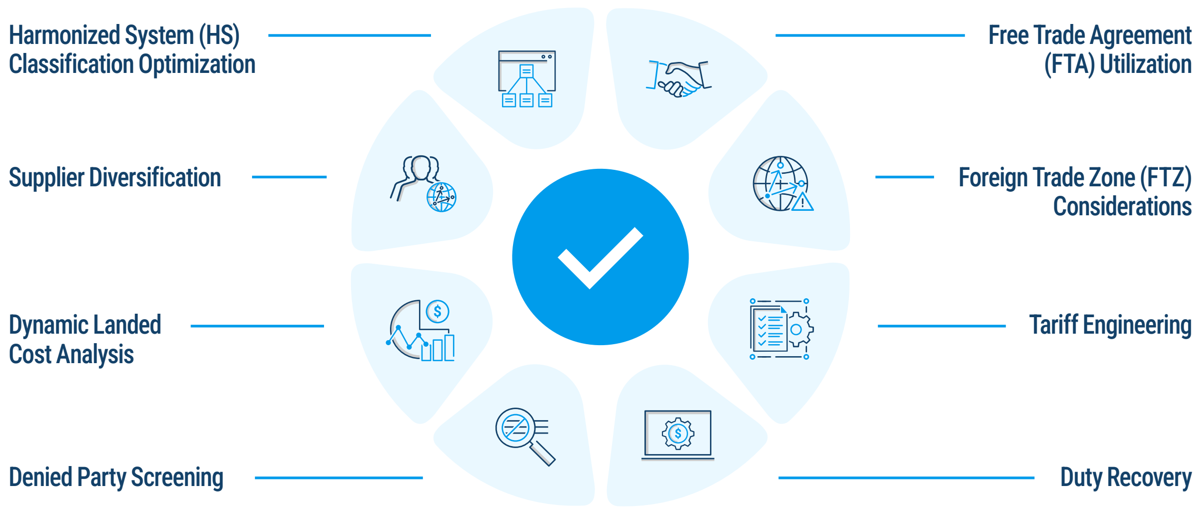
Strategies for Mitigating Tariff Risk

Resilient organizations treat tariffs as a variable cost they can navigate and optimize. Mitigation requires both structural strategies (e.g., supplier diversification) and dynamic capabilities (e.g., adaptive agility) (see Figure 4). In this environment of prolonged uncertainty, organizations need to be in a constant state of readiness because change can occur at a moment's notice.

The best measure of preparedness is to develop a strategy leveraging one or more of the following tactics, supported by proven software solutions, and coupled with AI capabilities and quality human expertise.

- **Harmonized System (HS) Classification Optimization**
  - Invest in tools that automate classification validation.
  - Reduce tariff exposure through accurate product and classification mapping.
- **Supplier Diversification**
  - Identify alternate sourcing markets using near real-time trade intelligence.
  - Avoid over-reliance on regions prone to tariff hikes.
- **Dynamic Landed Cost Analysis**
  - Efficiently assess total shipping costs, including tariffs.
  - Make informed sourcing decisions when researching alternative suppliers.
- **Denied Party Screening**
  - Ensure that new suppliers and business partners are not denied parties.
  - Continuously screen trade chain partners against a combined global database of sanctioned, debarred, restricted, and blocked entities.

Figure 4 | Tariff risk mitigation wheel



- **Free Trade Agreement (FTA) Utilization**
  - Stay updated on United States-Mexico-Canada Agreement (USMCA), and other bilateral and multilateral treaties.
  - Maximize duty savings through country-of-origin research and compliance.
- **Foreign Trade Zone (FTZ) Considerations**
  - Buffer costs against sudden trade policy shifts or rising tariffs.
  - Release goods on your schedule to control cash flow and duty/tariff costs.
- **Tariff Engineering**
  - Consider making design changes to qualify for lower-duty classifications.
  - Adjust your manufacturing or assembly locations to influence product origin.
- **Duty Recovery**
  - Establish rigorous duty drawback / recovery processes.
  - Use post-entry adjustments where applicable.

Organizations need to take steps to be in a constant state of readiness.

Strengthening the Compliance Core

A strong compliance framework is the foundation for effectively navigating regulatory change. Organizations that invest in internal controls, train staff, and outsource selected requirements to trade compliance software solutions vendors significantly reduce their risk exposure (see Figure 5).

Best Practices:

- **Centralize Trade Compliance Governance**

  Consolidating compliance oversight under a centralized governance model ensures consistency in policy application across all regions, business units, and departments. This approach reduces duplication, enhances accountability, and enables faster response to regulatory changes and tariff updates.

