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WPS INTEL

Supply Chain & Logistics

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Global supply chains are increasingly being shaped by policy-led disruption rather than traditional market cycles. Tariff frameworks, trade negotiations, infrastructure investments, and manufacturing localization strategies are redefining how companies approach sourcing, compliance, and logistics execution. As supply chains become more policy-sensitive, operational flexibility, trade visibility, and infrastructure resilience are emerging as critical competitive differentiators.

EXECUTIVE TAKEAWAYS

May reflects a broader shift toward policy-driven supply chain execution, where tariffs, trade frameworks, and industrial investment strategies are influencing sourcing, transportation, and manufacturing decisions across global networks.

➔ Trade Execution Is Becoming More Dynamic

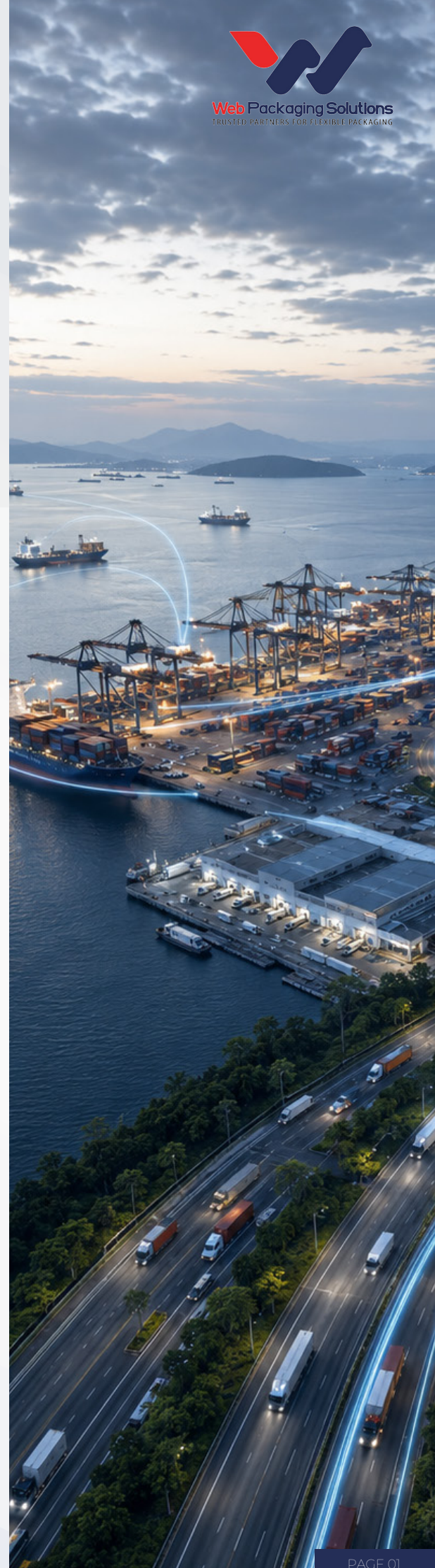
Tariffs are increasingly being managed as operational variables, driving changes in routing, transportation modes, bonded warehousing, and compliance execution.

➔ Supply Chain Stability Remains Closely Linked to Trade Policy

Ongoing U.S.-China negotiations continue to reduce near-term pressure, but unresolved tariff and export-control issues are sustaining planning uncertainty.

➔ Infrastructure and Localization Investments Are Accelerating

Port expansion projects and manufacturing-linked tariff incentives are reinforcing long-term efforts to improve supply chain resilience and regional production capacity.





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Tariffs Are Reshaping Global Supply Chain Execution

WHY IT MATTERS

Tariffs are evolving from static cost considerations to active operational variables, forcing organizations to redesign sourcing, transportation, and compliance strategies to accommodate policy responsiveness and execution flexibility.

HIGHLIGHTS

- Infios analyzed more than 1 million U.S. customs entries year over year to assess how 2025 U.S. tariff policies are reshaping global supply chain execution.
- The research concludes that tariffs now require continuous management across HTS classification, transportation mode selection, routing, bonded warehousing, and financial sequencing strategies.
- Businesses are increasingly shifting from reactive trade management to anticipatory execution models focused on rapid network adjustment.

→ Market Adaptation Phases

- Initial response included panic routing, temporary transportation shifts, and short-term use of USMCA trade advantages.
- Organizations later transitioned toward permanent redesign of trade execution networks with embedded operational flexibility.

