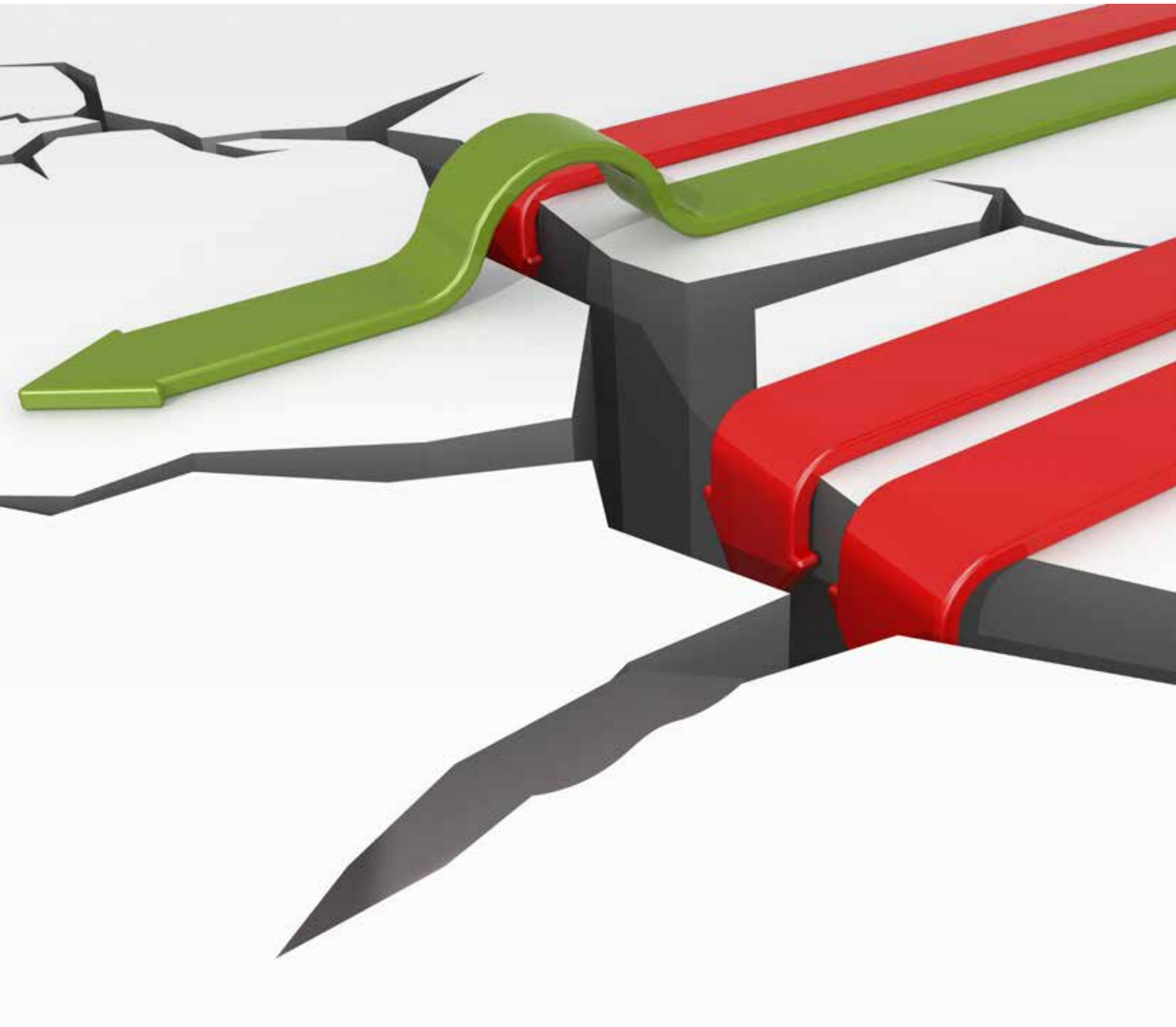




Kale Logistics
Technology that Transforms



Overcoming Tariff Wars with an Optimised Supply Chain

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Executive summary

Tariff wars are at their peak at the current time. Reports suggest that the tariff wars highlighted the volatility of global trade policies and the retaliatory nature of trade relationships. Even though trade and tariff wars are not new to the world economies, every time, they always cause havoc to one specific industry, i.e., logistics and supply chain.

