A WORD FROM DELOITTE

The price of ambiguity: How tariffs are redrawing the VC playbook

Just as venture capital (VC) was beginning to stretch its legs after a long market cooldown, tariffs blew in like a sandstorm—always present but the shape, size, and effect hitting with imprecise definition.[5] What started as a cautious rebound is now a complicated relay—where founders juggle rising costs, shifting supply chains, and tricky valuation math. Global trade tensions are now running frequently through the VC ecosystem—and no one is sure when to expect a finish line.

To unpack the potential ripple effects, we connected with Deloitte leaders Heather Gates, Deloitte & Touche LLP's National Private Growth Leader, and Angelica Tsakiridis, a Managing Director and Global Delivery Center Leader in Deloitte Tax LLP's Global Trade Advisory practice. They shared what they're hearing from the front lines. Together, they offer a sharp look at how tariffs are reshaping investment strategy—and why today's founders need to be as fluent in duty rates as they are in burn rates.

Tariffs: The uncertainty surcharge

In today's venture environment, tariffs aren't the novelty—they're the noise. If you can't forecast your costs, you can't forecast your future. Uncertainty is the pervasive response to the administration's current strategy, and this environment presents a variety of challenges to VCs in their future planning activities. Heather says, "More uncertainty means fewer investments. If you've just increased the cost of doing business, that's never a great thing for any corporation."

The current US administration has introduced a broader tariff strategy that significantly impacts trading partners who were previously less affected, including Canada and Mexico. This includes stacking tariffs even on goods that qualify for Free Trade Agreement status. As a result, importers may now need to adopt complex mitigation and resiliency strategies to remain competitive, while some are leveraging these changes to gain a competitive edge.

Because tariffs directly affect the immediate costs of importing goods into the US, importers should take proactive steps to manage the evolving landscape shaped by US trade strategy and the associated uncertainties—ranging from costs and labor to potential retaliatory actions by non-US actors. At the same time, as the tariff environment remains unpredictable, we may see collateral effects such as reduced investor confidence. If founders are unable to model their cost base, it's not just their spreadsheets that stall—it's their entire growth narrative.

Startups in the squeeze play

Startups may be built for speed, but that doesn't mean they're built for turbulence. Many early-stage companies have the advantage of agility—they're not weighed down by decades-old supplier contracts or legacy infrastructure. But that flexibility often comes with a trade-off: thinner margins, leaner teams, and often less room to absorb shocks.

Heather Gates
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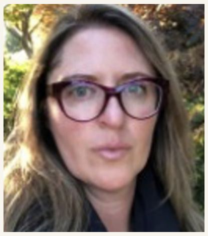
With more than 30 years of financial services experience, Heather serves as the national Private Growth Leader, with oversight of the Deloitte Private and Emerging Growth Company businesses within Audit & Assurance.



Angelica Tsakiridis
Managing Director, Global Trade Advisory
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Angelica Tsakiridis is an experienced Managing Director and licensed attorney in the state of Illinois Deloitte Tax LLP's Global Trade Advisory practice. She brings more than 17 years of consulting experience, providing transactional, audit, investigation, and remediation support to multinational clients across several critical industries.

The challenges aren't limited to companies with shipping containers and assembly lines. Even software startups can't ignore this. Artificial intelligence (AI) infrastructure requires massive computer power, which means real-world logistics, real-world energy, and real-world costs.[6]

In a global ecosystem where many successful startups will go global within three years,[7] tariff exposure is no longer

5: "Tariffs, Trade, and Supply Chain Planning," Deloitte, 2025, accessed July 8, 2025.
6: "The Future of VC May Have More Borders," PitchBook, Leah Hodgson, April 10, 2025.
7: "When Is the Right Time To Globally Expand Your Business," Centuro Global, May 11, 2021.

a manufacturing consideration. It's an issue that businesses should consider when developing their business model.

When capital gets cautious

In times like this, VC doesn't disappear—it just gets picky. And right now, it's picking sides.

"Outside of AI, capital is retreating again," says Heather. "Valuations are slipping, and investors want deeper discounts to justify the risk."[8]

While AI continues to draw outsized attention—and outsized electricity bills—other sectors are cooling fast. Clean tech, climate solutions, and even the historically sturdy defense industry are now weighed down by geopolitical tension and tariff exposure.

"Large swaths of these new tariff rates can have a staggering effect across every industry," notes Angelica. "We are seeing the complexity of the stacked tariff effects—the overall impact. Where in the past, the average tariff on all imports ranged from 0%-20% and had a combined overall effect on a relatively small percentage of all goods on the tariff schedule (3.0% rest of the world and 19.3% for China origin goods).[9] New landscape tariffs as of May 14, 2025, average 51.1% exports of China and 11.7% for rest of world.[10] These increased tariffs can heavily impact a business's upstream and downstream costs—as they are based on the value, content, origin, and identification of all imported items entering the US."

For VCs, that means leaning into software and asset-light startups—and steering carefully when it comes to anything that requires real-world parts, power, and the increasingly elusive commodity—political stability. Unless, of course, the payoff is too critical to ignore (e.g., semiconductors, energy products). In that case, the risk becomes part of the story—and the due diligence gets a lot deeper.

Global trade strategy: The new superpower

In today's trade-tangled world, tariff mitigation expertise has been elevated from a legal footnote to a business superpower. Deloitte's trade team can provide precision, proven tariff mitigation and strategy planning to clients who are prioritizing trade issues as part of a comprehensive supply chain resiliency planning approach. From testing First Sale and Foreign Trade Zone viability, to strategically identifying opportunities or risk in appraisal and valuation methodology, among others—these strategies aren't about cutting corners—they are opportunities to cut costs and thread the needle for now and to better plan for an uncertain future.

Tariffs: From sourcing side note to boardroom priority

Tariffs aren't just a trade issue anymore—they're a C-suite business priority. Fluency in how they work is quickly becoming a must-have for founders. "The supply chain can influence many business areas, including pricing, hiring, resource management, capital planning, even M&A decisions," says Angelica. Heather agrees: "Investors are looking for founders who can speak confidently about sourcing strategy, trade compliance, and tariff exposure. It may not be flashy, but in today's market, it's a mark of real leadership."

Final thought: Navigate now, forecast later

When asked what she's telling clients, Heather sums it up like this: "You need to be creative and nimble. No one can model these changes precisely—it won't last forever." Angelica echoes the sentiment and adds a practical edge: "You can't just wait for clarity. Companies that plan and are able to adjust quickly may fare better." In today's venture world, a well-honed tariff strategy might not guarantee success—but it could give you an edge when it matters. Contact our team today to learn how we can assist you.

8: "US-China Trade War Tariffs: An Up-To-Date Chart," Peterson Institute for International Economics, Chad P. Bown, May 14, 2025.
9: Ibid.
10: Ibid.

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