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Unintended Consequences:

Trade and Supply Chain Leaders
Respond to Recent Turmoil

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OCTOBER 2025

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About Milken Institute Finance

Milken Institute Finance tackles challenges across the financial system through thought leadership, research, and insights to influence private-sector practices and public-sector policies to improve fair access, efficiency, and reliability of markets and institutions.

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Introduction

The global economy has entered a new and more volatile era shaped by a number of compounding dilemmas. Now helping businesses and policymakers navigate this unique time, the Milken Institute Geo-Economics Initiative was founded in 2024 to help identify risks and solutions to three key disruptions: emerging technology and AI, climate and infrastructure resilience, and trade and supply chains.

To inform this report, the Geo-Economics Initiative interviewed leaders across businesses, think tanks, trade associations, academia, government, and other leading thought partners to understand how companies and stakeholders are navigating an evolving trade policy landscape. This report highlights the overlapping tensions leaders face today and how these disruptions impact decision-making on other vital long-term issues, such as sustainability commitments, efforts to improve traceability of forced labor in supply chains, and other key investments in workforce and business capabilities.

This is the first in a series of reports and convenings that will help businesses navigate ongoing uncertainty around the future of trade and supply chains, sustainability priorities, and economic competitiveness.

Key Insights

1. **Leaders urge greater precision in use of national-level economic policy instruments.**
2. **Supply chain disturbances and their cost impacts are here to stay.**
3. **Recouping short-term costs by cutting sustainability efforts will disrupt long-term profitability.**
4. **Establishing resilience depends on business frameworks rather than political timelines.**



Leaders Urge Greater Precision in Use of National-Level Economic Policy Instruments

“There is utility in tariff structures, but this must be rooted in a carefully considered public policy approach where the means are aimed to achieve specific ends. When you get [your goals] mashed together, you see muddled policy and unclear outcomes.”

—**Tim Manning**, Center for Global Health Science and Security, Georgetown University

Beginning in the 1970s, the United States prioritized a neoliberal trade policy agenda. Recent administrations and policies have diverged from these ideas as many preconceived beliefs have been fractured regarding the efficacy of such policies in maintaining strategic competitiveness and equitable growth. Relying on market efficiencies to dictate what was made in America and what was outsourced, as long as neoliberal economic policies remained dominant, removed a level of strategic decision-making where economic and national security considerations could be more readily incorporated. This gap was opened wide during the COVID-19 pandemic.¹

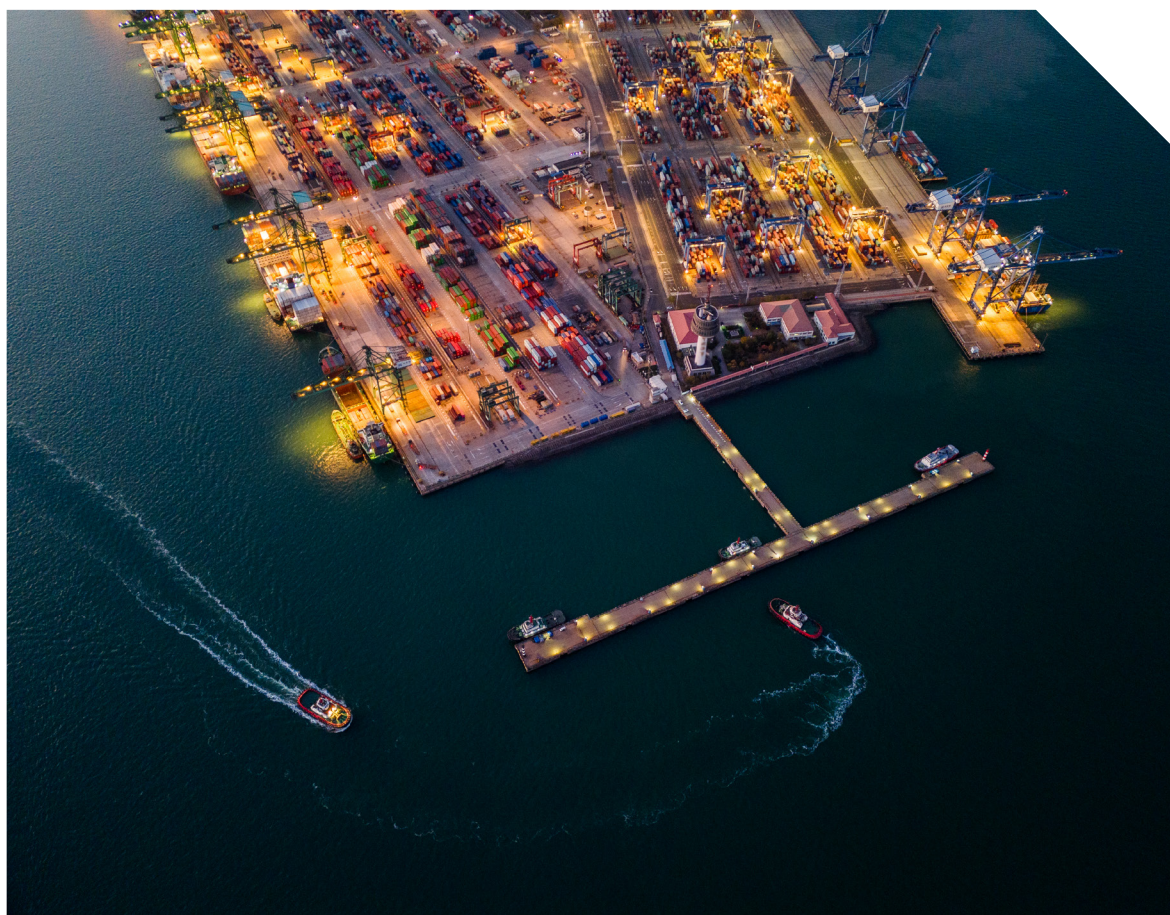
Biden administration-era efforts to address gaps left by neoliberal policies focused on rebuilding specific sector capabilities through incentivizing private investments that aligned US national-level policies with companies' profit-seeking goals.² The second Trump administration has already diverged sharply from neoliberal trends, particularly by reintroducing tariff policies aimed at changing business calculations on the lowest-cost production sites to align supply chains with US priorities.³

