Balancing International Trade Tariffs and Geopolitical Instability

Procurement and Supply Chain Management Made Simple.

Foreword

International trade has grown vast and volatile in equal measure. The World Trade Organisation valued world trade in goods and commercial services at US$34.65 trillion during 2025, merchandise exports alone reaching US$26.26 trillion. Approximately 90% of that volume travels by sea. Yet this immense network absorbs shocks poorly: a strike, a storm or a sanction in one region reshapes manufacturing schedules three continents away within days, often without any warning.

Tariffs, sanctions and export controls now function as instruments of statecraft rather than simple revenue tools. The United States average effective tariff rate climbed from 2.3% in January 2025 to 10.5% by that November, before the Supreme Court struck down the IEEPA duties in February 2026. American customs receipts reached US$264 billion across 2025, against just US$79 billion the previous year, and tariff policy changed more than fifty separate times.

Around 80% of world merchandise trade passes through global value chains, crossing several borders before reaching a customer, so disruption anywhere propagates everywhere. The United Kingdom sits squarely within that exposure, exporting £930 billion and importing £969 billion of goods and services during 2025. Freight surcharges, customs delays, currency movement and shifting compliance obligations all translate directly into budget pressure for buying organisations across virtually every commercial sector without exception.

Procurement must therefore become anticipatory rather than reactive. Strategies built purely on lowest unit price are steadily yielding to approaches balancing value, resilience and security of supply. Organisations are investing seriously in supplier diversification, digital visibility, structured risk management and deeper supplier relationships. Those that anticipate geopolitical and trade-related risk, rather than merely absorbing it, protect continuity, margin and competitive position when trading conditions deteriorate suddenly. That distinction matters commercially.

Understanding International Trade Tariffs

Tariffs are taxes levied on goods crossing national borders, most commonly on imports. Governments use them to raise revenue, shield domestic industry, encourage local manufacturing or pursue broader political objectives. Although customs duties have existed for centuries, their recent deployment is markedly more strategic and considerably less predictable. They are now deliberately calibrated to redirect trade flows, influence investment location, and pressure trading partners into concessions on wholly unrelated matters.

Import tariffs are charged on goods entering a country and normally fall on the importer, inflating landed cost immediately. Export duties, though rarer, restrain outbound shipments to protect domestic supplies or conserve strategic resources. Both reshape sourcing economics quickly. Cars illustrate the point precisely: the United Kingdom imported £46.5 billion of vehicles during 2025 while exporting £29.3 billion, leaving domestic buyers structurally and immediately exposed to any sudden duty change.

Anti-dumping duties apply where imported goods are judged to be sold below fair market value, damaging domestic producers. Retaliatory tariffs respond to restrictions imposed elsewhere and frequently form part of much wider disputes. Escalation is rapid and rarely symmetrical. China's rare earth export controls of April and October 2025 demonstrated how quickly a single measure can unsettle manufacturers who had never knowingly traded directly with the country concerned.

For procurement teams, the consequence is immediate cost exposure and diminished competitiveness in export markets. Higher duties affect pricing, supplier selection and inventory policy, while abrupt changes force contract review, supplier substitution or production relocation. The disciplined response is to evaluate total landed cost, covering duty, freight, insurance, handling and currency, rather than purchase price alone. That single change in method reframes most international sourcing decisions across the entire business.

The Rise of Geopolitical Instability

Geopolitical instability now ranks among the most serious threats facing international commerce. Political tension, regional conflict, shifting alliances and resurgent economic nationalism have together produced conditions far less predictable than those of previous decades. Interconnection amplifies the effect considerably. A decision taken in one capital can alter production, transport and investment across several regions simultaneously, raising both commercial risk and the operational complexity of managing it properly day to day.

Armed conflict damages infrastructure, closes transport corridors and restricts access to essential raw materials. Maritime chokepoints concentrate that vulnerability sharply. The Strait of Hormuz carries roughly 11% of global maritime trade by tonnage, including around 34% of seaborne oil exports and 30% of liquefied petroleum gas shipments. Disruption there lengthens voyages, raises war-risk insurance premiums and forces carriers to reroute cargo at considerable and immediate expense. Such costs rarely disappear.

