

## EU – US Trade War

### 8 tips for business strategies

18 March 2025

In times of escalating trade wars ([see our latest briefing on the EU's response to the U.S.' steel and aluminum tariffs](#)), businesses face significant challenges due to increased tariffs, supply chain disruptions, and geopolitical uncertainties. To navigate these complexities, we have put together 8 strategies business can apply while highlighting potential risks.

#### 1. Scenario Planning

Although it is currently hard to predict what will happen next in terms of cutting down free trade, developing comprehensive scenario plans allows businesses to anticipate trade policy changes and assess their impacts. Questions currently to be asked are, for example, the relevance of new EU tariffs on U.S. products (download the list [here](#)) or the impact of U.S. [reciprocal tariffs](#) (e.g., automotive sector) or threatened 200% tariffs on [wine and champagne](#).

#### 2. Diversifying Supply Chain

Reducing reliance on a single country or region by sourcing materials and components from multiple locations can mitigate risks associated with tariffs and import restrictions. However, to change the supply chain or even move production is costly and needs to be thoroughly weighed against the disadvantages of tariffs.

#### 3. Exploring New Markets

Maybe this was not always necessary before, but identifying and entering alternative markets can offset losses from traditional markets affected by trade disputes. For U.S. firms, this may involve increasing exports to regions such as Southeast Asia and Africa, which have been experiencing economic growth and offer new consumer bases. Similarly, EU firms might explore opportunities in Latin America and the Middle East, leveraging trade agreements like the EU-Mercosur deal to access emerging markets and diversify their export destinations

#### 4. Adjusting Pricing Strategies

Evaluating the possibility of absorbing additional costs or passing them on to consumers requires careful consideration. Companies must assess market conditions and consumer sensitivity to price changes to maintain competitiveness while managing increased expenses due to tariffs.

## 5. Investing in Innovation

Focusing on research and development can lead to the creation of unique products less susceptible to commoditization and price wars. Innovation can serve as a buffer against competitive pressures intensified by trade conflicts. Although investing in R&D fosters unique product creation, it requires substantial financial resources and time, with no guaranteed return on investment.

## 6. Building Strategic Stockpiles

Maintaining inventories of critical materials or products can provide a cushion against supply chain interruptions caused by trade disputes. This approach ensures continuity in operations during periods of uncertainty. However, it ties up capital and incurs additional storage costs. Overstocking also carries the risk of inventory obsolescence, especially in industries with rapid technological advancements or changing consumer preferences, leading to potential financial losses.

## 7. Forming Strategic Alliances

Partnering with local firms in foreign markets can facilitate market entry and mitigate risks associated with tariffs and trade barriers. Such alliances can provide valuable insights into navigating local regulatory environments, although cultural differences and misaligned objectives between partners can lead to misunderstandings and inefficiencies, potentially jeopardizing the alliance's success.

## 8. Understanding Legal and Compliance Implications

Interpreting and responding to evolving trade regulations is crucial. In order to do so, a robust understanding of the legal implications is necessary to conduct risk assessments, develop contingency plans, and ensure compliance with new trade laws. Failure to effectively interpret and implement necessary compliance measures can result in legal penalties, reputational damage, and operational disruptions.

BLOMSTEIN offers comprehensive advisory services on all aspects of international trade law, including trade defence measures and tariffs. Our team, led by experts such as Roland M. Stein, Leonard von Rummel, is dedicated to providing tailored guidance to help businesses navigate complex trade regulations and safeguard their interests.

\*\*\*