



Friends-of-the-Firm Mini-Briefing

**Assessing the Duration of Tariff-Induced Uncertainties
*Temporary Disruption or New Normal?***

by

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The uncertainties stemming from the 2025 U.S. tariff policies—particularly the reciprocal tariffs imposed under the Trump administration—have indeed imposed significant strains on global manufacturers, distributors, and logistics firms. These include elevated costs (with the average effective U.S. tariff rate reaching 18.6% as of August 2025), supply rerouting complexities, and heightened compliance burdens (see natlawreview.com). As of September 9, 2025, the situation appears to be evolving toward a "new normal" rather than a purely temporary phase, though with notable caveats around legal challenges and potential negotiations. Here's a breakdown supported by recent analyses:

1. Evidence of Entrenchment as the New Normal:

- The tariffs, which spiked the overall U.S. effective rate from 2.42% pre-2025 to over 18% following "Liberation Day" on April 2, are being treated as structural tools for trade reciprocity and domestic protection (see uk.finance.yahoo.com).
- Recent executive actions, such as the modification to reciprocal tariffs effective September 8, 2025, and the full implementation of 50% tariffs on certain goods, indicate ongoing expansion rather than rollback (see whitehouse.govbudgetlab.yale.edu).
- Expert projections from the Budget Lab at Yale model these as persistent through at least 2026, estimating a 0.9% drag on U.S. real GDP in 2025 and long-term effects including an 18.1% drop in exports and \$160 billion in annual economic losses (in 2024 dollars).
- The Tax Foundation similarly incorporates retaliatory tariffs (e.g., China's 84% on U.S. goods and \$128 billion from Canada/Mexico) into 10-year forecasts, reducing projected revenue by \$146 billion and underscoring a shift to higher baseline protectionism. This aligns with the administration's rhetoric, where President Trump has emphasized unwinding existing trade deals if necessary to sustain tariffs, signaling a commitment to this policy paradigm (see reuters.com).

2. Elements Suggesting Potential Temporariness:

- Not all indicators point to permanence. Ongoing legal battles, including Trump's appeal to the Supreme Court over tariff authority, could lead to "massive refunds" and a halving of the current 16.3% rate if ruled unconstitutional, potentially reverting some changes by late 2025 or 2026 (see finance.yahoo.com).

- Temporary exceptions, such as the 90-day pause extension on China's reciprocal tariffs (signed August 11, 2025) and postal network exemptions via Executive Order 14324 (July 30, 2025), provide short-term relief for low-value shipments (see ashurst.com/dimerco.com).
- Negotiations, like the U.S.-China agreement reducing April 2025 tariffs from 125% to 10% on select goods, hint at phased de-escalation if trade balances improve (see congress.gov). However, these are piecemeal and do not undermine the broader trend of elevated, reciprocal duties as a default.

In summary, while isolated adjustments offer breathing room, the tariffs' scale, frequency of updates, and integration into economic modeling suggest this is the new normal for the medium term (through 2025–2027). Businesses should plan for persistence, with contingency for legal pivots, as the policy's volatility itself exacerbates supply chain difficulties.

Deeper Dive into Mitigation Strategies: Beyond the Basics

Traditional responses like geographic supplier diversification (e.g., shifting from China to Vietnam or Mexico), building safety stock buffers, or tweaking inventory deployment models (e.g., just-in-time to just-in-case) remain foundational but are increasingly insufficient amid rapid tariff flux. These can inflate costs by 5–15% without addressing root uncertainties like policy whiplash or compliance opacity. Below, I expand on advanced mitigation strategies, drawing from expert frameworks as of mid-2025. I emphasize non-traditional paths that leverage innovation, internal restructuring, and ecosystem collaboration—focusing on proactive, tech-enabled, and financial maneuvers that transcend physical logistics.

