

## EDITION 113 February 09, 2025

### 5 Rs strategy to respond effectively to new tariffs

With rising import tariffs, U.S. businesses must adopt proactive strategies beyond absorbing costs or passing them to customers, according to Gartner. Chief supply chain officers (CSCOs) should anticipate long-term tariff volatility and plan accordingly.

- **Retire:** Tariff volatility may make some products unsustainable. Businesses must assess costs and determine whether to adjust or discontinue the product.
- **Renovate:** Tariffs can drive overdue product adjustments. Companies should evaluate the feasibility of absorbing or passing on costs while maintaining competitiveness.
- **Rebalance:** Businesses must prepare for policy shifts, countermeasures, and competitor responses by incorporating volatility into future demand planning.
- **Reinvent:** Companies should explore investment in unaffected markets or repurpose existing facilities to align with new geopolitical incentives.
- **Reinvigorate:** Organizations can gain an edge by expanding domestic manufacturing or adjusting pricing strategies to capture market share and drive growth.

*Source: Supply Chain Brain*

### Strengthening EU Trade Policy for a Competitive Future

The EU's trade policy must adapt to a shifting geopolitical landscape to maintain competitiveness, particularly in the chemical sector, which saw a €35 billion trade surplus in 2023. Cefic advocates for a strategy based on openness, fairness, sustainability, and resilience through five key actions: expanding market access, addressing unfair trade practices, enhancing economic security, improving regulatory cooperation, and ensuring unified EU action.

*Source: Cefic*

### U.S. Warns Panama Over China's Influence on Canal

Secretary of State Marco Rubio warned Panama that China's influence over the Panama Canal is "unacceptable," urging immediate changes. While Panama's President Mulino downplayed tensions, he confirmed Panama will not renew its Belt and Road agreement with China. The U.S. has hinted at protective measures if the canal's neutrality is compromised.

*Source: Supply Chain Brain*

### FSMA Rule 204: Driving Traceability, Compliance, and Food Safety

FSMA Rule 204 is transforming the food industry with enhanced traceability

### EPA Tightens Ethylene Oxide Regulations to Reduce Cancer Risks

The EPA's Interim Decision on ethylene oxide (EtO) introduces stricter exposure

requirements, pushing companies toward digital solutions. Compliance by 2026 requires improved supply chain visibility, accurate data for rapid response, and strong collaboration among stakeholders. Standardized tracking systems and digital tools will streamline operations, minimize waste, and enhance food safety. Businesses that act now will gain a competitive edge, ensuring compliance while building consumer trust and long-term resilience.

*Source: Supply Chain Brain*

limits and mitigation measures to reduce cancer risks while ensuring sterilized medical supplies remain available. Key actions include phased worker exposure reductions, targeted bans, enhanced safety requirements, and ventilation mandates for healthcare facilities. Implementation spans up to 10 years, with ongoing data collection and a review planned within eight years to assess progress.

*Source: Environment Energy Leader*

## **Policy Shifts, M&A Growth, and the Future of Supply Chains**

A new U.S. administration may bring deregulation, tax cuts, and a focus on domestic manufacturing, impacting M&A, trade, and supply chains. Pro-business policies could accelerate deal activity, with private equity and key sectors like tech and industrials seeing growth. Trade shifts may drive near-shoring and supply chain localization, creating M&A opportunities. Technology, including AI and predictive analytics, will be crucial in streamlining operations and adapting to market changes. Businesses that embrace proactive strategies will be best positioned for growth.

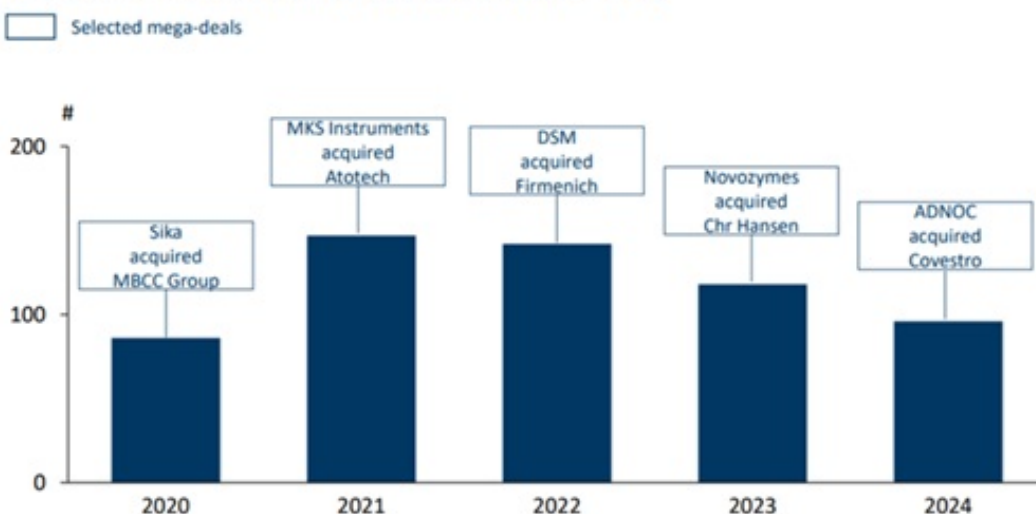
*Source: Supply Chain Brain*

## **AI-Driven Automation: The Future of Supply Chains**

AI is rapidly transforming supply chains, with autonomous operations and agentic AI enabling real-time decision-making in procurement, logistics, and warehouse management. While large companies are advancing faster, AI-driven automation can cut supply chain costs by 15% and boost resilience. The future will see greater adoption of AI-ready data and SaaS applications, but human expertise will remain essential, with AI handling routine tasks and enhancing decision-making.

*Source: Supply Chain Brain*

**Total number of deals in European chemicals (2020 – 2024)**



## **Chemicals M&A Struggles Amid Valuation Gaps and Market Uncertainty**

The chemicals sector's M&A activity remained sluggish in 2024 due to valuation misalignment

between buyers and sellers amid uncertain future earnings. Post-pandemic volatility, high energy costs, and weak European demand have complicated dealmaking, extending private equity holding periods. While strategic reviews and capital deployment pressures may drive future deals, pricing challenges persist. Private equity firms with operational expertise could find opportunities in turnaround purchases, but sellers may need to adjust expectations to facilitate exits.

*Source: ICIS*

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