Disputes between major economies have become routine, with tariffs, quotas and regulatory barriers deployed to protect domestic industry or extract negotiating advantage. Established trading relationships are unsettled, importer costs rise, and investment decisions are quietly deferred. Procurement professionals therefore need structured horizon-scanning rather than occasional attention, since measures announced with immediate effect leave little time to renegotiate contracts or qualify alternative suppliers before shipments are affected. Response speed determines outcomes.

Sanctions and domestic political upheaval complicate sourcing further still. Governments restrict dealings with particular countries, entities or individuals to pursue foreign policy aims, while unrest, contested elections or civil disorder can disable local manufacturing and distribution within weeks. Supplier availability narrows, shipments stall, and organisations face legal, financial and reputational consequences wherever screening, ownership checks and *licence conditions have not been managed with genuine rigour. Such failures are entirely avoidable.*

Competition for critical resources now defines the trading environment. The International Energy Agency reports that China is the leading refiner for nineteen of twenty strategic minerals, holding an average market share near 70%, and processes close to 90% of the world's rare earths. Such concentration invites export controls, investment screening and industrial policy, and obliges procurement teams to map dependencies extending well beyond their immediate suppliers. Dependency mapping is essential.

How Global Supply Chains Are Affected

Supply chains that once operated predictably now function within a materially harder environment, where a single event can move cost, delivery and supplier performance simultaneously. The practical implication is that risk must be assessed across the whole chain rather than supplier by supplier. Buying organisations that continue to evaluate only first-tier relationships and unit prices are, in practical terms, measuring only the least volatile part of their overall risk exposure.

Landed cost rises first and fastest. Beyond purchase price sit freight, insurance, duty, handling, storage and currency movement, each highly responsive to disruption. Routing goods around the Cape of Good Hope rather than through Suez has added roughly £150 to £300 per container once fuel, crew and vessel positioning are counted. Sourcing locations that appeared genuinely competitive on unit price can therefore lose their advantage entirely. Unit price conceals this.

Lead times have lengthened structurally rather than temporarily. The average seaborne voyage stretched from 4,831 nautical miles in 2018 to 5,245 nautical miles in 2024, and ton-miles grew 5.9% against volume growth of just 2.2%. Goods are simply travelling further to reach identical destinations. Longer transit erodes flexibility, increases safety stock requirements and undermines forecasting accuracy, particularly for organisations running lean or just-in-time models. Older planning assumptions now mislead badly.

Route disruption compounds this considerably. Suez ordinarily handles 12% to 15% of global trade and up to 30% of container movements. Yet, canal revenues fell from US$10.25 billion in 2023 to around US$4.2 billion in 2024, with transits still substantially below pre-crisis levels during early 2026. Congestion at a single chokepoint delays thousands of consignments simultaneously, across industries sharing no obvious commercial connection whatsoever. Single-route dependency is now indefensible commercially.

Customs processes have grown more demanding as governments introduce agreements, sanctions, export controls and tighter border security arrangements. Additional documentation, physical inspection and regulatory checks delay consignments and raise administrative costs. Organisations that cannot evidence accurate commodity classification, origin status or licence compliance face financial penalties alongside delay. British exporters trading with the European Union, which still accounts for 41% of United Kingdom exports, encounter this routinely. Compliance has become a differentiator.

Supplier uncertainty and constrained availability persist across many sectors. Financial pressure, material shortages, workforce disruption or regulatory restriction can each prevent a supplier meeting contractual commitments, and critical components occasionally become unobtainable at any realistic price. Resilient supplier relationships, genuinely diversified sourcing and end-to-end visibility are therefore no longer refinements of good practice; they are the minimum conditions for reliable continuity of supply. Anything less merely defers the eventual problem.

The Financial Impact on Organisations

The financial consequences of disruption extend well beyond higher purchase prices, reaching almost every measure of organisational performance. Instability, trade restrictions and *persistent inflation have made forecasting materially harder, forcing organisations to reconcile rising costs against long-term competitiveness. Procurement and finance therefore need a genuinely shared view of how external events feed through into expenditure, margin and the timing of strategic investment decisions. Separate reporting no longer serves that purpose.*

Cost inflation and currency volatility remain the two dominant financial pressures. Raw materials, energy, transport and labour costs continue rising alongside duty and compliance charges, while exchange rate movements alter import costs and contract values without any notice. The United Kingdom's total trade deficit widened by £4.1 billion during 2025 to £21.8 billion, illustrating how quickly aggregate positions shift when import costs outpace export earnings. Currency hedging warrants renewed attention.