1. Tariff Engineering & Product Redesign:

- **Core Approach:** Collaborate across design, legal, and logistics teams to reengineer products for lower-tariff Harmonized Tariff Schedule (HTS) classifications. This might involve using alternative materials, unassembling components for separate importation (with final assembly in the U.S. to qualify for value-added exemptions), or altering manufacturing processes to reduce declared customs value.
- **Non-Traditional Innovation:** Integrate AI-driven simulation tools to model HTS impacts pre-design, predicting tariff savings of 10–20% by optimizing for rules-of-origin under agreements like USMCA. For instance, electronics firms are embedding "tariff-optimized" modular designs, allowing on-demand reconfiguration to exploit exemptions—bypassing inventory bloat entirely.
- **Benefits & Examples:** Reduces effective duties without relocation; a [Plante Moran](#) analysis notes this can cut costs by 5–15% for importers of machinery parts. Automotive suppliers have used it to reclassify aluminum alloys, avoiding 25% Section 232 tariffs.

2. Make-vs.-Buy Reassessment & Vertical Integration:

- **Core Approach:** Conduct granular economic analyses to decide on in-house production versus outsourcing, factoring in tariffs, incentives (e.g., CHIPS Act subsidies), and total ownership costs.
- **Non-Traditional Innovation:** Employ digital twins—virtual replicas of production lines powered by IoT and AI—to simulate "make" scenarios in real-time, testing tariff shocks without capital outlay (a “digital-twin” variation). This enables "phased verticalization," where firms acquire stakes

in upstream suppliers via joint ventures, creating tariff-proof ecosystems. Beyond stockpile reliance, it fosters IP protection and rapid prototyping.

- **Benefits & Examples:** Improves lead times by 20–30% and quality control; reshoring advocates highlight how this counters the 80:1 job loss ratio in import-dependent sectors (see [cfr.org](https://www.cfr.org)). Apparel brands are piloting AI-optimized in-house micro-factories using additive manufacturing (3D printing) to localize 15% of production, slashing import needs.

3. Transfer Pricing Optimization & Financial Hedging:

- **Core Approach:** Revise intercompany pricing for cross-border transactions to allocate tariff burdens strategically, lowering import values while complying with IRS/OECD rules.
- **Non-Traditional Innovation:** Use blockchain-ledgered smart contracts to automate dynamic pricing adjustments based on real-time tariff feeds, integrated with derivatives markets for "tariff futures" hedging (e.g., options on currency/commodity swings tied to trade policy). This treats tariffs as a financial risk class, similar to FX volatility, enabling predictive cost-locking.
- **Benefits & Examples:** Can reduce effective tariff exposure by 8–12%; firms like multinationals in tech are realigning assets to U.S. entities to shift risks domestically (see [plantemoran.com](https://www.plantemoran.com)). A 2025 [Deloitte](https://www.deloitte.com) case study shows pharma companies hedging via commodity swaps, stabilizing API costs amid China tariffs.

4. Cross-Functional Disruption Squads with Scenario Simulations:

- **Core Approach:** Form agile teams spanning tax, trade, finance, and operations for holistic response.
- **Non-Traditional Innovation:** Incorporate VR/AR-based "war-gaming" simulations and ML algorithms to stress-test supply chains against tariff scenarios (e.g., 50% hikes on EU autos). Pair with external data oracles (e.g., API feeds from customs databases) for "what-if" modeling that anticipates bullwhip effects across tiers.
- **Benefits & Examples:** Enhances decision speed by 40%; [Supply Chain Management Review](#) emphasizes evolving to digitally networked ecosystems for shared cloud data, reducing prediction errors. Logistics giants like [Maersk](https://www.maersk.com) use this for "tariff playbooks," integrating partner data to preempt disruptions.

5. Technology-Led Ecosystem Resilience (Industry 5.0 & Beyond):

- **Core Approach:** Embed advanced tech for end-to-end visibility and adaptability.
- **Non-Traditional Innovation:** Adopt Industry 5.0 frameworks with collaborative robots ("cobots"), AI/ML for hyper-accurate demand forecasting under uncertainty, and blockchain for immutable provenance tracking to qualify for tariff exemptions (e.g., verifying USMCA compliance). Explore circular economy models: Use AI-optimized recycling loops to repurpose domestic waste into inputs, minimizing imports. Additive manufacturing hubs enable "print-on-demand" localization, while cloud-based platforms facilitate "co-opetition" with rivals for shared risk pools.
- **Benefits & Examples:** Cuts inventory costs by 15–25% and boosts resilience; [IEEE](https://www.ieee.org) analyses highlight blockchain's role in secure cross-border trust, with AI enabling scenario-based inventory

optimization amid U.S.-China tensions. Electronics manufacturers are deploying IoT sensors for real-time tariff impact dashboards, adjusting routes dynamically and saving 10% on logistics.