These tariff wars reflect, in terms of volume crunch, on global trade, and they make way for unnecessary geopolitical tensions that make cargo movement more volatile. In order to tackle this unprecedented situation, technology intervention can be a boon. Historically, any economy that has adopted technology prior to any crisis has tactically survived a volume crunch, thereby posing new benchmarks for growth during uncertainties.

In this paper, we discuss about different tariff wars that rocked the world and how economies tackled them with technology intervention. Also, a roadmap for digital adoption is presented for the industry to survive.



Ongoing tariff wars & geopolitical tensions

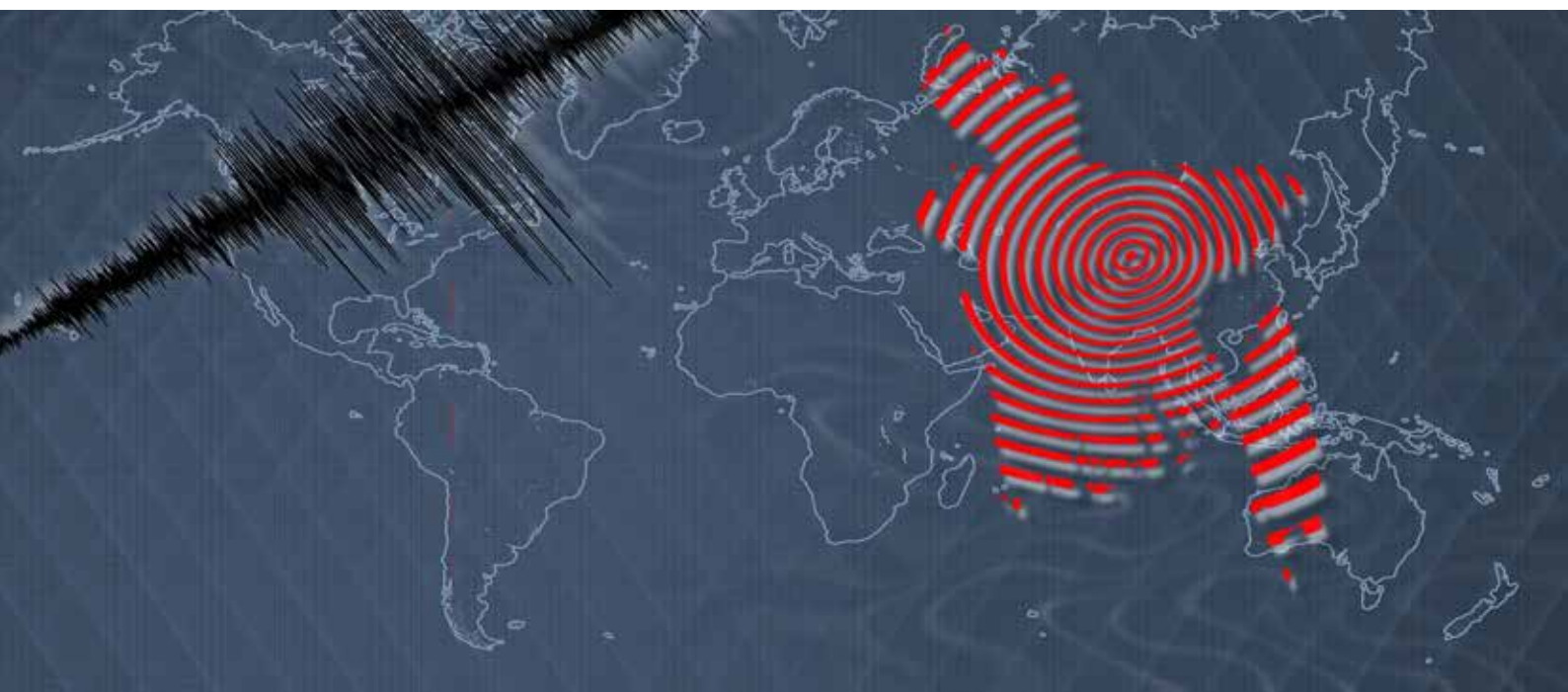
On 1st February 2025, the United States of America imposed a 25 per cent tariff on all imports from Canada and Mexico. The same witnessed retaliatory measures from the two neighbouring countries, after which the announcement was withdrawn.