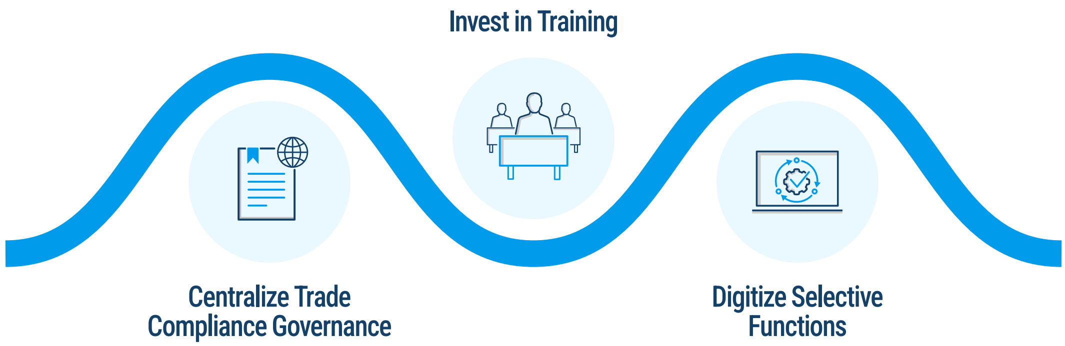
- **Invest in Training**

  Ongoing education equips teams with the skills needed to interpret complex trade regulations and use compliance technology effectively. A well-trained workforce is essential for minimizing errors, avoiding costly missteps, and ensuring the organization stays ahead of evolving legal requirements.

- **Digitize Selective Functions**

  Engaging compliance software vendors – such as for tariff classification or denied party screening – allows internal teams to better focus on day-to-day compliance issues. Smart outsourcing, especially to vendors offering robust AI capabilities, also brings scalability and access to specialized knowledge without increasing fixed headcount.

Figure 5 | Trade compliance core



A strong compliance framework is the foundation for navigating regulatory change.

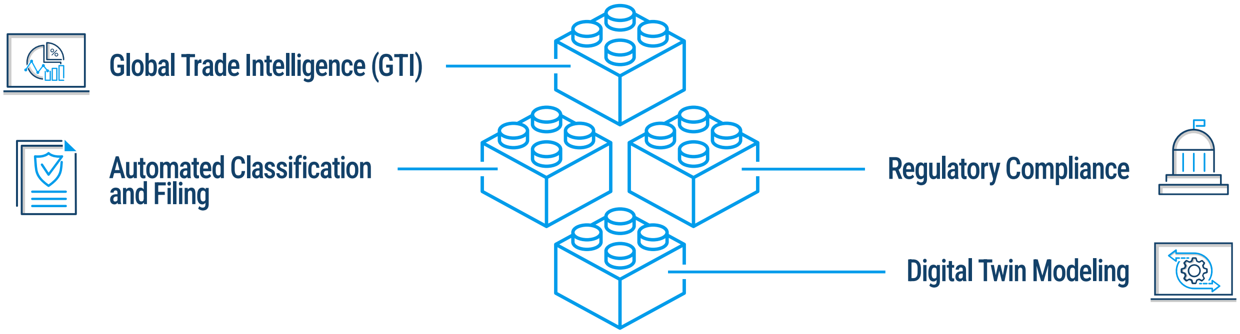
Technology Stack to Enable Growth

Technology is a critical lever for agility and to keep track of tariff (and other) changes from an operational business system perspective. From AI-driven supplier sourcing to digital classification and customs filing, trade compliance and intelligence systems offer real-time insights that allow companies to pivot quickly (see Figure 6) to maintain their projected growth target.

Key Technologies Needed:

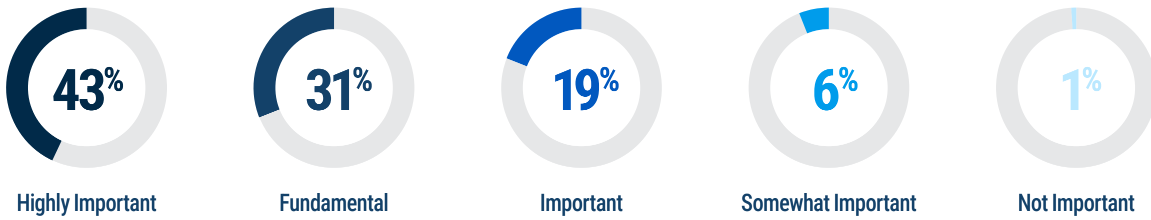
- **Global Trade Intelligence (GTI)**
  GTI platforms enable companies to rapidly analyze global trade data to identify alternative suppliers, emerging markets, and shifting demand patterns. This proactive visibility helps businesses adapt sourcing strategies in response to evolving tariff landscapes and geopolitical risks.
- **Automated Classi ication and Filing**
  Automation tools reduce the burden of manual tariff classification and ensure accuracy in customs planning, documentation, and filing. They also help to assess the business viability of shifting to new sourcing markets. These import compliance systems minimize compliance risk, lower the likelihood of penalties, and accelerate the speed of cross-border operations.
- **Regulatory Compliance**
  In general terms, regulatory compliance includes making sure companies are not doing business with people or organizations named in official government watchlists. Having proven denied party screening systems in place is essential to meet international trade regulations and facilitate growth.
- **Digital Twin Modeling**
  Digital twin technology allows supply chain leaders to simulate tariff and trade policy changes in a virtual environment before implementing physical changes. By modeling scenarios in real-time, companies can forecast cost implications, stress-test their networks, and make data-informed decisions with confidence.