Top of mind for decision-makers today is the evolving landscape of tariff policies and their impact on business costs, sourcing decisions, and operations. As we spoke with leaders across different sectors, we found that the use of tariffs wasn't exclusively the issue. Rather, it was the lack of precision in using this instrument and the whiplash the leaders felt in moving from one US administration's priorities to the next. They felt that the current sweeping proposals missed the opportunity to build a cohesive and targeted strategy combining both “sticks” and “carrots” to incentivize and reward business operations for aligning with administration priorities. Recent policy actions and proposals seem to have made US national security and economic competitiveness a mandate that businesses increasingly must implement through their functional supply chain operations. This represents a cost and a burden they are not equipped to bear without sufficient “carrots” to make long-term operational moves cost-effective or attractive.

“Obviously, we would love fewer tariffs. At this point, it feels like we’re moving in this direction regardless of future politics. So we are just trying to think realistically about what we can do. Building a robust domestic supply chain seems to be the best thing we can do right now.”

—**Rich Powell**, Clean Energy Buyers Association

Some experts expressed frustration with the misapplication of effective tariff policies. Often, an effective application of tariffs is not primarily to build new sectors, but to shore up existing capabilities that need additional support to remain profitable. When tariffs are used with precision and coupled with other policy tools, they can be effective in moving strategic outcomes forward, but one must acknowledge that these policies have trade-offs in terms of cost-effectiveness. Because current tariff policies are not being marshalled in tandem with money for investment in new capabilities and infrastructure, many companies lack incentives to explore development of new or increased functionality in the US beyond the scope of their current operations.





Supply Chain Disturbances and Their Cost Impacts Are Here to Stay

“Companies are paralyzed right now. Trying to work out pricing is such a massive issue, and no one is actually willing to make any adjustments in their supply chains, unless it’s reallocating existing manufacturing ... There’s not much that anyone can do, given the rate of change.”

—**Dan Tannebaum**, Oliver Wyman

When we raised the subject of pricing strategies amid the current uncertainty, leaders indicated that pricing impacts would fluctuate as companies coped with changes by moving from short-term responses to long-term strategic planning. Companies are acutely aware that in any scenario where supply chains are put under pressure and pricing is impacted, they have limited options to diffuse cost impacts before they reach consumers. Some companies indicated that in the short term, consumers might not see as many immediate pricing impacts, as businesses attempt to retain customers by reorienting spending through pausing expenditures on voluntary initiatives, dispersing costs along their supply chains, or simply absorbing them for as long as possible to minimize impact on consumers.