6. Proactive Policy Engagement & Network Optimization:

- **Core Approach:** Regularly audit customs valuations and explore free trade zones (FTZs) for deferred duties.
- **Non-Traditional Innovation:** Lobby via industry consortia for targeted exemptions while using geospatial AI to optimize "tariff arbitrage" networks (e.g., routing via FTZs in low-duty hubs). Develop "policy foresight" units employing natural language processing (NLP) to scan regulatory signals from sources like Congress.gov, preempting changes.
- **Benefits & Examples:** Averts 5–10% cost spikes; [Simon-Kucher](#) recommends this for pricing flexibility in regional manufacturing. Importers are leveraging NLP tools to monitor 2025 updates, like the September 17 de minimis changes, for agile compliance.

These strategies require upfront investment (e.g., 2–5% of supply chain budgets) but yield compounding returns through agility. Firms succeeding, per 2025 reports, integrate them via a "resilience scorecard" tracking metrics like cost variance under scenarios. In this new normal, the key is shifting from reactive fixes to embedded foresight, turning tariff volatility into a competitive edge.

Uncertainties from 2025 Tariff Policies: Temporary or the New Normal?

The uncertainties stemming from the 2025 U.S. tariff policies—enacted under the Trump administration through measures like Section 232 national security tariffs, Section 301 actions on China, and International Emergency Economic Powers Act (IEEPA) invocations—have indeed imposed substantial difficulties on global manufacturers, distributors, and logistics companies. These include volatile cost structures, disrupted just-in-time operations, and heightened compliance burdens, with U.S. imports dropping 30.3% in Q2 2025 due to pre-tariff stockpiling followed by sharp pullbacks.

Early data shows corporate America absorbing \$55 billion in additional tariff costs this year alone, leading to delayed investments, excess inventory buildup, and a "precarity premium" that erodes margins across sectors like automotive (down 10.3% in Mexican exports to the U.S. in May 2025) and aluminum (Canadian exports redirected amid escalating 25-50% tariffs).

Additional expert analyses and market reactions suggest this is evolving into a **new normal** rather than a purely temporary phase, though with persistent flux at least through late 2025. A logistics executive at [Fictiv](#) described the reciprocal tariffs on over 90 trading partners as a "permanent part of doing business," with companies now finalizing orders more decisively as they internalize tariff impacts into pricing and planning (see [freightwaves.com](#)).

[Bain & Company](#) echoes this, arguing that the era of unfettered trade liberalization is reversing into a post-globalization landscape where protectionism is the baseline, urging firms to "reset" operations for prolonged volatility rather than waiting for resolution.

[Dr. Daniel Covarrubias](#) conceptualizes this as an "infinity loop" in North American trade policy: a cycle of 90-day extensions, partial exemptions, and escalating rates (e.g., IEEPA tariffs on Canada rising from 25% to 35% by mid-2025) that has normalized perpetual uncertainty, transforming emergency contingency planning into standard operations and eroding three decades of USMCA integration. [S&P Global](#) forecasts severe uncertainty persisting through year-end due to ongoing Section 232 reviews and federal court challenges, while shippers anticipate short-

term cost spikes as markets adjust to this entrenched reality. That said, elements of temporariness linger in negotiation-dependent exemptions (e.g., USMCA-compliant goods avoiding 25-30% levies on Mexico/Canada), but the broader trend points to sustained, adaptive trade regimes rather than a quick reversal.

