# Character Group pauses US shipments amid tariff turmoil but eyes hopeful tariff truce



UK toy firm Character Group has expressed concerns over the uncertainties in its trading environment in the United States, following its decision to pause shipments of Chinese-made products. The company, known for popular toy lines like Peppa Pig and Fireman Sam, recently reported that its global sales have been affected by a notable shift in customer behaviour, as caution prevails in the marketplace.

This pause stems from the alarming escalation in tariffs imposed by the U.S., which recently saw a sharp increase to 145% on Chinese imports. In a tit-for-tat response, China retaliated with its own tariffs, raising rates on certain U.S. goods to 125%. Such drastic measures prompted Character Group to revise its financial outlook, pulling its targets for the year in light of growing uncertainty.

The situation took a slight turn for the better earlier this week when discussions led by U.S. President Biden saw a reduction in tariffs to 30% under a temporary agreement aimed at easing trade tensions. This reduction has sparked some cautious optimism within the industry. Still, Character Group noted that the uncertainties surrounding tariffs remain a challenge, with the company highlighting that sales to the U.S. represent about 20% of its total revenue, most of which comes from products manufactured in China. They optimistically suggested that the tariff change provides a glimmer of hope for a future resolution, although they tempered this with the acknowledgment that significant uncertainties remain.

The broader picture for the toy industry, however, is less encouraging. Reports indicate a worrying crisis confronting many toy manufacturers hit hard by the elevated tariffs, with nearly half of small and mid-sized toy firms in the U.S. bracing for potential bankruptcy. Similar cases can be seen across the industry, such as Huntar Company Inc., a U.S.-owned factory in China which has been forced to halt production and lay off employees due to the crippling tariffs. CEO Jason Cheung articulated the complex challenges they face in relocating operations, as they seek to navigate the high costs and logistical hurdles involved—very real consequences that underscore the fragility of businesses in these turbulent times.

Furthermore, air freight capacity between China and the U.S. has experienced a nearly 30% drop as manufacturers adjust to altered market conditions, following the suspension of specific tariff exemptions for low-value shipments. Airlines that once thrived on booming e-commerce demand are now scrambling, complicating the shipping landscape. Major players in this sector are being forced to rethink their logistics strategies, considering a pivot back to sea shipping to mitigate ongoing disruptions.

Even with the brief respite from heightened tariffs, the decision from Character Group to pause shipments reflects a trend that many companies are grappling with—an urgent need to reassess supply chains and their reliance on Chinese production. VTech, for example, is relocating its U.S.-bound production out of China, a proactive measure against long-term risks posed by tariff volatility. This move, while portraying a commitment to the U.S. market, exemplifies the pressures facing manufacturers unable to absorb the escalating costs tied to tariffs.

As the toy industry collectively faces these myriad challenges, the ramifications extend beyond individual companies; these trade disputes ultimately impact consumers who may face higher prices as businesses adjust to a shifting economic landscape. With the holiday season on the horizon, many businesses are already feeling the pressure to resume shipments amidst fears of potential bottlenecks and rising operational costs. The uncertainty and complexity of the current trading environment demand not just an adaptation in strategy but a broader conversation about achieving long-term stability—an elusive goal in today’s geopolitical climate.