Budget uncertainty and cash flow pressure have intensified correspondingly across most sectors. Unexpected cost increases, delayed deliveries and volatile customer demand make accurate planning genuinely difficult. Organisations that strengthen financial planning, improve supply chain visibility, and implement resilient procurement strategies are better positioned to control costs, maintain healthy cash flow, and protect long-term performance. Those measures cost considerably less than the disruption they prevent. Establishing them beforehand is the challenge.

Identifying High-Risk Supply Chains

Identifying high-risk supply chains is fundamental to modern procurement practice. Global sourcing delivers real commercial advantage while simultaneously exposing organisations to political, economic and environmental risks capable of interrupting supply. Systematic assessment across the full chain allows disruption to be anticipated and mitigated before operational performance suffers. Without it, organisations discover their vulnerabilities at precisely the moment they have least capacity to address them effectively. Assessment should be scheduled properly.

Excessive dependence on a single country for critical products presents the clearest danger. Political instability, export restrictions, natural disasters, or abrupt policy changes can halt production or shipment within days, leaving very few alternatives. Diversifying across multiple countries reduces concentration risk and preserves flexibility. The calculation is straightforward: qualifying a second source almost always costs less than the consequences of prolonged unavailability. Concentration risk is measurable, and therefore genuinely manageable.

Reliance on a single supplier carries comparable risk, particularly where specialist capability or proprietary technology is involved. Financial difficulty, operational failure or regulatory restriction affecting that supplier may leave no viable alternative within acceptable timescales. Dual and multi-source strategies, applied wherever technically practical, substantially reduce the probability that one point of failure interrupts production, customer service or contractual delivery commitments across the wider business. Qualification takes time crises rarely allow.

Critical raw materials deserve particular scrutiny because shortages cascade rapidly across unrelated industries. Rare earth elements, lithium, cobalt, graphite and semiconductors underpin advanced manufacturing, renewable energy and consumer electronics. Global rare earth oxide production reached roughly 390,000 tonnes during 2025, with China accounting for around 69% of total output. Such concentration leaves buyers exposed to export controls and price movements they cannot influence or readily anticipate. Substitution options merit evaluation.

Logistics routes and supplier financial health warrant equal attention throughout. Corridors passing through conflict zones, congested ports or strategic waterways are inherently fragile. United Kingdom concentration is notable: London and Grimsby & Immingham handle 22% of national port tonnage, and the top ten ports 70%. Financially weak suppliers struggle with inflation and rising costs. Regular supplier assessment, credit monitoring and route-level contingency planning surface emerging problems while they remain manageable.

Risk frequently sits well below the visible tier. Second and third-tier suppliers provide components, materials and specialist services that remain entirely invisible unless the chain has been deliberately mapped. Disruption at these lower levels halts production even where first-tier suppliers appear completely stable. Investment in mapping, digital risk monitoring and collaborative supplier relationships is therefore how organisations convert assumed resilience into demonstrated resilience. Mapping is tedious but disproportionately valuable work.

Building Supply Chain Resilience

Supplier diversification remains the single most effective means of reducing supply chain risk. Sourcing from multiple suppliers across different geographies limits dependence on any one business or jurisdiction. Dual and multi-sourcing arrangements allow volume to be shifted between approved suppliers when one encounters operational difficulty, capacity constraint or geopolitical disruption, reducing both the likelihood and the eventual duration of costly interruptions to continuity of supply. Approved alternatives must be ready.

Location decisions are being reconsidered just as widely across most sectors. Nearshoring and regional sourcing place suppliers closer to production facilities or end customers, shortening chains and improving responsiveness while reducing exposure to long-haul shipping disruption. The trade-off is honest rather than hidden: regional supply rarely offers the lowest purchase price, but frequently delivers better collaboration, faster recovery and materially lower total risk. Both figures belong in the same calculation.