The U.S. further went on to impose 10 per cent to nearly 50 per cent tariffs on several other countries worldwide, which invited mixed reactions throughout the world (this time barring Canada and Mexico). Post these reactions, the U.S. announced a 90-day pause on tariffs for all countries except China.

With the ongoing geopolitical tensions in Europe and the Middle East and tensions between China and the USA, there is an imminent danger of complete supply chain disruptions to a significant extent. Yet, this is not a one-off incident. Over the years, the world has witnessed trade wars multiple times, reshaping global trade dynamics significantly.

Ultimately, the major disruption is in the global supply chain volumes. Every time a disruption occurs in one mode, it will lead to a transformation in another mode of transport. For example, Houthi attacks in the Red Sea region paved the way for a rise in air cargo volumes in the region as a complete turnaround through South Africa was not only expensive but also time-consuming.

The trade lanes between Europe, Asia Pacific, the Middle East, and North America have witnessed continued growth for the past few months. However, the escalation of these geopolitical tensions could lead to global disruption and a blow to all economies.



Historical references of tariff wars & impact on the logistics industry

Tariff wars are not new to the world. In fact, some economists would say that the Smoot-Hawley Tariff Act of 1930 was more or less the reason for the worsening of the great depression during the same year. When the USA imposed more than 60 per cent tariff on select goods, other countries retaliated with similar tariff levels.

On similar lines, disputes existed between countries and even alliances, which also made way for war in the past. And when such escalations took place, the logistics industry was the first to face the negative impact. When a country imposes high retaliatory tariffs on another or a few, shipping costs increase. The defending country will start looking for new markets or will look forward to rerouting cargo movement through other means.

For example, several countries sanctioned Russia after its invasion of Ukraine in 2022, which led to the movement of cargo from Russia to actual destinations to different ones in a short span of time. Over a period, this would lead to a reduction in trade volumes and decreased economic growth. In a nutshell, countries would realise the actual impact of tariffs only when the logistics industry takes a hit.



Surviving tariff wars

Irrespective of tariff and trade wars, several countries have survived and even surpassed the current trade volumes to a significant extent. Before the COVID-19 pandemic, the USA imposed heavy sanctions on Chinese imports. Yet, China survived because they have a robust ecosystem to move cargo to different parts of the world cost-effectively. For example, if the China-Africa trade lane is cut due to escalating tensions, China ensures the same moves through road or air as part of their Belt & road initiative.

Similarly, Russia has utilised their trade relations with India and China to sell off its oil & gas resources on a large scale. Currently, 35-40 per cent of India's oil & gas resources are from Russia. Through these efforts, Russia has largely survived the negative effects of the ongoing war with Ukraine and the enormous sanctions it has invited due to the same.

All these come to a factor of logistics cost, and these are not strategies to sustain the same levels of logistics cost in the long run. Therefore, all these measures survive only for a short span of time as countries tend to resume business as usual after the adverse effect is eliminated. For example, moving cargo through the alternate route due to the Red Sea crisis is causing an additional US\$500 cost per container. This can be alleviated if the additional costs involved in the process are eliminated, such as the cost of physical documentation, manual approvals and, most importantly, the cost of sustainability. In addition to all this, mapping processes that involve

Hence, there is an ultimate need to bring in a differentiating element that could enable economies to think long-term to reduce their logistics costs and emerge as a competitive force globally.



