How will geopolitics impact the global fashion supply chain in 2025?

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From ongoing regional conflicts to Trump's latest tariff threats, Just Style speaks to global and regional fashion industry experts to uncover how geopolitics will impact the sector in 2025 and how the wider supply chain can create opportunities out of the challenges that lie ahead.

2025 marks five years since the global pandemic sent shockwaves through the fashion supply chain and turned it on its head.

Fashion sourcing executives have realised diversification is key to supply chain resilience and some fashion brands also understand treating suppliers as partners is critical to everyone's success.

Just Style speaks to both global and regional fashion supplier experts to establish what the biggest geopolitical threats are in 2025 and how different fashion manufacturing countries are preparing for what lies ahead.

What are the main geopolitical threats for fashion on a global level?

Red Sea Crisis, Ukraine-Russia war and Gaza

Dr Sheng Lu, professor of apparel and fashion studies at the University of Delaware, says many of the main geopolitical threats to the fashion supply chain in 2025 are ongoing, namely: The Ukraine-Russia war, Red Sea crisis and what's happening in the Middle East.

In terms of the Red Sea crisis, industry sources indicate that as major carriers redirected their routes to avoid the Red Sea, container vessel volumes through the Suez Canal in 2024 experienced a 75% decrease compared to 2023.

He adds: "Transition times have also increased for vessel lanes that traditionally pass through the Suez Canal, particularly from Southeast Asia to the US East Coast (increased by over 40%), Southeast Asia to Europe (increased by over 30%) and from China to Europe (increased by 25%)."

Dr Lu hopes the recent ceasefire in Gaza could lead to an end to this crisis, and shippers could begin to shift routes back through the Red Sea area gradually in 2025.

Meanwhile, estimates suggest European companies have already lost $100bn in enterprise value from the ongoing Russia–Ukraine conflict, according to McKinsey & Company's podcast on 'Navigating the new geopolitical uncertainty'.

US' rocky relationship with China

Aside from ongoing conflicts, Dr Lu suggests a rocky US-China relationship during Trump's second term is a key "concern".

There could be additional policy measures as part of Trump's 'America First Trade Policy' that will have a significant impact on bilateral trade and investment, from raising tariffs and revoking China's Permanent Normal Trade Relationship (PNTR) to imposing new investment limitations on companies from both sides.

"Given the policy uncertainties, fashion companies are likely to continue with their derisking strategies and maintain a diverse sourcing base in 2025," he says.

US tariffs against the rest of the world

For International Apparel Federation (IAF) members, tariffs from the US remain high on the geopolitical concerns list says secretary general Matthijs Crietee. This includes current high tariffs, or the uncertainty of high tariffs hanging over the market.

Euratex, the voice of the European apparel and textile sector is deeply concerned about Trump's recent threat to place tariffs on EU goods, and says: "Such measures could indirectly impact Europe by diverting overcapacity from China, creating price distortions and unfair competition."

Crietee notes brands will avoid passing on tariff tax costs to end consumers, so "the reality is these tariff costs will often end up getting paid (indirectly) by manufacturers".

To manage risks, apparel brands and retailers may change their current sourcing mix or they may hedge their bets by extending the number of countries they source from.

He describes tariffs as a "major risk factor," but agrees with Dr Lu that "disruptions in trade flows due to tensions at transport choke points, such as the Red Sea and the Panama Canal" are also posing problems.

"All of this creates additional costs that come on top of higher costs to deal with growing legislation in Europe and to deal with the negative effects of climate change that are already upon us. Regulation, uncertainty and climate change mixed together drive up costs in our supply chains," he explains.

Crietee says to navigate this, the fashion industry needs to do better at reducing costs related to ineffective supply chains, such as markdowns, overproduction and lost sales.

He states: “We are entering a time of transactional, tit-for-tat global trade policies. It’s best to counter the negative effects of such policies through greater collaboration, process innovation and cutting-edge technology as described in IAF’s ‘Under the Banyan Tree’ report.”

China broadening its trading relationships outside of the US

Another threat, which ties in with China-US competition is China “broadening its trading relationships with members of the Belt and Road Initiative (BRI) and the Regional Comprehensive Economic Partnership (RCEP),” says Dr Lu.

He notes: “Since 2022, Association of Southeast Asian Nations (ASEAN) members, involved in both BRI and RCEP, have exceeded the US and become China’s top textile and apparel export market, particularly for textile raw materials”.

Similarly, he says over half of China’s textile and apparel exports in 2024 went to BRI members.

“China’s strengthened trade ties with South and Central American countries, from increasing cotton imports from Brazil and signing a new trade agreement with Nicaragua, also a Dominican Republic-Central American Free Trade Agreement (CAFTA-DR) member, could complicate the regional textile and apparel trade flows down the road,” he explains.

Currency fluctuations and inflation

IAF president Cem Altan says economic instability and inflationary pressures in key sourcing regions such as Türkiye, Bangladesh, and Vietnam will continue to affect pricing and cost structures in 2025.

He says: “Rising costs and margin pressures, increased transportation costs, higher labour wages in alternative sourcing regions, and compliance with stricter sustainability regulations are all putting pressure on profit margins.”

Climate change and sustainability

Sustainability and the growing effects of climate change have become connected to global geopolitics in 2025.

Dr Lu explains: “Fashion companies are encountering more frequent climate-related supply chain disruptions while nations are divided on climate and environmental governance.