Figure 6 | Tech stack for international trade resilience



The above points are supported by the Descartes / SAPIO Benchmark Survey, which found that **74%** of respondents say technology is fundamental or highly important to their growth strategy (see Figure 7). A further **36%** believe tools that can identify new suppliers and markets will provide the greatest value in the next two years (see Figure 8).

Figure 7 | The importance of technology across industries



Source: Descartes / SAPIO Research

Figure 8 | Main capability required to deliver the greatest business value in the next 2 years

Source: Descartes / SAPIO Research

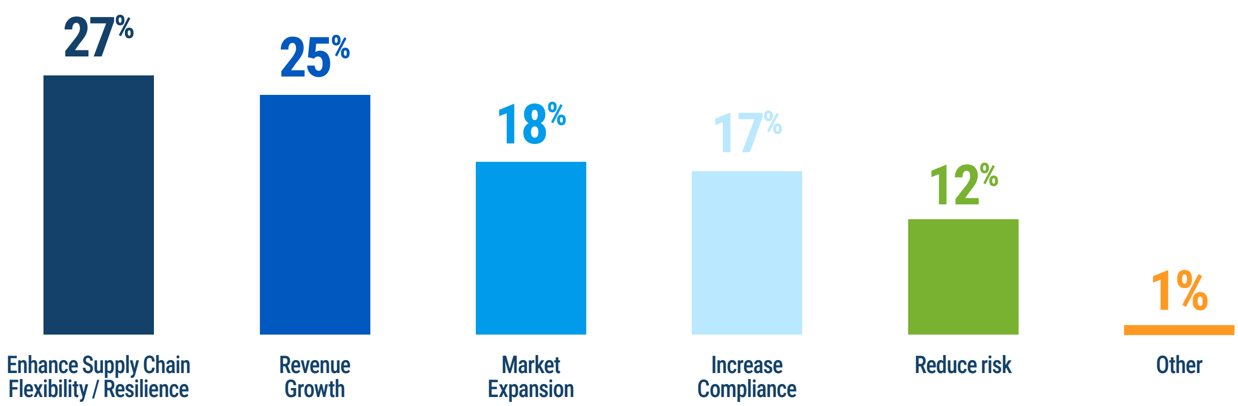
Technology is a critical lever for agility and to operationally keep track of tariff changes.

Measuring and Communicating ROI of Trade Strategies

As trade compliance becomes a strategic discipline, business leaders must demonstrate clear ROI from investments in tariff and other classification management and trade compliance software solutions.

According to the Descartes / SAPIO Benchmark Survey, respondents cited Supply Chain Flexibility / Resilience, Revenue Growth, and Market Expansion as being among their top ROI metric in this case (see Figure 9). This emphasizes the point that organizations must leverage proven software solutions providers.

Figure 9 | Metrics used to measure the success of technology investments



Source: Descartes / SAPIO Research

Business leaders must demonstrate clear ROI from trade compliance solutions investments.

Conclusion

The “new normal” of 2025 demands a new mindset. Tariff volatility is here to stay, at least for the near term. But with the right strategy, tools, and talent, business leaders can turn disruption into a competitive advantage. The time to act is now.

Action Steps:

1. Conduct a Tariff Impact Assessment: Evaluate how current tariffs affect your supply chain and cost structure.
2. Develop a Diversification Strategy: Identify alternative suppliers and markets to reduce dependency on high-tariff regions.
3. Screen Against Denied Parties Lists: Make sure that new and existing suppliers are not denied parties.
4. Invest in Technology: Implement tools for real-time monitoring and predictive analytics.
5. Engage in Policy Dialogue: Collaborate with industry groups to influence trade policy.
6. Train Trade Compliance Teams: Ensure staff are up to date with the latest trade regulations, compliance requirements, and use of technology.

Tariff uncertainty isn’t a passing trend – it’s a structural reality in modern trade. The most successful importers and supply chain and logistics leaders in 2025 will be those who act decisively, embrace technology, and embed resilience into their trade compliance strategies. By leveraging the insights and practices outlined in this white paper, your organization can move from being reactive to proactively strategic.

To find out how Descartes can help your organization, contact us.

About Descartes Systems Group

Descartes (Nasdaq:DSGX) (TSX:DSG) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, security and sustainability of logistics-intensive businesses. Customers use our modular, software-as-a-service solutions to route, track and help improve the safety, performance and compliance of delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community. Our headquarters are in Waterloo, Ontario, Canada and we have offices and partners around the world.

Learn more at www.descartes.com and connect with us on LinkedIn and X.

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