→ Operational Changes Identified

- Effective duty rates increased by 20–80% in some categories due to tariff stacking.
- Air freight utilization increased approximately 12 percentage points and remained elevated.

- Ocean freight declined approximately 10–12 percentage points and did not recover.
- Truck freight increased around 8 percentage points, reflecting nearshoring growth and preference for shorter supply chains.
- Bonded warehouse adoption expanded from approximately 10% to 16–18% of customs entries.
- HTS classification complexity increased from approximately 6 to 11.6 sequences per entry.
- The shipment value increased approximately 78% while entry counts declined by around 7%, indicating shipment consolidation and smarter shipping practices.

→ Sector-Level Impact

- Consumer goods and light manufacturing diversified sourcing away from China.
- Specialty chemicals and industrial component sectors remained highly dependent despite tariff exposure.

→ Strategic Shifts

- New trade corridors are emerging while previously viable routes are declining.
- Route intelligence and execution visibility are becoming increasingly strategic capabilities.
- The “tariff-optimized supply chain” model positions trade execution as a dynamic and continuously reconfigured operational function.

LESSONS & ACTIONABLES

Policy-driven trade execution requires stronger compliance visibility, flexible transportation strategies, and faster operational response capabilities to manage tariff-related disruption.

U.S.-China Trade Talks Signal Partial Stabilization Amid Ongoing Uncertainty

WHY IT MATTERS

Preliminary trade outcomes between the U.S. and China indicate movement toward selective market stabilization, while unresolved tariff frameworks and export controls continue to sustain operational uncertainty.

HIGHLIGHTS

- China and the United States released a preliminary framework covering tariff policy, agricultural trade, rare earth controls, and continuation of the Kuala Lumpur Joint Arrangement.
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- Several measures remain subject to additional negotiations and legal processes.

➞ Tariff Policy Developments

- China stated that future U.S. tariffs on Chinese imports should remain within limits established under the October 2025 Kuala Lumpur Joint Arrangement.
- The reciprocal tariff reference point was set at 20%, excluding existing Section 232 and Section 301 tariffs.
- The U.S. government has not publicly confirmed adoption of the tariff ceiling.
- Existing Section 122 tariffs currently apply at 10%, while legal uncertainty continues following recent court rulings and appeals.
- Two active Section 301 investigations targeting Chinese products remain underway.

➞ Reciprocal Tariff Reduction Framework

- Both governments agreed in principle to establish a reciprocal tariff-reduction

framework covering \$30 billion or more in products on each side.

- Qualifying categories may receive most-favored-nation rates or lower tariff treatment.

➔ Agricultural Trade Outcomes

- China agreed to restore registration for more than 400 U.S. beef facilities and remove HPAI-related poultry restrictions for eligible states.
- China also agreed to accelerate reviews for suspended beef enterprises affected by compliance issues related to drug residues.
- Both governments confirmed a target for China to purchase at least \$17 billion annually in U.S. agricultural products during 2026–2028.
- The U.S. agreed to lift automatic detention measures on Chinese dairy products and dairy-containing foods.
- A pilot program covering Chinese bonsai and potted plants was also accepted.



➔ Rare Earth & Strategic Materials

- China's export licensing framework for materials, including yttrium, scandium, neodymium, and indium, remains active.
- Licensing conditions continue to affect supply chains tied to electronics, batteries, clean technologies, and advanced manufacturing.

→ Kuala Lumpur Joint Arrangement

- Both countries reaffirmed support for extending the October 2025 Kuala Lumpur Joint Arrangement.
- The arrangement is currently suspended:
 - 24% reciprocal tariffs
 - Chinese retaliatory measures
 - The 50% export control pass-through rule
 - Section 301 maritime and shipbuilding measures
 - The arrangement remains scheduled to expire on November 10, 2026.



LESSONS & ACTIONABLES

While trade discussions indicate selective stabilization, ongoing tariff uncertainty and export control measures require continued monitoring of sourcing, compliance, and trade execution strategies.

Port Houston Expansion Strengthens Gulf Coast Capacity

WHY IT MATTERS

Continued investment in port infrastructure is increasing cargo handling capacity, improving freight movement efficiency, and strengthening regional supply chain resilience.

HIGHLIGHTS

- Port Houston received a \$48 million federal grant to expand and modernize its Bayport Container Terminal.
- Funding was awarded through the U.S. Maritime Administration Port Infrastructure Development Program.
- Port Houston will contribute approximately \$56 million in matching funds.