Technology as a differentiator to survive tariff wars

Eliminating additional costs and mapping supply chain processes can be better performed with technology intervention. According to a World Trade Organization report, 67 per cent of the world's population today is connected to the internet. This builds a strong case for all industries to embrace technology-powered platforms.

Technology can significantly help EXIM (export-import) stakeholders navigate and mitigate the challenges posed by tariff wars. Advanced data analytics enable businesses to assess the impact of tariffs and rapidly model various scenarios, assisting in strategic decision-making. By leveraging real-time trade data, companies can identify alternative markets and optimise supply chains, reducing dependency on regions heavily affected by tariffs.

Furthermore, digital platforms and blockchain technology enhance transparency and efficiency in trade processes. These tools can streamline customs procedures, reduce paperwork, and ensure compliance with new tariff regulations, leading to cost savings and reduced delays.

Automation in logistics, through AI and IoT, improves inventory management and optimises transportation routes, helping businesses adapt swiftly to changing tariffs and trade dynamics. Utilising cloud-based systems and ERP solutions ensures seamless communication and coordination among stakeholders, enhancing flexibility and responsiveness in crisis times. Overall, by integrating innovative technologies, EXIM stakeholders can transform challenges into opportunities, maintaining competitiveness and resilience against the uncertainties of tariff wars. Leveraging these tools is essential for sustaining growth and mitigating the adverse impacts of global trade tensions.



Digital adoption roadmap

Technology adoption often takes a backseat only due to a lack of awareness among stakeholders. In turn, this leads to reluctance. Therefore, crafting a well-structured digital adoption roadmap is essential to navigate the complexities of technology implementation and to ensure smooth, successful integration. The following roadmap provides a structured approach to the digital adoption process.

Multi-process transformation

Post the successful implementation of such individual processes, multiple processes should be digitised at a rapid pace so that cargo movement is seamless from one process to another. Delays between the processes will also further delay cargo movement within the airport environment.

2

Integrating isolated processes for transparency

A major challenge while implementing technology will be in terms of ensuring transparency in isolated processes. Hence, the post-digitisation of individual processes and thorough integration of all these processes will ensure widespread transparency in the system, thereby allowing for a single window view for all stakeholders.

3

Individual process automation

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1

Continuous feedback seeking and improvement

The implementation of technology in the near term will possibly deliver fruitful results. However, in the long run, the legacy system might become challenging if it is not upgraded based on an evolving business environment. In this scenario, continuous feedback seeking and making incremental improvements will assist the technology service provider in offering the best.

4

This digital adoption roadmap provides a structured framework to guide organisations through the complexities of new technology implementation, ensuring that the process meets current needs and bolsters future capabilities and innovation. By closely following these phases, businesses can achieve a smooth and successful transition, maximising the benefits of technology integration.

Kale's Cargo Community Systems

Since its inception in 2010, Kale Logistics Solutions has been on a mission to enable trade facilitation through technology adoption in the logistics sector. With in-depth domain knowledge and technical expertise, Kale has created a suite of comprehensive IT enterprise systems and cargo community platforms.

