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SUPPLY CHAIN

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By Sayari Analyst Team · Published April 2025

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For the past decade, industrial manufacturers operated under a relatively stable compliance regime. That era has ended.

Three structural shifts have reshaped the compliance landscape. Tariff rates have reached levels unseen since the Great Depression, with federal compliance costs estimated at tens of billions in annual tariff spending and related compliance expenses. (Source: Federal Reserve analysis) The scope of forced labor compliance has widened to five additional industrial sectors beyond cotton and tomato products. European Union Deforestation Regulation, tightening export controls, and evolving sanctions frameworks have added new layers of operational complexity.

The result is a compounding effect: tariff exposure forces diversification, diversification creates visibility gaps, visibility gaps create forced labor and export control risk, all managed in real time. Industrial manufacturers face an interlocking compliance stack most legacy programs were never designed to handle.

The stakes are substantial: tariff miscalculation erases margin, forced labor violations result in detention, export control failures trigger criminal liability, and many manufacturers lack the visibility to prevent these outcomes.

The Tariff Layer: Cost, Complexity, and the Supplier Diversification Imperative

Tariff compliance is now a supply chain strategy problem, not a finance department issue.

Current tariff levels have forced manufacturers to fundamentally rethink how they source components and finished goods. The traditional model of concentrating production in low-cost jurisdictions and shipping to market carries tariff exposure that reduces gross margins by several percentage points on certain product categories. A recent survey of manufacturing executives found that 57% of industrial companies with China operations are now actively implementing "supplier +1" strategies—building second-source relationships outside China to reduce tariff exposure.

But reconstructing supply chains faster than auditing them creates new risk. Moving from single to dual or multi-source arrangements multiplies the number of sub-tier relationships to monitor and accelerates timelines for onboarding new partners without deep compliance vetting. Evaluating tariff exposure across a rapidly shifting supply base requires real-time visibility into sourcing patterns, country-of-origin calculations, and tariff scenario modeling before purchase orders are issued. Most manufacturers currently solve this through spreadsheets and manual communication with procurement teams—a process that lags behind actual purchasing decisions.

Sub-Tier Visibility: Why 70% of Executives Lack Insight into Their Full Supply Chain

Most industrial manufacturers do not know their supply chain beyond tier one. A McKinsey survey of senior supply chain executives found that only 30% report confidence in their understanding of sub-tier supply chain risks. The remaining 70% operate with significant blind spots, built on audits conducted years ago and supplier documentation that may be outdated.

This is a structural limitation of how supply chains have traditionally been managed. Tier-one suppliers typically do not map their own sub-tier networks with the same rigor that manufacturers apply to direct relationships. Sub-tier suppliers are often smaller, more fragmented, and less inclined to share detailed sourcing information. And the cost of building visibility through traditional methods—site visits, third-party audits, document collection—is high and slow.

Yet this visibility gap is now a liability. Forced labor regulations (such as the Uyghur Forced Labor Prevention Act) operate at the materials level, not the supplier level. If a sub-tier supplier is engaged in forced labor practices, your company can be held responsible, regardless of direct relationships. Export control violations often occur at the component level in sub-tier supply chains, where classification rigor may be lower. And tariff optimization depends on understanding the full bill of materials and its country-of-origin chain. The compliance

obligation is clear; the operational gap remains immense.

The Regulatory Stack: Export Controls, Forced Labor, EUDR, and Sanctions

Tariffs are one layer. The others are converging simultaneously.

Forced labor compliance continues to expand. What began as restrictions on cotton and tomato products has broadened to five additional sectors with industrial relevance: minerals, metals, electronics, apparel, and solar products. For a machinery or automotive manufacturer, this means assessing not just direct suppliers but the sub-tier sources of materials like cobalt, steel, rare earth elements, and electronic components. The documentation and traceability requirements are substantial.

Export controls have tightened across multiple jurisdictions. US Commerce Department controls on advanced semiconductors, machine tools, and manufacturing software have grown more granular. EU export controls on dual-use goods have expanded. The definitions of "military end-use" and "high-risk countries" continue to shift. An equipment manufacturer shipping machinery to a distributor in an emerging market must assess whether machinery might ultimately be diverted to restricted end-uses or sanctioned entities-requiring understanding of your customer's customers.

EUDR, the European Union Deforestation Regulation, adds supply chain transparency around agricultural commodities and land-use origins. For manufacturers with commodity-based material exposure (metals, agricultural inputs, packaging materials), EUDR compliance means understanding deforestation risk in the supply chain. This is not a minor add-on; it can mean re-sourcing entire categories if deforestation risk cannot be adequately documented.

Sanctions screening and counterparty compliance require continuous monitoring of suppliers, customers, and transshipment partners. As sanctions lists expand and become more granular, continuous monitoring is no longer optional. A single missed connection to a sanctioned entity results in transaction blocking, license denial, and reputational damage.

These are not sequential challenges. They operate in parallel, each adding complexity to sourcing decisions, supplier selection, and transaction approval workflows.

Building a Unified Compliance Architecture for Industrials

Successful manufacturers will build unified compliance infrastructure with three elements: a single source of truth for supply chain data (not siloed spreadsheets); continuous visibility into sub-tier networks for real-time risk assessment; and integrated tariff, forced labor, export control, and sanctions screening into procurement workflows.

This is a significant operational lift but the difference between reactive, expensive compliance and operations-embedded, scalable compliance.

Managing the industrials compliance stack in 2025 requires visibility into the full network of supply relationships, real-time assessment of emerging risks, and the ability to model compliance scenarios before they become operational crises.

Sayari provides supply chain mapping, trade data, and corporate networks at scale-enabling manufacturers to map sub-tier suppliers, understand trade relationships, and identify counterparty risk. Visibility is the foundation of compliance. Request a demo to build unified supply chain transparency for tariff mitigation, forced labor compliance, and export control management.

Learn more about sourcing and procurement solutions or explore Sayari Map to map your supply chain.

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