The inflationary impacts of tariffs are likely to become more apparent in the longer term, as estimates indicate that consumers now potentially face the highest effective tariff rate since 1936.⁴ It is likely that consumers will not see the exact percentage increase of specific tariffs within everyday purchases, as companies continue trying to diffuse costs, but projections indicate that prices for consumer goods will increase and remain higher because of these policies.⁵ As companies reorient strategic planning to cope, some of the costs of tariffs are likely to cut into planned investments in business operations, which will eventually impact the US economy. Leaders indicated that other business functions, including store refurbishments, updating infrastructure, or even worker training and professional development, might be negatively impacted to divert funds toward limiting price increases for consumers. Many were hopeful about the potential of emerging technologies to create cost-reducing efficiencies for businesses and consumers alike, but this takes time and investment in future capabilities to reach fruition. Because of the uncertainty, companies are torn between limiting short-term cost impacts and chipping away at long-term investments for future profitability.

“If I’m sailing on the water, I can see what’s happening on the surface, but if I go beneath the surface, there’s some movement of tides I can’t really see. I have an idea where the direction is, but I can’t see exactly what’s evolving underneath.”

—**Sang Kim**, Yale School of Management

While many leaders were hopeful that tariffs would be a short-term hurdle to clear, some feared that tariff-induced increases on operating expenses could be permanent, particularly if the US government believes that companies can find ways to absorb some of the costs. According to a Bipartisan Policy Center analysis, as of September 2025, the US had brought in \$165.4 billion in net tariff revenue for the year to date. In comparison, the net tariff revenue for all of 2024 was approximately \$77 billion.⁶ Many we spoke with were optimistic that some of these cost increases on businesses could be negotiated or eliminated in future administrations, but others worried that if the US became accustomed to this income stream, it could be difficult to roll back all such policies in the future. As multiple administrations have made the case for domestic manufacturing of products, this signals to many leaders that these cost impacts, in some form, are here to stay.





Recouping Short-Term Costs by Cutting Sustainability Efforts Will Disrupt Long-Term Profitability

“In the current geopolitical climate, doing human rights work can feel a lot like getting caught in a riptide. You’re pulled out suddenly and forcefully, and the instinct is to fight your way back—swimming directly against the current. But that only leads to exhaustion, and you risk burning out before you make any real progress. The wiser response, as any swimmer knows, is to stay calm and swim parallel to the shore. You conserve your strength, keep your bearings, and wait for the right moment to return. For me, this is a powerful metaphor for the moment we’re in: it’s not about giving up or drifting aimlessly—it’s about holding the line with clarity and composure, without exhausting ourselves. Because the tide *will* shift again. And when it does, we’ll need the energy and vision to return to shore—and to carry the work forward.”

—**Dorothee Baumann-Pauly**, Geneva Center for Business and Human Rights; New York University Stern Center for Business and Human Rights

Leaders we spoke to about the continuity of businesses’ agendas on sustainability and mitigation of forced labor expressed mixed views on the capacity of companies to focus on these issues amid trade policy fluctuations. While laws on forced-labor inputs for goods imported into the US remain unchanged, much of the business compliance environment and progress toward improvement relies on US government mandates, as well as effective screening processes barring the entry of goods made with forced labor. Some estimates indicate that global forced-labor inputs across agriculture production and industrial activities, such as mining and manufacturing, generate profits of more than \$40 billion annually.⁷ Trade import data suggest the US is at particular risk of receiving a large quantity of the global goods produced, either wholly or partially, using forced-labor inputs.⁸

Those who were more optimistic about continued company efforts felt that even if, in this current moment, companies have less scope to make progress on sustainability efforts, most take a longer-term view of their supply chains and understand that the business operating environment will continue a trend toward these priorities. Because supply-chain due diligence is a lengthy process, companies that have previously invested in traceability and climate-related resilience contingencies should assume that rolling back any work in this area for short-term efficiencies will make it harder to reincorporate these principles across operations in the future. Looking at the potential upside of the



traceability needed to enforce tariff actions, this could be a moment when businesses are required to verify more of their supply chain operations, including further vetting of forced-labor concerns. Companies will need to increase efforts to prove sourcing compliance, creating an opportunity to enhance visibility metrics for labor rights along supply chains as well.

Others we spoke to had strong concerns that the rapid rate of change within the business operating environment, fueled by short-term decisions to mitigate tariff costs, would push companies into making riskier sourcing decisions. If companies are quickly moving to contingent or new suppliers to cut costs, there is a risk that these production capabilities may not have been thoroughly vetted to ensure they are free from forced labor and use sustainable practices. In addition to risky changes by companies, many leaders worry that enforcement actions for tariff policies will detract from the government's ability to screen adequately for forced-labor concerns. Even before the tariff-related developments of 2025 were a factor, many businesses and stakeholders already had concerns about the US Customs and Border Protection's ability to monitor and enforce forced-labor provisions adequately, leaving business actions and compliance partly dependent on how thoroughly they expected to be examined.⁹ If all goods now require new, extensive screenings for compliance with the new US tariff regime, this raises questions related to the prioritization of screening for forced-labor concerns, and the capacity to do so.

