

What new US tariffs mean for retail and supply chain

09 April 2025  Caroline Green and Emma Roake

President Trump's announcement on 2 April 2025 of reciprocal tariffs targeting countries with a trade surplus with the US has caused turmoil across retail and supply chains.

The UK faces a 10% tariff, while the EU has a 20% tariff. Less than 24 hours after the steepest tariffs took effect, Trump granted a 90-day pause for the hardest-hit nations.

The UK government is seeking to negotiate down the tariffs, but for all countries except China, a 10% blanket duty on most US imports remains. The escalating tit-for-tat tariff war with China will add to uncertainty and costs for UK retailers exporting to the US. It will also expose UK retailers to a distorted UK market as cheap overseas goods, previously destined for the US find their way to UK consumers via DTC online market places, playing havoc with the market and increasing pressure on UK retailers. Uncertainty has also caused supply chain disruption, affecting the availability of certain products

Impact on retail

Fashion brands

The most heavily impacted retail sector is clothing and footwear. China is the largest clothing exporter to the US, and as a result those fashion brands which manufacture in China and have the US as a core market will be hit hard by the staggering 145% (at the time of writing!) tariff imposed by the US on Chinese-manufactured goods. Aside from China which has garnered most of the headlines, countries affected include those where much of the UK's manufacturing taking place including Vietnam (46%), Bangladesh (37%), India (27%), and Turkey (10%). If tariffs remain at these levels, costs for those brands manufacturing in affected countries will rise exponentially and as a result, prices will need to rise and margins will be decimated, putting jobs and investment at risk. Brands with large manufacturing bases in China will now be revisiting their strategy, and revising their revenue and profit projections.

In recent years, many brands have invested in expanding their sales in the US given the strength of the US economy and challenges in other markets including Asia. However, all fashion brands will be impacted by the uncertainty and consequent damage to consumer confidence which comes on the back of several years of shocks and uncertainty.

Beauty brands

Whilst many beauty brands that manufacture their products in Korea, France and Italy will be breathing a sigh of relief at the 90-day pause in tariffs, there is still significant uncertainty as to whether a better deal can be negotiated by those countries (or the EU as a bloc) in that timescale. The uncertainty will therefore also hit beauty brands, as budgets are cut and brands look to share costs with suppliers and retailers.

Supermarkets

While supermarkets import/export little food directly from the US, they will be affected by the global inflationary pressures that tariffs will inevitably create.

Other retail sectors

Any brand which has a significant portion of their sales in the US or relies heavily on goods or components imported from China or other countries with high tariffs will be affected by the tariff regime.

Legal points to consider

Whilst the situation is unpredictable, we recommend brands review their supply, distribution, and manufacturing agreements and their arrangements with retailers as a matter of urgency. For example:

1. Will the brand be responsible for the rising tariffs?

Does the brand have orders to ship to the US on Incoterms (or other trade terms in supply agreements) which make the brand (the seller) responsible for tariffs? These should be identified urgently and the scale of the cost increase to the brand calculated.

2. Will US retailers and distributors seek to cancel orders?

US retailers and distributors may seek to cancel orders for products or renegotiate terms. Brands should review their contractual arrangements with key distribution and retail partners in the US and be ready to deal with such requests.

3. Can a brand add a “surcharge tariff” to wholesale contracts?

Many wholesale contracts fix prices or at the very least, the way in which prices are calculated. In older contracts, tariffs are unlikely to be addressed directly. Brands should check their price increase and force majeure clauses to understand if they have scope to pass on the tariffs.

4. Beware of price matching clauses

If the market is flooded with cheap overseas goods, price matching clauses could be disadvantageous. Brands should check whether their clauses allow comparison with DTC online platforms. Pure play brands may find it harder to address than those with a bricks and mortar offering.

5. Disputes

Brands should expect an increase in disputes with suppliers, distributors, agents and retailers as each party in the supply chain scrambles to reduce their exposure to the increased costs by cancelling orders, reneging on minimum purchase requirements and putting pressure on partners to share the losses.

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