Inventory policy and logistics flexibility provide the remaining layer of protection. Carefully calculated safety stock on genuinely critical items absorbs short disruptions without inflating working capital across the whole catalogue. Alternative transport modes, multiple freight providers and pre-agreed routing options preserve movement when primary arrangements fail unexpectedly. Combining resilient sourcing with agile logistics is what allows service levels to hold when conditions change abruptly. Flexibility, properly costed, is rarely wasted.

Managing Tariff and Trade Compliance

Trade compliance has become substantially more demanding as regulation multiplies and governments introduce fresh tariffs, sanctions and export controls. Organisations trading across borders must satisfy customs legislation while avoiding unnecessary cost and financial penalty. Handled well, compliance is not merely defensive: it reduces legal and operational risk, improves supply chain reliability and frequently releases duty savings that flow straight through to the bottom line. Compliance capability repays its cost quickly.

Rules of origin determine whether goods qualify for preferential treatment under trade agreements, establishing economic nationality according to where a product was wholly obtained or substantially transformed. Incorrect declarations can result in additional duty, shipment delays and regulatory penalties. Accurate documentation and thorough supplier verification are therefore essential, particularly where components are sourced from several countries before final assembly in another jurisdiction. Supplier declarations should be verified rather than accepted without supporting evidence.

Commodity classification carries equal weight, since duty rates, import restrictions and licensing requirements all follow directly from the code assigned. Errors produce underpayment or overpayment, customs investigation and costly delay at the border. Robust classification processes, periodic review of product data and clear ownership within the organisation prevent problems that are considerably more expensive to resolve retrospectively than to avoid at the outset. Classification decisions merit periodic independent technical review.

Free trade agreements offer genuine opportunity wherever origin requirements are properly met. The United Kingdom-India agreement, in force from 15 July 2026, is expected to reduce duty on British exports by around £400 million annually, rising towards £900 million within a decade. Membership of the Comprehensive and Progressive Agreement for Trans-Pacific

Partnership extends preferential access further, provided documentation and origin evidence are properly maintained throughout. Unclaimed preference is money forfeited.

Customs audit and modern compliance systems sustain standards as international chains grow more complex. Internal audit identifies weaknesses before they become costly exposures, while digital platforms improve record management, automate declarations, and continuously track regulatory change. Together these measures strengthen governance, reduce administrative burden and give organisations sufficient confidence in their own data to trade internationally without persistent anxiety about retrospective challenge. Good records also shorten every subsequent customs inspection.

The Role of Procurement

Procurement has moved from transactional purchasing to a strategic discipline central to organisational resilience. Today's practitioners secure value for money while simultaneously managing supply risk, ensuring regulatory compliance and supporting long-term commercial objectives. The capacity to read market change and act on it early has become the distinguishing characteristic of the function, and increasingly the measure against which its contribution is judged. Expectations placed upon the function have risen accordingly.

Effective procurement rests on reliable market intelligence and disciplined strategic sourcing. Monitoring commodity prices, political developments, supplier markets and emerging technologies identifies risks and opportunities before they affect operations. Strategic sourcing looks beyond the lowest price to capability, capacity, financial stability, sustainability and long-term value, ensuring decisions align with organisational priorities rather than merely satisfying an immediate requirement at a superficially attractive cost. Intelligence without subsequent action delivers little commercial value.

Contract design and supplier collaboration matter equally in volatile conditions. Well-structured agreements anticipate changing market conditions through indexation, force majeure provisions, continuity obligations and clear performance management arrangements. Collaborative relationships with key suppliers encourage transparency, joint problem-solving and innovation, enabling both parties to respond when disruption arrives. Contracts drafted only for stable conditions tend to fail precisely when they are most needed. Flexibility should be negotiated before it is needed.

Comprehensive risk assessment and total cost of ownership analysis underpin consistently better decisions. Rather than considering purchase price alone, procurement evaluates transport, duty, inventory holding, quality, maintenance, compliance and disposal costs across the entire product lifecycle. That wider frame reduces overall risk, improves value for money and produces supply chains that remain efficient and competitive without becoming brittle under commercial or political pressure. Purchase price alone conceals the genuine risk.