Businesses that have made significant investments in sustainability have strong incentives to keep those standards in place and push for industry-led coalitions capable of catalyzing further progress. If companies must compete against others using artificially low-cost inputs like forced labor, those using fair wages and practices will not be able to match pricing, particularly in an era of increased business expenses.¹⁰ Several leaders felt that even if federal-level enforcement declined, companies that had been trying to “do the right thing” would keep on doing so, regardless of businesses that had been evading traceability, transparency, and accountability continuing to do so. In the interim, continued success of industry-level progress on sustainability initiatives may require more pressure from voluntary coalitions, independent investigations, and public sentiment to push for continued progress.

Leaders we spoke with also indicated that companies can expect advances in technology to track supply chains from source to consumer will continue to improve, which means there will continue to be new opportunities for tracking environmental and labor abuses.¹¹ Additionally, as the current and future impacts of climate change may pose significant physical risks for company operations, businesses indicated an increasing obligation to fortify the resilience of their inputs to preserve business operations. Moving away from progress on sustainability metrics beyond minimum legal compliance standards is a way to cut costs in the interim, but it is likely to impact companies' long-term ability to meet future standards and preserve longevity in their operations.



Establishing Resilience Depends on Business Frameworks Rather than Political Timelines

“The one thing that continues to make itself obvious is that supply chains can be hindered by government, but they are not built by, owned by, or operated by government. Starting from that baseline, you can think about the ways that supply chains can be more resilient and can actually meet broader economic needs and critical sourcing needs as well.”

—[John Pickel](#), National Foreign Trade Council

Businesses are continually building adaptive strategies in real time to develop resilient responses to changing political priorities, geopolitical realities, and market fluctuations. The COVID-19 pandemic showed companies that although they could not prepare for every contingency, they could and should develop targeted resilience to chart a safer course through volatility in the markets. Leaders with whom we spoke highlighted the importance of implementing strategies based on their core investment cadence versus inconsistent public policy, as businesses across sectors make sourcing and strategic production decisions on timelines widely different from those followed by government policymakers. Many are, in fact, choosing to wait and see what happens with tariff and trade negotiations in the coming months or even years before making drastic changes.

A few factors frequently surfaced in discussions with businesses regarding their decision-making processes and the cost of shifting supply chains. These included existing investments in supplier and producer relationships, timelines for reaching profitability in any new infrastructure investments, and the challenges associated with reestablishing an industry in a new location. Established companies have a history of investing considerable time and energy in forging trusted relationships with their producers. In many cases they have constructed specific facilities that may not be reproduced quickly at other sites. For geographically rooted sectors, such as agriculture, extractives, or others dependent on natural resources, moving operations becomes more complicated.



“What is important for us is getting business voices in the room, making sure that we don’t do sweeping policies, and that we are more strategic and surgical about it ... so it brings it all back to making sure industry is part of this process and being able to inform on the real practicalities of trade.”

—**Whitney Baird**, US Council for International Business

Many leaders expressed frustration at the arbitrary nature of creating new supply chain disruptions in the form of trade conflicts instead of developing avenues to bolster existing diversification and risk reduction efforts of businesses. In a post-COVID world, companies had already learned many hard lessons about points of failure in their supply chains and had taken major steps to diversify away from geoeconomic risks. Between 2017 and 2024, US imports from China declined by six percentage points, with sourcing from China falling even more significantly within the electronics, machinery, textile, and apparel sectors during the same period.¹² Companies are acutely aware that there is often a trade-off between having the most economically efficient supply chain and one that prioritizes strategic geographic placement. Many supply chains were already returning to the US, or to regional partners, to enhance control of inventory, shipping costs, and risk mitigation. However, leaders indicated that key concerns with moving operations to the US were the availability and skills of a US workforce commensurate with their existing workforces in other countries. Even with many of the hurdles associated with relocation, companies recognize that dispersion or reshoring might save them from the costs of adapting to future disruptions.

“More companies are focused on regionalization or localization as a best practice to control inventory, to control quality, to control political risk, to lower shipping costs—and, in some cases, to promote sustainability. It is a much more attractive feature than just outsourcing everything and having a far-flung, low-cost supply chain that depends on a lot of things going right all the time to make it work. The likelihood of extreme events to cause disruptions is growing, not shrinking.”

—**Scott Paul**, Alliance for American Manufacturing



Where Do We Go from Here?