➔ Expansion & Infrastructure Improvements

- The project includes:
 - Construction of a new container yard.
 - Addition of a new terminal exit gate.
- Improvements are intended to:
 - Increase cargo handling capacity.
 - Reduce truck congestion.
 - Improve truck flow and safety.
 - Strengthen Gulf Coast supply chain resilience.

➔ Capacity & Operational Impact

- Expansion expected to add approximately 440,000 TEUs in container capacity.
- Port officials estimate significant reductions in truck turn times.
- Port Houston currently handles around 10,000 trucks daily across its terminals.

➔ Cargo Growth Trends

- Port Houston handled nearly 14 million tons of cargo during Q1 2026.
- Container terminals achieved a monthly record of roughly 180,000 loaded containers.
- Quarterly container throughput exceeded 1 million TEUs.
- Vessel calls increased 9% year over year to 523 ship calls.

➔ Historical Milestone

- The announcement coincided with the 70th anniversary of containerized shipping at Port Houston.
- In 1956, the SS Ideal X arrived from Port Newark carrying 58 converted shipping containers.
- Malcolm McLean's voyage is widely regarded as the beginning of modern container shipping.

➔ Supply Chain Implications

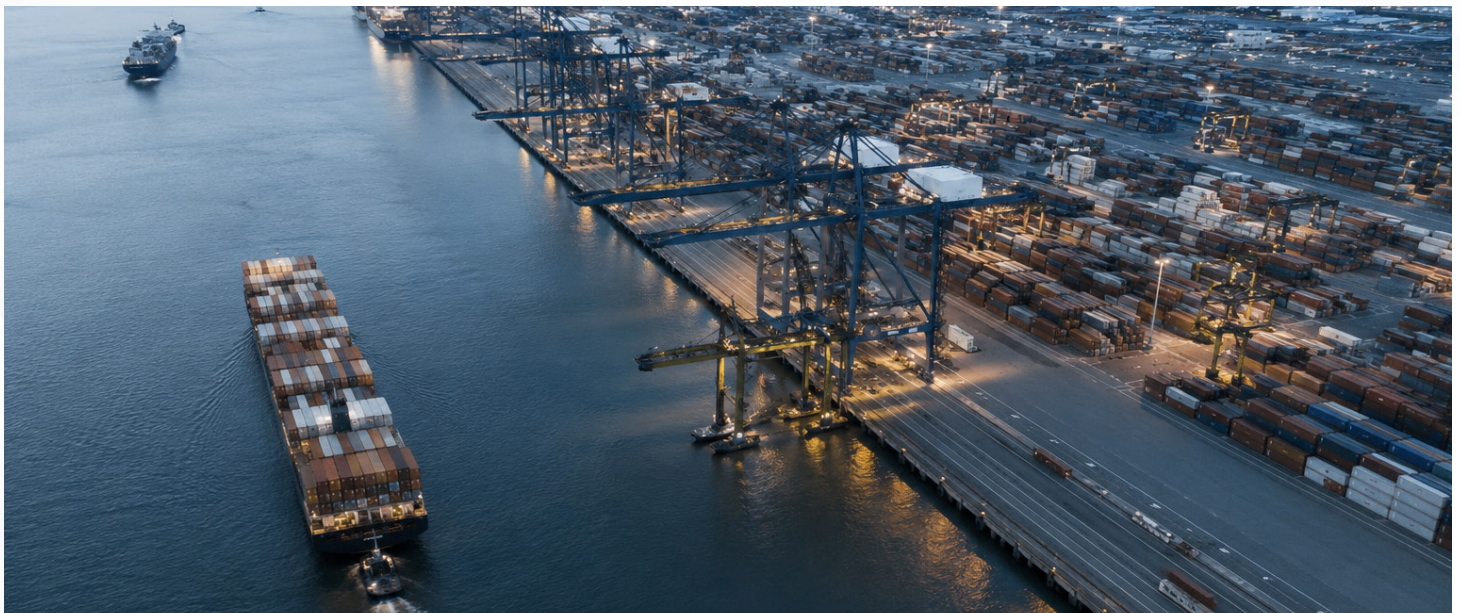
- Expanded port infrastructure supports growing import/export volumes and improves logistics efficiency.
- Reduced congestion and faster cargo movement can improve transportation reliability.
- Continued investment reflects ongoing growth tied to e-commerce, industrial manufacturing, and global trade activity.

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LESSONS & ACTIONABLES

Infrastructure expansion and terminal modernization remain critical to improving cargo flow efficiency, reducing congestion, and supporting long-term supply chain growth.



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