Tariffs and DOGE: The Impact on Mergers and Acquisitions in 2025

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By Michael N. Mercurio

While many felt that 2025 might finally be the year of the rebound for mergers and acquisitions (M&A), the M&A landscape has hit turbulence as we take off into the new year.

In just the first few months, the new administration has imposed 25% tariffs on Mexican and Canadian imports, with a limit of 10% on Canadian energy, as well as a 20% tariff on products from China. These countries have already announced retaliatory efforts, including 15% tariffs from China on a variety of US farm exports and an announcement from Canada that they would "plaster tariffs" on more than $100 billion of American products over 21 days.

There has also been a flurry of activity from the Department of Government Efficiency (DOGE), cutting funding and staffing across a variety of government agencies. According to a recent article in M&A Alerts, "The department's influence could significantly impact industries reliant on government contracts, regulatory approvals, and cross-border investments, raising critical concerns for dealmakers in this evolving economic and political environment." These efforts also raise regulatory concerns and are already running into legal challenges.

Needless to say, the combination of tariffs and actions by DOGE has and will continue to have an impact on M&A activity this year. In fact, PitchBook is reporting that Morningstar DBRS stated they do not anticipate the substantial rise in M&A that was expected to arrive this year.

So, why are these efforts poised to have such an impact on the M&A market? A lot of it has to do with uncertainty. Bloomberg points out that "the worst enemy of a booming market for mergers and acquisitions has always been uncertainty." Their data shows that just over $470 billion in global transactions have been announced so far in 2025. That number is down 17% from the same period last year. If history proves to repeat itself, that is not a good sign for an M&A rebound in 2025, as Bloomberg also notes that "not once in the past two decades has dealmaking rebounded from a negative first quarter to beat the previous year's tally."

In addition to uncertainty, tariffs have a real impact on businesses who import or export goods and can negatively impact profitability and valuations. Supply chains can also be subject to tariff-related risks, which makes the due diligence process in transactions more complicated. Additionally, tariffs have implications for deal structure and timing, and some deals that were in the works might have to be restructured to account for the impact of new tariffs.

However, there could be some silver lining in all the doom and gloom. M&A Alerts also notes that DOGE's efforts could have positive impacts on the business community, and "the push for efficiency and deregulation may accelerate approvals and boost deal flow." So, while there is very real concern about the market volatility all of this is creating, there could be some pro-business efforts taking place that will have long-term benefits.

No matter your opinion on the tariffs or the work DOGE is doing, these are very important areas to monitor for dealmakers as they will no doubt impact deal structure, target selection, valuations, supply chain issues, regulatory compliance, and a host of other factors at least for the foreseeable future. Legal advisors will be working to find ways to mitigate the impact and risks amid this period of uncertainty.