Technology and Data Analytics

Visibility platforms give organisations a consolidated view of supplier activity, inventory, production status and logistics performance across the entire chain. Drawing data from multiple systems into one place exposes bottlenecks, supports supplier performance management and shortens response time when disruption occurs. Improved visibility also strengthens collaboration between suppliers, manufacturers, carriers and customers, which usually delivers efficiency gains extending well beyond the risk benefit alone. Adoption nevertheless remains uneven across sectors.

Artificial intelligence has changed the economics of risk monitoring by processing volumes of data no analyst could realistically review manually. Emerging threats arising from political events, severe weather, supplier financial distress or transport disruption can be identified early enough for genuinely preventive action. Predictive analytics extends this into forecasting demand, inventory requirements and potential shortages, allowing procurement teams to plan with measurably greater confidence. Human judgement still governs resulting decisions.

Real-time shipment tracking has improved transparency considerably, providing continuous information on the location and condition of goods in transit. Combined with digital compliance systems that automate declarations and monitor regulatory change, organisations substantially reduce the documentation errors that generate delay and penalty. The benefit is cumulative: faster border clearance, stronger compliance evidence and materially lower administrative cost across all international trade activity. Accurate underlying data remains the essential prior requirement.

Scenario modelling allows disruption to be tested rigorously before it occurs. Procurement teams can quantify the effect of duty increases, supplier failure, transport interruption or regional conflict by modelling alternative sourcing and logistics configurations. Organisations combining analytics with these digital capabilities make evidence-based rather than instinctive decisions, and build supply chains capable of adapting to conditions nobody predicted with confidence twelve months earlier. Modelling costs far less than actual disruption.

Developing Effective Contingency Plans

Business continuity planning provides the framework for maintaining essential operations when instability, natural disaster, supplier failure or transport interruption strikes. Effective plans identify critical products, services and processes, assess the risks attached to each and define the actions required to sustain supply. Regular review keeps arrangements aligned with changing business requirements and emerging risks rather than reflecting operating conditions that have already passed. Plans left unreviewed provide only false assurance.

Maintaining a network of alternative suppliers is among the most practical resilience measures readily available. Pre-qualified suppliers located in different regions provide immediate flexibility when existing partners encounter production difficulty, regulatory restriction or financial distress. Additional relationships carry a maintenance cost, certainly, but the capacity to switch sourcing within days rather than months protects customer service precisely when it matters most. Pre-qualification is the element most frequently and quietly neglected.

Emergency logistics arrangements and dedicated crisis management teams determine how quickly an organisation recovers. Alternative transport modes, multiple freight providers and pre-planned routing keep goods moving when primary routes close. British organisations retain genuine optionality: sea carries 85% of international freight by weight, while Heathrow alone handled 1.59 million tonnes of cargo worth £293 billion during 2025. Switching mode is expensive but occasionally decisive. Alternative gateways deserve identification in advance.

Regular scenario testing establishes whether contingency plans will actually work. Simulating supplier insolvency, cyber-attack, transport disruption or sudden tariff change reveals weaknesses in coordination, authority and communication before a genuine crisis exposes them publicly. Organisations that test and revise their arrangements routinely develop confidence alongside capability, and recover faster than competitors who prepared documents but never rehearsed the decisions those documents require. Rehearsal, rather than documentation, produces genuine organisational readiness.

Future Trends in Global Trade

Global trade continues to evolve as governments and businesses respond to sustained uncertainty. Emphasis is shifting from maximum efficiency towards greater security and resilience, and the change now appears structural rather than merely cyclical. Understanding the trends shaping sourcing decisions, trade policy and competitive advantage matters commercially, because strategies designed for the conditions of the past decade will not adequately serve the next one. Resilience now outranks efficiency in planning.

Friend-shoring is reshaping sourcing as organisations increasingly favour suppliers in politically stable and economically aligned countries. Cost still matters considerably, but supply security, regulatory certainty and long-term reliability now carry greater weight in supplier selection. Building durable relationships with trusted partners reduces exposure to political *tension, trade disputes and abrupt policy change, at the price of accepting somewhat higher unit costs in return. That trade-off deserves explicit evaluation, not assumption.*

Regionalisation is advancing alongside it, as organisations manufacture and source closer to their principal markets. Regional production hubs and supplier networks shorten lead times, reduce transport costs and improve responsiveness to shifting demand. Intercontinental trade will remain essential, but regional chains are expected to carry a growing share of activity, particularly for goods where speed and reliability outweigh any marginal cost advantage available elsewhere. Regional capability warrants early serious assessment.

