

As tariffs redefine strategy, here's what leaders need to know across industries

Trade policy is becoming the currency of wider political influence. What steps can leaders take to balance big picture pressures with industry-specific strategies?

What began as a tactical tariff shift has evolved into a transformation reshaping global supply chains, alliances, and corporate strategy.

Business leaders face twin challenges. They need to be able to manage the specifics on tariffs while also engaging with the wider impact affecting their industries.

Drawing on insights from working directly with global organizations facing these shifts, as well as a series of 12 interviews with Deloitte subject matter experts, we explore the forces at play in different sectors, and the key actions leaders can take to manage risk and uncover opportunity.

Temporary change or fundamental shift?

Early responses to the January 2025 change in US tariff policy were hampered by uncertainty around whether the change marked a temporary, tactical ploy, or a fundamental reset.

Almost a year in, the position is much clearer: This is a paradigm shift.

Recent policy changes mark a clear break from post-war US trade policy and the multilateral norms of the World Trade Organization. Free trade principles have been replaced by a more transactional approach in which the most-favoured-nation status—previously treated as the standard for major trading partners—is no longer automatic but is a privilege that can be selectively extended or withdrawn to pursue wider policy objectives.

While tariffs tend to dominate the headlines, they are only one element of a new policy framework that includes nontariff measures, such as export controls on technologies like AI hardware, chipmaking tools, quantum computing, and biotech. Other measures set limits on outbound investment in high-tech sectors in rival economies. For some sectors, such as pharmaceuticals, the picture is further complicated by US policies aimed at reducing domestic prices while increasing tariff costs.

Whatever the specifics, the central principle of the new paradigm is that trade now serves as a tool for advancing political and strategic objectives, rather than a shared public good.

“Those who continue to view trade policy in narrow terms, and to interpret developments through the lens of the long post-war rules-based trade system, will fail to fully understand how this new paradigm works. Don’t be one of them,” says Jivan Datta, tax principal for Deloitte US.

As can be seen from the recent bilateral trade agreements between the United States and several Asian countries such as Malaysia and Cambodia, tariffs and trade policies are now folded into the pursuit of wider US strategic objectives.

“The early responses of many countries to US tariffs demonstrated an initial desire to reach agreement with the US administration while shoring up other trade relationships. However, this is no longer the full picture. The global response has evolved from mere adjustment to a fundamental restructuring and the adoption of alternative approaches,” says Louise Kelly, Deloitte Ireland trade strategy and resilience lead. Business leaders need to respond to this new reality.

Industry-specific impacts

This new paradigm is playing out differently in every sector. For some, the challenge is technical—managing new layers of compliance, especially in the area of customs valuation, and cross-border logistics. For others, the key is to rethink where value is created, who it serves, and how to protect it when the rules keep changing. The following examples, drawn from interviews with Deloitte leaders working across several major industries, illustrate these dynamics in practice.

Pharmaceuticals

While the shorthand “pharma” gives the impression of a single sector, responses to tariff disruption can vary depending on where the enterprises sit in the overall landscape. The challenges for those engaging in cutting-edge research and development, for example, are different from those engaged in the mass production of generic pharmaceuticals.

But, according to our interviews, prior to the January 2025 developments in trade policy, the pharmaceutical sector in general viewed the processes and paperwork involved in carrying out cross-border trade as a formality with a nominal cost. Now, for many in the sector, the cost of navigating customs borders has increased manyfold, and the risks associated with noncompliance with customs requirements demand greater attention. In addition, ancillary costs associated with planning around tariffs are expected to have an impact on consumer pricing.

Supply chain, production sites, and especially research and development locations connected with intellectual property management and protection hold the key answers. A multidisciplinary approach is essential. “It became very clear, very quickly, that even the greatest tariff expert in the world was not going to produce the complete answer. A whole range of different skill sets were required,” says Pierre-Henri Revault, Deloitte global life sciences and health care tax and legal leader.

Faced with ongoing uncertainty, our interviews show that pharmaceutical companies largely choose to adapt to current conditions, rather than wait for greater stability. Their responses have been flexible, but deliberately reversible, reflecting the unpredictability of the current tariff policy.

Added complexity comes from the US administration’s push to deliver lower drug prices to US consumers, creating a dual challenge for an industry already under pressure from higher trade barriers.

Aerospace and defense

For an industry dominated by US-based production, the impacts of tariff changes have largely stemmed from new costs and requirements placed on imported materials and components, particularly steel, aluminum, copper and their derivatives. While this is now a common experience for US importing companies, this sector is subject to specific restrictions that limit its freedom of response; for example, locking in multi-year contracts and being subject to strict licensing regimes.

One notable industry response has been the move away from acquisitions outside core sector activities, enabling greater centralization and focus on managing tariff response and developing future strategy.

“Establishing new manufacturing sites in aerospace and defense is difficult, and often flexible sourcing is not a viable option given certification, licensing, and security requirements,” says Lindsey Berckman, Deloitte’s US aerospace and defense lead. “With the traditional norms of sourcing quite disrupted, aerospace and defense companies are building multifunctional task forces to navigate changes in policy and operationalize risk mitigation tactics.”

