Browne Jacobson

US tariffs: Market chaos and implications for the UK tech sector

09 April 2025 David Hill and Richard Nicholas

A flurry of unprecedented quick-fire tariff tweaking by President Trump which caused chaos to global market conditions serves as a reminder of the essential need for flexibility in all commercial contracts, including the complex world of tech transactions.

At the time of writing, there is a 90 day pause on higher US tariffs, but a "universal 10%" baseline tariff remains in place for most countries. These tariffs (which are taxes charged on imported goods and products bought from other countries) will lead to an increase in the cost of those goods and products being sold to the US, which needs to be borne by either the seller (exporter), the buyer (importer), the end customer, or a combination of them.

Opportunities and challenges

David Hill, Principal Associate in the commercial technology team at Browne Jacobson, assesses the impacts on the tech sector and sets out further below practical steps tech businesses should be taking:

For UK businesses selling tech goods and products to the US, the tariff changes could have an immediate impact as they will be directly affected and will need to assess where the cost increase falls.

The US tariffs may also have an indirect consequence whereby there may be a re-direction of global tech goods and products which were previously going to be exported from other countries to the US, but due to high US tariffs those goods and products could now be re-directed away from the US and towards the rest of the world, including the UK – this could be especially true for products from China which, at the time of writing, has been hit with a whopping 125% tariff. This may present an opportunity for UK based companies to take advantage of a higher supply of, and potentially a cheaper price for, such tech goods and products, whether for immediate use or as components to be integrated into their goods and products.

As recent days have shown, this is a fast-moving and changing landscape. Looking ahead businesses in the tech sector should be preparing for dealing with higher tariffs / taxes, including the potential of retaliatory tariffs / taxes on goods and services into and out of other countries.

Accelerated AI adoption and governance concerns

Richard Nicholas, Partner and head of the data, digital and sourcing teams in Birmingham, observes that the most likely consequence of the tariffs will be an accelerated adoption of AI:

While President Trump's goal of reducing reliance on foreign manufacturing and boosting US domestic production may succeed long-term, the immediate effect will likely increase operational costs for American-based businesses dependent on foreign components and restrict market access for exporters to the US.

Both outcomes will drive businesses to seek cost efficiencies and re-engineer their processes. What might have been viewed as a long-term innovation strategy could become an urgent operational necessity. Unfortunately, in the rush to adapt, this may compromise proper AI governance structures.

For the UK, retaliatory tariffs – such as on US-based IT services – remain possible. This could backfire, however, given that British businesses rely heavily on platforms like Microsoft, Google, Amazon Web Services and Salesforce. A sudden increase in licensing costs from these providers would significantly impact UK operations.

Practical steps for tech businesses

The current tariff position, alongside the continual state of flux, has implications potentially affecting various aspects of tech sector operations, which means that businesses negotiating tech transactions need to take proactive measures to mitigate risks and maintain competitive advantage. The following steps provide a framework for navigating the changing trade landscape and ensuring your business remains resilient in the face of these challenges.

- **Assess exposure to tariffs** – Identify if and when tariffs apply to your business. The tech supply chain is often highly complex, with goods moving across multiple borders. Even if your business is not directly exporting, you may be indirectly impacted by upstream or downstream cost increases.
- **Understand which existing contracts are impacted** – Many tech transactions include a mix of goods, services, support, maintenance and managed services. Review which of your contracts may be affected and to what extent.
- **Audit impacted contracts** – How do these current agreements deal with changes to tariffs or taxes, and the potential knock-on effects on pricing and delivery. Seek legal advice on what commercial and/or legal levers are available to pull, including:
  - Whether there are specific tariff or tax clauses, or whether the contract is silent on these issues.
  - The pricing model (e.g. fixed vs cost-plus) and whether cost increases can be passed on to customers or suppliers.
  - Any commercial terms that lock you in, or flexibility mechanisms such as change control processes, termination or exit rights.
  - Options for renegotiation – and if pursued, ensure contractual procedures are followed correctly. If renegotiation fails, consider the dispute resolution provisions.
  - Whether Force Majeure or “frustration” arguments might apply.
- **Future-proof new contracts** – New agreements being negotiated should be robustly drafted to ensure protections against the uncertainty in the global economic environment.

If you'd like to discuss how these changes might affect your contracts specifically, our team can provide commercial and practical legal advice tailored to your business needs.

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