Governments are intervening more actively through resilience legislation, industrial policy and enhanced regulatory oversight. Measures protecting critical industry, strengthening domestic manufacturing and securing semiconductors, pharmaceuticals and rare earth minerals are proliferating rapidly across major economies. Simultaneously, digital customs systems are modernising borders by automating documentation and improving data exchange, making legitimate trade faster while tightening enforcement against non-compliance considerably more effectively than before. Legislative monitoring is no longer genuinely optional.

Intervention extends further through export controls, foreign investment screening, sanctions regimes and public procurement policy designed to safeguard national security interests. Each creates fresh compliance obligations and influences where organisations may realistically source their requirements. Procurement therefore needs a reliable route for tracking legislative development, because sourcing strategies compliant today can become unlawful, or simply unworkable, following a single ministerial announcement. Compliance horizon-scanning now belongs firmly within the procurement function.

Environmental, social and governance considerations have become integral to trade and procurement strategy rather than adjacent to it. Governments, investors and customers now expect demonstrable responsible sourcing, emissions reduction, human rights protection and genuine supply chain transparency. Future competitiveness will rest on cost, quality and ethical performance together, and organisations unable to evidence the third will find the first two increasingly insufficient. Evidence, not intention, is what stakeholders now examine.

Reducing Commercial Risks in International Trade

Reducing commercial risk demands continuous attention rather than periodic review. As political conditions, trade policy and market circumstances shift, vulnerabilities must be identified before they reach operations. Effective risk management has moved beyond simply responding to disruption towards building chains that adapt quickly while protecting commercial performance, customer service and competitive position. The distinction between those two approaches is largely one of timing. Anticipation proves consistently cheaper than later remediation.

Regularly reviewing supplier concentration is foundational to everything else. Heavy reliance on one supplier, country or region creates operational and financial exposure that remains entirely invisible until disruption actually arrives. Periodic concentration analysis identifies over-dependence early, allowing mitigation to be planned deliberately rather than improvised. The exercise is neither complex nor expensive, yet remarkably few organisations conduct it with genuine rigour or acceptable frequency. Annual review is the realistic minimum.

Continuous monitoring of political and regulatory developments substantially improves response quality. Changes in government policy, trade agreements, sanctions, armed conflict and regulatory requirements can alter sourcing conditions extremely rapidly. Combining market intelligence, industry analysis and digital monitoring tools provides early warning, creating time to adjust sourcing, review contingency arrangements and brief stakeholders properly before commercial damage occurs rather than while it is unfolding. Early warning translates directly into commercial advantage.

Diversifying sourcing reduces exposure further, particularly when combined with collaborative *relationships with strategic partners that provide real flexibility during disruption. Organisations investing in open communication, regular performance reviews and joint planning secure continuity more reliably, respond faster to changing market conditions and sustain competitive advantage. Resilience is built through strong relationships and careful preparation rather than purchased through contractual protection alone. Neither trusted relationships nor effective contingency arrangements can be created during an actual crisis.*

Summary

International trade will remain indispensable, but the conditions surrounding it have changed permanently. Tariffs are now instruments of policy, chokepoints are strategic vulnerabilities, and critical materials are concentrated in ways that no purchasing decision alone can offset. The organisations that cope best are not those with the lowest unit prices, but those that understand their exposure and have prepared for it deliberately.

For procurement, this represents genuine opportunity. Few functions sit closer to the point where global instability becomes organisational cost, and few are better placed to convert intelligence into protection. Mapping dependencies, diversifying supply, designing adaptable contracts and rehearsing contingency plans are unglamorous disciplines that deliver disproportionate value when conditions deteriorate. Ultimately, organisations that balance commercial ambition with supply chain resilience will be best placed to navigate tariffs, geopolitical uncertainty and the changing landscape of international trade.