May 2025

The *SMM* Survival Kit

(**S**mall & **M**edium **M**ultinationals)

The Survival Kit for SMM
exposed to International Markets

Introduction

For **S**mall and **M**edium **M**ultinationals—internationally exposed SMEs and mid-sized companies—the shockwaves from U.S. tariffs and their ongoing fluctuations are far from a passing phase.

Neither the trade deals currently being negotiated between the U.S. and select countries, nor the various moratoriums and "pauses" can obscure a clear reality: the rules of global trade have shifted dramatically in just a matter of months.

With the White House sending mixed signals at every turn and a single tweet can send entire markets reeling, waiting for a clear and consistent message from Donald Trump is a losing strategy.

The status quo is no longer sustainable. Companies doing business across borders must urgently rethink their models, secure their supply chains, and reassess their exposure to geopolitical risk. Ultimately, it's their overall profitability that's at stake.

SMEs with international exposure already know the stakes: every margin point counts — and what you lose on one side, you can often make up for on the other. In just six months, the currency markets have seen major swings. The euro, for instance, has gained nearly 10% against the dollar. That's a golden opportunity for thousands of businesses that paid in the right currency and took steps to protect their exposure.

This "survival kit" was designed with one goal in mind: to help leaders of Small & Medium Multinationals (SMMs) make the right decisions. As a new standard in international payments, iBanFirst understands the real-world challenges these businesses face.

Small & Medium Multinationals are agile by nature. Every day, they deal with complex banking, administrative, and financial challenges. Because of their size, unique business models, and international exposure, basic tools simply aren't enough. At the same time, they are not suited to the solutions designed for large multinational corporations.

These companies constantly navigate and adapt to evolving global rules and standards.

With this concise, practical Survival Kit, iBanFirst outlines six actionable steps to help businesses rethink their international strategy and regain control in an increasingly volatile global landscape.

Production

1. Supply chains: The domino effect

Are your partners robust?

One thing is clear: beyond the inherently fragile early agreements, Chinese suppliers have been clearly weakened by the renewed wave of protectionism sparked by the Trump administration. To assess the financial health of your Chinese suppliers, it's essential to request up-to-date financial reports or utilise financial scoring platforms.

Are there indirect consequences for suppliers?

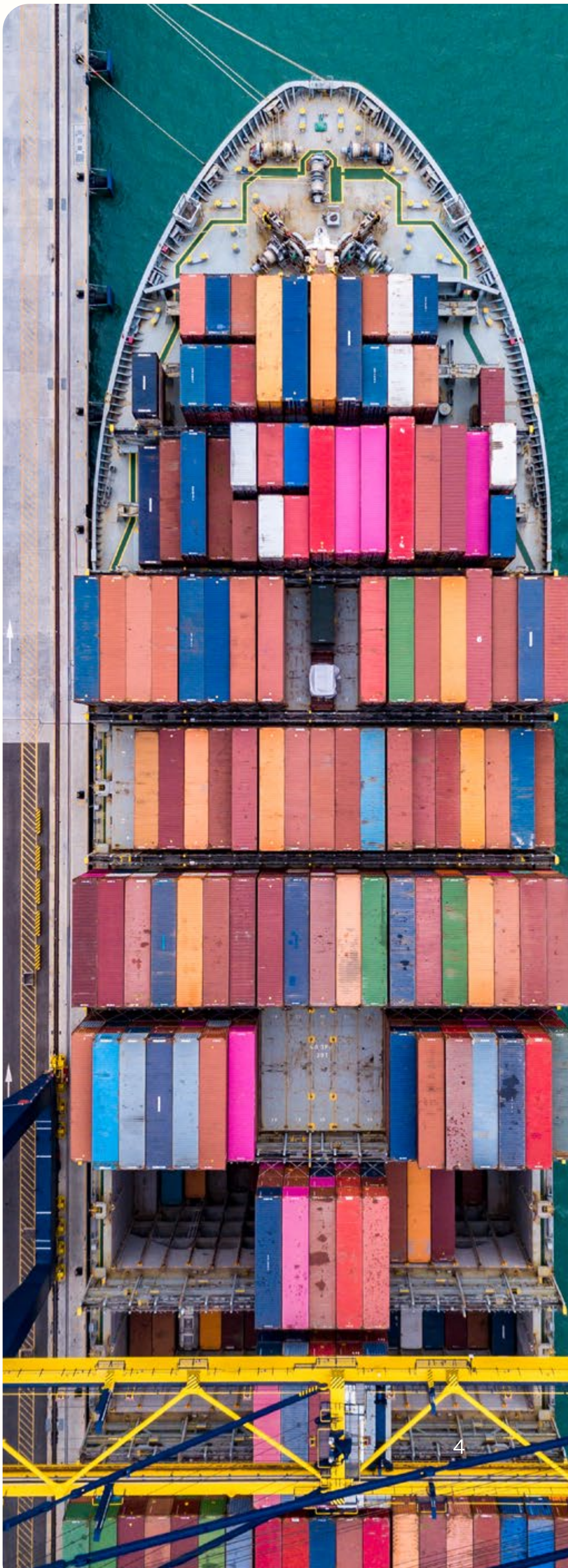
More broadly, all your suppliers will be under pressure during this period of instability. Suppliers worldwide may face financial difficulties or cost increases, leading to production delays, price hikes, or even stock shortages. Even if you have a stable direct relationship with them, their fragility can disrupt your operations.