He suggests the US' withdrawal from the Paris Agreement could make China and India more hesitant to fulfil their emission reduction commitments, hindering global efforts to combat climate change.

It could also put US-based fashion companies at a disadvantage in demonstrating their efforts to mitigate the environmental impacts of their business operations, especially as many US fashion brands sell in Europe where many environmental regulations are newly implemented or under development.

US fashion sector focuses on nearshoring, responsible sourcing to tackle geopolitical threats

American Apparel and Footwear Association (AAFA) CEO and president, Steve Lamar, maintains the need for an interconnected global supply chain.

He suggests new opportunities and challenges could arrive at any time in this geopolitical climate, so knowledge and partnership will be key.

"To remain competitive and build resilience, companies will want to be nimble, engaged, and informed. AAFA will work with members to advocate for smart trade packages including clearly defined, enforceable, effective, predictable, and transparent trade, customs, logistics, labelling, and US manufacturing policies," he states.

His team will work with members to provide authentic, affordable, responsibly produced, and ethically sourced fashion in a way that continues to support millions of US jobs.

The Sewn Products Equipment & Suppliers of the Americas (SPESA), which is the industry association for sewn products suppliers in the US asserts nearshoring in the Americas and reshoring production to the US will overcome many of the current geopolitical threats: "Our advice would be move more and move faster!"

SPESA adds nearshoring is happening with activewear brands bringing programmes back, but it "anticipates more will develop this year and will be looking for growth."

Asia's fashion supply chain predicts new winners from the US-China trade war

Secretary general Yohan Lawrence of the Joint Apparel Association Forum Sri Lanka (JAAF) shares the Asian fashion supply chain is "extremely susceptible to geopolitical concerns".

The biggest one on the horizon for Sri Lanka specifically is the US-China trade war with potential tariffs on apparel products coming out of China and potentially other countries "having an impact".

He sees an outside possibility that Sri Lanka could benefit from the fallout. Previously, countries like Vietnam benefitted and whilst he knows Sri Lanka is a small part of the global value chain, he believes "there's an outside chance we could benefit".

His advice to Sri Lankan fashion supplier members is to prioritise adaptability and collaboration as "building agile supply chains by leveraging technology, optimising logistics, and improving efficiency will help manage disruptions effectively".

Having locally produced yarns will ensure a complete supply chain locally, which is a strategic benefit to brands, he notes.

Lawrence also suggests a two-pronged approach to protect its existing US, EU, UK markets, while seeking preferential market access to non-traditional markets which have the potential to grow.

Central America risks losing nearshoring competitive advantage

Nearshoring is an obvious way to overcome many geopolitical threats and the Dominican Republic-Central American region benefits from being geographically close to the world's largest fashion consumer market —the US.

VESTEX, which represents Guatemala's apparel and textile sector tells Just Style it is concerned about possible changes to US trade policy given it accounts for over 75% of its exports.

VESTEX fears the imposition of extra tariffs could "diminish" its competitiveness and jeopardise its long-term growth prospects.

The potential approval of the US SHIPS Act could also have far-reaching effects for Guatemala and Central America.

While the SHIPS Act primarily targets Chinese products, it could create a precedent that affects other trading partners, including Guatemala.

The requirement to use US-flagged vessels for a portion of exports to the US could increase logistics costs. Plus, the limited availability of US-flagged ships on key routes could lead to delays, operational constraints, and needing to renegotiate contracts with global carriers.

But VESTEX can see opportunities coming from these new geopolitical challenges. Guatemala's proximity to the US and being the second-largest port in operation in the region, after Panama, offers investment potential in logistics infrastructure.

VESTEX asserts Guatemala could be a key player in nearshoring strategies by improving port efficiency, expanding capacity for larger vessels, and strengthening multimodal logistics networks that integrate port, air, and land transportation.

"As US companies increasingly shift production closer to home, Guatemala's textile industry can become a reliable partner, providing faster, more cost-effective solutions while transforming logistical challenges into a competitive advantage."

Türkiye eyes US market share growth as Trump extends distance from China

Istanbul Apparel Exporters' Association (İHKİB) vice president Mustafa Paşahan tells Just Style Türkiye's apparel and textile industry is directly and negatively impacted by geopolitical shifts in the short term.

However, he adds: "In the long term, Türkiye's apparel sector has demonstrated a high level of adaptability and the ability to diversify markets and products rapidly."

Paşahan anticipates the first half of 2025 will be particularly challenging for Türkiye but in the long-term he can see fresh opportunities.

For example, he notes that Trump will follow a different economic and political agenda globally and while this is expected to negatively impact established supply chain channels, it could create an opening for Türkiye.

He explains: "With the new Trump administration we expect the US to continue its strategy of distancing itself from China. In this context, we see Türkiye as one of the strongest candidates to fill the emerging gaps in the US market.

His primary focus is to increase market share from the US and he asserts that Türkiye is one of few countries that can complete all components of the supply chain within its borders and with a strong infrastructure.

Plus, the share of inputs provided from East Asian countries, from which the US is expected to distance itself, is quite low and limited.

Paşahan notes political and economic instability persists worldwide, particularly in regions close to Türkiye. Plus, the US's recent economic and political actions, such as its withdrawal from the Paris Climate Agreement could create a natural shift in global supply chains.

For this reason, he concludes: "The industry will need to adapt to new trade dynamics in the coming years."