Deeper Dive on Mitigation Strategies: Non-Traditional Paths

While traditional responses like geographic supplier diversification (e.g., China+1 to Vietnam/India), safety stock accumulation, and multi-echelon inventory optimization remain foundational, they often fall short in a high-uncertainty environment—exacerbated by scalability issues, rising logistics costs (up 5-10% for rerouted shipments), and incomplete visibility into policy shifts. Below, I outline deeper, non-traditional mitigation strategies drawn from recent expert insights, emphasizing innovative, cross-functional approaches that leverage technology, regulatory creativity, financial engineering, and collaborative ecosystems. These go beyond reactive tactics by fostering proactive resilience, often requiring C-suite integration of supply chain, tax, legal, and tech functions.

1. Tariff Engineering & Product Redesign for Classification Optimization:

Rather than accepting tariff rates as fixed, companies can "engineer" products to qualify for lower Harmonized Tariff Schedule (HTS) codes through legal modifications in design, materials, or assembly. For instance, shipping components unassembled for final U.S. integration can reduce declared customs value and shift classifications (e.g., from a 25% dutiable finished good to a 5% intermediate part), potentially saving 10-20% on duties. This non-traditional path demands collaboration among designers, customs brokers, and engineers to analyze rules of origin—beyond mere geography by focusing on value-add location and material sourcing. [Plante Moran](#) highlights its potential in sectors like electronics, where firms like Apple have prototyped modular designs to exploit such loopholes, though it requires upfront R&D investment (e.g., 5-15% of product cost) and compliance audits to avoid penalties. Extending this, "first sale for export" rules allow pricing at the initial supplier transaction (e.g., ignoring markups in bonded warehouses or tax-free zones) to deflate dutiable values, a tactic [Deloitte](#) recommends for multinationals with complex tiers.

2. Advanced Technology Integration: AI/ML, Blockchain, & Industry 5.0 for Predictive & Transparent Resilience:

Harnessing emerging tech to create "uncertainty infrastructure" transforms supply chains from reactive to anticipatory. IEEE TEMS advocates Industry 5.0 paradigms—blending human-AI collaboration with additive manufacturing (3D printing) and autonomous systems—to enable real-time scenario simulation and on-demand production, mitigating tariff shocks by localizing output (e.g., printing parts in U.S. facilities to bypass imports).

AI/ML and big data analytics excel in non-traditional demand forecasting under volatility, optimizing not just inventory but dynamic pricing and routing—reducing errors by 20-30% and enabling "what-if" modeling for tariff hikes. Blockchain adds trust layers for cross-border traceability, automating compliance with rules of origin via smart contracts that verify exemptions in real-time, ideal for logistics firms facing IEEPA scrutiny. [Deloitte](#) extends this to AI-driven automation for offsetting tariff-induced labor/material costs, such as sensor-equipped factories that minimize waste and enhance agility in rerouting deliveries (see ieeetems.orgdeloitte.com).

[KPMG](#) notes tech sectors like semiconductors are pivoting to AI for export restriction management, with firms like Intel using it to recalibrate fulfillment models amid 50%+ Chinese tariffs.

3. Integrated Financial & Tax-Tariff Strategies: Transfer Pricing & Scenario-Based Hedging:

Treat tariffs as a holistic financial risk by aligning transfer pricing with customs valuations to shift costs intercompany—e.g., reallocating functions/assets/risks to U.S. entities to minimize dutiable imports, potentially reclaiming 10-15% via foreign tax credits. This goes beyond inventory by modeling margin sensitivities and customer pricing tolerance in scenario planning, as Bain advises for building "options" like short-term hedges against 90-day extensions.

[Deloitte](#) stresses multidisciplinary modeling to avoid pitfalls like transfer pricing inconsistencies inflating effective duties, recommending bonded warehouses for deferred payments. Non-traditionally, firms can explore "make vs. buy" analyses with financial overlays, quantifying in-house production ROI under tariff regimes (e.g., reshoring with subsidies like the CHIPS Act), which [Plante Moran](#) says yields quality/control gains unachievable via stockpiling alone.

4. Policy Advocacy & Ecosystem Collaboration: Influencing Regimes & Co-Creating Standards

Beyond internal fixes, engage policymakers directly to shape outcomes—[Deloitte](#) urges C-suites to lobby for informed trade rules, such as exemptions via USMCA reviews, positioning firms as stakeholders in national security dialogues. Non-traditionally, form industry consortia for "co-opetition": collaborative platforms where competitors share anonymized tariff impact data via blockchain to benchmark and innovate collectively (e.g., joint R&D for tariff-engineered standards in autos).