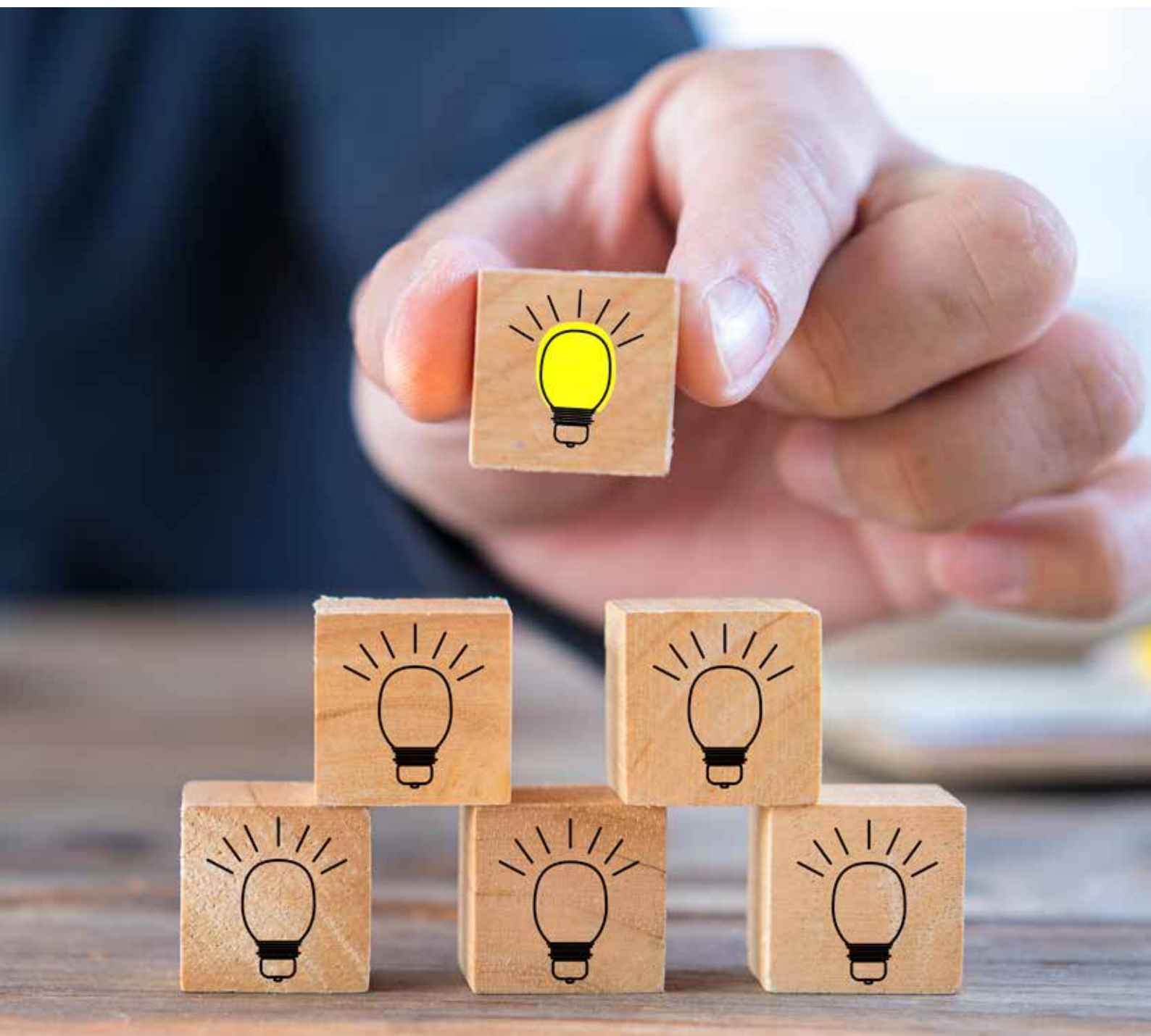
These solutions offer a single electronic window capable of supporting operational flows, percolating data to various stakeholders and facilitating the paperless exchange of trade-related information between stakeholders. Kale's community and enterprise solutions cater to a vast network of logistics service providers and help strengthen and improve their operational and business capabilities.

Kale's suite of air cargo technology solutions is currently engaging in 100+ airport cargo stations worldwide; 40+ locations are in Europe alone. A range of cargo community systems, cargo management systems, and point solutions have been delivered to these locations for the past few years.



Conclusion

In a nutshell, geopolitical tensions, trade wars and tariff wars are not new to the world. In the past, it has occurred on a larger scale and caused havoc with world economies, too. However, in the current times, the availability of technology is a boon as it could help stakeholders navigate through difficult times such as wars, pandemics, and other natural and unnatural calamities. A proper phase-wise implementation of technology will help the industry reap benefits in the long run.



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