What to do:

- **Short-term contracts:** Opt for shorter contracts with flexible renewal options to react swiftly if a partner's situation deteriorates.
- **Safety stocks:** Maintain buffer stock to handle potential production or delivery interruptions.
- **Develop continuity plans** to anticipate supply chain disruptions (e.g., alternative carriers).

Your clients themselves could soon be affected by a domino effect, especially in a context of global economic slowdown (-0.3% in the US in Q1 2025, only +0.4% for the eurozone). Beyond renegotiating payment terms, consider these best practices:

- **Factoring:** Explore factoring solutions to ensure liquidity during receivables tensions.
- **Partial advance payments:** Request deposits or advance payments to reduce the risk of unpaid receivables, particularly during volatile periods.



2. Should you permanently shift away from Asia?

A shift toward tougher Chinese rivals

On “Liberation Day” Asia was particularly impacted by tariffs: 46% for Vietnam, 24% for Japan, and 32% for Indonesia. Although these tariffs have been suspended—except for China—the prevailing belief is that, regardless of short-term agreements, Asia will experience turbulence.

European companies and SMEs are hoping that Chinese producers will lower their prices to offset the uncertainty now hanging over the U.S. market. In 2024, China exported $439 billion to the US, primarily in electrical and electronic products, mechanical machinery, toys and sports goods, plastics and furniture, etc.

While price reductions might benefit SMEs manufacturing in China, there’s a significant downside, especially for traditional importers. Companies like Temu and Shein exemplify new Chinese firms bypassing traditional import networks. They’ve become dominant on marketplaces and are now aggressively entering the European market. Their direct-to-consumer (D2C) model allows them to offer highly competitive prices without intermediaries. By providing ultra-competitive pricing and optimised logistics, they directly threaten the margins of European import-export businesses. This makes it essential to maintain close competitive monitoring, especially across marketplaces, to spot both potential new entrants and aggressive pricing strategies coming out of Asia.

Is Asian nearshoring a misleadingly attractive idea?

Increasing instability in China—due to the trade war with the US and potential upcoming European measures to curb the influx of Chinese products—might prompt importers to consider nearshoring to less-taxed Asian countries. Destinations like Vietnam or Indonesia seem attractive alternatives.

But this workaround strategy is not new and already well-known to various administrations. Initiated during Trump’s first presidency, it was poorly received by the US administration. Since then, control measures have tightened, especially concerning the actual origin of products.

In the medium term, all of Asia could be subject to new tariffs, beyond just China. Therefore, SMEs must avoid a short-term vision. Relocating production to another country in the region doesn’t necessarily offer a sustainable solution if the logic of trade sanctions expands.

A tactical pivot towards local markets?

3. Betting on the European market

With US GDP contracting by 0.3% in the first quarter, shifting focus to local markets could be a smart tactical move. The European Union stands out as a strong alternative, backed by robust fundamentals. It's also an attractive option thanks to its fiscal and regulatory stability—particularly within the eurozone, which has been less vulnerable to political turmoil than the United States lately.

- **Resilient economic growth.** In 2023, the eurozone posted 0.4% growth, with a modest uptick to 0.8% expected in 2024 and 1.3% projected for 2025.
- **Strong purchasing power and a sizeable upper-middle class.** In 2024, average purchasing power per capita across the EU reached €18 768. The wealthiest 20% of households—those earning over €30,000 annually—account for around 40% of total consumption. In times of economic slowdown, this consumer segment becomes particularly strategic: they keep spending and drive growth in key sectors such as real estate, education, healthcare, leisure, and digital services.
- **Massive EU-led investment.** Beyond stable domestic demand, the EU has also taken bold steps in industrial and green policy. Building on the momentum of the European Green Deal, the EU launched the Green Deal Industrial Plan in 2023, aiming to mobilise at least €1 trillion in sustainable investment by 2030. These structural investments create strong tailwinds for businesses—especially SMEs and mid-sized companies operating in future-focused sectors.
- **Expanding into other EU countries: which networks and funding options?** To establish a presence in other EU markets, SMEs can turn first to the Enterprise Europe Network (EEN)—an initiative led by the European Commission that connects companies with commercial, tech and institutional partners across Europe. It's a valuable gateway for understanding local markets, accessing legal guidance, and identifying reliable partners.