### Reference Map

1. Paragraph 1: [[1]](https://www.irishnews.com/news/business/toy-firm-character-group-says-us-china-shipments-on-pause-over-tariffs-5MHR6Z7G3ZF7FAUWCYKKUBL3JM/)
2. Paragraph 2: [[1]](https://www.irishnews.com/news/business/toy-firm-character-group-says-us-china-shipments-on-pause-over-tariffs-5MHR6Z7G3ZF7FAUWCYKKUBL3JM/)
3. Paragraph 3: [[4]](https://apnews.com/article/b3f5174d086e39b2522ab848ddad9372)
4. Paragraph 4: [[3]](https://www.reuters.com/world/china/this-us-owned-factory-china-made-toys-walmart-tariffs-put-it-life-support-2025-05-12/)
5. Paragraph 5: [[2]](https://www.reuters.com/world/china/china-us-air-freight-tumbles-de-minimis-tariff-airlines-adjust-routes-2025-05-16/)
6. Paragraph 6: [[5]](https://www.ft.com/content/b30f3034-be82-405b-a91f-06ff8ccc405b)
7. Paragraph 7: [[6]](https://apnews.com/article/0c12feba442877de63d5009c2c300f55)
8. Paragraph 8: [[7]](https://www.reuters.com/business/autos-transportation/tariff-truce-sparks-hopes-halloween-orders-china-2025-05-14/)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.irishnews.com/news/business/toy-firm-character-group-says-us-china-shipments-on-pause-over-tariffs-5MHR6Z7G3ZF7FAUWCYKKUBL3JM/> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/china/china-us-air-freight-tumbles-de-minimis-tariff-airlines-adjust-routes-2025-05-16/> - Air freight capacity between China and the U.S. has dropped nearly 30% following the suspension of 'de minimis' tariff exemptions for low-value shipments from China and Hong Kong, significantly impacting Asia’s airlines that heavily relied on e-commerce cargo. Carriers such as Cathay Pacific, China Southern, Air China, and Korean Air, which benefitted from high-volume shipments from fast fashion retailers like Shein and Temu, are now facing declining demand. Although a recent tariff détente between the U.S. and China offered temporary relief, the long-term outlook remains dim without the reinstatement of duty-free access. E-commerce air cargo—once 55% of total shipments by tonnage—has been particularly affected, leading to rerouting of capacity and diversification into sea shipping. Major freight operators like Cathay and Singapore Airlines are adjusting strategy, including redeploying freighters to other markets such as Latin America. Countries in Southeast Asia could benefit if manufacturers shift operations away from China due to trade tensions, although they face new tariff challenges too. The industry is bracing for continued volatility, with air cargo becoming less reliable as a revenue stream amid economic uncertainty and shifting trade policies.
3. <https://www.reuters.com/world/china/this-us-owned-factory-china-made-toys-walmart-tariffs-put-it-life-support-2025-05-12/> - Huntar Company Inc., a U.S.-owned toy factory in China's Guangdong Province, is on the brink of collapse due to a 145% U.S. tariff on Chinese imports imposed by President Donald Trump. The sudden rise in tariffs has led to mass order cancellations, forcing CEO Jason Cheung to halt production, lay off a third of his 400 workers, and cut wages. Huntar, a second-generation family business, produces educational toys for major retailers like Walmart and Target. Now, Cheung is desperately seeking to relocate operations to Vietnam—a complex process hindered by high costs, logistical hurdles, and a lack of suitable facilities. With $750,000 worth of canceled shipments and limited time, the company faces potential closure. American-owned factories like Huntar are rare in China, and the situation highlights the broader crisis confronting the toy industry, with nearly half of U.S. small and mid-size toy firms fearing bankruptcy due to tariffs. Despite Trump’s goal of reshoring manufacturing, experts argue that such shifts are impractical. Huntar’s fate now hangs in the balance, with Cheung forced to consider painful cutbacks and unsure if the dream his father began in 1983 can survive the ongoing trade war.
4. <https://apnews.com/article/b3f5174d086e39b2522ab848ddad9372> - On May 12, 2025, the United States and China reached a temporary trade agreement in Geneva, agreeing to significantly reduce their recently heightened tariffs and pave the way for further negotiations over the next 90 days. The U.S. decreased tariffs on Chinese goods from 145% to 30%, while China lowered its tariffs on U.S. products from 125% to 10%. This partial de-escalation, though leaving tariffs substantially elevated compared to pre-escalation levels, averted what officials described as the equivalent of a trade embargo. Both sides emphasized collaboration and set up consultations to address ongoing trade issues. The initial agreement sparked global market optimism, with the S&P 500 and Dow Jones futures rising, along with oil prices and global indexes. Still, economic analysts expressed caution, noting the temporary nature of the truce and that U.S. consumers would bear much of the tariff burden. Despite temporary relief for businesses like toy manufacturer Basic Fun, there remains uncertainty about whether a lasting resolution can be reached within the allotted timeframe. Experts described the deal as a minor but important step, indicating that both nations were under significant economic pressure to re-engage in productive talks.
5. <https://www.ft.com/content/b30f3034-be82-405b-a91f-06ff8ccc405b> - VTech, a Hong Kong-based toymaker supplying major US retailers like Walmart and Target, announced plans to relocate all US-bound production out of China by the end of next year. Despite a temporary reduction in US tariffs on Chinese goods—from 145% to 30%—VTech will shift operations to Malaysia, Mexico, and Germany to mitigate long-term risks. CEO Allan Wong emphasized that tariffs would inevitably lead to higher consumer prices, a sentiment echoed by rival toy maker Mattel, which is also reducing its reliance on Chinese manufacturing. VTech is negotiating with US retailers over impending price increases, although the extent remains uncertain. While a 145% tariff would render US sales unviable, the current 30% is “manageable.” Despite the challenges, VTech confirmed its commitment to the US market, which remains a key revenue source. In fiscal performance, VTech posted $2.2 billion in revenue—up 1.5%—but saw a nearly 6% dip in profits due to increased operating costs. The company anticipates a revenue decline next year as US consumer spending slows.
6. <https://apnews.com/article/0c12feba442877de63d5009c2c300f55> - American businesses dependent on Chinese imports expressed cautious relief after the U.S. and China agreed to a 90-day pause on elevated tariffs, reducing them by 115 percentage points. While companies welcomed the reduction from a peak 145% rate, the remaining 30% and uncertainty beyond the truce period fueled continued anxiety. Retailers and manufacturers, especially those preparing for the holiday season, scrambled to resume or adjust shipments—fearing potential shipping bottlenecks and rising costs. Business owners, including game makers and furniture designers, emphasized that the temporary measure complicates planning and limits aggressive ordering. Many, like WS Game Company and The Edge Desk, had goods waiting in China and were concerned about execution timing, marketing budgets, and profit margins under continued tariff pressure. Some importers called for special exemptions for small businesses, while others criticized the lack of a stable, long-term trade framework. Chinese exporters also hesitated to resume shipments, citing ongoing tariff uncertainty tied to issues like fentanyl-related sanctions. Overall, the trade pause provides short-term relief, but businesses emphasize the need for a more permanent and predictable trade resolution.
7. <https://www.reuters.com/business/autos-transportation/tariff-truce-sparks-hopes-halloween-orders-china-2025-05-14/> - A recent tariff truce between the United States and China is raising hopes for the resumption of trade, particularly for Chinese manufacturers of Halloween decorations in Yiwu. U.S. tariffs, which peaked at 145% in April, had significantly disrupted orders, impacting businesses like Xubo, which depends on the U.S. for 20% of its sales. Although tariffs have been reduced to 30%, manufacturers, such as Lou Xiaobo, express frustration over lost production time and warn that they may struggle to fulfill complex orders before Halloween. Industry experts, including Robert Berman of the Halloween and Costume Association, note that the tariffs struck at a critical time when products were already in production or shipping, exacerbating disruptions. While the truce fosters hope, uncertainty lingers due to its 90-day duration and volatile U.S. policy. Exporters remain cautious, fearing a possible return to trade tension, even as they hope for renewed orders to salvage their seasonal sales.