Washington's Tariff Threats: Australian and New Zealand Businesses Brace for a Bumpy Ride.

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With the Trump Administration in Washington discussing hiked tariffs, ANZ businesses are bracing for potential challenges. Tariff hikes can put a real spanner in the works for supply chains, causing everything from production delays to shortages of crucial gear and a heap of unexpected headaches. Lessons from past dramas, like the COVID-19 pandemic, can help ANZ businesses beef up their supply chains and stay ahead of the pack in a tough market.

#1: Suss Out Your Critical Supply Chain Bits and Pieces

While those pesky tariffs are nothing new to the USA's economic playbook, many Australian and New Zealand businesses are getting ahead to dodge potential price hikes. Tariffs can throw a spanner in the works for global supply chains, jacking up costs and causing shortages.

For instance, if there were a sudden 25% whack on goods from New Zealand to Australia or a 60% hit on gear from China, material costs would go through the roof, right? That means higher production costs and slimmer margins. To keep your head above water, you've got to identify, assess, and document all the crucial bits and pieces in your supply chain that might get stung by those tariffs. And don't just stop at the bill of materials – think about all the gear you need to build and ship your products, too.

Re-evaluate: What does your critical supply chain look like?

#2: Protect Your Critical Supply Chain

Once you've sussed out the essential components, you've got to protect them. Proposed tariffs could put a real dent in your growth and send your operational costs sky-high. More than 40% of Australiaõs high-tech engines, 50% of aircraft and space parts and almost 60% of machine tools are sent to the US.

For example, imagine the price of imported electronic components going through the roof if you're in the tech game. According to a survey, many business bosses are worried about the impact of these tariffs on their operations.

To keep your supply chain safe:

- Check on component availability and flexibility properly.
- Negotiate good deals on contracts so you can move quickly if things go pear-shaped.
- Find and check out alternative suppliers for standard and custom items, keeping an eye on lead times and quality.

Re-evaluate: Does your Critical Supply Chain ensure availability and lexibility?

#3: Check Out Your Supplier's Risk Management Plan

To prepare for future dramas, you must look at what's happened in the past. The global supply chain experienced absolute flogging during COVID-19, which made many businesses beef up their risk management. But it's not just about what you're doing internally; you must also check out your suppliers' plans. Tariffs might force them to cut corners, affecting quality or lead times. A thorough review ensures they can handle the pressure without letting you down.

Re-valuate: Do your suppliers meet your performance needs and risk management criteria?

#4: Keep an Eye on the Supply Chain Landscape

Supply chain costs are a big chunk of your operating expenses, and tariffs worsen by increasing the price of imported materials. You've got to keep an eye on market trends and supplier costs to keep up with the changes.

Fluctuations in commodity prices and tariff rates can cause financial headaches, so you must plan for potential price shocks. And don't forget to check if those customisations are worth the extra cost.

Re-evaluate: Do you understand where price shocks are most likely to impact your cost structure and what you are doing to mitigate them?

Final Thoughts

With tariffs threatening to disrupt global supply chains, having a solid plan is crucial. Businesses that learn from past mistakes and take proactive action will better handle any drama. Strengthening your supply chain management and using best practices can give you a competitive edge in these uncertain times.

Another noteworthy point is the chance of trade diversion, such as Australia/New Zealand doing business with other countries. Also, it could be that due to China/USA retaliation measures, the door opens to Australian and New Zealand exporters as substitute suppliers.

Sources:

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About the Author

Joost is a procurement and logistics expert with over 25 years of international experience in change agent roles, developing organisational procurement strategies and leading the sourcing effort for multi-operating companies. His previous roles at Johnson & Johnson, IKEA, and Heineken encompassed Sea Freight, LTL, FTL, Warehousing, 3PL, Dangerous and Perishable Goods, and Domestic & International Couriers.

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