[Bain's](#) macro strategy framework integrates this by measuring prediction confidence in trade deals, fostering resilience through public-private partnerships. In the infinity loop context, this counters perpetual flux by advocating for stability clauses in negotiations, as seen in Mexico's delicate USMCA talks.

5. Foreign Trade Zones (FTZs) & Hybrid Operational Models

Utilize FTZs for duty deferral and manipulation (e.g., assembling tariff-free before export), a step beyond inventory by enabling "manufacturing in limbo" that exploits exemptions. Combined with reshoring hybrids—like U.S.-based finishing of Mexican components—this creates agile "neutral zones" for testing tariff scenarios, reducing exposure by 15-25% per Plante Moran.

[Deloitte](#) pairs this with value management tools for rules of origin, turning regulatory complexity into a competitive edge.

Summary

While the infinity loop of uncertainties may ease post-2025 with resolved negotiations, the structural shift to protectionism demands viewing tariffs as endemic. **These non-traditional strategies—rooted in tech innovation, regulatory arbitrage, and ecosystem leverage—enable not just survival but growth, with early adopters like tech giants reporting 8-15% cost offsets.** Implementation requires pilot testing and cross-functional teams to balance innovation risks with compliance.

About Alan G. Dunn



Alan G. Dunn is currently President of GDI Consulting & Training Company and founder of the Manufacturing Executive Institute (MEI). He is also the creator and lead-instructor of the 18-month **Next Generation Global Supply Chain Leadership Development Program** at the California Institute of Technology's (Caltech) Center for Technology & Management Education (CTME), where he has taught since 1984. Mr. Dunn also serves on the University of California at Riverside's (UCR) Advisory Board for Transformative Leadership in Disruptive Times.

Previously, Mr. Dunn was a Vice President at Gemini Management Consulting (now Capgemini) and a Partner at Coopers & Lybrand (now PwC). In both positions, he led large technical manufacturing teams through innovative productivity enhancement projects. Mr. Dunn has participated in >188 significant manufacturing and distribution projects inside >118 companies. He has worked in 24 countries and across most manufacturing sectors. Mr. Dunn has delivered >800 discrete training sessions throughout his career.

Mr. Dunn specializes in supply chain management, strategic planning, manufacturing management, operations management, leadership development, cost management, and business finance. He is curious and passionate about everything in the manufacturing and distribution industries. This curiosity and passion have led him to lead 6 significant supply chain research projects, author >70 published articles, create >15 significant consulting methodologies and develop >100 training courses for professionals in the manufacturing & distribution industries. It is Alan's deep depth and deep breadth in the global supply chain body-of-knowledge that provides him with an ability to assemble and lead highly capable teams to solve problems thought to be unsolvable.

Over his 40-year career in global supply chain consulting, Mr. Dunn has served on the Boards of Directors of numerous public, private and non-profit companies. He is the recipient of the National Association of Corporate Directors (NACD) prestigious "*Director of the Year*" award in 2007.

Alan is a career-long volunteer for the Association of Supply Chain Management (ASCM), having served as the President of the Orange County Chapter in 1984 and Chairman of ASCM in 2015. He was inducted into the "*ASCM New England Supply Chain Conference Hall of Fame*" in 2022. Mr. Dunn has spoken to nearly all the APICS/ASCM chapters and at the ASCM international Conference >20 times.

Mr. Dunn has a degree in business management from California State University, Fullerton where he occasionally lectures in the business school.

About GDI Consulting & Training Company

GDI Consulting & Training (GDI) provides practical solutions to complex business and managerial problems in manufacturing and related industries. Our firm has successfully assisted clients around the world for more than 40 years, having performed more than 188 projects in over 118 companies in 24 countries. GDI applies specialized and common-sense solutions... *not overly-intellectualized approaches...* to numerous types of challenging client problems in manufacturing and distribution industries, including:

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Operational Due Diligence	Business Strategy Formulation
Quality Management Systems Design & Implementations	IT Data Integrity & Reliability Improvements
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