Automotive

There are distinct regional differences in the automotive industry’s response to tariffs.

According to our industry specialists, for US-based producers, the overall economic calculation has been that margins are likely to hold up without the need to reengineer supply chains, even after factoring in increased costs for inputs such as steel and aluminum.

The automobile tariff rates have been provisionally set at approximately 15% to 20%, with exceptions for certain countries such as the United Kingdom and China. While, practically speaking, Mexico and Canada currently avoid tariffs on many items due to the US-Mexico-Canada Agreement, there remains a potential risk of changes to the USMCA framework as the 2026 review will be a critical juncture in determining the agreement’s future and the dynamics within North American supply chains.

“For countries with a strong automotive industry, there is limited potential for low export tariffs, making production within the United States the most practical option,” notes Nick Smith, Deloitte UK automotive lead. “Those who have turned challenges into growth are the winners of history, and the same applies to the current situation. Prompt decision making, and using tools such as simulations and predictive analytics, can help shift visible challenges into opportunities.”

European-based producers, on the other hand, recognizing that current conditions are likely to prevail for the foreseeable future, swiftly moved from “**respond**” to “**refresh**” in their strategies. The main emphasis has been on pursuing options that maintain agility. These strategies encompass the potential to restructure supply chains or to relocate investment and production operations closer to the end market.

By contrast, Chinese and other Asian producers continue to adopt a wait-and-see approach, maintaining existing processes and practice.

Food and agriculture

Across this sector, Deloitte specialists noted three broad types of response.

The first is adapting supply chains to the new conditions. Many agri-food companies have sought alternative suppliers in countries unaffected by recent or potential tariffs. Countries such as Brazil, Argentina, Australia, Canada, Mexico, India, Vietnam, Thailand, Ecuador, and Guatemala have emerged as major alternative sources for various agricultural products.

Organizations are also investigating the application of integrated financial planning tools to effectively manage tariff risk. Techniques have included hedging currency and tariff risk, revising inventory strategies, and renegotiating contracts.

Across the supply chain, companies are reimagining how their products are made and sourced. According to James Cascone, Deloitte future of food leader, “We have seen companies invest in innovation to reduce ingredient costs and improve margins. Responses here range across product reformulation to investments in automation and precision agriculture.”

Consumer

Two primary tariff challenges have emerged in the consumer sector.

First, for those dealing in primary commodities (such as raw materials or crops), there is a tension between the need to maintain agility in the face of a fast-changing policy environment and the inherent inflexibility of being tied into futures contracts. “Flexibility here is not a matter of logistics, but a matter of economics,” says Astrid Bregenhorn-Kuhs, a partner in Deloitte Germany’s global business tax advisory.

Second, it is now essential to thoroughly understand values and origins across the supply chain, rather than relying on logistics providers and customs brokers for compliance and formalities as was done in the past. The chance of heightened costs and penalties attaching to errors in the current environment makes such thinking a very high risk.

Scope for wider application of tariffs

To date, tariffs have overwhelmingly applied to goods (and to certain services when they were tied to imported goods). Going forward, organizations will need to watch for government moves to impose tariffs on stand-alone, cross-border services, which are typically exempt.

For example, for many years, the World Trade organization’s e-commerce moratorium has prevented customs duties from being imposed on electronic transmissions, but this principle is under increasing strain. While electronic transmissions and services not tied to the import of goods might not be subject to tariffs today, they could be taxed in other ways. “For instance, the European Union has floated applying a levy to the advertising revenue of digital services providers and the United States has suggested it could look to impose a tariff on non-US produced films,” says James Caldecourt, head of international trade for Deloitte UK.

Moves in the direction of applying new forms of taxation, whether levies or tariffs, to services could have serious implications for sectors such as financial services, media, telecoms, entertainment, and professional services.

Steps toward an effective response

The key lesson for the C-suite is that a laser focus on the issues with tariffs is necessary but not sufficient. To effectively respond to the new global trade environment, leaders should respond holistically with agility and resilience. Today’s executives need to be fully plugged into the wider changes and opportunities triggered by changes in tariff and non-tariff policies of different major trading countries.

Whatever the future path, experience to date suggests that the following actions may help manage risk and uncover opportunity:

- Evaluate new supplier markets in regions with favorable trade agreements.
- Fully explore available value-lowering opportunities such as First Sale for Export and duty drawback programs, as well as other customs duty relief opportunities.
- Modify product composition or assembly processes to better align with new tariff classifications.
- Revisit intercompany pricing methods, policies, and documentation in the light of tariff-induced changes.
- Invest in software solutions that provide real-time visibility to transactional and regulatory data, project future tariff liabilities for specific scenarios, enable product classification using artificial intelligence and machine learning, and generate standardized trade documentation.
- Proactively inform stakeholders about challenges and any necessary adjustments to forecast pricing or supply chains.

Above all, the recent tariff experience has highlighted the need for leaders to be able to directly access detailed expertise on technical tariff issues and to understand the interconnections between trade policy and wider policy trends.

Continue the conversation

Meet the industry leaders



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