“Current US policies are not yet pushing the US economy off a cliff. However, over time, we’re not going to be innovating and advancing at the same pace, and the competition is going to get steeper. I don’t bet against the United States... but I do worry that what we’re doing at the moment is stealing from the future to pay for the present.”

—**Penelope Naas**, German Marshall Fund

The following themes emerged as topics for further examination.

1. **Developing enhanced visibility on all aspects of business operations:** Companies will likely need to enhance visibility along their supply chains to comply with tariff policies. This creates an opportunity for businesses to simultaneously improve visibility around a multitude of other considerations, including labor rights and climate initiatives.
2. **The importance of including input from businesses across sectors as trade policies are negotiated:** Leaders emphasized the need for business voices to have further input into policy processes and highlighted the opportunities for sectors to coordinate more closely with peer organizations as they face similar sourcing and pricing challenges.
3. **Possibilities for AI and other technological advancements to help with efficiencies for counterbalancing tariff-imposed cost increases:** Many hoped that deploying technological advancements across products and processes, or AI-fueled efficiencies, would support improvements in business processes that could eliminate or diffuse costs along supply chain structures.
4. **Increasing investment in the US workforce and the education system to ensure that workers can fill jobs in an evolving economic landscape:** As companies explore the possibility of moving operations within the US, not all feel that the workforce could support the types of jobs needed or that the education system is evolving adequately to meet future workforce needs.
5. **Maintaining high standards within initiatives such as forced-labor mitigation and environmental sustainability:** In an era with potentially fewer incentives for forced-labor mitigation and progress on climate initiatives, companies must find ways to keep standards high as they prioritize long-term profitability and brand reputation.

6. **Opportunities for developing strategic investment plans to build business and community resilience:** Finding strategic uses for tariff revenues—such as splitting them between select investments designed to enhance economic security through supply chain resilience in key sectors and offsetting costs to businesses or consumers—would help mitigate the financial impacts.





Methodology

To ensure a comprehensive review, the Milken Institute interviewed leaders across businesses, think tanks, trade associations, academia, government, and other key thought partners. The discussions and insights guided the formation of desk research by identifying areas of focus and key concerns facing US businesses.

Insights and quotes reflect the personal views of the interviewees listed and do not represent those of their companies. The information reported also does not indicate the views of any individuals or companies listed below. Additional individuals interviewed off the record are not included in this list.

Sheela Ahluwalia, Director of Policy and Advocacy, Transparentem

Pedro Casas Alatríste, Executive Vice President & CEO, American Chamber of Commerce of Mexico

Whitney Baird, President and CEO, US Council for International Business

Dorothee Baumann-Pauly, Director of the Geneva Center for Business and Human Rights; Research Director at the NYU Stern Center for Business and Human Rights

Fidel Gutiérrez Cetto, CEO, G-Global

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Jim Doyle, President, Business Forward

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Penelope Naas, Acting SVP for Innovation and Competitiveness, German Marshall Fund

Scott Paul, President, Alliance for American Manufacturing

John Pickel, Vice President of International Supply Chain Policy, National Foreign Trade Council

Rich Powell, CEO, Clean Energy Buyers Association

Daniel Tannebaum, Partner and Global Anti-Financial Crime Practice Leader, Oliver Wyman; Senior Fellow, Atlantic Council



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About the Authors

Rachel Fox Smothermon is a senior associate at the Milken Institute and a member of the Geo-Economics Initiative. Her role includes work on supply-chain resilience focusing on the nexus of human rights and environmental impacts, as well as navigating the future of emerging technology and AI. In previous roles, she has focused on international human rights at the US Department of State through managing grants and research to combat international human trafficking and has held multiple roles in public policy research. She earned an MPhil in international development studies from the University of Cambridge.

Matthew Aleshire is director of the Milken Institute's Geo-Economics Initiative and helps to lead the work around the topics of climate change, the global financial architecture, and international political economy. Aleshire previously focused on global policy and government engagement for the Milken Institute, overseeing efforts to advance policy solutions across the Institute's research and convenings. Prior to joining the Institute, he worked on a number of issue-advocacy campaigns for a variety of organizations. He spent six years at a public affairs firm in Washington, DC, organizing campaigns for clients, including trade associations, nonprofit organizations, and Fortune 500 companies. This included a focus on policies to enhance the resilience of capital markets liquidity, increased deployment of clean energy technologies, as well as international trade issues involving taxation, remittances, and e-commerce. Following his undergraduate work at Virginia Polytechnic Institute, he earned a master's degree in international affairs at the American University of Paris, focusing on the politics of sovereign debt default.