  Local chambers of commerce—such as the French-German or Belgian-Dutch chambers—also play a key role in navigating country-specific business environments. Finally, national export and investment agencies like Business France, Germany Trade & Invest, or ICE in Italy provide essential support for expanding into their respective markets.

US Market

4. Tariffs: Assembling in the US

If you're present in the US market, transferring the final assembly stage to the United States offers a strategic solution to circumvent American tariffs. A product is generally considered imported when assembled in another country, regardless of the origin of its parts. By assembling domestically, your product would qualify as "Made in the USA" and benefit from more favourable tariff rates, or even exemptions, depending on circumstances.

Keys to success:

- **Import only necessary parts** without assembling outside the US, ensuring compliance with value-added regulations during assembly.
- **Choose a US-based assembly site**. Select a facility or service provider capable of final assembly while adhering to legal criteria.
- **Thoroughly document the assembly process**. Comprehensive and transparent documentation is essential to justify compliance with US customs authorities.

5. How price-sensitive is the US market?

The decline in American purchasing power will affect all products, domestic and foreign.

The OECD has reduced its growth forecasts for the US, projecting a 2.2% increase in 2025, down from 2.8% in 2024. These figures might be further downgraded. Sluggish growth combined with rising inflation significantly impacts American purchasing power, necessitating trade-offs. Due to inflation, American consumers can expect a 3%, 4%, or even 5% increase in prices, reducing their purchasing capacity.

These trade-offs are likely to disadvantage European goods. Why? Because when prices rise, necessities take precedence over discretionary or premium products, such as those labelled "Made in France" or "Made in Italy". Unavoidable inflation in the United States will inevitably affect European products — both through the impact of primary and secondary tariffs, and through shifting consumer choices.

Financial agility

6. Lock in your currency exposure

Adjusting production lines and rethinking commercial strategies are just some of the levers available to SMEs looking to protect their margins. But beyond these structural shifts, one critical tool should not be overlooked: implementing currency risk management strategies to manage exchange rate volatility.

For CEOs and CFOs of internationally active SMEs, cross-border payments are no longer just an operational function — they're a strategic lever to protect and even reclaim margins.

Virtually every international business deals in foreign currencies — which means almost every business is exposed to exchange rate risk that can eat into profits.

Since early 2025, FX markets have been extremely volatile. The euro, for example, has strengthened by nearly 10% against the US dollar. Such swings present both threats to margins and opportunities — if handled strategically.

So what are the right moves?

A. Timing, currency, and rate — get all three right.
To take control of your international payments, gain direct access to FX markets and open local currency accounts. In today's high-volatility, low-margin climate, managing your international cash flows is a major source of competitive advantage.

We are already seeing that internationally exposed companies have shifted their strategy. According to an exclusive study by iBanFirst, based on €10.68 billion in international payments, the U.S. dollar is being less used by SMEs and mid-sized companies. Dollar-denominated payments fell from 35% to 30% between January and May 2025. Conversely, euro payments increased from 47% to 50% of total volumes. Other currencies have also seen slight growth.

B. Use the right currency risk management products.
Forward contracts, flexible forwards, and dynamic forwards are all available.

- Use classic forwards if your goal is to lock in your exchange rate with no surprises.
- Choose flexible or dynamic forwards if you want more room to manoeuvre while still benefiting from rate protection.
  Between January and May 2025, we have already noted a 50% increase in currency risk operations by iBanFirst's 10 000 clients.

C. Tailor the strategy to your business.
How much volume do you need to cover? What's your liquidity position? How risk-averse are you? What's your planning horizon? Every business is different — and the right currency risk management solution should reflect that. Want to know more? Get in touch with iBanFirst.

iBanFirst

The new standard for cross-border transactions

Founded in 2016, iBanFirst has quickly established itself as a trusted partner for small and medium-sized businesses that trade internationally and carry out cross-border payments. iBanFirst offers a cross-border payment experience that combines a simple yet powerful platform with support from in-house FX experts. With iBanFirst, executives and finance teams can get direct access to currency markets, receive, send and track payments, and develop tailored FX risk management strategies.

With more than 350 employees in 13 offices all over Europe and the UK, iBanFirst processes more than €2 billion worth of transactions each month on behalf of 10,000+ SMEs and was listed by the Financial Times as one of Europe's fastest-growing companies.

iBanFirst has the financial backing of the French public investment bank (bpiFrance), European venture capital leaders (Elaia, Xavier Niel), and the American investment fund Marlin Equity Partners.

Regulated by the National Bank of Belgium as a payment institution, iBanFirst is authorised to operate throughout the European Union. iBanFirst is SEPA certified, a member of the SWIFT network and holds AISP and PISP accreditations under PSD2.

Want to learn more?

Contact Us